

RESOLUTION NO. 20060525-051

WHEREAS, on this date by Ordinance No. 20060525-050 the City Council denied Atmos Energy Corporation, Mid-Tex Division's ("Atmos") most recent request for an interim Gas Reliability Infrastructure Program ("GRIP") surcharge increase filed with the Railroad Commission of Texas ("RRC") and the City on or about March 30, 2006; and

WHEREAS, the City Council denied the 2003 and 2004 Atmos GRIP increase requests which resulted in an appeal by Atmos to the RRC; and

WHEREAS, the RRC approved both piecemeal GRIP increase requests as originally filed by Atmos without allowing the City to intervene or participate in the proceedings at the RRC, despite Texas cities' objections and evidence that Atmos was using the GRIP filing to include other costs unrelated to infrastructure improvements and that the company's rate of return was excessive; and

WHEREAS, pursuant to the Gas Utilities Regulatory Act, Texas Utilities Code §103.001, the City Council has original jurisdiction over the gas utility rates of Atmos to the extent that it provides gas service within Austin city limits; and

WHEREAS, the City is compelled to exercise its original jurisdiction over Atmos base rates to require a comprehensive rate review based on a test year ending December 31, 2005, to determine whether Atmos' proposed rates and its overall rate of return are reasonable or in violation of applicable law and generally accepted ratemaking principles; and

WHEREAS, the third GRIP filing recently made by Atmos is unnecessary and unreasonable and will adversely impact City customers; and

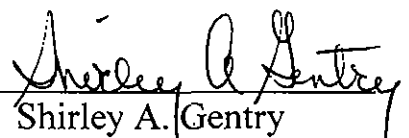
WHEREAS, review by City Staff is that Atmos currently receives excessive earnings in relation to its cost of service and capital structure, that its current rate structure does not reflect its acquisition of the system from TXU Gas Company, and that since the acquisition, Atmos has engaged in piecemeal ratemaking by means of imposing interim surcharges through the GRIP that would be illegal under traditional ratemaking standards in the public interest; **NOW, THEREFORE,**

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

Atmos is directed to show cause under Chapters 103 and 104 of the Gas Utility Regulatory Act, Texas Utilities Code regarding the reasonableness of its existing natural gas distribution rates within the City, and to file a rate package by May 31, 2006, based upon a test year ending December 31, 2005. Further, the City Manager is authorized to join the Atmos Texas Municipalities group to investigate and pursue rate relief, and to intervene in rate proceedings before the Railroad Commission of Texas with respect to Atmos' service and rates within Austin.

ADOPTED: May 25, 2006

ATTEST:


Shirley A. Gentry
City Clerk