

GUD No 10083

**HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RATE STUDY**

**Proposal For Decision
Issued: November 22, 2011**

**HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
REVENUE REQUIREMENT RATE STUDY**

**Prepared By GDS Associates
June 2011**

EXHIBIT CEL-1

**HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RATE STUDY**

RECONCILIATION OF AS FILED TO AS AMENDED

\$1,170,332	Revenue Increase As Originally Filed
(\$2,896)	Update to NOAA 30 Year Average Schedule D-1 and WP1
(\$17,005)	Remove 35% of HR Payoll and Benefits -Schedule C-2
(\$6,078)	Remove Out of Period AMR maintenance expenses-Schedule C
(\$3,181)	Correct Bad Debt Schedule C
(\$3,675)	Remove Out of Period Information Invoice -Schedule C
(\$1,622)	Correct Customer Deposits - Schedule B
(\$6,269)	Correct Prepays - Schedule B
(\$9,912)	Correct Working Capital-Schedule B
(\$15,310)	Include CapGas CIAC - Schedule B-1
(\$119)	Correct Bad Debt-Schedule C
(\$73)	Rounding
<u>\$1,104,192</u>	As Amended

**HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
REVENUE REQUIREMENT RATE STUDY**

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**GUD NO. 10083 - PROPOSAL FOR DECISION
HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011**

Revenue Requirement Requested	\$ 2,895,676	Revenue Requirement	\$ 1,994,227
Increase Requested	\$ 1,064,707	Change from Request	(901,449)
		Increase	\$ 163,258
		Change from Request	901,449

	Current		Proposed		Recommended	
Residential Rate						
Meter/Consumer Charge	\$ 15.50		\$24.84		\$16.87	
Commodity Charge	\$ 5.3650	\$ 8.7779		\$ 5.9636		
Commercial Rate						
Meter/Consumer Charge	\$ 15.50		\$ 25.19		\$16.87	
Commodity Charge	\$ 5.3650	\$ 8.9011		\$ 5.9636		

PFID PAGE NO.	ITEM NO.	DECISION	INTERVENOR PROPOSING ADJUSTMENT	EXAMINER RECOMMENDATION	IMPACTED SCHEDULE	CELL	REVENUE REQUIREMENT	REVENUE REQ. IMPACT **
77	1	Alternative 1 - CapGas Purchase: Adjustment using Book Value General Plant Accumulated Depreciation <u>OR</u> Alternative 2 - CapGas Purchase: Adjustment using Net Purchase Price General Plant Accumulated Depreciation <u>OR</u> Alternative 3 - CapGas Purchase: Adjustment using Contract Price General Plant Accumulated Depreciation <u>OR</u> Alternative 4 - CapGas Valuation (GURA 104 053) 60/40 General Plant Accumulated Depreciation <u>OR</u> Alternative 5 - CapGas Valuation (GURA 104 053) 70/30 General Plant Accumulated Depreciation	COM/RRR Staff COM/RRR Staff COM COM COM COM HNG Rebuttal Alt GUD 8310 Method	1 Adjust 0 No Adjustment 0 No Adjustment 0 No Adjustment 0 No Adjustment 0 No Adjustment 0 No Adjustment 0 No Adjustment	B-1 B-2 B-1 B-2 B-1 B-2 B-1 B-2	E17, E19, E20 E17, E18, E19 E17, E19, E20 E17, E18, E19 E17, E19, E20 E17, E18, E19 E17, E19, E20 E17, E18, E19	\$ 2,625,781 2,648,085 2,673,574 2,786,635 2,751,643	(269,895) (247,591) (222,102) (109,041) (144,033)
	1a	Acquisition Adjustment	Examiners	1 Adjust	B-1	E21	\$ 2,917,840	22,164
92	2	Cash Working Capital	City of Magnolia	0 No Adjustment	B	G28		
88	3	AMR Expense Adjustment	City of Magnolia	0 No Adjustment	C	L24	\$ 2,870,997	(24,679)

** Approximation due to flow-through tax effects and rounding

Rate Base

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HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

Rate Base	58	4	Pinchurst Capitalized Cost Adj.	Examiners	0. No Adjustment	B-1	E21	E21	\$	\$	(196,999)
			- All Cap Expenses	Examiners	1. Adjust	B-1	E21	E21	\$	\$	(58,962)
			- Estimated % of Cap Expenses								
			(If approved AMR adjustment should not be considered)								
	39	5	Salary Expense Allocation: - Management President - Provencher - Management V.P. - Hicks - Office Personnel - Staff Accountant - Office Personnel - Customer Svc Rep - Office Personnel - AP & Human Res. (35% allocation of AP & HR) - 4 Field Personnel - Part-time/Digital Mapping - Part-time/Meter Painting	RRC Staff	1 Adjust 0 No Adjustment 1 Adjust 1 Adjust 1 Adjust 0 No Adjustment 0 No Adjustment 0 No Adjustment	C-2 C-2 C-2 C-2 C-2 C-2 C-2 C-2	M14 M15 M19 M20 M21 M26-M29 M33 M34		\$ 2,819,060 \$ 2,868,313 \$ 2,866,767 \$ 2,872,680 \$ 2,887,533 \$ 2,810,041 \$ 2,893,474 \$ 2,893,472		(76,616) (27,363) (28,909) (22,996) (8,143) (85,635) (2,202) (2,204)
	39	6	Salary Increases: - Disallow Future Salary Increases - Limit Staff Accountant Salary to 3% - Disallow Increase for Provencher - Disallow Increase for Hicks	RRC Staff RRC Staff RRC Staff Examiners	0 No Adjustment 0 No Adjustment 0 No Adjustment 0 No Adjustment	C-2 C-2 C-2 C-2	I20-I28 I19 I14 I15		\$ 2,889,040 \$ 2,893,237 \$ 2,880,909 \$ 2,871,065		(6,636) (2,439) (14,767) (24,611)
	50	7	Gasoline and Vehicle Expense Adjustments: - Decrease Avg Cost from 3.558 to 3.50 - Additional Avg Cost Adj. To 3.91 - Additional Vehicle - Allocate Executive Vehicle Expense - Allocate Rental Expense	RRC Staff RRC Staff RRC Staff Examiners Examiners	0 No Adjustment 0 No Adjustment 0 No Adjustment 1 Adjust 1 Adjust	C-1 C-1 C-1 C C	I18 I18 I16 L24 L48		\$ 2,894,960 \$ 2,894,960 \$ 2,894,960 \$ 2,880,608 \$ 2,880,594		(716) (716) (716) (15,068) (15,082)
	52	8	Allocation of Affiliate Op. Expenses - Informational Advertising Expense (HNG Removed \$3,675) - Office Supplies Expense (43.1%) - Rent on Building Alloc to Alamo	HNG Amended RRC Staff	0 No Adjustment 0 No Adjustment	C C	L34 L35 L41		\$ 2,862,675		(33,001)
	76	9	Bud Debt Expense	HNG Corrected	0 No Adjustment	C	H32				
	121	10	Affiliate PGA expenses from Alamo	City of Magnolia	0	A	Q19		\$ 2,547,852		(347,824)
	121	11	Affiliate PGA expenses from GME	City of Magnolia	0	A	O19		\$ 2,656,103		(239,573)

Operating Expenses

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HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011**

Rate of Return	Rate of Return:	City of Magnolia	No Adjustment	Schedule E	E15	(18,395)
95	12	Adjustment to Amount of Owner's Equity (LT Debt = 11.94%, Owner's Equity 88.06%)	0	Schedule E	E15	(18,395)
97	a.	Capital Structure				
		OR				
		L-T Debt	44.50%	Schedule E		(347,484)
		Common Equity	55.50%			
		- LT Debt/Common Equity 10.12%/89.88% HNG				
		- LT Debt/Common Equity 44.50%/55.50% RRC Staff/COM				
		- HNG Alt. 40.00%/60.00%				
105	b.	Cost of Debt - 6.50% (Actual)	6.5000%	Schedule E	117	0
		- Cost of Debt 6.50% (Actual)	HNG/RRC Staff/COM			
		- Cost of Debt - 8.55%	HNG - Alt.			(16,672)
109	c.	Return on Equity	10.4000%	Schedule E	115	(222,247)
		- Return on Equity - 12.40%	HNG			
		- Return on Equity - 10.05%	City of Magnolia			
		- Return on Equity - 10.40%	RRC Staff			
Rate of return generated from a-c above: 8.66%						
DECISION ISSUES THAT DO NOT IMPACT THE COST OF SERVICE OR REVENUE REQUIREMENT						
131	13	Adopt Joint Tariff	RRC Staff/HNG			
58	14	Associate Issues with PUC:				
		a. Remove from website	RRC Staff			
		b. Allow increased standards	RRC Staff			
		c. Finding that HNG favor affiliates and restricts competition.	RRC Staff			
77	15	CapGas Acquisition in Public Interest	RRC Staff			
121	16	Should RRC order a Prudence Review	RRC Staff			
121	17	Inquiry into the rates charged by Alamo to Goliad	RRC Staff			

