

**To the Mayor and Members of the City Council****September 14, 2021**

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**SUBJECT: ATMOS ENERGY 2021 RATE REVIEW MECHANISM TARIFF FILING**

The purpose of this report is to provide information to Mayor and City Council regarding Atmos Energy Corporation's Mid-Tex-Division ("Atmos Mid-Tex" or "Company") 2021 Rate Review Mechanism ("RRM") tariff filing of April 1, 2021. Atmos Mid-Tex, 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 ("City").

The City assesses the impact of Atmos RRM with assistance from the Atmos Cities Steering Committee ("ACSC"). The ACSC is a municipal coalition organization of over 175 member-cities ("ACSC 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. The City is assessed a population-based fee each year for its participation in the Steering Committee of Cities Served by Atmos.

In 2007, ACSC and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability infrastructure Program). The settlement created a substitute rate review process, referred to as Rate Review Mechanism as a substitute for future filings under the GRIP statute. The RRM is unique to the ACSC Cities and it allows the ACSC Cities a more comprehensive rate review, annual evaluation of expenses, revenue, and capital investment, and the recovery of ACSC Cities' rate case expenses. The GRIP process does not allow for any such review or recovery.

In the 2021 Atmos Mid-Tex filing, the Company claims a need for an increase of \$43.4 million in revenues. Eliminating revenue-related taxes such as Texas gross receipt taxes, municipal franchise fees, and Railroad Commission fees, reduces the request to \$40.5 million. ACSC's consultants concluded that further adjustments to comply with restrictions in the RRM tariff adopted by the ACSC reduces the system-wide request to \$22.34 million instead of the initial claim of \$43.4 million. The portion of that system-wide amount applicable to ACSC Cities is \$16.8 million. The requested increase is to recover costs of investments primarily made in its infrastructure during the period January 1, 2020 through December 31, 2020. This period does not include the winter storm in February 2021.

Subject to council approval, Atmos-Mid Tex and the ACSC Executive Committee have negotiated a settlement whereby Atmos-Mid Tex would receive an increase of \$22.78 million from ACSC Cities.

Rates approved through the RRM process normally become effective on October 1. However, Atmos-Mid Tex agreed to postpone the implementation of the pending Gas Reliability Infrastructure

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Program (GRIP) increase filed in non-ACSC cities until December 1. This delayed effective date represents \$3.8 million in savings to ACSC Cities. An ordinance adopting the negotiated new rates will be presented to council on or before October 1, 2021, which is the deadline for when ACSC Cities must take action.

Questions regarding the information contained in this report should be directed to Juanita Rigsby, Energy Manager, Property Management Department, at 817-392-8518. For more information concerning this history of ACSC and the Rate Review Mechanism, a FAQ sheet is available upon request.

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