

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT OF WEST §  
TEXAS GAS, INC. TO INCREASE GAS § GAS UTILITIES DOCKET NO. 10235  
DISTRIBUTION RATES IN THE § AND CONSOLIDATED DOCKETS  
UNINCORPORATED AREAS OF TEXAS §**

**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. West Texas Gas, Inc. (WTG) is a gas utility as that term is defined in the Texas Utility Code and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. On January 24, 2013, WTG filed the *Statement of Intent* of West Texas Gas, Inc. to Increase Gas Distribution Rates in the Unincorporated Areas of Texas. The filing was docketed as GUD No. 10235.
3. On February 12, 2013, the Commission suspended the implementation of WTG's proposed rates for up to 150 days.
4. WTG also filed a proposed rate increase with 27 of the 28 municipalities in the WTG service area.
5. Fifteen of the cities entered into a settlement agreement with WTG.
6. The cities of Cactus, Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora, and Stratford denied the *Statement of Intent* filed by WTG. The company filed its *Petition for De Novo Review filed by West Texas Gas, Inc. Appealing the Municipal Rate Decisions of Cactus, Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora and Stratford* on February 6, 2013. That case was docketed as GUD No. 10239. The motion to consolidate was granted on February 7, 2013.
7. On February 28, 2013, the rate case expenses from GUD No. 10235 were severed into GUD No. 10245, styled as *Rate Case Expenses Severed from GUD No. 10235*.

8. GUD No. 10245 was consolidated into GUD No. 10235 after receipt of the *Amended Unanimous Settlement Agreement*.
9. WTG did not file a proposed rate increase in the City of Lubbock or Lubbock environs.
10. WTG has 23 customers in the City of Lubbock and no customers in the Lubbock environs.
11. Neither the City of Lubbock, nor the Lubbock environs are the subject of GUD No. 10235 because they were not included in the *Statement of Intent* or the recipient of public notice.
12. The following municipalities intervened on February 7, 2013, in these consolidated proceedings as the Alliance of West Texas Gas Municipalities (AWM): Cactus, Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora, and Stratford.
13. Staff of the Railroad Commission (Staff) intervened in these consolidated proceedings on January 25, 2013.
14. On April 16, 2013, the parties filed a Unanimous Settlement Agreement. On April 26, 2013, the parties filed an *Amended Unanimous Settlement Agreement*, which is incorporated into this Final Order.
15. The *Amended Unanimous Settlement Agreement* resolved all issues and no issues were preserved for further litigation.
16. The following documents were admitted into the record of the case.
  - WTG – 1 – Prefiled Testimony of Richard D. Hatchett
  - WTG – 2 – Prefiled Testimony of Barbara E. Geffken
  - WTG – 3 – Prefiled Testimony of Jack J. (JJ) King
  - WTG – 4 – Prefiled Testimony of James B. (Bart) Bean
  - WTG – 5 – Prefiled Testimony of Carson Watt
  - WTG – 6 – Prefiled Testimony of Dane A. Watson
  - WTG – 7 – Prefiled Testimony of Bruce H. Fairchild
  - WTG – 8 – Prefiled Testimony of William R. (Rodney) Pennington
  - WTG – 9 – Prefiled Testimony of John R. (Randy) Underwood
  - WTG – 10 – Updated (022713) Rate Study
  - WTG – 11 – Proof of Notice filed March 29, 2013 and affidavits of J.J. King
  - WTG – 12 – Schedule of Overhead Expenses of J.L. Davis submitted March 8, 2013
  - WTG – 13 – Schedule of Allocation Factors for Overhead Burden filed March 8, 2013
  - WTG – 14 – Schedules detailing unincorporated and incorporated areas filed on 3/8/2013
  - WTG – 15 – Schedule of Entertainment & Meals Expenditures filed on March 7, 2013
  - WTG – 16 – Gas Sales Volume for Test Year by Location

