



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**GUD No. 10238**  
**(and consolidated cases)**

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**STATEMENT OF INTENT FILED BY ONALASKA WATER & GAS SUPPLY TO  
CHANGE RATES IN THE ENVIRONS  
OF THE CITY OF ONALASKA, AND CONSOLIDATED CASES**

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### APPEARANCES:

#### FOR APPLICANT:

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#### FOR RAILROAD COMMISSION STAFF:

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### PROPOSAL FOR DECISION

### PROCEDURAL HISTORY

Statement of Intent:	January 28, 2013
Rates Suspended:	February 26, 2013
Technical Conference:	June 11, 2013
Heard By:	Gene Montes, Hearings Examiner Christina Poole, Technical Examiner
Settlement Agreement:	May 10, 2013
Record Closed:	July 16, 2013
PFD Circulation Date:	July 16, 2013
Statutory Deadline:	September 11, 2013

### STATEMENT OF THE CASE

The *Statement of Intent* filed by Onalaska Water & Gas Supply Corporation (Onalaska or Company) filed at the Railroad Commission and the consolidated appeal from the action of the City of Onalaska seeks to implement uniform residential and commercial rates. The various rates applied in the service area have been in effect since at least 2005.<sup>1</sup> Onalaska seeks approval for a change to increase its base rate and miscellaneous service fees. Onalaska sought a total revenue requirement of \$316,476, excluding gas costs, for the test-year ending September 13, 2012. For that same period, Onalaska had revenues of \$227,410, excluding gas costs. Thus, Onalaska sought an overall revenue increase of \$89,066, or 39%.

An Agreed Settlement between Onalaska and Railroad Commission Staff was filed on May 10, 2013. Based on the evidence presented in this case, the Examiners find that a prospective base revenue increase of \$86,723 is just and reasonable. That increase is composed of a change in base revenues of \$83,758 and a change in miscellaneous service charge revenues of \$2,965. The Examiners recommend that the applicant's proposed Residential and Commercial customer rates and tariffs be approved as reflected in the Settlement Agreement filed on May 10, 2013. The Examiners also recommend that the applicant's schedules be approved, as set forth in the Settlement Agreement and adopted by the Examiners.

#### **I. Procedural History**

On January 28, 2013, Onalaska filed with the Railroad Commission of Texas (Commission) a *Statement of Intent* to increase rates. That matter was docketed as Gas Utilities Docket No. 10238. On March 22, 2013, Commission Staff intervened. On March 20, 2013, Onalaska filed its *Petition for De Novo Review of the Denial of the Statement of Intent filed by Onalaska Water & Gas Supply Corporation by the City of Onalaska* and that case was docketed as GUD No. 10249. Those cases were consolidated into GUD No. 10238.

The Company provided notice of this proceeding to each customer of Onalaska by U.S. mail on March 28, 2013. A protest was filed on April 22, 2013 and a letter notifying the protestant of the status of the proceedings was issued on May 6, 2013. Staff's motion to intervene was subsequently granted. No other motions to intervene were filed in the case.

Initially, Onalaska requested a Residential customer charge of \$12.00 and a volumetric rate of \$9.321 per Mcf. Onalaska also requested a Commercial customer charge of \$15.00 and a volumetric rate of \$9.321 per Mcf. Onalaska initially requested overall revenues, excluding gas costs, of approximately \$227,411 and an expected revenue increase of \$89,063.

On May 10, 2013, a Settlement Agreement was filed (Settlement Agreement). A copy of the Settlement Agreement is attached to the Proposed Final Order. A notice of hearing was issued on May 10, 2013. A hearing was convened on June 11, 2013. At the hearing the parties presented the Settlement Agreement and the Statement of Intent as evidence to be entered into the record of the case. The Examiners subsequently issued requests for information and those

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<sup>1</sup> Final Order, January 25, 2005.

responses are made part of the evidence in this proceeding. The evidence admitted into the record of the case is as follows:

Statement of Intent, Onalaska Ex. 1,  
Settlement Agreement, Onalaska Ex. 2,  
Response to Examiners' First Request for Information, Onalaska Ex. 3,  
Response to Examiners' Second Request for Information, Onalaska Ex. 4, and  
Response to Examiners' Third Request for Information, Onalaska Ex. 5.

In the Settlement Agreement, Onalaska proposed to overall revenues by approximately \$86,723. Onalaska requested a Residential customer charge of \$12.00 and a volumetric rate of \$9.210 per Mcf. Onalaska also requested a Commercial customer charge of \$15.00 and a volumetric rate of \$9.210 per Mcf. The Settlement Agreement resulted in a reduction to overall cost of service by approximately \$2,341.

For the reasons set forth below, the Examiners find that the proposed rates as set out in the Settlement Agreement are just and reasonable and recommend that the proposed rates be approved.

## **II. Jurisdiction**

The Commission has jurisdiction over Onalaska and over the matters at issue in this proceeding pursuant to TEX. UTIL. CODE ANN. §§ 102.001, 103.003, 103.051, 104.001, 121.051, 121.052, and 121.151 (Vernon 2012). The statutes and rules involved in this proceeding include but are not limited to TEX. UTIL. CODE ANN. §§ 104.101, 104.102, 104.103, 104.105, 104.106, 104.107, 104.110, 104.301, and 16 TEX. ADMIN. CODE Chapter 7.

## **III. Discussion of the Proposed Rate Increase**

### **A. Background**

Onalaska serves 685 residential and 49 commercial customers, in the City of Onalaska and surrounding environs of Polk County, Texas. The current rate schedules for all Onalaska customers within the Commission's jurisdiction were previously set in GUD 9518 in January 2005.

### **B. Books and Records**

Rule 16 TEX. ADMIN. CODE § 7.310 requires that each gas utility utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts prescribed for Natural Gas Companies subject to the provision of the Natural Gas Act for all operating and reporting purposes. That rule provides that a utility may use a different system of accounts if the gas utility maintains a readily available cross-reference between its account numbers and the prescribed account numbers. Onalaska utilizes an accounting software package to manage its accounts. The software is a commonly used accounting package among small businesses. Onalaska maintains a cross-reference between its accounting software and the FERC USOA. As the company maintains its books and records in accordance with Commission Rule 7.310 the amounts included therein are therefore subject to the presumption that they are reasonable and

necessary. Onalaska established that it has fully complied with the requirements of Rule 16 TEX. ADMIN. CODE § 7.310 and the Examiners find that the amounts noted therein are subject to the presumption encapsulated in Rule 16 TEX. ADMIN. CODE § 7.503.

**C. Test Year Data**

The *Statement of Intent* noted that the proposed rates were based upon the twelve-month period ending September 30, 2012, updated for known changes and conditions. In Onalaska's initial filing, Onalaska asserted that the annualized cost of services for the test year ending September 30, 2012, established a revenue requirement of \$316,476.96.<sup>2</sup> Table 1 below provides a summary of the company's cost of service analysis provided in the Statement of Intent.

Table 1  
Cost of Service

	Expense	Amount	Source in COS Study
1	O&M Expenses	\$235,700.00	Line 3029
2	Depreciation Expense	\$28,343.00	Line 3030
3	Tax: other than Income Tax	\$26,096.00	Line 3037
4	Federal Income Tax	\$0.00	Line 8017
5	Interest on Customer Deposit	\$0.00	Line 3038
6	Rate Base: \$290,584 x Return : <u>8.93%</u>	\$26,337.96	Line 2032
7	Total Revenue Requirement	\$316,476.96	Lines 1-6

**D. Comparison to Last Rate Proceeding**

The Examiners have evaluated the cost of service in Onalaska's last rate proceeding. GUD No. 9518. Table 2, provides a comparison of the cost of service elements proposed in this proceeding compared to the cost of service elements established in GUD No. 9518.

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<sup>2</sup> This figure does not include cost of gas.

**Table 2**  
**Cost of Service Comparison – GUD No. 9518 & Current Filing**

		GUD No. 9518		Current Filing	
		Amount	Source in COS Study Schedule A: PFD 9518	Amount	Source in COS Study
1	O&M Expenses	\$158,564	Lines 8-10	\$235,700	Line 3029
2	Depreciation Expense	\$23,675	Line 11	\$28,343	Line 3030
3	Tax: other than Income Tax	\$1,501	Line 5	\$26,096	Line 3037
4	Federal Income Tax	\$0	Line 13	\$0	Line 8017
5	Interest on Customer Deposit	NA		\$0	Line 3038
6	Rate Base: \$290,584 x Return 8.93%	\$0	Rate Base: \$435,584 x Return 0% Line 1-2	\$26,338	Line 2032 Line 7004
7	Interest on Long Term Debt <sup>3</sup>	34,493	Line 6	NA	
8	Total Revenue Requirement	\$218,233	Sum of Lines 1 – 7	\$316,476	Sum of Lines 1 – 7

There was an increase in the revenue requirement due to changes in O & M Expense; Depreciation Expense; Tax: other than Income Tax; Interest on Long Term Debt; and how the Rate of Return is calculated.

Compared to the cost of service calculation in the last rate proceeding, the changes would be expected to result in an increase of \$95,915.15. Due, in part, to increases in the total number of customers since the last rate proceeding, the revenues generated by current rates totaled \$227,411.<sup>4</sup> Thus, the proposed change results in an actual increase of \$89,063.

<sup>3</sup> In GUD No. 9518 Onalaska was provided a 0% Rate of Return. In that proceeding Onalaska was provided a calculated "Interest on Long Term Debt" of \$34,493 as part of its cost of service calculation.

<sup>4</sup> Although the total number of customers appears to have increased the total volumes delivered declined by approximately 704 Mcf, or 3.2%. See, GUD No. 9518, Proposal for Decision, Schedule F, In. 6 and Schedule A, p. 1, In. 24 of the *Statement of Intent* filed in this proceeding.

As demonstrated by Table 2 above, a significant driver in this rate proceeding is a change in the operation and maintenance expense calculation. The change totaled \$77,136. This increase is due, in large measure, to a change in the labor expense calculation. At the hearing on the merits, Mr. Nalepa noted that in GUD No. 9518 none of the expenses related to shared labor were allocated to the cost of service calculation. Thus, all shared labor expenses were placed exclusively upon the customers of the water division. Onalaska has corrected that error in this proceeding. In this proceeding, Onalaska proposed that the shared labor expenses be allocated based upon the total number of customers served by the water and gas division.<sup>5</sup> This is consistent with prior Commission precedent and is a reasonable basis upon which to allocate shared labor. The shared labor expenses allocated to the gas utility totaled \$58,895.<sup>6</sup> The utility also included a salary increase for its two full-time employees that totaled \$17,516.<sup>7</sup> These two changes resulted in an increase to the labor component of the operation and maintenance expenses of \$76,411.

There is no evidence in this case that the salary levels of are unreasonable. The salaries for the two full time employees totaled \$60,336 and \$34,221, respectively. Shared labor is provided by six employees: general manager, office manager, office bookkeeper, office clerk, water field services supervisor, and water field operator. The general manager, officer manager, office bookkeeper, and office clerk provide administrative services and the water field employees provide services related to gas system construction and maintenance. The salaries for the employees whose salary expense are allocated ranged from \$25,500 to \$53,375. The Examiners find that those salary expenses are just and reasonable.

Table 2 also reveals a change to the return calculation included in this filing. In the last rate proceeding, the Commission established rates based upon a 0% rate of return. The Commission included in the cost of service calculation a component for long term debt. This approach is not consistent with recent cost of service calculations approved by the Commission. The approach also limits the ability of a utility to implement factors necessary for future interim rate filings. The rate of return calculation included in the initial filing is consistent with recent Commission decisions and permits Onalaska to use that factor in future interim rate adjustment filings.

#### **E. Affiliate Transactions**

Onalaska provides gas and water distribution services. The services are provided by separate departments within Onalaska. The two departments are part of the same corporate structure. Therefore, the affiliate standard encompassed by TEX. UTIL. CODE ANN. § 104.055(b) does not apply. As noted above, the shared administrative services of employees working in both departments have been allocated. This allocation of these services was not captured in the prior rate proceeding and account for part of the increase identified in the operation and maintenance expense identified.<sup>8</sup>

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<sup>5</sup> COS Schedule, Adj. B, Shared Labor.

<sup>6</sup> COS Schedule, Adj. B, Shared Labor.

<sup>7</sup> COS Adjustment C.

<sup>8</sup> Direct Testimony of Karl J. Nalepa, p. 7, ln. 12 – p. 8, ln. 13.

**F. Settlement Agreement**

The Settlement Agreement in this case was filed on May 10, 2013. Pursuant to the terms of the Settlement Agreement Onalaska's base rate revenue and miscellaneous service fee revenue would be \$314,133. The agreement represents a reduction to the requested cost of service of approximately \$2,343. This represents an increase to the overall revenue requirement of approximately \$86,723. Thus, instead of an overall increase of \$89,063 over current rates, Onalaska's increase will be limited to \$86,723. Therefore, the Settlement Agreement represents a decrease of approximately 2.6% of the original increase requested.