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 INCOME STATEMENT SUMMARY

Line No	Description (A)	Schedule Reference (B)	Per Books Total (C)	Pro Forma Adjustments (D)	As Adjusted Test Year Total (E)	Revenue Increase (F)	With Total Increase (G)
REVENUES							
1	Operating Base Revenues	Sch F	\$ 1,724,090	\$ 22,888	\$ 1,746,977	\$163,258	\$ 1,910,236
2	Other Utility Revenues	Sch D-2	82,323	1,668	83,991	\$0	83,991
3	Total Operating Revenues		<u>\$ 1,806,413</u>	<u>\$ 24,556</u>	<u>\$ 1,830,969</u>	<u>\$163,258</u>	<u>\$ 1,994,227</u>
OPERATING EXPENSES							
4	Distribution O&M Expenses	Sch C	\$ 313,663	\$ 46,805	\$ 360,467	\$ -	\$ 360,467
5	Customer Accounting Expenses	Sch C	201,328	(76,944)	124,384	304	124,687
6	Administrative & General	Sch C	414,353	(73,697)	340,657	-	340,657
7	Depreciation & Amortization	Sch C, B-1	374,953	(22,966)	351,986	-	351,986
8	Taxes Other Than Income	Sch C	29,441	1,236	30,677	-	30,677
9	Federal income taxes	Sch A-2	165,436	52,543	217,979	(10,537)	207,443
10	Return	Sch B	307,239	97,580	404,819	173,491	578,310
11	Total Operating Expenses		<u>\$ 1,806,413</u>	<u>\$ 24,556</u>	<u>\$ 1,830,969</u>	<u>\$163,258</u>	<u>\$ 1,994,227</u>
12	Rate Base		<u>\$ 6,674,473</u>	<u>\$ -</u>	<u>\$ 6,674,473</u>	<u>\$ -</u>	<u>\$ 6,674,473</u>
13	Overall Rate of Return		<u>4.60%</u>		<u>6.07%</u>		<u>8.66%</u>

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 FEDERAL INCOME TAX EXPENSE

Line No.	Description (A)	Schedule Reference (B)	As Adjusted Total (C)	With Rate Increase (D)
1	Return	Sch B	\$ 404,819	\$ 578,310
2	Less: Interest on Long Term Debt	Sch B, E	<u>193,059</u>	<u>193,059</u>
3	Taxable component of return		\$ 211,760	\$ 385,251
4	FIT @ 35%		74,116	134,838
5	Gross-Up Factor *		<u>1.538462</u>	<u>1.538462</u>
6	Income tax expense		<u>\$ 114,024</u>	<u>\$ 207,443</u>

* Gross Up Factor

a	Net Taxable (Line a - Line b)	1.0000
b	Line c X 35% Tax Rate	0.3500
c	Line c - Line d	<u>0.6500</u>
d	1 divided by Line e	<u>1.5385</u>

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 CALCULATION OF RATE BASE

Line No	Description (A)	Schedule Reference	Plant Per Books (B)
1	Intangible Plant	Sch B-1	\$ 300
2	Distribution Plant	Sch B-1	8,790,110
3	General Plant	Sch B-1	382,866
4	Gross Plant In Service		<u>\$ 9,173,276</u>
5	Depr & Amort Reserves	Sch B-2	(1,830,526)
6	Net Plant in Service		\$ 7,342,749
7	Customer Deposits		(206,402) (a)
8	Prepays (Insurance, Postage, etc.)		6,930 (a)
9	Pro Forma Deferred Income Taxes		(468,804)
10	Working Capital - 1/8		<u>- (b)</u>
11	Total Rate Base		\$ 6,674,473
12	Requested Rate of Return		<u>8.665%</u>
13	Requested Overall Return		<u>\$ 578,310</u>

(a) Correct to balances per balance Sheet. Prepays include \$2,799 for postage and \$4,131 for property insurance.

(b) Remove Per Loy Rebuttal

Sponsor: Chuck Loy

K. Nalepa Testimony Expense Adjustment

Capitalized Investment	\$304,761
Less: Accumulated Depreciation Reserve	27,428
Equals: Net Plant In Service	277,333
Times Requested Pre-Tax Rate of Return	17.81%
Equals: Return and Tax Component	49,404
Plus: Annual Depreciation Expense	12,190
Plus: Annual Operating Costs	3,039
Equals: Cost of Service	\$64,633

Meter Reading Expense \$40,000
 Adjusted Expense \$24,633

[1] From Schedules A-1 and E of the Company's cost of service study, the requested after tax weighted equity return of 11.15% is grossed up for income taxes at 35%. $(1/(1-.35)) = 1.53846$. Thus, the grossed up total return is 17.81%. $((11.15\% \cdot 1.53846) + .66\% = 17.81\%)$.

Magnolia Brief Adjustment 1
 Plant Adjustment

Capitalized Investment	\$304,761	Acct. 380, Sch B-1	Plant Disallowance	\$0
Less: Accumulated Depreciation Reserve	27,428	Appt. 380, Sch B-2		\$0
Equals: Net Plant In Service	277,333			
Times Requested Pre-Tax Rate of Return	11.77%			
Equals: Return and Tax Component	32,634			
Plus: Annual Depreciation Expense	12,190			
Plus: Annual Operating Costs	3,039			
Equals: Cost of Service	\$47,863			

Meter Reading Expense \$40,000
 Adjusted Expense \$7,863

Plant Disallowance Calculation Instructions

1) Input Authorized Return on Equity and Cap Structure (at right)

2) From Excel Menu Bar Select Data/What-If Analysis/Goal Seek and Select Cells or Input as follows:

Goal Seek

Set cell: \$F\$16

To value: 0

By changing cell: \$F\$5

OK Cancel

Undo will return values to pre-Goal Seek

Authorized Cap Structure

Description	Share	Rate	Weight
Owners Equity	55.50%	10.40%	5.77%
Long Term Debt	44.50%	6.50%	2.89%
Calculated Cost of Capital			8.66%

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

DETAIL OF PLANT IN SERVICE & ANNUAL DEPRECIATION EXPENSE

Line No	Description (A)	Plant Per Books (B)	Service Life (C)	Annual Depreciation (D)	Annual Depreciation (E)
1	Intangible	\$ 300	n/a	n/a	\$ -
DISTRIBUTION PLANT					
2	(374) Land & Land Rights	\$ 4,865	n/a	n/a	\$ -
3	(376) Mains	6,249,281	40	2.50%	156,232
3a	(376) Mains - CIAC	(75,263) (a)		2.50%	(1,882)
4	(378) Meas & Reg Station - C.G.	552,415	33	3.03%	16,740
5	(380) Services	2,265,113	25	4.00%	90,605
6	Total Distribution Plant	<u>\$ 8,790,109.64</u>			<u>\$ 261,695</u>
GENERAL PLANT					
7	(389) Land & Land Rights	\$ -			\$ -
8	(391) Office Furniture & Equipment	17,354	10	10.00%	1,735
9	(392) Transportation Equipment	115,901	3	33.33%	38,634
10	(397) Comm., Comp & Software	202,515	5	20.00%	40,503
11	(398) Miscellaneous General Plant	47,096	5	20.00%	9,419
12	Total General Plant	<u>\$ 382,866</u>			<u>\$ 90,291</u>
13	Total Plant	<u>\$ 9,173,276</u>			<u>\$ 351,986</u>

(a) To reflect possible CIAC received by CapGas.

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
DETAIL OF ACCUMULATED DEPRECIATION

Line No	Description (A)	Accum. Deprn. Per Books (B)
1	Intangible	\$ -
	Distribution Plant	
2	(374) Land & Land Rights	\$ -
3	(376) Mains	1,093,869
4	(378) Meas & Reg Station	171,354
5	(380) Services	431,318
6	Total Distribution Plant	\$ 1,696,540
	General Plant	
7	(389) Land & Land Rights	\$ -
8	(391) Office Furniture & Equipment	5,482
9	(392) Transportation	24,584
10	(397) Comm., Comp & Software	91,643
11	(398) Miscellaneous General Plant	12,277
12	Total General Plant	133,986
13	Total Plant	\$ 1,830,526

Sponsor: Chuck Loy

Amended

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RESULTS OF CAPGAS TRENDED ORIGINAL COST STUDY
AS OF ACQUISITION DATE: 12/31/2007

Line No	Description (A)	Trended Original Cost Value (B)	Total Accumulated Depreciation (C)	Net Book Value (D)	Annual Depreciation Expense (E)
1	(376) Mains	\$ 1,335,649	\$ 381,862	\$ 953,787	\$ 32,629
2	(378) Meas & Reg Station	298,109	131,461	166,648	7,479
3	(380) Services	<u>1,275,413</u>	<u>737,958</u>	<u>537,455</u>	<u>39,288</u>
4	Total	<u>\$ 2,909,171</u>	<u>\$ 1,251,281</u>	<u>\$ 1,657,890</u>	<u>\$ 79,396</u>

Reclassify Oriignal Cost Study into appropriate accounts. No impact on the revenue requirement

Sponsor: Chuck Loy

Magnolia Brief Adjustm. 2
GUD No. 10083/10093

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

CAP-GAS PER BOOKS ORIGINAL COST LESS DEPRECIATION REFLECTED AS OF 3.31.2011

Line No	Description (A)	Book Original Value (B)	Plant Retired (C)	Depr Exp 1/2008 thru 3/2011 (D)	Book Plant In Rate Base (E)	Trended Plant In Rate Base* (F)	Adjustment to Rate Base Schedule B-1 (G)	Adjustment to Accum Depr. Schedule B-2 (H)
1	(376) Mains	\$ 333,525	\$ (24,110)	\$	\$ 309,415	\$ 1,239,098	\$ (929,683)	
2	Accum. Depr.	\$ (197,212)	\$ 21,954	\$ (27,099)	\$ (202,357)	\$ (394,623)	\$	\$ 192,266
3	(378) Meas & Reg	\$ 74,441	\$ (15,094)	\$	\$ 59,347	\$ 237,662	\$ (178,315)	
4	Accum. Depr.	\$ (44,017)	\$ 14,268	\$ (7,331)	\$ (37,079)	\$ (97,727)	\$	\$ 60,648
5	(380) Services	\$ 318,484	\$ (4,962)	\$	\$ 313,522	\$ 1,255,543	\$ (942,021)	
6	Accum. Depr.	\$ (188,318)	\$ 4,962	\$ (41,403)	\$ (224,760)	\$ (881,308)	\$	\$ 656,548
7	Total Net Plant	<u>\$ 296,903</u>			\$ 218,089	\$ 1,358,645		
8	Total Gross Plant	726,450			682,284	2,732,303	(2,050,019)	-
9	Total Accum. Deprec	(429,547)			(464,196)	(1,373,658)		909,462
10	Total Net Plant	<u>\$ 296,903</u>			\$ 218,089	\$ 1,358,645		\$ (1,140,556)

* HNG Ex. 11, Rebuttal Testimony of Charles Loy at 73 of 74, CEL-R4, Column (E).

