

## APPENDIX A

### Prehearing motions and rulings:

- **June 9, 2011** – Grant Staff’s Motion to Intervene (Ex. Ltr. 1)
- **July 1, 2011** – Grant Motion to Consolidate Docket Nos. GUD 10083 and 10093 (Ex. Ltr. 3)
- **July 18, 2011** – Sever Rate Case Expenses to GUD No. 10102 and Approve Agreed Non-Disclosure Agreement (Ex. Ltr. 12)
- **July 21, 2011** – Grant City of Magnolia’s Motion to Intervene and HNG agrees to modify the proposed effective date of rate implementation such that the statutory deadline extends to December 19, 2011. (Ex. Ltr. 14)
- **July 26, 2011** – Grant Motion to Intervene as Protestant for Vickie L. Simon, Elizabeth Nixon, Kathleen Garrett, Angela Arndt, Sheryl McDonald, Shannon Hoffart, Douglas Mendez, Ashley Carter, and Sheila McLendon. (Ex. Ltr. 20)
- **August 2, 2011** – Grant Motions to Intervene as Protestant for Cecilia K. Whitaker, Robert Whitaker, and Michael C. Kelley. (Ex. Ltr. 26)
- **August 3, 2011** – Notice of Hearing (Ex. Ltr. 27)
- **August 5, 2011** – Staff’s Motion to Sever Gas Costs; August 15, 2011 – City of Magnolia’s Motion in Support of Staff’s Motion to Sever Gas Costs Issues; August 15, 2011 – Answer of HNG in Opposition to Staff’s Motion to Sever Gas Cost Issus, or in the alternative, Request for a Hearing to Address Severance Procedures; August 22, 2011 – Staff’s Response to HNG Opposition to Staff’s Motion to Sever Gas Costs; August 25, 2011 – Examiners took Staff’s Motion to Sever Gas Cost under advisement for consideration in the proposal for decision and final order, so that a prudence review may be considered by the Commission at that time. The ruling was based on the following reasons: (1) the scope of the severed proceeding was not apparent from the filings of the parties (i.e., whether the intended scope was to limited to setting of prospective rate or if it included a prudence review be established); (2) severance of gas cost and the determination that a prudence review should be established is a policy issue for the Commission as a component of the Final Order; and (3) HNG contends that Alamo’s transportation rate was set by the Commission and that may be relevant to the issue of the severed proceeding. (Ex. Ltr. 49) Pending ruling at time of hearing on the merits.
- **August 8, 2011** – Grant Motions to Intervene as Protestant for William Scates, Sherleen Scates, Shirley Kerr, Rolf Kerr and Al E. Birdwell. (Ex. Ltr. 34)
- **August 10, 2011** – Motion of HNG for an Expedited Determination Regarding the Adequacy of Notice. The motion was taken under advisement for consideration in the proposal for decision and final order.
- **August 16, 2011** – City of Magnolia’s Motion to Compel Response to Request for Discovery and Expedited Response Time; August 19, 2011 – Response of HNG to the City of Magnolia’s Motion to Compel Response for Discovery and Expedited Response Time; August 22, 2011 – City of Magnolia’s [Reply] Motion to Compel Response to Request for Discovery and Expedited Response Time; August 22, 2011 – HNG objection to City’s Reply brief or in the alternative HNG

Reply to City's Reply; August 25, 2011 – Deny, in part, City of Magnolia's Motion to Compel, which requested the federal income tax returns Form 1040s for Frank Hicks and Real Provencher for tax years 2009 and 2010. The Examiners concluded that income taxes are a cost of raising capital but a utility's rates will not be higher for partnerships or other pass-through entities, such as Subchapter S corporations than a corporate form in order to obtain an income tax allowance. Moreover, the Commission has consistently applied the statutory tax rate of 35% in calculating the federal income tax amount to be included in the cost of service calculation. On the other hand, the federal income tax filings may be relevant to the issue of HNG affiliate transactions. Specifically, these documents may show whether all common costs are identified and properly allocated. As a result, HNG was instructed to produce some of the schedules related to income tax filings in accordance with a protective order. (Ex. Ltr. No. 48)

- **August 19, 2011** – Vickie Simon's Withdrawal as Intervening Protestant (Ex. Ltr. 47)
- **August 24, 2011** – Grant Motion to Intervene as Protestant for Melissa Rogers. (Ex. Ltr. 46)
- **August 25, 2011** – Motion of HNG to Shorten Discovery Timetables and Request for Expedited Response Time; August 26, 2011 – Staff's Response in Opposition to Hughes' Motion to Shorten Discovery Timetables; August 29, 2011 – The Examiners denied HNG Motion to Shorten Discovery Timetables as the request was more precisely a general motion to modify the procedural schedule, rather than a singular motion to modify the timetable for a specific discovery issue. The parties agreed to the procedural schedule during the prehearing conference and given objection to shortening the timeframes, the schedule that was agreed upon prevails. (Ex. Ltr. 50)
- **August 26, 2011** – Motion of HNG to Strike Testimony of Mark Brock; August 31, 2011 – City of Magnolia's Motion in Opposition to HNG's Motion to Strike Testimony; August 31, 2011 – Staff's Response in Opposition to Hughes' Motion to Strike Testimony of Mark Brock; August 31, 2011 – Answer of HNG in Response to Staff and City of Magnolia; September 2, 2011 – Examiners noted that it is not apparent from the filings by HNG precisely what privilege HNG is asserting for each alleged breach by Mr. Brock of the Non-Disclosure agreement. The Examiners instructed HNG to designate the alleged privilege for each alleged breach, under seal if necessary (Ex. Ltr. 53); September 12, 2011 – HNG's Response to Examiners' Letter No. 53. HNG expanded its area of dispute to include the materials included in RRC Staff Exhibit MB-2 and argued that Staff had failed to stamp and seal documents marked confidential by HNG, as well as, disseminated those documents to parties who had not signed the Non-Disclosure Agreement Certification; September 13, 2011 – Staff's Reply to HNG's Response to Examiners' Letter No. 53; September 14, 2011 – HNG's Motion to Strike the Testimony of Mark Brock was taken under advisement. Staff was directed to (a) Inform Examiners no later than September 15, 2011, how many paper originals, paper copies, and electronic copies were distributed of the Direct Testimony of Mark Brock; (b) Take immediate action to have all paper originals and paper