- Staff – 1 – WTG’s Response to Staff’s First Set of Requests for Information
  - Joint Ex. 1 – Rate Case Expense documentation
  - Examiner 1 – Recently Approved Commission Depreciation Rates (Revised)
  - Examiner 2 – WTG Responses to Examiners’ RFI’s 2-1 through 2-3
  - Examiner 3 – WTG Responses to Examiners’ RFI 3-1
  - Examiner 4 – WTG Responses to Examiners’ RFI’s 4-1 through 4-2
17. For all customers located in unincorporated or rural areas, a copy of the Notice of Request for Gas Rate Increase was sent on March 20, 2013, by First Class U.S. Mail, to every affected domestic and non-domestic customer at their billing address shown in WTG’s records.
  18. Notice of the filing was provided to all customers within all incorporated areas in this proceeding served by WTG by publishing a notice each week for four successive weeks, beginning the week of approximately October 1, 2012, and running through the week of approximately October 29, 2012, in a newspaper having a general circulation in each city affected by the proposed increase.
  19. The direct mailing for the unincorporated or rural areas and the publication of notice in the incorporated areas meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the *Statement of Intent*.
  20. WTG established that the utility maintains its books and records in accordance with the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts prescribed for Natural Gas Companies.
  21. WTG established that the utility has fully complied with the books and records requirements of Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Rule 7.503 that these amounts are reasonable and necessary.
  22. The test year in this filing is allegedly based upon the financial data for the twelve month period ended June 30, 2012, adjusted for known and measurable changes.
  23. WTG acquired North Texas Gas Company of Dalhart, Texas in 2007 and the City of Devine’s gas distribution system in Medina County, Texas in 2010.
  24. An acquisition report, public interest determination, and reasonable valuation of the property was not required for the City of Devine acquisition because the sales price was under \$1 million, in accordance with TEX. UTIL. CODE ANN. § 102.051(a)(1)(Vernon 2007 and Supp. 2012).
  25. The acquisition of the North Texas Gas Company of Dalhart, Texas, was over \$1 million and WTG filed a report that was docketed as GUD No. 9765. The acquisition was in the public interest because North Texas Gas Company was intending to no longer provide natural gas service to the customers within this service area and WTG’s acquisition allowed for continuation of services at lower rates, in accordance with TEX. UTIL. CODE ANN. § 102.051(a)(1) (Vernon 2007 and Supp. 2012).



26. An acquisition adjustment was recognized in the North Texas Gas acquisition, however, it was eliminated from WTG's rate model. No acquisition adjustment was recognized in the City of Devine acquisition.
27. The company initially requested a system-wide revenue requirement increase of \$3,748,857 representing a 74.71% increase.
28. The *Amended Unanimous Settlement Agreement* contemplates a system-wide revenue requirement increase of \$1,500,000, which is a decrease of approximately 60% or \$2,248,857 from the initial request.
29. The parties have established that the proposed revenue increase of \$1,500,000 is just and reasonable.
30. The rates reflected in the attached *Amended Unanimous Settlement Agreement*, and the customer charges set forth therein, are just and reasonable.

	Customer Charge	Single Block Volumetric Rate
Domestic	\$10.00	\$3.76 per Mcf
Non-Domestic	\$13.70	\$2.59 per Mcf

31. The following (a) imputed capital structure; (b) cost of debt and equity; (c) weighted cost of capital; and (d) overall rate of return included in the Unanimous Settlement Agreement are just and reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital
Long Term Debt	50%	5.32%	2.66%
Common Equity	50%	10.5%	5.25%
Rate of Return	100%		7.91%

32. The *Amended Unanimous Settlement Agreement* is just and reasonable to require that any future Interim Rate Adjustment (IRA) filing in the WTG service areas pursuant to TEX. UTIL. CODE ANN. § 104.301 may not be made prior to January 1, 2014, and shall use the following factors until changed by a subsequent rate proceeding:

