



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

DCM: Bryan Langley

DATE: October 24, 2017

SUBJECT

Receive a report, hold a discussion, and give staff direction regarding the City's member in coalitions related to Atmos Energy and Oncor Electric Delivery.

BACKGROUND

On May 23, 2017, the City Council approved Resolution No. R2017-021 approving a change in the rates of Atmos Energy Corporation as a result of a settlement between Atmos and the Atmos Texas Municipalities ("ATM") under the Rate Review Mechanism. During consideration of this resolution, the City Council directed staff to discuss the City's membership options for future Atmos rate filings with the Audit/Finance Committee ("Committee"). Additionally, the City Council approved Resolution No. R2017-031 on August 15, 2017, denying Oncor Electric Delivery Company's application to increase rates and authorizing intervention in related proceedings at the Public Utility Commission of Texas as a member of the Alliance of Oncor Cities ("AOC"). In light of the City Council's direction for staff to discuss membership options for future Atmos rate filings, staff found it prudent to have similar discussions with the Committee regarding membership options for future Oncor rate filings.

Within the State of Texas there are coalitions that have joined together to represent the interest of cities (and its citizens) regarding gas and electric rate increases and other regulatory matters. The largest of these coalition groups regarding Atmos are ATM, which Denton is currently party to, and the Atmos Cities Steering Committee ("ACSC"). The largest coalition groups regarding Oncor are AOC, which Denton is currently party to, and the Oncor Cities Steering Committee ("OCSC"). Additionally, some cities within each of the utilities service areas have ceded their original jurisdiction (right to review rate increases) to the respective State Agency (Gas – Railroad Commission and Electric – Public Utility Commission). Unincorporated areas automatically fall within the jurisdiction of the respective State Agency. Lastly, the City of Dallas has historically negotiated rates from Atmos independently and according to their Utility Manager, there are no current plans to join with a coalition of cities (Atmos meters = 223,523). The City of Dallas is a member of OCSC for electric rates. Below is a summary of each coalition, including its membership (Exhibit 2), membership requirements and the name of their legal representation:

1. Atmos Texas Municipalities ("ATM") –
 - a. Represented by Herrera & Boyle, PLLC.
 - b. No annual membership assessment for rate reviews. Other regulatory matters historically billed to member cities on a population-based formulary.
 - c. Membership authorized in conjunction with the Resolution approving, rejecting or suspending a rate filing, including a Rate Review Mechanism ("RRM").

- d. Currently comprised of 56 member cities (Exhibit 2) representing approximately 202,737 meters (189,038 residential and 13,699 commercial).
 - e. Legal and rate analysis fees are paid by Atmos for rate reviews.
2. Atmos Cities Steering Committee (“ACSC”) –
- a. Represented by Lloyd, Gosselink, Rochelle & Townsend, P.C.
 - b. Formal one-time City Council approval of a Participation Agreement (Exhibit 3) to join coalition.
 - c. Annual membership assessment for 2017 of \$0.02 per capita. Assessment has historically been \$0.04 per capita and may return to that level based on the coalition’s activities. No formal approval of change in assessment required but city may opt to formally approve by resolution. Payment of annual membership assessment constitutes city’s membership renewal. Annual membership assessment pays for non-reimbursable expenses for other regulatory matters.
 - d. Currently comprised of 171 member cities (Exhibit 2) representing approximately 1,053,840 meters (975,406 residential and 78,434 commercial).
 - e. Legal and rate analysis fees are paid by Atmos for rate reviews.
3. Alliance of Oncor Cities (“AOC”) –
- a. Represented by Herrera & Boyle, PLLC.
 - b. No annual membership assessment for rate reviews. Other regulatory matters historically billed to member cities on a population-based formulary.
 - c. Membership authorized in conjunction with the Resolution approving, rejecting or suspending a rate filing.
 - d. Currently comprised of 25 member cities (Exhibit 2).
 - e. Legal and rate analysis fees are paid by Oncor for rate reviews.
4. Oncor Cities Steering Committee (“OCSC”) –
- a. Represented by Lloyd, Gosselink, Rochelle & Townsend, P.C.
 - b. Formal one-time City Council approval of a Participation Agreement (Exhibit 4) to join coalition.
 - c. Annual membership assessment for 2017 of \$0.11 per capita. No formal approval of change in assessment required but city may opt to formally approve by resolution. Payment of annual membership assessment constitutes city’s membership renewal. Annual membership assessment pays for non-reimbursable expenses for other regulatory matters.
 - d. Currently comprised of 156 member cities (Exhibit 2).
 - e. Legal and rate analysis fees are paid by Oncor for rate reviews.

Within the City of Denton, Atmos currently serves 20,784 meters (18,606 residential and 2,178 commercial) and Oncor currently serves 1,252 customers (1,071 residential, 170 commercial and 11 street lights).

On July 17, 2017, staff attended a meeting of the ATM Coalition in Fredericksburg, Texas. During this meeting, the member cities represented (approximately 12) discussed the possibilities of forming a single new coalition with the assistance of the Texas Municipal League, dissolving ATM and joining ACSC, or continuing ATM. The group decided to continue with ATM and also form a Steering Committee to expedite decisions and potentially grow the coalition. An annual membership assessment was discussed but not supported.

In conclusion, staff is requesting direction from the City Council on which coalition, if any, to join for Atmos and Oncor.

RECOMMENDATION

Staff recommends that the City of Denton join the Atmos Cities Steering Committee (“ACSC”) coalition for Atmos rate filings and other regulatory matters and remain in the Alliance of Oncor Cities (“AOC”) coalition for Oncor rate filings and other regulatory matters.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On September 12, 2017, the Audit/Finance Committee recommended that staff present this matter to the City Council in a work session.

STRATEGIC PLAN RELATIONSHIP

The City of Denton’s Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Organizational Excellence

Related Goal: 1.1 Manage financial resources in a responsible manner

EXHIBITS

1. Agenda Information Sheet
2. Membership Listing by Coalition
3. ACSC Participation Agreement
4. OCSC Participation Agreement
5. Atmos Service Area Map
6. Oncor Service Area Map
7. PowerPoint Presentation

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