

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF COPPELL, TEXAS, APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE (“ACSC”) AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY’S 2019 RATE REVIEW MECHANISM FILING; 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.

WHEREAS, the City of Coppel, Texas (“City”) is a gas utility customer of Atmos Energy Corp., Mid-Tex Division (“Atmos Mid-Tex” or “Company”), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee (“ACSC”), a coalition of similarly-situated cities served by Atmos Mid-Tex (“ACSC Cities”) that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism (“RRM”) tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program (“GRIP”) process instituted by

the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, the current RRM tariff was adopted by the City in a rate ordinance in 2018; and

WHEREAS, on about April 1, 2019, Atmos Mid-Tex filed its 2019 RRM rate request with ACSC Cities based on a test year ending December 31, 2018; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2019 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of \$35.4 million applicable to ACSC Cities; and

WHEREAS, the attached tariffs (Exhibit A) implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest; and

WHEREAS, the settlement agreement sets a new benchmark for pensions and retiree medical benefits (Exhibit B); and

WHEREAS, the settlement agreement establishes an amortization schedule for regulatory liability (Exhibit C); and

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COPPELL, TEXAS:

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That, without prejudice to future litigation of any issue identified by ACSC, the City Council finds that the settled amount of an increase in revenues of \$35.4 million for ACSC Cities represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2019 RRM filing, is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

Section 3. That the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as Exhibit A, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional \$35.4 million from customers in ACSC Cities, over the amount allowed under currently approved rates. Such tariffs are hereby adopted.

Section 4. That the ratemaking treatment for pensions and retiree medical benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on Exhibit B, attached hereto and incorporated herein.

Section 5. That amortization of regulatory liability shall be consistent with the schedule found in attached Exhibit C attached hereto and incorporated herein.

Section 6. That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses including attorneys' fees of the ACSC in processing the Company's 2019 RRM filing.

Section 7. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 8. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 9. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Ordinance, and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 10. That consistent with the City Ordinance that established the RRM process, this Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after October 1, 2019.

Section 11. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LJB Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PASSED AND APPROVED this _____ day of _____, 2019.

Karen Selbo Hunt, Mayor

ATTEST:

APPROVED AS TO FORM:

Christel Pettinos, City Secretary

Robert E. Hager, City Attorney

Attachment 1

Proof of Revenues

**ATMOS ENERGY CORP., MID-TEX DIVISION
RRM CITIES RATE REVIEW MECHANISM
PROOF OF REVENUES - SYSTEMWIDE
TEST YEAR ENDING DECEMBER 31, 2018**

Line No.	Customer Class	Current	Proposed	Bills	Ccf/MmBtu
	(a)	(b)	(c)	(d)	(e)
1	Residential				
2	Customer Charge	\$ 18.85	\$ 19.55	18,572,400	
3	Consumption Charge	0.14846	0.17423		876,575,629
4	Revenue Related Taxes				
5	Total Class Revenue				
6					
7	Commercial				
8	Customer Charge	\$ 43.50	\$ 46.50	1,492,740	
9	Consumption Charge	0.09165	0.09924		576,758,305
10	Revenue Related Taxes				
11	Total Class Revenue				
12					
13	Industrial & Transportation				
14	Customer Charge	\$ 784.00	\$ 845.50	9,804	
15	Consumption Charge Tier 1	\$ 0.3312	\$ 0.3572		10,724,328
16	Consumption Charge Tier 2	\$ 0.2425	\$ 0.2616		12,346,302
17	Consumption Charge Tier 3	\$ 0.0520	\$ 0.0561		22,335,700
18	Revenue Related Taxes				
19	Total Class Revenue				
20					
21	Total Excluding Other Revenue				
22					
23					
24	Revenue Related Tax Factor	6.7078%			

Current Revenues	Proposed Revenues	Increase
(f)	(g)	(h)
\$ 350,089,740	\$ 363,090,420	
130,136,418	152,725,772	
32,212,790	34,600,111	
<u>\$ 512,438,948</u>	<u>\$ 550,416,303</u>	<u>\$ 37,977,356</u>
\$ 64,934,190	\$ 69,412,410	
52,859,899	57,237,494	
7,901,436	8,495,470	
<u>\$ 125,695,525</u>	<u>\$ 135,145,374</u>	<u>\$ 9,449,849</u>
\$ 7,686,336	\$ 8,289,282	
3,551,897	3,830,730	
2,993,978	3,229,793	
1,161,456	1,253,033	
1,032,582	1,113,691	
<u>\$ 16,426,250</u>	<u>\$ 17,716,529</u>	<u>\$ 1,290,278</u>
<u>\$ 654,560,722</u>	<u>\$ 703,278,206</u>	<u>\$ 48,717,483</u>