The Examiners are of the opinion that an overall revenue requirement of \$314,133 is just and reasonable. As noted above, the change in the overall rate of return calculation included in the initial filing is reasonable and consistent with prior Commission precedent. Compared to the prior rate proceeding, the operation and maintenance expense has experienced a large rate increase, as reflected in the initial filing. This appears to be due, in part, to the allocation of expenses related to a shared labor force. The allocation was not reflected in the prior proceeding, GUD No. 9518. The allocation of expenses related to share labor reflected in the initial filing is consistent with Commission precedent.

**G. Future Interim Rate Adjustments**

The parties also agreed to certain factors for purposes of future interim rate adjustments. Section 104.301 allows interim adjustments to a utility's rates provided certain criteria are satisfied. Among the requirements, the utility must have completed a rate proceeding within the preceding two years of the initial interim rate adjustment filing. That proceeding would establish the applicable benchmark for certain factors to be used in the interim rate adjustment filing. The Settlement Agreement conforms to the requirement and includes adoption of the factors to be applied in future interim rate adjustment proceedings.<sup>9</sup>

As to the depreciation rates, the Settlement Agreement includes a request for approval of specific rates for the following accounts:

1. Account 376 – 3.512%
2. Account 378 – 20.00%
3. Account 380 – 3.512%
4. Account 381 – 9.40%
5. Account 391 – 20.00%
6. Account 392 – 11.667%
7. Account 394 – 17.611%
8. Account 395 – 17.611%
9. Account 396 – 17.611%

The parties asserted that the proposed depreciation rates are consistent with the depreciation rates approved by the Commission for utilities in recent rate proceedings. On June 25, 2013, in response to a request for information the parties filed data that purported to confirm

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<sup>9</sup> Settlement Agreement, Paragraph 9, 11 & Exhibit C.

the assertion that the proposed depreciation rates are consistent with Commission precedent. The parties submitted an exhibit entitled “Recent Commission Approved Depreciation Rates.”

Of the nine accounts enumerated above, the depreciation rates for four of those accounts are within the range of recently approved Commission cases: Accounts 376, 381, 392, and 396. On the other hand, the depreciation rates for five accounts are outside the range of the depreciation rates of recently approved Commission cases: Accounts 378, 381, 391, 395, and 396.

The requested depreciation rate for Account 396 is 17.611%. In GUD No. 10182, the Commission approved a depreciation rate of 17.28% for this account. This is the highest depreciation rate assigned to this account by the Commission since 2008 when the Final Order in GUD No. 9791 was approved. The proposed rate is within 2% of the recently approved rate and appears to be consistent with Commission precedent.

The proposed depreciation rate for Account 378 is consistent with the depreciation rate applied in GUD No. 9518 for that account. The proposed depreciation rates for the remaining accounts (Accounts 381, 391, and 395) were above the depreciation rates for those accounts in recently approved Commission cases. After reviewing the response to request for information issued by the Examiners, the Examiners find that that the depreciation rates for these accounts reflect the experience of Onalaska for those accounts.

In conclusion, the Examiners find that the proposed interim rate adjustment factors included in the Settlement Agreement are just and reasonable and recommend that they be adopted.

#### **H. Miscellaneous Service Fees**

As noted above, the proposed rate increase included in the *Statement of Intent* and the Public Notice issued in this case indicated that the overall revenues would increase by \$89,066. The adjustments set forth in the Settlement Agreement would result in an overall revenue increase of \$86,723. Accordingly, the Examiners recommend that the Commission approve the proposed rates, which would allow the utility the opportunity to recover a base revenue increase of \$83,758 and miscellaneous service charge revenue increase of \$2,965.

The Company’s changes to its miscellaneous service charges would only apply to the customer requesting and receiving the service. Onalaska proposed a change to the fees set out in Table 3, below.



**Table 3  
Changed Miscellaneous Service Fee**

Service Tap Fee – Short Side	Cost for extending or installing a gas line under normal conditions where the main is on the customers' side of the street	Fee changed from \$175 to \$300.
Service Tap Fee – Long Side	Cost for extending or installing a gas line under normal conditions where the line requires a street bore	Fee changed from \$225 to \$350.
Relocate Meter	Change residential meter location at customer request under normal conditions	Fee changed from \$75 to \$150.
Excess flow Valve	Installation of Bypass and Excess Flow Valve	Fee changed from \$150 to \$180

Onalaska also proposed adding the new miscellaneous service charges for meter tampering and labor charges for service calls. Except that no charges will apply to a leak check or billing inquiry. As a result the total Miscellaneous Service Revenues are projected to increase by \$2,965. The total Miscellaneous Service Revenues encompassed in the cost of service analysis is \$12,404. The Examiners find that the proposed Miscellaneous Service fees are just and reasonable and recommend that they be approved as reflected in the Settlement Agreement.

#### **I. Rate Design**

The remaining revenue requirement encompassed by the Settlement Agreement \$83,758 must be recovered from base rates.<sup>10</sup> The proposed rate for residential customers is a \$12.00 customer charge and a \$9.210 per Mcf volumetric charge. The proposed rate for commercial customers is a \$15.00 customer charge and a \$9.210 per Mcf volumetric charge. The impact of the proposed change on the residential customers is set at Table 4, out below:

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<sup>10</sup> \$83,757 (Base Rate Revenues) + \$2,965 (Miscellaneous Service Fees) = \$86,722.

**Table 4<sup>11</sup>**  
**Residential Customer Bill Revenue Change**

Mcf	Change	Percentage Change
2	\$8.10	36.31%
3	\$11.16	39.18%
4	\$14.21	41.03%
5	\$17.26	42.31%
6	\$20.31	43.26%
7	\$23.36	44.00%
8	\$26.42	44.57%
9	\$29.47	45.04%
10	\$32.52	45.43%

Table 4 represents the percentage increase in revenues that will be generated by the company at the various consumption levels identified in that table. The average residential customer who consumes 6 Mcf will experience a base bill of \$67.26 and experience an increase of approximately 43.26%.<sup>12</sup> The overall base bill for this customer compares to an overall average of \$22.68 for customers in twenty-five Texas cities as set out in the *Six Mcf Residential Gas Bill Analysis for Twenty-five Texas Cities*.<sup>13</sup> The Examiners note that this report reflects the gas rates charged by the largest Texas utilities.<sup>14</sup> These utilities benefit from an economy of scale that is not available to smaller entities.

The Examiners have prepared an analysis of the proposed rate as compared recently approved rates for small utilities that are comparable to Onalaska. The analysis is set out in the attached Examiners' Schedule 3. Figure 4 below summarizes the result of this comparison.

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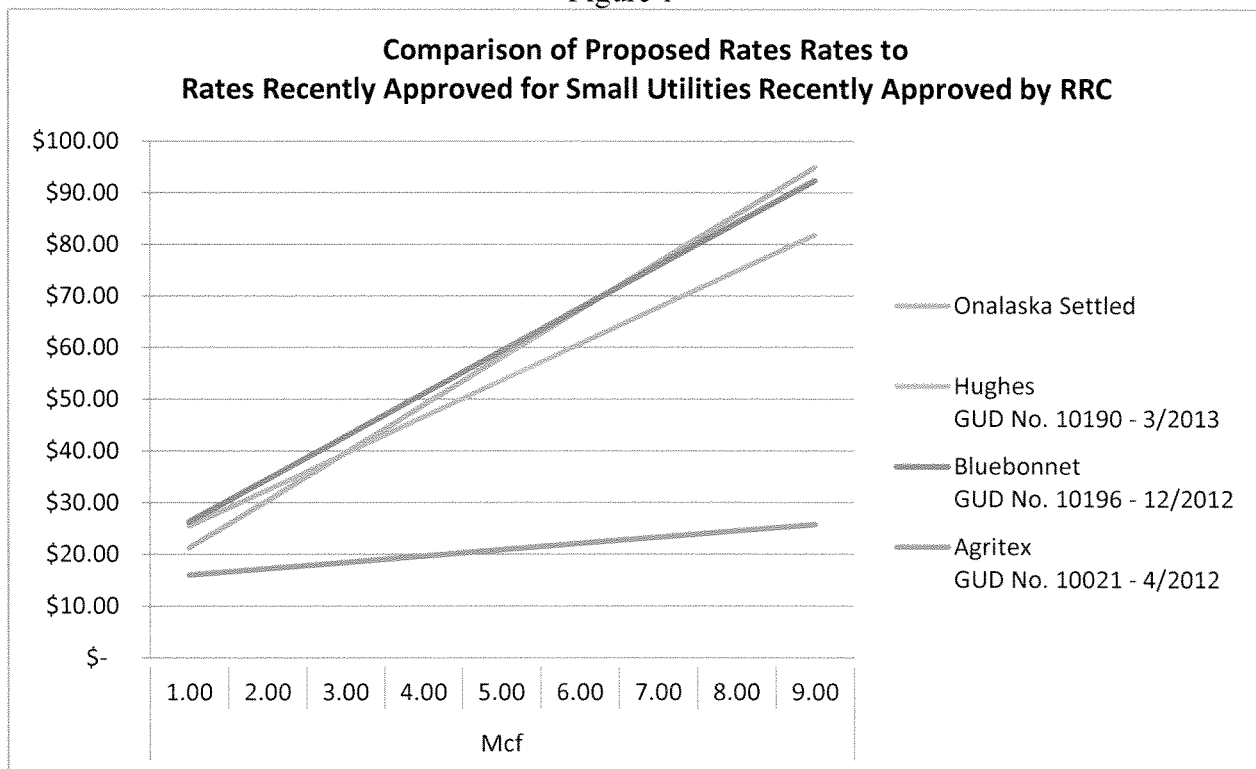
<sup>11</sup> See Examiners' Schedules 1 & 2, attached.

<sup>12</sup> The Gas Services Division of the Railroad Commission prepares *Six Mcf Residential Gas Analysis for Twenty-Five Texas Cities* assumes an average residential consumption level of 6 Mcf.

<sup>13</sup> <http://www.rrc.state.tx.us/data/gasservices/sixmcf/index.php>.

<sup>14</sup> The survey includes data for Atmos Energy, CenterPoint, Texas Gas, and two large municipal utilities.

Figure 1<sup>15</sup>



The rates set for Agritex may have been impacted by the fact that Agritex serves a large number of unregulated agricultural customers. Nearly 70% of Agritex's customer base is comprised of non-jurisdictional customers. On the other hand, Hughes Natural Gas ("Hughes") and Bluebonnet Natural Gas ("BNG") serve primarily residential customers. Furthermore, the customer base of those utilities, serving approximately 3,546 and 1,195 customers, respectively, more closely parallels the customer base of Onalaska. Onalaska serves approximately 734 customers. Despite Onalaska's small customer base, the proposed rates are consistent with the rates recently approved in GUD No. 10190 and GUD No. 10196.

The Examiners find that the proposed rate design is just and reasonable. Onalaska has established its cost of service through a rate study. No evidence was presented that expenses included in the study were not just and reasonable. The proposed settlement results in rates that are consistent with the rates approved for other small utilities.

## J. Rate Case Expenses

### a. Introduction

Rule 16 TEX. ADMIN. CODE § 7.5530 provides that in any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to Texas Utilities Code, § 103.022(b), shall have the burden to prove the reasonableness of such rate-case expenses by a preponderance of the evidence. Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations. Each entity seeking recovery of rate-case expenses must

<sup>15</sup> See Examiners' Schedule 3, attached.

provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.

Furthermore, Commission rules mandate that in determining the reasonableness of the rate-case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted.

Onalaska filed detailed reports related to the rate-case expense requests. Onalaska also filed billing records in support of its rate case expenses. Those records evidence that no expenses were charged for any luxury items, that there are no first-class air fare or charges for use of non-commercial aircraft, no luxury hotel charges, no limousine service, no unreasonable meal charges, no charges for sporting events, alcoholic drinks or other entertainment.

The Examiners reviewed all billings, invoices and evidence submitted by Onalaska. The Examiners recommend no adjustment to invoices submitted by Onalaska. The Examiners have found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses. All of the expenses incurred were reasonably necessary to the underlying proceeding and this rate-case expense docket.

*b. Overall Request*

The total actual and estimated rate case expenses of Onalaska were \$25,000.<sup>16</sup> These amounts are set forth in Table 5 below. Pursuant to the Settlement Agreement entered into between Onalaska and Staff on May 10, 2013.<sup>17</sup>

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<sup>16</sup> Examiners Exhibit 3.

<sup>17</sup> Settlement Agreement Exhibit 1.

provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.

Furthermore, Commission rules mandate that in determining the reasonableness of the rate-case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted.

Onalaska filed detailed reports related to the rate-case expense requests. Onalaska also filed billing records in support of its rate case expenses. Those records evidence that no expenses were charged for any luxury items, that there are no first-class air fare or charges for use of non-commercial aircraft, no luxury hotel charges, no limousine service, no unreasonable meal charges, no charges for sporting events, alcoholic drinks or other entertainment.