Magnolia Brief Alternative Adjustm. 2A
 GUD No. 10083/10093

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

RESULTS OF CAP-GAS NET ACQUISITION COST REFLECTED AS OF 3.31.2011

Line No	Description (A)	Net Purchase Original Cost Value* (B)	Plant Retired (C)	Depr Exp 1/2008 thru 3/2011 (D)	Net Investment Plant In Rate Base (E)	Trended Plant In Rate Base** (F)	Adjustment to Rate Base to Schedule B-1 (G)	Adjustment to Accum Depr. Schedule B-2 (H)
1	(376) Mains	\$ 339,298	\$ (24,527)	\$	\$ 314,771	\$ 1,239,098	\$ (924,327)	\$ 243,451
2	Accum. Depr.	\$ (145,937)	\$ 22,334	\$ (27,568)	\$ (151,172)	\$ (394,623)		
3	(378) Meas & Reg Station	\$ 75,729	\$ (15,356)	\$	\$ 60,374	\$ 237,662	\$ (177,288)	\$ 72,212
4	Accum. Depr.	\$ (32,572)	\$ 14,515	\$ (7,457)	\$ (25,515)	\$ (97,727)		
5	(380) Services	\$ 323,997	\$ (5,048)	\$	\$ 318,949	\$ 1,255,543	\$ (936,594)	\$ 704,880
6	Accum. Depr.	\$ (139,356)	\$ 5,048	\$ (42,120)	\$ (176,428)	\$ (881,308)		
7	Total Net Plant	<u>\$ 421,158</u>			\$ 340,980	\$ 1,358,645		
8	Total Gross Plant	\$ 739,024			694,094	2,732,303	(2,038,209)	
9	Total Accum. Depr.	<u>\$ (317,866)</u>			(353,114)	(1,373,658)		1,020,544
10	Total Net Plant	<u>\$ 421,158</u>			\$ 340,980	\$ 1,358,645		\$ (1,017,665)

Adjust Net Purchase Amount to Estimate Straight Line Depreciation Per CEL-R5

* Gross Plant Assuming Net Cost of \$421,158	\$739,024
Apply Original Cost Study Accum. Depr./Gross Plant Ratio (\$317,866)	
\$1,251,281 / 2909171	43.01%
Net Purchase Price	<u>\$421,158</u>

** HNG Ex. 11, Rebuttal Testimony of Charles Loy at 73 of 74, CEL-R4, Column (E).

Magnolia Brief Alternative Adjustm. 2B
GUD No. 10083/10093

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

RESULTS OF CAPGAS CONTRACT PRICE VALUE REFLECTED AS OF 3.31.2011

Line No	Description	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
		Contract Price Original Cost Value*	Plant Retired	Depr Exp 1/2008 thru 3/2011	Contract Price Plant In Rate Base	Trended Plant In Rate Base**	Adjustment to Rate Base Schedule B-1	Adjustment to Rate Base Schedule B-2	
1	(376) Mains	\$ 443,097	\$ (32,030)	\$	\$ 411,067	\$ 1,239,098	\$ (828,031)		
2	Accum. Depr.	\$ (190,583)	\$ 29,166	\$ (36,002)	\$ (197,419)	\$ (394,623)		\$ 197,204	
3	(378) Meas & Reg Station	\$ 98,897	\$ (20,053)	\$	\$ 78,844	\$ 237,662	\$ (158,818)		
4	Accum. Depr.	\$ (42,537)	\$ 18,956	\$ (9,739)	\$ (33,320)	\$ (97,727)		\$ 64,407	
5	(380) Services	\$ 423,115	\$ (6,592)	\$	\$ 416,523	\$ 1,255,543	\$ (839,020)		
6	Accum. Depr.	\$ (181,988)	\$ 6,592	\$ (55,005)	\$ (230,402)	\$ (881,308)		\$ 650,906	
7	Total Net Plant	\$ 550,000			\$ 445,293	\$ 1,358,645			
8	Total Gross Plant	\$ 965,109			906,434	2,732,303	(1,825,869)		
9	Total Accum. Depr.	\$ (415,109)			(461,141)	(1,373,658)		912,517	
10	Total Net Plant	\$ 550,000			\$ 445,293	\$ 1,358,645		\$ (913,352)	

Adjust Contract Price Amount to Estimate Straight Line Depreciation Per CEL R5

* Gross Plant Assuming Contract Price of \$550,000	\$965,109
Apply Original Cost Study Accum. Depr./Gross Plant Rati (\$415,109)	
\$1,251,281 /2909171	43.01%
Acquisition Cost	<u>\$550,000</u>

** HNG Ex. 11, Rebuttal Testimony of Charles Loy at 73 of 74, CEL-R4, Column (E).

Exhibit CEL-R4
GUD No. 10083/10093

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RESULTS OF CAPGAS TRENDED ORIGINAL COST STUDY REFLECTED AS OF 3.31.2011

Line No	Description (A)	Trended Original Cost Value (B)	Plant Retired (C)	Depr Exp 1/2008 thru 3/2011 (D)	Trended Plant In Rate Base (E)	Trended Plant Depr Expense (F)
1	(376) Mains	\$ 1,335,649	\$ (96,550)		\$ 1,239,098	\$ 30,977
2	Accum. Depr.	(381,862)	87,916	(100,677)	(394,623)	
3	(378) Meas & Reg Station	298,109	(60,447)		237,662	7,202
4	Accum. Depr.	(131,461)	57,140	(23,406)	(97,727)	
5	(380) Services	1,275,413	(19,870)		1,255,543	50,222
6	Accum. Depr.	(737,958)	19,870	(163,221)	(881,308)	
7	Total Net Plant	<u>\$ 1,657,890</u>	\$ (11,941)	\$ (287,303)	<u>\$ 1,358,645</u>	<u>\$ 88,401</u>
8	Test Year CapGas Net Acquisition Adjustment					
					<u>\$ (1,133,381)</u>	
9	Total Gross Plant	2,909,171			2,732,303	88,401
10	Total Accumulated Depreciation	(1,251,281)			(1,373,658)	
11	Total Net Plant	<u>\$ 1,657,890</u>			<u>\$ 1,358,645</u>	<u>\$ 88,401</u>

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

COMPUTATION OF CAPGAS PLANT USING FAIR VALUE MIX OF 60% ORIGINAL TO 40% REPLACEMENT COST ADJUSTED FOR AGE & CONDITION PER GUD No. 8310-8316

Line No	Description (A)	Adjusted 2007 Annual Report Value * (B)	Apply 60% Fair Value (B) (C)	GDS Study Replacement Cost (D)	Apply 40% Fair Value (D) (E)	Fair Value Col (C) + (E) (F)	Plant Retired (G)	Depr Exp 1/2008 thru 3/2011	Fair Value Plant Per Books	Fair Value Depr Expense	Depr Exp Rates
1	(376) Mauns	\$333,525	\$200,115	\$2,285,845	\$914,338	\$1,114,453	(\$75,086)		\$1,039,367	\$25,984	2.50%
2	Accum. Depr / Age & Cond	(\$95,355)	(\$57,213)	(\$1,025,063)	(\$410,025)	(\$467,238)	\$68,371	(\$90,549)	(\$489,416)		
3	(378) Meas & Reg Station	\$74,441	\$44,665	\$455,979	\$182,392	\$227,056	(\$47,009)		\$180,047	\$5,456	3.03%
4	Accum. Depr / Age & Cond	(\$32,827)	(\$19,696)	(\$252,061)	(\$100,824)	(\$120,521)	\$44,437	(\$22,359)	(\$98,463)		
5	(380) Services	\$318,484	\$191,090	\$1,824,576	\$729,830	\$920,921	(\$15,453)		\$905,468	\$36,219	4.00%
6	Accum. Depr / Age & Cond	(\$184,276)	(\$110,565)	(\$1,145,886)	(\$458,354)	(\$568,920)	\$15,453	(\$119,720)	(\$673,187)		
7	Total Gross	\$726,450	\$435,870	\$4,566,400	\$1,826,560	\$2,262,430			\$2,124,882		
8	Total Accum Depr	(\$312,458)	(\$187,475)	(\$2,423,010)	(\$969,204)	(\$1,156,679)			(\$1,261,046)		
9		\$413,992	\$248,395	\$2,143,390	\$857,356	\$1,105,751			\$863,836	\$67,659	
							As Requested		\$1,358,645	\$88,401	
							Reduction to As Requested		(\$494,809)	(\$20,742)	
							Acquisition Adjustment 3/2011		(\$1,133,381)		
							Resulting Acquisition Adjustment		(\$638,572)		

Adjust Annual Report Amount to Estimate Straight Line Depreciation

* Gross Plant Per Annual Report	\$726,450
Apply Original Cost Study Accumulated Depr/Gross Plant Ratio	(\$312,458)
$\frac{\$1,251,281}{\$2,909,171} = 43.01\%$	
Allocate Estimated Net Plant on Original Cost Study Values	\$413,992

Exhibit CEL-R5
GUD No. 10083/10093

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

COMPUTATION OF CAPGAS PLANT USING FAIR VALUE MIX OF 70% ORIGINAL TO 30% REPLACEMENT COST ADJUSTED FOR AGE & CONDITION PER GUD No. 8310-8316

