



MEMORANDUM

To: Mayor and City Council

From: Chad Beach, Assistant Director of Finance

Date: May 14, 2015

Reference: Consider approval of an ordinance approving a negotiated settlement with Atmos Energy Corp., Mid-Tex Division, regarding the 2014 and 2015 Rate Review Mechanism filings and finding the attached Tariffs implementing the new natural gas rates within the corporate city limits of the City of Coppel to be just and reasonable.

2030: Sustainable City Government

Introduction:

The City of Coppel, along with 164 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" or "Steering Committee"). This coalition of cities annually reviews and negotiates natural gas rate filings and other related issues with Atmos Energy. Atmos Energy has filed a system-wide application with the City to increase natural gas rates pursuant to the annual Rate Review Mechanism process. The attached proposed settlement between the coalition of cities and Atmos Energy includes the 2014 rate increase filing that has been disputed to the Railroad Commission and the new 2015 natural gas rate filing. The 2014 and 2015 Atmos Energy filings requested to increase natural gas rates to generate an additional \$74.46 million in system-wide revenues and this request has been negotiated down to an increase of approximately \$65.7 million. This proposed settlement is expected to increase the average residential customer's bill by approximately \$1.14 cents per month.

Analysis:

The Atmos Cities Steering Committee and our consultants recommend approval of this Ordinance approving the negotiated settlement that includes both natural gas rate cases. Our consultants and ACSC legal counsel believe this settlement is considerably more favorably than what would be the expected result of continued litigation at the Railroad Commission.

Purpose of the Ordinance:

The purpose of the Ordinance is to approve the rates as shown on “Attachment A” to the Ordinance. These rates are the result of the negotiated settlement between the coalition of cities and Atmos Energy pursuant to the more favorable rate making Rate Review Mechanism process.

Legal Review:

The agenda item was reviewed by legal as part of the agenda packet. The Ordinance and the “Attachment A – RRM Tariffs” was prepared and approved by Geoffrey Gay, our utility rate attorney.

Fiscal Impact:

There is no direct fiscal impact to the City of Coppel.

Recommendation:

The Finance Department recommends approval.