

# **AGENDA**

**CITY COUNCIL WORK SESSION  
City of Garland  
Work Session Room, City Hall  
200 North Fifth Street  
Garland, Texas  
June 4, 2013**

**6:00 p.m.**

## **DEFINITIONS:**

**Written Briefing:** Items that generally do not require a presentation or discussion by the staff or Council. On these items the staff is seeking direction from the Council or providing information in a written format.

**Verbal Briefing:** These items do not require written background information or are an update on items previously discussed by the Council.

**Regular Item:** These items generally require discussion between the Council and staff, boards, commissions, or consultants. These items are often accompanied by a formal presentation followed by discussion.

**[Public comment will not be accepted during Work Session  
unless Council determines otherwise.]**

**NOTICE:** The City Council may recess from the open session and convene in a closed executive session if the discussion of any of the listed agenda items concerns one or more of the following matters:

(1) Pending/contemplated litigation, settlement offer(s), and matters concerning privileged and unprivileged client information deemed confidential by Rule 1.05 of the Texas Disciplinary Rules of Professional Conduct. Sec. 551.071, TEX. GOV'T CODE.

(2) The purchase, exchange, lease or value of real property, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Sec. 551.072, TEX. GOV'T CODE.

(3) A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Sec. 551.073, TEX. GOV'T CODE.

(4) Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Sec. 551.074, TEX. GOV'T CODE.

(5) The deployment, or specific occasions for implementation of security personnel or devices. Sec. 551.076, TEX. GOV'T CODE.

(6) Discussions or deliberations regarding commercial or financial information that the City has received from a business prospect that the City seeks to have locate, stay, or expand in or near the territory of the City and with which the City is conducting economic development negotiations; or

to deliberate the offer of a financial or other incentive to a business prospect of the sort described in this provision. Sec. 551.087, TEX. GOV'T CODE.

(7) Discussions, deliberations, votes, or other final action on matters related to the City's competitive activity, including information that would, if disclosed, give advantage to competitors or prospective competitors and is reasonably related to one or more of the following categories of information:

- generation unit specific and portfolio fixed and variable costs, including forecasts of those costs, capital improvement plans for generation units, and generation unit operating characteristics and outage scheduling;
- bidding and pricing information for purchased power, generation and fuel, and Electric Reliability Council of Texas bids, prices, offers, and related services and strategies;
- effective fuel and purchased power agreements and fuel transportation arrangements and contracts;
- risk management information, contracts, and strategies, including fuel hedging and storage;
- plans, studies, proposals, and analyses for system improvements, additions, or sales, other than transmission and distribution system improvements inside the service area for which the public power utility is the sole certificated retail provider; and
- customer billing, contract, and usage information, electric power pricing information, system load characteristics, and electric power marketing analyses and strategies. Sec. 551.086; TEX. GOV'T CODE; Sec. 552.133, TEX. GOV'T CODE]

**(6:00) 1. Written Briefings:**

**a. Change Order No. 1 – Gas Circuit Breaker for Substation**

*Council is requested to consider authorizing Change Order No. 1 in the amount of \$88,500 with Mitsubishi for the purchase of an additional gas breaker due to inadequate fault current rating of the existing breaker at the Ben Davis Substation. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.*

**b. Depository Bank Signatures**

*The signatures of the Mayor and City Manager appear on all checks and drafts drawn on City bank accounts. Due to the election of a new mayor on May 11, 2013, a new bank signature card must be completed and placed on file with JP Morgan Chase. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.*

**c. Atmos Energy Rate Review Mechanism**

*The City of Garland, along with 154 other cities served by Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC” or “Steering Committee”). In 2007, ACSC and Atmos Mid-Tex agreed to implement an annual rate review mechanism for Atmos Mid-Tex, known as the Rate Review Mechanism (“RRM”), as a temporary replacement for the statutory mechanism known as GRIP (the “Gas Reliability Infrastructure Program”). Council is requested to consider adopting the rate schedule “RRM – Rate Review Mechanism” for Atmos Energy Corporation. The purpose of the ordinance is to approve the RRM tariff that reflects the negotiated RRM process. In order for the RRM process to continue, cities exercising original jurisdiction must approve a tariff that authorizes the process. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.*

