

**RESOLUTION NO. R-2018-5338**

**A RESOLUTION BY THE CITY OF ROUND ROCK, TEXAS (“CITY”), APPROVING A REDUCTION IN RATES CHARGED BY ATMOS ENERGY CORPORATION, MID-TEX DIVISION (“ATMOS”) AND AUTHORIZING CONSENT TO A REDUCTION IN RATES CHARGED BY ATMOS PIPELINE TEXAS (“APT”), ALL RELATED TO THE REDUCTION IN THE FEDERAL CORPORATE TAX RATE; FINDING THE REDUCTION IN ATMOS’ RATES TO BE JUST AND REASONABLE; FINDING THAT THE MEETING COMPLIED WITH THE OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THE RESOLUTION TO THE COMPANY AND SPECIAL COUNSEL.**

**WHEREAS**, the City of Round Rock, Texas (“City”) is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) and under § 103.001 of GURA has exclusive original jurisdiction over Atmos Energy Corporation – Mid-Tex Division (“Atmos”) rates, operations, and service of a gas utility within the municipality; and

**WHEREAS**, the City has participated in prior cases regarding Atmos as part of a coalition of cities known as the Atmos Texas Municipalities (“ATM”); and

**WHEREAS**, pursuant to the Rate Review Mechanism (“RRM”) for 2017 filed with the City on or around March 1, 2017, the City approved an increase in annual revenue of about \$48 million; and

**WHEREAS**, the City, as part of ATM participated in APT’s general rate case at the Railroad Commission of Texas in Gas Utility Docket No. 10580 (“GUD No. 10580”); and

**WHEREAS**, the corporate tax rate on federal income included in Atmos’ current rates and made part of the \$48 million increase in revenue approved via the RRM, was based on a federal-income-tax rate of 35%; and

**WHEREAS**, the corporate tax rate on federal income included in APT's current rates and approved by the Railroad Commission of Texas in GUD No. 10580, was based on a federal-income-tax rate of 35%; and

**WHEREAS**, effective January 1, 2018, the corporate tax rate on income is 21%; and

**WHEREAS**, Atmos seeks administrative approval under Utilities Code § 104.111 to reduce its annual revenue by approximately \$29 million; and

**WHEREAS**, APT seeks the City's consent to a decrease in rates for APT's rates to be approved by the Railroad Commission of Texas, which decrease would reduce APT's annual revenue by about \$29 million; and

**WHEREAS**, ATM's Special Counsel and consultants engaged to review Atmos' and APT's calculation of the effect of the reduction in the corporate federal-income-tax rate from 35% to 21% has on Atmos' and APT's rates, have confirmed Atmos' and APT's calculation of the reduction in Atmos' and APT's revenue is mathematically accurate; and

**WHEREAS**, the reduction in Atmos' annual revenue is limited to the tax expense related to the change in the corporate tax rate from 35% to 21% relative to the revenue requirement established in Atmos' RRM in 2017, and to the revenue requirement established in in GUD No. 10580 for APT, and thus will need to be adjusted further in a future proceeding to account for excess deferred income taxes resulting from the Tax Cut and Jobs Act of 2017; and

**WHEREAS**, by approving the reduction in Atmos' rates, and consenting to the reduction in APT's rates, the City, in future proceedings or in other jurisdictions, is under no obligation to take the same positions with regard to the methodology resulting in a reduction in rates, as the methodology underlying the reduction proposed by Atmos or APT, nor shall the City's approval of the reduction in Atmos' rates or its consent to the reduction in APT's rates, be used against City

in any future proceeding with respect to different positions the City may take with regard to setting Atmos' or APT's rates.

**NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE  
CITY OF ROUND ROCK, TEXAS THAT:**

**Section 1.** The findings set forth in this Resolution are hereby in all things approved and incorporated herein.

**Section 2.** Atmos shall submit to the City within fourteen days from the effective date of this Resolution, amended tariffs reflecting the reduction in revenue noted above.

**Section 3.** The City's Special Counsel, Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, is hereby authorized to consent on behalf of the City as part of ATM in proceedings before the Railroad Commission of Texas, to the reduction in APT's revenue noted above.

**Section 4.** To the extent any Resolution previously adopted by the City Council is inconsistent with this Resolution, it is hereby superseded.

**Section 5.** The meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 6.** If any one or more sections or clauses of this Resolution is judged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Resolution and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

**Section 7.** This Resolution shall become effective from and after its passage.

**Section 8.** A copy of this Resolution shall be sent to Atmos Mid-Tex, care of Christopher Felan, Vice President of Rates and Regulatory Affairs, Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1600, Dallas, Texas 75240 and to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 816 Congress Avenue, Suite 950, Austin, Texas 78701.

**RESOLVED** this 12th day of April, 2018.

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CRAIG MORGAN, Mayor  
City of Round Rock, Texas

ATTEST:

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SARA L. WHITE, City Clerk