- For all filings, the capital structure and related components shall be as documented in numbered Paragraph 3, of the *Amended Unanimous Settlement Agreement*.
  - For all filings, the Ad Valorem tax of \$332,250 for Jurisdictional Customers shall be divided by the net invested capital of \$27,349,153 for an Ad Valorem tax rate of 1.21%.
  - For all filings, the overall depreciation expense shall be calculated based on the depreciation rates submitted by Mr. Dane Watson on behalf of WTG in GUD No. 10235 and consolidated case, all as summarized in "Exhibit D – Current and Settlement Depreciation Rates" to the *Amended Unanimous Settlement Agreement*.
  - For all filings, the federal income tax factor of 35%, or the then applicable statutory rate, shall be used.
  - For all filings, the average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: Domestic at 6 Mcf and Non-Domestic at 30 Mcf.
  - For all filings, the base rate revenue allocation factors to be used to calculate the cost of changes in investment to be recovered from the appropriate customer classes are as follows: Domestic at 76.07% and Non-Domestic at 23.93%.
33. The Farwell Gas Zone shall be merged into the North Gas Zone in WTG's Gas Cost Adjustment Clause effective on and after the date of the Final Order.
34. The company prepared a depreciation study for its Plant in Service at December 31, 2011.
35. The result of the depreciation study was an annualized depreciation expense of \$2,933,827.
36. It is reasonable to use group depreciation where each plant or subgroup is depreciated based on a common rate for the group.
37. It is reasonable for WTG to begin recording removal cost and gross salvage cost to the depreciation reserve instead of toward the cost of the new asset.
38. It is reasonable to use the straight-line, Equal Life Group, remaining-life depreciation system to calculate annual and accrued depreciation.
39. It is reasonable to book acquired assets at their proper vintage.
40. The settlement depreciation rates as proposed in Exhibit D to the *Amended Unanimous Settlement Agreement* are reasonable and are consistent with depreciation rates recently adopted by the Commission.

41. During the test year, services were provided to West Texas Gas, Inc. by certain affiliates: J.L. Davis Consulting shared services known as Overhead Burden; Aztec Gas, Inc.; WTG Exploration, Inc.; Schleicher County System; WTG Gas Marketing, Inc.; Western Gas Interstate, Inc.; WTG Fuels, Inc.; Bowie Gas Plant; Pearsall Gas Plant; and Basin Aviation.
42. To ensure compliance with TEX. UTIL. CODE ANN. § 104.055(Vernon 2007 and Supp. 2012), WTG has identified the affiliate costs and applied allocation factors related to revenues, operating expenses, net income, and gross plant, as a means of properly assessing costs when services or employees are shared with affiliates.
43. The record in this case established that the services provided by WTG affiliates on behalf of West Texas Gas, Inc. are reasonable and necessary.
44. The record in this case established that the affiliate expenses included in the company's filing are reasonable and necessary costs of providing gas utility service, and the prices charged to West Texas Gas, Inc. are no higher than the prices charged by the supplying affiliate to WTG's other affiliates or divisions, or to a non-affiliated person for the same item or class of items.
45. WTG has established that its actual and estimated rate case expenses totaling \$546,483.27 are just and reasonable.
46. AWM has established that its actual and estimated rate case expenses totaling \$96,095.27 are just and reasonable.
47. The hourly rates charged by attorneys and consultants were reasonable rates charged by firms in cases addressing utility rate matters.
48. The attorneys and consultants did not charge any expenses for luxury items and did not incur any airline, lodging, or meal expenses.
49. The amount of work done and the time and labor required to accomplish the work was reasonable given the nature of the issues addressed.
50. The complexity and expense of the work was relevant and reasonably necessary to the proceeding, and was commensurate with both the complexity of the issues and necessary to completing the matter before the Commission.
51. The just and reasonable rate case expenses for WTG and AWM total \$642,578.54.
52. It is reasonable that the recovery of \$457,068.12 of the total rate case expenses of \$642,578.54 be allocated to the customers in WTG's service area within the scope of the Commission's original and appellate jurisdiction in GUD No. 10235, which include WTG's service area for the environs, rural areas, and the 12 Intervening Cities of Cactus,

Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora, and Stratford, excluding the Lubbock environs.

