

# Memorandum



CITY OF DALLAS

DATE January 18, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Atmos Annual Rate Filing**

On January 15, 2019, Atmos Energy Corporation, Mid-Tex Division (Atmos) submitted its Dallas Annual Rate Review (DARR) filing. Atmos is requesting an increase in annual revenues of approximately \$10.1 million from customers within the City of Dallas. This is an increase of \$3.05 per month for the average residential customer.

Staff and the City's consultants are currently reviewing the filing to determine if the requested increase is reasonable. Staff will brief the Government Performance and Financial Management Committee in May 2019. If necessary, a separate City Council briefing may be scheduled prior to a vote by the City Council in May 2019. The deadline for the City to take action on this filing is May 30, 2019.

The City Council has the authority to set rates at any level it deems appropriate. Atmos has the right to appeal any City Council rate order to the Railroad Commission of Texas (RCT).

The last fully litigated rate case for the City of Dallas was 10 years ago. In November 2008, Atmos requested an increase in rates of \$9.1 million. The City denied that request in March 2009 and ordered a rate reduction, which Atmos appealed. In January 2010, the RCT granted Atmos an increase in rates of \$1.6 million.

In February 2011, Atmos requested a rate adjustment under the Gas Reliability Infrastructure Program (GRIP) statute of \$20.2 million systemwide. The City negotiated a settlement in that case, resulting in an increase of \$11 million systemwide. As part of the February 2011 settlement, the City and Atmos agreed to an annual rate review process.

Since 2011, Atmos has filed seven requests under the DARR process:

Filing Year	Rate Requested by Atmos	Settlement Rates Adopted
2012	\$2.5 million increase	\$0.4 million <i>decrease</i>
2013	\$4.0 million increase	\$1.8 million increase
2014	\$8.7 million increase	\$6.3 million increase
2015	\$7.4 million increase	\$4.7 million increase
2016	\$7.4 million increase	\$5.3 million increase
2017	\$10.7 million increase	Discussed below

DATE January 18, 2019  
SUBJECT **Atmos Annual Rate Filing**

In the 2017 filing, the City negotiated a settlement which would have granted an increase of \$7.8 million. The City Council rejected the settlement and ordered a rate increase of \$5 million instead. Atmos appealed this decision to the RCT and was permitted to implement a \$10.4 million increase while the case was pending. The RCT ultimately granted an increase of \$9.9 million in December 2017.

On June 14, 2017, while the appeal of the DARR case was pending, the City ordered Atmos to file a full rate case. In August 2017, Atmos filed a full rate case requesting an additional \$6.3 million above the rate under appeal. The City negotiated a settlement of this rate case, which resulted in a \$5.7 million rate reduction of the rates set in December 2017 by the RCT. These rates became effective February 2018, and the settlement prohibited Atmos from filing another rate request until January 2019.

As mentioned above, Atmos filed their current request on January 15, 2019. The City must take action on this rate filing by May 30, 2019.

Should you have questions or concerns, please contact Nick Fehrenbach, Manager of Regulatory Affairs and Utility Franchising in the Office of Budget.

  
M. Elizabeth Reich  
Chief Financial Officer

c: T. C. Broadnax, City Manager  
Chris Caso, City Attorney (I)  
Carol A. Smith, City Auditor (I)  
Billerae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Joey Zapata, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager & Chief Resilience Officer  
Directors and Assistant Directors