Item	Key Person
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**(6:15) 2. Verbal Briefing:**

**a. Request for Additional Baseball Playing Fields** **Stone**

*At the request of Mayor Douglas Athas, Council will be briefed on a request from the Garner Little League baseball organization for additional playing fields.*

**3. Consider the Consent Agenda** **Council**

*A member of the City Council may ask that an item on the consent agenda for the next regular meeting be pulled from the consent agenda and considered separate from the other consent agenda items. No substantive discussion of that item will take place at this time.*

**4. Announce Future Agenda Items** **Council**

*A member of the City Council, with a second by another member, or the Mayor alone, may ask that an item be placed on a future agenda of the City Council or a committee of the City Council. No substantive discussion of that item will take place at this time.*

**(6:45) 5. Adjourn** **Council**

**(Estimated time to consider)**



Meeting: Work Session

Date: June 4, 2013

# Policy Report

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## **CHANGE ORDER NUMBER 1 TO PO 20595 GAS CIRCUIT BREAKERS FOR SUBSTATIONS**

### **ISSUE**

Change Order Number 1 to PO 20595 in the amount of \$88,500 (a 7% increase) for the purchase of an additional Gas Breaker due to inadequate fault current rating of the existing breaker at the Ben Davis Substation.

### **OPTIONS**

- (1) Authorize the City Manager to execute Change Order #1 with Mitsubishi Electric Power Products and allocate the additional funds necessary to purchase the additional breaker. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.
- (2) Take no action.

### **RECOMMENDATION**

Staff recommends that Council consider approval of option number one and direct the City Manager to execute the Change Order Number 1 totaling \$88,500 with Mitsubishi Electric Power Products.

### **COUNCIL GOAL**

Consistent Delivery of Reliable City Services

### **BACKGROUND**

In January of this year, Purchase Order 20595 was issued for the purchase of 15 Gas Circuit Breakers to be used at the Nevada, Wynn Joyce, and Olinger Substations, as well as for inventory. During a recent analysis of the Den Davis substation it was determined that the current transformer at the substation needed to be replaced due to an inadequate fault rating.

## **CONSIDERATION**

An existing GPL 138kV breaker at the Ben Davis Substation is required to be replaced per a Black & Veatch study analysis. The existing breaker rating is too low requiring an upgrade. A spare breaker shall be used and will need to be replaced quickly. To expedite the replacement of the breaker, Mitsubishi agreed to honor the pricing on their current purchase order with the City resulting in the need for a change order to the current Purchase Order. This will be Change Order Number 1 to PO 20595 in the amount of \$88,500.00 (a 7% increase). The PO 20595 original amount of \$1,327,500.00 will be increased to \$1,416,000.00.

## **ATTACHMENTS**

None

Submitted By:

Jeff Janke  
Garland Power & Light

Date: May 29, 2013

Approved By:

William E. Dollar  
City Manager

Date: May 29, 2013



**Meeting: Work Session**

**Date: June 4, 2013**

# Policy Report

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## DEPOSITORY BANK SIGNATURES

### ISSUE

The signature of the Mayor and the City Manager appear on all checks and drafts drawn on city bank accounts. The City's depository bank requires a current bank signature card be on file in their records. A new signature card needs to be filed with the depository bank.

### OPTIONS

1. Consider approval of a Resolution on June 18, 2013 authorizing the completion and submission of a new bank signature card to JP Morgan Chase.
2. Do not complete a new bank signature card.

### RECOMMENDATION

It is recommended that Council consider the approval of a Resolution authorizing the completion and submission of a new bank signature card to JP Morgan Chase. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.