Line No	Description (A)	Adjusted 2007 Annual Report Value * (B)	Apply 70% Fair Value (B) (C)	GDS Study Replacement Cost (D)	Apply 30% Fair Value (D) (E)	Fair Value Col (C) + (E) (F)	Plant Retired (G)	Depr Exp 1/2008 thru 3/2011	Fair Value Plant Per Books	Fair Value Depr Expense	Depr Exp Rates
1	(376) Mains	\$333,525	\$233,468	\$2,285,845	\$685,754	\$919,221	(\$62,342)		\$856,879	\$21,422	2.50%
2	Accum. Depr. / Age & Cond	(\$95,355)	(\$66,748)	(\$1,025,063)	(\$307,519)	(\$374,267)	\$56,767	(\$74,687)	(\$392,197)		
3	(378) Meas & Reg Station	\$74,441	\$52,109	\$455,979	\$136,794	\$188,902	(\$39,030)		\$149,872	\$4,542	3.03%
4	Accum. Depr. / Age & Cond	(\$32,827)	(\$22,979)	(\$252,061)	(\$75,618)	(\$98,597)	\$36,895	(\$18,602)	(\$90,304)		
5	(380) Services	\$318,484	\$222,939	\$1,824,576	\$547,373	\$770,311	(\$12,830)		\$757,481	\$30,299	4.00%
6	Accum. Depr. / Age & Cond	(\$184,276)	(\$128,993)	(\$1,145,886)	(\$343,766)	(\$472,759)	\$12,830	(\$100,140)	(\$560,060)		
7	Total Gross	\$726,450	\$508,515	\$4,566,400	\$1,369,920	\$1,878,435			\$1,764,233		
8	Total Accum Depr	(\$312,458)	(\$218,720)	(\$2,423,010)	(\$726,903)	(\$945,623)			(\$1,032,561)		
9		\$413,992	\$289,795	\$2,143,390	\$643,017	\$932,812			\$731,672	\$56,263	
							As Requested		\$1,358,645	\$88,401	
							Reduction to As Requested		(\$626,973)	(\$32,138)	

Adjust Annual Report Amount to Estimate Straight Line Depreciation

Gross Plant Per Annual Report	\$726,450
Apply Original Cost Study Accumulated Depr/Gross Plant Ratio	(\$312,458)
$\frac{\$1,251,281}{\$2,909,171} = 43.01\%$	
Allocate Estimated Net Plant on Original Cost Study Values	\$413,992

Acquisition Adjustment 3/2011
Resulting Acquisition Adjustment

	(\$1,133,381)
	(\$506,408)

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 DETAIL OF EXPENSES

Line No.	Description (A)	Schedule Reference (B)	Per Books Total (C)	Pro Forma Adjustments (D)	As Adjusted Total (E)
O & M Expenses:					
<i>Distribution Operations:</i>					
1	(870) Operations Payroll	Sch C-7	\$ 12,322	\$ (322)	\$ 12,000
2	(874) Mains and Services Expenses	Sch C-1	113,409	10,884	124,292
3	(878) Meter & House Regulator Expenses	Sch C-6	58,603	1,245	59,848
<i>Distribution Maintenance:</i>					
4	(885) Maintenance Super & Eng Payroll	Sch C-2	\$ 107,134	\$ 49,567	\$ 156,700
5	(877) Meas. & Reg. Expenses	Sch C-6	11,649	247	11,896
6	(879) Customer Installations Expenses	Sch C-6	5,293	112	5,406
7	(887) Maintenance of Mains	Sch C-6	494	10	504
8	(893) Maint. of Meters & House Regulators	Sch C-6	4,760	101	4,861
9			<u>\$ 313,663</u>	<u>\$ 61,845</u>	<u>\$ 360,467</u>
Customer Accounting Expenses					
<i>Customer Accounts:</i>					
10	(901) Customer Accounts Supervision	Sch C-7	\$ 81	\$ (81)	\$ -
11	(902) Meter Reading Expenses	Sch C-6	9,116	194	9,310
11a	(902) Meter Reading Expenses			(6,078) (a)	(6,078)
12	(903) Cust Records & Collection Expenses	Sch C-2,3	168,966	(67,771)	101,195
13	(904) Bad Debt Exp	Sch C-5	3,207	43 (b)	3,250
14	(908) Customer Assistance Expenses	Sch C-6	349	7	356
15	(911) Informational & Instructional Adv.	Sch C-6	19,608	417	20,025
15a	(911) Informational & Instructional Adv.			(3,675) (c)	(3,675)
16			<u>\$ 201,328</u>	<u>\$ (76,944)</u>	<u>\$ 124,384</u>
Administrative & General Expenses					
17	(920) A&G Payroll	Sch C-2	\$ 144,000	\$ (62,074)	\$ 81,926
18	(921) Office Supplies and Expenses	Sch C-6	56,686	1,204	57,890
19	(923) Outside Services	Sch C-2	86,026	223	86,249
20	(924) Property Insurance		34,480		34,480
21	(926) Employee Benefits	Sch C-2	49,839	3,101	52,940
22	(928) RR Commission Expenses		775	(550) (1)	225
23	(930.1) Goodwill Advertising Expense		548	(548) (2)	-
24	(931) Rents		42,000	-	42,000
25			<u>\$ 414,353</u>	<u>\$ (58,643)</u>	<u>\$ 340,657</u>
Depreciation & Amortization Expense					
26	(403-404) Depreciation & Amortization	Sch B-1	\$ 374,953	\$ (22,966) (3)	\$ 351,986
Other Taxes					
27	(408) Payroll Taxes	Sch C-2	\$ 29,340	\$ 1,337	\$ 30,677
28	(408) Pipeline Safety		22	1,940 (4)	1,962
29	(408) State Franchise (Gross Margin Tax)		14	9,980 (4)	9,994
30	(408) Ad Valorem Taxes	Sch C-8	65	42,369 (4)	42,434
31	Credit for direct pass through via surcharge		-	(54,390) (4)	(54,390)
32			<u>\$ 29,441</u>	<u>\$ 1,236</u>	<u>\$ 30,677</u>
33	Total Expenses (Excluding FIT)		<u>\$ 1,333,738</u>	<u>\$ (95,474)</u>	<u>\$ 1,208,171</u>

- (1) Eliminate RRC Fines
- (2) Eliminate Charitable contributions
- (3) Annualized depreciation based on end of test year assets
- (4) Tariff provides for a direct pass through of these expenses
- (a) Remove out of period expenses related to AMR maintenance contract
- (b) Correct Bad Debt Exp Calculation per 7/31/2011 Technical Conference
- (c) Remove out of period expense of \$3,675 (Invoice 14314) per Staff Data Request 6.9.

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 DETAIL OF FUEL EXPENSE ADJUSTMENT

Line No.	Description (A)	Adjustment (B)
1	Total gallons purchased in test year	14,492
2	Number of trucks	5
3	Average gallons per truck	2,898
4	Adjusted number of trucks	5
5	Adjusted gallons	14,492
6	Current cost of gas per gallon	\$ 3.56
7	Adjusted cost of gas	\$ 51,563
8	Test year actual cost of gas	40,680
9	Adjustment to Account 874	<u>\$ 10,884</u>

Test Year Actual

	<u>Month</u>	<u>Gallons Purchased</u>	<u>Gross Cost (\$)</u>	<u>Avg. Cost per Gallon</u>
10	Apr-10	999	\$ 2,742	\$ 2.75
11	May-10	1,045	2,863	2.74
12	Jun-10	1,333	3,457	2.59
13	Jul-10	1,267	3,249	2.56
14	Aug-10	1,282	3,276	2.56
15	Sep-10	1,254	3,198	2.55
16	Oct-10	1,426	3,820	2.67
17	Nov-10	1,128	3,099	2.75
18	Dec-10	1,266	3,672	2.90
19	Jan-11	1,213	3,645	3.00
20	Feb-11	1,152	3,640	3.16
21	Mar-11	<u>1,129</u>	<u>4,019</u>	<u>3.55</u>
22	Test year actual	<u>14,492</u>	<u>\$ 40,680</u>	<u>\$ 2.81</u>

