

JOINT EXHIBIT NO. 1a
AGREEMENT ON TARIFFS

for the

City of Magnolia

Tariff No. 18176

HUGHES NATURAL GAS, INC. TARIFFS FOR NATURAL GAS SERVICE

1.0 General Tariff

1.1 **Application of tariffs.** The tariffs of Hughes Natural Gas, Inc. (Hughes) apply only to areas served by Hughes within the municipal boundaries of the City of Magnolia.

1.2 **Rates.** The following rates are effective for bills rendered on and after the date of the Commission's Final Order in Gas Utilities Docket No. 10083:

Monthly Customer Charge, residential and commercial customers:
\$16.87, applies per meter, per month

Volumetric Fee, residential and commercial customers:
\$5.96, applies per thousand cubic feet (Mcf)

1.3 **Customer Bills.** Hughes' bills are rendered monthly to customers. Each bill shall include the following:

- Monthly Customer Charge,
- Volumetric Fee, as adjusted by the Weather Normalization Factor, if applicable,
- Franchise Tax Adjustments, if applicable,
- Ad Valorem Tax Adjustment, if applicable,
- Cost of Gas, if applicable,
- Miscellaneous Service fees, if applicable,
- Deposit fees or credits, if applicable,
- Line Extension charges, if applicable, and
- Pipeline Safety and Regulatory Program Surcharge, once annually.

The Monthly Customer Charge is the minimum amount included on a customer bill.

Hughes may, at its option, bill the Volumetric Fee in thousands of cubic feet (Mcf) or in hundreds of cubic feet (Ccf). The Volumetric Fee per Ccf is 1/10th of the Volumetric Fee per Mcf.

The due date for remittance of a payment to Hughes shall be not less than 15 days after the date the bill is issued, in accordance with 16 TEX. ADMIN. CODE §7.45(4)(A). Hughes late payment fee applicable to bill payments received after the due date is zero (\$0.00).

2.0 Weather Normalization Tariff

2.1 WNF. The Weather Normalization Factor (WNF) is a factor that adjusts the Volumetric Fee for each 1,000 cubic feet (Mcf) of natural gas sold. The WNF is designed to refund over-collections and to surcharge for under-collections of revenue due to colder than normal or warmer than normal weather. In order to reflect weather variances in a timely and accurate manner, the WNF is calculated monthly and is based on monthly weather information for the five-month period beginning with November and ending with March.

2.2 Formula. The WNF is calculated, as follows:

[Adjusted Heating Load plus Base Non-Heating Load] divided by Total Volumes Sold

Where:

Adjusted Heating Load (Mcf) = Heating Load divided by HDD Factor

AvgHDD = Average heating degree-days for a calendar month as measured by the National Oceanic and Atmospheric Administration (NOAA) for the period 1980 through 2010 at their weather station in Conroe, Texas. The AvgHDD values used to calculate the WNF are: November 191, December 428, January 453, February 320, March 172.

Base Non-Heating Load (Mcf) = 2.19 times the number of bills issued

Bills = Number of bills issued to customers for gas sold that month

HDD = A heating degree day is a measurement of demand for energy to heat houses and businesses. The WNF is based upon actual heating degree-days for a calendar month as measured by the NOAA at their weather station located in Conroe, Texas.

HDD Factor (Heating Degree-Day Factor) = HDD divided by AvgHDD

Heating Load (Mcf) = Total Volumes Sold minus Base Non-Heating Load

Weather Normalization months = November, December, January, February, March

2.3 Report. Within 45 days from the last day in each Weather Normalization month, the company shall provide to the Commission, in spreadsheet format, one *WNF Compliance Report* per month to demonstrate how the company calculated the WNF, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1	AvgHDD
Lines 2-3	blank
Line 4	HDDs (for Conroe weather station)

Lines 5-6	blank
Line 7	Bills
Line 8	blank
Line 9	Base Non-heating load (Mcf), which is Line 7 times 2.19
Line 10	blank
Line 11	Total Volumes Sold
Line 12	blank
Line 13	Heating Load (Mcf), which is Line 11 minus Line 9
Lines 14-15	blank
Line 16	HDD Factor, which is Line 4 divided by Line 2
Line 17	blank
Line 18	Adjusted Heating Load (Mcf), which is Line 13 divided by Line 16
Line 19	blank
Line 20	WNF, which is [(Line 18 plus Line 9) divided by Line 11]
Lines 21-22	blank
Line 23	Volumetric Fee (\$ per Mcf)
Line 24	blank
Line 25	Adjusted Volumetric Fee (Line 23 times Line 20)
Lines 26-27	blank
Line 28	Effect on revenue, which is [(Line 25 minus Line 23) x Line 11]

The company shall provide each *WNF Compliance Report* to the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, in hard-copy and electronic spreadsheet formats. Each report shall have a column of data for each of the five Weather Normalization months, with fields populated for the latest and prior months in a winter season.

3.0 Cost of Gas Tariff

3.1 Identification on bills. Hughes shall include on each customer bill the reasonable and necessary cost of gas purchased by Hughes.

