



CITY COUNCIL COMMUNICATION

September 14, 2010

SUBJECT: Atmos Cities Steering Committee Third Rate Review Mechanism

SUBMITTED BY: Mike Collins, Director of Economic Development & Administrative Services

REFERENCE NO: Ordinance No. 1886

ACTION REQUESTED:

Consider approval of Ordinance No. 1886 approving a negotiated resolution between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the Company's Third Rate Review Mechanism (RRM) filing in all cities exercising original jurisdiction.

ALTERNATIVES:

- Approve request on first reading – *super majority*

SUMMARY OF SUBJECT:

The City of Euless ("City"), along with 148 other cities served by Atmos Energy Mid-Tex Division ("Atmos Mid-Tex"), is a member of the Atmos Cities Steering Committee ("ACSC"). On March 15, 2010, 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 \$70.2 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 tariff authorizes an increase in the Company's base rate of \$27 million effective for bills going out after October 1, 2010. Additionally, the Ordinance authorizes ATMOS to collect an additional \$3.4 million to cover direct expenses associated with a system wide steel service line replacement program. The combined monthly bill impact for the average residential customer will be a \$1.40 increase (about a 3.15% in the total bill). Effective August 2009, there was an increase of \$0.15 (about a 0.22% increase in the total bill).

This is the third RRM filing under a three year experimental period. As part of the overall Settlement Agreement with ATMOS, the RRM process will be extended another two years through 2012. 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. 1886
- Model Staff Report

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **SC** _____

City Secretary's Office