The Examiners reviewed all billings, invoices and evidence submitted by Onalaska. The Examiners recommend no adjustment to invoices submitted by Onalaska. The Examiners have found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses. All of the expenses incurred were reasonably necessary to the underlying proceeding and this rate-case expense docket.

*b. Overall Request*

The total actual and estimated rate case expenses of Onalaska were \$29,200.<sup>16</sup> These amounts are set forth in Table 5 below. Pursuant to the Settlement Agreement entered into between Onalaska and Staff on May 10, 2013.<sup>17</sup>

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<sup>16</sup> Examiners Exhibit 3.

<sup>17</sup> Settlement Agreement Exhibit 1.

**Table 5  
Rate Case Expense Request**

	Actual	Settlement Agreement Recovery
ONALASKA	\$29,200	\$25,000

Onalaska demonstrated \$29,200 in rate case expenses. Pursuant to the terms of the Settlement Agreement Onalaska is seeking to recover \$25,000.00 in rate case expenses. The Examiners find that Onalaska has met its burden to establish that these are reasonable expenses. Onalaska proposed that the rate case expense surcharge be recovered by a fixed surcharge of \$0.95 per customer per month to be recovered over a period of 36 months. The Examiners recommend that the requested rate case expenses be approved.

**K. Tariffs**

The parties have filed proposed tariffs as part of the settlement agreement. The tariffs include a proposed residential service tariff, commercial service tariff, gas cost adjustment tariff, rate case expense tariff, and a schedule of miscellaneous service charges. The Examiners find that the requested tariffs are just and reasonable.

Paragraph 15 of the Settlement Agreement provides that since recovery of the exact \$25,000 in rate case expenses cannot be achieved in the final month, the utility shall seek the Commission's authority to include any over or under collected amount remaining in the Purchase Gas Adjustment clause. The Examiners recommend that this provision be rejected as the Purchase Gas Adjustment Clause is limited to gas costs from 16 Tex. Admin. Code § 7.5519. Instead, the Examiners recommend that all rate case expenses be recovered through the rate case expense surcharge. As the last month may be less than the fixed surcharge the utility may change the amount of the surcharge as it does not involve a rate increase.

**IV. Conclusion**

The Examiners recommend that the rate increase agreed to by Onalaska and Staff and set forth in the Settlement Agreement filed with the Commission on May 10, 2013 be approved. Further, the Examiners recommend that the schedules, as set forth in the Settlement Agreement be approved.

**Issued this 16th day of July 2013.**

Respectfully submitted,



Gene Montes  
Hearing Examiner  
Hearings Division



Christina Poole  
Technical Examiner  
Hearings Division

**RATE COMPARISON**

Examiners' Schedule 1

**Residential Bill**  
(excluding gas cost)

	Customer Volumetric		Mcf								
	Charge	Charge	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00
Current	\$10.00	\$6.15800	\$ 16.16	\$ 22.32	\$ 28.47	\$ 34.63	\$ 40.79	\$ 46.95	\$ 53.11	\$ 59.26	\$ 65.42
Proposed	\$12.00	\$9.32100	\$ 21.32	\$ 30.64	\$ 39.96	\$ 49.28	\$ 58.61	\$ 67.93	\$ 77.25	\$ 86.57	\$ 95.89
Settled	\$12.00	\$9.21000	\$ 21.21	\$ 30.42	\$ 39.63	\$ 48.84	\$ 58.05	\$ 67.26	\$ 76.47	\$ 85.68	\$ 94.89



**Residential**

Ccf	Current	Requested	Settled	Change	% Change
				Current - Settled	
1	16.16	21.32	21.21	5.05	31.27%
2	22.32	30.64	30.42	8.10	36.31%
3	28.47	39.96	39.63	11.16	39.18%
4	34.63	49.28	48.84	14.21	41.03%
5	40.79	58.61	58.05	17.26	42.31%
6	46.95	67.93	67.26	20.31	43.26%
7	53.11	77.25	76.47	23.36	44.00%
8	59.26	86.57	85.68	26.42	44.57%
9	65.42	95.89	94.89	29.47	45.04%
10	71.58	105.21	104.10	32.52	45.43%

**Commercial**

Ccf	Current	Requested	Settled	Change	% Change
				Current - Settled	
5	40.79	61.61	61.05	20.26	49.67%
10	71.58	108.21	107.10	35.52	49.62%
15	102.37	154.82	153.15	50.78	49.60%
20	133.16	201.42	199.20	66.04	49.59%
25	163.95	248.03	245.25	81.30	49.58%
30	194.74	294.63	291.30	96.56	49.58%
35	225.53	341.24	337.35	111.82	49.58%
40	256.32	387.84	383.40	127.08	49.58%
45	287.11	434.45	429.45	142.34	49.58%
50	317.90	481.05	475.50	157.60	49.58%

**Residential Bill**  
(excluding gas cost)

	Customer Charge	Volumetric Charge	Mcf						
			1.00	2.00	3.00	4.00	5.00	6.00	7.00
Onalaska Settled Customers	\$12.00	\$9.21000	\$ 21.21	\$ 30.42	\$ 39.63	\$ 48.84	\$ 58.05	\$ 67.26	\$ 76.47
	734								
Hughes GUD No. 10190 - 3/2013 Customers	\$18.35	\$7.05000	\$ 25.40	\$ 32.45	\$ 39.50	\$ 46.55	\$ 53.60	\$ 60.65	\$ 67.70
	3,546								
Bluebonnet GUD No. 10196 - 12/2012 Customers	\$18.00	\$8.26000	\$ 26.26	\$ 34.52	\$ 42.78	\$ 51.04	\$ 59.30	\$ 67.56	\$ 75.82
	1,195								
Agritex GUD No. 10021 - 4/2012 Customers	\$14.75	\$1.22	\$ 15.97	\$ 17.19	\$ 18.41	\$ 19.63	\$ 20.86	\$ 22.08	\$ 23.30
	6,282								

Twenty -Five Texas Cities - Six Mcf Residential Gas Bill.

25 Texas Cities 2012 Overall Average:

\$ 22.68

Utility Not Among Those Surveyed in Twenty-Five Texas Cities - Six Mcf Residential Gas Bill Report

West Texas Gas \$10.00 \$3.76 \$ 13.76 \$ 17.52 \$ 21.28 \$ 25.04 \$ 28.80 \$ 32.56 \$ 36.32 \$ 40.08 \$ 43.84

## **RAILROAD COMMISSION OF TEXAS**

<b>STATEMENT OF INTENT FILED BY</b>	<b>§</b>	<b>GAS UTILITIES DOCKET NO. 10238</b>
<b>ONALASKA WATER &amp; GAS SUPPLY</b>	<b>§</b>	
<b>TO CHANGE RATES IN THE</b>	<b>§</b>	
<b>ENVIRONS OF THE CITY OF</b>	<b>§</b>	
<b>ONALASKA</b>	<b>§</b>	

### **FINAL ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 et. seq. (Vernon 2008 & Supp. 2012). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

### **FINDINGS OF FACT**

1. Onalaska Water and Gas Supply ("Onalaska") owns and operates a natural gas distribution system in the incorporated community of Onalaska, Texas and its environs.
2. On January 28, 2013, Onalaska filed with the Railroad Commission of Texas ("Commission") a Statement of Intent to increase its rates in the environs of Onalaska, Texas.
3. Onalaska requested an effective date of March 24, 2013.
4. On February 26, 2013, the Commission suspended the implementation of Onalaska's proposed rates for 150 days beyond the proposed effective date, or until September 11, 2013.
5. Staff of the Railroad Commission intervened on March 22, 2013. No other interventions were filed.
6. Onalaska provided adequate notice to customers by publishing notice four consecutive times in the Polk County Enterprise prior to March 28, 2013.
7. Onalaska initially requested a cost of service of \$316,476.
8. The proposed Settlement Agreement contemplates a cost of service of \$314,133.
9. The data submitted to the Commission in this docket encompasses a full test-year, i.e., the twelve-month period ending September 30, 2012.
10. The new base rates will consist of a customer charge and a volumetric charge designed to recover Onalaska's cost of service and provide a reasonable return on its investment. The

proposed rate changes are set forth on the following table.

<u>Customer Class</u>	<u>Customer Charge \$/Month</u>	<u>Commodity Charge \$/MCF</u>
Residential	\$12.00	\$9.210
Commercial	\$15.00	\$9.210

11. Onalaska also proposed to change several miscellaneous service fee items for an additional revenue increase of \$2,965. The miscellaneous service fee changes are associated with the service tap fees, the relocate meter fees, and the excess flow valve fees. In addition, Onalaska proposed two new fees related to meter tampering and labor fees.
12. For purposes of calculating an interim rate adjustment the beginning invested capital, accumulated depreciation amounts, service lives, depreciation rates, and applicable tax rates reflected on Exhibit C in the attached Settlement Agreement are just and reasonable.
13. The total actual and estimated rate case expenses of Onalaska were \$29,200.
14. Onalaska provided billings, invoices and evidence in support of its rate case expense request.
15. The billings, invoices and evidence provided in support of its rate case expenses evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses.
16. All of the expenses incurred were reasonably necessary to the underlying proceeding and this rate-case expense docket
17. Onalaska has agreed to limit its rate case expenses to \$25,000.
18. Paragraph 16 of the Settlement Agreement provided that since recovery of the exact \$25,000 may not be achieved in the final month, the utility shall seek authority to include any over or under collected amount remaining in the Purchase Gas Adjustment clause.
19. It is not reasonable to include the unrecovered balance, or refund, of the rate case expenses in the purchase gas adjustment clause as rate case expenses are not related to gas expenses.

20. It is reasonable to allow Onalaska to adjust its rate case expense surcharge in the final month of recovery to allow a precise recovery of total rate case expenses.
21. The rates proposed by Finding of Fact No. 13 - 14 are just and reasonable and allow the utility to earn the cost of service approved herein.

### **CONCLUSIONS OF LAW**

1. Onalaska is a gas utility as defined in TEX. UTIL. CODE ANN. § 101.003(7) and TEX. UTIL. CODE ANN. § 121.001 (Vernon 2007 and Supp. 2012) and is subject to the Commission's jurisdiction under TEX. UTIL. CODE ANN. §§ 104.002 and 121.051 (Vernon 2007 and Supp. 2012).
2. The Commission has exclusive original jurisdiction over Onalaska and Onalaska's statement of intent under TEX. UTIL. CODE ANN. § 102.001 (Vernon 2007 and Supp. 2012).
3. The revenue, rates, and rate design recommended in the findings of fact are reasonable and fix an overall level of revenues for Onalaska that will permit Onalaska a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses under TEX. UTIL. CODE ANN. §104.051 (Vernon 2007 and Supp. 2012), and otherwise comply with Chapter 104 of the Texas Utilities Code.
4. It is reasonable for the Commission to allow Onalaska to include a cost of gas clause in its tariffs that allows the recovery of Onalaska' gas costs, under 16 TEX. ADMIN. CODE § 7.5519 (2012).
5. The overall revenue requirement established in this Order will permit Onalaska a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses under TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 and Supp. 2012).
6. Onalaska failed to meet its burden of proof on the elements of its requested rate design pursuant to TEX. UTIL. CODE ANN. § 104.008 (Vernon 2007 and Supp. 2012).
7. The rates established in this Order will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public, under TEX. UTIL.

CODE ANN. § 104.052 (Vernon 2007 and Supp. 2012).

8. The rates and rate design reflected in the findings of fact are just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer, under TEX. UTIL. CODE ANN. § 104.003 (Vernon 2007 and Supp. 2012).

**IT IS THEREFORE ORDERED** that Onalaska' requested rates are **DENIED**.

**IT IS FURTHER ORDERED** that the rates and rate design reflected in the findings of fact, in the attached Settlement Agreement, as amended by Finding of Fact Nos. 18 & 19, and conclusions of law are **APPROVED**.

**IT IS FURTHER ORDERED** that Onalaska shall file tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

**IT IS FURTHER ORDERED** that Onalaska **SHALL** include in its purchase gas adjustment only it's reasonable and necessary gas purchase expenditures and that the reasonableness and prudence of Onalaska' gas purchases pursuant to its Cost of Gas clause may be subject to an adjustment and potential refund in a subsequent proceeding.

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

**IT IS FURTHER ORDERED** that this order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

**SIGNED** this \_\_\_\_ day of August, 2013.

**RAILROAD COMMISSION OF TEXAS**

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**BARRY T. SMITHERMAN**  
**CHAIRMAN**

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**DAVID PORTER**  
**COMMISSIONER**

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**CHRISTI CRADDICK**  
**COMMISSIONER**

**ATTEST:**

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**SECRETARY**



**ReSOLVED**  
ENERGY CONSULTING

May 10, 2013

Examiner Gene Montes  
Examiner Cecile Hanna  
Examiner Rose Ruiz  
Railroad Commission of Texas  
1701 North Congress Avenue  
Austin, Texas 78701

**FILED**  
2013 MAY 10 PM 3:30  
DOCKET SERVICES  
RAILROAD COMMISSION  
OF TEXAS

Re: GUD No. 10238: Statement of Intent Filed by Onalaska Water & Gas Supply Corporation to Change Rates in the Environs of the City of Onalaska

Dear Examiners:

Onalaska Water & Gas Supply Corporation and Railroad Commission Staff (collectively, "the Parties") are pleased to submit the enclosed Settlement Agreement and supporting documents for the Commission's consideration.

