



# City of Austin

## Recommendation for Action

File #: 24-6516, Agenda Item #: 87.

1/30/2025

### Posting Language

Conduct a public hearing and consider an ordinance relating to the Statement of Intent to Increase Rates filed by Atmos Energy Corporation, Mid-Tex Division for natural gas services, requiring reimbursement of municipal rate case expenses and providing notice and approving the City joining Atmos Texas Municipalities and the City's ongoing participation in the proceedings related to this proposed rate increase at the Railroad Commission of Texas including authorization to conduct negotiations and settlement. Funding: This item has no fiscal impact.

### Lead Department

Financial Services Department

### Fiscal Note

This item has no fiscal impact.

### For More Information:

Diana Thomas, Deputy Chief Financial Officer, 512-974-1166; Marija Jukic, Controller, 512-974-2951.

### Additional Backup Information:

### Procedural Background

On about December 16, 2024, Atmos Energy Corporation (Atmos or Atmos Energy) filed a Statement of Intent to Increase Rates (Statement of Intent) for its Mid-Tex Division within certain cities, by approximately **\$16.73 million**; this equates to an **increase in annual revenue of about 7.08% including gas costs, and 11.51% excluding gas costs**. This is Atmos's first request to increase its base rates since 2018. Following the conclusion of its 2018 rate gas (Gas Utilities Docket No. 10742), Atmos has raised its rates by means of six Gas Reliability Infrastructure Program filing which are interim rates adjustments. Additional information and details are available in the Staff memo to Mayor and Council included in the backup materials for this item.

In the Statement of Intent, Atmos proposes an effective date of January 20, 2025, for its change in rates. Due to Council's meeting schedule, Atmos agreed to an extension to January 30, 2025. This allows Council to act on the Statement of Intent or suspend rates for a later decision on the proposed rates. If the City formally denies the rate increase proposed in the Statement of Intent (either now or in the future), Atmos will appeal the City's action to the Railroad Commission of Texas (RRC), where it would be consolidated with an ongoing case on substantially the same proposal for Atmos customers residing outside a municipality. Staff recommend denying the rates outright at this time to allow for rapid consolidation with the ongoing case at the RRC. The draft ordinance related to Atmos's application to increase its base rate revenues, if adopted, denies the proposed increase in rates. The City must act on Atmos's Statement of Intent by no later than January 30, 2025. Absent such action, Atmos's proposed rates are deemed approved by operation of law.

### Staff Recommendations

To provide the best opportunity for the City to evaluate the rate proposal in Atmos' Statement of Intent and engage in the regulatory process at the RRC, where the final settlement will be entered, Staff recommend

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adopting the draft ordinance. If adopted, the draft ordinance will: 1) deny the proposed rates so that the rate request may be efficiently consolidated with the other cities that are part of the coalition and with the ongoing case at the RRC; 2) Require reimbursement of municipal rate case expenses from Atmos, which are typically later approved by the Railroad Commission to be recovered through a surcharge on customers; 3) Provide required notice to Atmos; and 4) Approve the City joining the coalition of cities known as the Atmos Texas Municipalities, as represented by Herrera Law & Associates, PLLC , including the City's ongoing participation in the proceedings related to this proposed rate increase at the RRC and to include authorization to conduct negotiations and finalize settlement at the RRC.