### COUNCIL GOAL

Financially Stable Government with Tax Base that Supports Community Needs

### BACKGROUND

JP Morgan Chase, the city's depository bank requires a bank signature card be on file with the signatures of the Mayor and the City Manager. Due to the election of a new Mayor on May 11, 2013, a new bank signature card must be completed and placed on file with JP Morgan Chase.

### CONSIDERATION

Page 2

Checks and drafts on the city's bank accounts will have proper signatures authorizing the disbursements.

**ATTACHMENT**

JP Morgan Chase bank signature card.

Submitted By:

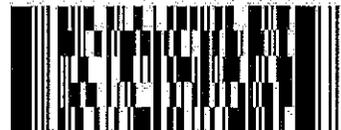
David Schuler  
Finance Director

Date: June 4, 2013

Approved By:

William E. Dollar  
City Manager

Date: June 4, 2013



# Business Signature Card

V1.7\_03\_25\_10

CHECK ONE:	<input type="checkbox"/>	Signatures for New Account(s)	<input checked="" type="checkbox"/>	Additional Signatures for Account(s)	<input type="checkbox"/>	Replace All Signatures on Account(s)	Card 1 of 1
Client Name/Account Holder: (For Sole Proprietor or Disregarded Entity, indicate the name of the owner.)							
Account Title:							
Address:		City, State, Zip					
Account Number(s):		Telephone Number:					
		Tax ID Number: (For Sole Proprietor or Disregarded Entity, indicate TIN of owner.)					

**INSTRUCTIONS:** Use BLACK OR BLUE ink. Place the **Manual or Facsimile signature** within the box boundaries only. **Do Not** overlap signatures. Indicate if the signature is Manual or a Facsimile in the "PRINT NAME" box. When providing a Facsimile Signature, provide a Manual Signature too. For your security, cross out all unused signature boxes before signing the signature card below.

<input checked="" type="checkbox"/> Manual <input type="checkbox"/> Facsimile	PRINT NAME	TITLE	SIGNATURE
E-MAIL ADDRESS		PHONE NUMBER	
<input checked="" type="checkbox"/> Manual <input type="checkbox"/> Facsimile	PRINT NAME	TITLE	SIGNATURE
E-MAIL ADDRESS		PHONE NUMBER	
<input type="checkbox"/> Manual <input type="checkbox"/> Facsimile	PRINT NAME	TITLE	SIGNATURE
E-MAIL ADDRESS		PHONE NUMBER	
<input type="checkbox"/> Manual <input type="checkbox"/> Facsimile	PRINT NAME	TITLE	SIGNATURE
E-MAIL ADDRESS		PHONE NUMBER	

The undersigned, an authorized representative of the Account Holder, certifies that he/she has reviewed the information contained in this Signature Card, the Certificate Regarding Accounts, and/or any other account authorization document, and finds it accurate on this date. The Account Holder has received and agrees to be bound by the terms and conditions governing the operation of accounts and services provided by JPMorgan Chase Bank, National Association, ("the Bank"), including the Account Terms and Service Terms, as they may be amended or supplemented from time to time.

The undersigned is authorized to certify the names, titles, and signatures of authorized signers on this/these account(s) pursuant to the Certificate Regarding Accounts or, if applicable, another account authorization document (e.g., a corporate resolution, partnership letter & security agreement, or a limited liability company letter & security agreement). The undersigned certifies that the (No.) signatures presented on these pages are the signatures of persons authorized to sign and otherwise act on behalf of the Account Holder with respect to the account and banking transactions or services. The Bank is entitled to rely on the authority of the named person(s) until the Bank receives written revocation of such authority.

**Tax ID Number Certification** – Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (as defined in the IRS Form W-9 instructions).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. See the IRS Form W-9 Instructions for additional information.

