AUSTIN CITY COUNCIL

AGENDA



Recommendation for Council Action

Austin City Council	**Item ID**	44577	**Agenda Number**	50.
Meeting Date:	5/21/2015	**Department:**	Telecommunications and Reg Affairs	

Subject

Conduct a public hearing and consider an ordinance relating to Atmos Energy Corporation-MidTex Division's proposal to increase customer gas rates.

Amount and Source of Funding

Fiscal Note

Purchasing Language:	
Prior Council Action:	Set a Public Hearing granted on May 7, 2015; Denied 2014 RRM increase request on May 22, 2014; October 24, 2013, approved ORDINANCE NO. 20131024-082; June 25, 2012, approved ORDINANCE NO. 20120614-051
For More Information:	Rondella M. Hawkins, TARA Officer, 512-974-2422
Council Committee, Boards and Commission Action:	To be reviewed by the Public Utilities Committee on May 20, 2015.
MBE / WBE:	
Related Items:	

Additional Backup Information

Under the Gas Utilities Regulatory Act (Chapters 101 through 105 of the Texas Utilities Code) ("GURA"), the City has original jurisdiction over gas utility rates set for customers within its city limits. Atmos has approximately 8,228 customers in the City of Austin.

The City Charter requires Council to hold a public hearing prior to taking any action that affects rates of a natural gas franchise holder.

On February 28, 2014, ATMOS initiated a ratemaking proceeding with Austin and the other cities in the coalition known as the "ATMOS Texas Municipalities" (ATM) by submitting an application to increase its revenue by about $45.6 million, an increase of about 9.2% in annual base-rate revenue. On May 22, 2014, the City denied the rate increase, and Atmos appealed the denial to the Railroad Commission where in late April, 2015 an appeals examiner recommended approval of a $42.9 million increase.

On February 27, 2015, Atmos submitted an application under the current RRM to Austin and the other ATM cities seeking an additional system-wide rate increase of $28.7 million ("2015 RRM"), which equates to an increase of about 5.6%.

After extensive review and negotiations with Atmos, ATM's special counsel advises the ATM cities to accept a settlement increasing rates by about $21.87 million over the current, interim rates Atmos is charging. Because the current rates Atmos is charging have not been approved by either the cities or the Railroad Commission, the City's action in effect would be to approve an increase for the 2014 RRM filing and the 2015 RRM filing of about $65.7 million, combined, over Atmos' 2013 proposed revenues.

The combined increases for the 2014 RRM and 2015 RRM are shown below:

2014 RRM

System Wide	
2014 RRM Filed City Amount	$45,732,838
Adjustments	(1,913,950)
2014 RRM Filed Appeal Amount	43,818,888
Adjustments:	
CC 1205	(27,748)
AtmoSpirit and Service Awards	(196,741)
Depreciation on Disallowed Projects	(349,906)
Incentive Compensation to Achieved payout of 150%	(84,555)
Flow Through effect of incentive adjustment	(6)
ADIT NOL Correction	(36,545)
Other Revenue: Forfeited Discount	(122,668)
Flow through effects of above adjustments	(42,088)
PFD Amount	$42,958,631

2015 RRM

System Wide	
2015 RRM Filed City Amount (adjusted as noted)	$28,673,724
2014 Rate Case Expense	799,651
2015 RRM Filed Amount	29,473,375
Downward Adjustments:	
Billing Determinant Adjustment	(4,632,888)
AtmoSpirit and Service Awards	(93,977)
Depreciation on Disallowed Projects	(371,598)
Refund from Appeal	(860,257)
Correction from ATM RFI 1-26 and ATM RFI 5-10	(1,525,993)
Correction from ACSC RFI 3-01 and ACSC RFI 3-02	(115,499)
2015 RRM Adjusted	**$21,873,163**

Total Increase in Base Rates for 2014 RRM and 2015 RRM **$65,692,051**

An increase of about $21.87 million over the rates Atmos is *currently* charging related to the 2015 RRM, represents an increase of about 4%, and the impact on an average customer's bill would be as follows:

Customer Class	Current Bill	Proposed Bill	Difference	% Increase with Gas Cost	% Increase without Gas Cost
Residential	$71.48	$72.62	$1.14	1.59%	4.45%
Commercial	$280.04	$282.73	$2.69	0.96%	4.01%
Industrial	$1,082.55	$1113.37	$30.82	2.85%	3.66%
Transportation	$909.36	$940.17	$30.81	3.39%	3.70%