3.2 Definitions. The following definitions apply to this Cost of Gas Tariff:

3.2.1 Cost of Gas. The total calculation, under this Cost of Gas Tariff, consisting of the commodity cost, a reconciliation component, and related fees and taxes.

3.2.2 Cost of purchased gas. The weighted average cost of gas purchased by Hughes from all sources, calculated by summing the cost of gas purchased and applicable third party charges, then, dividing that sum by total volumes purchased.

3.2.3 Purchases / Sales ratio. A ratio determined by dividing the total volumes purchased for customers during the twelve month period ending June 30 by the sum of volumes sold to customers. For the purpose of this computation, all volumes shall be stated at 14.65 pound-force per square inch absolute (psia). Such ratio shall in no event exceed 1.0526 i.e. $1 / (1 - .05)$ unless expressly authorized by the applicable regulatory authority.

3.2.4 Reconciliation account. The account maintained by Hughes to ensure that, over time, Hughes will neither over-collect nor under-collect revenues as a result of the operation of this Cost of Gas Tariff. Entries shall be made monthly to reflect:

- the total amounts paid to Hughes' suppliers for natural gas applicable to general service customers, as recorded in the company's books and records,
- revenues produced by the operation of this Cost of Gas Tariff,
- refunds, payments, or charges provided for herein or as approved by the regulatory authority.

3.2.5 Reconciliation audit. An annual review by Hughes of its books and records for each twelve month period ending with the June accounting month to determine the amount of over-collection or under-collection occurring during that twelve month period. The reconciliation audit conducted by Hughes shall determine:

- the total amount paid for gas purchased by Hughes to provide service to its general service customers during the period,
- the revenues received from operation of the provision of this Cost of Gas Tariff, reduced by the amount of revenue-associated fees and taxes paid on those revenues,

- the total amount of refunds made to customers during the period and any other revenues or credits received by Hughes as a result of relevant gas purchases or operation of this Cost of Gas Tariff,
- an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

3.2.6 Reconciliation component. The amount to be returned to or recovered from customers each month on customer bills covering usage for September through May, as a result of Hughes' reconciliation audit.

3.3 Determination and application of the reconciliation component. If the reconciliation audit reflects either an over-recovery or an under-recovery of revenues, such amount shall be divided by the general service customer sales volumes, for the period beginning with the preceding October billing cycle through the June billing cycle. The reconciliation component, so determined to collect any revenue shortfall or to return any excess revenue, shall be applied for a nine (9) month period beginning with the next October billing cycle and continuing through the next June billing cycle at which time it will terminate until a new reconciliation component is determined.

3.4 Surcharge or refund procedures. In the event that the rates and charges of Hughes' suppliers are retroactively reduced, and a refund of any previous payment is made to Hughes, Hughes shall make a similar refund to its general service customers. Similarly, Hughes may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. If the payment or refund related to gas purchased by Hughes is for a period of twelve consecutive months or longer, the total amount recovered or refunded shall be divided by the general services sales made to general service customers during this applicable period. With regard to amounts received or paid that are applicable to periods less than twelve consecutive months, Hughes shall refund or collect such amounts using one of the following three methods:

3.4.1 over the same period of time as the over-charge or under-charge occurred,

3.4.2 over the same number of units sold during the period of the over-charge or under-charge, or

3.4.3 include the entire amount in the reconciliation account. Refunds or charges shall be entered into the reconciliation account as they are collected from or returned to customers. For the purpose of Sec. 3.5, the entry shall be made on the same basis used to determine the refund or charge component of the cost of gas and shall be subject to the calculation set forth in Sec. 3.4, above.

3.5 Cost of Gas statement. Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, a cost of gas statement by the beginning of each billing month. The cost of gas statement shall set forth:

- 3.5.1 the estimated cost of purchased gas;
- 3.5.2 the estimated cost of purchased gas multiplied by the purchase / sales ratio;
- 3.5.3 the amount of the cost of gas caused by any surcharge or refund;
- 3.5.4 the reconciliation component;
- 3.5.5 the revenue associated fees and taxes to be applied to revenues gathered by the cost of gas; and
- 3.5.6 the cost of gas, which is the total of items 3.5.2 through 3.5.5.

The cost of gas statement shall include all data necessary for the Commission to review and verify the calculation of the cost of gas. The date on which billing using the cost of gas is to begin is to be specified in the cost of gas statement.

3.6 Report. By August 31 of each year, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, an annual *Cost of Gas Reconciliation Report*. The annual reconciliation report shall include, but not necessarily be limited to:

- 3.6.1 a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source, by month, for the twelve months ending June 30;
- 3.6.2 a tabulation of gas volumes sold to general service customers and the related Cost of Gas Tariff revenues;
- 3.6.3 a summary of all other costs and refunds made during the year and the status of the reconciliation account.

3.7 Audit. HNG shall conduct a management audit to identify all assets and employees shared by the affiliates of HNG, including, Alamo, Goliad and HNG.

