

AGENDA INFORMATION SHEET
ITEM NO. _____

**SUSPENSION OF APPLICATION FOR AUTHORITY TO INCREASE
RATES SUBMITTED BY ATMOS ENERGY CORPORATION**

BACKGROUND

On or about January 31, 2012, Atmos Energy Corporation (“Atmos” or “Company”) filed a Statement of Intent to increase rates by approximately \$49.0 million, which equates to an increase of approximately 4.36%, including gas costs, or 11.94% excluding gas costs, measured on a system-wide basis. The proposed changes will increase rates for residential and commercial customers and decrease rates for industrial and transportation customers within all incorporated areas served by Atmos’ Mid-Tex Division. Atmos is also proposing to implement a Rate Review Mechanism (“RRM”) and a new conservation and energy efficiency tariff (“Rider CEE”) in place of the current Rider CEE. Atmos further proposes to change its billing rate basis from Mcf to Ccf, and to revise its gas cost recovery tariff (“Rider GCR”) to remove a reference to a 2009 interest rate and clarify that the Pipeline Cost calculation does not include interest. As part of its application, Atmos proposes an effective date of March 6, 2012.

As proposed by Atmos, the fixed customer charges would increase for each customer class, while charges based on consumption would be reduced. Atmos estimates that the average monthly bill for each class of customer will be affected as follows: Residential customers will see a 13.6% increase; commercial customers will see a 6.69% increase; industrial customers will see a 14.22% decrease; and Rate T-Transportation customers will see a 14.22% decrease. Because the changes increase base charges, residential customers that use less gas than the average customer will see a steeper percentage increase in their monthly bill.

The City must take action on Atmos’ Statement of Intent before March 6, 2012. Absent such action, Atmos’ rates are deemed approved by operation of law.

ATMOS TEXAS MUNICIPALITIES

The Atmos Texas Municipalities (“ATM”) group was organized by a number of municipalities, served by Atmos. The law firm of Herrera & Boyle, PLLC (through Mr. Alfred R. Herrera and Mr. Jim Boyle) has previously represented the ATM in rate cases involving Atmos, including the recent RRM filings and Atmos’ imposition of a steel-pipe replacement program. In each case, Herrera & Boyle played a key role in minimizing the increase in rates proposed by Atmos.

INTERVENTION AT THE RAILROAD COMMISSION OF TEXAS

Atmos filed its Statement of Intent to raise rates with the City but has not yet filed its rate case with the Railroad Commission of Texas (“RRC”). The goal is to attempt to resolve Atmos’ rate application without the need for proceedings at the Railroad Commission for rates within the cities. But should Atmos initiate either an appeal at the Railroad Commission or submit an application to change rates in the environs (that is, areas outside the city limits), it is important to participate in those proceedings because the Commission’s decisions could impact rates within the city.

RATE CASE EXPENSES

Cities, by statute, are entitled to recover their reasonable rate case expenses from the utility. Legal counsel and consultants approved by ATM will submit monthly invoices to the coalition-designated city that will be forwarded to Atmos for reimbursement. No individual city’s budget is negatively affected.

SUSPENSION

Atmos’ rate-filing package is voluminous containing thousands of pages of data. In order to have time to review the rate-filing package, the Council is requested to suspend Atmos’ proposed effective date for ninety (90) days as provided by GURA. It is a virtual impossibility for the City to set just and reasonable rates without suspending the rate request for ninety days; suspension of Atmos’ proposed effective date will permit its special regulatory counsel and experts an opportunity to perform a better review of Atmos’ application.

RECOMMENDATION

It is recommended that the City continue its participation in the Atmos Texas Municipalities and retain the law firm of Herrera & Boyle, PLLC to represent the City’s interest in matters related to Atmos’ rate case and to advise the City with regard to Atmos’ application, and that the City intervene in the proceeding before the Railroad Commission of Texas, should such proceedings develop.

The recommendation is also to suspend Atmos’ proposed effective date for its proposed increase in rates as set forth in Atmos’ Statement of Intent for 90 days (from March 6th until June 4th).

The City must take action no later than March 6, 2012. If the City does not take action by March 6, 2012, Atmos’ proposed rates will be deemed approved by operation of law, subject to the City’s right to hold a hearing to address Atmos’ rate application.