copies returned to Staff or picked up by Staff; (c) Take immediate action for Staff to ensure anyone in receipt of electronic copies has deleted all electronic copies; (d) Ensure that all paper originals and copies in RRC public filings are placed under seal and kept in accordance with the Protective Order; and (e) Report to Examiners by September 19, 2011, the status of the returns of paper originals, copies, and the electronic deletions, as well as, verification of stamping, sealing and maintenance of documents in public RRC files. HNG was instructed to report to the Examiners (a) all parties who have signed the Non-Disclosure Agreement Certification and (b) all efforts made by HNG to obtain the Certification from the parties admitted subsequent to the issuance of the Non-Disclosure Agreement. All parties to the case were reminded that the Protective Order governs information designated confidential. All parties were instructed that while the dispute over an alleged breach of the Protective Order is pending, all parties are to treat this information as confidential and report if any copies have been made of this material. All parties were instructed not to make any copies. During the hearing on the merits, HNG withdrew its objection to strike the entirety of Mr. Brock's testimony and requested two small portions of his testimony related to the affiliates be sealed. This request was granted by the Examiners.

- **August 30, 2011** – Motion of HNG to Compel Production of Documents and request for Expedited Response Time; Examiners granted HNG motion and directed Staff to produce the electronic schedules in support of testimony by September 1, 2011. (Ex. Ltr. 52); **August 31, 2011** – Staff's Response to Hughes' Motion to Compel and Examiners' Letter No. 52 stating Staff emailed electronic schedule and provided hard disc.
- **August 31, 2011** – Examiners' instruction to Intervening Protestants to coordinate with one another to designate a single representative to be the spokesperson at the hearing on the merits and to do the cross-examination of witnesses, unless a party may establish a separate and distinct interest from the other rate payer protestants. Since none of the Intervening Protestants filed Direct Testimony or a Sworn Position Statement as required by the Procedural Schedule, then the Intervening Protestants may not do direct examination at the hearing, however, they will be allowed to make a short public comment statement. (Ex. Ltr. 51)
- **September 6, 2011** – Staff's Motion for Protective Order; **September 7, 2011** – Answer of HNG to Staff's Motion for Protective Order, Motion to Compel, Motion to Strike Testimony of Mark Brock, and Motion to Shorten Time for Responses; **September 8, 2011** – Staff's Motion for Protective Order denied, in part, since Mr. Brock's is a lead witness and discovery related to his direct testimony is proper. Staff was instructed to respond to certain RFIs served by HNG related to Mr. Brock's direct testimony. Additionally, Staff's motion was granted, in part, so that Staff was not required to respond to duplicative questions and one potentially harassing question. (Ex. Ltr. 55)
- **September 13, 2011** – Request for Clarification of Examiners' Letter No. 55 by HNG; **September 14, 2011** – HNG requested modification to discovery responses and production requirements. The Examiners denied HNG's motion. (Ex. Ltr. 57)
- **September 14, 2011** – Staff's Second Motion for Protective Order. Staff argues that HNG engaged in abusive discovery filings and requests reconsideration of

- ruling for Staff's Motion for Protective Order. September 19, 2011 – The Examiners denied Staff's Second Motion for Protective Order. (Ex. Ltr. 60)
- **September 14, 2011** – HNG's Motion to Compel Responses to HNG's First Requests for Information to Staff, Objections to Responses and Request for Expedited Treatment; September 15, 2011 – Examiners denied HNG's motion, in part. HNG requested Staff to file response to motion to compel by 09/18/2011. September 15, 2011 – The Examiners instructed Staff to file a response, if any, to the motion to compel by 09/21/11. The Examiners ruled on the motion on 09/22/11. The rulings were specific to the discovery objections. The Examiners denied HNG's motion for a hearing on the motion to compel. (Ex. Ltr. 58)
  - **September 14 and 15, 2011** – HNG's letter requested clarification of Examiners' Letter No. 55. HNG stated that they had no objection to authorized representatives of the parties, who have entered into certification of the non-disclosure agreement, to retain both paper and electronic copies of Mr. Brock's testimony. September 15, 2011 – Examiners modified instruction to Staff contained in Examiner Letter No. 55 to allow authorized representatives of the parties, who have entered into certification of the non-disclosure agreement, to retain both paper and electronic copies of Mr. Brock's testimony. Again, all parties were reminded to follow the terms of the Protective Order in regard to the disputed documents while the issue was pending. (Ex. Ltr. No. 58)

