

CITY COUNCIL MEMORANDUM

AGENDA ITEM

AN ORDINANCE APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE AND ATMOS ENERGY, CORP., MID-TEX DIVISION, REGARDING THE 2014 AND 2015 RATE REVIEW MECHANISM FILINGS

ORIGINATING DEPARTMENT **City Attorney's Office**

BACKGROUND INFORMATION

By law, cities have original jurisdiction of natural gas rates. The City, along with other cities served by Atmos Energy Mid-Tex Division ("Atmos"), is a member of the Atmos Cities Steering Committee ("ACSC"). State law allows for gas providers to request rate adjustments annually through a process called the Gas Reliability Infrastructure Program ("GRIP"). Finding the GRIP process burdensome and restrictive, Atmos and ACSC agreed in 2007 to an alternate review called the Rate Review Mechanism ("RRM").

DISCUSSION/CONCLUSION

On February 28, 2014, Atmos filed an RRM with the ACSC cities requesting an increase of \$45.7 million. When ACSC and Atmos were unable to negotiate a compromise, ACSC cities denied the requested rate increase. Atmos then appealed to the Railroad Commission ("Commission") and revised its requested increase to \$43.8 million. On April 28, 2015, the Commission issued a Proposal for Decision that was not favorable to ACSC and recommended an \$860,000 reduction of Atmos' request.

On February 27, 2015, Atmos filed another RRM with the Atmos cities requesting an increase of approximately \$28 million.

After ACSC experts analyzed the Proposal for Decision and the 2015 filing, ACSC attorneys began negotiating a settlement that would resolve both the 2014 and 2015 RRM filings. The settlement agreement attached to the proposed ordinance approves a rate increase of \$65.7 million effective on bills on or after June 1, 2015, a reduction of approximately \$6 million for the two combined requests. Atmos also agrees to withdraw its appeal before the Commission, which is important because the Proposal for Decision would otherwise become final and its negative implications would set precedent for future rate proceedings.

FISCAL IMPACT

There is no fiscal impact to the City. The average monthly bill impact for a residential customer will be an increase of \$1.14 per month, an increase of 1.59%. The average commercial customer will see an increase of \$2.69, or 0.96%.

RECOMMENDATION

The ACSC Executive Committee, of which the City is a member based on population, recommends adopting the ordinance approving the negotiated settlement agreement resolving the 2014 and 2015 RRM filings, and implementing the rate changes.