The Parties propose that the Settlement Agreement and supporting documents be entered into the evidentiary record and addressed at the scheduled June 11 hearing.

We would also appreciate the Examiners scheduling this docket for the earliest possible Commission Conference.

Sincerely,

Karl J. Nalepa, President  
ReSolved Energy Consulting, LLC  
On behalf of Onalaska Water & Gas Supply Corp.

cc: Mr. John Griffin



**SETTLEMENT AGREEMENT**  
**BETWEEN ONALASKA WATER & GAS SUPPLY CORPORATION**  
**AND STAFF OF THE RAILROAD COMMISSION OF TEXAS**  
**IN GAS UTILITIES DOCKET NO. 10238**

Onalaska Water & Gas Supply Corporation serves approximately 730 residential and commercial customers inside and outside the City of Onalaska near Lake Livingston, about 70 miles north of Houston. The Company was created when Onalaska Water Corporation purchased the gas utility from the City of Onalaska in 2000. OW&GS' last rate change was approved by the Railroad Commission of Texas in 2005. The Company filed its current rate change request in January 2013, because existing rates do not allow the Company to recover its current cost of service. A significant portion of the requested rate increase is payroll-related. Current rates do not reflect Gas department employees' pay raises incurred over the 8 years since the prior rate case and the prior filing did not include the cost of shared services associated with overall company management, accounting, billing, and customer service personnel. FURTHER,

WHEREAS, this settlement agreement (the "Settlement Agreement") is entered into by Onalaska Water & Gas Supply Corporation ("OW&GS") and the Staff of the Railroad Commission of Texas ("Staff"); and

WHEREAS, on January 28, 2013, OW&GS filed with the Commission an application, hereafter referred to as the 2013 Rate Filing, to adjust rates under the provisions of Subchapter C of Section 104 of the Texas Utilities Code and the rules of the Gas Services Division of the Commission, and such filing was docketed as Gas Utilities Docket ("GUD") 10238; and

WHEREAS, a concurrent rate filing was made with the City of Onalaska, which denied the proposed rate adjustments; and

WHEREAS, OW&GS timely filed an appeal of the City's actions under the provisions of Subchapter C of Section 103 of the Texas Utilities Code and the rules of the Gas Services Division of the Commission, and such filing was docketed as GUD 10249 and consolidated with the 2013 Rate Filing; and

WHEREAS, Staff sought intervention and were granted party status in GUD 10238 on March 22, 2013; and

WHEREAS, OW&GS filed direct testimony and a cost of service model in support of the requested rate increase; and

WHEREAS, OW&GS' last rate change was approved by the Railroad Commission of Texas ("Commission") in GUD No. 9518, effective January 25, 2005, or 8 years ago;

WHEREAS, proper notice has been made to all affected customers by direct mail on March 28, 2013, which is supported a duly notarized Affidavit; and

WHEREAS, Staff have engaged in discovery regarding the issues in dispute; and

WHEREAS, Staff has analyzed and proposed adjustments to the rates proposed by OW&GS in its 2013 Rate Filing; and

WHEREAS, this Settlement Agreement resolves all issues between OW&GS and Staff ("the Signatories") regarding the 2013 Rate Filing, which is currently pending before the Commission, in a manner that the Signatories believe is consistent with the public interest; and

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses associated with this docket; and

WHEREAS, the Signatories believe that the resolution of the issues raised in this 2013 Rate Filing can best be accomplished by the Commission approving this Settlement Agreement and the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to the following Settlement Terms as a means of fully resolving all issues between the Staff and OW&GS involving the 2013 Rate Filing:

Settlement Terms

1. Upon the execution of this Settlement Agreement, Signatories will recommend that an Order be issued to approve this Settlement Agreement and implement the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow OW&GS an additional, prospective \$83,757 in annual base revenue and \$2,965 in miscellaneous service charge revenue by implementation of rates shown in the proof of revenues attached as Exhibit B and specified on the tariffs in Exhibit A.
2. Signatories agree that the revenue increase is a "black box" figure and is not tied to any specific expense in OW&GS' underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall, subject to the Commission's approval, be effective for bills rendered on and after the effective date of the Final Order in this docket.

3. Signatories agree that the increase in revenues is reasonable considering the period of time since the last rate change, and the recognition of certain allocated labor costs not included in the prior rate filing.
4. Signatories agree that OW&GS will follow the appropriate allocation methodology for Water Company and office employees as required by the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA).
5. Signatories agree that OW&GS will follow the appropriate capitalization and expense procedures as required in the FERC USOA General Instructions for Plant Accounting.
6. Signatories agree that OW&GS will utilize the suitable Gas Distribution and General Plant Account when replacing, repairing, or completing new construction.
7. Signatories agree that OW&GS will evaluate its revenue requirement no less than every four years to mitigate the amount of any future rate change.
8. Signatories agree to the following customer charges and consumption charges for customers served by OW&GS. These rates are reflected in the rate schedules attached as Exhibit A.

Customer Class	Customer Charge	Consumption Charge
Residential	\$12.00	\$9.210 per Mcf
Commercial	\$15.00	\$9.210 per Mcf

9. Signatories agree that for the purpose of calculating an interim rate adjustment under TEX. UTIL. CODE § 104.301, the beginning invested capital, accumulated depreciation amounts, service lives, depreciation rates, and applicable tax rates are reflected on Exhibit C attached to this Agreement.
10. Signatories agree that the terms of this Settlement Agreement provide OW&GS a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses, TEX. UTIL. CODE § 104.051.
11. Signatories agree that the terms of this Settlement Agreement establish a rate that does not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public as shown below:

Capital Structure	
Owner's Equity:	55.00%
Debt:	45.00%
Return on Equity:	10.50%
Cost of Debt:	7.00%
Rate of Return:	8.93%

12. Signatories agree that the Settlement Agreement does not include expenses for business gifts, entertainment, charitable donations, legislative advocacy, advertising expense that exceeds one-half of one percent of the gross receipts of the utility, funds for support or membership in social, recreational, fraternal, or religious organizations pursuant to TEX. UTIL. CODE § 104.057 and TEX. ADMIN. CODE § 7.5414.
13. Signatories agree that the Purchased Gas Adjustment Tariff does not allow for recovery of more than 5% unaccounted for gas loss and does not allow for recovery of more than actual gas cost pursuant to TEX. ADMIN. CODE § 7.5519.
14. Signatories agree that it is reasonable to allow OW&GS to implement a rate surcharge to recover rate case expenses of \$25,000, which is \$4,200 less than total rate case expenses incurred to date of approximately \$29,200. Interest will not be added to the unrecovered rate case expense balance. The surcharge will be \$0.95 per customer per month until the entire rate case expense amount is collected, or approximately 36 months, but in no event shall the amount collected exceed \$25,000.
15. Signatories agree that OW&GS shall file an annual report with the Gas Services Division on or before March 1<sup>st</sup> of each year showing the beginning balance of the unrecovered Rate Case Expense at January 1st, the amount recovered by customer class by month during the previous calendar year and the ending balance as of December 31<sup>st</sup>. Upon completion of the recovery, OW&GS shall file a final report within 60 days after the last billing cycle recovery from the customer. Since recovery of the exact \$25,000 cannot be achieved in the final month, the utility shall seek the Commission's authority to include any over or under collected amount remaining in the Purchase Gas Adjustment.
16. Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission issues an Order that is inconsistent with this Settlement Agreement, then either Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
17. Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an Order implementing this Settlement Agreement.
18. Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.

19. Signatories agree to support and seek Commission approval of this Settlement Agreement.

20. Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 26 day of April, 2013.

ONALASKA WATER & GAS SUPPLY CORPORATION

By: Gairee Brown  
Gairee Brown  
Gas Superintendant

Agreed to this \_\_\_\_\_ day of April, 2013.

ATTORNEY FOR RAILROAD COMMISSION STAFF

By: \_\_\_\_\_  
John Pierce Griffin

19. Signatories agree to support and seek Commission approval of this Settlement Agreement.

20. Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this \_\_\_\_\_ day of April, 2013.

ONALASKA WATER & GAS SUPPLY CORPORATION

By: \_\_\_\_\_

Gairee Brown  
Gas Superintendant

Agreed to this 7<sup>th</sup> <sup>MAY 19<sup>th</sup></sup> day of ~~April~~, 2013.

ATTORNEY FOR RAILROAD COMMISSION STAFF

By: \_\_\_\_\_

John Pierce Griffin

## **Exhibit A**

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Residential Service - Incorporated Areas

APPLICATION OF SCHEDULE

This schedule is applicable to general use by Residential customers for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. This tariff is applicable to the incorporated municipality of Onalaska. Service under this tariff is subject to the original jurisdiction of the municipality of Onalaska. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE:           \$12.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each residential customer for all consumption each month shall be \$9.210 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

The customer's bill shall be adjusted upward (downward) based on the Company's Cost of Gas Adjustment Clause.

TAXES:

The Company shall collect from customers on each monthly bill an amount equal to the taxes, fees and other charges imposed by regulatory or governmental authorities.

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall pass on the Pipeline Safety and Regulatory Program Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

The Company shall recover approved rate case expenses through a surcharge on each customer's bill. The surcharge will be collected on a per customer basis on each monthly bill.



OTHER SURCHARGES:

The Company shall collect from customers on each monthly bill other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.

PAYMENT:

All bills shall be delinquent unless payment is received within fifteen (15) days from the date of the bill.

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Residential Service - Environs

APPLICATION OF SCHEDULE

This schedule is applicable to general use by Residential customers for heating, cooking, refrigeration, water heating and other similar type uses. This tariff is applicable to the unincorporated environs of Onalaska. Service under this tariff is subject to the original jurisdiction of the Railroad Commission of Texas. This schedule is not available for service to premises with an alternative supply of natural gas. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE:           \$12.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each residential customer for all consumption each month shall be \$9.210 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

The customer's bill shall be adjusted upward (downward) based on the Company's Cost of Gas Adjustment Clause.

TAXES:

The Company shall collect from customers on each monthly bill an amount equal to the taxes, fees and other charges imposed by regulatory or governmental authorities.

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall pass on the Pipeline Safety and Regulatory Program Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

The Company shall recover approved rate case expenses through a surcharge on each customer's bill. The surcharge will be collected on a per customer basis on each monthly bill.

OTHER SURCHARGES:

The Company shall collect from customers on each monthly bill other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.

PAYMENT:

All bills shall be delinquent unless payment is received within fifteen (15) days from the date of the bill.

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Commercial Service - Incorporated Areas

APPLICATION OF SCHEDULE

This schedule is applicable to Commercial type customers, including hospitals and churches, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. This tariff is applicable to the incorporated municipality of Onalaska. Service under this tariff is subject to the original jurisdiction of the municipality of Onalaska. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE:       \$15.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each commercial customer for all consumption each month shall be \$9.210 per Mcf (Commodity Rate), subject to the Gas Cost Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

The customer's bill shall be adjusted upward (downward) based on the Company's Cost of Gas Adjustment Clause.

TAXES:

The Company shall collect from customers on each monthly bill an amount equal to the taxes, fees and other charges imposed by regulatory or governmental authorities.

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall pass on the Pipeline Safety and Regulatory Program Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 and 16 Texas Admin. Code §8.201.

**RATE CASE EXPENSE SURCHARGE:**

The Company shall recover approved rate case expenses through a surcharge on each customer's bill. The surcharge will be collected on a per customer basis on each monthly bill.

**OTHER SURCHARGES:**

The Company shall collect from customers on each monthly bill other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.

**PAYMENT:**

All bills shall be delinquent unless payment is received within fifteen (15) days from the date of the bill.

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Commercial Service - Environs

APPLICATION OF SCHEDULE

This schedule is applicable to Commercial type customers, including hospitals and churches, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. This tariff is applicable to the unincorporated environs of Onalaska. Service under this tariff is subject to the original jurisdiction of the Railroad Commission of Texas. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE:       \$15.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each commercial customer for all consumption each month shall be \$9.210 per Mcf (Commodity Rate), subject to the Gas Cost Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

The customer's bill shall be adjusted upward (downward) based on the Company's Cost of Gas Adjustment Clause.

TAXES:

The Company shall collect from customers on each monthly bill an amount equal to the taxes, fees and other charges imposed by regulatory or governmental authorities.

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall pass on the Pipeline Safety and Regulatory Program Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 and 16 Texas Admin. Code §8.201.

**RATE CASE EXPENSE SURCHARGE:**

The Company shall recover approved rate case expenses through a surcharge on each customer's bill. The surcharge will be collected on a per customer basis on each monthly bill.

**OTHER SURCHARGES:**

The Company shall collect from customers on each monthly bill other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.

**PAYMENT:**

All bills shall be delinquent unless payment is received within fifteen (15) days from the date of the bill.