53. It is reasonable that the recovery of the \$457,068.12 in rate case expenses be allocated to the customers within the 12 Intervening Cities, the rural areas, and the environs, except for the Lubbock environs, over an approximate sixty-month (60) period through a surcharge of \$0.0984 per Mcf.
54. It follows that the remaining \$185,510.42 of the total \$642,578.54 in rate case expenses may be allocated to the 15 settling municipalities of Balmorhea, Claude, Darrouzett, Farwell, Follett, Groom, Higgins, Junction, Menard, Mobeetie, Paint Rock, Shamrock, Texhoma, Texline, and Wheeler.
55. The tariffs attached to this Final Order are just and reasonable.

### CONCLUSIONS OF LAW

1. West Texas Gas, Inc. (WTG) is a Gas Utility as defined in TEX. UTIL. CODE ANN. §101.003(7) and 121.001 (Vernon 2007 and Supp. 2012) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Commission has jurisdiction over WTG and WTG's Statement of Intent under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2007 and Supp. 2012).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2012), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This proceeding was conducted in accordance with the requirements of the Gas Utility Regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 *et seq.* (Vernon 2008 and Supp. 2012) (APA).
5. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 and Supp. 2012) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
6. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007 and Supp. 2012).



7. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007 and Supp. 2012), 16 TEX. ADMIN. CODE ANN. §§ 7.230 and 7.235, adequate notice was properly provided.
8. In accordance with TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 and Supp. 2012), 16 TEX. ADMIN. CODE ANN. §§ 7.205 and 7.210, WTG filed its *Statement of Intent* to increase gas distribution rates.
9. In this proceeding, WTG has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2012) to show that the proposed rate changes are just and reasonable.
10. WTG failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2012) on the elements of its requested rate increase identified in this order.
11. The revenue, rates, rate design, and service charges proposed by WTG are not found to be just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, and are not sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 2007 and Supp. 2012).
12. The revenue, rates, rate design, and service charges proposed by WTG, as amended by the Commission and identified in the schedules attached to this order, are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. (Vernon 2007 and Supp. 2012).
13. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007 and Supp. 2012).
14. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for WTG that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 and Supp. 2012); and otherwise comply with Chapter 104 of the Texas Utilities Code Annotated.
15. The revenue, rates, rate design, and service charges proposed will not yield to WTG more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 2007 and Supp. 2012).
16. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 and Supp. 2012) and are based upon the adjusted value of



invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.

17. The rates established in this case comply with the affiliate transaction standard set out in TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 and Supp. 2012). Namely, in establishing a gas utility's rates, the regulatory authority may not allow a gas utility's payment to an affiliate for the cost of a service, property, right or other item or for an interest expense to be included as capital cost or an expense related to gas utility service except to the extent that the regulatory authority finds the payment is reasonable and necessary for each item or class of items as determined by the regulatory authority. That finding must include (1) a specific finding of reasonableness and necessity to each class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or divisions or to a nonaffiliated person for the same item or class of items.
18. The acquisition of North Texas Gas Co. of Dalhart, Texas, was in the public interest because North Texas Gas Co. was intending to no longer provide natural gas service to the customers within this service area and WTG's acquisition allowed for continuation of services at lower rates in accordance with TEX. UTIL. CODE ANN. § 102.051(a)(1) (Vernon 2007 and Supp. 2012).
19. TEX. UTIL. CODE ANN. § 104.003(a) provides that a rate may not be unreasonably preferential, prejudicial, or discriminatory but must be sufficient, equitable, and consistent in application to each class of consumer. In establishing a gas utility's rates, the Commission "may treat as a single class two or more municipalities that a gas utility serves if the [C]ommission considers that treatment to be appropriate."
20. It is reasonable for the Commission to allow WTG to include a Purchased Gas Adjustment Clause in its rates to provide for the recovery of all of its gas costs, in accordance with 16 TEX. ADMIN. CODE § 7.5519.
21. WTG is required by 16 TEX. ADMIN. CODE § 7.315 to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.
22. WTG has established that the company's books and records conform with 16 TEX. ADMIN. CODE § 7.310 to utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for natural gas companies and WTG is thus entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with Commission Rule 7.503.

