

## A G E N D A



## Recommendation for Council Action

Austin City Council	Item ID	69904	Agenda Number	68.
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Meeting Date:	5/18/2017	Department:	Telecommunications and Reg Affairs
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## Subject

Conduct a public hearing and consider an ordinance regarding ATMOS Energy Corporation's proposal to increase customer gas rates.

## Amount and Source of Funding

There is no anticipated fiscal impact

## Fiscal Note

A fiscal note is not required.

Purchasing Language:

Prior Council Action: Set a Public Hearing granted on May 4, 2017

For More Information: Rondella M. Hawkins, TARA Officer, 512-974-2422

Council Committee,  
Boards and  
Commission Action:

MBE / WBE:

Related Items:

## Additional Backup Information

Under the Gas Utilities Regulatory Act (Chapters 101 through 105 of the Texas Utilities Code) ("GURA"), the City has original jurisdiction over gas utility rates set for customers within its city limits. Atmos has approximately 8,000 customers in the City of Austin. Service area is primarily Northeast Austin– boundaries of Pflugerville and Harris Branch subdivision. The City Charter requires Council to hold a public hearing prior to taking any action that affects rates of a natural gas franchise holder.

On March 1, 2017, Atmos Energy Corp., Mid-Texas Division, submitted its fifth application under the current Rate Review Mechanism (RRM) seeking a system-wide rate increase of \$57.4 million to recover capital expenses made in 2016 which equates to a base-rate increase of about 8.35%.

**The RRM, which was approved by City Council in 2013, establishes a systematic process collaboratively developed by Atmos Energy and the city coalitions for reviewing Atmos' cost of service on an annual basis in lieu of the Gas Reliability Infrastructure Program provided by state law which allows a gas utility to recover**

capital investments made during the interim period between formal rate case filings.

**Austin is a member of the Atmos Texas Municipalities (ATM) coalition who collectively engage rate experts to review, advise and represent the coalition on Atmos' rate increases. The rate experts reviewed the application and Atmos' responses to requests for information and the Railroad Commission's prior rulings. ATM and Atmos reached agreement on a \$48 million increase instead of the \$57.4 million requested.**

An increase under the 2017 RRM of \$48 million over the base-rate revenue Atmos is currently collecting, represents an increase of about 3%-4% including the cost of gas and 8% in an typical average customer's bill by customer class as shown in the table below:

Customer Class	Current Bill	Proposed Bill	Difference	% Increase with Gas Cost	% Increase without Gas Cost
Residential	\$52.78	\$54.82	\$2.04	3.87%	7.86%
Commercial	\$265.18	\$271.45	\$6.27	2.37%	8.00%
Industrial	\$5,384.76	\$5,557.89	\$173.13	3.22%	8.73%
Transportation	\$4,018.61	\$4,201.74	\$173.13	4.30%	8.73%

By agreeing to the negotiated \$48 million increase, the ATM Cities avoid the likelihood of Atmos appealing a City decision to further reduce Atmos' requested \$57.4 million increase to the Railroad Commission. As with any rate appeal to the Railroad Commission, there are a number of contested issues, the outcome of which is uncertain. However, based on the Railroad Commission's history and prior decisions, ATM's special counsel and rate consultants are of the opinion that the Railroad Commission would reach a result not materially different than the negotiated \$48 million, and perhaps approve a higher rate increase. Because the Railroad Commission would likely approve the same or higher increase, coupled with the prospect of rate case expenses for participating in an appeal – expenses that get passed on in customer rates – ATM's special counsel advises the ATM cities to accept a negotiated agreement to adopt the \$48 million increase.

City staff agrees with the recommended increase and recommends approval of the proposed ordinance and attached tariffs effectuating the increase.