Attachment 2

Bill Impact

**ATMOS ENERGY CORP., MID-TEX DIVISION
AVERAGE BILL COMPARISON - BASE RATES
TEST YEAR ENDING DECEMBER 31, 2018**

Line						CURRENT	PROPOSED	CHANGE
1	Rate R @ 47.5 Ccf							
2	Customer charge					\$ 18.85		
3	Consumption charge	47.5	CCF	X \$ 0.14846	=	7.05		
4	Rider GCR Part A	47.5	CCF	X \$ 0.27375	=	13.00		
5	Rider GCR Part B	47.5	CCF	X \$ 0.27485	=	13.06		
6	Subtotal					\$ 51.96		
7	Rider FF & Rider TAX		\$ 51.96	X 0.06708	=	3.49		
8	Total					\$ 55.45		
9								
10	Customer charge						\$ 19.55	
11	Consumption charge	47.5	CCF	X \$ 0.17423	=	8.28		
12	Rider GCR Part A	47.5	CCF	X \$ 0.27375	=	13.00		
13	Rider GCR Part B	47.5	CCF	X \$ 0.27485	=	13.06		
14	Subtotal					\$ 53.89		
15	Rider FF & Rider TAX		\$ 53.89	X 0.06708	=	3.61		
16	Total					\$ 57.50	\$ 2.05	
17								3.70%
18								
19	Rate C @ 367.6 Ccf							
20	Customer charge					\$ 43.50		
21	Consumption charge	367.6	CCF	X \$ 0.09165	=	33.69		
22	Rider GCR Part A	367.6	CCF	X \$ 0.27375	=	100.62		
23	Rider GCR Part B	367.6	CCF	X \$ 0.19927	=	73.25		
24	Subtotal					\$ 251.06		
25	Rider FF & Rider TAX		\$ 251.06	X 0.06708	=	16.84		
26	Total					\$ 267.90		
27								
28	Customer charge						\$ 46.50	
29	Consumption charge	367.6	CCF	X \$ 0.09924	=	36.48		
30	Rider GCR Part A	367.6	CCF	X \$ 0.27375	=	100.62		
31	Rider GCR Part B	367.6	CCF	X \$ 0.19927	=	73.25		
32	Subtotal					\$ 256.85		
33	Rider FF & Rider TAX		\$ 256.85	X 0.06708	=	17.23		
34	Total					\$ 274.08	\$ 6.18	
35								2.31%

**ATMOS ENERGY CORP., MID-TEX DIVISION
AVERAGE BILL COMPARISON - BASE RATES
TEST YEAR ENDING DECEMBER 31, 2018**

Line						CURRENT	PROPOSED	CHANGE
36	Rate I @ 4066 MMBTU							
37	Customer charge					\$ 784.00		
38	Consumption charge	1,500	MMBTU	X \$ 0.3312 =		496.80		
39	Consumption charge	2,566	MMBTU	X \$ 0.2425 =		622.14		
40	Consumption charge	0	MMBTU	X \$ 0.0520 =		-		
41	Rider GCR Part A	4,066	MMBTU	X \$ 2.6733 =		10,868.51		
42	Rider GCR Part B	4,066	MMBTU	X \$ 0.4491 =		1,825.85		
43	Subtotal					\$ 14,597.30		
44	Rider FF & Rider TAX					979.16		
45	Total					<u>\$ 15,576.46</u>		
46								
47	Customer charge						\$ 845.50	
48	Consumption charge	1,500	MMBTU	X \$ 0.3572 =			535.80	
49	Consumption charge	2,566	MMBTU	X \$ 0.2616 =			671.14	
50	Consumption charge	0	MMBTU	X \$ 0.0561 =			-	
51	Rider GCR Part A	4,066	MMBTU	X \$ 2.6733 =			10,868.51	
52	Rider GCR Part B	4,066	MMBTU	X \$ 0.4491 =			1,825.85	
53	Subtotal					\$ 14,746.80		
54	Rider FF & Rider TAX					989.19		
55	Total					<u>\$ 15,735.99</u>	\$ 159.53	
56								1.02%
57	Rate T @ 4066 MMBTU							
58	Customer charge					\$ 784.00		
59	Consumption charge	1,500	MMBTU	X \$ 0.3312 =		496.80		
60	Consumption charge	2,566	MMBTU	X \$ 0.2425 =		622.14		
61	Consumption charge	0	MMBTU	X \$ 0.0520 =		-		
62	Rider GCR Part B	4,066	MMBTU	X \$ 0.4491 =		1,825.85		
63	Subtotal					\$ 3,728.79		
64	Rider FF & Rider TAX					250.12		
65	Total					<u>\$ 3,978.91</u>		
66								
67	Customer charge						\$ 845.50	
68	Consumption charge	1,500	MMBTU	X \$ 0.3572 =			535.80	
69	Consumption charge	2,566	MMBTU	X \$ 0.2616 =			671.14	
70	Consumption charge	0	MMBTU	X \$ 0.0561 =			-	
71	Rider GCR Part B	4,066	MMBTU	X \$ 0.4491 =			1,825.85	
72	Subtotal					\$ 3,878.29		
73	Rider FF & Rider TAX					260.15		
74	Total					<u>\$ 4,138.44</u>	\$ 159.53	
75								4.01%

Attachment 3

RRM Monthly Savings Over GRIP and DARR Rates

ACSC Margin Advantage Over GRIP and DARR Residential Customers
Effective October 1, 2019

Group	Average Monthly Consumption	Customer Charge	Consumption Charge	Average Bill	Average Monthly Savings
ACSC/RRM	47.5 CCF	\$19.55	\$0.17423	\$27.83	X
Environs GRIP	47.5 CCF	\$19.84	\$0.18653	\$28.70	\$0.87
ATM GRIP	47.5 CCF	\$21.69	\$0.14846	\$28.74	\$0.92
DARR	47.5 CCF	\$21.25	\$0.14924	\$28.34	\$0.51