The following RFIs were submitted by the Examiners, as follows:

- Examiners' First Request for Information to HNG (1.1 – 1.20) (Ex. Ltr. 18)
- Examiners' Second Request for Information to HNG (2.1 – 2.12) (Ex. Ltr. 28)
- Examiners' Third Request for Information to HNG (3.1 – 3.20) (Ex. Ltr. 29)
- Examiners' Fourth Request for Information to HNG (4.1 – 4.41) (Ex. Ltr. 36)
- Examiners' Fifth Request for Information to HNG (5.1 – 5.3) (Ex. Ltr. 38)
- Examiners' First Request for Information to Commission Staff and City of Magnolia (1.1 – 1.6) (Ex. Ltr. 40)
- Examiners' Sixth Request for Information to HNG (6.1 – 6.2) (Ex. Ltr. 40)
- Examiners' Seventh Request for Information to HNG (7.1 – 7.6) (Ex. Ltr. 43)
- Examiners' Second Request for Information to Staff (2.1 – 2.2) (Ex. Ltr. 49)
- Examiners' Eighth Request for Information to HNG (8.1) (Ex. Ltr. 49)
- Examiners' Ninth Request for Information to HNG (9.1) (Ex. Ltr. 54)

BEFORE THE  
RAILROAD COMMISSION OF TEXAS  
GAS SERVICES DIVISION

FILED

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COMM. COUNCIL  
TELEPHONE DIVISION

RE: HUGHES NATURAL GAS, INC.  
STATEMENT OF INTENT TO CHANGE  
GAS DISTRIBUTION RATES IN THE  
UNINCORPORATED AREAS OF AUSTIN  
COLORADO, GRIMES, HARRIS  
MONTGOMERY AND WALLER  
COUNTIES, TEXAS

GUD NO. 10083

AND

PETITION FOR REVIEW FROM  
ACTION OF THE CITY OF MAGNOLIA  
DENYING HUGHES NATURAL GAS  
INC.'S STATEMENT OF INTENT TO  
CHANGE RATES

GUD NO. 10093

AFFIDAVIT OF REAL PROVENCHER  
ATTESTING TO COMPLIANCE OF PUBLIC NOTICE

STATE OF TEXAS

§

COUNTY OF MONTGOMERY

§

§

BEFORE ME, the undersigned authority, on this day personally appeared REAL PROVENCHER, well known to me to be a credible person of lawful age, who, after having first been duly sworn by me, on his oath did depose and say as follows:

1. My name is REAL PROVENCHER. I am President of Hughes Natural Gas, Inc. ("HNG"). I have personal knowledge of the facts set forth in this Affidavit, and am authorized to make this Affidavit on behalf of HNG. Each of the facts set forth in this Affidavit are true and correct.

2. HNG has a list with names and addresses of all its customers. HNG maintains this customer list and continually keeps it up to date by adding new customers and dropping those customers who cancel their gas service. This is all done under my supervision and control by our customer service and bookkeeping employees.

3. BestBill is an independent contractor hired by HNG to print and mail monthly customer gas statements. HNG provides the necessary information to BestBill and they actually print and send out the monthly customer bills. These bills are sent to the most current address that we have in our database. BestBill was instructed to send notices to HNG customers of the company's filing of Statement of Intent to Change Rates in the City of Magnolia, Texas and in six (6) Texas counties in HNG's service areas.

4. In compliance with Texas Utilities Code Section 104.103 (b) (1) two (2) notices were sent to all customers outside the municipal boundaries located in Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas and inside the City of Magnolia.

5. For all customers served by HNG, a copy of the Notice of Intent to Increase Rates for all customers was sent by United States Mail, first class mail postage prepaid by HNG's independent contractor BestBill to every affected residential and commercial customer at their billing address shown in HNG's records. The notices were sent on June 7, 2011. The notice attached hereto as Exhibit "A" and made a part hereof is a true and correct copy of the notice mailed to all the affected customers. A Supplemental Notice was sent to all customers on July 7, 2011. The Supplemental Notice attached hereto as Exhibit "B" and made a part hereof is a true and correct copy of the supplemental mailed to all the affected customers.

6. When both notices described above were sent, the notices were included with the customers' bills on a separate sheet of paper.

7. Affiant sayeth further not.



Real Provencher, Affiant

SUBSCRIBED AND SWORN TO BEFORE ME by the said Real Provencher on this the 7<sup>th</sup> day of July 2011, to certify which witness my official hand and seal.



Notary Public, State of Texas



## EXHIBIT A

### **NOTICE OF REQUEST FOR GAS RATE INCREASE**

Hughes Natural Gas, Inc. ("HNG" or "Company"), in accordance with the Gas Utility Regulatory Act as set forth in the Texas Utilities Code, hereby gives notice of its intent to implement a system-wide new schedule of rates for natural gas service to be charged to all of the customers served by the Company within the City of Magnolia and in unincorporated and rural areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas. The proposed revisions to the respective rate schedules will impact all classes of service and all fees and charges presently being assessed by HNG. As of the effective date of HNG's Statement of Intent to change rates, the proposed rates are expected to produce approximately a \$1,170,332 or a 30.6% increase in the Company's annual revenues from customers on the system. HNG also seeks recovery of an Advalorem Tax and Rate Case Expense Surcharges. The proposed change will affect approximately 3,501 residential and commercial customers. The proposed change constitutes a "major" change as that term is defined by Section 104.101 of the Texas Utilities Code. The proposed changes will have differing impacts on individual customers, depending on consumption. The proposed changes in rates will not become effective for customers until approved by the City of Magnolia and the Railroad Commission of Texas.

