



# City of Killeen

## Legislation Details (With Text)

**File #:** OR-17-008    **Version:** 1    **Name:** Atmos Energy Rate Review  
**Type:** Ordinance    **Status:** Passed  
**File created:** 5/3/2017    **In control:** City Council  
**On agenda:** 6/13/2017    **Final action:**  
**Title:** Consider an ordinance approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy, Mid-Tex Division regarding the 2017 Rate Review Mechanism Filings.  
**Sponsors:** City Attorney Department  
**Indexes:**  
**Code sections:**  
**Attachments:** 1. Staff Report, 2. Ordinance, 3. Presentation

| Date      | Ver. | Action By             | Action   | Result |
|-----------|------|-----------------------|----------|--------|
| 6/13/2017 | 1    | City Council          | Approved | Pass   |
| 6/6/2017  | 1    | City Council Workshop |          |        |

Consider an ordinance approving a negotiated settlement between the Atmos Cities Steering Committee and Atmos Energy, Mid-Tex Division regarding the 2017 Rate Review Mechanism Filings.

**DATE:** June 6, 2017

**TO:** Ronald L. Olson, City Manager

**VIA:** Kathy Davis, City Attorney

**FROM:** Traci Briggs, Deputy City Attorney

**SUBJECT:** A negotiated settlement between ACSC and Atmos for the 2017 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 March 1, 2017, Atmos made an RRM filing requesting \$57.4 million in 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 \$46.4 million from other municipalities.

ACSC and Atmos have reached an agreement, reflected in the attached ordinance, to reduce Atmos's request

by \$9.4 million, reflecting an increase of \$48 million on a system-wide basis, or \$38.8 million for Mid-Tex Cities, exclusive of the City of Dallas. If Atmos had used the GRIP process rather than the RRM process, it would receive a \$52.4 million increase, exclusive of Dallas.

The increase will be effective for bills issued on or after June 1, 2017. The monthly residential customer charge increases from \$19.10 to \$19.60, and the consumption charge increases from \$0.11 Ccf to \$0.14 Ccf. The monthly bill impact for the typical residential customer will be \$2.04, or about 3.87%. The monthly commercial customer charge increases from \$41.75 to \$44.70, and the consumption charge increases from \$0.08 Ccf to \$0.09 Ccf. The monthly bill impact for the typical commercial customer will be \$6.27, or about 2.37%. Industrial and transportation customers will see increases as well.

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 2017 RRM filing, and implementing the rate change.

### **THE ALTERNATIVES CONSIDERED:**

The two options with this settlement are to approve it, as recommended by the ACSC Executive Committee, or to disapprove the settlement. If disapproved, Atmos would likely initiate a contested case before the Railroad Commission. The city would have to defend the case at the Commission at its own expense, which would be costly and time consuming.

### **Which alternative is recommended? Why?**

Staff recommends approving the settlement because it presents a reasonable settlement below the amount Atmos could have received under traditional ratemaking, and because defending a contested case proceeding before the Railroad Commission would be complicated and expensive.

### **CONFORMITY TO CITY POLICY:**

This action is in compliance with city policies and state law.

### **FINANCIAL IMPACT:**

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

City residents and businesses that are Atmos consumers will see an increase in their monthly bills. The city is an Atmos commercial customer and will also see an increase in its monthly bills. The city has about 30 accounts and paid \$48,632.15 from various funds and accounts in fiscal year 2015-2016. Using the estimated 2.37% increase for commercial accounts, the increase to the city will be roughly \$384.15 for the remainder of this fiscal year and \$1,152.58 for future years.

#### **Is this a one-time or recurring expenditure?**

The increase will remain in place for all monthly bills generated after June 1, 2017.

#### **Is this expenditure budgeted?**

The increase for the fiscal year will be absorbed among the funds, and increases will need to be budgeted in the future.

**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 recommends that the City Council approve the negotiated settlement between ACSC and Atmos.

**DEPARTMENTAL CLEARANCES:**

Finance

Legal

**ATTACHED SUPPORTING DOCUMENTS:**

Ordinance