The audit shall include a detailed analysis of the work conducted by employees of HNG and identify any services provided to Goliad and Alamo by HNG's employees. The expense of the management audit is to be borne exclusively by HNG and not passed onto customers of the system. The management audit is to be completed within nine months of the date of the Final Order in this proceeding, unless otherwise extended by Staff, but is not to be extended beyond twelve months. Additionally, the management audit shall develop a policies and procedures manual for employees of HNG to track time worked for the various members of the Hughes Resources Affiliated Group of Companies, including Goliad and Alamo. The management audit shall also develop a policies and procedures manual to ensure that all office expenses are properly segregated including telephone and computer equipment. The results of the management audit are to be filed

with Staff and the audit is to be considered at the next rate proceeding The audit is to be conducted by a company approved by the City of Magnolia and Staff of the Railroad Commission.

The management audit is to identify any services provided by HNG to Goliad and Alamo and any shared assets used by Goliad and Alamo whose costs have not previously been assigned to Goliad and Alamo. Staff shall review the audit to determine whether any additional amounts should be credited through the operation of the purchase gas adjustment clause.

HNG shall make a request for proposal for gas supply to HNG. On a quarterly basis, HNG shall file with the Commission proof of the proposal for bids. Copies of all bids submitted shall be maintained at the HNG offices and available for inspection by Commission Staff or the City of Magnolia.

4.0 Pipeline Safety and Regulatory Program Tariff

4.1 Fee. Once annually, Hughes' shall remit to the Commission the fee required in 16 TEX. ADMIN. CODE §8.201.

4.2 Surcharge. During the next billing cycle following Hughes' remittance to the Commission of the fee, Hughes shall include on its customers' bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 TEX. ADMIN. CODE §8.201.

4.3 Formula. The Rule 8.201 surcharge is calculated in accordance with the following formula:

$$\begin{array}{l} \text{Rule 8.201(b) fee assessed by the Commission on Hughes} \\ \text{Divided by} \\ \text{Number of meters billed} \\ \text{Equals} \\ \text{Rule 8.201(b)(3) surcharge, applied per customer meter, once annually} \end{array}$$

In this formula, the number of meters billed refers to the number of meters billed during the billing month that precedes the month the Rule 8.201(b)(3) surcharge is included on customer bills.

5.0 Miscellaneous Services Tariff

5.1 New service and restoration of service

Initiation of new service	\$45, per trip
Restoration of service, after termination for non-payment or for a leak on a customer-owned facility	\$45, per trip
Restoration of service, after service turn-off at request of customer or customer's agent	\$45, per trip
Restoration of service, following a system disruption due to a natural disaster or an area emergency	\$0.00, per trip

5.2 Turn-off service

Turn-off service, after termination for non-payment or for a leak on a customer-owned facility	\$45, per turn-off
Turn-off service, at request of customer or customer's agent	\$45, per turn-off
Turn-off service, following a system disruption due to a natural disaster or an area emergency	\$0.00, per turn-off

5.3 Meter testing

Remove existing meter for testing as requested by customer (including setting a suitable replacement at existing tap), when no such test has been performed on the meter in four (4) or more years or when meter is found to be more than nominally defective per 16 TAC §7.45(7)(B)(iv)(II).	\$0.00
Customer Service Agent charge associated with meter testing requested by the customer, only if the meter has been tested within the past four (4) years and, upon retesting, meter is found to correctly record usage.	Actual cost, up to \$26.23 per hour
Field Service Technician charge and vehicle operations costs associated with meter testing requested by the customer, only if the meter has been tested within the past four (4) years and, upon retesting, meter is found to correctly record usage.	Actual cost, up to \$30.84 per hour, maximum \$89.95 per trip

5.4	Change customer meter	\$75, per trip, plus materials
5.5	Change residential meter location	\$350 first meter, plus materials
5.6	Additional meters in manifold	\$55, per meter
5.7	Meter re-read	
	Meter re-read, when the meter has not been tested in more than four years or when the meter is found to be more than nominally defective.	\$0.00
	Meter re-read requested by customer, if the meter has been tested within four years and the prior meter read is found to be correct.	\$35, per trip
5.8	Collection call	\$35, per trip
5.9	Returned check charge	\$30, per return

6.0 Franchise Tax Adjustment Tariff

6.1 Tax adjustment. Any applicable change in the State franchise tax or the City of Magnolia's franchise tax, a tax which is based upon customer volumes, is reflected in either upward or downward adjustments to customer bills, to the extent permitted by law.

6.2 City Formula.

6.2.1 The City Franchise Tax Adjustment is calculated in accordance with the following formula:

$$\frac{\text{Annual franchise taxes assessed by the City of Magnolia on Hughes}}{\text{Divided by}} \\ \frac{\text{Volumes billed by Hughes to customers within the City during the applicable tax year}}{\text{Equals}} \\ \text{Franchise Tax Adjustment, applied per volumetric unit}$$

6.2.2 To the extent the franchise agreement between Hughes and the City of Magnolia includes a one-time \$100 assessment for each new customer added to the distribution system, Hughes shall pass-through the \$100 assessment to that new customer.

6.3 State Formula. The State Franchise Tax Adjustment formula is calculated using the City formula in 6.2.1, above, except that the numerator is the amount of annual franchise taxes assessed by the State on Hughes and the denominator is volumes billed by Hughes to all general service customers during the applicable tax year.

