



**Franchise Agreement  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.:** 10  
**AGENDA DATE:** Thu 11/17/2005  
**PAGE:** 1 of 2

**SUBJECT:** Approve an ordinance denying a proposed interim Gas Reliability Infrastructure Program (GRIP) surcharge submitted by ATMOS Energy Corp , Mid-Tex Division (formerly TXU Gas Co ) for calendar year 2004, approve a resolution authorizing the City Manager to join a coalition of other Texas cities defending the denial of the interim GRIP surcharge

**AMOUNT & SOURCE OF FUNDING:** N/A

**FISCAL NOTE:** There is no unanticipated fiscal impact A fiscal note is not required

**REQUESTING** Financial and **DIRECTOR'S**  
**DEPARTMENT:** Administrative Services - **AUTHORIZATION:** Vickie Schubert  
Telecommunications and  
Regulatory Affairs

**FOR MORE INFORMATION CONTACT:** Rondella Hawkins, Manager, 974-2422

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

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On September 17, 2005, ATMOS Energy Corporation, Mid-Tex Division (formerly TXU Gas Company) filed a request for an annual gas reliability infrastructure program (GRIP) rate increase with all the cities it serves, and with the Texas Railroad Commission (RRC) The filing notifies cities and the RRC of ATMOS' intent to increase rates by \$6.7 million statewide to recover investment in infrastructure This filing is authorized under recently enacted legislation, codified in 2003 as Texas Utilities Code Chapter 104 A Chapter 104 filing allows a gas utility to recover reasonable increases in capital investment in the gas system without filing a full rate case with the City According to company-provided information, Council approval of the assessment will increase the average monthly bill for approximately 4,800 customers for approximately a year, beginning November 19, 2005, or until ATMOS has recovered the costs in full The average monthly increase per customer class will be

- Residential - \$0.29,
- Commercial - \$0.98, and
- Industrial - \$41.64

The City has original jurisdiction to approve, deny or suspend a gas utility's GRIP assessment on City customers The filing notifies cities and the PUC of ATMOS' intent to increase rates by \$8.5 million statewide, on top of the \$11.5 million state-wide rate increase enacted in May, 2004 This proposed "interim" increase is the second in as many years, with the RRC having recently approved ATMOS' 2004 GRIP request over similar objections from cities Staff has concluded, based upon information and results shared with the City by the ATMOS Cities Steering Committee (a consortium of Texas cities, including Fort Worth and Arlington) that the Company's proposal is unjustified, unreasonable and does not comply



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with the recently enacted state law

A substantial portion of the 2004 GRIP filing request is the result of new office furniture, computer and other cost efficiency purchases more likely to benefit shareholders than ratepayers. Therefore, staff recommends Council approval of the proposed ordinance, which denies the ATMOS request.

Staff also recommends Council approval of a resolution authorizing cooperation with and participation in the ATMOS Cities Steering Committee (ACSC). Denial of the GRIP request will likely result in an appeal by ATMOS to the Texas RRC.

The Committee is authorized to hire and direct legal counsel and consultants, negotiate with the Company, make recommendations regarding rates and intervene on behalf of the City in any litigation resulting from an appeal of this ordinance denying ATMOS' request. The resolution authorizes City participation in any such appeal as a member of ACSC, requires prompt reimbursement by ATMOS of expenses incurred by the City during this ratemaking activity, and provides ATMOS with notice of any action taken by the City regarding this item.