

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

RATE CASE EXPENSES SEVERED	§	
FROM GAS UTILITIES DOCKET	§	GAS UTILITIES DOCKET
NOS. 9797 AND 9809	§	NO. 9846
	§	

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 2004 & Supp. 2008). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Universal Natural Gas, Inc. ("Universal") is a utility as that term is defined in the Texas Utility Code, and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. Universal owns and operates a gas distribution system that provides gas service to customers in Montgomery, Walker and Houston Counties, Texas.
3. On April 21, 2008, Universal filed a statement of intent to increase rates on customers located in the unincorporated areas of Montgomery, Walker and Houston Counties, Texas, which was originally docketed by the Commission as Gas Utilities Docket No. 9797.
4. On July 16, 2008, Universal filed an appeal of the action of the City of Huntsville, Texas, which was originally docketed by the Commission as Gas Utilities Docket No. 9809.
5. On July 21, 2008, the Examiners consolidated Gas Utilities Docket Nos. 9797 and 9809 into one docket, Gas Utilities Docket No. 9797 ("GUD No. 9797"), because the two dockets requested the same rates and involved common questions of law and fact pursuant to 16 TEX. ADMIN. CODE § 1.125 (1991).
6. On December 16, 2008, the Commission issued a final order in GUD No. 9797.
7. In the December 16, 2008, final order issued in GUD No. 9797, the Commission severed rate case expense issues out of GUD No. 9797 and into a separate docket, Gas Utilities Docket No. 9846: Rate Case Expenses severed from Gas Utilities Docket No. 9797 and 9809.
8. A final hearing was conducted in Austin on February 25, 2009, to take testimony, other evidence, and legal argument on all issues of law and fact that were raised in or relevant to Universal's request for reimbursement of rate case expenses, and for the purpose of developing a

record that the Commission will use in making a determination on Universal's rate case expense request.

9. Universal's witnesses established that the hourly rates charged by consulting attorneys, and special service consultants were reasonable; the number of consulting attorneys working on the underlying docket was minimized; the invoices accurately documented hours worked and services provided; there were no time entries exceeding 12.0 hours per day; and there were no disbursements for hotels, valet parking, designer coffee, airfare, or meals requiring special scrutiny or disallowment.

10. The Examiners reviewed all invoices supporting the rate case expenses incurred by Universal and did not find any duplication of services or testimony. There is no evidence in the record that any of the expenses submitted for reimbursement were not necessarily incurred in the prosecution of Universal's rate case proceeding before the Commission.

11. The requested actual rate case expenses of Universal in the amount of \$113,041 for actual work performed were reasonable and were necessary for the prosecution of GUD No. 9797 before the Commission.

12. The evidence in the record indicates that Universal's proposed \$0.18 per Mcf surcharge to recover rate case expenses will allow the utility to recover its costs without over-recovering from its customers. It is therefore reasonable that Universal recover all rate case expenses approved herein by use of a \$0.18 per Mcf surcharge for its customers located in Montgomery, Walker and Houston Counties, Texas.

13. The evidence in the record indicates that imposing a \$0.18 per Mcf surcharge on gas volumes will not be overly-burdensome on Universal's customers, and will allow Universal to recover its expenses. It is reasonable that Universal recover all rate case expenses approved herein over a period of approximately twenty-four (24) months billed to all customers subject to the final orders approved in GUD No. 9797.

14. Allowing Universal to charge interest on outstanding rate case expense amounts at the Commission's published rate applicable to interest on customer deposits, which is currently 2.09% per annum, will allow Universal to recover the costs associated with recovering rate case expenses over a period of twenty-four months and is therefore reasonable.

15. Universal's proposal to true-up rate case expenses after the twenty-four month recovery period is reasonable because it will allow the utility to recover the exact amount of rate case expenses without over-recovering or under-recovering the utility's rate case expenses from customers.

