

## AGENDA



Thursday, August 20, 2009

**Public Hearings and Possible Actions**  
**RECOMMENDATION FOR COUNCIL ACTION**

Item No. 63

**Subject:** Conduct a Public Hearing and consider an ordinance regarding a proposal from Atmos Energy Corporation, Mid-Tex Division to increase customer gas rates.

**For More Information:** Rondella M. Hawkins, Manager, Office of Telecommunications & Regulatory Affairs, (512)974-2999

**Prior Council Action:** March 6, 2008 - Council approved settlement agreement establishing a new rate regulatory mechanism to review changes in rates, known as a Rate Review Mechanism.

Under the Gas Utility 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), mid-Texas Division and the Atmos Texas Municipalities (ATM), a coalition of over 50 municipalities including Austin 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 second RRM is to be implemented on September 1, 2009.

In March, Atmos filed its second RRM request. The request sought a net increase of \$15,047,441 to Atmos' system-wide rates. Through the review process implemented by the settlement agreement, ATM's consultants undertook extensive discovery for almost 4 months as well as interviews with key management personnel with rate case responsibilities. As a result of the review, Atmos has agreed to reduce its requested increase to \$2.6 million. The ATM Steering Committee and its consultant recommend that the ATM municipalities approve the proposed tariffs. In Austin, there are approximately 6,100 residential Atmos customers and approximately 179 commercial customers.

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

Rate Adjustments:

- An increase of \$.15 cents to the average monthly bill of a typical residential customer.
- \* An increase of \$.26 cents to the average monthly bill of a typical commercial customer.
- A change in the Gas Cost Recovery ("GCR") tariff in order to allow certain costs related to financial hedging of gas costs to be included in periodic fuel adjustments.
- A change in the Conservation Energy Efficiency ("CEE") tariff to allow for an increase in conservation measures from \$200 to \$1,500 per household. This program provides for assistance to low-income and those over the age of 65 to obtain and install energy efficiency materials. Staff recommends approval of the proposed tariffs for Atmos gas service.