

## Legislation Text

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**File #:** 18-3659, **Version:** 1

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An ordinance, on first reading, approving a negotiated settlement between the Atmos Cities Steering Committee (“ACSC”) and Atmos Energy Corporation, Mid-Tex Division (“Company”) regarding the Company’s 2018 Rate Review Mechanism 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 attached settlement tariffs to be just and reasonable and in the public interest; approving an attached exhibit establishing a benchmark for pensions and retiree medical benefits; approving an attached exhibit regarding amortization of regulatory liability; 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 counsel.

On March 19, 2018, the City Council adopted Ordinance No. 4544 to approve a revised Rate Review Mechanism (RRM) Tariff for the Atmos Mid-Tex Division, effective April 1, 2018 (see attached RRM background). This revised tariff included a rate reduction due to the *Tax Cuts and Jobs Act* approved by Congress last year, which reduced corporate tax rates from 35 percent to 21 percent. The average monthly residential customer bill was reduced by 3.1 percent and the average commercial customer bill was reduced by 1.9 percent as a result of those changes and the reduced rates became effective on July 1, 2018.

On April 3, 2018, just two days after the revised RRM tariff process was in effect, the Company filed its first rate case under the new RRM requesting \$42 million in additional system-wide revenues. ACSC rate consultants spent the past few months reviewing the rate filing and produced a report indicating that an increase of \$21.7 million in revenues was justified based on the application of standards set forth in the revised RRM tariff. On August 23, 2018, after several rounds of negotiations, the parties settled on a system-wide increase in revenues of \$24.9 million, which is \$17.1 million less than the \$42 million Atmos had requested and would likely have received if the Company filed its rate case with the Railroad Commission under the legislative GRIP process.

The settlement results in a \$0.50 cent increase to the residential base customer charge, and the monthly bill impact for a typical residential customer is an increase of 1.94 percent. The commercial customer charge will increase by \$1.55 per month, and the monthly bill impact for a typical commercial customer is an increase of 1.21 percent. These rate increases effectively offset the impact of the earlier rate reductions resulting from reduced federal income taxes paid by Atmos, and the out-of-pocket expense to consumers should be roughly the same as what consumers experienced the prior year. The new rates become effective on October 1, 2018.

Per the City Charter, an ordinance regulating rates for public utilities must be read and passed at two regular meetings of the City Council. The second and final reading of the proposed ordinance will take place at the September 17, 2018, City Council meeting.

### **Recommended/Desired Action**

Staff recommends approval of the ordinance on first reading.

**Attachment(s)**

Ordinance

Rate Review Mechanism Background

**Drafter**

Ted Chinn

**Head of Department**

Ted Chinn