**The Account Holder is a nonresident alien or foreign entity, and therefore the certification above does not apply. The Account Holder's foreign status has been certified to the Bank on the appropriate Form W-8.**

*The IRS does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.*

Authorized Signature:	Title: Executive Director	Date:
Authorized Signature:	Title:	Date:
<b>INTERNAL USE ONLY THE ABOVE INFORMATION AND SIGNATURE(S) WERE VERIFIED BY:</b>		
Print Name:	Initials:	Dept. No./Br. No.:
Completion Date:	Entity Type: Governmental Entity	



**Meeting: Work Session**

**Date: June 4, 2013**

# Policy Report

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## **ATMOS ENERGY RATE REVIEW MECHANISM**

### **ISSUE**

The City, along with 154 other cities served by Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC” or “Steering Committee”). In 2007, ACSC and Atmos Mid-Tex agreed to implement an annual rate review mechanism for Atmos Mid-Tex, known as the Rate Review Mechanism (“RRM”), as a temporary replacement for the statutory mechanism known as GRIP (the “Gas Reliability Infrastructure Program”). This first RRM tariff expired in 2011, and although ACSC and Atmos Mid-Tex met many times to attempt to reach an agreement on a renewed or replacement tariff, they were unable to do so. Atmos Mid-Tex filed a full rate case in 2012. The resulting rates were approved by the Railroad Commission in December 2012 in G.U.D. No. 10170.

ACSC and the Company renewed discussions to develop revisions to the RRM tariff, and have reached a tentative agreement on the form of the RRM tariff to be in effect for a four-year period from 2013 to 2017. If the RRM process is to continue to function as a substitute for the GRIP process, cities that exercise original jurisdiction must adopt a tariff that authorizes the process. For the reasons outlined below, the ACSC Executive Committee and ACSC legal counsel recommend approval of the new RRM tariff by all ACSC member cities.

### **OPTIONS**

1. Consider an Ordinance approving and adopting rate schedule “RRM – Rate Review Mechanism” for Atmos Energy Corporation.
2. Do not consider approving and adopting an Ordinance.

### **RECOMMENDATION**

Option 1 - Approve an Ordinance adopting the rate schedule “RRM – Rate Review Mechanism” for Atmos Energy Corporation to be in force for the period of time specified in the rate schedule. The purpose of the Ordinance is to approve the RRM tariff (“Attachment A”) that reflects the negotiated RRM process. For the RRM process to continue, cities exercising original jurisdiction must approve a tariff that authorizes the process. If Council concurs, this item will be scheduled for formal consideration at the June 18, 2013 Regular Meeting.

## **COUNCIL GOAL**

Defends Rightful Powers of Municipalities

## **BACKGROUND**

The RRM tariff was originally approved by ACSC member cities as part of the settlement agreement resolving the Atmos Mid-Tex 2007 system-wide rate filing at the Railroad Commission. The RRM process was created collaboratively by ACSC and Atmos Mid-Tex as an alternative to the legislatively-authorized GRIP rate adjustment process. GRIP, like the RRM, is a form of expedited rate relief for gas utilities that avoids the long and costly process of a full rate filing. However, ACSC strongly opposes the GRIP process because it constitutes piecemeal ratemaking, does not allow any review by cities of the reasonableness of capital expenditures, and does not allow participation by cities in the Railroad Commission's review of the annual GRIP filings, or recovery by cities of their rate case expenses. The Railroad Commission undertakes only an administrative review of GRIP filings (instead of a full hearing) and the rate increases go into effect without any material adjustments. In ACSC's view, the GRIP process unfairly raises customers' rates without any real regulatory oversight. In contrast, the RRM process has allowed for a more comprehensive rate review and annual adjustment as a substitute for GRIP filings.

In the opinion of ACSC's Executive Committee, the RRM process is a better deal for customers than the GRIP process. Atmos Mid-Tex has stated if it were to file for a rate adjustment in 2013 under the GRIP provisions, it would request approximately \$5 million more in rate relief than it plans to request in a filing under this revised RRM tariff. ACSC assumes that is because the GRIP process only evaluates changes to capital investment. The RRM process looks at revenues (that may be increasing) and expenses (that may be declining), as well as capital investment.

