

# Memorandum



CITY OF DALLAS

DATE January 3, 2013

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair),  
Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, and Ann Margolin

SUBJECT Supplemental Agreement Number 2 to a Professional Services Contract with Diversified Utility  
Consultants, Inc.

Item number 8 on the January 9, 2013 City Council agenda is adoption of a resolution authorizing supplemental agreement number 2 to a professional service contract with Diversified Utility Consultants Inc. (DUCI) to assist the City in reviewing Atmos Energy Corporation's (Atmos) Dallas Annual Rate Review filing.

The Dallas Annual Rate Review (DARR) tariff was approved by the City of Dallas as part of a comprehensive settlement of Atmos 2011 rate adjustment filing. This is Atmos' second filing under the new rate review mechanism. Atmos will file its DARR filing with the City on or about January 15, 2013. Pursuant to the tariff, the City has 135 days to review the filing and adopt an ordinance setting appropriate rates to be charged by Atmos.

DUCI has expertise in reviewing gas utility rate cases and assisted the City in negotiating the DARR tariff. Further DUCI assisted the City in its review of the 2012 filing which resulted in a rate decrease being ordered by the City of Dallas. Subsequent to the 2012 DARR filing, Atmos filed a depreciation only rate case with the Railroad Commission of Texas (RCT). Supplemental agreement number 1 to the contract authorized DUCI to assist in the review of the depreciation rates and provide expert testimony before the RCT (AA Number 122949). As a direct result of DUCI's testimony in that case, the RCT on December 4, 2012 issued a final order which reduced Atmos requested depreciation rates. Because the DARR uses methodologies adopted in the prior rate case and the depreciation rate case, which DUCI participated in, they have intimate knowledge of the process and methodologies which makes their review of the upcoming filing much more efficient than bringing in a new consultant.

Supplemental agreement number 2 increases the contract with DUCI in an amount not to exceed \$80,000 from \$110,000 to \$190,000. The amount of this contract is fully reimbursable by Atmos under the terms of the DARR tariff and these costs are not passed on to Atmos rate payers.

Please let me know if you have any questions or need additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

C: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Rosa A. Rios, City Secretary  
Thomas P. Perkins Jr., City Attorney  
Daniel Solis, Administrative Judge Municipal Court  
Craig Kinton, City Auditor

A.C. Gonzalez, First Assistant City Manager  
Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Stephanie Pegues-Cooper, Assistant to the City Manager