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Cost of Gas Adjustment Clause

A. APPLICABILITY

Gas bills issued under rate schedules to which this Rider applies will include adjustments to reflect decreases or increases in purchased gas costs. Any such adjustments shall be filed with the appropriate regulatory authority before the beginning of the month in which the adjustment will be applied to bills.

B. DEFINITIONS

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, and other purchased gas expenses.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase commodity cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, and storage necessary for the movement of gas to the Company's city gate delivery point(s), and associated taxes.
4. Reconciliation Component - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.
5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of June to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company per Section B(3) Cost of Purchased Gas to provide service to its general service customers during the period, (b) the revenues received from operation of the provisions of this cost of gas clause, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, and (d) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. For the purpose of



this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 5 percent lost and unaccounted for gas.

7. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3), (b) the revenues produced by the operation of this Cost of Gas Clause, (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
8. General Service Customers - those customers served under the Residential, Commercial, Industrial and Public Authority rate schedules.

#### C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

#### D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E. PAYMENT FOR FUNDS, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather for the period beginning with the October billing cycle last preceding 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 following October billing cycle and continuing through the next following June billing cycle at which time it will terminate until a new Reconciliation Component is determined

#### E. PAYMENT FOR FUNDS

If, on the average, the Company had over-collected during the period, it shall credit into the Reconciliation Account during September an amount equal to the average balance multiplied by a percentage representing interest. This percentage shall be the same interest rate percentage that is set annually by the Public Utility Commission for Over/Under Charges. If on the average, the Company had under-collected during the period, it shall debit into the Reconciliation Account during September an amount equal to the average balance multiplied by a percentage representing interest. This percentage shall be the same interest rate percentage that is set annually by the Public Utility Commission for Over/Under Charges.

Onalaska Water & Gas Supply Corporation  
Gas Rate Sheet  
Rate Case Expense (RCE)

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under residential or commercial rate schedules in the city and environs served by Onalaska Water & Gas Supply Corporation. This schedule is for the recovery of rate case expenses and shall be in effect beginning with the effective date of the Final Order in GUD No. 10238, for an approximate thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The rate payable shall be \$0.95 per customer per month.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations; as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from the Company's office located at 647 Highway 356 South, Onalaska, TX 77360.

COMPLIANCE

The Company shall file an annual report with the Gas Services Division on or before March 1<sup>st</sup> of each year showing the beginning balance of the unrecovered rate case expense at January 1<sup>st</sup>, the amount recovered by customer class by month during the previous calendar year and the ending balance as of December 31<sup>st</sup>. Upon completion of the recovery, OW&GS shall file a final report within 60 days after the last billing cycle recovery from the customer. No interest will accumulate on the outstanding balance.

**Onalaska Water & Gas Supply Corporation**  
**Gas Rate Sheet**  
**Schedule of Miscellaneous Service Charges**

**APPLICATION**

The service charges listed below are in addition to any other charges made under the Company's Tariff for Gas Service and will be applied for the condition described. Other services not covered by these standard conditions will be charged on the basis of an estimate for the job or the Company's cost plus appropriate adders.

Number	Service Charge ID	Description	Detail	Proposed Fee
1	ID-1A	Membership Fee	Non-refundable - Retained by Onalaska Water and Gas - Membership fee not to be netted with any outstanding bills, either for terminated or past due accounts (not to be used as guarantee payment of the account)	\$100
2	ID-2A	Deposit Fee	None Collected	\$0
3	ID-3	Service Tap Fee - Short Side	Cost for extending or installing a gas line under normal conditions where the main is on the customer's side of the street.	\$300
4	ID-4	Service Tap Fee - Long Side	Cost for extending or installing a gas line under normal conditions where the line requires a street bore.	\$350
5	ID-5	Service Reconnect	Restore Service after termination for non-payment.	\$25
6	ID-6	Restore Service	Restore Service - After cut-off by owner. Light or re-light pilots	\$25
7	ID-7	Relocate Meter	Change residential meter location at customer request, normal conditions. Normal conditions are those normally found in extending or installing gas lines without encountering obstacles, or difficult conditions. Examples of other than normal conditions include, but are not limited to, street and road crossings, railroad track crossings, lines under concrete, rocky areas and ponds, lakes or chronically wet areas.	\$150
8	ID-8	Returned Check Charge	Returned Check fee is charged for each check (or other form of payment) returned unpaid by a financial institution to the Company.	\$25
9	ID-9	Excess Flow Valve	Installation of Bypass and Excess Flow Valve	\$180
10	ID-10	Meter Tampering	Meter Tampering - No Company Meters, equipment, or other property, whether on Customer's premises or elsewhere, are to be tampered with or interfered with for any reason. A Tampering Charge is made for unauthorized reconnection or other tampering with Company metering facilities or a theft of gas service by a person on the customer's premises or evidence by whomsoever at customer's premises. An additional cost for the cost of repairs and/or replacement of damaged facilities and the installation of protective facilities or relocation of meter are made at cost.	\$125
11	ID-11	Labor - Other Normal Business Hours	Service Call Charge for all other service work on Customer's installation (no charge for leak check or bill inquiry) during normal business hours (one hour minimum) .	\$38/hr
12	ID-12	Labor - Other WE & Holidays	Service Call Charge for all other service work on Customer's installation (no charge for leak for leak check or bill inquiry) (one hour minimum) Saturdays, Sundays, holidays, after hour call-outs.	\$52/hr

Definitions:

Short Side – Cost for extending or installing a gas line under normal conditions without encountering obstacles where the main is on the customer's side of the street.

Long Side - Cost for extending or installing a gas line under normal conditions where the line requires a bore under a street or road crossing, railroad track crossing, lines under concrete, rocky areas or ponds, lakes or chronically wet areas.

Normal Business Hours – Monday through Friday 8:00 AM to 5:00 PM.

After Business Hours – Monday through Friday 5:00 PM to 8:00 AM and all day on weekends and holidays.

## **Exhibit B**

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
REVENUE BY CUSTOMER CLASSIFICATION  
For the Pro Forma Test Year Ended September 30, 2012

Line No.	Customer Classification	REVENUE PER BOOKS			PRO FORMA ADJUSTED			PROPOSED REVENUE		
		Commodity Sales - MCF	Billing Revenue - \$		Commodity Sales - MCF	Billing Revenue - \$		Billing Revenue - \$	Increase \$	%
1	Sales of Gas - Total									
2	Residential									
3	Incorporated	3,681	\$59,693		3,969	\$62,388		\$79,397	\$17,009	27.26%
4	Enviros	8,161	\$135,473		8,947	\$143,103		\$181,952	\$38,850	27.15%
5	Total Residential	11,842	\$195,166		12,915	\$205,490		\$261,349	\$55,859	27.18%
6										
7	Commercial									
8	Incorporated	7,156	\$72,935		8,142	\$82,098		\$109,526	\$27,428	33.41%
9	Enviros	33	\$1,045		36	\$1,069		\$1,540	\$471	44.06%
10	Total Commercial	7,189	\$73,980		8,178	\$83,167		\$111,066	\$27,898	33.55%
11										
12	Total Res & Com	19,031	\$269,146		21,093	\$288,658		\$372,415	\$83,757	29.02%
13										
14	AG Farm		\$0			\$0		\$0	\$0	0.00%
15	Contract Sales Revenue		\$0			\$0		\$0	\$0	0.00%
16	Other Revenue		\$9,439			\$9,439		\$12,404	\$2,965	31.41%
17										
18	Total Sales of Gas	19,031	\$278,586		21,093	\$298,097		\$384,819	\$86,722	29.09%
19										
20										
21	Sales of Gas - Base Rates									
22	Residential									
23	Incorporated	3,681	\$46,986		3,969	\$48,920		\$65,929	\$17,009	34.77%
24	Enviros	8,161	\$107,334		8,947	\$112,813		\$151,663	\$38,850	34.44%
25	Total Residential	11,842	\$154,320		12,915	\$161,733		\$217,592	\$55,859	34.54%
26										
27	Commercial									
28	Incorporated	7,156	\$49,018		8,142	\$55,295		\$82,723	\$27,428	49.60%
29	Enviros	33	\$925		36	\$943		\$1,414	\$471	49.94%
30	Total Commercial	7,189	\$49,943		8,178	\$56,239		\$84,137	\$27,898	49.61%
31										
32	Total Res & Com	19,031	\$204,263		21,093	\$217,972		\$301,729	\$83,757	38.43%
33										
34	Total Base Rate Sales of Gas	19,031	\$204,263		21,093	\$217,972		\$301,729	\$83,757	38.43%

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
REVENUE BY CUSTOMER CLASSIFICATION  
For the Pro Forma Test Year Ended September 30, 2012

		AVERAGE COST PER MCF		
Line No.	Customer Classification	PER BOOKS	PRO FORMA ADJUSTED	PROPOSED
1				
2	Sales of Gas - Total			
3	Residential			
4	Incorporated	\$16.22	\$15.72	\$20.01
5	Environs	\$16.60	\$16.00	\$20.34
6	Total Residential	\$16.48	\$15.91	\$20.24
7				
8	Commercial			
9	Incorporated	\$10.19	\$10.08	\$13.45
10	Environs	\$31.39	\$29.51	\$42.51
11	Total Commercial	\$10.29	\$10.17	\$13.58
12				
13	Total Sales of Gas	\$14.64	\$14.13	\$18.24
14				
15				
16	Sales of Gas - Base Rates			
17	Residential			
18	Incorporated	\$12.77	\$12.33	\$16.61
19	Environs	\$13.15	\$12.61	\$16.95
20	Total Residential	\$13.03	\$12.52	\$16.85
21				
22	Commercial			
23	Incorporated	\$6.85	\$6.79	\$10.16
24	Environs	\$27.79	\$26.03	\$39.04
25	Total Commercial	\$6.95	\$6.88	\$10.29
26				
27	Total Sales of Gas	\$10.73	\$10.33	\$14.30

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
TYPICAL BILL COMPARISONS  
For the Pro Forma Test Year Ended September 30, 2012

Residential Service - (Incorporated)					
Charge			Present	Proposed	# of Cust. 204
Customer Charge \$/Month			\$10.00	\$12.00	
Commodity \$/MCF			\$6.1580	\$9.2100	
System Average Gas Cost Adjustment \$/MCF			\$3.3511	\$3.3511	
TYPICAL MONTHLY BILL COMPARISON					
MCF			Present	Proposed	Change (\$) (%)
1			\$19.51	\$24.56	\$5.05 25.90%
2			\$29.02	\$37.12	8.10 27.93%
4			\$48.04	\$62.24	14.21 29.58%
6			\$67.05	\$87.37	20.31 30.29%
8			\$86.07	\$112.49	26.42 30.69%
10			\$105.09	\$137.61	32.52 30.94%
Avg MCF Use					
1.62			\$25.40	\$32.35	6.94 27.33%
Residential Service - (Enviroins)					
Charge			Present	Proposed	# of Cust. 481
Customer Charge \$/Month			\$10.00	\$12.00	
Commodity \$/MCF			\$6.1580	\$9.2100	
System Average Gas Cost Adjustment \$/MCF			\$3.3511	\$3.3511	
TYPICAL MONTHLY BILL COMPARISON					
MCF			Present	Proposed	Change (\$) (%)
1			\$19.51	\$24.56	\$5.05 25.90%
2			\$29.02	\$37.12	8.10 27.93%
4			\$48.04	\$62.24	14.21 29.58%
6			\$67.05	\$87.37	20.31 30.29%
8			\$86.07	\$112.49	26.42 30.69%
10			\$105.09	\$137.61	32.52 30.94%
Avg MCF Use					
1.55			\$24.74	\$31.47	6.73 27.21%



ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
TYPICAL BILL COMPARISONS  
For the Pro Forma Test Year Ended September 30, 2012

Commercial Service - (Incorporated)					
Charge	Present	Proposed	Change		# of Cust.
			(\$)	(%)	
Customer Charge \$/Month	\$10.00	\$15.00	\$5.00	50.00%	43
Commodity \$/MCF	\$6.1580	\$9.2100	\$3.0520	49.59%	
System Average Gas Cost Adjustment \$/MCF	\$3.3511	\$3.3511	\$0.0000	0.00%	
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
5	\$57.55	\$77.81	\$20.26	35.21%	
10	\$105.09	\$140.61	\$35.52	33.80%	
15	\$152.64	\$203.42	\$50.78	33.27%	
20	\$200.18	\$266.22	\$66.04	32.99%	
25	\$247.73	\$329.03	\$81.30	32.82%	
30	\$295.27	\$391.83	\$96.56	32.70%	
Avg MCF Use					
15.78	\$160.05	\$213.21	\$53.16	33.21%	
Commercial Service - (Environs)					
Charge	Present	Proposed	Change		# of Cust.
			(\$)	(%)	
Customer Charge \$/Month	\$10.00	\$15.00	\$5.00	50.00%	6
Commodity \$/MCF	\$6.1580	\$9.2100	\$3.0520	49.59%	
System Average Gas Cost Adjustment \$/MCF	\$3.3511	\$3.3511	\$0.0000	0.00%	
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
5	\$57.55	\$77.81	\$20.26	35.21%	
10	\$105.09	\$140.61	\$35.52	33.80%	
15	\$152.64	\$203.42	\$50.78	33.27%	
20	\$200.18	\$266.22	\$66.04	32.99%	
25	\$247.73	\$329.03	\$81.30	32.82%	
30	\$295.27	\$391.83	\$96.56	32.70%	
Avg MCF Use					
0.50	\$14.75	\$21.28	\$6.53	44.23%	

