



## CITY COUNCIL MEMORANDUM

**FROM:** The Office of the City Manager **DATE:** March 5, 2018  
**SUBJECT:** Consider Ordinance No. 3507, approving a Negotiated Settlement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division regarding the Company's Rate Review Mechanism Filings.

**PRESENTER:** Karen Bostic, Assistant City Manager

### **SUMMARY:**

The purpose of the Ordinance is for City Council to consider approval of the Settlement Agreement between the Atmos Cities Steering Committee ("ACSC") and Atmos Energy Corp., Mid-Tex Division ("Atmos") revising the Rate Review Mechanism Tariff.

### **GENERAL DESCRIPTION:**

In March 2017, City Council adopted Ordinance No. 3461 approving rates that were part of a settlement agreement negotiated between Atmos and the Executive Committee of ACSC. Also included in the settlement agreement was the termination of the existing Rate Review Mechanism Tariff ("RRM") and the requirement to renegotiate the terms of that tariff. Negotiations have taken place over the past several months and have resulted in a revised RRM Tariff that has been agreed to by Atmos as well as the Executive Committee.

The RRM Tariff that 2017 rates were based allowed a rate of return on equity of 10.5%. The revised RRM Tariff reduces the rate of return on equity to 9.8%. The revised RRM Tariff also captures the reduction in federal income tax rates from 35% to 21% and should result in a rate reduction effective by mid-March 2018. Prior RRM tariffs allowed cities only three months to review the company's annual RRM filing. The new revised Tariff expands that time period by two months. New RRM applications by Atmos should be made on or about April 1 of each year, with new rates effective October 1.

### **RECOMMENDATION:**

Approve Ordinance 3507.