* Reduce Per Loy Rebuttal

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

DETAIL OF EMPLOYEE PAYROLL AND BENEFIT EXPENSES ADJUSTMENTS

Line No.	Employee	Test Year Salaries	Date of Last Change	Proforma Adjustments	Total Salary - Adjusted Per RRC 100% IING	Allocation Adjustment (Col K * 56.9%)	Salary Allocated to IING	Acct. #	Explanation
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Management									
1	Real Provencher, Pres.	\$ 120,000	2/1/2009	14,400	\$ 134,400	\$ (76,473.60)	\$ 57,926.40	920	12% Increase effective 7/1/11
2	Frank Hicks, V Pres.	24,000	2/1/2010		\$ 24,000	\$ -	\$ 24,000.00	920	Effective 7/1/11
Office Personnel									
3	Staff Accountant	46,956	3/15/2011	3,714	\$ 50,712	\$ (28,855.40)	\$ 21,857.08	903	Annualize recent 8% increase
4	Customer Serv Rep.	38,976	8/15/2010	1,364	\$ 40,340	\$ (22,953.55)	\$ 17,386.61	903	3 5% Increase effective 12/1/11
5	AP & Human Res.	41,166	1/1/2008	2,058	\$ 43,224	\$ (24,594.63)	\$ 18,629.67	903	5% Increase effective 12/1/11
5a	AP & Human Res.			(14,408) (a)	\$ 26,758	\$ -	\$ -		Remove 35% of HR Salary to reflect affiliates
Field Personnel									
6	Tech 1	36,292	4/16/2010	1,089	\$ 37,381	\$ -	\$ 37,380.76	885	3 5% increase effective 11/1/11
7	Tech 2	37,541	1/1/2009	2,252	\$ 39,793	\$ -	\$ 39,793.46	885	6% increase effective 9/1/11
8	Tech 3	26,822	2/1/2009	1,609	\$ 28,431	\$ -	\$ 28,431.32	885	6% increase effective 9/1/11
9	Tech 4 - new hire			44,616	\$ 44,616	\$ -	\$ 44,616.00	885	Experienced Tech New Hire 5/13/11
Part-time employees									
10	Digital Mapping	3,862	9/1/2010	0	\$ 3,862	\$ -	\$ 3,862.00	885	
11	Meter painting	3,867	6/1/2010	0	\$ 3,867	\$ -	\$ 3,867.00	885	
Total payroll adjustment		\$ 379,482		\$ 56,737	\$ 477,385	\$ (152,877.18)			
Payroll Related Expenses									
12	Payroll Taxes	\$ 8,940		\$ 1,337				408	Prorated based on payroll increases
13	Payroll Fees	1,786		223				923	1 additional Employee
13a	Payroll Fees			(194) (b)					Remove HR Share
14	Benefits	5,994		749				926	1 additional Employee
14a	Benefits			(650) (b)					Remove HR Share
15	401K	3,041		945				926	1 additional Employee & Payroll Increases
16	HSA Medical	11,250		1,406				926	1 additional Employee
16a	HSA Medical			(1,220) (b)					Remove HR Share
Totals		\$ 410,493		\$ 59,334					
				41,570					

(a)	Allocate HR salary and other benefits to PUC 30% and other affiliates (5%)		
		41,166 X 35.00% =	(14,408)
(b)	Allocate benefits to PUC 30% and other affiliates (5%)		
	HR as Test Year Salary	\$	41,166
	Total Test Year Salaries		379,482
	Percent of HR Salary to total		10.85%

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011

DETAIL OF BILL PRINTING AND MAILING EXPENSES ADJUSTMENT

Line No.	Description (A)	Schedule Reference	Amount (B)
1	Test year expense		\$ 28,888
2	Test year number of bills	Sch D-1	<u>41,138</u>
3	Test year cost per bill		\$ 0.7022
4	Pro forma increase in number of bills	Sch D-1	<u>874</u>
5	Pro forma adjustment to account 903		<u>\$ 614</u>
6	Total Annualized Bill Count	Sch D-1	42,012
7	Proposed Jan 2012 Postage Rate Increase		\$0.02
8	Pro Forma Postage Increase		<u>\$ 840</u>

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
INFORMATION TECHNOLOGY SUPPORT EXPENSES

Line No.	Description (A)	Schedule Reference	Amount (B)
1	May 2011 annual contract rate	Sch C	\$ 15,000
2	Test year actual expense	Sch C	<u>(11,553)</u>
3	Annual increase (Account 923)	Sch C	<u>\$ 3,447</u>

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 BAD DEBT EXPENSE

Line No.	Description	Schedule Reference	Amount
	(A)		(B)
1	Test Year End Bad Debt Expense		\$ 3,207
2	Test Year Base Revenues	Sch C	<u>1,724,090</u>
3	Effective Bad Debt Rate	Sch C	0.186%
4	Adjusted Test Year Base Revenues	Sch A-1	<u>\$ 1,746,977</u>
5	Adjusted test year bad debt expense	Sch C	<u><u>\$ 3,250</u></u>
6	Base revenue increase	Sch A-1	\$ 163,258
7	Effective Bad Debt Rate		<u>0.186%</u>
8	Adjustment at proposed revenues	Sch A-1	<u><u>\$ 304</u></u>

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 CUSTOMER GROWTH O&M ADJUSTMENTS

Line No.	Description (A)	Schedule Reference	ACCOUNT											
			(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)			
1	Test year per book expense	Sch C	\$ 58,603	\$ 11,649	\$ 5,293	\$ 494	\$ 4,760	\$ 9,116	\$ 349	\$ 19,608	\$ 556,686			
			2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%			
2	Customer growth adjustment	Sch D-1												
3	Pro forma adjustments	Sch C	\$ 1,245	\$ 247	\$ 112	\$ 10	\$ 101	\$ 194	\$ 7	\$ 417	\$ 1,204			
4	Total Adjustment		\$ 3,539											

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

SUMMARY OF AFFILIATE TRANSACTIONS

Line No.	Description (A)	FERC Account	Affiliate	Schedule Reference	Test Year Per Books (B)	Adjustments (C)	As Adjusted (D)
1	Postage	921	Hughes Propane		\$ 56	\$	\$ 56
2	Tech support based on hours	921	Hughes Propane	Sch C, L1	\$ 322	\$ (322)	\$ -
3	Customer Service based on hours	901	Hughes Propane	Sch C, L10	\$ 81	\$ (81)	\$ -
4	Utilities	931	Hughes Propane		\$ 2,519	\$	\$ 2,519
5	Office Supplies	921	Hughes Propane		\$ 1,279	\$	\$ 1,279
6	Cost of gas	804	Goliad Midstream		\$ 1,000,615	\$	\$ 1,000,615
6a	Indirect Transportation Fees		Alamo Pipeline via Goliad Billings		\$ 565,049	\$	\$ 565,049
7	Long-term interest expense	427	Hughes Gas Resources		\$ 34,567	\$	\$ 34,567
8	Operations & Maintenance	800 Series	Pinehurst Utility Const		\$ 85,365	\$	\$ 85,365
9	Capitalized to plant accounts	300 Series	Pinehurst Utility Const		\$ 1,306,940	\$	\$ 1,306,940
10	Rent	931	Decker Prairie Properties		\$ 42,000	\$	\$ 42,000
11	Total Adjustments					\$ (403)	\$

Sponsor: Ellen Blumenthal

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
DETAIL OF PROPERTY TAX EXPENSE

Line No.	County (A)	Schedule Reference	Effective Tax Rate (B)	Total Feet of Pipe (C)	Feet of Pipe (F)				Est. Tax Value After Adj. (I)	Pro Forma Prop. Tax (J)	
					6"	4"	3"	2"			<2"
<i>Pipe in the Ground</i>											
1	Austin	Sch C-4.1	1.9379%	5,906	0	0	0	5,332	574	\$ 17,600	\$ 341
2	Colorado		1.8726%	14,790	0	0	0	6,600	8,190	30,800	577
3	Grimes		1.7698%	31,093	240	1,023	0	2,859	26,971	46,200	818
4	Harris		2.1376%	236,481	420	35,811	2,660	90,108	107,482	549,450	11,745
5	Montgomery:										
6	Unincorporated - MISD		2.1444%	496,402	30,888	69,951	114,598	205,870	75,095	862,400	18,493
7	Unincorporated - TISD		2.1244%	129,045	0	33,525	28,800	44,928	21,792	338,800	7,197
8	City of Magnolia		2.6358%	74,668	10,920	7,495	0	56,253	0	105,050	2,769
8	Waller		1.9994%	7,443	0	720	0	2,945	3,778	21,450	429
9	Totals Pipe in the Ground			995,828	42,468	148,525	146,058	414,895	243,882	\$1,971,750	\$42,369
<i>Meters</i>											
10	Austin										32
11	Colorado										56
12	Grimes										84
13	Harris										999
Montgomery:											
14	Unincorporated - MISD		1,568								
15	Unincorporated - TISD		616								
16	City of Magnolia		191								
17	Waller		39								
										Number of Meters	
										3,585	
										Property Tax Valuation for Mains based on Property Tax Division of the Texas Comptroller of Public Accounts	
										\$6,556,278	

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RECONCILE BOOKS TO DISTRIBUTION BASE REVENUES

Line No.	Description (A)	Per Books (B)	Per Books Cost of Gas (C)	Per Books Base Revenues (D)	Normalizing Adjustments (E)	Test Year As Adjusted Base Revenues (F)
1	<u>Gas Sales</u> Total Gas Sales	\$ 3,573,865	\$ 1,849,775	\$ 1,724,090	\$ 22,888	\$ 1,746,977
	<u>Other Revenues</u>					
2	Service Charges			\$ 39,233	\$ 759	\$ 39,992
3	Connection Charges			38,385	816	39,201
4	Collection Calls			3,535	69	3,604
5	Returned Check Charges			1,170	25	1,195
6	Other (Non-Distribution)			-	-	-
7	Total Other Revenues			\$ 82,323	\$ 1,668	\$ 83,991
8	Total Revenues			\$ 1,806,413	\$ 24,556	\$ 1,830,969

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 NORMALIZE DISTRIBUTION BASE REVENUES

Line No.	Description (A)	Per Books Total (B)	To Normalize Base Revenues			Annualize 2010 & 2011 Rate Increases (F)	Normalized Test Year Total (G)
			Remove WNC Billings (C)	Customer Growth Adjustment (D)	Weath Norm Adjustment (3) (E)		
1	Incorporated at \$5.75/mcf	\$ 138,541	\$ -	\$ 4,217 (1)	\$ (12,674)	\$ 143,602 (2)	
2	MCF	18,944.6		567.4	(2,204)	17,307.8	
3	Bills	2,237		67	0	2,304.0	
4	Unincorporated at \$5.365/mcf	\$ 1,585,548	\$ 77,131	\$ 34,492 (1)	\$ (93,796)	\$ 1,603,375	
5	MCF	197,523.5		4,097.6	(17,483)	184,138.2	
6	Bills	38,901		807	0	39,708.0	
7	Total (\$)	\$ 1,724,090	\$ 77,131	\$ 38,710	\$ (106,470)	\$ 1,746,977	
8	Total MCF	216,468.1	0.0	4,665.0	(19,687)	201,446.0	
9	Total Bills	41,138	0	874	0	42,012	