**IT IS THEREFORE ORDERED** that WTG's proposed schedule of rates is hereby **DENIED**.

**IT IS FURTHER ORDERED** that the rates, rate design, and service charges established in the findings of fact and conclusions of law and shown on the attached tariffs for WTG are **APPROVED**.

**IT IS FURTHER ORDERED** that WTG eliminate the Farwell Gas Cost Zone and merge its customers into the North Gas Zone.

**IT IS FURTHER ORDERED** that the depreciation rates reflected in the *Amended Unanimous Settlement Agreement* as Exhibit D, are **APPROVED**.

**IT IS FURTHER ORDERED** that the factors established for future interim rate adjustments in Findings of Fact No. 32 and included in Paragraph 4 of the *Amended Unanimous Settlement Agreement* are **APPROVED**.

**IT IS FURTHER ORDERED** that final actually incurred rate case expenses be filed with the Commission through completion of the case within 30-days of issuance of the Final Order.

**IT IS FURTHER ORDERED** that an annual collections report for rate case expense recovery be filed with the Gas Services Division, due on or before the 30<sup>th</sup> of each June, commencing in 2014, detailing the monthly collections for the rate case expense surcharge and showing the outstanding balance.

**IT IS FURTHER ORDERED** that the *Amended Unanimous Settlement Agreement* attached to this Final Order, subject to the corrections related to applicability of the tariff and allocation of rate case expenses, is hereby **APPROVED**.

**IT IS FURTHER ORDERED** that, in accordance with 16 TEX. ADMIN. CODE § 7.315, within 30 days of the date this Order is signed, WTG shall electronically file tariffs and rate schedules with the Gas Services Division. The tariffs shall incorporate rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law and shown on the attached Schedules.

**IT IS FURTHER ORDERED** that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**.

**IT IS ALSO ORDERED** that all pending motions and requests for relief not previously granted or granted herein are hereby **DENIED**.

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 ANN. §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 13<sup>th</sup> day of June, 2013.

RAILROAD COMMISSION OF TEXAS

  
CHAIRMAN BARRY T. SMITHERMAN

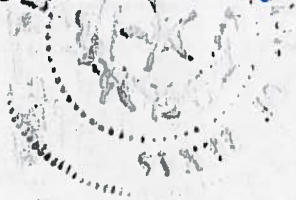
  
COMMISSIONER DAVID PORTER

  
COMMISSIONER CHRISTI CRADDICK

ATTEST:

  
SECRETARY

SECRETARY





**GUD NO. 10235**  
**Final Order – Exhibit No. 1**  
**June 13, 2013**

**RAILROAD COMMISSION OF TEXAS  
GAS SERVICES DIVISION**

**STATEMENT OF INTENT OF WEST )  
TEXAS GAS, INC. TO INCREASE GAS ) GUD NO. 10235  
DISTRIBUTION RATES IN THE )  
UNINCORPORATED AREAS OF TEXAS )  
AND CONSOLIDATED DOCKET )**

**FILED**  
2013 APR 26 PM 1:29  
DOCKET SERVICES  
RAILROAD COMMISSION  
OF TEXAS

**AMENDED UNANIMOUS SETTLEMENT AGREEMENT**

WHEREAS, this Amended Unanimous Settlement Agreement is entered into by West Texas Gas, Inc. ("WTG" or "the Company"); The Alliance of West Texas Gas Municipalities ("AWM"), which consist of the municipalities listed in Exhibit A; and Railroad Commission of Texas Staff ("Staff") (collectively "the Signatories"); and

WHEREAS, on September 27-28, 2012, WTG filed its Statement of Intent to Increase Rates with each of the 27 municipalities served by WTG in Texas; and

WHEREAS, 15 municipalities settled with WTG and 12 municipalities denied WTG's request; and

WHEREAS, WTG filed its Statement of Intent to Increase Rates in the unincorporated areas of Texas served by WTG on January 24, 2013; and

WHEREAS, the Commission docketed WTG's rate request as GUD No. 10235; and

WHEREAS, Commission Staff intervened and was granted party status on January 25, 2013; and