6.4 Application. The City Franchise Tax Adjustment applies only to customers located within the City of Magnolia. The State Franchise Tax Adjustment applies to all general service customers. The Franchise Tax Adjustment is applied to customer bills only until Hughes has recovered the applicable amount of franchise taxes levied upon Hughes by the City of Magnolia and the State. If an over-collection occurs, Hughes shall include the over-collection in the Franchise Tax Adjustment calculation for the subsequent year.

6.5 Report. Within 45 days following the date Hughes recovers the amount of franchise taxes assessed by the State and the City of Magnolia upon Hughes, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, a *Franchise Tax Recovery Report*. The report shall include:

- how Hughes calculated the Franchise Tax Adjustment,
- the volumes billed to all customers and to customers in the City of Magnolia, by month, during the applicable tax year,
- the amount of Franchise Tax Adjustment revenue recovered, by month
- whether an over-collection occurred, and
- the amount of over-collection to be included in the Franchise Tax Adjustment for the subsequent year.

The *Franchise Tax Recovery Report* shall clearly delineate the City and State components of the Franchise Tax Adjustment.

7.0 Ad Valorem Tax Adjustment Tariff

7.1 Tax adjustment. Any applicable change in ad valorem tax, a tax which is based upon property values, is reflected in either upward or downward adjustments to customer bills, to the extent permitted by law.

7.2 Formula. The Ad Valorem Tax Adjustment is calculated in accordance with the following formula:

$$\begin{array}{r} \text{Annual amount of ad valorem taxes assessed on Hughes} \\ \text{Divided by} \\ \text{Volumes billed by Hughes to customers during the applicable tax year} \\ \text{Equals} \\ \text{Ad Valorem Tax Adjustment, applied per volumetric unit} \end{array}$$

7.3 Application. The Ad Valorem Tax Adjustment is applied to customer bills only until Hughes has recovered the applicable amount of ad valorem taxes levied upon Hughes by the taxing authority. If an over-collection occurs, Hughes shall include the over-collection in the Ad Valorem Tax Adjustment calculation for the subsequent year.

7.4 Report. Within 45 days following the date Hughes recovers the amount of ad valorem tax assessment upon Hughes, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, an *Ad Valorem Tax Recovery Report*. The report shall include:

- how Hughes calculated the Ad Valorem Tax Adjustment,
- the volumes billed by month during the applicable tax year,
- the amount of Ad Valorem Tax Adjustment revenue recovered, by month
- whether an over-collection occurred, and
- the amount of over-collection to be included in the Ad Valorem Tax Adjustment for the subsequent year.

8.0 Deposit Tariff

- 8.1 Application.** Hughes may require a customer deposit from a customer that does not have acceptable credit bureau or other utility report of good standing.
- 8.2 Formula.** If a customer is required to make a deposit, the amount of the deposit shall not exceed an amount equivalent to one-sixth of the customer's estimated annual billings. If there is no billing history on the customer's account, then the one-sixth rule will be applied to the customer's account based on similarly-situated customers located in the geographic area.
- 8.3 Exemptions.** Hughes shall not require a person who is exempt from deposit requirements to make a deposit, as outlined in 16 TEX. ADMIN. CODE §7.45(5)(C).
- 8.4 Deposit refunds.** Hughes shall automatically refund each deposit, with interest, to customers who meet the requirements in 16 TEX. ADMIN. CODE §7.45(5)(F).
- 8.5 Deposit practices.** Hughes has adopted the deposit practices in the Commission's Quality of Service Rule at 16 TEX. ADMIN. CODE §7.45(5).

9.0 Line Extension Tariff

- 9.1 New mains, 100 feet or less.** Hughes' charge for installation and extension of new mains, under normal conditions, not larger than two inches in diameter and not more than 100 feet in length is \$0.00.
- 9.2 New mains, more than 100 feet.** For installation and extension of new mains, under normal conditions, not larger than two inches in diameter, after the first 100 feet, Hughes charges the actual cost.
- 9.3 Reporting requirement.** Hughes shall provide a copy of its most current line extension policy to the Commission, addressed to the Director of the Gas Services Division. No contribution in aid of construction will be required of any customer except as provided for in Hughes' line extension policy filed with the Commission, as set forth in 16 TEX. ADMIN. CODE §7.45(8)(B).

10.0 Quality of Service Tariff

Hughes has adopted the Quality of Services standards in the Commission's Quality of Service rules, as set forth in 16 TEX. ADMIN. CODE §7.45. The Commission's Quality of Services rules outline requirements applicable to continuity of service, customer relations, refusals of service, discontinuance of service, deposits, billing, meters, and new construction.

11.0 Curtailment Tariff

Hughes has adopted the Commission's curtailment requirements in 16 TEX. ADMIN. CODE §7.305 and §7.455 and in the Commission's Order in Gas Utilities Docket No. 489.

