

A G E N D A



Recommendation for Council Action

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|--|--|-------|---------------|------------------------------------|
| Austin City Council | Item ID | 12910 | Agenda Number | 29. |
| Meeting Date: | 3/1/2012 | | Department: | Telecommunications and Reg Affairs |
| Subject | | | | |
| Approve an ordinance suspending an increase in customer gas rates proposed by Atmos Energy Corporation, Mid-Tex Division; requiring reimbursement of related rate review expenses; and providing notice to Atmos Energy. | | | | |
| Amount and Source of Funding | | | | |
| Fiscal Note | | | | |
| There is no unanticipated fiscal impact. A Fiscal Note is not required. | | | | |
| Purchasing Language: | | | | |
| Prior Council Action: | | | | |
| For More Information: | Rondella M. Hawkins, Office of Telecommunications & Regulatory Affairs, Telephone: (512) 974-2422. | | | |
| 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), the City has original jurisdiction over gas utility rates set for customers within its city limits. On January 31 of this year, Atmos Energy Corporation, Mid-Tex Division, filed for an increase in its system-wide annual rates by \$49.0 million, or 4.36% including gas costs or 11.94% excluding gas costs.

The proposed changes will increase rates for residential and commercial customers and decrease rates for industrial and transportation customers within all incorporated areas served by Atmos' Mid-Tex Division. Atmos is also proposing to implement a Rate Review Mechanism ("RRM") and a new conservation and energy efficiency tariff in place of the current tariff.

As proposed by Atmos, the fixed customer charges would increase for each customer class, while charges based on consumption would be reduced. Atmos estimates that the average monthly bill for each class of customer will be affected as follows: Residential customers will see a 13.6% increase; commercial customers will see a 6.69% increase; industrial customers will see a 14.22% decrease; and Rate T-Transportation customers will see a 14.22% decrease. Because the changes increase base charges, residential customers that use less gas than the average customer will see a steeper percentage increase in their monthly bill.

Since the Atmos rate-filing package contains voluminous data, the Council is requested to suspend Atmos' proposed effective date of March 6, 2012 for ninety (90) days as provided by state regulations to give the City time to participate in an effective review of the proposed increase. The suspension period expires on June 4, 2012.

Atmos has just over 6,300 customers in the City of Austin. Austin is a member of the Atmos Texas Municipalities (ATM) which is a coalition of cities who are affected by the rate increase who will hire experts to review the reasonableness of the request, the costs of which by statute can be recovered from the utility. In addition, it will allow the City, coalition ATM attorneys and rate consultants to work with Atmos to achieve an agreed resolution.

Staff will come back to Council in May of 2012 with a recommended action.