

ORDINANCE NO.

AN ORDINANCE DENYING A RATE INCREASE PROPOSED BY ATMOS ENERGY CORPORATION, MID-TEX DIVISION; REQUIRING REIMBURSEMENT OF MUNICIPAL RATE CASE EXPENSES BY THE REGULATED UTILITY; AND PROVIDING NOTICE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

PART 1. FINDINGS:

(A) On September 20, 2007, Atmos Energy Corporation – Mid-Tex Division (“Atmos”) filed a Statement of Intent with the City to increase its system-wide, annual revenue requirement, seeking to increase rates by \$51.9 million.

(B) Based on Company-provided information, Atmos’ proposal would result in an average monthly increase per customer for approximately 5,300 customers within the City as follows:

Residential - \$1.57 or approximately 8.27%

Commercial - \$9.21 or approximately 22.27%

Industrial - \$167.90 or approximately 38.95%

(C) The City has exclusive original jurisdiction under the Gas Utilities Regulatory Act, Texas Utilities Code § 103.001 to evaluate Atmos’ proposed rate increase.

(D) The City of Austin joined a coalition of cities, known as Atmos Texas Municipalities (“ATM”), consisting of almost all of the cities served by Atmos in the Austin metropolitan region.

(E) ATM has hired experts to evaluate and make recommendations regarding the proposed rate increase.

(F) ATM’s experts recommend that Atmos is not entitled to an increase in rates.

(G) These experts have determined that the rate increase proposed by Atmos is not just and reasonable based on the following:

(1) Atmos’ request seeks an excessive rate of return of 11%;

1 (2) Atmos' request to increase rates is based upon several adjustments to its
2 cost of service which were recently rejected by the Railroad Commission of Texas;

3 (3) the requested design of the rates puts more of the cost of gas utility
4 operations on low-use residential customers who often are in the worst position to
5 absorb such cost increases; and

6 (4) the request seeks the implementation of a rate mechanism that provides a
7 disincentive to reducing costs and becoming more productive or efficient.

8 **PART 2.** Based on the above findings, the rate increase proposed by Atmos and filed
9 with the City on September 20, 2007, is denied.

10 **PART 3.** Atmos is directed to reimburse all related municipal rate case expenses
11 incurred by the City as required by § 103.022 of the Texas Utilities Code.

12 **PART 4.** Notice of this ordinance is hereby provided to Atmos Energy Corporation,
13 Mid-Tex Division.

14 **PART 5.** This ordinance takes effect on _____.

15
16 **PASSED AND APPROVED**

17
18 §
19 §
20 _____, 2007 § _____

21 Will Wynn
22 Mayor

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25 **APPROVED:** _____

26 David Allan Smith
27 City Attorney

28 **ATTEST:** _____

29 Shirley A. Gentry
City Clerk