

## AGENDA

**Recommendation for Council Action****AUSTIN CITY COUNCIL****Regular Meeting: June 28, 2018**Item Number: **053**

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**Telecommunications and Regulatory Affairs**

Approve an ordinance suspending a rate increase proposed by Atmos Energy Corporation for natural gas services.

<b>Lead Department</b>	Telecommunications and Regulatory Affairs.
<b>Fiscal Note</b>	This item has no fiscal impact.
<b>Prior Council Action</b>	No
<b>For More Information</b>	Rondella M. Hawkins, TARA Officer, 512-974-2422.

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**Additional Backup Information:**

On June 1, 2018, Atmos Energy Corporation (“Atmos” or “Company”) filed a Statement of Intent with members of the coalition of cities known as the Atmos Texas Municipalities (“ATM”) comprised of about 50 cities, of which the City is a member, to increase rates by approximately \$4.5 million, which equates to an increase of about 8% in annual non-gas-cost revenue in the ATM cities. On a system-wide basis, Atmos’s proposed increase would be the equivalent of about \$46.0 million; this equates to an increase in annual revenue of about 7.3%.

Atmos proposes an effective date of July 6, 2018 for its change in rates. City staff, the ATM Coalition, and special counsel for the ATM Coalition recommend suspending the proposed rate increase for 90 days as allowed by Texas Utilities Code §104.107 to allow time to analyze and request information on the proposed increase.

**Proposed Rate:**

Atmos proposes to increase base rates for residential customers and to decrease base rates for commercial customers. The effect on a customer's bill under Atmos's proposed rates is as follows excluding the cost of gas:

Residential - Rate R	11.15% increase
Commercial - Rate C	4.22% decrease
Industrial - Rate I	12.39% decrease
Transportation - Rate T	12.39% decrease

**And including the cost of gas:**

Residential - Rate R	4.82% increase
Commercial - Rate C	1.35% decrease
Industrial - Rate I	2.14% decrease
Transportation - Rate T	2.33% decrease

**REVENUE IMPACT:**

Assuming Atmos's proposed increase is approved, the effect on the percentage change in **revenue** for each customer class, (excluding the cost of gas), is shown below:

Residential - Rate R	11.18% increase
Commercial - Rate C	5.17% decrease
Industrial - Rate I	9.20% decrease
Transportation - Rate T	9.20% decrease

Atmos proposes to increase the fixed customer charge for the Residential class, while charges based on consumption would be reduced. For commercial customers, Atmos proposes a decrease in the customer charge and the commodity charge.

Because of the material increase to the Residential class and decreases to the commercial and industrial and transportation classes, the City should evaluate Atmos's proposed allocation of costs to the customer classes.

Atmos's application represents its first general rate case since 2012 (GUD No. 10170). Prior to this filing, Atmos sought annual increases in rates pursuant to the Rate Review Mechanism ("RRM"). However, the RRM tariff has since expired, thus necessitating Atmos's application. Note that Atmos is also seeking an increase in rates in those cities that continued the RRM tariff.

**ACTION REQUIRED BY July 6, 2018**

The City must take action on Atmos's Statement of Intent before July 6, 2018. Absent such action, Atmos's proposed rates are deemed approved by operation of law.

**ATMOS TEXAS MUNICIPALITIES**

The Atmos Texas Municipalities ("ATM") was organized by a number of municipalities, served by Atmos

and has engaged special utility rate counsel and consultants.

#### **CITY JURISDICTION TO SET ATMOS'S RATES**

Unless a city ceded its original jurisdiction to the Railroad Commission of Texas, the Gas Utility Regulatory Act § 103.001 grants a city exclusive original jurisdiction over a gas utility's rates, services, and operations within the city limits. But even if a city has ceded its jurisdiction, to the Railroad Commission, the Gas Utility Regulatory Act § 103.023, grants a city the statutory right to participate in rate proceedings before the Railroad Commission.

#### **SUSPENSION**

Atmos's rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package, the ordinance proposed for Council's approval suspends Atmos's proposed effective date for ninety (90) days as provided by GURA. Suspension of Atmos's proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a comprehensive review of Atmos's application.

#### **RECOMMENDATION**

Staff recommends that the City continue its participation in the Atmos Texas Municipalities Coalition and that Council suspends Atmos's Statement of Intent for 90 days.