

City of Mesquite, Texas

Legislation Text

File #: 17-2729, **Version:** 1

An ordinance, on second and final reading, approving a negotiated settlement between the Atmos Cities Steering Committee (ACSC) and Atmos Energy Corporation, Mid-Tex Division (Company) regarding the Company's 2017 Rate Review Mechanism (RRM) filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustments consistent with the negotiated settlement; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; requiring reconciliation and rate adjustments if federal income tax rates change; terminating the RRM process or 2018 pending renegotiation of RRM terms and conditions; requiring the Company to reimburse ACSC's reasonable ratemaking expenses; determining that this ordinance was passed in accordance with the requirements of the Texas Open Meetings Act; adopting a savings clause; declaring an effective date; and requiring delivery of this ordinance to the Company and the ACSC's legal counsels.

The City, along with approximately 168 other cities served by Atmos Energy Corporation, Mid-Tex Division (Atmos Mid-Tex or Company), is a member of the Atmos Cities Steering Committee (ACSC). On March 1, 2017, Atmos Mid-Tex filed with the City its fifth and final application pursuant to the current Rate Review Mechanism (RRM) tariff process requesting \$57.4 million in additional revenues on a system-wide basis.

ACSC and the Company have reached a settlement to reduce the Company's request by \$9.4 million to \$48 million on a system-wide basis. If the Company used the Gas Reliability Infrastructure Program (GRIP) process rather than the RRM process, it would receive \$52.4 million, or about \$4.4 million more than will be approved by this ordinance. The monthly residential customer charge will increase \$0.50 per month, from \$19.10 to \$19.60, a 2.62 percent increase, and the residential consumption charge will increase 26.8 percent, from \$0.11378 per 100 cubic feet (Ccf) of natural gas consumed to \$0.14427 Ccf.

The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$2.04, or about 3.9 percent. The typical commercial customer will see an increase of \$6.27 per month, or a 2.4 percent increase. If approved, the new rates would become effective June 1, 2017.

RRM Background:

The RRM tariff was originally approved by ACSC cities as part of the settlement agreement to resolve the Atmos Mid-Tex 2007 system-wide rate filing at the Texas Railroad Commission. On June 3, 2013, the City adopted a renewed RRM tariff for an additional five years. This is the last RRM filing under the renewed tariff. The RRM tariff and the process implementing that tariff were created collaboratively by ACSC and Atmos Mid-Tex as an alternative to the GRIP surcharge process authorized by the State legislature. ACSC has opposed GRIP because it constitutes piecemeal ratemaking, does not allow any review of the reasonableness of Atmos' expenditures, and does not allow participation by cities or recovery of cities' rate case expenses. In contrast, the RRM process has allowed for a more comprehensive rate review and annual adjustment as a substitute for GRIP filings. Since the RRM tariff was first adopted, ACSC's efforts have saved Atmos Mid-Tex ratepayers over \$125 million. The City's annual membership cost in ACSC for 2017 was \$2,895.76 and is considerably less than if the City were to intervene alone in natural gas rate cases.

Staff recommends that the City Council pass and approve the attached ordinance, on second and final reading,

adopting new tariffs for Atmos Energy Corporation, Mid-Tex Division effective June 1, 2017. The City Charter requires two readings and passages for adoption, and the first reading was approved at the May 15, 2017, City Council meeting.

If the City Council takes no action and does not pass and approve the proposed rate settlement ordinance on this second and final reading, then Atmos is still able to implement the settlement rates within the City. However, if the City Council votes to deny or reject the settlement rate increase, Atmos will appeal that denial to the Railroad Commission. An appeal by Atmos will initiate a contested rate case proceeding with Mesquite at the Railroad Commission, which would be very costly and expensive for the City to defend on its own, and historically, the Railroad Commission has always leaned in favor of the Company in prior rate cases.

Ordinance with Attached Rate Tariffs
List of ACSC Cities

Ted Chinn

Ted Chinn