



City of Killeen

Legislation Text

File #: RS-18-082, Version: 1

Consider a memorandum/resolution approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the 2018 Rate Review Mechanism filings.

DATE: September 18, 2018
TO: Ronald L. Olson, City Manager
VIA: Kathy Davis, City Attorney
FROM: Traci Briggs, Deputy City Attorney

SUBJECT: Resolution approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy Corp., Mid-Tex Division regarding the 2018 Rate Review Mechanism Filings

BACKGROUND AND FINDINGS:

The city is a member of the Atmos Cities Steering Committee (ACSC), a group of 172 Mid-Texas cities served by Atmos Energy Corp., Mid-Tex Division (Atmos). Since 2007, ACSC and Atmos have used a substituted rate review process called Rate Review Mechanism (RRM) instead of the statutory Gas Reliability Infrastructure Program (GRIP) for Atmos to request rate adjustments, with the RRM process allowing for a more comprehensive rate review and annual evaluation of expenses, revenues and capital expenses.

On April 1, 2018, Atmos filed a rate request with the cities pursuant to the RRM. Atmos claimed that its cost-of-service in a test year ending December 31, 2017, entitled it to additional system-wide revenues of \$42.0 million. Application of the standards set forth in ACSC's RRM Tariff required Atmos to reduce its request to \$27.4 million. After review of the consultants' report, Atmos offered to settle for a system-wide increase of \$25.9 million. Following further negotiations, ACSC's Executive Committee agreed to recommend a system-wide rate increase of \$24.9 million. The increase, when allocated to ACSC members, results in an increase of \$17.8 million. The effective date for new rates is October 1, 2018.

The average residential customer will see an increase of \$1.06 or 1.94%. The average commercial customer will see an increase of \$3.20 or 1.21%. The average industrial customer will see an increase of \$82.93 or 1.61%.

THE ALTERNATIVES CONSIDERED:

The alternatives are to approve the negotiated settlement with Atmos as recommended by the ACSC Executive Committee or to decline to participate in the settlement.

Which alternative is recommended? Why?

Staff and the ACSC Executive Committee recommend approving the negotiated settlement. Consultants for ACSC analyzed the Atmos filing and believe the settlement is fair and reasonable for the ACSC cities. If the city does not approve the settlement, the city would not be a part of the case and Atmos could file a rate case against only the City of Killeen, in which case the city would not have the benefit of ACSC or its consultants and attorneys. In the end, increases for Killeen residents could be higher than the rates under the negotiated settlement.

CONFORMITY TO CITY POLICY:

This item is in conformance with all state laws relating to natural gas rates.

FINANCIAL IMPACT:

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

There is no financial impact with this item.

Is this a one-time or recurring expenditure?

N/A

Is this expenditure budgeted?

N/A

If not, where will the money come from?

N/A

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

N/A

RECOMMENDATION:

Staff and the ACSC Executive Committee recommend the City Council approve the negotiated settlement between ACSC and Atmos regarding Atmos' 2018 RRM filing.

DEPARTMENTAL CLEARANCES:

City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Resolution
Bill Comparison