



City of Keller

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Legislation Text

File #: 16-334, **Version:** 1

To: Mark R. Hafner, City Manager

From: Carolyn J. Nivens, Director of Administrative Services | Human Resources

Subject:

Consider a resolution of the City Council of the City of Keller, Texas, approving a negotiated settlement between the Atmos Cities Steering Committee (“ACSC”) and Atmos Energy Corp., Mid-Tex Division regarding the company’s 2017 Rate Review Mechanism (RRM) filings; declaring existing rates to be unreasonable; adopting tariffs that reflect rate adjustment 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 adjustment if federal income tax rates change; terminating the RRM process for 2018 pending renegotiation of RRM terms and conditions; requiring the company to reimburse ACSC’s reasonable ratemaking expenses; determining that this resolution 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 resolution to the company and the ACSC’s legal counsel.

Action

Requested:

City Council consideration of a resolution approving a negotiated settlement between the Atmos Cities Steering Committee (“ACSC”) and Atmos Energy Corp., Mid-Tex Division regarding the company’s 2017 rate review mechanism filings; declaring existing rates to be unreasonable; finding the rates to be set by the settlement tariffs to be just and reasonable and in the public interest; and declaring an effective date.

Background:

The City, along with other similarly situated cities served by Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC”). The RRM Tariff was originally adopted by ACSC member cities in 2007 as an alternative to the Gas Reliability Infrastructure Program (“GRIP”), the statutory provision that allows Atmos to bypass the City’s rate regulatory authority to increase its rates annually to recover capital investments. The RRM Tariff has been modified several times, most recently in 2013.

The 2017 RRM filing is the fifth RRM filing under the renewed RRM Tariff. On March 1, 2017, Atmos made a filing requesting \$57.4 million additional revenues on a system-wide basis. Because the City of Dallas has a separate rate review process, exclusion of Dallas results in the Company requesting \$46.4 million from other municipalities.

Environs customers (ratepayers outside municipal limits) remain under the Railroad Commission’s

exclusive original jurisdiction and have their rates set through the GRIP process. If the Company had used the GRIP process rather than the RRM process it would receive a \$52.4 million increase, or about \$4.4 million more than will be approved by the Resolution. ACSC and the Company have reached an agreement, reflected in the Resolution, to reduce the Company's request by \$9.4 million, such that the Resolution approving new rates reflects an increase of \$48 million on a system-wide basis, or \$38.8 million for Mid-Tex Cities, exclusive of the City of Dallas.

Budget Impact:

Not Applicable

Financial

Considerations:

The Resolution approve rates that will increase the Company's revenues by \$38.8 million for the Mid-Tex Rate Division, effective for bills rendered on or after June 1, 2017.

The monthly residential base customer charge will be \$19.60. The consumption charge will be \$0.14 per Ccf. The monthly bill impact for the typical residential customer consuming 46.8 Ccf will be an increase of \$2.04, or about 3.87%.

The typical commercial customer will see an increase of \$6.27, or 2.37%.

Citizen Input/

Board Review:

Not Applicable

Legal Review:

Proposed Resolution has been reviewed and submitted by the Atmos Cities Steering Committee (ACSC) Executive Committee and its general counsel at Lloyd Gosselink, Rochelle & Townsend. The proposed Resolution has been reviewed by the City Attorney's office.

Alternatives:

City Council has the following alternatives:

- Approve as submitted
- Approve with changes
- Denial

Council Action:

The ACSC Executive Committee and its designated legal counsel and consultants recommend that all member cities approve the resolution with its attachments approving the negotiated rate settlement resolving the 2017 RRM filing, and implementing the rate change.