16. It is reasonable to allow Universal to recover up to \$10,355 in estimated future rate case expenses, provided that Universal submit evidence of actual incurrence and the reasonableness and necessity of the future expenses to the Gas Services Division of the Commission.

CONCLUSIONS OF LAW

1. Universal Natural Gas, Inc. (“Universal”) is a gas utility as defined in TEX. UTIL. CODE ANN. §§ 101.003(7), 121.001 (Vernon 2007 & Supp. 2008) and is subject to the Commission’s jurisdiction under TEX. UTIL. CODE ANN. §§ 104.001, 121.051 (Vernon 2007 & Supp. 2008).
2. Each party seeking reimbursement for its rate case expenses has the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence, under 16 TEX. ADMIN. CODE § 7.5530 (2002).
3. The rate case expenses enumerated in the findings of fact herein are reasonable and comply with 16 TEX. ADMIN. CODE ANN. § 7.5530 (2002).
4. The Commission has the authority to allow Universal to recover rate case expenses through a surcharge on its rates, under TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 & Supp. 2008).

IT IS THEREFORE ORDERED that Universal Natural Gas, Inc. is authorized to recover all rate case expenses incurred in GUD No. 9797 and approved by this order by means of a surcharge on its rates charged to ratepayers subject to the final orders entered in GUD No. 9797. A surcharge on rates shall be charged at \$0.18 per Mcf on all gas volumes for all customer classes and be implemented over a period of approximately twenty-four (24) months, commencing with the date this final order becomes effective. The \$0.18 per Mcf surcharge shall be a separate line item on each customer’s bill clearly identifying the recovery rate and amount recovered each month.

IT IS FURTHER ORDERED that Universal Natural Gas, Inc. shall file a semi-annual report with the Director of the Gas Services Division identifying the amount of rate case expenses recovered to date; the outstanding rate case expense balance at the beginning of the semi-annual period; the amounts of interest charged, accrued and recovered under the RCS Rider; the volumes and amounts collected by month by customer class; and the ending balance for the period. Universal shall include in the semi-annual report a monthly reconciliation of any future expenses and fees billed by Ms. Hodgins (not to exceed \$1,600), Mr. Neilson (not to exceed \$6,175) and R.J. Covington (not to exceed \$2,580). The report shall include copies of the invoices billed, the work performed, the purpose and necessity of the work performed, and an affidavit by Ms. Hodgins. The semi-annual report should be filed no later than 45 days after the end of June and December.

IT IS FURTHER ORDERED that Universal Natural Gas, Inc. shall true-up any amounts over-recovered or under-recovered at the end of the twenty-four month recovery period. If at the end of the 24-month recovery period, Universal is either over or under recovered, the utility shall file a report with the Director of the Gas Services Division identifying the over or under recovered amount and the estimated number of months required to fully collect any under recovered amount. All over-recovered amounts shall be refunded, with interest, in the following billing cycle.


IT IS FURTHER ORDERED that any proposed findings of fact and conclusions of law not specifically adopted herein are **DENIED**. **IT IS ALSO ORDERED** that each exception to the Examiners' Proposal for Decision not expressly granted herein is overruled and all pending motions and requests for relief not previously granted herein are hereby **DENIED**.

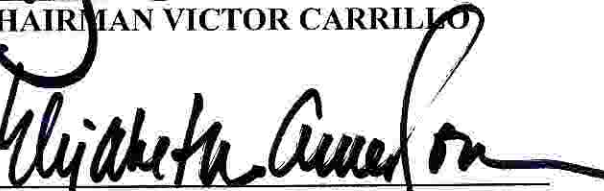
IT IS FURTHER ORDERED THAT Universal Natural Gas, Inc. may begin surcharging rates for rate case expenses on and after the date of this Order. This Order will not be final and appealable until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the 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 14th day of April, 2009.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN VICTOR CARRILLO


COMMISSIONER ELIZABETH A. JONES


COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:

SECRETARY