

ORDINANCE NO. 2018xxxx-xxx

APPROVING A RATE DECREASE FOR GAS UTILITY SERVICES PROVIDED BY ATMOS ENERGY CORPORATION – MID-TEX DIVISION IN RELATION TO THE STATEMENT OF INTENT TO REDUCE GAS UTILITY RATES FILED ON MARCH 9, 2018; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH A DECREASE IN REVENUE REQUIREMENT; AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE.

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

PART 1. The Council finds:

- (A) On March 9, 2018, Atmos Energy Corporation – Mid-Tex Division (“Atmos”) filed with the City a Notice of Intent to Reduce Gas Utility Rates by approximately \$29.6 million.
- (B) The City Council is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) and under § 103.001 of GURA has exclusive original jurisdiction over Atmos rates, operations, and service of a gas utility within Austin’s city limits.
- (C) The City coordinated its review of Atmos’ filing with other similarly situated municipalities through a coalition known as the Atmos Texas Municipalities (“ATM”).
- (D) The rates Atmos currently charges in Austin were set pursuant to the Rate Review Mechanism (“RRM”) for 2017 filed with the City on March 1, 2017, in which the City approved an increase in Atmos’ annual revenue of about \$48 million based on the then-current federal-income-tax rate of 35%.
- (E) Due to passage of the Tax Cut and Jobs Act of 2017, effective January 1, 2018, the corporate tax rate on income was reduced from 35% to 21%.
- (F) Atmos seeks in its Notice of Intent to Reduce Gas Utility Rates to obtain approval under Texas Utilities Code §104.111 to reduce its annual revenue by approximately \$29.6 million.

- 1 (G) The City, as part of ATM, participated in a general rate case at the Railroad
2 Commission of Texas in Gas Utility Docket No. 10580 (“GUD No. 10580”)
3 for Atmos Pipeline Texas (“APT”), a separate division of Atmos, in which
4 APT’s current rates were set also using the then-current federal-income-tax
5 rate of 35%.
6
- 7 (H) APT seeks the City’s consent to a decrease in rates for APT’s rates to be
8 approved by the Railroad Commission of Texas, which decrease would
9 reduce APT’s annual revenue by about \$29 million.
10
- 11 (I) City staff, in consultation with ATM’s special counsel and consultants,
12 confirmed that the reduction requested by Atmos and APT is mathematically
13 accurate.
14
- 15 (J) By approving the reduction in Atmos’ rates, and consenting to the reduction
16 in APT’s rates, the City is under no obligation to take the same positions
17 with regard to the methodology resulting in a reduction in rates, as the
18 methodology underlying the reduction proposed by Atmos or APT, nor shall
19 the City’s approval of the reduction in Atmos’ rates or its consent to the
20 reduction in APT’s rates, be used against City in any future proceeding with
21 respect to different positions the City may take with regard to setting Atmos’
22 or APT’s rates.
23
- 24 (K) After review and analysis of Atmos’ Notice of Intent to Reduce Gas Utility
25 Rates, the special counsel and consultants for ATM as well as City staff
26 concur that a decrease of approximately \$29.6 million is appropriate given
27 implementation of the effects of the Tax Cut and Jobs Act of 2017 and
28 recommend adoption of revised rates by adopting the Tariffs attached to this
29 ordinance as Exhibit A.
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31 **PART 2.** The rates and tariffs appended to and incorporated by this ordinance as
32 Exhibit A are just, reasonable, and in the public interest, and are hereby approved.
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34 **PART 3.** The City consents to APT’s decrease in rates for APT’s rates to be approved
35 by the Railroad Commission of Texas, which decrease would reduce APT’s annual
36 revenue by about \$29 million.
37

38 **PART 4.** The costs of rate consultants, attorneys, and technical staff to conduct
39 investigations, advise, and represent the City in this proceeding shall be reimbursed to
40 the City by Atmos in accordance with the City’s pro-rata share.

1
2 **PART 5.** Nothing in this ordinance shall be construed as limiting or modifying in any
3 manner the right and power of the City under the law to regulate the rates and charges
4 of Atmos.
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6 **PART 6.** This ordinance takes effect on _____, 2018.
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9 **PASSED AND APPROVED**
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11
12 §
13 §
14 _____ May 10 _____, 2018 § _____
15 Steve Adler
16 Mayor
17

18 **APPROVED:** _____ **ATTEST:** _____
19 Anne L. Morgan Jannette S. Goodall
20 City Attorney City Clerk