WHEREAS AWM intervened and was granted party status on February 7, 2013; and

WHEREAS, each of the municipalities listed in Exhibit A denied WTG's rate request, which denials were timely appealed to the Commission; and

WHEREAS, the Commission docketed the appeals of the actions of the municipalities denying WTG's rate request as GUD No. 10239 and consolidated the appeals with GUD No. 10235; and

WHEREAS, WTG has filed direct testimony; and

WHEREAS, AWM and Staff have made significant discovery requests regarding the issues in dispute; and

WHEREAS, the parties actively participated in a settlement conference after a reasonable time for analysis of the issues and review of WTG's discovery responses, but before Staff and AWM witnesses' testimony was due; 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

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to, and recommend for approval by the Commission, the following Settlement Terms as a means of reducing potential rate case expenses by resolving all issues in GUD Nos. 10235 and 10239.

**Settlement Terms**

1. The Signatories agree to the rates, terms and conditions reflected in the tariff attached to this Amended Settlement Agreement as Exhibit B. The tariff attached as Exhibit B replaces and supersedes the tariff currently in effect for jurisdictional customers in the incorporated and unincorporated areas of Texas served by WTG. The tariff should allow WTG an additional \$1.5 million in annual revenues as illustrated by the proof of revenues attached as part of Exhibit C to this Amended Unanimous Settlement Agreement. The Signatories agree that the \$1.5 million revenue increase is a "black box" amount and is not tied to any specific expense in WTG's underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit B to this Amended Unanimous 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 Amended Unanimous Settlement Agreement shall, subject to Commission approval, become effective for bills rendered on and after June 5, 1013.

2. The Signatories agree to the following customer charges and single block volumetric rates. These rates are reflected in the rates schedules attached as Exhibit A.

	Customer Charge	Single Block Volumetric Rate
Domestic	\$10.00	\$3.76 per Mcf
Non-Domestic	\$13.70	\$2.59 per Mcf

3. The Signatories agree to the following capital structure and weighted cost of capital, including the pre-tax return, which includes an imputed cost of debt and an imputed capital structure.



	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital
Long Term Debt	50%	5.32%	2.66%
Common Equity	50%	10.5%	5.25%
Rate of Return	100%		7.91%

4. The Signatories agree that no Interim Rate Adjustment ("IRA") filing pursuant to Texas Utilities Code § 104.301 shall be made by WTG prior to January 1, 2014. WTG shall use the following factors for its IRA filings until changed by a subsequent rate proceeding:

- a. For all filings, the capital structure and related components shall be as shown in numbered paragraph 3 above.
- b. For all filings, the Ad Valorem tax of \$332,250 for Jurisdictional Customers shall be divided by the net invested capital of \$27,349,153 for an Ad Valorem tax rate of 1.21%.
- c. For all filings, the overall depreciation expense shall be calculated based on the depreciation rates submitted by Mr. Dane Watson on behalf of WTG in GUD No. 10235 and consolidated case, all as summarized in Exhibit D.
- d. For all filings, the federal income tax factor of 35%, or the then applicable statutory rate, shall be used.
- e. For all filings, the average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: Domestic at 6 Mcf and Non-Domestic at 30 Mcf.
- f. For all filings, the base rate revenue allocation factors to be used to calculate the cost of changes in investment to be recovered from the appropriate customer classes are as follows: Domestic at 76.07% and Non-Domestic at 23.93%.

5. The Signatories agree that the Farwell Gas Zone shall be merged into the North Gas Zone in WTG's Gas Cost Adjustment Clause effective on and after June 5, 2013.

6. WTG agrees to make a good faith attempt to notify an AWM member city (a "City") of any repair, installation, removal, or other work that it intends to perform within the City's rights-of-ways at least five business days in advance of such work. The Company shall comply with each City Franchise Agreement in an effort to avoid creating a public safety issue; disrupting traffic; disrupting gas, water, or electricity supply to businesses or residents; and/or breaking through pavement within the right-of-way. In the event the work is responsive to an emergency situation (*i.e.*, a situation that threatens the public health and welfare if the work is delayed for more than one day), WTG may initiate such work immediately, but shall contact the City as soon as possible (not to exceed two (2) hours) after undertaking emergency repairs, excavations, or paving cuts. Such notice shall be directed to the City Manager of the relevant City, or the City Manager's designee.

