

Memorandum



DATE May 10, 2013

TO The Honorable Mayor and Members of the City Council

SUBJECT Atmos Energy Corporation Dallas Annual Rate Review

On May 15, 2013, the City Council will be briefed on the Atmos Energy Corporation Dallas Annual Rate Review. The briefing materials are attached. After the briefing there is an item on the agenda to adopt an ordinance setting rates to be charged by Atmos Energy Corp.

Please let me know if I can provide additional information.


Jeanne Chipperfield,
Chief Financial Officer

- c: Mary K. Suhm, City Manager
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Rosa Rios, City Secretary
Daniel Solis, Administrative Judge, Municipal Court
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
Jack Ireland, Director, Office of Financial Services



Atmos Energy Corporation Dallas Annual Rate Review

Dallas City Council

May 15, 2013



Purpose

- Update Council on the Dallas Annual Rate Review (DARR) filing by Atmos Energy Corporation (Atmos)



Background

- Franchise Ordinance #27793, issued by the City on January 13, 2010, authorizes Atmos to provide natural gas utility service in Dallas

Background (Continued)

- Texas Utilities Code indicates jurisdictional responsibility for the regulation of natural gas in the State
 - City has original jurisdiction to set local distribution rates within the City's boundaries
 - Railroad Commission of Texas (RCT) has appellate jurisdiction over local distribution rates and original jurisdiction over pipeline rates

Background (Continued)

- A customer's gas utility bill has two primary components
 1. City Gate Rate (pipeline rate)
 - Approved by the Railroad Commission of Texas
 - Cost from producer and pipeline company to City limits
 - Includes the cost of gas
 - The City Gate Rate typically comprises 70% of residential charges and 80% of commercial charges



Background (Continued)

2. Local distribution charges

- Approved by City
- Charges for distribution from “City limits” to customers’ premises
- Monthly customer charge
- Local usage charge

Background (Continued)

- Four billing classes

- Residential

- Commercial

- Businesses and apartments with gas for common use

- Industrial

- Contract for a minimum of 125 Mcf per month

- Service may be interrupted in extreme conditions

- Transport

- Fee charged to transport gas between two other parties

Background (Continued)

- Rate setting process for local distribution charges
 - On June 22, 2011, the City of Dallas by Ordinance No. 28281 authorized tariff DARR-Dallas Annual Rate Review
 - Rates are adjusted annually to reflect changes in Atmos' cost of service and capital investment
 - The City has 135 days to review the requested rates and render a decision
 - If Atmos and the City are not in agreement as to the rates to be set, Atmos may appeal the City's decision to the RCT

Current Filing

- January 15, 2013, Atmos filed its DARR rate request with a proposed effective date of June 1, 2013
 - Atmos requested an increase in base rates of \$3,113,841 annually
 - Includes \$843,483 for a depreciation regulatory asset authorized by City Ordinance No. 28653 adopted 5/23/12
 - Overall increase in base rates is 4.12%
 - Monthly bill for average residential consumer would increase by \$0.96
 - City must take action by May 30, 2013

Current Filing (Continued)

- The City retained Diversified Utility Consultants, Inc. (DUCI) to assist in reviewing the filing as a result of the following:
 - Expertise in gas rate regulation
 - Knowledge of DARR process and prior Atmos rate cases
 - Currently assisting the City in other gas utility issues before the RCT

Proposed Settlement

- With the assistance of DUCI and after numerous meetings, a negotiated settlement was reached (pending approval of the City Council)
 - If approved, rates will become effective for bills issued on or after June 1, 2013

Proposed Settlement (Continued)

- Base rates to increase by \$1.8 million
- Depreciation Regulatory Asset
 - Recovered separately by rate rider SU-Depreciation Regulatory Asset
 - Total to be recovered \$699,054
 - Recovered over three years
- Overall increase is 2.12% (see appendix for additional details)
 - Average residential bill will increase by \$0.68/month

Options for City Council Consideration

1. Approve rates per the negotiated settlement
 - Overall increase of \$1.8 million (2.12%)
 - Average residential bill to increase by \$0.68/month
2. Approve rates per original Atmos request
 - Overall increase of \$3.1 million (4.12%)
 - Average residential bill to increase by \$0.96/month
3. Deny the rate request
 - Atmos will likely appeal the denial to the RCT
4. Set the rates at some other level



Appendix

Appendix

COMPARISON OF CURRENT, PROPOSED AND RECOMMENDED TARIFF RATES FOR RESIDENTIAL CUSTOMERS

Residential Rates	Current Authorized Rates	Atmos Energy Requested Rates	Proposed Settlement Rates
Customer Charge	\$17.25	\$18.00	\$17.75
Amount per Ccf	\$0.04151	\$0.04980	\$0.04888
Rider IR-Infrastructure Replacement	\$0.29		
Rider SUR-Depreciation Regulatory Asset			\$0.03
Bill for average residential customer using 60 Ccf of gas (does not include tax or gas cost)	\$20.03	\$20.99	\$20.71

Appendix

COMPARISON OF CURRENT, PROPOSED AND RECOMMENDED TARIFF RATES FOR COMMERCIAL CUSTOMERS

	Current Authorized Rates	Atmos Energy Requested Rates	Proposed Settlement Rates
Commercial Customers			
Customer Charge	\$33.50	\$35.50	\$35.00
Amount per Ccf	\$0.05700	\$0.06030	\$0.05850
Rider IR-Infrastructure Replacement	\$0.82		
Rider SUR-Depreciation Regulatory Asset			\$0.06

Appendix

COMPARISON OF CURRENT, PROPOSED AND RECOMMENDED TARIFF RATES FOR INDUSTRIAL AND TRANSPORT CUSTOMERS

Industrial & Transportation Customers	Current Authorized Rates	Atmos Energy Requested Rates	Proposed Settlement Rates
Customer Charge	\$607.00	\$625.00	\$622.00
Consumption Charge/MMBTU			
First 1,500 MMBTU	\$0.1351	\$0.1460	\$0.1402
Next 3,500 MMBTU	\$0.0983	\$0.1062	\$0.1020
Over 5,000 MMBTU	\$0.0156	\$0.0169	\$0.0162
Rider SUR-Depreciation Regulatory Asset			\$1.25