JOINT EXHIBIT NO. 1b
AGREEMENT ON TARIFFS
for areas served
Outside the City of Magnolia
Tariff No. 18924

HUGHES NATURAL GAS, INC. TARIFFS FOR NATURAL GAS SERVICE

1.0 General Tariff

1.1 **Application of tariffs.** The tariffs of Hughes Natural Gas, Inc. (Hughes) apply only to areas served by Hughes within the following named unincorporated areas:

Bellville environs, Brenham environs, Columbus environs, Conroe environs, Hempstead environs, Magnolia environs, Montgomery environs, Navasota environs, Prairie View environs, Stagecoach environs, Todd Mission environs, Tomball environs, Waller environs

1.2 **Rates.** The following rates are effective for bills rendered on and after the date of the Commission's Final Order in Gas Utilities Docket No. 10083:

Monthly Customer Charge, residential and commercial customers:
\$16.87, applies per meter, per month

Volumetric Fee, residential and commercial customers:
\$5.96, applies per thousand cubic feet (Mcf)

1.3 **Customer Bills.** Hughes' bills are rendered monthly to customers. Each bill shall include the following:

- Monthly Customer Charge,
- Volumetric Fee, as adjusted by the Weather Normalization Factor, if applicable,
- Franchise Tax Adjustments, if applicable,
- Ad Valorem Tax Adjustment, if applicable,
- Cost of Gas, if applicable,
- Miscellaneous Service fees, if applicable,
- Deposit fees or credits, if applicable,
- Line Extension charges, if applicable, and
- Pipeline Safety and Regulatory Program Surcharge, once annually.

The Monthly Customer Charge is the minimum amount included on a customer bill.

Hughes may, at its option, bill the Volumetric Fee in thousands of cubic feet (Mcf) or in hundreds of cubic feet (Ccf). The Volumetric Fee per Ccf is $1/10^{\text{th}}$ of the Volumetric Fee per Mcf.

The due date for remittance of a payment to Hughes shall be not less than 15 days after the date the bill is issued, in accordance with 16 TEX. ADMIN. CODE §7.45(4)(A). Hughes late payment fee applicable to bill payments received after the due date is zero (\$0.00).

2.0 Weather Normalization Tariff

2.1 WNF. The Weather Normalization Factor (WNF) is a factor that adjusts the Volumetric Fee for each 1,000 cubic feet (Mcf) of natural gas sold. The WNF is designed to refund over-collections and to surcharge for under-collections of revenue due to colder than normal or warmer than normal weather. In order to reflect weather variances in a timely and accurate manner, the WNF is calculated monthly and is based on monthly weather information for the five-month period beginning with November and ending with March.

2.2 Formula. The WNF is calculated, as follows:

[Adjusted Heating Load plus Base Non-Heating Load] divided by Total Volumes Sold

Where:

Adjusted Heating Load (Mcf) = Heating Load divided by HDD Factor

AvgHDD = Average heating degree-days for a calendar month as measured by the National Oceanic and Atmospheric Administration (NOAA) for the period 1980 through 2010 at their weather station in Conroe, Texas. The AvgHDD values used to calculate the WNF are: November 191, December 428, January 453, February 320, March 172.

Base Non-Heating Load (Mcf) = 2.19 times the number of bills issued

Bills = Number of bills issued to customers for gas sold that month

HDD = A heating degree day is a measurement of demand for energy to heat houses and businesses. The WNF is based upon actual heating degree-days for a calendar month as measured by the NOAA at their weather station located in Conroe, Texas.

HDD Factor (Heating Degree-Day Factor) = HDD divided by AvgHDD

Heating Load (Mcf) = Total Volumes Sold minus Base Non-Heating Load

Weather Normalization months = November, December, January, February, March

2.3 Report. Within 45 days from the last day in each Weather Normalization month, the company shall provide to the Commission, in spreadsheet format, one *WNF Compliance Report* per month to demonstrate how the company calculated the WNF, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1	AvgHDD
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Line 4	HDDs (for Conroe weather station)

Lines 5-6	blank
Line 7	Bills
Line 8	blank
Line 9	Base Non-heating load (Mcf), which is Line 7 times 2.19
Line 10	blank
Line 11	Total Volumes Sold
Line 12	blank
Line 13	Heating Load (Mcf), which is Line 11 minus Line 9
Lines 14-15	blank
Line 16	HDD Factor, which is Line 4 divided by Line 2
Line 17	blank
Line 18	Adjusted Heating Load (Mcf), which is Line 13 divided by Line 16
Line 19	blank
Line 20	WNF, which is [(Line 18 plus Line 9) divided by Line 11]
Lines 21-22	blank
Line 23	Volumetric Fee (\$ per Mcf)
Line 24	blank
Line 25	Adjusted Volumetric Fee (Line 23 times Line 20)
Lines 26-27	blank
Line 28	Effect on revenue, which is [(Line 25 minus Line 23) x Line 11]

The company shall provide each *WNF Compliance Report* to the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, in hard-copy and electronic spreadsheet formats. Each report shall have a column of data for each of the five Weather Normalization months, with fields populated for the latest and prior months in a winter season.

3.0 Cost of Gas Tariff

3.1 Identification on bills. Hughes shall include on each customer bill the reasonable and necessary cost of gas purchased by Hughes.