7. WTG and each AWM City agree to work together in good faith to minimize and otherwise address public safety, traffic disruption, and gas/water/electricity supply issues that may be caused by any work it performs within a City's rights-of-way.

8. The Signatories agree to the admission of the pre-filed direct testimony and exhibits of the following witnesses:

- Richard D. Hatchett
- Barbara E. Geffken
- Jack J. (JJ) King
- James B. (Bart) Bean
- Carson Watt
- Dane A. Watson
- Bruce H. Fairchild
- William R. (Rodney) Pennington
- John R. (Randy) Underwood

In addition, the Signatories agree to the admission of the following items:

- WTG's updated Rate Study: JRU-1(Updated 022713).xlsx
- WTG's Proof of Notice filed March 29, 2013, including publishers affidavits and affidavit of J.J. King
- Schedule detailing J. L. Davis overhead expenses submitted to Examiners on March 8, 2013
- The allocation factors for the overhead burden submitted to the Examiners on March 8, 2013
- Schedules with and without cost of gas showing proposed increase broken down by unincorporated and incorporated areas as well as by domestic and non-domestic customers submitted to the Examiners on March 8, 2013
- Schedule of Entertainment & Meals Expenditures for the test year (FERC Account 930.2) and Schedule of Entertainment & Meals Expenditures for the test year (FERC Account 921.0) submitted to the Examiners on March 7, 2013 (Letter mistakenly dated March 1, 2013)
- WTG's previously submitted response to Staff's first set of requests for information

9. WTG and AWM represent that their reasonable rate case expenses incurred through March 31, 2013<sup>1</sup>, and estimated rate case expenses incurred through completion of this case are as follows:

	Actual Incurred through March 31, 2013	Estimated through completion of case	Total
WTG	\$506,094.42	\$40,388.85	\$546,483.27
AWM	\$93,095.27	\$3000.00	\$96,095.27

<sup>1</sup> Pendulum Energy, LLC has invoiced WTG only through February, 2013.

WTG and AWM agree to the admission of affidavits and invoices in support of these amounts, and will supplement with additional invoices as they are processed. WTG and AWM agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code §103.022. WTG and AWM agree that the recovery period for the applicable surcharge to recover rate case expenses shall be approximately 60 months and shall be applied to all Texas jurisdictional customers. WTG will not collect interest on the unrecovered balance of rate case expenses. WTG agrees to reimburse AWM the amount of rate case expenses deemed reasonable by the Commission within thirty days of the issuance of an order authorizing recovery of those expenses. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding, and at the same time, as it approves this Amended Unanimous Settlement Agreement. Exhibit E is the calculation of the rate case expense surcharge.

10. The Signatories agree to support and seek Commission approval of this Amended Unanimous Settlement Agreement. The Signatories further agree to make all efforts to present the Commission with this Amended Unanimous Settlement Agreement at the Open meeting scheduled for June 4, 2013.

11. The Signatories agree that all negotiations, discussions, and conferences related to this Amended Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statements of Intent filed with the Commission, or on appeal.

12. The Signatories agree that neither the Amended Unanimous 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 approving this Amended Unanimous Settlement Agreement.

13. The Signatories agree that the terms of the Amended Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this Settlement Agreement, then any 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.

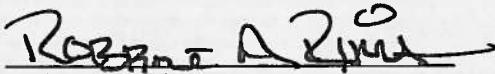
14. The Signatories agree that this Amended Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.

15. The Signatories agree that this Amended Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.



Agreed to this 25th day of April, 2013

**WEST TEXAS GAS, INC.**

By:   
Robert A. Rima  
Attorney for West Texas Gas, Inc.