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
DEVELOPMENT OF PROPOSED RATES  
For the Pro Forma Test Year Ended September 30, 2012

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	<b>Residential</b>					
2	Customer Charge	8,220 Bills	\$12.00 / Month	\$98,640		
3	Commodity Charge	12,915 MCF	\$9.2100 / MCF	118,951		
4	Total Residential			\$217,591	\$55,858	34.5%
5						
6	<b>Commercial</b>					
7	Customer Charge	588 Bills	\$15.00 / Month	\$8,820		
8	Commodity Charge	8,178 MCF	\$9.2100 / MCF	75,317		
9	Total Commercial			\$84,137	\$27,899	49.6%
10						
11	Total Base Rate Revenue			\$301,728	\$83,757	38.4%
12						
13						
14	<b>Residential Service - (Incorporated)</b>					
15	Base Rate					
16	Customer Charge	2,448 Bills	12.00 / Month	\$29,376		
17	Commodity	3,969 MCF	9.21000 / MCF	36,553		
18	Total			\$65,929	\$17,009	34.8%
19						
20	<b>Residential Service - (Environs)</b>					
21	Base Rate					
22	Customer Charge	5,772 Bills	12.00 / Month	\$69,264		
23	Commodity	8,947 MCF	9.21000 / MCF	82,399		
24	Total			\$151,663	\$38,850	34.4%
25						
26	<b>Commercial Service - (Incorporated)</b>					
27	Base Rate					
28	Customer Charge	516 Bills	15.00 / Month	\$7,740		
29	Commodity	8,142 MCF	9.21000 / MCF	74,983		
30	Total			\$82,723	\$27,428	49.6%
31						
32	<b>Commercial Service - (Environs)</b>					
33	Base Rate					
34	Customer Charge	72 Bills	15.00 / Month	\$1,080		
35	Commodity	36 MCF	9.21000 / MCF	334	\$471	49.9%
36	Total			\$1,414		
37						
38						
39	Total			\$301,729	\$83,758	38.4%

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
DEVELOPMENT OF PROPOSED RATES  
For the Pro Forma Test Year Ended September 30, 2012

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
40						
41	Number of Bills Summary					
42	Residential					
43	Incorporated	2,448				
44	Environs	5,772				
45	Total Residential Bills	8,220				
46						
47	Commercial					
48	Incorporated	516				
49	Environs	72				
50	Total Commercial Bills	588				
51						
52	Total Bills	8,808				
53						
54	MCF Summary					
55	Residential					
56	Incorporated	3,969				
57	Environs	8,947				
58	Total Residential MCF	12,915				
59						
60	Commercial					
61	Incorporated	8,142				
62	Environs	36				
63	Total Commercial MCF	8,178				
64						
65	Total MCF	21,093				
66						
67	Base Rate Revenue Summary					
68	Residential					
69	Incorporated			\$65,929	\$17,009	34.8%
70	Environs			\$151,663	\$38,850	34.4%
71	Total Residential Base Rate Revenue			\$217,592	\$55,859	34.5%
72						
73	Commercial					
74	Incorporated			\$82,723	\$27,428	49.6%
75	Environs			\$1,414	\$471	49.9%
76	Total Commercial Base Rate Revenue			\$84,137	\$27,899	49.6%
77						
78	Total Base Rate Revenue			\$301,729	\$83,758	38.4%

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environments	Commercial Incorporated	Commercial Environments	Total Environments
1001	Atlantic Seaboard	1	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1002	Design Day Volumes	2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
1003	Sales Volumes	3	21,093	3,969	8,947	8,142	36	8,983
1004	Customers-Billing	4	8,808	2,448	5,772	516	72	5,844
1005	Customers	5	8,808	2,448	5,772	516	72	5,844
1006	Customers - Weighted Meters	6	120,775	25,500	60,125	34,400	750	60,875
1007	Customers - ERT Meters	7	0	0	0	0	0	0
1008	Customers - Weighted Regulators	8	0	0	0	0	0	0
1009	Customers - Weighted Regulators	9	8,808	2,448	5,772	516	72	5,844
1010	Mains & Regulators	10	478,163	89,969	202,812	184,560	821	203,633
1011	Meters	11	45,867	9,684	22,834	13,064	285	23,119
1012	House Regulators	12	0	0	0	0	0	0
1013	Services	13	6,226	1,730	4,080	365	51	4,131
1014	Total Intangible Plant	14	0	0	0	0	0	0
1015	Total Distribution Plant	15	530,256	101,384	229,726	197,989	1,157	230,882
1016	Total General Plant	16	80,164	17,658	40,695	21,476	336	41,031
1017	Total Plant in Service	17	610,419	119,041	270,421	219,465	1,492	271,913
1018	Total Rate Base	18	290,584	56,142	127,410	106,352	679	128,089
1019	Meters & House Regulators	19	45,867	9,684	22,834	13,064	285	23,119
1020	Mains & Services	20	464,090	87,880	198,282	177,091	837	199,119
1021	M & R Industrial	21	0.0000	0.0000	0.0000	0.0000	0.0000	0
1022	M & R General	22	0.0000	0.0000	0.0000	0.0000	0.0000	0
1023	Net Plant in Service	23	305,646	59,606	135,403	109,889	747	136,151
1024	Open	24	0	0	0	0	0	0
1025	Open	25	0	0	0	0	0	0
1026	Open	26	0	0	0	0	0	0
1027	Total Operation & Maintenance	27	234,729	49,685	113,992	70,209	843	114,835
1028	Supervised O & M Expense-No Labor	28	88,269	17,865	40,769	29,375	260	41,029
1029	Wages - Gas Department	29	70,528	14,203	32,393	23,728	203	32,596
1030	Wages - Shared	30	51,302	12,632	29,454	8,910	307	29,760
1031	Distribution Operation Subtotal	31	17,030	3,256	7,378	6,359	37	7,415
1032	Distribution Maintenance Subtotal	32	35,649	6,816	15,445	13,311	78	15,522
1033	Total Distribution O&M	33	62,872	12,021	27,238	23,475	137	27,376
1034	Distribution Operation & Maintenance Subtotal	34	52,679	10,072	22,823	19,670	115	22,937
1035	Distribution O&M Excluding Labor	35	52,679	10,072	22,823	19,670	115	22,937
1036	Distribution and Customer Related Expenses	36	94,550	20,825	47,997	25,331	396	48,393
1037	Wages - Total	37	121,830	26,835	61,847	32,638	510	62,357
1038	Open	38	0	0	0	0	0	0
1039	YEC and Weather Adjusted Sales Revenue	39	217,971	48,920	112,813	55,295	943	113,756
1040	Late Payment Revenue	40	0	0	0	0	0	0
1041	Miscellaneous Service Revenues	41	0	0	0	0	0	0

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Envrions	Commercial Incorporated	Commercial Envrions	Total Envrions
1		1	2	3	4	5	6	
1042	Atlantic Seaboard	1	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1043	Design Day Volumes	2	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1044	Sales Volumes	3	100%	18.82%	42.41%	38.60%	0.17%	42.59%
1045	Customers-Billing	4	100%	27.79%	65.53%	5.86%	0.82%	66.35%
1046	Customers	5	100%	27.79%	65.53%	5.86%	0.82%	66.35%
1047	Customers - Weighted Meters	6	100%	21.11%	49.78%	28.48%	0.62%	50.40%
1048	Customers - ERT Meters	7	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1049	Customers - Weighted Regulators	8	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1050	Customers - Weighted Services	9	100%	27.79%	65.53%	5.86%	0.82%	66.35%
1051	Mains & Regulators	10	100%	18.82%	42.41%	38.60%	0.17%	42.59%
1052	Meters	11	100%	21.11%	49.78%	28.48%	0.62%	50.40%
1053	House Regulators	12	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1054	Services	13	100%	27.79%	65.53%	5.86%	0.82%	66.35%
1055	Total Intangible Plant	14	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1056	Total Distribution Plant	15	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1057	Total General Plant	16	100%	22.03%	50.76%	26.79%	0.42%	51.18%
1058	Total Plant in Service	17	100%	19.50%	44.30%	35.95%	0.24%	44.55%
1059	Total Rate Base	18	100%	19.32%	43.85%	36.60%	0.23%	44.08%
1060	Meters & House Regulators	19	100%	21.11%	49.78%	28.48%	0.62%	50.40%
1061	Mains & Services	20	100%	18.94%	42.72%	38.16%	0.18%	42.91%
1062	M & R Industrial	21	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1063	M & R General	22	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1064	Net Plant In Service	23	100%	19.50%	44.30%	35.95%	0.24%	44.55%
1065	Open	24	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1066	Open	25	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1067	Open	26	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1068	Total Operation & Maintenance	27	100%	21.17%	48.56%	29.91%	0.36%	48.92%
1069	Supervised O & M Expense-No Labor	28	100%	20.24%	46.19%	33.28%	0.29%	46.48%
1070	Wages - Gas Department	29	100%	20.14%	45.93%	33.64%	0.29%	46.22%
1071	Wages - Shared	30	100%	24.62%	57.41%	17.37%	0.60%	58.01%
1072	Distribution Operation Subtotal	31	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1073	Distribution Maintenance Subtotal	32	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1074	Total Distribution O&M	33	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1075	Distribution Operation & Maintenance Subtotal	34	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1076	Distribution O&M Excluding Labor	35	100%	19.12%	43.32%	37.34%	0.22%	43.54%
1077	Distribution and Customer Related Expenses	36	100%	22.03%	50.76%	26.79%	0.42%	51.18%
1078	Wages - Total	37	100%	22.03%	50.76%	26.79%	0.42%	51.18%
1079	Open	38	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1080	YEC and Weather Adjusted Sales Revenue	39	100%	22.44%	51.76%	25.37%	0.43%	52.19%
1081	Late Payment Revenue	40	0%	0.00%	0.00%	0.00%	0.00%	0.00%
1082	Miscellaneous Service Revenues	41	0%	0.00%	0.00%	0.00%	0.00%	0.00%

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environments	Commercial Incorporated	Commercial Environments	Total Environments
<b>2001 Plant in Service</b>								
<b>2002 Intangible Plant</b>								
2002	374-Land and Land Rights	3	12,750	2,399	5,408	4,921	22	5,430
2003	375-Structures and Improvements	3	0	0	0	0	0	0
2004	376-Mains	3	457,864	86,150	194,202	176,726	786	194,989
2005	378-Meas. & Reg. Station Equipment	3	7,548	1,420	3,202	2,913	13	3,214
2006	Subtotal - Mains & Regulators		478,163	89,969	202,812	184,560	821	203,633
2007	380-Services	9	6,226	1,730	4,080	365	51	4,131
2008	381-Meters	6	45,867	9,684	22,834	13,064	285	23,119
2009	383-House Regulators	8	0	0	0	0	0	0
2010	Subtotal - Equipment		52,093	11,415	26,914	13,429	336	27,249
2011	Total Distribution Plant		530,256	101,384	229,726	197,989	1,157	230,882
<b>2013 General Plant</b>								
2013	391-Office Furniture & Equipment	37	1,129	249	573	303	5	578
2014	392-Transportation Equipment	37	28,802	6,344	14,621	7,716	121	14,742
2015	394-396 Stores, Tools, Lab & power Equipment	37	50,232	11,065	25,500	13,457	210	25,711
2016	398-399 Miscellaneous & Other Equipment	37	0	0	0	0	0	0
2017	Total General Plant		80,164	17,658	40,695	21,476	336	41,031
2018	Total Plant in Service		610,419	119,041	270,421	219,465	1,492	271,913
2019	Total Accumulated Depreciation	17	(304,774)	(59,436)	(135,017)	(109,576)	(745)	(135,762)
2020	Net Plant		305,646	59,606	135,403	109,889	747	136,151
<b>2022 Working Capital</b>								
2022	Cash Working Capital Allowance (1/8 O&M)		29,341	6,211	14,249	8,776	105	14,354
2023	Material Inventory	17	0	0	0	0	0	0
2024	Gain on Sale of Asset	17	0	0	0	0	0	0
2025	Prepaid Postage	27	0	0	0	0	0	0
2026	Membership Fee	39	(34,494)	(7,742)	(17,852)	(8,750)	(149)	(18,002)
2027	Prepaid Insurance	17	0	0	0	0	0	0
2028	Customer Deposits	39	0	0	0	0	0	0
2029	Contributions in Aid of Construction	17	(9,909)	(1,932)	(4,390)	(3,563)	(24)	(4,414)
2030	Total Working Capital		(15,061)	(3,463)	(7,993)	(3,537)	(68)	(8,061)
2031	Total Rate Base		290,584	56,142	127,410	106,352	679	128,089