A residential customer receiving a bill for 6 Mcf will see a bill of approximately \$131.74, which would constitute an increase of approximately 33.1% in unincorporated and rural areas and 26.8% in the City of Magnolia. A commercial customer receiving a bill for 30 Mcf will see a bill of approximately \$555.55, which would constitute an increase of approximately 28.4% in unincorporated and rural areas and 20.1% in the City. These monthly bills are based on a gas cost of \$8.55 per Mcf. A complete copy of the Statement of Intent, with supporting documents, filed with the City of Magnolia and the Railroad Commission of Texas on June 2, 2011, are available for inspection in the HNG office located at 31830 State Hwy. 249, Pinehurst, Texas 77362. Persons with specific questions or who want information about this filing may contact HNG at (281) 766-1290.

Any affected persons within the City of Magnolia served by the Company may file written comments or protest concerning the proposed change in rates with the Magnolia City Secretary, 18111 Buddy Riley Blvd., Magnolia, Texas 77353, but have a limited time to do so.

Any affected persons served by the Company within the unincorporated and rural areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas may file written comments or protest concerning the proposed change in rates with Docket Services Section, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78701-2967, but have a limited time to do so.

Pursuant to the Rules of the Railroad Commission of Texas, Title 16 of the Texas Administrative Code Section 7.230, any affected persons may file written comments or a protest concerning the proposed change in the rates with the City of Magnolia or the Railroad Commission of Texas, at anytime within 30 days following the date on which the change would or has become effective. The Company is proposing to make the new rates effective on July 7, 2011.

PUBLIC NOTICE  
EXHIBIT "D"



EXHIBIT B

**SUPPLEMENTAL NOTICE OF REQUEST FOR  
GAS RATE INCREASE**

On June 2, 2011, Hughes Natural Gas, Inc. ("HNG" or the "Company") filed a Statement of Intent with the Railroad Commission of Texas and with the City of Magnolia. On June 14, 2011, the City of Magnolia denied HNG's rate request. An appeal of the City's action was filed at the Railroad Commission of Texas on June 20, 2011. In accordance with the Gas Utility Regulatory Act as set forth in the Texas Utilities Code, HNG hereby gives notice of its intent to implement a new system-wide schedule of rates for natural gas service to be charged to all of the customers served by the Company in Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas. The proposed revisions to the Company's rate schedule will impact all classes of service. As of the effective date of HNG's Statement of Intent to change rates, the proposed rates are expected to produce an increase of approximately \$1,170,333 or 33.0% in the Company's annual revenues from customers on the system.

The proposed monthly customer charge is \$25.79 and the volumetric charge is \$9.1136 per Mcf. HNG also seeks recovery of an Ad Valorem Tax, State Franchise Tax and Rate Case Expense surcharges. Changes are also proposed in the Gas Cost Adjustment Clause, and the Weather Normalization Clause.

The proposed change will affect approximately 3,501 residential and commercial customers. The proposed change constitutes a "major" change as that term is defined by Section 104.101 of the Texas Utilities Code. The proposed changes will have differing impacts on individual customers, depending on consumption. The proposed changes in rates will not become effective for customers until approved by the Railroad Commission of Texas.

A residential customer receiving a bill for 6 Mcf will see a bill of approximately \$131.74 (or \$80.44 excluding gas costs), which would constitute an increase of approximately 33.1% in unincorporated areas and 26.8% in the City of Magnolia. A commercial customer receiving a bill for 30 Mcf will see a bill of approximately \$555.55 (or \$299.05 excluding gas

costs), which would constitute an increase of approximately 28.4% in unincorporated areas and 20.1% in the City of Magnolia including gas costs. These monthly bills are based on a gas cost of \$8.55 per Mcf, which changes monthly pursuant to the Gas Cost Adjustment Clause.

A complete copy of the Statement of Intent, with supporting documents, filed with City of Magnolia and the Railroad Commission of Texas on June 2, 2011, is available for inspection in the HNG office located at 31830 State Hwy. 249, Pinehurst, Texas 77362. Persons with specific questions or who want information about this filing may contact HNG at (281) 766-1290.

Pursuant to the Rules of the Railroad Commission of Texas, Title 16 of the Texas Administrative Code Section 7.230, any affected persons may file written comments or a protest concerning the proposed change in the rates with the Railroad Commission of Texas, at any time within 30 days following the date on which the change would or has become effective. Since the Company is proposing to make the new rates effective on July 7 2011, written comments or protests must be filed by August 8, 2011. Interested parties may file for intervention on or before August 8, 2011. Written comments, protests, or interventions should be directed to the Docket Services Section, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967.