Notes:

- (1) Value based on end of test year customer count adjustment to volumes and No. of Bills (2.1 Percent Growth Factor)
- (2) Based on rates effective July 1, 2011
- (3) Weather Normalization Calculation:

	HDD	
Actual	1,957	
Normal	1,659	
Weather Norm Factor	-0.152274	
Base non-heating load	2.19	
	Norm Vols	Norm Adjust
Incorporated TY Volumes	19,512	
Less: Base Load	5,037	
Weather Load Weather Adj	14,475	(2,204)
Unincorporated TY Volumes	201,621	
Less: Base Load	86,809	
Weather Load Weather Adj	114,813	(17,483)
Total Wthr Load Wthr Adj	442,266	(19,687)

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011
 OTHER DISTRIBUTION REVENUES

Line No.	Description (A)	Test Year Number (B)	Base (C)	Increase Number (D)	Increment to Normalize (E)	Normalized Total (F)
<i>Service Charges</i>						
1	Incorporated		\$ 90		\$ 2	\$ 92
2	Unincorporated		39,143		757	39,900
3	Total Service Charges		<u>\$ 39,233</u>		<u>\$ 759</u>	<u>\$ 39,992</u>
<i>Connects/Disconnect Charges</i>						
4	Incorporated	63	\$ 2,835	1	\$ 60	\$ 2,895
5	Unincorporated	790	35,550	17	755	36,305
6	Total Con./Disconnect Charges		<u>\$ 38,385</u>		<u>\$ 816</u>	<u>\$ 39,201</u>
<i>Collection Calls</i>						
7	Incorporated	8	\$ 280	0	\$ -	\$ 280
8	Unincorporated	93	3,255	2	69	3,324
	Total Collection Calls		<u>\$ 3,535</u>		<u>\$ 69</u>	<u>\$ 3,604</u>
<i>Return Check Charges</i>						
10	Incorporated	0	\$ -	0	\$ -	\$ -
11	Unincorporated	39	1,170	1	25	1,195
12	Total Return Check Charges		<u>\$ 1,170</u>		<u>\$ 25</u>	<u>\$ 1,195</u>
13	Total Other Revenues		<u>\$ 82,323</u>		<u>\$ 1,668</u>	<u>\$ 83,991</u>

(1) Adjustment for customer growth (2.1 Percent Growth Factor)

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

INHERENT COST OF CAPITAL & PROPOSED COST OF CAPITAL

Line No.	Description (A)	Amount (B)	Share (C)	Rate (D)	Weighted (E)
<u>Actual Capital Structure</u>					
1	Owners Equity	\$ 7,968,940	55.50%	10.40%	5.77%
2	Long Term Debt	<u>\$ 897,262</u>	44.50%	6.50%	<u>2.89%</u>
3	Calculated Cost of capital	\$ 8,866,203			<u>8.66%</u>
4	Proposed Cost of Capital (Schedule A)				<u>8.66%</u>

Sponsor: Greg Scheig

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

PROOF OF REVENUE

Line No.	Description (A)	Normalized Billing Determinants (B)	Normalized Base Revenue (C)	Proposed Rates See Sch F-1 Rate Design (D)	Base With Increase (E)	Total Base Increase (F)	Average Cost of Gas (G)	Proposed Total Revenues (E)	Percentage Increase (F)
Incorporated									
1	MCF	17,307.8	\$110,770	\$5.9636	\$ 103,217	\$ (7,553)	\$ 147,900	\$ 251,117	-2.92%
2	Bills	2,304	32,832	\$16.87	38,877	6,045	-	38,877	18.41%
3	Total		\$ 143,602		\$ 142,094	\$ (1,508)	\$ 147,900	\$ 289,994	-0.52%
Unincorporated									
4	MCF	184,138.2	\$ 987,901	\$5.9636	\$ 1,098,127	\$ 110,226	\$ 1,573,507	\$ 2,671,635	4.30%
5	Bills	39,708	615,474	\$16.87	670,015	54,541	-	670,015	8.86%
6	Total		\$ 1,603,375		\$ 1,768,142	\$ 164,767	\$ 1,573,507	\$ 3,341,649	5.19%
Total									
7	MCF	201,446.0	\$ 1,098,671	\$5.9636	\$ 1,201,344	\$ 102,673	\$ 1,721,407	\$ 2,922,751	3.64%
8	Bills	42,012	648,306	\$16.87	708,891	60,585	-	708,891	9.35%
9	Total (\$)		\$ 1,746,977		\$ 1,910,236	\$ 163,258	\$ 1,721,407	\$ 3,631,643	4.71%

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

RATE DESIGN

Line No.	Description (A)	Calculations (B)	Proposed Rate Design (C)
<u>Proposed Revenue Requirement</u>			
1	O&M Expenses	\$ 825,811	
2	Other Taxes	30,677	
3	Depreciation	351,986	
4	Income Taxes	207,443	
5	Return	578,310	
6	Total Revenue Requirement	<u>\$ 1,994,227</u>	
7	Less: Other Revenues	(83,991)	
8	Revenue to be Recovered Through Base Rates	<u><u>\$ 1,910,236</u></u>	
<u>Customer Charge Calculations</u>			
<i>Apply Current Fixed to Total Revenue Ratio:</i>			
9	Total Current Fixed Revenue -Schedule F	\$ 648,306	
10	Total Current Revenue	\$ 1,746,977	
11	Apply Ratio To Total Recoverable Revenue	37.11%	
12	Proposed Customer Charge Revenue (Line 8 X Line 11)	<u>\$ 708,891</u>	
13	Total Normalized Bills	42,012	
14	<i>Proposed Customer Charge (Line 12 / Line 13)</i>		<u><u>\$16.87</u></u>
15	Proposed Volumetric Revenue (Line 8 - Line 12)	<u>\$ 1,201,344</u>	
16	Total Normalized Volumes	201,446	
17	<i>Proposed Volumetric Rate (Line 15 / Line 16)</i>		<u><u>\$5.96</u></u>
<i>Calculate Customer Charge Using Direct Customer Costs:</i>			
18	Customer Related Billing Costs	\$ 124,384 (1)	
19	Depreciation on Services and Meters	90,605 (2)	
20	Return On Services and Meters	244,445 (3)	
21	Depreciation Cust Related Mains *	93,739 (4)	
22	Return On Customer Related Mains *	412,330 (5)	
23	Total Customer Related Costs	<u>\$ 965,502</u>	
24	Total Bills	42,012	
25	Customer Costs Per Bill (Line 23/ Line 24)	<u><u>\$22.98</u></u>	

* Minimum System Study supports 60%

- (1) Schedule C, Line 16, Column E
- (2) Schedule B-1, Line 5, Column D
- (3) Schedule B-1, Line 5, Column B - Schedule B-2, Line 5 Column B X Schedule E, Line 4, Column E X Schedule A-1, Line 5
- (4) Schedule B-1, Line 3, Column D X 60%
- (5) [(Schedule B-1, Line 3, Column B - Schedule B-2, Line 3 Column B) X Schedule E, Line 4, Column E X Schedule A-1, Line 5] X 60%

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
 TEST YEAR ENDING MARCH 31, 2011

BILL COMPARISONS

Line No.	Service Area	Existing Rates (B)		Proposed Rates (C)		SIX MCF			THIRTY MCF			
		Existing Rates	Existing Bills	Proposed Rates	Existing Bills	Proposed/Approved	Existing Bills	Proposed Bills	Percent Increase Bills	Existing Bills	Proposed Bills	Percent Increase
	(A)	(B)	(E)	(C)	(F)	(G)	(J)	(K)	(L)			
Unincorporated Residential												
1	Monthly Customer Charge	\$15.50	\$15.50	\$16.87	\$16.87	\$16.87	\$15.50	\$16.87				
2	Volumetric Rate	\$5.3650	\$32.19	\$5.9636	\$35.78	\$35.78	\$160.95	\$178.91				
3	Test Year Average COG	\$8.55	\$51.27	\$8.55	\$51.27	\$51.27	\$256.36	\$256.36				
4	Total		\$98.96		\$103.93		\$432.81	\$452.14	4.47%			
Unincorporated Commercial												
5	Monthly Customer Charge	\$15.50	\$15.50	\$16.87	\$16.87	\$16.87	\$15.50	\$16.87				
6	Volumetric Rate	\$5.3650	\$32.19	\$5.9636	\$35.78	\$35.78	\$160.95	\$178.91				
7	Test Year Average COG	\$8.55	\$51.27	\$8.55	\$51.27	\$51.27	\$256.36	\$256.36				
8	Total		\$98.96		\$103.93		\$432.81	\$452.14	4.47%			
Incorporated Residential												
9	Monthly Customer Charge	\$14.25	\$14.25	\$16.87	\$16.87	\$16.87	\$14.25	\$16.87				
10	Volumetric Rate	\$6.4000 (1)	\$38.40	\$5.9636	\$35.78	\$35.78	\$192.00	\$178.91				
11	Test Year Average COG	\$8.55	\$51.27	\$8.55	\$51.27	\$51.27	\$256.36	\$256.36				
12	Total		\$103.92		\$103.93		\$462.61	\$452.14	-2.26%			
Incorporated Commercial												
13	Monthly Customer Charge	\$14.25	\$14.25	\$16.87	\$16.87	\$16.87	\$14.25	\$16.87				
14	Volumetric Rate	\$6.4000 (1)	\$38.40	\$5.9636	\$35.78	\$35.78	\$192.00	\$178.91				
15	Test Year Average COG	\$8.55	\$51.27	\$8.55	\$51.27	\$51.27	\$256.36	\$256.36				
16	Total		\$103.92		\$103.93		\$462.61	\$452.14	-2.26%			