Additionally, the statute authorizing the GRIP rate adjustment process allows the Company to place the entirety of any rate increase in the unavoidable monthly customer charge portion of its rates. If the Company were to file for an increase under the GRIP provisions, the entire amount of the increase would be collected through the fixed portion of the bill, rather than the volumetric charge that varies by a customer's usage. Between 2007 and 2012, ACSC was able to negotiate rate design results that constrained residential customer charges to the \$7.00 to \$7.50 range. However, the Railroad Commission has recently raised the residential customer charge to \$17.70.

The Company has agreed that for the first filing under the revised RRM tariff, there will be no increase to the residential customer charge. Thus, some of the primary benefits of the attached RRM tariff are that it moderates the impact of rate adjustments on residential customers by not changing the residential customer charge for the first RRM period. In subsequent years only 40% of the proposed increase in revenues to the residential class will be recovered through the fixed customer charge, and in no event

will the residential customer charge increase by more than \$.50 per month. No such constraints exist under the GRIP process.

Additionally, the attached RRM tariff provides a discount as an incentive for cities permitting the Company annual rate relief. The RRM tariff includes an adjustment amount that is a reduction to the Company's requested increase. The adjustment lowers the Company's rate request by at least \$3 million each year. Additional reductions will also be made each year depending on the size of the Company's requested increase. The attached RRM tariff also caps at 55% the percentage of equity that can be used to calculate the Company's capital structure. Railroad Commission policy allows rates to be based on a parent company's actual capital structure, which for Atmos could mean increases in equity above the most recent level of 52%.

Under the RRM tariff, cities are also able to review the Company's annual expenses and capital investments and make adjustments, or disallowances, for any such expenses or investments that are considered to be unreasonable or unnecessary. The cities' costs in reviewing the annual filings, such as fees associated with the hiring of expert consultants and legal counsel, will be reimbursed by the Company on a monthly basis.

If cities do not approve the RRM tariff, the Company has stated that it will reinstitute its annual filings under the GRIP provisions. The anticipated GRIP adjustment for 2013 would be approximately \$5 million higher than the Company anticipates requesting through an RRM filing. Additionally, GRIP rate adjustments would place the entire amount of the Company's requested increase into the customer charge. The ACSC Executive Committee recommends that ACSC city members take action to approve the Ordinance authorizing the RRM tariff.

## **CONSIDERATION**

Explanation of "Be It Ordained" Paragraphs of Ordinance

Section 1. This section approves all findings in the Ordinance.

Section 2. This section adopts the attached RRM Tariff ("Attachment A") and finds the adoption of the tariff to be just, reasonable, and in the public interest. Note that only the new tariff being revised is attached to the Ordinance. The initial RRM Tariff has expired by its own terms, and other existing tariffs not being changed in any way are not attached to the Ordinance.

Section 3. This section repeals any resolution or ordinance that is inconsistent with this Ordinance.

Section 4. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 5. This section is a savings clause, which provides that if any section is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Ordinance. This section further directs that the remaining provisions of the Ordinance are to be interpreted as if the offending section or clause never existed.

Section 6. This section provides for an effective date upon passage.

Section 7. This section paragraph directs that a copy of the signed Ordinance be sent to a representative of the Company and legal counsel for ACSC. Checks and drafts on the city's bank accounts will have proper signatures authorizing the disbursements.

