



CITY COUNCIL COMMUNICATION
September 24, 2013

SUBJECT: Approving and Adopting the First Annual 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: Ordinance No. 2011

ACTION REQUESTED:

Consider approval of Ordinance No. 2011, approving and adopting the First Annual Rate Review Mechanism (RRM) Rate Increase 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 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 July 15, 2013, 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 first annual RRM filing under the renewed RRM tariff.

The Ordinance and attached rate tariffs are the result of negotiations between ACSC and the Company to resolve issues raised by ACSC during the review and evaluation of Atmos Mid-Tex's RRM filing. Atmos Mid-Tex sought a \$22.7 million rate increase system wide which was reduced to \$16.6 million through the negotiation with ACSC.

The Company agreed to forgo any change to the base residential customer charge; therefore, the entirety of the increase to the residential class will be applied to the commodity (natural gas consumption) component of rates. The settlement is expected to increase the average residential customer's bill by approximately \$0.74 per month and will be effective for bills rendered on or after November 1, 2013.

The agreement includes a “most favored nations” clause. It provides that if the Company settles with other parties on better terms than agreed to with the ACSC Cities, the ACSC Cities will automatically receive the benefit of those better terms.

The ACSC Executive Committee and ACSC legal counsel recommend that all ACSC Cities adopt the Ordinance implementing the rate change.

FINANCIAL CONSIDERATIONS:

Revenue Sources:

Expenditure Accounts:

Budgeted Fiscal Year(s):

Estimated Expenditure:

Total Expenditure:

Over/Under Projection By:

Other Comments:

SUPPORTING DOCUMENTS:

- Ordinance No. 2011
- Model Staff Report

APPROVED BY:

_____ **GM** _____

City Manager's Office

_____ **KS** _____

City Secretary's Office