

**GUD No. 9713**

---

**Statement of Intent Filed by Greenlight Gas to Set Rates for Natural Gas Service for Unincorporated Areas in Foard and Knox Counties, Texas**

---

**APPEARANCES:**

**FOR APPLICANT:**

Jamie Nielson  
Attorney at Law  
7000 North Mo-Pac Expressway  
Second Floor  
Austin, Texas 78731

GreenLight Gas (“GreenLight”)

**REVISED PROPOSAL FOR DECISION**

**PROCEDURAL HISTORY**

**Statement of Intent:**

November 30, 2006

**Heard By:**

John Chakales, Hearings Examiner  
Danny Bivens, Technical Examiner

**Revised PFD Circulation Date:**

March 21, 2007

**Statutory Deadline:**

June 3, 2007

## 1. Overview

GreenLight Gas (“GreenLight”) is a non-profit gas utility that provides gas distribution service in the Cities of Crowell, Thalia, Truscott, and Gilliland, Texas and the surrounding environs in Foard and Knox Counties. GreenLight was formed in 2001 to acquire gas transmission and distribution properties from TXU-Lone Star Gas. GreenLight Gas seeks a change in the distribution rates charged to its environs customers in Foard and Knox Counties. The rate change has been approved by the City of Crowell. The rate change is designed to be revenue neutral and not result in a revenue increase for the utility. On November 30, 2006, GreenLight filed its Statement of Intent, based on the test year ended June 30, 2005. Approximately 56 residential and 4 commercial customers will be affected by GreenLight’s proposal.

GreenLight requested an effective date of January 4, 2007. On December 19, 2006, the Commission suspended the implementation of the rate change for up to 150 days pursuant to TEX. UTIL. CODE ANN. §104.107(a)(2). The statutory deadline for Commission action on GreenLight’s *Statement of Intent* is June 4, 2007. On August 8, 2006, the City of Crowell approved new rates for the City of Crowell. GreenLight completed its notice requirements by mailing notice to each affected customer.

The Commission has jurisdiction over the matters at issue in this proceeding under TEX. UTIL. CODE ANN. §§ 102.001(a), 121.051, and 121.151 (Vernon 1998 & Supp. 2006). The statutes and rules involved include, but are not limited to TEX. UTIL. CODE ANN. §§ 104.006, 104.008, & 104.102, (Vernon 1998 & Supp. 2006).

The Examiners first circulated a Proposal For Decision (“PFD”) on February 6, 2007. On February 26, 2007, Applicant requested consideration of proposed changes to its miscellaneous services fees and charges. The Examiners required Applicant to supplement the statement of intent because no information in the original filing requested and/or detailed any proposed changes to the Applicant’s miscellaneous service fees and charges. On March 7, 2007, Applicant supplemented its statement of intent with additional information regarding proposed changes to its miscellaneous services fees and charges. After review of the new materials, the Examiners recommend that the Commission approve GreenLight’s requested change in rates.

## 2. Analysis and Recommendation

Dr. Donald A. Murry of C.H. Guernsey & Co. prepared a cost of service study on behalf of GreenLight to support GreenLight’s requested rate change.<sup>1</sup> Dr. Murry’s cost of service study indicates that GreenLight’s rate base is \$239,380.19. GreenLight’s rate base consists of adjusted plant (\$209,387) and working capital (\$29,993.19). GreenLight requests an overall rate of return of 7.63 percent (a return on rate base of \$18,264). Total operating expenses are \$255,132. The overall cost of service revenue requirement supported by Dr. Murry’s study is \$272,218. This results in a

---

<sup>1</sup> GreenLight Exhibit 1.

revenue deficiency of \$36,151 from test year revenue of \$236,067. Although a revenue deficiency during the test year is shown in the cost of service study, GreenLight does not request an increase in its revenues. The rate change proposed by the utility is designed to be revenue neutral.