**ATTACHMENT**

RRM tariff ("Attachment A")

Submitted By:

David Schuler  
Finance Director

Date: May 29, 2013

Approved By:

William E. Dollar  
City Manager

Date: May 29, 2013

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF GARLAND, TEXAS, ("CITY") APPROVING AND ADOPTING RATE SCHEDULE "RRM - RATE REVIEW MECHANISM" FOR ATMOS ENERGY CORPORATION, MID-TEX DIVISION TO BE IN FORCE IN THE CITY FOR A PERIOD OF TIME AS SPECIFIED IN THE RATE SCHEDULE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND THE LEGAL COUNSEL TO THE ATMOS CITIES STEERING COMMITTEE; AND PROVIDING A SAVINGS CLAUSE AND SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Garland, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "the Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of cities, most of whom retain original jurisdiction over the rates and services of Atmos Mid-Tex; and

WHEREAS, in 2007 ACSC member cities and Atmos Mid-Tex collaboratively developed the Rate Review Mechanism ("RRM") Tariff that allows for an expedited rate review process controlled by cities as a substitute for the legislatively-constructed Gas Reliability Infrastructure Program ("GRIP"); and

WHEREAS, the GRIP mechanism does not permit the City to review rate increases, and constitutes piecemeal ratemaking; and

WHEREAS, the RRM process permits City review of requested rate increases and provides for a holistic review of the true cost of service for Atmos Mid-Tex; and

WHEREAS, the initial RRM tariff expired in 2011; and

WHEREAS, ACSC's representatives have worked with Atmos Mid-Tex to negotiate a renewal of the RRM process that avoids litigation and Railroad Commission filings; and

WHEREAS, the ACSC's Executive Committee and ACSC's legal counsel recommend ACSC members approve the negotiated new RRM tariff; and

**WHEREAS,** the attached Rate Schedule "RRM - Rate Review Mechanism" ("RRM Tariff") provides for a reasonable expedited rate review process that is a substitute for, and is superior to, the statutory GRIP process; and

**WHEREAS,** the expedited rate review process as provided by the RRM Tariff avoids piecemeal ratemaking; and

**WHEREAS,** the RRM tariff reflects the ratemaking standards and methodologies authorized by the Railroad Commission in the most recent Atmos Mid-Tex rate case, G.U.D. No. 10170; and

**WHEREAS,** the RRM Tariff provides for an annual reduction in Atmos Mid-Tex's requested rate increase of at least \$3 million; and

**WHEREAS,** the RRM Tariff provides for a lower customer charge than if Atmos Mid-Tex pursued GRIP filings; and

**WHEREAS,** the attached RRM Tariff as a whole is in the public interest;

**NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF GARLAND, TEXAS:**

#### **Section 1**

That the findings set forth in this Ordinance are hereby in all things approved.

#### **Section 2**

That the City Council finds that the RRM Tariff, which is attached hereto and incorporated herein as Attachment A, is in the public interest and is hereby adopted.

#### **Section 3**

That to the extent any resolution or ordinance previously adopted by the City Council is inconsistent with this Ordinance, it is hereby repealed.

**Section 4**

That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

**Section 5**

That if any one or more sections or clauses of this Ordinance is judged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

**Section 6**

That this Ordinance shall become effective from and after its passage.

**Section 7**

That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Christopher Felan, Vice President of Rates and Regulatory Affairs for Atmos Mid-Tex Division, Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1600, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

**PASSED AND APPROVED** this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

**CITY OF GARLAND, TEXAS**

\_\_\_\_\_  
Mayor

**ATTEST:**

\_\_\_\_\_  
City Secretary

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL AREAS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after October 15, 2013</b>	<b>PAGE 1 OF 6</b>

## I. Applicability

Applicable to Residential, Commercial, Industrial, and Transportation tariff customers in the Mid-Tex Division of Atmos Energy Corporation ("Company") except such customers within the City of Dallas. This Rate Review Mechanism ("RRM") provides for an annual adjustment to the Company's Rate Schedules R, C, I and T ("Applicable Rate Schedules"). Rate calculations and adjustments required by this tariff shall be determined on a System-Wide cost basis.

## II. Definitions

"Test Period" is defined as the twelve months ending December 31 of each preceding calendar year.

The "Effective Date" is the date that adjustments required by this tariff are applied to customer bills. The annual Effective Date is June 1. The 2013 filing Effective Date is October 15, 2013.

Unless otherwise noted in this tariff, the term "Final Order" refers the final order issued by the Railroad Commission of Texas in GUD 10170.

