



AGENDA MEMO
5/16/2017 Agenda

TO: Honorable Mayor and City Council

FROM: Dale Harwell, Director of Information Services

SUBJECT: Consider and Act on an Ordinance Approving a Negotiated Settlement Agreement with Atmos Energy Corporation

BACKGROUND:

The City, along with other similarly situated cities served by Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), is a member of the Atmos Cities Steering Committee ("ACSC"). The RRM Tariff 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 to increase its rates annually to recover capital investments. The RRM Tariff has been modified several times, most recently in 2013.

The 2017 RRM filing is the fifth RRM filing under the renewed RRM Tariff. On March 1, 2017, Atmos made a filing requesting \$57.4 million 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.

Environs customers (ratepayers outside municipal limits) remain under the Railroad Commission's exclusive original jurisdiction and have their rates set through the GRIP process. If the Company had used the GRIP process rather than the RRM process it would receive a \$52.4 million increase, or about \$4.4 million more than will be approved by the Ordinance. ACSC and the Company have reached an agreement, reflected in the Ordinance, to reduce the Company's request by \$9.4 million, such that the Ordinance approving new rates reflects an increase of \$48 million on a system-wide basis, or \$38.8 million for Mid-Tex Cities, exclusive of the City of Dallas.

The tariffs attached to the Ordinance approve rates that will increase the Company's revenues by \$38.8 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2017. The monthly residential customer charge will be \$19.60. The consumption charge will be \$0.14 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$2.04, or about 3.87%. The typical commercial customer will see an increase of \$6.27, or 2.37%. Attached to this Staff Report is a summary of the impact of new rates on the average bills of all customer classes.

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.

Explanation of “Be It Ordained” Sections:

1. This section approves all findings in the Ordinance.
2. This section finds the settled amount of \$48 million on a system-wide basis to be a comprehensive settlement of gas utility rate issues arising from Atmos Mid-Tex’s 2017 RRM filing, and that such settlement is in the public interest and is consistent with the City’s statutory authority.
3. This section finds the existing Atmos Mid-Tex rates to be unreasonable, and approves the new tariffed rates providing for additional revenues over currently-billed rates of \$48 million on a system-wide basis and adopts the attached new rate tariffs (Attachment A).
4. This section establishes the baseline for pensions and other post-employment benefits for future rate cases (Attachment C).
5. This section requires the Company to reimburse Cities for reasonable ratemaking costs associated with reviewing and processing the RRM filing.
6. This section requires a rate reconciliation in the event that federal income tax rates change.
7. This section requires renegotiation of current RRM terms and conditions this summer and if new terms and conditions are not agreed to by both parties, the RRM process will be terminated and Cities will be encouraged to pass show cause resolutions to trigger a traditional rate case at the Railroad Commission.
8. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.
9. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
10. This section is a savings clause, which provides that if any section(s) is later found to be unconstitutional or invalid, that finding shall not affect, impair or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.
11. This section provides for an effective date upon passage which, according to the Cities’ ordinance that adopted the RRM process, is June 1, 2017.
12. This paragraph directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for the Steering Committee.

RECOMMENDATION:

Staff recommends approval of this ordinance.

ATTACHMENTS:

Average bill comparison – base rates

Ordinance approving negotiated settlement agreement with Atmos Energy Corporation
with Attachments A, B & C