

Mayor and Council Communication

DATE: 10/20/20

M&C FILE NUMBER: M&C 20-0753

LOG NAME: 21ADOPTION OF ATMOS 2020 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 December 1, 2020

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 December 1, 2020, pursuant to a negotiated settlement of Atmos' proposed rate increase under its 2020 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), regarding Atmos' 2020 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 171 cities including Fort Worth, which works cooperatively to provide members with more effective and efficient representation on natural gas-related issues.

The RRM Tariff was most recently re-adopted in 2019 (M&C 19-0185) and serves 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 takes into account 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 it was originally adopted, 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 March 31, 2020, Atmos filed a rate request under the RRM Tariff. Given Atmos' claim that its historic cost of service should entitle it to recover \$141.2 million in additional system-wide revenues, the RRM settlement at \$90 million for ACSC Cities reflects substantial savings to its member-cities. ACSC's consultants produced a report indicating that Atmos had justified increased revenues for ACSC Cities of at least \$81 million. It was determined that a settlement at \$90 million (equivalent to \$81 million with a two-month delay) is fair and reasonable.

The City worked with and through ACSC to analyze the schedules and evidence offered by Atmos to support its request to increase rates. City staff concur with the ACSC Executive Committee in their recommendation that the City take action to approve the negotiated settlement's rates and charges before November 1, 2020; new rates become effective December 1, 2020.

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' revenues would increase by \$90 million. This figure represents a reduction of approximately \$51.2 million from the amount Atmos requested in its RRM filing.

On approval of the attached Ordinance, the rates shown in Exhibit A of the Ordinance will be effective for bills rendered on or after December 1, 2020. Key elements of the rate changes are as follows:

Tariff Rate - Customer Class	Current	Proposed
R - Residential		
Customer Charge	\$ 19.55	\$ 20.25
Consumption Charge	\$ 0.17423/Ccf	\$ 0.26651/Ccf
C - Commercial		
Customer Charge	\$ 46.50	\$ 54.50

Consumption Charge	\$ 0.09924/Ccf	\$ 0.11728/Ccf
I - Industrial & T - Transportation		
Customer Charge	\$ 845.50	\$ 1,014.50
Consumption Charge Tier 1	\$ 0.3572/MMBtu	\$ 0.4157/MMBtu
Consumption Charge Tier 2	\$ 0.2616/MMBtu	\$ 0.3044/MMBtu
Consumption Charge Tier 3	\$ 0.0561/MMBtu	\$ 0.0653/MMBtu

The ACSC staff report includes an Average Bill Comparison regarding the impact of the settlement rates on the average monthly bills for Atmos Mid-Tex Division customers by Customer Class:

Tariff Rate-Customer Class	Average Consumption	Current	Proposed	Cost-Change	% - Change
R - Residential	44.5-Ccf	\$ 52.01	\$ 57.16	\$ 5.15	9.9%
C - Commercial	357.4-Ccf	\$ 236.07	\$ 251.55	\$15.48	6.56%
I - Industrial	4,143-MMBtu	\$ 11,929.86	\$ 12,326.23	\$ 396.37	3.32%
T - Transportation	4,143-MMBtu	\$ 4,233.25	\$ 4,629.63	\$ 396.38	9.36%

This M&C does not request approval of a contract with a business entity.

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.

Submitted for City Manager's Office by: Dana Burghdoff 8018

Originating Business Unit Head: Steve Cooke 5134

Additional Information Contact: Roger Venables 6334