GreenLight proposes decreasing the minimum charge for residential customers, increasing the minimum charge for commercial customers and increasing the volumetric rates for both customer classes. GreenLight proposes a \$9.00 minimum customer charge and a volumetric charge of \$3.7666 per Mcf for residential customers. GreenLight proposes a \$17.00 minimum customer charge and a volumetric charge of \$3.7666 per Mcf for commercial customers. The proposed rates do not yield a revenue increase at test year throughput. Additionally, GreenLight requests recovering rate case and regulatory expenses of \$10,000. GreenLight proposes amortizing this expense over a period of three years.

GreenLight supplemented its original statement of intent with a request to increase minimum customer deposits for residential and commercial class customers. The current deposits are \$75.00 and \$40.00 for the environs of Crowell and the unincorporated area of Thalia. GreenLight requests increasing this amount to \$112.50 for residential and \$250.00 for commercial customers. The proposed deposit amounts are approximately one-sixth of the estimated annual billings for an average customer. Customers deposits may be set at an amount that does not exceed one-sixth of estimated annual billings. 16 TEX. ADMIN. CODE §7.45(5)(C) (2004). GreenLight's proposed deposits comply with §7.45(5)(C) and the Examiners recommend approval of this proposal.

GreenLight supplemented its original statement of intent with additional information regarding its proposed use of a lost and unaccounted for gas factor ("LUG") of 1.0526. The Examiners note that use of a LUG factor of 1.0526 does not allow the utility to recover more than the maximum allowable expense for a distribution system, five percent (5.0%) of the amount metered in. 16 TEX. ADMIN. CODE §7.5525(b)(1) (2002). The Examiners recommend that Commission allow GreenLight to use a LUG factor of 1.0526.

GreenLight requests recovery of its rate case expenses incurred in this case by means of a per Mcf surcharge. GreenLight claims to have incurred \$5,404.65 in total rate case expenses and estimates another \$1,500 to complete this docket. Rate case expenses include \$2,430.00 in consultant expenses for preparing the cost of service study, \$2,281.25 in legal fees, and \$693.40 in allocated salary costs for Brent Wheeler, General Manager of GreenLight Gas. The Examiners recommend approval of \$4,711.25 in actual rate case expenses. The Examiners recommend denial of \$693.40 in allocated salary of Mr. Wheeler. The salary and expense of Mr. Wheeler's efforts are included in the utility's cost of service and recovered in the rates for gas service. There is no statutory or rule basis to allow recovery of the \$693.40 claimed by Mr. Wheeler. The Examiners recommend that the utility be allowed to recover a maximum of \$1,500 additional rate case expenses provided they are actually incurred, satisfy the requirements of 16 TEX. ADMIN. CODE §7.5530, and the utility submits proof of the expenses to the Gas Services Division.

GreenLight's rate change proposal does not increase the company's revenues at the test year

throughput. By decreasing the minimum charge, residential customers' bills will be more directly related to actual gas usage during a given billing period. GreenLight's proposed rate design is not likely to result in customers incurring greater costs for gas service at their typical usage. Because the rate change is revenue neutral and not likely to adversely impact distribution customers, the Examiners find GreenLight's rate proposal reasonable and recommend Commission approval. The Examiners recommend that the Railroad Commission of Texas approve the attached Proposed Final Order containing findings of fact and conclusions of law.

Respectfully submitted,

John Chakales  
Hearings Examiners  
Office of General Counsel

Danny Bivens  
Technical Examiner  
Gas Services Division

**RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED BY §  
GREENLIGHT GAS TO SET RATES FOR §  
NATURAL GAS SERVICE FOR § GAS UTILITIES DOCKET NO. 9713  
UNINCORPORATED AREAS IN FOARD §  
AND KNOX COUNTIES, TEXAS §**

**PROPOSED FINAL ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, et seq. (Vernon 1994 & Supp. 2004). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

