

## AGENDA



Thursday, September 25, 2008

**Telecommunications & Regulatory Affairs  
RECOMMENDATION FOR COUNCIL ACTION**

Item No. 76

**Subject:** Approve a resolution granting approval of gas rate tariffs proposed by Atmos Energy Corporation, Mid-Tex Division.

**For More Information:** Rondella M. Hawkins, Manager,  
Office of Telecommunications & Regulatory Affairs, 974-2422

**Prior Council Action:** City Council approved Atmos Rate Settlement Agreement on March 6, 2008.

Under the Gas Utilities Regulatory Act, Chapters 101 through 105 of the Texas Utilities Code (GURA), the City of Austin has original jurisdiction over gas utility rates set for customers within its city limits.

On March 6, 2008, the City Council approved the settlement agreement between Atmos Energy Corporation (Atmos) and the Atmos Texas Municipalities (ATM), a coalition of municipalities served by Atmos, relating to the implementation of natural gas rates. In connection with that settlement, ATM agreed to a new rate regulatory mechanism to review changes in rates on a three year trial basis, known as the Rate Review Mechanism (RRM). The first RRM change is to be implemented on October 1, 2008. In April, Atmos filed its first RRM request. The request sought to increase rates by approximately \$42 million. Through the review process implemented by the settlement agreement, ATM's consultants undertook extensive discovery as well as interviews of key management personnel with rate case responsibilities. As a result of the review, Atmos reduced its requested increase to \$20 million. The ATM Steering Committee and its consultants recommend that the ATM municipalities approve the tariff.

The following is a summary of the rate adjustments which are reflected in the proposed tariffs for gas service:

**Rate Adjustments:**

Beginning October 1, 2008, rates will be adjusted in the following respects:

- Residential Customer charge will be reduced from \$10.69 to \$7.00/month.
- Small Commercial customer charge will be reduced from \$20.28 to \$13.50/month.
- The typical residential bill will increase by 81 cents/month or by 1.38% overall.
- The typical small commercial bill will increase by \$2.93/month or by 0.77% overall.
- The typical Industrial/Transportation customer will experience an increase of approximately half percent overall.

Also included in the tariff is a new energy conservation program which is aimed at senior citizens and low-income Atmos customers that will also take effect on October 1, 2008. The initial year of the program will provide each qualified customers up to \$200.00 worth of caulking, weather stripping, sheathing, sealing, water heater blankets and like materials. Program reviews will be conducted within 120 days of the end of each program year to evaluate effectiveness. Atmos will work with communities it serves to develop this program addressing conservation and energy efficiency.

Staff recommends approval of the proposed tariffs for Atmos gas service.