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environs	Commercial Incorporated	Commercial Environs	Total Environs
<b>3001</b>	<b>Operation and Maintenance Expense</b>							
<b>3002</b>	<b>Distribution Expense</b>							
3003	Operation							
3004	874-Mains and Services	15	86	16	37	32	0	37
3005	877-Measuring & Regulation Station Exp. - City Gate	15	3,231	618	1,400	1,206	7	1,407
3006	878-Meter and House Regulator Expenses	15	13,584	2,597	5,885	5,072	30	5,914
3007	879-Customer Installations Expenses	15	130	25	56	49	0	57
3008	892-Maintenance of Services	15	32,082	6,134	13,899	11,979	70	13,969
3009	894-Maintenance of Other Equipment	15	3,567	682	1,545	1,332	8	1,553
3010	Distribution Payroll (Adjustment A)	35	6,338	1,212	2,746	2,367	14	2,760
3011	Shared Field Labor (Adjustment B)	35	3,854	737	1,670	1,439	8	1,678
<b>3012</b>	<b>Total Distribution O&amp;M</b>		<b>62,872</b>	<b>12,021</b>	<b>27,238</b>	<b>23,475</b>	<b>137</b>	<b>27,376</b>
3013	903- Cust Acct & Col. (Shared Labor Adjustment B)	4	30,340	8,432	19,882	1,777	248	20,130
3014	904- Uncollectable Accounts	4	1,338	372	877	78	11	888
3015	6160-Sales Promotion	4	0	0	0	0	0	0
<b>3016</b>	<b>Administrative and General Exp.</b>							
3017	920-Administrative and General Salaries	28	53,011.62	10,729	24,485	17,641	156	24,641
3018	920-A&G Payroll (Adjustment A)	28	11,177.55	2,262	5,163	3,720	33	5,196
3019	920-A&G Shared Office Labor (Adjustment B)	28	17,107.97	3,463	7,902	5,693	50	7,952
3020	921-Office Supplies and Expenses	36	17,550.36	3,866	8,909	4,702	74	8,983
3021	923-Outside Services Employed	36	5,176.50	1,140	2,628	1,387	22	2,649
3022	924-Property Insurance	23	5,465.00	1,066	2,421	1,965	13	2,434
3023	926-Employee Pensions & Benefits	28	16,578.72	3,355	7,657	5,517	49	7,706
3024	926-Employee Benefits (Adjustment C)	28	3,774.18	764	1,743	1,256	11	1,754
3025	926-Employee Benefits (Shared Labor Adjustment B)	28	4,276.95	866	1,975	1,423	13	1,988
3026	928-Regulatory Commission Expenses	39	3,557.51	798	1,841	902	15	1,857
3027	932-Maintenance of General Plant	16	2,502.81	551	1,271	670	10	1,281
3028	Total A&G Expenses		140,179	28,860	65,995	44,878	447	66,441
<b>3029</b>	<b>Total O&amp;M Expenses</b>		<b>234,729</b>	<b>49,685</b>	<b>113,992</b>	<b>70,209</b>	<b>843</b>	<b>114,835</b>

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environs	Commercial Incorporated	Commercial Environs	Total Environs
<b>3030</b>	<b>Total Depreciation Expense</b>	17	28,343	5,527	12,556	10,190	69	12,625
<b>3031</b>	<b>Taxes Other Than Income</b>							
3032	Payroll Taxes	37	6,703	1,477	3,403	1,796	28	3,431
3033	Payroll Taxes (Adjustment D)	29	1,526	307	701	513	4	705
3034	Payroll Taxes (Shared Labor Taxes Adjustment B)	30	3,316	816	1,904	576	20	1,923
3035	Property Taxes	17	13,092	2,553	5,800	4,707	32	5,832
3036	Other Taxes	39	489	110	253	124	2	255
<b>3037</b>	<b>Total Taxes Other Than Income</b>		25,125	5,263	12,060	7,716	86	12,147
<b>3038</b>	<b>431-Interest on Customer Deposits</b>	39	0	0	0	0	0	0
<b>3039</b>	<b>Total Oper. Exp. Before Inc. Tax</b>		288,197	60,476	138,608	88,115	999	139,607
<b>4001</b>	<b>Other Operating Revenue</b>							
4002	Contract Sales Revenue	39	0	0	0	0	0	0
4003	Agricultural Sales Revenue	39	0	0	0	0	0	0
4004	Acct. 487 - Forfeited Discounts	39	0	0	0	0	0	0
4005	Acct. 488 - Misc. Service Revenues	39	9,439	2,119	4,885	2,395	41	4,926
<b>4006</b>	<b>Total Other Operating Revenue</b>		9,439	2,119	4,885	2,395	41	4,926



ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environments	Commercial Incorporated	Commercial Environments	Total Environments
<b>5001</b>	<b>Return Under Existing Regulated Base Rates</b>							
5002	Revenue from Sales		217,971	48,920	112,813	55,295	943	113,756
5003	Contract Sales Revenue		0	0	0	0	0	0
5004	Agricultural Sales Revenue		0	0	0	0	0	0
5005	Acct. 487 - Forfeited Discounts		0	0	0	0	0	0
5006	Acct. 488 - Misc. Service Revenues		9,439	2,119	4,885	2,395	41	4,926
5007	Total Operating Revenue		227,410	51,039	117,698	57,690	984	118,682
5008	Oper. Expense Before Income Tax		288,197	60,476	138,608	88,115	999	139,607
5009	Oper. Income Before Income Tax		(60,787)	(9,437)	(20,909)	(30,425)	(15)	(20,924)
<b>5010</b>	<b>Federal Income Tax Calculation</b>							
5011	Tax Adjustments							
5012	Interest Expense	18	0	0	0	0	0	0
5013	State Income Tax	39	0	0	0	0	0	0
5014	Other Tax Adjustments	18	0	0	0	0	0	0
5015	Total Tax Adjustments		0	0	0	0	0	0
5016	Taxable Income		(60,787)	(9,437)	(20,909)	(30,425)	(15)	(20,924)
5017	Federal Income Tax		0	0	0	0	0	0
5018	Less Inv. Tax Credit Amort.	17	0	0	0	0	0	0
5019	Total Federal Income Tax		0	0	0	0	0	0
5020	State Income Tax	39	0	0	0	0	0	0
5021	State Income Tax		0	0	0	0	0	0
5022	Total Operating Expense		288,197	60,476	138,608	88,115	999	139,607
5023	Return to equity pretax		(60,787)	(9,437)	(20,909)	(30,425)	(15)	(20,924)
5024	Rate Base		290,584	56,142	127,410	106,352	679	128,089

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)

CLASS COST OF SERVICE ANALYSIS

For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environments	Commercial Incorporated	Commercial Environments	Total Environments
<b>6001 Return Under Current Regulated Base Rates</b>								
6002	Revenue from Sales		217,971	48,920	112,813	55,295	943	113,756
6003	Other Operating Revenue		9,439	2,119	4,885	2,395	41	4,926
6004	Total Operating Revenue		227,410	51,039	117,698	57,690	984	118,682
6005	Operation and Maintenance Expense		234,729	49,685	113,992	70,209	843	114,835
6006	Depreciation and Amortization Expense		28,343	5,527	12,556	10,190	69	12,625
6007	Taxes Other than Income Tax		25,125	5,263	12,060	7,716	86	12,147
6008	Interest on Customer Deposits		0	0	0	0	0	0
6009	Federal Income Tax - Existing Rates		0	0	0	0	0	0
6010	State Income Tax		0	0	0	0	0	0
6011	Total Operating Expenses		288,197	60,476	138,608	88,115	999	139,607
6012	Return		(60,787)	(9,437)	(20,909)	(30,425)	(15)	(20,924)
6013	Rate Base		290,584	56,142	127,410	106,352	679	128,089
<b>7001 Cost of Service and Revenue Deficiency</b>								
7002	Rate Base		290,584	56,142	127,410	106,352	679	128,089
7003	Rate of Return		8.93%	8.93%	8.93%	8.93%	8.93%	0
7004	Return		25,949	5,014	11,378	9,497	61	11,438
7005	Operation and Maintenance Expenses		234,729	49,685	113,992	70,209	843	114,835
7006	Depreciation and Amortization Expense		28,343	5,527	12,556	10,190	69	12,625
7007	Taxes Other than Income Tax		25,125	5,263	12,060	7,716	86	12,147
7008	Interest on Customer Deposits		0	0	0	0	0	0
7009	Federal Income Tax - Existing Rates		0	0	0	0	0	0
7010	State Income Tax		0	0	0	0	0	0
7011	Total Cost of Service		314,146	65,489	149,986	97,612	1,059	151,045
7012	Less: Other Operating Revenue		9,439	2,119	4,885	2,395	41	4,926
7013	Net Cost of Service		304,707	63,371	145,100	95,218	1,018	146,119
7014	Sales Revenue Under Existing Rates		217,971	48,920	112,813	55,295	943	113,756
<b>7015 Revenue Deficiency</b>								
7016	Amount before tax adjustment		86,736	14,451	32,287	39,923	75	32,363
7017	Tax Adjusted Amount Needed		86,736	14,451	32,287	39,923	75	32,363
7018	Percent Increase/(Decrease)		39.79%	29.54%	28.62%	72.20%	8.00%	28.45%

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environments	Commercial Incorporated	Commercial Environments	Total Environments
<b>8001</b>	<b>Proposed Revenue Increase At Claimed ROR</b>							
8002	Sales Revenue Increase							
8003	Sales Revenue Under Existing Rates		217,971	48,920	112,813	55,295	943	113,756
8004	Sales Revenue Under Equalized Claimed ROR		304,707	63,371	145,100	95,218	1,018	146,119
8005	Required Revenue Increase		86,736	14,451	32,287	39,923	75	32,363
8006	Additional Revenue with Federal Income Tax		86,736	14,451	32,287	39,923	75	32,363
<b>8007</b>	<b>Return at Claimed ROR</b>							
8008	Revenue from Sales		304,707	63,371	145,100	95,218	1,018	146,119
8009	Present Other Operating Revenue		9,439	2,119	4,885	2,395	41	4,926
8010	Total Operating Revenue		314,146	65,489	149,986	97,612	1,059	151,045
8011	Operation and Maintenance Expense		234,729	49,685	113,992	70,209	843	114,835
8012	Depreciation and Amortization Expense		28,343	5,527	12,556	10,190	69	12,625
8013	Taxes Other than Income Tax		25,125	5,263	12,060	7,716	86	12,147
8014	Interest on Customer Deposits		0	0	0	0	0	0
8015	Federal Income Tax - Existing Rates		0	0	0	0	0	0
8016	Federal Income Tax - Additional		0	0	0	0	0	0
8017	Total Federal Income Tax		0	0	0	0	0	0
8018	State Income Tax		0	0	0	0	0	0
8019	Total Operating Expenses		288,197	60,476	138,608	88,115	999	139,607
8020	Return		25,949	5,014	11,378	9,497	61	11,438
8021	Rate Base		290,584	56,142	127,410	106,352	679	128,089

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
CLASS COST OF SERVICE ANALYSIS  
For the Pro Forma Test Year Ended September 30, 2012

Ref. #	Description	Allocation Factor	Total	Residential Incorporated	Residential Environs	Commercial Incorporated	Commercial Environs	Total Environs
<b>9001 Revenue at Proposed Rates</b>								
9002	Revenue Increase							
9003	Sales Revenue Under Existing Rates		217,971	48,920	112,813	55,295	943	113,756
9004	Sales Revenue Under Proposed Rates		304,694	66,594	153,198	83,475	1,427	154,624
9005	Proposed Sales Revenue Increase		86,723	17,674	40,385	28,180	484	40,868
<b>9006 Return at Proposed Rates</b>								
9007	Revenue from Sales		301,729	65,929	151,663	82,723	1,414	153,077
9008	Present Other Operating Revenue		9,439	2,119	4,885	2,395	41	4,926
9009	Proposed Increase in Other Operating Revenue	39	2,965	665	1,535	752	13	1,547
9010	Total Operating Revenue		314,133	68,713	158,083	85,870	1,468	159,551
9011	Operation and Maintenance Expense		234,729	49,685	113,992	70,209	843	114,835
9012	Depreciation and Amortization Expense		28,343	5,527	12,556	10,190	69	12,625
9013	Taxes Other than Income Tax		25,125	5,263	12,060	7,716	86	12,147
9014	Interest on Customer Deposits		0	0	0	0	0	0
9015	Federal Income Tax - Existing Rates		0	0	0	0	0	0
9016	Federal Income Tax - Additional		0	0	0	0	0	0
9017	Total Federal Income Tax		0	0	0	0	0	0
9018	State Income Tax		0	0	0	0	0	0
9019	Total Operating Expenses		288,197	60,476	138,608	88,115	999	139,607
9020	Return		25,936	8,237	19,475	(2,245)	469	19,944
9021	Rate Base		290,584	56,142	127,410	106,352	679	128,089

**ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)**  
Year End Customer and Weather Adjusted Proof of Revenue  
For the Pro Forma Test Year Ended September 30, 2012

Line No.	Rate Schedule	Adjusted Billing Units	Present Rate	Adjusted Revenue
1	<u>Residential Service - (Incorporated)</u>			
2	Base Rate			
3	Customer Charge	2,448 Bills	10.00 / Month	\$24,480
4	Commodity	3,968.8 MCF	6.15800 / MCF	24,440
5	Total			\$48,920
6				
7	<u>Residential Service - (Environs)</u>			
8	Base Rate			
9	Customer Charge	5,772 Bills	10.00 / Month	\$57,720
10	Commodity	8,946.6 MCF	6.15800 / MCF	55,093
11	Total			\$112,813
12				
13				
14	<u>Commercial Service - (Incorporated)</u>			
15	Base Rate			
16	Customer Charge	516 Bills	10.00 / Month	\$5,160
17	Commodity	8,141.5 MCF	6.15800 / MCF	50,135
18	Total			\$55,295
19				
20	<u>Commercial Service - (Environs)</u>			
21	Base Rate			
22	Customer Charge	72 Bills	10.00 / Month	\$720
23	Commodity	36.2 MCF	6.15800 / MCF	223
24	Total			\$943
25				
26				
27				

ONALASKA WATER AND GAS CORPORATION - EXHIBIT NO. 1 (FINAL SETTLEMENT)  
Year End Customer and Weather Adjusted Proof of Revenue  
For the Pro Forma Test Year Ended September 30, 2012

Line No.	Rate Schedule	Adjusted Billing Units	Present Rate	Adjusted Revenue
28	<b>Number of Bills Summary</b>			
29	Residential			
30	Incorporated			2,448
31	Enviroms			5,772
32	Total Residential Bills			8,220
33				
34	Commercial			
35	Incorporated			516
36	Enviroms			72
37	Total Commercial Bills			588
38				
39	Total Bills			8,808
40				
41	<b>MCF Summary</b>			
42	Residential			
43	Incorporated			3,969
44	Enviroms			8,947
45	Total Residential MCF			12,915
46				
47	Commercial			
48	Incorporated			8,142
49	Enviroms			36
50	Total Commercial MCF			8,178
51				
52	Total MCF			21,093
53				
54	<b>Present Base Rate Revenue Summary</b>			
55	Residential			
56	Incorporated			\$48,920
57	Enviroms			\$112,813
58	Total Residential Base Rate Revenue			\$161,733
59				
60	Commercial			
61	Incorporated			\$55,295
62	Enviroms			\$943
63	Total Commercial Base Rate Revenue			\$56,238
64				
65	Total Base Rate Revenue			\$217,971

Line No.		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	TOTAL 12 mo Ended Sept. 2012
1 Residential - (Incorporated)														
2	Customer Charge													
3	Meier Count	204	204	204	204	203	202	203	200	199	203	202	204	2,432
4	Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
5		\$2,040.00	\$2,040.00	\$2,040.00	\$2,040.00	\$2,030.00	\$2,020.00	\$2,030.00	\$2,000.00	\$1,990.00	\$2,030.00	\$2,020.00	\$2,040.00	\$24,320.00
6														
7	Commodity Charge													
8	MCF Use	114.000	155.550	401.090	809.504	767.370	625.644	241.280	132.694	118.660	103.740	108.134	103.120	3,680.786
9	Rate per MCF	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	
10	Subtotal	\$702.01	\$957.88	\$2,469.91	\$4,984.93	\$4,725.46	\$3,852.72	\$1,485.80	\$817.13	\$730.71	\$638.83	\$665.89	\$635.01	\$22,666.28
11														
12	Total Base Rate	\$2,742.01	\$2,997.88	\$4,509.91	\$7,024.93	\$6,755.46	\$5,872.72	\$3,515.80	\$2,817.13	\$2,720.71	\$2,668.83	\$2,685.89	\$2,675.01	\$46,986.28
13														
14	PGA Revenue	\$478.90	\$635.35	\$1,542.98	\$3,051.03	\$2,648.24	\$1,924.04	\$690.04	\$376.13	\$303.48	\$312.83	\$376.12	\$367.75	\$12,706.89
15														
16	Total	\$3,220.91	\$3,633.23	\$6,052.89	\$10,075.96	\$9,403.70	\$7,796.76	\$4,205.84	\$3,193.26	\$3,024.19	\$2,981.66	\$3,062.01	\$3,042.76	\$59,693.17
17														
18 Residential - (Envlrons)														
19	Customer Charge													
20	Meier Count	474	470	471	475	473	474	476	477	477	480	480	481	5,708
21	Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
22		\$4,740.00	\$4,700.00	\$4,710.00	\$4,750.00	\$4,730.00	\$4,740.00	\$4,760.00	\$4,770.00	\$4,770.00	\$4,800.00	\$4,800.00	\$4,810.00	\$57,080.00
23														
24	Commodity Charge													
25	MCF Use	264.700	373.300	892.120	1,698.129	1,644.938	1,304.350	554.979	338.605	309.708	271.435	271.131	237.330	8,160.725
26	Rate per MCF	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	
27	Subtotal	\$1,630.02	\$2,298.78	\$5,493.67	\$10,457.08	\$10,129.53	\$8,032.19	\$3,417.56	\$2,085.13	\$1,907.18	\$1,671.50	\$1,669.62	\$1,461.48	\$50,253.74
28														
29	Total Base Rate	\$6,370.02	\$9,998.78	\$10,203.67	\$19,207.08	\$14,859.53	\$12,772.19	\$8,177.56	\$6,855.13	\$6,677.18	\$6,471.50	\$6,469.62	\$6,271.48	\$107,333.74
30														
31	PGA Revenue	\$1,111.71	\$1,524.81	\$3,431.88	\$6,400.68	\$5,711.33	\$4,011.44	\$1,587.21	\$959.83	\$792.20	\$818.44	\$943.21	\$846.39	\$28,139.13
32														
33	Total	\$7,481.73	\$8,523.59	\$13,635.55	\$21,607.76	\$20,570.86	\$16,783.63	\$9,764.77	\$7,814.96	\$7,469.38	\$7,289.94	\$7,412.83	\$7,117.87	\$135,472.87
34														
35														
36 Residential - (Total)														
37	Customer Charge													
38		678	674	675	679	676	676	679	677	676	683	682	685	8,140
39	Meier Count	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
40	Customer Charge	\$6,780.00	\$6,740.00	\$6,750.00	\$6,790.00	\$6,760.00	\$6,760.00	\$6,790.00	\$6,770.00	\$6,760.00	\$6,830.00	\$6,820.00	\$6,850.00	\$81,400.00
41														
42	Commodity Charge													
43	MCF Use	378.700	528.850	1,293.210	2,507.633	2,412.308	1,929.994	796.259	471.299	428.368	375.175	379.265	340.450	11,841.511
44	Rate per MCF	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	\$6.1580	
45	Subtotal	\$2,332.03	\$3,256.66	\$7,963.59	\$15,442.00	\$14,854.99	\$11,884.90	\$4,903.36	\$2,902.26	\$2,637.89	\$2,310.33	\$2,335.51	\$2,096.49	\$72,920.01
46														
47	Total Base Rate	\$9,112.03	\$9,996.66	\$14,713.59	\$22,232.00	\$21,614.99	\$18,644.90	\$11,693.36	\$9,672.26	\$9,397.89	\$9,140.33	\$9,155.51	\$8,946.49	\$154,320.01
48														
49	PGA Revenue	\$1,590.61	\$2,160.16	\$4,974.86	\$9,451.71	\$8,359.57	\$5,935.48	\$2,277.25	\$1,335.96	\$1,095.68	\$1,131.27	\$1,319.33	\$1,214.14	\$40,846.02
50														
51	Total	\$10,702.64	\$12,156.82	\$19,688.45	\$31,683.71	\$29,974.56	\$24,580.38	\$13,970.61	\$11,008.22	\$10,493.57	\$10,271.60	\$10,474.84	\$10,160.63	\$195,166.03
52														
53														
54														

Customer Data  
For the Pro Forma Test Year Ended September 30, 2012

Line No.		Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	TOTAL 12 mo Ended Sept. 2012
55	Commercial - (Incorporated)													
56	Customer Charge													
57	Meter Count	40	40	40	40	41	41	41	42	42	41	44	43	495
58	Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
59		\$400.00	\$400.00	\$400.00	\$400.00	\$410.00	\$410.00	\$410.00	\$420.00	\$420.00	\$410.00	\$440.00	\$430.00	\$4,950.00
60	Commodity Charge													
61														
62	MCF Use	409,200	439,800	589,070	910,299	951,650	808,166	556,279	527,070	546,527	456,406	481,308	480,383	7,156,158
63	Rate per MCF	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580
64	Subtotal	\$2,519.85	\$2,708.29	\$3,627.49	\$5,605.62	\$5,860.26	\$4,976.69	\$3,425.57	\$3,245.70	\$3,365.51	\$2,810.55	\$2,963.89	\$2,968.20	\$44,067.62
65														
66	Total Base Rate	\$2,919.85	\$3,108.29	\$4,027.49	\$6,005.62	\$6,270.26	\$5,386.69	\$3,835.57	\$3,665.70	\$3,785.51	\$3,220.55	\$3,403.89	\$3,388.20	\$49,017.62
67														
68	PGA Revenue	\$1,717.83	\$1,796.13	\$2,266.13	\$3,430.94	\$3,284.14	\$2,485.14	\$1,590.96	\$1,494.26	\$1,397.47	\$1,376.54	\$1,365.75	\$1,712.57	\$23,917.86
69														
70	Total	\$4,637.68	\$4,904.42	\$6,293.62	\$9,436.56	\$9,554.40	\$7,871.83	\$5,426.53	\$5,159.96	\$5,182.98	\$4,597.09	\$4,769.64	\$5,100.77	\$72,935.48
71														
72	Commercial - (Enviros)													
73	Customer Charge													
74	Meter Count	5	6	6	7	6	6	6	6	6	6	6	6	72
75	Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
76		\$50.00	\$60.00	\$60.00	\$70.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$720.00
77	Commodity Charge													
78														
79	MCF Use	2,200	3,400	4,500	6,613	2,447	2,057	2,313	1,973	2,773	1,621	1,613	1,771	33,281
80	Rate per MCF	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580
81	Subtotal	\$13.55	\$20.94	\$27.71	\$40.72	\$15.07	\$12.67	\$14.24	\$12.15	\$17.08	\$9.98	\$9.93	\$10.91	\$204.95
82														
83	Total Base Rate	\$63.55	\$80.94	\$87.71	\$110.72	\$75.07	\$72.67	\$74.24	\$72.15	\$77.08	\$69.98	\$69.93	\$70.91	\$924.95
84														
85	PGA Revenue	\$9.24	\$17.31	\$17.39	\$24.93	\$8.43	\$6.33	\$6.62	\$5.59	\$7.08	\$4.86	\$5.61	\$6.32	\$119.73
86														
87	Total	\$72.79	\$98.25	\$105.10	\$135.65	\$83.50	\$79.00	\$80.86	\$77.74	\$84.16	\$74.86	\$75.54	\$77.23	\$1,044.68
88														
89	Commercial - (Total)													
90	Customer Charge													
91	Meter Count	45	46	46	47	47	47	47	48	48	47	50	49	567
92	Customer Charge	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	
93		\$450.00	\$460.00	\$460.00	\$470.00	\$470.00	\$470.00	\$470.00	\$480.00	\$480.00	\$470.00	\$500.00	\$490.00	\$5,670.00
94	Commodity Charge													
95														
96	MCF Use	411,400	443,200	593,570	916,912	954,097	810,223	558,592	529,043	549,300	458,027	482,921	482,154	7,189,439
97	Rate per MCF	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580	\$6,1580
98	Subtotal	\$2,533.40	\$2,729.23	\$3,655.20	\$5,646.34	\$5,875.33	\$4,989.35	\$3,439.81	\$3,257.85	\$3,382.59	\$2,820.53	\$2,973.83	\$2,969.10	\$44,272.56
99														
100	Total Base Rate	\$2,983.40	\$3,189.23	\$4,115.20	\$6,116.34	\$6,345.33	\$5,459.35	\$3,909.81	\$3,737.85	\$3,862.59	\$3,280.53	\$3,473.83	\$3,459.10	\$49,942.56
101														
102	PGA Revenue	\$1,727.07	\$1,813.44	\$2,283.52	\$3,455.87	\$3,292.57	\$2,491.47	\$1,597.58	\$1,499.85	\$1,404.55	\$1,381.42	\$1,371.36	\$1,718.89	\$24,037.59
103														
104	Total	\$4,710.47	\$5,002.67	\$6,398.72	\$9,572.21	\$9,637.90	\$7,960.82	\$5,507.39	\$5,237.70	\$5,267.14	\$4,671.95	\$4,845.19	\$5,177.99	\$73,980.15
105														
106														
107														
108														



