

AGENDA INFORMATION SHEET
ITEM NO. _____

**RESOLUTION TO AUTHORIZE
INTERVENTION AT THE RAILROAD
COMMISSION IN ATMOS PIPELINE –
TEXAS’ REQUEST TO INCREASE RATES
FOR CITY-GATE AND PIPELINE
TRANSPORTATION GAS SERVICE**

BACKGROUND:

Atmos Pipeline – Texas (APT) filed a request with Railroad Commission of Texas on September 17, 2010 to increase wholesale rates by approximately \$38.9 million for its city-gate services (CGS) and its pipeline-transportation (PT) services.

Because APT proposes to reduce the rates to provide service to the industrial pipeline-transportation customers, rates APT charges to Atmos Energy Corporation – Mid-Tex Division, will increase by about \$43 million. These increases will in turn be passed on to Atmos-Mid-Tex Division’s retail customers.

APT’s application raises numerous issues regarding its proposed increase, including the following:

- The amount of the increase requested and the allocation of an increase to Atmos – Mid Tex but a reduction to the industrial PT customers.
- A return on equity of 12.75%.
- Approval of the Company’s \$482 million “GRIP” investments from January 2003 through March 2010.
- Several accounting adjustments in areas that have been controversial in Atmos Mid-Tex’ cases (including incentive compensation plans, labor costs, deferred taxes, franchise taxes).
- Affiliate transactions:
 - How are customers and assets transferred between APT and Atmos Mid-Tex?
 - Are APT competitive transportation prices fairly negotiated for Atmos Energy Marketing customers within bundled gas supply deals?
 - Blue Flame captive insurance affiliate premiums are excessive, relative to the small risk layer insured.
- APT’s new depreciation rate study.

RATE CASE EXPENSES:

Pursuant to the provisions of Section 103.022 of the Texas Utilities Code cities are entitled to have their reasonable rate case expenses reimbursed.

RECOMMENDATION:

It is recommended that the City intervene in the proceeding at the Railroad Commission to represent the City’s interests in that proceeding and in any related proceedings.