



CITY COUNCIL COMMUNICATION

May 27, 2014

SUBJECT: Denying the Second Rate Review Mechanism (RRM) Rate Increase Under the Renewed RRM Tariff for Atmos Energy Corporation.

SUBMITTED BY: Dale Harwell, Director of Administrative Services

REFERENCE NO: Resolution No. 14-1434

ACTION REQUESTED:

Consider approval of Resolution No. 14-1434, denying the Second Rate Review Mechanism (RRM) Rate Increase for Atmos Mid-Tex as recommended by the Atmos Cities Steering Committee (ACSC) Executive Committee.

ALTERNATIVES:

- Table the request
- Deny the request

SUMMARY OF SUBJECT:

The City, along with approximately 164 other cities served by Atmos Energy Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). On February 28, 2014, Atmos Mid-Tex filed with the City an application to increase natural gas rates pursuant to the Rate Review Mechanism ("RRM") tariff renewed by the City in 2013 as a continuation and refinement of the previous RRM rate review process. This is the second RRM filing under the renewed RRM tariff.

The Resolution is the result of unsuccessful negotiations between ACSC and the Company to resolve issues raised by ACSC during the review and evaluation of Company's second RRM filing requesting \$45.7 million in additional revenues. ACSC consultants filed discovery requests on the Company and produced a report to ACSC counsel on April 9, 2014. That report concluded that Atmos qualified for a significantly lower level of rate increase, in the amount of \$19 million, under the RRM tariff. ACSC and the Company were unable to reach a compromise on the amount of additional revenues that Atmos should be allowed to recover under the RRM tariff. On April 22, 2014, the ACSC Executive Committee unanimously recommended that ACSC members adopt a resolution denying all rate relief to the Company before June 1, 2014.

Atmos is expected to appeal the decision to the Texas Railroad Commission within 30 days after receiving notification of the denials of the ACSC members. While the appeal is pending, Atmos can implement the requested rates effective June 1, 2014. These new rates would be subject to retroactive refund based on the outcome of the appeal. This implementation will result in an average residential increase of \$2.02 per month, split between the customer fee and actual consumption.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Budgeted Expenditure:

Estimated Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Resolution No. 14-1434

APPROVED BY:

_____ **LG** _____

City Manager's Office

_____ **KS** _____

City Secretary's Office