



MEMORANDUM

TO: Mayor & Council

FROM: Rondella Hawkins, Telecommunications and Regulatory Affairs Officer *Rondella Hawkins*

DATE: September 4, 2019

SUBJECT: Review and Analysis of Atmos Energy's Gas Reliability Infrastructure Program Rate Filing

OVERVIEW

On June 13, 2019, Atmos Energy Corporation's Mid-Tex Division ("Atmos") filed its Gas Reliability Infrastructure Program (GRIP) interim rate adjustment (IRA) filing in Austin and in the other cities that Atmos serves.

This filing was made in compliance with the Texas Utilities Code, section 104.301 which allows a gas utility to make interim rate adjustments to recover capital investments in gas pipeline infrastructure made during the interim period between rate cases. Pursuant to the Gas Utilities Regulatory Act, the City has original jurisdiction over privately owned gas utility rates set for customers within its city limits.

State law authorizes the City to suspend the implementation date of the interim charge by 45 days. Atmos proposed an effective date of August 12, 2019 for the interim rate adjustment. Under Ordinance 20190808-063, the City of Austin suspended implementation by the allowed 45 days from the initial proposed effective date, to September 26, 2019.

BASIS FOR THE RATE INCREASE

Section 104.301 of the Texas Utilities Code establishes the state's Gas Reliability Infrastructure Program that is commonly referred to as the "GRIP" statute. The purposes of the GRIP statute are to encourage timely investment in needed system improvements and to reduce the frequency of traditional rate cases by providing a streamlined process for utilities to recover the cost of those investments on an interim basis between rate cases. The GRIP statute allows for an annual interim adjustment of rates to reflect changes in the value of capital invested each year. Within two years of a general rate case, a utility may begin to file Interim Rate Adjustments with the regulatory authority to recover the cost of changes in the investment in service for gas utility services. The regulatory authority, the City of Austin, has an initial period of not more than sixty (60) days to review the proposed rate adjustment, and it may suspend the implementation of the Interim Rate Adjustment for an additional forty-five (45) days. The City has limited authority to review the

GRIP filing of gas utilities. All annual GRIP rate increases are then reviewed at the next general rate case filing.

NOTICE

The filing notified cities of Atmos's intent to increase rates by \$6,590,595 which is based on the net increase in capital investment to serve customers in its Mid-Tex Division for the period of January 1, 2018 through December 31, 2018. Atmos customers were given proper notice of the GRIP interim rate increase either through bill inserts or through individual mailing.

STAFF REVIEW OF GRIP FILING

All of Atmos's claimed expenses were incurred from January 1, 2018 through December 31, 2018 in its Mid-Tex Division for capital items, such as gas mains, pipelines, meters and other related capital equipment. All expenses were allocated among customer classes using the percentages approved in Atmos's last full rate case in 2018 as well as the computation on the return on investment, depreciation, and incremental federal income tax factors. The City has completed its review and has determined that Atmos's filing meets the statutory requirements of Section 104.301 of the Texas Utilities Code.

Atmos's interim rate filing will increase the customer charge and the average monthly bill for typical Residential, Commercial, and Industrial customers' bills as follows:

Rate Schedules	Current Customer Charge/Mo.	2019 Interim GRIP Monthly Increase	Adjusted Customer Charge/Mo.	%Increase in Customer Charge/Mo.	% Increase in Avg. Monthly Bill
Residential	\$18.88	\$2.84	\$21.72	15.04%	6.38%
Average Monthly Commercial	\$43.47	\$8.74	\$52.21	20.11%	4.31%
Average Monthly Industrial	\$784.00	\$155.80	\$939.80	19.87%	1.09%

cc: Spencer Cronk, City Manager
Rodney Gonzales, Assistant City Manager