1. GreenLight Gas ("GreenLight") is a gas utility as that term is defined in the Texas Utility Code.
2. GreenLight owns and operates a natural gas distribution system serving customers in Foard and Knox Counties, including the cities and surrounding environs of Crowell, Thalia, Truscott, and Gilliland, Texas.
3. On November 30, 2006, GreenLight filed a Statement of Intent requesting that the Railroad Commission of Texas ("Commission") approve a change in distribution rates for its environs customers in Foard and Knox Counties.
4. The proposed rate change will not increase GreenLight's total annual revenues and is designed to be revenue neutral.
5. GreenLight requested that the proposed new distribution rates become effective on January 4, 2007.
6. On December 19, 2006, the Commission suspended the implementation of GreenLight's proposed rates for 150 days after the date the rate schedule would otherwise be effective.
7. GreenLight mailed notice of the proposed rate changes to all customers affected by the proposed change.
8. GreenLight's mailed notice meets the statutory and rule requirements of notice and provides sufficient information to rate payers about the statement of intent.
9. No person filed a letter of protest with the Commission regarding the proposed rate change. No person intervened in this proceeding and GreenLight's proposed rate change is non-protested.
10. The data submitted by GreenLight in this docket encompasses a full test-year, i.e. the twelve-month period ending June 30, 2005.

11. There are approximately 56 Residential and 4 Commercial class customers that will be affected by GreenLight's proposed rate change.
12. It is reasonable to set GreenLight's allowable rate of return by establishing the weighted average cost of capital for a capital structure comprised of 48.22% actual debt and 51.78% owner's equity.
13. An aggregate cost of debt for GreenLight of 7.232 percent is reasonable.
14. An embedded cost of equity for GreenLight of 8.00 percent is reasonable.
15. An overall rate of return of 7.63 percent based on the weighted average cost of capital is reasonable.
16. Total test year depreciation expense of \$11,632.50 is reasonable in this case.
17. Total rate base of \$239,380.19, comprised of \$209,387 in adjusted plant and \$29,993.19 in working capital, is reasonable in this case.
18. Taxes other than income taxes of \$221, operation and maintenance expense of \$239,946, administrative and general expense of \$220,166, and regulatory expense amortization of \$3,333 per year for three years, are reasonable.
19. GreenLight's proposed residential sales rate, consisting of a minimum customer charge of \$9.00 per month and a single volumetric charge of \$3.7666 per Mcf on all gas volumes delivered, is reasonable.
20. GreenLight's proposed commercial sales rate, consisting of a minimum customer charge of \$17.00 per month and a single volumetric charge of \$3.7666 per Mcf on all gas volumes delivered, is reasonable.
21. GreenLight's proposed lost and unaccounted for gas factor of 1.0526 will not allow the utility to recover costs associated with more than the maximum of five percent (5%) of the gas metered in its system, and is reasonable.
22. GreenLight incurred \$4711.25 in rate case expenses in this docket. The amounts incurred by GreenLight in pursuing its filing before the Commission are reasonable. It is reasonable to allow GreenLight to recover this amount for ratepayers by means of a per Mcf surcharge.
23. GreenLight estimated that it will incur up to \$1,500 in future rate case expenses associated with this docket. It is reasonable to allow GreenLight to recover a maximum of \$1,500 in future rate case expenses associated with this docket provided GreenLight submits additional evidence of the incurrence and reasonableness of the expenses with the Gas Services Division Staff.
24. GreenLight's proposed minimum residential customer deposit of \$112.50 and minimum commercial customer deposit of \$250.00 do not exceed one-sixth of the estimated annual billings for

these classes of customers and are reasonable.

