



MEMORANDUM

TO: Mayor and City Council

THROUGH: Ed Van Eenoo, Chief Financial Officer 

FROM: Diana Thomas, Deputy Chief Financial Officer 

DATE: January 24, 2025

SUBJECT: **Public Hearing Item 87 Atmos Energy Gas Rate Case**

Atmos Energy Corporation (Atmos) filed a Statement of Intent to Increase Rates for its Mid-Tex Division within certain cities, including the City of Austin, with an effective date of January 20, 2025. Atmos agreed to an extension for the effective date of its proposed rates to January 30, 2025. [Item 87 on the January 30, 2025 agenda](#) is to conduct a public hearing and consider matters related to this rate case. With regard to the rates, City Council may elect to 1) approve the rate increase as proposed by Atmos; 2) suspend the effective date of the proposed increase for a later Council decision; or, 3) deny the proposed increase.

Austin-specific Atmos Information:

Atmos' franchise agreement runs from July 2008 to July 2028. As of December 2024, Atmos has 10,710 residential customers, 307 commercial customers, and 2 industrial customers in the City of Austin.

Rate Case Details:

Atmos' Statement of Intent increases rates for its Mid-Tex Division by \$16.7 million, which equates to an increase in annual revenue of 7.1% including gas costs, and 11.5% excluding gas costs. Atmos proposes to leave rates for Commercial, Industrial, and Transportation customers unchanged. For in-city residential customer's, Atmos' proposed rate structure would result in an average rate increase of 14.1% excluding the cost of gas, and 9.4% including the cost of gas. This is Atmos' first request to increase its base rates since 2018. Following the conclusion of its 2018 rate case, Atmos has raised its rates by means of six Gas Reliability Infrastructure Program filings, which are annual interim rates adjustments.

Prior to its filing with the City of Austin, Atmos filed substantially the same proposal with the Railroad Commission of Texas (RRC) to increase rates across its service territory for the areas *outside* the original jurisdiction of a municipality. The outside-city customers' rate case will be consolidated with the municipal rate cases once Atmos appeals the municipal rate cases to the RRC. *Without early intervention in the proceedings at the RRC, it is highly likely the RRC would make a decision on the merits of Atmos' outside-city customers request before the City completes its review and makes its decision on the same proposal, thus removing the City's ability to influence the outcome at the RRC.*

Coalition of Cities Within the Atmos Service Territory:

A coalition of cities known as the Atmos Texas Municipalities (ATM) was organized by several municipalities served by Atmos. Alfred R. Herrera, with the law firm of Herrera Law & Associates, PLLC, previously represented ATM, including the City of Austin, in rate cases involving Atmos and is representing the coalition in this matter. ATM has been granted intervenor status in Atmos' pending rate case at the RRC; thus, the City's continued participation with the coalition in a consolidated rate case is the most efficient and effective path forward. Doing so ensures that Atmos will appeal the City's decision to the RRC on a more expedited time frame, thus assuring ATM's right to intervene in the proceedings at the RRC.

STAFF RECOMMENDATIONS:

1. Adopt the ordinance denying the rates so that the rate request may be efficiently consolidated with the other cities that are part of the ATM coalition and with the ongoing outside-city case at the RRC.
2. Authorize the City to join ATM, as represented by Herrera Law & Associates, PLLC, to represent the City's interest in matters related to Atmos' rate case and intervene in the proceedings before the RRC related to Atmos' rates for its Mid-Tex Division, and related court appeals, if any.
3. Approve participation in the matter to include authorization to conduct negotiations and settlement at the RRC with the coordination of the City Manager.
4. Direct Atmos to reimburse all rate case expenses incurred by the City in relation to the case before the RRC.

If the City Council does not act by January 30, 2025, Atmos' proposed rates will be deemed approved by operation of law.

cc: T.C. Broadnax, City Manager
CMO Executive Team
Myrna Rios, City Clerk
Corrie Stokes, City Auditor
Judge Sherry Statman, Presiding Judge
Mary Jane Grubb, Municipal Court Clerk
Marija Jukic, Controller