3.2 Definitions. The following definitions apply to this Cost of Gas Tariff:

3.2.1 Cost of Gas. The total calculation, under this Cost of Gas Tariff, consisting of the commodity cost, a reconciliation component, and related fees and taxes.

3.2.2 Cost of purchased gas. The weighted average cost of gas purchased by Hughes from all sources, calculated by summing the cost of gas purchased and applicable third party charges, then, dividing that sum by total volumes purchased.

3.2.3 Purchases / Sales ratio. A ratio determined by dividing the total volumes purchased for customers during the twelve month period ending June 30 by the sum of volumes sold to customers. For the purpose of this computation, all volumes shall be stated at 14.65 pound-force per square inch absolute (psia). Such ratio shall in no event exceed 1.0526 i.e. $1 / (1 - .05)$ unless expressly authorized by the applicable regulatory authority.

3.2.4 Reconciliation account. The account maintained by Hughes to ensure that, over time, Hughes will neither over-collect nor under-collect revenues as a result of the operation of this Cost of Gas Tariff. Entries shall be made monthly to reflect:

- the total amounts paid to Hughes' suppliers for natural gas applicable to general service customers, as recorded in the company's books and records,
- revenues produced by the operation of this Cost of Gas Tariff,
- refunds, payments, or charges provided for herein or as approved by the regulatory authority.

3.2.5 Reconciliation audit. An annual review by Hughes of its books and records for each twelve month period ending with the June accounting month to determine the amount of over-collection or under-collection occurring during that twelve month period. The reconciliation audit conducted by Hughes shall determine:

- the total amount paid for gas purchased by Hughes to provide service to its general service customers during the period,
- the revenues received from operation of the provision of this Cost of Gas Tariff, reduced by the amount of revenue-associated fees and taxes paid on those revenues,

- the total amount of refunds made to customers during the period and any other revenues or credits received by Hughes as a result of relevant gas purchases or operation of this Cost of Gas Tariff,
- an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

3.2.6 Reconciliation component. The amount to be returned to or recovered from customers each month on customer bills covering usage for September through May, as a result of Hughes' reconciliation audit.

3.3 Determination and application of the reconciliation component. If the reconciliation audit reflects either an over-recovery or an under-recovery of revenues, such amount shall be divided by the general service customer sales volumes, for the period beginning with the preceding October billing cycle through the June billing cycle. The reconciliation component, so determined to collect any revenue shortfall or to return any excess revenue, shall be applied for a nine (9) month period beginning with the next October billing cycle and continuing through the next June billing cycle at which time it will terminate until a new reconciliation component is determined.

3.4 Surcharge or refund procedures. In the event that the rates and charges of Hughes' suppliers are retroactively reduced, and a refund of any previous payment is made to Hughes, Hughes shall make a similar refund to its general service customers. Similarly, Hughes may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. If the payment or refund related to gas purchased by Hughes is for a period of twelve consecutive months or longer, the total amount recovered or refunded shall be divided by the general services sales made to general service customers during this applicable period. With regard to amounts received or paid that are applicable to periods less than twelve consecutive months, Hughes shall refund or collect such amounts using one of the following three methods:

3.4.1 over the same period of time as the over-charge or under-charge occurred,

3.4.2 over the same number of units sold during the period of the over-charge or under-charge, or

3.4.3 include the entire amount in the reconciliation account. Refunds or charges shall be entered into the reconciliation account as they are collected from or returned to customers. For the purpose of Sec. 3.5, the entry shall be made on the same basis used to determine the refund or charge component of the cost of gas and shall be subject to the calculation set forth in Sec. 3.4, above.

3.5 Cost of Gas statement. Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, a cost of gas statement by the beginning of each billing month. The cost of gas statement shall set forth:

- 3.5.1 the estimated cost of purchased gas;
- 3.5.2 the estimated cost of purchased gas multiplied by the purchase / sales ratio;
- 3.5.3 the amount of the cost of gas caused by any surcharge or refund;
- 3.5.4 the reconciliation component;
- 3.5.5 the revenue associated fees and taxes to be applied to revenues gathered by the cost of gas; and
- 3.5.6 the cost of gas, which is the total of items 3.5.2 through 3.5.5.

The cost of gas statement shall include all data necessary for the Commission to review and verify the calculation of the cost of gas. The date on which billing using the cost of gas is to begin is to be specified in the cost of gas statement.

3.6 Report. By August 31 of each year, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, an annual *Cost of Gas Reconciliation Report*. The annual reconciliation report shall include, but not necessarily be limited to:

3.6.1 a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source, by month, for the twelve months ending June 30;

3.6.2 a tabulation of gas volumes sold to general service customers and the related Cost of Gas Tariff revenues;

3.6.3 a summary of all other costs and refunds made during the year and the status of the reconciliation account.

3.7 Audit. HNG shall conduct a management audit to identify all assets and employees shared by the affiliates of HNG, including, Alamo, Goliad and HNG.

