



Legislation Text

File #: 2015-2520, **Version:** 1

Consider a resolution approving a change in the rates of Atmos Energy Corporation, Mid-Tex Division as a result of a settlement between Atmos Energy and the Atmos Texas Municipalities (ATM) under the rate review mechanism.

The City is a member of the Atmos Texas Municipalities (ATM). The ATM group was organized by a number of municipalities served by Atmos and has been represented by the law firm of Herrera & Boyle, PLLC (through Mr. Alfred R. Herrera). ATM also retained the services of a consulting firm, Utilitech, Inc. (Mr. Mike Brosch and Mr. Steve Carver) to assist in reviewing an application submitted by the Atmos Energy-Mid-Tex Division (Atmos) that seeks to increase its rates and change its rates. Herrera & Boyle, PLLC and Utilitech, Inc. have participated in prior rate cases involving Atmos and have extensive knowledge and experience in rate matters affecting Atmos' rates, operations, and services.

On February 27, 2015, Atmos requested an increase of about \$28.7 million and we've reached a proposed agreement for an increase of about \$21.8 million for its 2015 RRM filing.

Also, as part of the settlement we are resolving Atmos' appeal of the ATM cities' denial of Atmos' filing under the **RRM for 2014**. As you'll recall, that matter has been pending at the Railroad Commission since Sept., 2014, and not until last week, did the Commission's hearing examiner issue his proposal for decision. IN the 2014 RRM Atmos sought an increase of about \$45.6 million and the Commission's hearing examiner proposed an increase of about \$42.9 million. As we explain in the attached Agenda Information Sheet (AIS), we believe the Commission will approve the examiner's proposal for decision and that it would be a fruitless exercise to try to persuade the Commission otherwise and we'd incur rate case expenses needlessly.

Thus, the proposed settlement agreement approves an increase of about \$42.9 million for Atmos' 2014 RRM and an increase of about \$21.8 million for Atmos' 2015 RRM. Because Atmos has been charging higher rates under the 2014 RRM on an interim basis and subject to refund, the actual increase ratepayers will see from the proposed settlement is an increase of about \$21.8 million, which represents an overall increase in revenue of about 4%.

At this juncture, the ATM cities' options are as follows:

- Option 1.** To deny Atmos' requested increase under the 2015 RRM and approve no increase;
- Option 2.** To deny Atmos' requested increase and approve an increase of no more than \$9.1 million for its 2015 RRM, based on ATM's consultants' preliminary report;
- Option 3.** To take no action and allow Atmos' proposed increase of \$23.9 million in the affected cities and its related rates to go into effect; or

NOTE: *If the City elects Option 1, Option 2, or Option 3, the City would also have to continue its participation in the appeal pending at the Railroad Commission in GUD No. 10359 and incur its attendant costs.*

Option 4. To approve a settlement agreement that resolves the 2014 RRM *and* the 2015 RRM, which combined results in an increase in rates above 2013 revenues of \$65.7 million. ***This is the option recommended to the ATM group and is presented here.***

Staff recommends approval.