Note:

(1) Based on rates effective July 1, 2011

Sponsor: Chuck Loy

HUGHES NATURAL GAS, INC.
TEST YEAR ENDING MARCH 31, 2011
RATE CASE EXPENSE SURCHARGE PROPOSAL

Line No.	Description (A)	Amount (B)
1	Estimated Rate Case Costs	\$ 85,000
2	Proposed recovery period - years	3
3	Annual recovery	<u>\$ 28,333</u>
4	Normalized Test Year Bills	42,012
5	Surcharge factor	<u>\$0.6744</u>
6	Bill Impact - Incorporated/Unincorporated	\$0.67

Rate Case Expenses Have Been Severed - GUD. No. 10102

Sponsor: Chuck Loy

WORKPAPERS

Customer Growth/Weather Normalization/COG Support

Test Year
12 Month Totals

	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	12 Month Totals
Sales													
Incorporated Residential \$	305	238	193	182	156	168	217	394	868	917	916	300	4,854
Commercial \$	5,366	5,321	3,714	4,748	4,421	4,386	5,147	7,930	14,896	15,769	13,924	6,267	91,888
# of Customers	917	1,041	1,046	746	831	969	1,119	1,241	1,673	1,768	1,700	1,040	14,091
Service Revenue	10,347	15,481	16,137	8,040	13,608	14,763	16,897	19,471	25,507	27,186	25,849	15,255	208,540
	187	186	183	182	184	181	185	188	189	191	189	192	2,337
	250	510	90	250	715	375	315	405	460	350	1,050	270	5,040

Unincorporated Residential \$	8,466	6,912	5,253	5,174	4,354	5,007	6,449	15,369	35,978	37,820	39,181	11,068	181,029
Commercial \$	141,381	145,219	125,453	127,859	116,074	121,147	140,833	264,334	573,714	553,466	537,189	203,475	3,050,144
# of Customers	2,922	1,345	976	820	906	887	114	1,290	1,714	2,105	1,812	1,605	16,494
Service Revenue	15,130	19,454	14,784	13,028	14,466	8,381	16,834	18,751	25,776	28,755	24,931	23,001	278,293
	3,245	3,229	3,206	3,231	3,215	3,220	3,209	3,238	3,254	3,239	3,306	3,309	38,901
	10,631	9,567	3,152	8,603	7,585	9,173	3,782	6,538	5,446	2,741	4,802	5,263	77,283

End of Period	Growth Adjustment
End of Period Bills times 12	42,012
Actual # Bills per Books	41,138
Growth Factor	1.021
	2.1%

Total Residential \$	8,771	7,150	5,447	5,356	4,510	5,175	6,666	15,762	36,846	38,737	40,097	11,368	185,883
Commercial \$	146,748	150,539	129,166	132,606	120,494	125,533	145,981	272,264	588,610	569,235	551,114	209,742	3,142,032
# of Customers	3,838	2,385	2,022	1,566	1,737	1,856	1,233	2,531	3,387	3,873	3,512	2,645	30,585
Service Revenue	25,477	34,935	30,921	21,068	28,074	23,143	33,731	38,222	51,283	55,941	50,780	38,256	431,833
	3,432	3,415	3,389	3,413	3,399	3,401	3,394	3,426	3,443	3,430	3,495	3,501	41,138
	10,881	10,077	3,242	8,853	8,300	9,548	4,097	6,943	5,906	3,091	5,852	5,533	82,323
Actual HDD	104	0	0	0	0	0	153	238	404	529	396	133	1,957
30-Yr Average HDD NOAA	50	0	0	0	0	0	45	191	428	453	320	172	1,659
30-Yr Average Accuweather	37	0	0	0	0	0	37	203	412	472	337	153	5.3
Avg Usage (Mcf/Month)	3.7	2.8	2.2	2.0	1.8	2.1	2.3	5.3	11.7	12.4	12.5	4.0	

Non-Heating Heating	7,503	7,466	7,409	7,461	7,431	7,435	7,420	7,490	7,527	7,499	7,641	7,654	
	5,107	2,069	0	0	0	0	479	10,804	32,706	35,111	35,968	6,359	
Non Heating Month Average				2.19							Proposed \$/Mcf		\$5.96
											Proposed \$/Bill		\$16.87

Customer Growth/Weather Normalization/COG Support

	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Test Year 12 Month Totals
Mcf	12,610	9,535	7,468	6,921	6,247	7,030	7,899	18,293	40,233	42,610	43,609	14,013	216,468
Weather adjusted Mcf	9,958	9,535	7,468	6,921	6,247	7,030	7,561	16,160	42,176	37,566	36,706	15,878	203,205
# of Bills	3,432	3,415	3,389	3,413	3,399	3,401	3,394	3,426	3,443	3,430	3,495	3,501	41,138
Service Revenue	10,881	10,077	3,242	8,853	8,300	9,548	4,097	6,943	5,906	3,091	5,852	5,533	82,323
Total Revenue	128,177	124,564	104,963	107,719	102,908	108,861	106,455	161,123	315,520	284,993	283,724	159,296	1,988,304
Purchases													
GME	424	6,090	5,018	4,982	4,912	5,113	7,134	15,316	29,170	41,440	34,838	12,587	167,024
\$	\$2,403	\$38,027	\$34,995	\$33,168	\$31,134	\$29,700	\$37,261	\$84,376	\$173,921	\$248,912	\$217,393	\$69,323	\$1,000,615
\$/MCF	\$5.6686	\$6.2442	\$6.9739	\$6.6577	\$6.3384	\$5.8088	\$5.2230	\$5.5090	\$5.9623	\$6.0066	\$6.2401	\$5.5075	\$5.9908
GME/ALAMO Transportation (MA	433	6,909	5,679	5,582	5,499	5,580	7,616	16,156	31,262	43,028	36,190	13,196	177,131
\$	\$1,382	\$22,040	\$18,115	\$17,807	\$17,543	\$17,802	\$24,295	\$51,537	\$99,727	\$137,261	\$115,447	\$42,095	\$565,049
ER	9,991	6,533	2,598	2,251	2,103	2,393	2,639	4,316	6,101	6,305	5,795	1,651	52,676
\$	\$56,001	\$38,962	\$16,367	\$15,856	\$14,495	\$13,943	\$15,647	\$32,477	\$37,100	\$36,798	\$35,098	\$9,516	\$312,259
\$/MCF	\$5.6051	\$5.9639	\$6.2998	\$7.0440	\$6.8925	\$5.8266	\$5.9291	\$5.2078	\$6.0810	\$5.8363	\$6.0565	\$5.7638	\$5.9279
TEAK	193	165	154	103	130	172	164	375	352	366	367	169	2,710
\$	\$1,188	\$1,037	\$1,078	\$704	\$852	\$1,044	\$925	\$2,238	\$2,276	\$2,403	\$2,300	\$1,139	\$17,184
\$/MCF	\$6.1554	\$6.2848	\$7.0000	\$6.8350	\$6.5538	\$6.0698	\$5.6402	\$5.9680	\$6.4659	\$6.5656	\$6.2674	\$6.7401	\$6.3410
Unigas	0	0	0	0	0	0	0	42	310	907	493	0	1,752
\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$309	\$2,673	\$7,592	\$4,498	\$0	\$15,072
\$/MCF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$7.3571	\$8.6226	\$8.3705	\$9.1227	\$0	\$8.6025
XTX	0	0	0	0	0	0	0	0	99	388	1,087	0	1,574
\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,512	\$4,838	\$12,442	\$0	\$18,792
\$/MCF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15.2727	\$12.4691	\$11.4462	\$0	\$11.9390
City of Brenham	0	0	0	0	0	0	0	0	0	0	0	0	0
\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
\$/MCF	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	10,608	12,788	7,770	7,336	7,145	7,678	9,937	20,049	36,032	49,406	42,580	14,407	225,736
\$	\$60,974	\$100,066	\$70,555	\$67,535	\$64,024	\$62,489	\$78,128	\$160,937	\$317,209	\$437,804	\$387,177	\$122,073	\$1,928,971
\$/Mcf	\$5.7479	\$7.8250	\$9.0804	\$9.2060	\$8.9607	\$8.1387	\$7.8623	\$8.0272	\$8.8035	\$8.8614	\$9.0929	\$8.4732	\$8.5453
Avg Cost of Gas	\$5.7479	\$7.8250	\$9.0804	\$9.2060	\$8.9607	\$8.1387	\$7.8623	\$8.0272	\$8.8035	\$8.8614	\$9.0929	\$8.4732	\$8.5453

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 AUSTIN COUNTY

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
<i>Pipe in the ground</i>							
1	1969	<2"	574	22,788	25.00%	0.744391	\$ 461
2	1998	2"	1,860	30,317	75.76%	1.207786	9,772
3	2010		<u>3,472</u>		98.14%	1.756939	<u>34,374</u>
			5,906				\$ 44,608
4	Throughput Adjustment		32			0.395	<u>17,600</u>
							<u>\$ 62,208</u>

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 COLORADO COUNTY

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
1	1998	<2"	8,190	22,788	75.76%	1.207786	32,343
2	1998	2"	2,600	30,317	75.76%	1.207786	13,660
3	2008		4,000		94.47%	1.847362	40,083
			14,790				\$86,086
4	# of Meters	56			Est. Throughput Adjustment	35.8%	\$30,800

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 GRIMES COUNTY

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
1	1971	<2"	1,645	22,788	25%	0.744391	1,321
2	1987		16,110		51.26%	0.997416	35,549
3	1988		9,216		53.93%	0.997416	21,395
4	2008	2"	2,859	30,317	94.47%	1.847362	28,649
5	1935	4"	363	47,068	25%	0.744391	602
6	2008		660	47,068	94.47%	1.847362	10,268
7	2008	6" Casing	240	66,078	94.47%	1.847362	5,242
			31,093				\$103,026
8	# of Meters	84			Est. Throughput Adjustment	44.8%	\$46,200

