



Legislation Text

File #: 2018-5338, **Version:** 1

Consider a resolution approving a change in Atmos Energy Corporation's rates.

The City is a member of the Atmos Texas Municipalities (ATM). The ATM group was organized by a number of municipalities served by Atmos and has been represented by the law firm of Herrera Law & Associates, PLLC (through Mr. Alfred R. Herrera). ATM also retained the services of a consulting firm, Utilitech, Inc. (Mr. Mike Brosch and Mr. Steve Carver) to assist in reviewing Atmos Energy-Mid-Tex Division (Atmos) and Atmos Pipeline Texas' rate data. Herrera Law & Associates, PLLC and Utilitech, Inc. have participated in prior rate cases involving Atmos and have extensive knowledge and experience in rate matters affecting Atmos' rates, operations, and services.

Effective January 1, 2018 the U.S. Congress changed the federal-income-tax ("FIT") laws, by among other things, reducing the corporate tax rate from 35% to 21%.

Atmos MidTex' current rates are based on a FIT expense of 35% and thus, absent a change in its rates, Atmos MidTex would stand to reap a windfall related to the difference in FIT expense between a tax rate of 35% and 21%.

ATMOS MIDTEX:

Atmos MidTex seeks to pass through to ratepayers the reduction in FIT expense as expeditiously as possible. To that end, the Utilities Code § 104.111 allows for a utility like Atmos MidTex to reduce its rates without the need to file a full-blown cost-of-service study and allows for administrative approval of the decrease by the appropriate regulatory authority.

The City, under Utilities Code § 103.001 is the appropriate regulatory authority for Atmos MidTex' rates within the City.

Atmos Energy is seeking administrative approval of a reduction to the rates charged by Atmos MidTex as expeditiously as possible to begin passing through to ratepayers the reduction in Atmos MidTex' rates. The reduction in Atmos MidTex' revenues is about \$29 million.

ATMOS PIPELINE TEXAS ("APT"):

Atmos Pipeline Texas ("APT") is a separate department within Atmos Energy. APT is seeking the City's consent to a decrease in rates for Atmos Pipeline Texas. APT will employ Utilities Code § 104.111 to implement its proposed decrease in rates.

The Railroad Commission of Texas has exclusive jurisdiction over APT's rates and the City' rate-setting authority does not extend to APT. But in order for APT to obtain the Railroad Commission's approval of the decrease in APT's rates, all affected parties must agree to the decrease. The City, as part of ATM, participated in APT's most recent rate case at the Railroad Commission of Texas, Gas Utility Docket No. 10580 ("GUD No. 10580"), and is thus an affected party.

So, APT requires the City's consent to decrease its rates and to obtain the Railroad Commission's

approval of that decrease in rates. The reduction in Atmos Pipeline Texas' revenues is about \$29 million.

After a series of discussions with Atmos Energy and a review of the data Atmos MidTex and Atmos Pipeline Texas provided, ATM's Special Counsel recommends that the City:

1. *Approve* Atmos MidTex' reduction in rates by about \$29 million to implement the reduction in the federal-income-tax rate from 35% to 21%, and require to file conforming tariffs and changes to its rates to give effect to the reduction in revenue; and
2. *Consent* to Atmos Pipeline Texas' reduction in rates, also by about \$29 million, to implement the reduction in the federal-income-tax rate from 35% to 21%; and that the City authorize the City and ATM's Special Counsel, Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC to sign the consent.

Approving Atmos MidTex' and Atmos Pipeline Texas' proposed reduction in revenue will result in a reduction in the rates ultimately paid by Atmos MidTex' ratepayers.