



CITY COUNCIL COMMUNICATION

August 11, 2009

SUBJECT: Atmos Cities Steering Committee Rate Review Mechanism
SUBMITTED BY: Vicki Rodriguez, Finance Director
REFERENCE NO: Ordinance No. 1853

ACTION REQUESTED:

Consider approval of Ordinance No. 1853 approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the Company's Rate Review Mechanism (RRM) filing in all cities exercising original jurisdiction.

ALTERNATIVES:

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SUMMARY OF SUBJECT:

The City of Euless ("City"), along with 150 other cities served by Atmos Energy Mid-Tex Division ("Atmos Mid-Tex"), is a member of the Atmos Cities Steering Committee ("ACSC"). On March 6, 2009, Atmos Mid-Tex filed with the City an application to increase natural gas rates pursuant to the Rate Review Mechanism ("RRM") tariff approved by the City as part of the settlement of the Atmos Mid-Tex 2007 Statement of Intent to increase rates.

The Atmos Mid-Tex March RRM filing sought a \$20.2 million rate increase. The City worked with ACSC to analyze the schedules and evidence offered by Atmos Mid-Tex to support its request to increase rates. The Ordinance and RRM tariffs approve rates that will increase the Company's revenues by \$2.6 million effective for bills rendered on or after August 1, 2009. The monthly bill impact for the average residential customer will be a \$0.15 increase (about a 0.22% increase in the total bill).

The current rates contain a true-up component (\$9 million to be collected over twelve months) from the first RRM in 2008. Collection of the 2008 true-up amount is scheduled to end on November 1, 2009. The rate impact of that 2008 true-up amount for the period August 1 – October 31, 2009 is \$1,006,073. To simplify the process and reduce rate fluctuations, the parties have agreed to eliminate collection of the 2008 true-up on August 1, 2009 rather than November 1, 2009. The remaining \$1,006,073 that is still owed from the 2008 true-up will be recovered as part of the 2009 true-up

over 12 months rather than 3 months. This change related to the 2008 true-up amount is revenue and rate impact neutral.

The Staff and ACSC Executive Committee recommend adopting the Ordinance implementing the rate change.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Ordinance No. 1853
- Model Staff Report

APPROVED BY:

_____ **LG**

City Manager's Office

_____ **SC**

City Secretary's Office