### CONCLUSIONS OF LAW

1. GreenLight Gas ("GreenLight") is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 1998 and Supp. 2006) and §121.001 (Vernon 1998 and Supp. 2006) and is therefore subject to the jurisdiction of the Railroad Commission ("Commission") of Texas.
2. The Railroad Commission of Texas ("Commission") has jurisdiction over GreenLight and GreenLight's Statement of Intent under TEX. UTIL. CODE ANN. §§102.001, 104.001, 104.001, and §104.201 (Vernon 1998 & Supp. 2006).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 1998 and Supp. 2006), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This Statement of Intent was processed in accordance with the requirements of the Gas Utility Regulatory Act ("GURA"), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§2001.001-2001.902 (Vernon 2000 and Supp. 2006) ("APA").
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 1998 and Supp. 2006), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. TEX. UTIL. CODE ANN. §104.107 (Vernon 1998 and Supp. 2006) provides the Commission authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
7. In accordance with TEX. UTIL. CODE §104.103 (Vernon 1998 and Supp. 2006), adequate notice was properly provided.
8. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 1998 and Supp. 2006), 16 TEX. ADMIN. CODE ANN. §7.205 (2002), and 16 TEX. ADMIN. CODE §7.210 (2002), GreenLight filed its Statement of Intent to change rates.
9. GreenLight met its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 1998 and Supp. 2006) that its rate changes are just and reasonable.
10. The revenue, rates, rate design, and service charges proposed by GreenLight are just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 1998 and Supp. 2006).

11. The overall revenues as established by the findings of fact are reasonable; fix an overall level of revenues for GreenLight that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 1998 and Supp. 2006); and otherwise comply with Chapter 104 of the Texas Utilities Code.

12. The revenue, rates, rate design, and service charges proposed will not yield to GreenLight more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 1998 and Supp. 2006).

13. GreenLight is required by 16 TEX. ADMIN. CODE §7.315 (2002) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

14. Pursuant to TEX. UTIL. CODE ANN. § 104.005 (Vernon 1998) GreenLight may not charge the rates approved in this order until GreenLight has successfully filed electronic tariffs that comply with the findings of fact and conclusions of law of this Order.

15. The rate case expenses enumerated in the findings of fact herein are reasonable and comply with 16 TEX. ADMIN. CODE ANN. § 7.5530 (2002).

16. All expenses for lost and unaccounted for gas in excess of 5.0 percent shall be disallowed, consistent with TEX. ADMIN. CODE § 7.5525 (2002).

17. GreenLight's proposed minimum customer charges as enumerated in the findings of fact herein are reasonable and comply with 16 TEX. ADMIN. CODE ANN. § 7.45 (2004).

**IT IS THEREFORE ORDERED** that the rates reflected in the findings of fact and conclusions of law are hereby **APPROVED**.

**IT IS FURTHER ORDERED** that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, GreenLight shall file tariffs with the Gas Services Division. The tariffs shall incorporate the rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law.

**IT IS FURTHER ORDERED** that, in accordance with TEX. UTIL. CODE ANN. § 104.005 (Vernon 1998), GreenLight shall not charge the rates approved in this Order or receive compensation under the rates approved in this Order until GreenLight has successfully completed its requirement to file tariffs with the Gas Services Division according to the provisions of 16 TEX. ADMIN. CODE §7.315.

**IT IS FURTHER ORDERED** that GreenLight's rates as requested and to the extent recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for gas consumed and for services delivered on and after the date of this Order.

**IT IS FURTHER ORDERED** that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**. **IT IS ALSO ORDERED** that all pending motions and



requests for relief not previously granted or granted herein are hereby **DENIED**.

**IT IS FURTHER ORDERED THAT** GreenLight may begin charging rates for gas transported and for services delivered on and after the date of this Order. This Order will not be final and appealable until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties. Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

**SIGNED** this \_\_\_\_\_ day of April, 2007.

**RAILROAD COMMISSION OF TEXAS**

\_\_\_\_\_  
**CHAIRMAN ELIZABETH A. JONES**

\_\_\_\_\_  
**COMMISSIONER MICHAEL L. WILLIAMS**

\_\_\_\_\_  
**COMMISSIONER VICTOR G. CARRILLO**

**ATTEST:**

\_\_\_\_\_  
**SECRETARY**