



## **CITY COUNCIL COMMUNICATION**

May 28, 2013

**SUBJECT:** Approving and Adopting the Rate Review Mechanism (RRM) Tariff for Atmos Mid-Tex.

**SUBMITTED BY:** Chris Barker, Assistant City Manager

**REFERENCE NO:** Ordinance No. 1994

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### **ACTION REQUESTED:**

Consider approval of Ordinance No. 1994, approving and adopting the Rate Review Mechanism (RRM) Tariff for Atmos Mid-Tex negotiated between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division.

### **ALTERNATIVES:**

- Table the request
- Deny the request

### **SUMMARY OF SUBJECT:**

The City, along with 154 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). In 2007, ACSC and Atmos Mid-Tex agreed to implement an annual rate review mechanism for Atmos Mid-Tex, known as the Rate Review Mechanism (RRM), as a temporary replacement for the statutory mechanism known as GRIP (Gas Reliability Infrastructure Program). This first RRM tariff expired in 2011, and although ACSC and Atmos Mid-Tex met many times to attempt to reach an agreement on a renewed or replacement tariff, they were unable to do so. Atmos Mid-Tex filed a full rate case in 2012. The resulting rates were approved by the Railroad Commission in December 2012 in G.U.D. No. 10170.

ACSC and the Company renewed discussions to develop revisions to the RRM tariff, and have reached a tentative agreement on the form of the RRM tariff to be in effect for a four-year period from 2013 to 2017. The purpose of the Ordinance is to approve the RRM tariff ("Attachment A") that reflects the negotiated RRM process. If the RRM process is to continue to function as a substitute for the GRIP process, cities that exercise original jurisdiction must adopt a tariff that authorizes the process.

If cities do not approve the RRM tariff, the Company has stated that it will reinstitute its annual filings under the GRIP provisions. The anticipated GRIP adjustment for 2013 would be at least \$3 million higher than the Company anticipates requesting through an RRM filing. Additionally, GRIP rate adjustments would place the entire amount of the Company's requested increase into the customer charge. The ACSC Executive Committee recommends that ACSC city members take action to approve the Ordinance authorizing the RRM tariff.

**FINANCIAL CONSIDERATIONS:**

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

**SUPPORTING DOCUMENTS:**

- Ordinance No. 1994

**APPROVED BY:**

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City Manager's Office

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City Secretary's Office