



CITY COUNCIL COMMUNICATION

May 24, 2016

SUBJECT: Approving a Negotiated Settlement Between the Atmos Cities Steering Committee and Atmos Energy Corporation, Mid-Tex Division

SUBMITTED BY: Chris D. Barker, Assistant City Manager

REFERENCE NO: Ordinance No. 2111

ACTION REQUESTED:

Consider approval of Ordinance No. 2111, approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corporation, Mid-Tex Division regarding the company's 2016 Rate Review Mechanism (RRM) filings.

ALTERNATIVES:

- Table the request
- Deny the request

SUMMARY OF SUBJECT:

The City, along with other similarly situated cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). The RRM Tariff was originally adopted by ACSC member cities in 2007 as an alternative to the Gas Reliability Infrastructure Program ("GRIP"), the statutory provision that allows Atmos to bypass the City's rate regulatory authority to increase its rates annually to recover capital investments. The RRM Tariff has been modified several times, most recently in 2013.

The 2016 RRM filing is the fourth RRM filing under the renewed RRM Tariff. On March 1, 2016, Atmos made a filing requesting \$35.4 million additional revenues on a system-wide basis. Because the City of Dallas has a separate rate review process, exclusion of Dallas results in the Company requesting \$28.6 million from other municipalities.

ACSC and the Company have reached an agreement, reflected in the Ordinance, to reduce the Company's request by \$5.5 million, such that the Ordinance approving new rates reflects an increase of \$29.9 million on a system-wide basis, or \$21.9 million for Mid-Tex Cities, exclusive of the City of Dallas. If the Company had used the GRIP process rather than the RRM process it would have received a \$41 million increase, or about \$11 million more than will be approved by the Ordinance.

The tariffs attached to the Ordinance approve rates that will increase the Company's revenues by \$29.9 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2016. The monthly residential customer charge will be \$19.10. The consumption charge will be \$0.11378 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$1.26, or about 2.43%. The typical commercial customer will see an increase of \$3.81, or 1.43%.

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all Cities adopt the Ordinance with its attachments approving the negotiated rate settlement resolving the 2016 RRM filing, and implementing the rate change.

SUPPORTING DOCUMENTS:

- Ordinance No. 2111

APPROVED BY:

_____ **LG**

City Manager's Office

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City Secretary's Office