

**To the Mayor and Members of the City Council****June 23, 2020**

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**SUBJECT: ATMOS ENERGY 2020 RATE REVIEW MECHANISM TARIFF FILING**

The purpose of this report is to provide information regarding Atmos Energy Corporation's Mid-Tex-Division 2020 Rate Review Mechanism (RRM) tariff filing of March 31, 2020. Atmos' Mid-Tex Division, the former Lone Star Gas and TXU Gas acquired in 2004, serves much of the north central Texas region including the City of Fort Worth.

The City is assessing the impact of Atmos RRM with assistance from the Atmos Cities Steering Committee (ACSC.) The ACSC is a municipal coalition organization of over 178 member cities in north and central Texas; the City has been a member since the ACSC's inception in 2006. The ACSC regularly undertakes activities on behalf of its city members and their citizens such as participation in rate cases, rulemakings and legislative efforts that impact natural gas rates.

On April 15, 2020, Atmos representatives and the ACSC's Executive Committee conducted a technical conference to discuss the tariff filing; discovery is ongoing. Once discovery is complete the Executive Committee will receive a recommendation from its consultant, ReSolved Energy Consulting, LLC. Afterwards, Atmos and the ACSC will engage in settlement discussions; the ACSC's Executive Committee hopes to present the ACSC's membership with an agreement later this summer.

In the 2020 Mid-Tex filing, Atmos claims a need for an increase of \$141.2 million in revenues, representing a 9% increase over total revenues and a 15.3% increase over non-gas revenues. Eliminating revenue-related taxes such as Texas gross receipt taxes, municipal franchise fees, and Railroad Commission fees, reduces the request to \$131.7 million. A further adjustment to comply with restrictions in the RRM tariff adopted by the ACSC reduces the system-wide request to \$127.2 million. The portion of that system-wide amount applicable to ACSC members is \$92.1 million.

Atmos claims that 95% of the increase is for recovery of expenses related to pipe replacement, damage prevention, and leak surveying activities. Atmos states that in 2019 it replaced 188 miles of steel pipe, 77 miles of cast iron pipe, and over 24,000 steel service lines. Atmos also reports that in 2019 it performed more than one million line-locates, and found that excavators struck its lines more than 3,500 times. Additionally, Atmos surveyed approximately 13,500 miles of pipe.

On September 24, 2019, Mayor and Council Communication 19-0185 approved a negotiated settlement of Atmos' 2019 RRM tariff filing; the new rates went into effect on October 1, 2019. The approved revenue increase for 2019 translated to an increase of 3.7% on average residential customer's monthly bill and 2.31% for the average commercial customer. The settlement was negotiated and recommended by the ACSC's Executive Committee as it worked cooperatively to provide its members with effective representation on natural gas-related issues.

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Rates approved through the RRM process normally become effective on September 1. However, Atmos recently agreed to postpone the implementation of the pending Gas Reliability Infrastructure Program (GRIP) increase filed in non-ACSC cities until October 1 in recognition of the current COVID 19 pandemic, which has resulted in significant unemployment claims. ACSC members may also seek delays in the implementation of new higher rates if conditions do not improve during the summer.

Questions regarding the information contained in this report should be directed to Roger Venables, Assistant Director, Property Management Department, at 817-392-6334.

**David Cooke**  
**City Manager**