**The notice that was previously issued contained the incorrect address for the Railroad Commission of Texas. Please be advised that the correct address is as follows: Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967. If a customer previously submitted a protest and did receive a letter that acknowledged receipt of your protest no further action is requested. If a customer protested the proposed change in rates and has not received a response from the Commission you are requested to contact Loretta Howard at 512-463-7033.**

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**BEFORE THE  
RAILROAD COMMISSION OF TEXAS  
GAS SERVICES DIVISION**

**RE: HUGHES NATURAL GAS, INC.  
STATEMENT OF INTENT TO CHANGE  
GAS DISTRIBUTION RATES IN THE  
UNINCORPORATED AREAS OF AUSTIN  
COLORADO, GRIMES, HARRIS  
MONTGOMERY AND WALLER  
COUNTIES, TEXAS**

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**GAS UTILITIES DOCKET  
NO. 10083**

**AFFIDAVIT ATTESTING TO COMPLIANCE OF PUBLIC NOTICE**

STATE OF ARIZONA           §  
  §  
COUNTY OF MARICOPA       §

BEFORE ME, the undersigned authority, on this day personally appeared DAN HAUGLAND, well known to me to be a credible person of lawful age, who, after having first been duly sworn by me, on his oath did depose and say as follows:

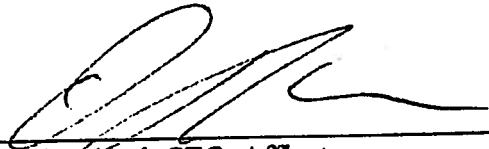
1. My name is DAN HAUGLAND. I am CEO of Spectrum Data Solutions, LLC dba BestBill, 22639 N. 17<sup>th</sup> Avenue, Phoenix, Arizona 85027. I have personal knowledge of the facts set forth in this Affidavit, and am authorized to make this Affidavit on behalf of my company and Hughes Natural Gas ("HNG"). Each of the facts set forth in this Affidavit are true and correct.

2. Spectrum Data Solutions, LLC dba BestBill is employed by HNG as an independent contractor to send monthly billing statements to HNG's natural gas customers. BestBill mails billing statements based on a monthly data file containing current customer's names and addresses which is provided by HNG.

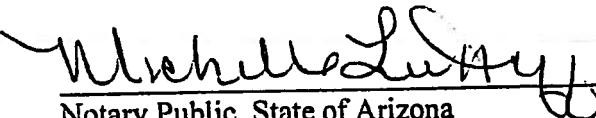
3. In compliance with Texas Utilities Code Section 104.103 (b) (1), a Notice of Intent to Change Rates and a Supplemental Notice of Intent was sent to all customers included in the data file provided by HNG. We understand these customers are located inside the City of Magnolia, Texas and located in the unincorporated or rural areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas.

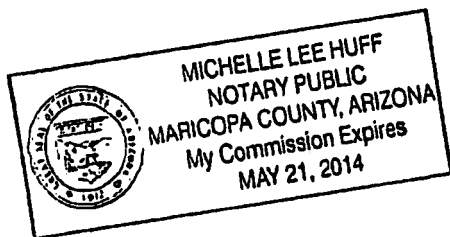
4. For all customers included in the data file provided by HNG, a copy of the Notice of Intent to Change Rates and the Supplemental Notice of Intent to Change Rates was sent by United States Mail, first class mail postage prepaid by HNG. The first notice was sent on June 7th, 2011 and the Supplemental Notice were sent on July 7th, 2011. The first notice is attached hereto as Exhibit "A" and supplemental notice attached hereto as Exhibit "B" both made a part hereof are a true and correct copy of the notices mailed to all the affected customers.

Affiant sayeth further not.

  
\_\_\_\_\_  
Dan Haugland, CEO, Affiant

SUBSCRIBED AND SWORN TO BEFORE ME by the said Dan Haugland, CEO on this the 7 day of July, 2011, to certify which witness my official hand and seal.

  
\_\_\_\_\_  
Notary Public, State of Arizona



## NOTICE OF REQUEST FOR GAS RATE INCREASE

Hughes Natural Gas, Inc. ("HNG" or "Company"), in accordance with the Gas Utility Regulatory Act as set forth in the Texas Utilities Code, hereby gives notice of its intent to implement a system-wide new schedule of rates for natural gas service to be charged to all of the customers served by the Company within the City of Magnolia and in unincorporated and rural areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas. The proposed revisions to the respective rate schedules will impact all classes of service and all fees and charges presently being assessed by HNG. As of the effective date of HNG's Statement of Intent to change rates, the proposed rates are expected to produce approximately a \$1,170,332 or a 30.6% increase in the Company's annual revenues from customers on the system. HNG also seeks recovery of an Advalorem Tax and Rate Case Expense Surcharges. The proposed change will affect approximately 3,501 residential and commercial customers. The proposed change constitutes a "major" change as that term is defined by Section 104.101 of the Texas Utilities Code. The proposed changes will have differing impacts on individual customers, depending on consumption. The proposed changes in rates will not become effective for customers until approved by the City of Magnolia and the Railroad Commission of Texas.