The audit shall include a detailed analysis of the work conducted by employees of HNG and identify any services provided to Goliad and Alamo by HNG's employees. The expense of the management audit is to be borne exclusively by HNG and not passed onto customers of the system. The management audit is to be completed within nine months of the date of the Final Order in this proceeding, unless otherwise extended by Staff, but is not to be extended beyond twelve months. Additionally, the management audit shall develop a policies and procedures manual for employees of HNG to track time worked for the various members of the Hughes Resources Affiliated Group of Companies, including Goliad and Alamo. The management audit shall also develop a policies and procedures manual to ensure that all office expenses are properly segregated including telephone and computer equipment. The results of the management audit are to be filed

with Staff and the audit is to be considered at the next rate proceeding The audit is to be conducted by a company approved by the City of Magnolia and Staff of the Railroad Commission.

The management audit is to identify any services provided by HNG to Goliad and Alamo and any shared assets used by Goliad and Alamo whose costs have not previously been assigned to Goliad and Alamo. Staff shall review the audit to determine whether any additional amounts should be credited through the operation of the purchase gas adjustment clause.

HNG shall make a request for proposal for gas supply to HNG. On a quarterly basis, HNG shall file with the Commission proof of the proposal for bids. Copies of all bids submitted shall be maintained at the HNG offices and available for inspection by Commission Staff or the City of Magnolia.

4.0 Pipeline Safety and Regulatory Program Tariff

4.1 Fee. Once annually, Hughes' shall remit to the Commission the fee required in 16 TEX. ADMIN. CODE §8.201.

4.2 Surcharge. During the next billing cycle following Hughes' remittance to the Commission of the fee, Hughes shall include on its customers' bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 TEX. ADMIN. CODE §8.201.

4.3 Formula. The Rule 8.201 surcharge is calculated in accordance with the following formula:

$$\begin{array}{l} \text{Rule 8.201(b) fee assessed by the Commission on Hughes} \\ \text{Divided by} \\ \text{Number of meters billed} \\ \text{Equals} \\ \text{Rule 8.201(b)(3) surcharge, applied per customer meter, once annually} \end{array}$$

In this formula, the number of meters billed refers to the number of meters billed during the billing month that precedes the month the Rule 8.201(b)(3) surcharge is included on customer bills.

5.0 Miscellaneous Services Tariff

5.1 New service and restoration of service

Initiation of new service	\$45, per trip
Restoration of service, after termination for non-payment or for a leak on a customer-owned facility	\$45, per trip
Restoration of service, after service turn-off at request of customer or customer's agent	\$45, per trip
Restoration of service, following a system disruption due to a natural disaster or an area emergency	\$0.00, per trip

5.2 Turn-off service

Turn-off service, after termination for non-payment or for a leak on a customer-owned facility	\$45, per turn-off
Turn-off service, at request of customer or customer's agent	\$45, per turn-off
Turn-off service, following a system disruption due to a natural disaster or an area emergency	\$0.00, per turn-off

5.3 Meter testing

Remove existing meter for testing as requested by customer (including setting a suitable replacement at existing tap), when no such test has been performed on the meter in four (4) or more years or when meter is found to be more than nominally defective per 16 TAC §7.45(7)(B)(iv)(II).	\$0.00
Customer Service Agent charge associated with meter testing requested by the customer, only if the meter has been tested within the past four (4) years and, upon retesting, meter is found to correctly record usage.	Actual cost, up to \$26.23 per hour
Field Service Technician charge and vehicle operations costs associated with meter testing requested by the customer, only if the meter has been tested within the past four (4) years and, upon retesting, meter is found to correctly record usage.	Actual cost, up to \$30.84 per hour, maximum \$89.95 per trip

5.4	Change customer meter	\$75, per trip, plus materials
5.5	Change residential meter location	\$350 first meter, plus materials
5.6	Additional meters in manifold	\$55, per meter
5.7	Meter re-read	
	Meter re-read, when the meter has not been tested in more than four years or when the meter is found to be more than nominally defective.	\$0.00
	Meter re-read requested by customer, if the meter has been tested within four years and the prior meter read is found to be correct.	\$35, per trip
5.8	Collection call	\$35, per trip
5.9	Returned check charge	\$30, per return

6.0 Franchise Tax Adjustment Tariff

6.1 **Tax adjustment.** Any applicable change in the State franchise tax or the City of Magnolia's franchise tax, a tax which is based upon customer volumes, is reflected in either upward or downward adjustments to customer bills, to the extent permitted by law.

6.2 City Formula.

6.2.1 The City Franchise Tax Adjustment is calculated in accordance with the following formula:

$$\begin{array}{r} \text{Annual franchise taxes assessed by the City of Magnolia on Hughes} \\ \text{Divided by} \\ \text{Volumes billed by Hughes to customers within the City during the applicable tax year} \\ \text{Equals} \\ \text{Franchise Tax Adjustment, applied per volumetric unit} \end{array}$$

6.2.2 To the extent the franchise agreement between Hughes and the City of Magnolia includes a one-time \$100 assessment for each new customer added to the distribution system, Hughes shall pass-through the \$100 assessment to that new customer.