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 HARRIS COUNTY

Line #	In Service Year	Pipe Size (Inches)	Feet of Pipe	Cost Factor \$/Mile	Depreciation Factor	Trend Factor	Net Tax Value
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	2010	6" Casing	420	66,078	100%	1.756939	9,235
2	2011	4"	6,040	47,068	100%	1.906184	102,635
3	2010		14,871		100%	1.756939	232,910
4	2009		2,125		96.26%	1.906184	34,759
5	2008		4,020		94.47%	1.847362	62,541
6	2006		8,755		90.84%	1.636186	116,000
7	2011	3"	1,200	38,410			
8	2006		1,460		90.84%	1.636186	15,786
9	2011	2"	7,850	30,317	100%	1.906184	133,391
10	2010		5,405		100%	1.756939	84,653
11	2009		8,687		96.26%	1.906184	91,524
12	2008		7,685		94.47%	1.847362	77,009
13	2006		18,965		90.84%	1.636186	161,851
14	2001		6,960		81.31%	1.238634	40,248
15	2000		2,720		79.46%	1.223244	15,180
16	1998		870		75.76%	1.209258	4,576
17	1995		2,120		69.77%	1.119341	9,506
18	1990		120		58.93%	1.078316	438
19	1988		10,050		53.93%	1.049748	32,669
20	1968		18,676		25.00%	0.744391	19,956
21	2010	<2"	220	22,788	100%	1.756939	3,446
22	2009		637		96.26%	1.906184	5,045
23	2008		1,965		94.47%	1.847362	14,801
24	2006		4,140		90.84%	1.636186	26,557
25	2000		7,000		79.46%	1.223244	29,365
26	1999		36,918		77.61%	1.078316	133,344
27	1998		12,120		75.76%	1.209258	47,922
28	1995		500		69.77%	1.119341	1,685
29	1991		4,300		61.12%	1.078766	12,236
30	1990		3,738		58.93%	1.078316	10,252
31	1988		26,762		53.93%	1.049748	65,389
32	1980		3,679		25.63%	0.823615	3,352
33	1968		5,503		25.00%	0.744391	4,420
34			<u>236,481</u>	8882			<u>\$1,602,681</u>
35		# of Meters	999		Est. Throughput Adjustment	34.3%	\$549,450

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 MONTGOMERY COUNTY UNINCORPORATED - MISD

Line #	In Service Year	Pipe Size (Inches)	Feet of Pipe	Cost Factor \$/Mile	Depreciation Factor	Trend Factor	Net Tax Value
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	2010	6"	13,200	66,078	98.14%	1.756939	\$284,839
2	1997		17,688		73.86%	1.191544	\$194,814
3	2011	4"	885	47,068	100.00%	1.906184	\$15,038
4	2010		11,280		98.14%	1.756939	\$173,382
5	2008		3,881		94.47%	1.847362	\$60,378
6	2007		1,340		92.66%	1.747652	\$19,344
7	2004		8,100		87.02%	1.381582	\$86,811
8	2000		11,250		79.46%	1.223244	\$97,478
9	1997		33,215		73.86%	1.191544	\$260,583
10	2010	3"	448	38,410	98.14%	1.173115	\$3,752
11	2007		1,500		92.66%	1.747652	\$17,671
12	2006		4,756		90.84%	1.636186	\$51,424
13	2005		12,890		88.94%	1.577172	\$131,534
14	2004		7,259		87.02%	1.381582	\$63,487
15	2003		11,324		85.10%	1.272080	\$89,177
16	2002		5,068		83.21%	1.254381	\$38,481
17	2001		22,004		81.31%	1.238634	\$161,213
18	2000		18,061		79.46%	1.223244	\$127,707
19	1999		12,500		77.61%	1.207786	\$85,237
20	1998		2,998		75.76%	1.209258	\$19,980
21	1997		15,790		73.86%	1.191544	\$101,091
22	2010	2"	3,550	30,317	98.14%	1.756939	\$35,147
23	2007		2,093		92.66%	1.747652	\$19,461
24	2006		21,531		90.84%	1.636186	\$183,750
25	2005		13,634		88.94%	1.577172	\$109,812
26	2004		10,316		87.02%	1.381582	\$71,213
27	2003		13,275		85.10%	1.272080	\$82,515
28	2002		21,902		83.21%	1.254381	\$131,263
29	2001		10,150		81.31%	1.238634	\$58,696
30	2000		24,895		79.46%	1.223244	\$138,940
31	1999		25,837		77.61%	1.207786	\$139,060
32	1998		4,356		75.76%	1.209258	\$22,914
33	1997		41,468		73.86%	1.191544	\$209,549
34	1990		12,863		58.93%	1.078316	\$46,933
35	2007	<2"	429	22,788	92.66%	1.747652	\$2,998
36	2006		13,062		90.84%	1.636186	\$83,790
37	2005		10,640		88.94%	1.577172	\$64,415
38	2004		5,965		87.02%	1.381582	\$30,951
39	2003		350		85.10%	1.272080	\$1,635
40	2002		10,650		83.21%	1.254381	\$47,976
41	2001		103		81.31%	1.238634	\$448

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 MONTGOMERY COUNTY UNINCORPORATED - MISD

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
42	2000		17,109		79.46%	1.223244	\$71,773
43	1999		2,078		77.61%	1.207786	\$8,407
44	1990		14,709		58.93%	1.078316	\$40,340
45			496,402				\$3,164,931
46	# of Meters	1,568			Est. Throughput Adjustment	27.2%	\$862,400

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 MONTGOMERY COUNTY UNINCORPORATED - TISD

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
1	2010	4"	2,590	47,068	98.14%	1.756939	\$39,810
2	2005		916		88.94%	1.577172	\$11,454
3	2004		7,261		87.02%	1.381582	\$77,819
4	2003		7,436		85.10%	1.272080	\$71,759
5	2002		2,759		83.21%	1.254381	\$25,671
6	2001		153		81.31%	1.238634	\$1,374
7	1998		7,050		75.76%	1.209258	\$57,576
8	1955		5,360		25.00%	0.744391	\$8,892
9	2008	3"	1,975	38,410	94.47%	1.847362	\$25,074
10	2007		4,559		92.66%	1.747652	\$53,707
11	2006		1,253		90.84%	1.636186	\$13,548
12	2005		2,833		88.94%	1.577172	\$28,909
13	2004		2,557		87.02%	1.381582	\$22,363
14	2002		5,778		83.21%	1.254381	\$43,873
15	2001		870		81.31%	1.238634	\$6,374
16	1999		8,975		77.61%	1.207786	\$61,200
17	2010	2"	745	30,317	98.14%	1.756939	\$7,376
18	2008		653		94.47%	1.847362	\$6,544
19	2007		2,455		92.66%	1.747652	\$22,827
20	2006		7,235		90.84%	1.636186	\$61,745
21	2004		1,132		87.02%	1.381582	\$7,814
22	2003		574		85.10%	1.272080	\$3,568
23	2002		9,727		83.21%	1.254381	\$58,296
24	2001		2,887		81.31%	1.238634	\$16,695
25	1999		6,900		77.61%	1.207786	\$37,137
26	1998		3,360		75.76%	1.209258	\$17,675
27	1997		6,115		73.86%	1.191544	\$30,901
28	1955		3,145		25.00%	0.744391	\$3,361
29	2007	<2"	1,688	22,788	92.66%	1.747652	\$11,798
30	2006		1,997		90.84%	1.636186	\$12,810
31	2005		1,061		88.94%	1.577172	\$6,423
32	2004		3,695		87.02%	1.381582	\$19,173
33	2003		506		85.10%	1.272080	\$2,364
34	2002		8,749		83.21%	1.254381	\$39,413
35	2001		4,096		81.31%	1.238634	\$17,804
36			129,045				\$933,124
37	# of Meters	616			Est. Throughput Adjustment	36.3%	\$338,800

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 MONTGOMERY COUNTY CITY OF MAGNOLIA

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
1	2010	6"	6,001	66,078	98.14%	1.756939	129,494
2	2009		350		96.26%	1.906184	8,037
3	1997		4,569		73.86%	1.191544	50,323
4	2010	4"	1,995	47,068	98.14%	1.756939	30,665
5	1997		5,500		73.86%	1.191544	43,149
6	2011	2"	145	30,317	100.00%	1.906184	1,587
7	2010		4,085		98.14%	1.756939	40,443
8	1997		52,023		73.86%	1.191544	262,886
			74,668				\$566,584
9	# of Meters	191			Est. Throughput Adjustment	18.5%	\$105,050

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts

WORKPAPERS FOR PROPERTY TAX ESTIMATE
 WALLER COUNTY

Line #	In Service Year (A)	Pipe Size (Inches) (B)	Feet of Pipe (C)	Cost Factor \$/Mile (D)	Depreciation Factor (E)	Trend Factor (F)	Net Tax Value (G)
1	1970	<2"	160	22,788	25.00%	0.744391	129
2	1995		850		69.77%	1.119341	2,865
3	1999		1,560		77.61%	1.207786	6,311
4	2001		588		81.31%	1.238634	2,556
5	2002		620		83.21%	1.254381	2,793
6	2008	2"	2,945	30,317	94.47%	1.847362	29,511
7	2008	4"	720	47,068	94.47%	1.847362	11,201
			<u>7,443</u>				<u>\$55,237</u>
8		# of Meters 39			Est. Throughput Adjustment 38.8%		\$21,450

Note: Valuation basis provided by the Property Tax Division of the Texas Comptroller of Public Accounts