A residential customer receiving a bill for 6 Mcf will see a bill of approximately \$131.74, which would constitute an increase of approximately 33.1% in unincorporated and rural areas and 26.8% in the City of Magnolia. A commercial customer receiving a bill for 30 Mcf will see a bill of approximately \$555.55, which would constitute an increase of approximately 28.4% in unincorporated and rural areas and 20.1% in the City. These monthly bills are based on a gas cost of \$8.55 per Mcf. A complete copy of the Statement of Intent, with supporting documents, filed with the City of Magnolia and the Railroad Commission of Texas on June 2, 2011, are available for inspection in the HNG office located at 31830 State Hwy. 249, Pinehurst, Texas 77362. Persons with specific questions or who want information about this filing may contact HNG at (281) 766-1290.

Any affected persons within the City of Magnolia served by the Company may file written comments or protest concerning the proposed change in rates with the Magnolia City Secretary, 18111 Buddy Riley Blvd., Magnolia, Texas 77353, but have a limited time to do so.

Any affected persons served by the Company within the unincorporated and rural areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas may file written comments or protest concerning the proposed change in rates with Docket Services Section, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78701-2967, but have a limited time to do so.

Pursuant to the Rules of the Railroad Commission of Texas, Title 16 of the Texas Administrative Code Section 7.230, any affected persons may file written comments or a protest concerning the proposed change in the rates with the City of Magnolia or the Railroad Commission of Texas, at anytime within 30 days following the date on which the change would or has become effective. The Company is proposing to make the new rates effective on July 7, 2011.

Exhibit 'B'

## **SUPPLEMENTAL NOTICE OF REQUEST FOR GAS RATE INCREASE**

On June 2, 2011, Hughes Natural Gas, Inc. ("HNG" or the "Company") filed a Statement of Intent with the Railroad Commission of Texas and with the City of Magnolia. On June 14, 2011, the City of Magnolia denied HNG's rate request. An appeal of the City's action was filed at the Railroad Commission of Texas on June 20, 2011. In accordance with the Gas Utility Regulatory Act as set forth in the Texas Utilities Code, HNG hereby gives notice of its intent to implement a new system-wide schedule of rates for natural gas service to be charged to all of the customers served by the Company in Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas. The proposed revisions to the Company's rate schedule will impact all classes of service. As of the effective date of HNG's Statement of Intent to change rates, the proposed rates are expected to produce an increase of approximately \$1,170,333 or 33.0% in the Company's annual revenues from customers on the system.

The proposed monthly customer charge is \$25.79 and the volumetric charge is \$9.1136 per Mcf. HNG also seeks recovery of an Ad Valorem Tax, State Franchise Tax and Rate Case Expense surcharges. Changes are also proposed in the Gas Cost Adjustment Clause, and the Weather Normalization Clause.

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**The notice that was previously issued contained the incorrect address for the Railroad Commission of Texas. Please be advised that the correct address is as follows: Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967. If a customer previously submitted a protest and did receive a letter that acknowledged receipt of your protest no further action is requested. If a customer protested the proposed change in rates and has not received a response from the Commission you are requested to contact Loretta Howard at 512-463-7033.**



# RAILROAD COMMISSION OF TEXAS

## OFFICE OF GENERAL COUNSEL

June 1, 2006

TO: All Parties of Record

Re: Gas Utilities Docket No. 9676  
*Statement of Intent To Increase the Gas Utility  
Rates of Atmos Energy Corp., Mid - Tex Division,  
On a Systemwide Basis.*

### EXAMINERS' LETTER NO. 1 Electronic Filings

Re: Gas Utilities Docket No. 9670  
*Petition for De Novo Review of the Reduction of the  
Gas Utility Rates of Atmos Energy Corp., Mid - Tex  
Division, by the Cities of Benbrook, Crandall, et al.*

### EXAMINERS' LETTER NO. 10 Electronic Filings

On May 31, 2006, Atmos Energy Corp., Mid - Tex Division (Atmos) filed a Statement of Intent which was docketed as GUD No. 9676. On June 1, 2006, at 4:47 p.m., Atmos filed its request to limit public access to certain electronic information. The request comes as a surprise to the Hearings Examiner as it was not included in the original filing which included copies of the electronic documents. Furthermore, a prehearing conference was held on May 18, 2006, prior to the filing of the Statement of Intent, at which the Examiners inquired as to proprietary issues regarding this filing. Atmos indicated that proprietary issues regarding the cost of service model would not arise. Two issues are raised by Atmos' tardy June 1, 2006, filing.

First, the information that was filed by Atmos may have already been distributed to the public, as Atmos' request was not received until nearly twenty-four hours after the initial filing of the Statement of Intent. Second, and perhaps more importantly, it is not clear to the Hearings Examiner how access to a cost of service model, used to set rates that will be charged to the public, may be restricted. Indeed, it would appear that a rate whose calculation cannot be revealed to the public is by definition not just and reasonable. The cost of service calculation is different from engineering designs, a chemical compound, or other patented information. This is particularly the case when dealing with cost allocation issues. Although allocation concepts may be reduced to mathematical formulations susceptible to econometric analysis, defining the mathematical variables

**PFD APPENDIX C**



is imbued with important policy considerations and decisions. Those considerations and decisions form the basis of the charge to captive consumer. It is not clear how public access to that information can, or should, be limited. Accordingly, as this is a threshold issue that goes directly to the ability to assess the reasonableness of the rates, Atmos is directed to file a brief addressing this issue. The brief is to be filed no later than 2:00 p.m., Tuesday, June 6, 2006.

