City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: **Finance**

ACM: **Christine Taylor**

DATE: **August 18, 2026**

SUBJECT

Consider adoption of an ordinance of the City Council of the City of Denton, a Texas home-rule municipal corporation, approving a negotiated settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the company's 2026 rate review mechanism filing; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the attached settlement tariffs to be just and reasonable and in the public interest; approving an attachment establishing a benchmark for pensions and retiree medical benefits; requiring the company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; ratifying and authorizing City membership in ACSC; and requiring delivery of this ordinance to the company and the ACSC's legal counsel.

BACKGROUND

The City, along with 181 other Mid-Texas cities served by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). In 2007, ACSC and Atmos Mid-Tex settled a rate application filed by the Company pursuant to Section 104.301 of the Texas Utilities Code for an interim rate adjustment commonly referred to as a GRIP filing (arising out of the Gas Reliability Infrastructure Program legislation). That settlement created a substitute rate review process, referred to as Rate Review Mechanism ("RRM"), as a substitute for future filings under the GRIP statute.

Since 2007, there have been several modifications to the original RRM Tariff. The most recent iteration of an RRM Tariff was reflected in an ordinance adopted by ACSC members in 2018. On or about April 1, 2026, the Company filed a rate request pursuant to the RRM Tariff adopted by ACSC members. The Company claimed that its cost-of-service in a test year ending December 31, 2025, entitled it to additional system-wide revenues of $291.1 million.

Application of the standards set forth in ACSC's RRM Tariff reduces the Company's request to $273.6 million. After reviewing the filing and conducting discovery, ACSC's consultants concluded that the system-wide deficiency under the RRM regime should be $253.4 million instead of the claimed $291.1 million.

After several settlement meetings, the parties have agreed to settle the case for $260.5 million. This is a reduction of over $30 million to the Company's initial request. This includes payment of ACSC's expenses. The Effective Date for new rates is October 1, 2026. ACSC members should take action approving the Resolution/Ordinance before October 1, 2026.

Summary:

$291.1M:	Atmos Original Request (system-wide)
$273.6M:	RRM Tariff Applied Standard (system-wide)
$253.4M:	RRM Tariff Reviewed of Applied Standard (system-wide)
$260.5M:	**Agreed Upon Review/Negotiation**
$30.6M:	Savings from Atmos Original Request

Bill Impact

The impact of the settlement on average residential rates is an increase of $13.37 on a monthly basis, or 14.15%. The increase for average commercial usage will be $44.82 or 9.90%. Atmos provided bill impact comparisons containing these figures.

RRM Savings Over GRIP

ACSC strongly opposed the GRIP process because it constitutes piecemeal ratemaking by ignoring declining expenses and increasing revenues while rewarding the Company for increasing capital investment on an annual basis. The GRIP process does not allow any review of the reasonableness of capital investment and does not allow cities to participate in the Railroad Commission's review of annual GRIP filings or allow recovery of Cities' rate case expenses. The Railroad Commission undertakes a mere administrative review of GRIP filings (instead of a full hearing) and rate increases go into effect without any material adjustments. In ACSC's view, the GRIP process unfairly raises customers' rates without any regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual evaluation of expenses and revenues, as well as capital investment.

While residents outside municipal limits must pay rates governed by GRIP, there are some cities served by Atmos Mid-Tex that chose to remain under GRIP rather than adopt RRM. Additionally, the City of Dallas adopted a variation of RRM which is referred to as DARR. When new rates become effective on October 1, 2026, ACSC residents will maintain an economic monthly advantage over GRIP and will be comparable to DARR rates.

Comparison to Other Mid-Tex Rates (Residential)		
Description	Average Bill	Compared to RRM Cities
RRM Cities	$66.18	-
DARR	$66.07	+ $0.11
ATM Cities	$67.02	- ($0.84)
Environs	$66.07	+ $0.11

RECOMMENDATION

Staff recommends approval of the ordinance.

EXHIBITS

Exhibit 1 - Agenda Information Sheet
Exhibit 2 - Presentation
Exhibit 3 - Ordinance
Exhibit 4 - RRM Tariff
Exhibit 5 - Pension and Retiree Benchmark
Exhibit 6 - Average Bill Comparison

Respectfully submitted:
Matt Hamilton
Chief Financial Officer