



STAFF REPORT

DATE: September 17, 2019

TO: Ronald L. Olson, City Manager

FROM: Kathy Davis, City Attorney

SUBJECT: An ordinance approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos for the 2019 Rate Review Mechanism Filing

BACKGROUND AND FINDINGS:

The City, along with other similarly-situated cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos"), is a member of the Atmos Cities Steering Committee ("ACSC"). The Rate Review Mechanism ("RRM") 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 and increase its rates annually to recover capital investments.

On April 1, 2019, Atmos filed its RRM with ACSC cities for the year ending on December 31, 2018. The request was for \$70 million in additional revenues on a system-wide basis. Set standards in a previously-approved RRM tariff required that request to be reduced to \$54 million, \$39.3 million of which is applicable to the ACSC cities. (The City of Dallas has a separate review process, which accounts for the remaining \$10.7 million.)

ACSC and Atmos have reached an agreement, reflected in the attached ordinance, to reduce Atmos' request. Atmos will see an increase of \$35.4 million, exclusive of the City of Dallas. The increase will be effective for customer bills issued on or after October 1, 2019. The monthly bill impact for the typical residential customer will be \$2.05, or about 3.7%. The monthly bill impact for the typical commercial customer will be \$6.18, or about 2.31%.

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all Cities adopt the ordinance approving the negotiated rate settlement for the 2019 RRM.

THE ALTERNATIVES CONSIDERED:

1. Reject the negotiated settlement.
2. Approve the ordinance and set the new rates effective October 1, 2019.

Which alternative is recommended? Why?

Staff and the Executive Committee of ACSC recommend approval of the ordinance. The parties have negotiated and believe the settlement is reasonable. If the city were to reject the settlement, Atmos would either appeal the denial to the Railroad Commission or initiate GRIP rates, which would be higher than those with this settlement. The city would also have to pursue any Atmos appeal without the benefit of the ACSC.

CONFORMITY TO CITY POLICY:

This action conforms to city policy.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The city is an Atmos commercial customer and will see an increase in its monthly bills. In the last fiscal year, the city paid \$67,522 from various funds and accounts. Using the estimated 2.31% increase, the annual increase to the city will be approximately \$1,560.

Is this a one-time or recurring expenditure?

Recurring. This increase will remain in place for all bills after October 1, 2019.

Is this expenditure budgeted?

The increase will be absorbed among the various funds.

If not, where will the money come from?

N/A.

Is there a sufficient amount in the budgeted line-item for this expenditure?

Yes.

RECOMMENDATION:

Staff and the Executive Committee of the Atmos Cities Steering Committee recommend approval of the attached ordinance.

DEPARTMENTAL CLEARANCES:

Finance

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Ordinance

Exhibits