



Legislation Details (With Text)

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Title: An ordinance denying rates as requested by Atmos Energy Corp. Mid-Tex Division provided pursuant to its January 13, 2023, Dallas Annual Rate Review filing and setting rates as recommended by the City Manager - Financing: No cost consideration to the City (This item was deferred on May 24, 2023)

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STRATEGIC PRIORITY: Government Performance & Financial Management

AGENDA DATE: June 14, 2023

COUNCIL DISTRICT(S): All

DEPARTMENT: Budget and Management Services

EXECUTIVE: Jack Ireland

SUBJECT

An ordinance denying rates as requested by Atmos Energy Corp. Mid-Tex Division provided pursuant to its January 13, 2023, Dallas Annual Rate Review filing and setting rates as recommended by the City Manager - Financing: No cost consideration to the City (This item was deferred on May 24, 2023)

BACKGROUND

Atmos Energy Corp. Mid-Tex Division (Atmos) provides natural gas utility service in Dallas in accordance with City franchise Ordinance No. 27793 and Title 3, Subtitle A Texas Utilities Code, Gas Utility Regulatory Act (GURA). On June 22, 2011, the City of Dallas approved Atmos' tariff Dallas Annual Rate Review (DARR), which provides a mechanism by which Atmos shall file for an annual review of its rates.

Atmos filed its rate increase request under the DARR tariff by January 13, 2023 (January 15 deadline on Sunday). In its filing, Atmos requested an increase in annual revenue of \$20.6 million from within the City of Dallas. Atmos requested that the new rates become effective June 1, 2023.

Pursuant to the DARR tariff the City has a review period of 135 days from the date of the filing to render a decision which would be May 28, 2023, however on May 13, 2020, in response to the COVID-19 pandemic the City amended the language to extend the evaluation period. The following language was added to the ordinance:

“The City of Dallas shall have 135 days to review and render a decision on the Company’s filed schedules and work papers. However, should a declaration of emergency be issued affecting the City of Dallas by action of the United States federal government, the government of the State of Texas, the County of Dallas or the City of Dallas which is in effect during the 135-day evaluation period, the 135-day evaluation period shall be extended an additional 92 days (“Extended Period”).

The Governor has issued an emergency declaration monthly pertaining to the COVID-19 pandemic. The most recent order related to the COVID-19 pandemic was issued on April 15, 2023, therefore the review period of the 2023 is extended 92 days from May 28, 2023, to August 28, 2023.

The City has a multiyear contract with Garrett Group LLC (Garrett) to assist City staff in reviewing the DARR filings and gas rate cases. Garrett has expertise in reviewing gas rate cases and is currently assisting the city with the Atmos Pipeline rate case at the Railroad Commission of Texas. After reviewing the January 13, 2023, rate filing and supplemental information received from Atmos, Garrett determined that the requested rate increase was not justified.

City staff, and outside legal counsel met with Atmos on numerous occasions, both by electronic virtual meetings and by conference call to negotiate a settlement of the pending rate request. City staff was able to reach a proposed settlement with Atmos on May 5, 2023. The City Manager recommends adoption of the proposed settlement regarding rates to be charged by Atmos as negotiations are now complete.

Per the terms of the settlement agreement, Atmos rates will increase by \$18.2 million annually from customers within the City of Dallas and become effective on September 1, 2023.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

[The Government Performance and Financial Management Committee was briefed by memorandum on the Dallas Annual Rate Review filing on May 12, 2023.](https://dallascityhall.com/government/citymanager/Documents/FY%2022-23%20Memos/1.%20Atmos%20Dallas%20Annual%20Rate%20Review%20Filing%20Update.pdf)

[<https://dallascityhall.com/government/citymanager/Documents/FY%2022-23%20Memos/1.%20Atmos%20Dallas%20Annual%20Rate%20Review%20Filing%20Update.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY%2022-23%20Memos/1.%20Atmos%20Dallas%20Annual%20Rate%20Review%20Filing%20Update.pdf)

The Government Performance and Financial Management Committee will be briefed on the “Dallas Annual Rate Review filing” on May 22, 2023.

On May 24, 2023, this item was deferred by Councilmember Cara Mendelsohn.

FISCAL INFORMATION

No cost consideration to the City.

