

Staff Report

Ratification of Intervention in Railroad Commission GUD No 9530		
Council Meeting:	Ref. No.:	Agenda No.:

RECOMMENDATION

Approve a resolution authorizing the City's intervention before the Railroad Commission of Texas regarding the filing of a gas cost prudence review by Atmos Energy Corporation, formerly TXU Gas Company (Atmos/TXU Gas); designating a representative of the City to serve on a steering committee; and requiring reimbursement of reasonable legal and consultant expenses.

PRIOR BOARD OR COUNCIL ACTION

None.

ANALYSIS

- Pursuant to Gas Utilities Docket No. 8664, dated November 25, 1997, Atmos/TXU Gas was ordered by the Railroad Commission of Texas to file a prudence review every three years to demonstrate that its gas costs are reasonable and necessary.
- Atmos/TXU Gas made a filing at the Railroad Commission of Texas on or about September 24, 2004, now docketed as GUD No. 9530, for a gas cost prudence review of \$2.2 billion in previously incurred and billed gas costs. Atmos completed its purchase of TXU's gas utility operations on October 1, 2004.
- These costs are twice the cost of gas purchases included in TXU's filing for the previous three-year period. This is despite the fact that one of the representations made by TXU to settle the last prudence review was that it had renegotiated a gas purchase contract for an expected benefit to ratepayers of over \$20 million. Testimony included with this filing indicates that over half of all gas supply purchases during this three-year period were made on the spot market.
- When TXU made its last three-year prudence review filing many of the same cities who participated in GUD No. 9400 intervened in that docket jointly and were ultimately successful in achieving a settlement of all issues with TXU. TXU also reimbursed the cities' expenses.
- An effort was made recently to negotiate a resolution of the gas prudence docket, as well as other outstanding regulatory issues with Atmos/TXU Gas. Atmos/TXU Gas rejected that settlement offer.
- A December 10, 2004 intervention deadline was established by the examiners. An intervention was filed on behalf of the Steering Committee of Cities and the City of Arlington. Interventions on behalf of other individual cities will be consolidated with that existing intervention. As each additional city intervenes, the cities' position at the Railroad Commission is strengthened.
- The attached resolution will authorize intervention by the city as a participant in steering committee, appoint _____ as the City's representative on a Cities' Steering Committee, and require Atmos/TXU Gas to reimburse the City reasonable costs associated with the City's participation in GUD No. 9530 or any subsequent proceeding.