6.3 **State Formula.** The State Franchise Tax Adjustment formula is calculated using the City formula in 6.2.1, above, except that the numerator is the amount of annual franchise taxes assessed by the State on Hughes and the denominator is volumes billed by Hughes to all general service customers during the applicable tax year.

6.4 **Application.** The City Franchise Tax Adjustment applies only to customers located within the City of Magnolia. The State Franchise Tax Adjustment applies to all general service customers. The Franchise Tax Adjustment is applied to customer bills only until Hughes has recovered the applicable amount of franchise taxes levied upon Hughes by the City of Magnolia and the State. If an over-collection occurs, Hughes shall include the over-collection in the Franchise Tax Adjustment calculation for the subsequent year.

6.5 **Report.** Within 45 days following the date Hughes recovers the amount of franchise taxes assessed by the State and the City of Magnolia upon Hughes, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, a *Franchise Tax Recovery Report*. The report shall include:

- how Hughes calculated the Franchise Tax Adjustment,
- the volumes billed to all customers and to customers in the City of Magnolia, by month, during the applicable tax year,
- the amount of Franchise Tax Adjustment revenue recovered, by month
- whether an over-collection occurred, and
- the amount of over-collection to be included in the Franchise Tax Adjustment for the subsequent year.

The *Franchise Tax Recovery Report* shall clearly delineate the City and State components of the Franchise Tax Adjustment.

7.0 Ad Valorem Tax Adjustment Tariff

7.1 Tax adjustment. Any applicable change in ad valorem tax, a tax which is based upon property values, is reflected in either upward or downward adjustments to customer bills, to the extent permitted by law.

7.2 Formula. The Ad Valorem Tax Adjustment is calculated in accordance with the following formula:

$$\begin{array}{c} \text{Annual amount of ad valorem taxes assessed on Hughes} \\ \text{Divided by} \\ \text{Volumes billed by Hughes to customers during the applicable tax year} \\ \text{Equals} \\ \text{Ad Valorem Tax Adjustment, applied per volumetric unit} \end{array}$$

7.3 Application. The Ad Valorem Tax Adjustment is applied to customer bills only until Hughes has recovered the applicable amount of ad valorem taxes levied upon Hughes by the taxing authority. If an over-collection occurs, Hughes shall include the over-collection in the Ad Valorem Tax Adjustment calculation for the subsequent year.

7.4 Report. Within 45 days following the date Hughes recovers the amount of ad valorem tax assessment upon Hughes, Hughes shall file with the Commission, addressed to the Director of the Gas Services Division and referencing Gas Utilities Docket No. 10083, an *Ad Valorem Tax Recovery Report*. The report shall include:

- how Hughes calculated the Ad Valorem Tax Adjustment,
- the volumes billed by month during the applicable tax year,
- the amount of Ad Valorem Tax Adjustment revenue recovered, by month
- whether an over-collection occurred, and
- the amount of over-collection to be included in the Ad Valorem Tax Adjustment for the subsequent year.

8.0 Deposit Tariff

- 8.1 Application.** Hughes may require a customer deposit from a customer that does not have acceptable credit bureau or other utility report of good standing.
- 8.2 Formula.** If a customer is required to make a deposit, the amount of the deposit shall not exceed an amount equivalent to one-sixth of the customer's estimated annual billings. If there is no billing history on the customer's account, then the one-sixth rule will be applied to the customer's account based on similarly-situated customers located in the geographic area.
- 8.3 Exemptions.** Hughes shall not require a person who is exempt from deposit requirements to make a deposit, as outlined in 16 TEX. ADMIN. CODE §7.45(5)(C).
- 8.4 Deposit refunds.** Hughes shall automatically refund each deposit, with interest, to customers who meet the requirements in 16 TEX. ADMIN. CODE §7.45(5)(F).
- 8.5 Deposit practices.** Hughes has adopted the deposit practices in the Commission's Quality of Service Rule at 16 TEX. ADMIN. CODE §7.45(5).

9.0 Line Extension Tariff

- 9.1 New mains, 100 feet or less.** Hughes' charge for installation and extension of new mains, under normal conditions, not larger than two inches in diameter and not more than 100 feet in length is \$0.00.
- 9.2 New mains, more than 100 feet.** For installation and extension of new mains, under normal conditions, not larger than two inches in diameter, after the first 100 feet, Hughes charges the actual cost.
- 9.3 Reporting requirement.** Hughes shall provide a copy of its most current line extension policy to the Commission, addressed to the Director of the Gas Services Division. No contribution in aid of construction will be required of any customer except as provided for in Hughes' line extension policy filed with the Commission, as set forth in 16 TEX. ADMIN. CODE §7.45(8)(B).

10.0 Quality of Service Tariff

Hughes has adopted the Quality of Services standards in the Commission's Quality of Service rules, as set forth in 16 TEX. ADMIN. CODE §7.45. The Commission's Quality of Services rules outline requirements applicable to continuity of service, customer relations, refusals of service, discontinuance of service, deposits, billing, meters, and new construction.

11.0 Curtailment Tariff

Hughes has adopted the Commission's curtailment requirements in 16 TEX. ADMIN. CODE §7.305 and §7.455 and in the Commission's Order in Gas Utilities Docket No. 489.