

Mayor and Council Communication

DATE: 09/24/19

M&C FILE NUMBER: M&C 19-0185

LOG NAME: 21ADOPTION OF ATMOS 2019 RRM

SUBJECT

Conduct Public Hearing and Adopt Ordinance Approving Negotiated Settlement and Establishing Maximum Permitted Rates and Charges that Atmos Energy Corporation d/b/a Atmos Energy Corporation, Mid-Tex Division, may Assess Customers in the City of Fort Worth Effective October 1, 2019 (ALL COUNCIL DISTRICTS)

(PUBLIC HEARING - a. Report of City Staff: Juanita Rigsby; b. Citizen Presentations; c. Council Action: Close Public Hearing and Vote on M&C)

RECOMMENDATION:

It is recommended that the City Council adopt the attached Ordinance establishing maximum permitted rates and charges that Atmos Energy Corporation, d/b/a Atmos Energy Corporation, Mid-Tex Division, may assess customers in the City of Fort Worth, effective October 1, 2019, pursuant to a negotiated settlement of Atmos' proposed rate increase under its 2019 Rate Review Mechanism filing.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to approve a negotiated settlement with Atmos Energy Corporation, d/b/a Atmos Energy Corporation, Mid-Tex Division (Atmos), regarding Atmos' 2019 filing under the Rate Review Mechanism (RRM). The settlement was negotiated and is recommended by the Executive Committee of the Atmos Cities Steering Committee (ACSC), which is a coalition of 172 cities; including Fort Worth, that works cooperatively to provide members with more effective and efficient representation on gas-related issues.

The RRM Tariff was most recently re-adopted in 2018 (M&C G-19380) and serves as an alternative rate adjustment mechanism to the default process outlined in state law. Like the state-law adjustment mechanism, the RRM allows Atmos to adjust rates to recover capital improvement costs, but unlike state law, the RRM takes into account Atmos' overall financial situation, including operating costs and revenues and allows cities, as regulatory entities, to review filings and identify expenses or investments considered to be unreasonable or unnecessary that should be reduced or disallowed. Since it was originally adopted, the RRM process has generally resulted in rate increases that are less than Atmos would have been entitled to implement under the default state-law adjustment mechanism.

On or about April 1, 2019, Atmos filed its rate increase request under the RRM Tariff. That filing sought additional revenues in the amount of \$54 million system-wide. The City worked with and through ACSC to analyze the schedules and evidence offered by Atmos to support its request to increase rates.

The attached Ordinance reflects the terms of a negotiated settlement between ACSC and Atmos to resolve issues raised by ACSC during the review and evaluation of Atmos's filing. Under the Ordinance Atmos' revenues would increase by \$35.4 million. This figure represents a reduction of approximately \$18.6 million dollars from the amount Atmos requested in its RRM filing.

The monthly bill impact for the average residential customer in the Atmos system consuming 45.7 Ccf will be an increase of \$2.05, or about 3.7%. The average Atmos system commercial customer consuming 367.6 Ccf will see an increase of \$6.18, or 2.31%.

On approval of the attached Ordinance, the rates shown in Exhibit A of the Ordinance will be effective for bills rendered on or after October 1, 2019. Key elements of the rate changes are as follows:

<u>Residential</u>	<u>Present</u>	<u>Recommended</u>
Customer Charge	\$ 18.85	\$ 19.55
Rider CEE Surcharge*	\$ 0.03	\$ 0.05
Total Customer Charge	\$ 18.88	\$ 19.60
All Ccf	\$ 0.14846	\$ 0.17423
<u>Commercial</u>		

Customer Charge	\$ 43.50	\$ 46.50
Rider CEE Surcharge*	\$ (0.03)	\$ 0.02
Total Customer Charge	\$ 43.47	\$ 46.52
All Ccf	\$ 0.09165	\$ 0.09924
<u>Industrial</u>		
Customer Charge	\$ 784.00	\$ 845.50
First 0 MMBtu to 1,500 MMBtu	\$ 0.3312	\$ 0.3572
Next 3,500 MMBtu	\$ 0.2425	\$ 0.2616
All over 5,000 MMBtu	\$ 0.0520	\$ 0.0561
<u>Transportation</u>		
Customer Charge	\$ 784.00	\$ 845.50
First 0 MMBtu to 1,500 MMBtu	\$ 0.3312	\$ 0.3572
Next 3,500 MMBtu	\$ 0.2425	\$ 0.2616
All over 5,000 MMBtu	\$ 0.0520	\$ 0.0561

*Surcharge imposed under the Conservation and Energy Efficiency Rider (Rider CEE) as approved by the RRC in Gas Utility Docket No. 10170.

This M&C does not request approval of a contract with a business entity.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that this action will have no material effect on City Funds.

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