

City of Fort Worth, Texas

Mayor and Council Communication

DATE: 09/16/25 M&C FILE NUMBER: M&C 25-0873

LOG NAME: 21ADOPTION OF ATMOS 2025 RRM

SUBJECT

(ALL) Adopt Ordinance Approving Negotiated Settlement and Establishing Maximum Permitted Rates and Charges that Atmos Energy Corporation d/b/a Atmos Energy Corporation, Mid-Tex Division, May Assess Customers in the City of Fort Worth Effective October 1, 2025

RECOMMENDATION:

It is recommended that the City Council adopt the attached Ordinance establishing maximum permitted rates and charges that Atmos Energy Corporation, d/b/a Atmos Energy Corporation, Mid-Tex Division, may assess customers in the City of Fort Worth, effective October 1, 2025, pursuant to a negotiated settlement of Atmos' proposed rate increase under its 2025 Rate Review Mechanism filing.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve a negotiated settlement with Atmos Energy Corporation, d/b/a Atmos Energy Corporation, Mid-Tex Division (Atmos or Company), regarding Atmos' 2025 filing under the Rate Review Mechanism (RRM). The settlement was negotiated and is recommended by the Executive Committee of the Atmos Cities Steering Committee (ACSC), a coalition of 181 cities including Fort Worth (ACSC Members), which work cooperatively to provide members with more effective and efficient representation on natural gas-related issues.

The RRM Settlement; most recently adopted in 2024 (Ordinance 27127-09-2024), served as an alternative rate adjustment mechanism to the default process outlined in state law. Like the state-law adjustment mechanism, the RRM allows Atmos to adjust rates to recover capital improvement costs, but unlike state law, the RRM considers Atmos' overall financial situation, including operating costs and revenues and allows cities, as regulatory entities, to review filings and identify expenses or investments considered to be unreasonable or unnecessary that should be reduced or disallowed.

Since 2007, there have been several modifications to the original RRM Tariff. The RRM process has generally resulted in rate increases that are less than Atmos would have been entitled to implement under the default state-law adjustment mechanism. On or about April 1, 2025, Atmos filed a rate request under the RRM Tariff. Given Atmos' claim that its cost-of-service in a test year ending December 31, 2024, entitled it to \$245.2 million in additional system-wide revenues.

After reviewing the filing and conducting discovery, ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be \$185.6 million instead of the claimed \$245.2 million.

Application of the standards set forth in ACSC's RRM Tariff reduces the Company's request to \$225.6 million, \$163.5 million of which would be applicable to ACSC members.

After several settlement meetings, ACSC and Atmos have agreed to settle the case for \$205.6 million. This is a reduction of \$20 million to the Company's request reduced by the RRM tariff. This includes payment of ACSC's expenses.

City staff concur with the ACSC Executive Committee in their recommendation that the City take action to approve the negotiated settlement rates and charges before October 1, 2025; new rates become effective October 1, 2025.

The attached Ordinance reflects the terms of a negotiated settlement between ACSC and Atmos to resolve issues raised by ACSC during the review and evaluation of Atmos' filing. Under the Ordinance, Atmos will generate \$205.6 million in additional revenues from ACSC Cities.

Fort Worth vs. Atmos Mid-Tex Division RRM Tariff– Settlement Comparison:

The average monthly residential consumption in Fort Worth is 38.8 Centum Cubic Feet (CCF), which is less than the 42.1 CCF average for Atmos residential customers. This corresponds to an average monthly residential bill of \$87.13 in Fort Worth, which is 6% lower than the average bill of \$92.33 for Atmos residential customers.

Conversely, the average monthly commercial consumption in Fort Worth is 475.0 CCF, which is higher than the 367.6 CCF average for all commercial customers in the incorporated areas of Atmos Mid-Tex Division. This corresponds to an average monthly commercial bill of \$510.94 in Fort Worth, which is 22% higher than the average bill of \$418.10 for all commercial customers in the incorporated areas of Atmos Mid Tex.

These are average base rate bills, including cost of gas and taxes.

Fort Worth – Current vs. Settlement

Atmos Customer Class for Fort Worth	Average Consumption	Current Average Monthly Bill with Gas Cost	Settlement Average Monthly Bill with Gas Cost	Settlement Monthly Change	Percentage Increase with Gas Cost
Residential	38.8 CCF	\$79.85	\$87.13	\$7.28	9.1%
Commercial	475.0 CCF	\$481.50	\$510.94	\$29.44	6.11%

Atmos Mid-Tex Division RRM Tariff

On approval of the attached Ordinance, the rates shown in Exhibit A of the Ordinance will be effective for bills rendered on or after October 1, 2025. Key elements of rate changes are as follows:

Tariff Rate - Customer Class	Current	RRM Settlement
Residential		
Customer Charge	\$22.95	\$23.65
Consumption Charge/CCF	\$0.59	\$0.75
Commercial		
Customer Charge	\$81.75	\$94.00
Consumption Charge/CCF	\$0.19	\$0.22
Industrial		
Customer Charge	\$1,587.75	\$1,848.75
Consumption Charge Tier 1 /MMBtu	\$0.66	\$0.77
Consumption Charge Tier 2 /MMBtu	\$0.48	\$0.56
Consumption Charge Tier 3 /MMBtu	\$0.10	\$0.12
Transportation		
Customer Charge	\$1,587.75	\$1,848.75
Consumption Charge Tier 1 /MMBtu	\$0.66	\$0.77
Consumption Charge Tier 2 /MMBtu	\$0.48	\$0.56
Consumption Charge Tier 3 /MMBtu	\$0.10	\$0.12

The ACSC staff report includes the Company's Average Bill Comparison base rates on average monthly bills for Atmos Mid-Tex Division customers, by Customer Class; Base Rates Test Year Ending December 31, 2024. As stated above, Fort Worth residential consumption is lower than the average while its commercial consumption is higher. The following table represents the average bill impact across all of the ACSC.

Atmos Mid -Tex Bill Impact (ACSC):

ACSC Tariff Rate- Customer Class Average Bill	Average Consumption	Current Average Monthly Bill with Gas Cost	Settlement Average Monthly Bill with Gas Cost	Settlement Monthly Change	Percentage Increase with Gas Cost
Residential	42.1 CCF	\$84.49	\$92.33	\$7.84	9.28%
Commercial	367.6 CCF	\$392.36	\$418.10	\$25.74	6.56%
Industrial	1,277 MMBtu	\$6,632.29	\$7,064.20	\$431.91	6.51%
Transportation	4,534 MMBtu	\$8,604.01	\$9,329.51	\$725.50	8.43%

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that approval of this recommendation will have no material effect on City funds.

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Expedited