In addition, the Hearings Examiner is specifically requesting that Staff advise on this issue. Accordingly, Staff is directed to file a brief no later than 10:00 a.m. Monday, June 12, 2006. Any other party desiring to brief this issue is directed to file its brief at 10:00 a.m. Monday, June 12, 2006.

**Contact for Additional Information** - In accordance with TEX. GOV'T CODE ANN. §2001.061(Vernon 2000) and 16 TEX. ADMIN. CODE § 1.6 (1991), *ex parte* communications with the Hearings Examiners and Commissioners are prohibited. Any persons or entities desiring additional information may contact the Commission by writing to Colin Lineberry at the Railroad Commission of Texas, 1701 North Congress Avenue, P. O. Box 12967, Capitol Station, Austin, Texas 78711-2967, or by calling Mr. Lineberry at (512) 463-7033. Any persons or entities having clerical questions, such as questions regarding the number of copies of filings, the service list or reviewing the record, may contact the secretary of the Gas Services Section of the Office of General Counsel, Loretta Howard, at (512) 463-7033.

Sincerely,



Gene Montes  
Hearings Examiner  
Office of General Counsel

## Calculation of SSU Allocation Rate 1 and 2.

### Underlying Data to Compute Factors

	West Tex. Div.	COKS Div	LA Div 007	LA Div 077	MidStates Div	Kentucky Div.	MVG	Mid-Tex	Total
Gross Direct PP&E	\$410,591,208	\$361,946,227	\$152,102,202	\$381,500,465	\$942,795,049		\$331,730,374	\$2,054,060,132	\$4,634,725,657
Average Number of Customer	297,375	237,225	73,964	\$253,231	466,152	0	249,839	1,520,465	3,098,251
Total O&M Expense	\$27,079,642	\$23,274,761	\$7,760,394	18,013,606	\$44,106,059	\$0	\$38,433,164	\$125,123,263	\$283,790,889
Operating Income (Pous JP-3)	\$25,162,429	\$22,523,884	\$27,772,162	0	\$3,555,462	\$14,337,854	\$23,276,486	\$71,740,298	\$188,368,575
Gross Income <sup>1</sup>	\$89,839,654	\$74,469,583	\$26,482,871	\$80,880,099	\$150,844,955	\$0	\$94,224,247	\$442,003,959	\$958,745,368

### Individual Components of Factors

Gross Direct PP&E	8.86%	7.81%	3.28%	8.23%	20.34%	0.00%	7.16%	44.32%	
Average Number of Customer	9.60%	7.66%	2.39%	8.17%	15.05%	0.00%	8.06%	49.07%	
Total O&M Expense	9.54%	8.20%	2.73%	6.35%	15.54%	0.00%	13.54%	44.09%	
Operating Income (Pous JP-3)	13.36%	11.96%	14.74%	0.00%	1.89%	7.61%	12.36%	38.09%	
Gross Income	9.37%	7.77%	2.76%	8.44%	15.73%	0.00%	9.83%	46.10%	

### Calculation of Factors

<b>Rate 1</b>									
Three Factor - Atmos	9.33%	7.89%	2.80%	7.58%	16.98%	0.00%	9.59%	45.83%	
Four Factor - Dallas	10.34%	8.91%	5.79%	5.69%	13.20%	1.90%	10.28%	43.89%	
Four Factor - (Gross Income)	9.34%	7.86%	2.79%	7.80%	16.67%	0.00%	9.65%	45.90%	

### Rate 2

Customer Ratio								49.07%	
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### Notes

1. See, Atmos Exhibit \_\_\_, Lovinger Rebuttal, pp. 23 - 25, Ex. ARL-R-2

PFD APPENDIX D

GUD NO. 9762  
PROPOSAL FOR DECISION - MAY 16, 2008

# Calculation of SS Allocation Rate 3 and 6

## Underlying Data to Compute Factors

	West Tex. Div.	CO/KS Div	LA Div 007	LA Div 077	MidStates Div	Kentucky Div.	MVG	Mid-Tex	Atmos P/L	Total
Gross Direct PP&E	\$410,591,208	\$361,946,227	\$152,102,202	\$381,500,465	\$942,795,049		\$331,730,374	\$2,054,060,132	\$904,092,905	\$5,538,818.56
Average Number of Customer	297,375	237,225	73,964	\$253,231	466,152		249,839	1,520,465	262	3,098.51
Total O&M Expense	\$27,079,642	\$23,274,761	\$7,760,394	\$18,013,606	\$44,106,059		\$38,433,164	\$125,123,263	\$49,637,714	\$333,428.60
Operating Income (Pous JP-3)	\$25,162,429	\$22,523,884	\$27,772,162	0	\$3,555,462		\$23,276,486	\$71,740,298	\$63,326,311	\$251,694.88
Gross Income	\$89,839,654	\$74,469,583	\$26,482,871	\$80,880,099	\$150,844,955	\$0	\$94,224,247	\$442,003,959	\$157,221,135	\$1,115,966.50

