

Staff Report

Suspension of Interim Rate Adjustment Proposed by Atmos/TXU Gas

Council Meeting:

Ref. No.:

Agenda No.:

RECOMMENDATION

Approve a resolution suspending an interim rate adjustment (GRIP rate increase) proposed by Atmos Energy Corporation, formerly TXU Gas Company (Atmos/TXU Gas); authorizing participation in a steering committee to review the proposed rate increase and recommend further action related to the proposed rate increase; designating a representative of the City to serve on the steering committee; authorizing intervention in any proceedings related to the proposed rate increase; and requiring reimbursement of reasonable legal and consultant expenses.

PRIOR BOARD OR COUNCIL ACTION

None.

ANALYSIS

- Atmos/TXU Gas made a filing (Distribution GRIP filing) at the City and with other cities served by Atmos/TXU Gas in December, 2004, notifying the cities of its intent to increase its distribution rates to all customers effective February 15, 2005, pursuant to Texas Utilities Code Section 104.301, because of investments Atmos/TXU Gas allegedly made in calendar year 2003.
- Atmos/TXU Gas made a filing (Pipeline GRIP filing) at the Railroad Commission of Texas (RRC) on or about December 17, 2004, now docketed as GUD No. 9560, notifying the RRC of its intent to increase its city gate and transportation rates to all customers, also effective February 15, 2005, pursuant to Texas Utilities Code Section 104.301, because of investments Atmos/TXU Gas allegedly made in calendar year 2003.
- In its filings, Atmos/TXU Gas claims that net investment in infrastructure throughout the former TXU service areas increased in 2003 by a total of \$43.5 million. If calculated in compliance with the GRIP statute, this claimed increase would be in addition to the \$70 million in annual plant investment included in the GUD No. 9400 rates. Atmos/TXU Gas is therefore claiming that investment in plant increased by over sixty percent during 2003.
- The proposed GRIP rate increases would increase annual revenues for Atmos/TXU Gas by \$8.5 million. These increases are in addition to the \$11.5 million annual increase approved by the RRC in GUD No. 9400, and also in addition to the \$10.1 million recovery sought by Atmos/TXU Gas for rate case expenses related to GUD No. 9400.
- Atmos/TXU Gas has publicly stated that it expects to experience annual cost savings of at least \$40 million over the costs included in rates approved in GUD No. 9400 and said savings are likely to greatly exceed the annual revenue requirement associated with any reasonable increases in invested capital that form the basis of the requested GRIP rate increases.
- Atmos Energy Corporation has announced a twenty percent increase in profits for its fiscal year ended September 30, 2004, and projects further increases in profits in 2005.

- The attached resolution will suspend the implementation of the proposed GRIP rate increases within the city, appoint _____ as the City's representative on a Cities' Steering Committee, authorize intervention in any RRC or court proceedings related to the proposed GRIP rate increases, and require Atmos/TXU Gas to reimburse the City reasonable costs associated with the City's review of the GRIP rate increase filings or participation in any subsequent proceeding.