



CITY COUNCIL COMMUNICATION

May 8, 2012

SUBJECT: Atmos Energy Corporation, Mid-Tex Division's Requested Rate Change

SUBMITTED BY: Chris Barker, Assistant City Manager

REFERENCE NO: Resolution No. 12-1389

ACTION REQUESTED:

Consider approval of Resolution No. 12-1389, denying Atmos Energy Corporation, Mid-Tex Division's requested rate change.

ALTERNATIVES:

- Deny the request

SUMMARY OF SUBJECT:

The City, along with approximately 153 other cities served by Atmos Energy Corporation, 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.

On February 28, 2012, the City Council passed Resolution No. 12-1386, extending the effective date of Atmos Mid-Tex's proposed rate increase to give the City time to review the rate-filing package. The resolution suspended 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. ACSC

engaged attorneys and consultants to review Atmos Mid-Tex's proposed rate increase. During their review, ACSC's consultants found justification that Mid-Tex's rates should be decreased.

ACSC and the Company have engaged in some settlement discussions but have not yet reached agreement. ACSC is hoping to achieve settlement with the Company in order to perpetuate the Rate Review Mechanism (RRM) process. The ACSC Settlement Committee therefore recommends denial of the Company's proposed rate increase to facilitate further settlement discussions.

The resolution prevents the Company's proposed rates from automatically going into effect on June 11, 2012. The Company has expressed a desire for settlement while an appeal from the cities' denial of the rate increase is pending at the Railroad Commission of Texas (RRC). Should a settlement be reached, the City may be required to pass an ordinance setting new rates pursuant to the settlement.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Resolution No. 12-1389
- Lloyd Gosselink Memorandum to ACSC Members
- Exhibit A

APPROVED BY:

_____ **LG** _____ City Manager's Office

_____ **KS** _____ City Secretary's Office