## Individual Components of Factors

Gross Direct PP&E	7.41%	6.53%	2.75%	6.89%	17.02%	0.00%	5.99%	37.08%	16.32%
Average Number of Customers	9.60%	7.66%	2.39%	8.17%	15.04%	0.00%	8.06%	49.07%	0.01%
Total O&M Expense	8.12%	6.98%	2.33%	5.40%	13.23%	0.00%	11.53%	37.53%	14.89%
Operating Income	10.00%	8.95%	11.03%	0.00%	1.41%	5.70%	9.25%	28.50%	25.16%
Gross Income <sup>1</sup>	8.05%	6.67%	2.37%	7.25%	13.52%	0.00%	8.44%	39.61%	14.09%

## Calculation of Factors

### Rate 3:

Three Factor Allocation

Four Factor Allocation  
Four Factor Allocation Revised Income Figure

### Rate 6:

20% Three Factor Allocation

20% Four Factor Allocation

20% of Four Factor Allocation Revised Income Figure

Three Factor Allocation	8.38%	7.06%	2.49%	6.82%	15.10%	0.00%	8.53%	41.23%	10.41%
Four Factor Allocation	8.78%	7.53%	4.62%	5.12%	11.68%	1.42%	8.71%	38.05%	14.09%
Four Factor Allocation Revised Income Figure	8.30%	6.96%	2.46%	6.93%	14.70%	0.00%	8.51%	40.82%	11.33%
20% Three Factor Allocation	1.68%	1.41%	0.50%	1.36%	3.02%	0.00%	1.71%	8.25%	2.08%
20% Four Factor Allocation	1.76%	1.51%	0.92%	1.02%	2.34%	0.28%	1.74%	7.61%	2.82%
20% of Four Factor Allocation Revised Income Figure	1.66%	1.39%	0.49%	1.39%	2.94%	0.00%	1.70%	8.16%	2.27%

Note:

1. See, Atmos Exhibit \_\_\_\_, Lovinger Rebuttal, pp. 22 - 25, Ex. ARL - R-2.

GUD NO. 9762  
PROPOSAL FOR DECISION - MAY 16, 2008

# Calculation of SSU Allocation Rate 7

## Underlying Data to Compute Factors

	West Tex Div	COKS Div	LA Div 007	LA Div 077	MidStates Div	Kentucky	MVG	Mid-Tex	Atmos P/L	AESI	Atmos P/L Storage	Atmos Energy Power System	Atmos Energy	Atmos Energy Marketing	Total
Gross Direct PP&E	\$410,591,208	\$361,946,227	\$152,102,202	\$331,500,465	\$942,795,049	\$331,730,374	\$2,054,060,132	\$904,092,905	\$52,369	\$49,984,857	\$3,350,717	\$16,224,018	\$5,608,430,523		
Average Number of Customer	297,375	237,225	73,964	\$253,231	466,152	249,839	1,520,465	2,262	2	2	2	813	3,099,330		
Total O&M Expense	\$27,079,642	\$23,274,761	\$7,760,394	18,013,606	\$44,106,059	\$38,433,164	\$125,123,263	\$49,637,714	\$375,616	\$1,608,801	\$1,004,735	\$26,484,558	\$362,902,313		
Operating Income (Power JP-3)	\$25,162,429	\$22,523,884	\$27,772,162	0	\$3,555,462	\$14,337,854	\$23,276,446	\$71,740,298	\$57,433	\$14,531,638	\$930,397	\$0	\$369,849,059		
Gross Income	\$99,839,654	\$74,469,583	\$26,482,871	\$80,880,099	\$150,844,955	\$0	\$94,224,247	\$442,003,959	\$157,221,135	\$2,159,191	\$28,509,993	\$2,017,839	\$0	\$146,823,545	\$1,295,677,071

## Individual Components of Factors

Gross Direct PP&E	7.37%	6.45%	2.71%	6.80%	16.81%	0.00%	5.91%	36.62%	16.12%	0.00%	0.89%	0.06%	0.00%	0.29%	
Average Number of Customers	9.59%	7.65%	2.39%	8.17%	15.04%	0.00%	8.06%	49.06%	0.01%	0.00%	0.00%	0.00%	0.00%	0.03%	
Total O&M Expense	7.46%	6.41%	2.14%	4.96%	12.15%	0.00%	10.59%	34.48%	13.68%	0.10%	0.44%	0.28%	0.00%	7.30%	0.4372
Operating Income	6.80%	6.09%	7.51%	0.00%	0.96%	3.88%	6.29%	19.40%	17.12%	0.02%	3.93%	0.25%	0.00%	27.75%	

## Calculation of Factors

Gross Income	6.93%	5.75%	2.04%	6.24%	11.64%	0.00%	7.27%	34.11%	12.13%	0.18%	2.20%	0.16%	0.00%	11.33%	
Rate 7															
Three Factor Allocation	8.13%	6.84%	2.41%	6.65%	14.67%	0.00%	8.19%	40.05%	9.94%	0.03%	0.44%	0.11%	0.00%	2.54%	3.13%
Four Factor Allocation	7.80%	6.65%	3.69%	4.98%	11.24%	0.97%	7.71%	34.89%	11.73%	0.03%	1.32%	0.15%	0.00%	8.84%	
Four Factor Allocation - Revised Income Figures	7.83%	6.57%	2.32%	6.54%	13.91%	0.00%	7.96%	38.57%	10.49%	0.07%	0.88%	0.12%	0.00%	4.74%	

## Notes

- See Atmos Exhibit Lovinger Rebuttal, pp 22 - 25, Ex. ARL - R - 2