

AGENDA INFORMATION SHEET
ITEM NO. _____

**INTERVENTION IN THE RAILROAD COMMISSION OF TEXAS
 PROCEEDING RELATED TO THE STATEMENT OF INTENT FILED
 BY ATMOS PIPELINE TEXAS ON OR ABOUT MAY 19, 2023 IN
 CAASE NO. 00013758**

BACKGROUND

On about May 19, 2023, Atmos Pipeline Texas (“APT” or “Atmos”) submitted a Statement of Intent with the Railroad Commission of Texas to raise “Rate CGS” (“city gate service”) and Rate PT (“pipeline transportation”). This request represents an increase in revenue of approximately \$119.4 million or a 14.40% increase over current revenues.

The proposed increase directly affects the following firm transportation customers: Atmos Energy Corp., Mid-Tex Division; Co-Serv Gas Ltd.; the City of Rising Star; the City of Navasota; Corix Utilities, Inc.; Terra Gas Supply; Terra Gas Service, Co.; and WTG Marketing, Inc. In addition, there are 70 interruptible customers who take service under “Rate PT – Pipeline Transportation” and that will be affected by this rate increase request.

It is expected that Atmos MidTex (the distribution gas-utility company) will pass along to its customers, APT’s proposed increase in rates. Thus, the rates that the City’s citizens and businesses, and the City as a consumer of gas-utility services pay Atmos Texas MidTex (the distribution gas-utility company), will likely be affected by APT’s proposed rate increase.

On a rate schedule basis, the impact is as follows:

Capacity Charges

Rate Schedule	Current Capacity Charge per MMBtu of MDQ	Proposed Capacity Charge per MMBtu of MDQ	Difference
Rate CGS – Mid-Tex	\$17.96538	\$21.25175	\$3.28637
Rate CGS – Other	\$17.96538	\$21.25175	\$3.28637
Rate PT	\$ 9.80882	\$16.73056	\$6.92174

Rate Schedule	Current Working Gas in Storage Charge	Proposed Working Gas in Storage Charge	Difference
Rate CGS – Mid-Tex	\$0.38317	\$0.54745	\$0.16428

The customer charge in a customer’s bill is the “Maximum Daily Quantity” (“MDQ”), multiplied by the capacity charges shown in the table above.

Usage Charge

Rate Schedule	Current Usage Charge per MMBtu	Proposed Usage Charge per MMBtu	Difference
Rate CGS – Mid-Tex	\$0.02785	\$0.03253	\$0.00468
Rate CGS – Other	\$0.02785	\$0.03253	\$0.00468
Rate PT	\$0.01325	\$0.01937	\$0.00612

The resulting revenue increase for each class based on the above rates is as follows:

- Rate CGS – Mid-Tex - 15.49%;
- Rate CGS – Other – 14.92%; and
- Rate PT – 64.10%.

APT seeks a Return on Equity (ROE) of 13.5% and a capital structure weighted toward equity – 60.44% Equity and 39.56% Debt, which results in an overall rate of return of 9.73%. More recently the ROE the Railroad Commission has approved have been materially lower than APT is requesting.

APT also seeks to revise its depreciation rates for its capital assets.

REPRESENTATION

The law firm of Herrera Law & Associates, PLLC (through Mr. Alfred R. Herrera) has previously represented the Atmos Texas Municipalities (“ATM”) in rate matters involving APT as well as other Texas cities in rate case matters. Thus, the law firm of Herrera Law & Associates, PLLC has substantial experience in rate case matters generally and specifically in dealings with APT and the Railroad Commission of Texas (“Commission”).

INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS AND COURT PROCEEDINGS, IF ANY

The Railroad Commission of Texas has exclusive jurisdiction over APT’s rates. However, cities have a statutory right to intervene in ratemaking proceedings before the Railroad Commission when the rates at issue may have an impact on the City or its residents’ rates. APT’s increase in rates will be passed on to its “wholesale” customers, including APT’s affiliated distribution division, Atmos Energy – MidTex Division. The ATM cities are served by Atmos Energy-MidTex Division. It is important to participate in the Commission’s proceedings related to APT’s rate application because its final decision will impact rates within the City. Thus, the accompanying Resolution authorizes intervention in proceedings at the Railroad Commission including any related commission and court proceedings.

RATE CASE EXPENSES

Cities, by statute, are entitled to reimbursement of their reasonable rate case expenses from the utility. Legal counsel and consultants approved by the City will submit monthly invoices to a member ATM city that will be forwarded to APT for reimbursement.

ACTION: INTERVENTION IN THE RAILROAD COMMISSION PROCEEDING PERTAINING TO APT'S RATE CASE

Unlike proceedings brought by gas distribution utilities to increase rates, Texas municipalities do not have jurisdiction over the rates of gas pipeline companies. Under Texas law, the Railroad Commission of Texas has exclusive original jurisdiction over the rates of gas pipeline companies. But cities have a statutory right to intervene in ratemaking proceedings before the Railroad Commission when the rates at issue may have an impact on the City or its residents' rates. Therefore, the City's opportunity to evaluate and affect APT's proposed rate increase is to intervene as a party in the pending APT rate proceeding at the Railroad Commission of Texas.

RECOMMENDATION

It is recommended that the City authorize intervening in APT's pending rate proceeding at the Railroad Commission as part of the coalition of similarly-situated municipalities known as the Atmos Texas Municipalities (ATM).

It is also recommended that the City retain the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to APT's rate proceeding at the Railroad Commission, including any appeals, and to advise the City with regard to APT's application.

To ensure full participation in the proceedings at the Railroad Commission, it is recommended that the City take action authorizing intervention at its earliest opportunity in order to maximize the benefits of participation as a party in the proceedings at the Railroad Commission.

The accompanying Resolution, if adopted:

1. Authorizes intervention in the ratemaking proceedings at the Railroad Commission of Texas and any related proceedings, regarding Atmos Pipeline Texas;
2. Retains the law firm of Herrera Law & Associates, PLLC to represent the City's interest in matters related to APT's rate proceeding; and
3. Directs APT to reimburse ATM's rate-case expenses.