

AGENDA INFORMATION SHEET
AGENDA ITEM NO. RES-0979

ACTION TO SUSPEND FOR 45 DAYS THE EFFECTIVE DATE PROPOSED BY ATMOS ENERGY CORPORATION – MIDTEX DIVISION, TO INCREASE RATES UNDER THE GAS RELIABILITY INFRASTRUCTURE PROGRAM, AND AUTHORIZE THE CITY’S CONTINUED PARTICIPATION IN A COALITION OF CITIES KNOWN AS THE "ATMOS TEXAS MUNICIPALITIES"

ATMOS TEXAS MUNICIPALITIES

The City is a member of the Atmos Texas Municipalities (“ATM”). The ATM group was organized by a number of municipalities served by Atmos Energy Corporation – MidTex Division (“Atmos Energy”) and has been represented by the law firm of Herrera Law & Associates, PLLC to assist in reviewing applications to change rates submitted by Atmos Energy.

“GRIP” RATE APPLICATION

Under section 104.301 of the Gas Utility Regulatory Act (GURA), a gas utility is allowed to request increases in its rates to recover a return on investments it makes between general rate cases. This section of GURA is commonly referred to as the “GRIP” statute, that is, the “Gas Reliability Infrastructure Program.”

Under a decision by the Supreme Court of Texas, the Court concluded that a filing made under the GRIP statute permitted gas utilities the opportunity to recover return on capital expenditures made during the interim period between general rate cases by applying for an interim rate adjustment and that proceedings under the GRIP statute did not contemplate either adjudicative hearings or substantive review of utilities' filings for interim rate adjustments. Instead, the Court concluded, the GRIP statute provides for a *ministerial* review of the utility’s filings to ensure compliance with the GRIP statute and the Railroad Commission’s rules, and that it is within the Railroad Commission’s authority to preclude cities from intervening and obtaining a hearing before the Railroad Commission.

ATMOS ENERGY’S “GRIP” APPLICATION

On or about February 25, 2022 Atmos Energy filed for an increase in gas utility rates under the Gas Reliability Infrastructure Program (“GRIP”). Atmos Energy’s application if approved by the Commission will result in an increase in the monthly customer charges as shown below:

Rate Schedule	Current Customer Charge	Proposed 2021 Interim Rate Adjustment	Adjusted Customer Charge	Increase Per Bill
Rate R – Residential Sales	\$30.99 per customer per month	\$5.15 per customer per month	\$36.14 per customer per month	\$5.15
Rate C – Commercial Sales	\$81.27 per customer per month	\$16.47 per customer per month	\$97.74 per customer per month	\$16.47
Rate I (Industrial) & Rate T (Transportation)	\$1,463.50 per customer per month	\$309.07 per customer per month	\$1,772.57 per customer per month	\$309.07

Also, Atmos Energy’s proposed increase in revenue results in the following approximate percentage increases in a customer’s base-rate bills. Base rates recover Atmos Energy’s costs excluding the cost of gas and are the costs that are directly within Atmos Energy’s control:

Residential Gas Service:	14.2% increase in average customer’s bill
Commercial Gas Service:	15.5% increase in average customer’s bill
Industrial & Transportation Gas Service:	11.9% increase in average customer’s bill

Atmos Energy’s application, if approved by the Railroad Commission, will result in a systemwide increase in Atmos Energy’s revenue of about \$128.36 million, of which ATM’s portion is about \$12.81 million. Atmos Energy proposed an effective date of April 26, 2022.

REVIEW AND ACTION RECOMMENDED

In light of the Texas Supreme Court’s opinion, the City’s ability to review and effectuate a change in Atmos Energy’s requested increase is limited. Nonetheless, to allow for a limited review of Atmos Energy’s GRIP application, and given the limited authority cities have in GRIP cases, it is recommended that the City suspend Atmos Energy’s proposed effective date of April 26, 2022 for forty-five days as allowed by state law, so that the City may evaluate whether the data and calculations in Atmos Energy’s rate application are correctly done.

Therefore, ATM’s Special Counsel, the law firm of Herrera Law & Associates, PLLC (through Alfred R. Herrera) recommends that the City adopt a resolution suspending Atmos Energy’s proposed effective date for 45 days. Assuming a proposed effective date of April 26, 2022 Atmos Energy’s proposed effective date is suspended until June 10, 2022.