



CITY COUNCIL COMMUNICATION

February 28, 2012

SUBJECT: Resolution Suspending the March 6, 2012 Effective Date of Atmos Energy Mid-Tex Division's Requested Rate Change

SUBMITTED BY: Chris Barker, Assistant City Manager

REFERENCE NO: Resolution No. 12-1386

ACTION REQUESTED:

Consider approval of Resolution No. 12-1386, suspending the March 6, 2012 effective date of Atmos Energy Mid-Tex Division's requested rate change.

ALTERNATIVES:

- Deny Request

SUMMARY OF SUBJECT:

The City, along with approximately 153 other cities served by Atmos Energy Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC" or "Steering Committee"). On or about January 31, 2012, Atmos Mid-Tex filed with the City a Statement of Intent to increase rates in all municipalities exercising original jurisdiction within its Mid-Tex Division service area.

The Statement of Intent seeks to increase system-wide base rates (which exclude the cost of gas) by approximately \$49 million or 11.94%. However, the company is requesting an increase of 13.6%, excluding gas costs, for its residential customers. Additionally, the application would change the way that rates are collected by increasing the residential fixed-monthly (or customer) charge from \$7.50 to \$18.00 and decreasing the consumption charge from \$0.25 per 100 cubic feet ("ccf") to \$0.07 per ccf.

The law provides that a rate request made by a gas utility cannot become effective until at least 35 days following the filing of the application to change rates. Atmos has proposed an effective date of March 6, 2012. The law permits the City to suspend the rate change for 90 days after the date the rate change would otherwise be effective. If the City fails to take some action regarding the filing before the effective date, Atmos' rate request is deemed administratively approved.

Resolution No. 12-1386 would extend the effective date of Atmos Mid-Tex's proposed rate increase to give the City time to review the rate-filing package. The resolution suspends the March 6, 2012 effective date of the Company's rate increase for the maximum period permitted by law to allow the City, working in conjunction with the other ACSC cities, to evaluate the filing, determine whether the filing complies with law, and if lawful, to determine what further strategy to pursue, including settlement and ultimately to approve reasonable rates.

Staff recommends adoption of the resolution suspending the effective date of Atmos Mid-Tex's proposed rate increase.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Resolution No. 12-1386

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **KS** _____

City Secretary's Office