The term "System-Wide" means all incorporated and unincorporated areas served by the Company.

"Review Period" is defined as the period from the Filing Date until the Effective Date.

The "Filing Date" is as early as practicable but no later than March 1 of each year with the exception of 2013, which shall have a Filing Date of July 15, 2013. The last annual Effective Date is June 1, 2017.

## III. Calculation

The RRM shall calculate an annual, System-Wide cost of service ("COS") that will be used to adjust applicable rate schedules prospectively as of the Effective Date. The annual cost of service will be calculated according to the following formula:

$$\text{COS} = \text{OM} + \text{DEP} + \text{RI} + \text{TAX} + \text{CD} - \text{ADJ}$$

Where:

OM = all reasonable and necessary operation and maintenance expenses from the Test Period adjusted for known and measurable items and prepared

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL AREAS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after October 15, 2013</b>	<b>PAGE 2 OF 6</b>

consistent with the rate making treatments approved in the Final Order. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date. OM may be adjusted for atypical and non-recurring items. Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order.

**DEP** = depreciation expense calculated at depreciation rates approved by the Final Order.

**RI** = return on investment calculated as the Company's pretax return multiplied by rate base at Test Period end. Rate base is prepared consistent with the rate making treatments approved in the Final Order, except that no post Test Period adjustments will be permitted. Pretax return is the Company's weighted average cost of capital before income taxes. The Company's weighted average cost of capital is calculated using the methodology from the Final Order including the Company's actual capital structure and long term cost of debt as of the Test Period end (adjusted for any known and measurable changes) and the return on equity from the Final Order. However, in no event will the percentage of equity exceed 55%. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this Rider RRM will clearly state the level of pension and other postemployment benefits recovered in rates.

**TAX** = income tax and taxes other than income tax from the Test Period adjusted for known and measurable changes occurring after the Test Period and before the Filing Date, and prepared consistent with the rate making treatments approved in the Final Order.

**CD** = interest on customer deposits.

**ADJ** = Downward adjustment to the overall, System-Wide test year cost of service in the amount of \$3,000,000.00, adjusted by a percentage equal to the total percentage increase in base-rate revenue sought pursuant to this tariff.

**IV. Annual Rate Adjustment**

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL AREAS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after October 15, 2013</b>	<b>PAGE 3 OF 6</b>

The Company shall provide schedules and work papers supporting the Filing's revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the effective period. The Revenue Requirement will be apportioned to customer classes in the same manner that Company's Revenue Requirement was apportioned in the Final Order. For the Residential Class, 40% of the increase may be recovered in the customer charge. The increase to the Residential customer charge shall not exceed \$0.50 per month in any given year. The remainder of the Residential Class increase not collected in the customer charge will be recovered in the usage charge. The Company will forgo any change in the Residential customer charge with the first proposed rate adjustment pursuant to this tariff. For all other classes, the change in rates will be apportioned between the customer charge and the usage charge, consistent with the Final Order. Test Period billing determinants shall be adjusted and normalized according to the methodology utilized in the Final Order.

## **V. Filing**

The Company shall file schedules annually with the regulatory authority having original jurisdiction over the Company's rates on or before the Filing Date that support the proposed rate adjustments. The schedules shall be in the same general format as the cost of service model and relied-upon files upon which the Final Order was based. A proof of rates and a copy of current and proposed tariffs shall also be included with the filing. The filing shall be made in electronic form where practical. The Company's filing shall conform to Minimum Filing Requirements (to be agreed upon by the parties), which will contain a minimum amount of information that will assist the regulatory authority in its review and analysis of the filing. The Company and regulatory authority will endeavor to hold a technical conference regarding the filing within ten (10) calendar days after the Filing Date.

The 2013 Filing Date will be July 15, 2013.

A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this Rate Review Mechanism and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies, allocation of common costs, or atypical or non-recurring items included in the filing.

## **VI. Evaluation Procedures**

The regulatory authority having original jurisdiction over the Company's rates shall review and render a decision on the Company's proposed rate adjustment prior to the

<b>RATE SCHEDULE:</b>	<b>RRM – Rate Review Mechanism</b>	
<b>APPLICABLE TO:</b>	<b>ALL AREAS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on and after October 15, 2013</b>	<b>PAGE 4 OF 6</b>

Effective Date. The Company shall provide all supplemental information requested to ensure an opportunity for adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within seven (7) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the proposed rate adjustment into compliance with the provisions of this tariff.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent RRM or Statement of Intent filing.

During the Review Period, the Company and the regulatory authority will work collaboratively and seek agreement on the level of rate adjustments. If, at the end of the Review Period, the Company and the regulatory authority have not reached agreement, the regulatory authority shall take action to modify or deny the proposed rate adjustments. The Company shall have the right to appeal the regulatory authority's action to the Railroad Commission of Texas. Upon the filing of an appeal of the regulatory authority's order relating to an annual RRM filing with the Railroad Commission of Texas, the regulatory authority having original jurisdiction over the Company's rates shall not oppose the implementation of the Company's proposed rates subject to refund, nor will the regulatory authority advocate for the imposition of a third party surety bond by the Company. Any refund shall be limited to and determined based on the resolution of the disputed adjustment(s) in a final, non-appealable order issued in the appeal filed by the Company at the Railroad Commission of Texas.

In the event that the regulatory authority and Company agree to a rate adjustment(s) that is different from the adjustment(s) requested in the Company's filing, the Company shall file compliance tariffs consistent with the agreement. No action on the part of the regulatory authority shall be required to allow the rate adjustment(s) to become effective on June 1. To the extent that the regulatory authority does not take action on the Company's RRM filing by May 31, the rates proposed in the Company's filing shall be deemed approved effective June 1. (2013 filing RRM rate will be effective October 15, 2013 if no action is taken). Notwithstanding the preceding sentence, a regulatory authority may choose to take affirmative action to approve a rate adjustment under this tariff. In those instances where such approval cannot reasonably occur by May 31, the rates finally approved by the regulatory authority shall be deemed effective as of June 1.

To defray the cost, if any, of regulatory authorities conducting a review of the Company's annual RRM filing, the Company shall reimburse the regulatory authorities on a monthly basis for their reasonable expenses incurred upon submission of invoices

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for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than August 1 of the year in which the RRM filing is made and the Company shall reimburse regulatory authorities in accordance with this provision on or before August 30 of the year the RRM filing is made.

To the extent possible, the provisions of the Final Order shall be applied by the regulatory authority in determining whether to approve or disapprove of Company's proposed rate adjustment.

This Rider RRM does not limit the legal rights and duties of a regulatory authority. Nothing herein shall abrogate the jurisdiction of the regulatory authority to initiate a rate proceeding at any time to review whether rates charged are just and reasonable. Similarly, the Company retains its right to utilize the provisions of Texas Utilities Code, Chapter 104, Subchapter C to request a change in rates. The provisions of this Rider RRM are implemented in harmony with the Gas Utility Regulatory Act (Texas Utilities Code, Chapters 101-105).

The annual rate adjustment process set forth in this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

## **VII. Reconsideration, Appeal and Unresolved Items**

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

## **VIII. Notice**

Notice of each annual RRM filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;

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- c) the service area or areas in which the proposed rates would apply;
- d) the date the annual RRM filing was made with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment be obtained.



# City Council Item Summary Sheet

**Work Session**

Date: June 4, 2013

**Agenda Item**

## Request for Additional Baseball Playing Fields

### Summary of Request/Problem

At the request of Mayor Douglas Athas, Council will be briefed on a request from the Garner Little League baseball organization for additional playing fields.

### Recommendation/Action Requested and Justification

Council discussion.

**Submitted By:**

**Approved By:**

**William E. Dollar  
City Manager**