**ALLIANCE OF WEST TEXAS GAS MUNICIPALITIES**

By: \_\_\_\_\_  
Alfred Herrera  
Attorney for Alliance of West Texas Gas Municipalities

**STAFF OF THE RAILROAD COMMISSION OF TEXAS**

By: \_\_\_\_\_  
John Griffin  
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 25th day of April, 2013

**WEST TEXAS GAS, INC.**

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

Robert A. Rima  
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By: \_\_\_\_\_

John Griffin  
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 25th day of April, 2013

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**STAFF OF THE RAILROAD COMMISSION OF TEXAS**

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

  
John Griffin

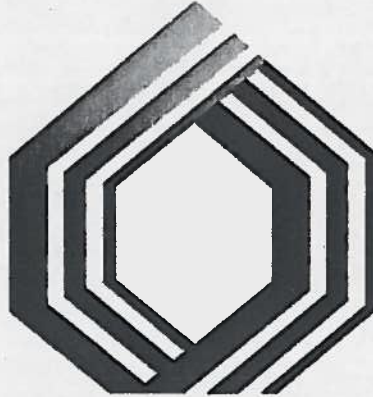
Attorney for Staff of the Railroad Commission of Texas



**EXHIBIT A**  
**LIST OF AWM MUNICIPALITIES**

**Cactus**  
**Canadian**  
**Canyon**  
**Dalhart**  
**Devine**  
**Eden**  
**Kermi**  
**Miami**  
**Natalia**  
**Somerset**  
**Sonora**  
**Stratford**

**EXHIBIT B  
TARIFF**



**WTG**

**TARIFF FOR GAS SERVICES  
FOR THE  
WTG DISTRIBUTION SYSTEMS**

# WEST TEXAS GAS, INC.

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## SECTION 1: DEFINITIONS

**Commission** – Railroad Commission of Texas.

**Company** – West Texas Gas, Inc. ("WTG") its successors and assigns.

**Domestic Customer** – A customer whose natural gas service is separately and individually metered in an individual private dwelling or in an individual metered apartment, provided the gas is used primarily for residential purposes, unless otherwise specified in the rate schedule.

**Gas Cost Zones** – North, Southeast, and West, as defined in Section 4.1.

**Interest** – The percentage of interest shall be the interest rate established by the Public Utility Commission, or such other agency or manner as determined by the Commission, under Chapter 183 of the Texas Utilities Code.

**Lost and Unaccounted For Gas** – Lost and Unaccounted for Gas (LUG) shall represent volumes of gas metered into the distribution system and volumes of gas metered out of the distribution system at 14.65 p.s.i.a., which shall include distribution and non-distribution volumes. Transmission LUG shall not be included in these volumes.

**Non-Domestic Customer** – All customers other than Domestic Customers obtaining service from West Texas Gas, Inc. unless otherwise specified in the rate schedule or served under a contract.

**Purchased Gas Costs** –The total cost of Purchase Volumes, as received into the Company's distribution systems within each Gas Cost Zone, all as more specifically described in Section 3 of this Tariff.

**Purchased Gas Factor ("PGF")** – A factor on each customer's monthly bill, expressed in dollars per Mcf, to reflect the Purchase Gas Costs, all as more specifically described herein.

**Purchase/Sales Ratio** – A ratio determined by dividing the Company's Purchase Volumes metered into the distribution system during the twelve-month period ending June 30 of each year by the sum of the Company's Sales Volumes metered out of the distribution system, volumes of metered Company used gas, and losses of gas from the Company's systems within each Gas Cost Zone that have been billed to third parties during the same period. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/1(1-.05)$  unless expressly authorized by the applicable regulatory authority.

**Purchase Volumes** – The volumes of gas, expressed in Mcf's and stated at 14.65 psia, received by the Company's distribution system from all sources within each Gas Cost Zone, including monthly purchases and withdrawals from storage, if any, for use by general service customers. This quantity of gas shall not include LUG attributable to the transmission system or transmission function.

**Reconciliation Amount** – The net of any monthly imbalances by Gas Cost Zone during the period covered by the Reconciliation Review.

**Reconciliation Component** – The monthly amount to be refunded or passed through to customers within each Gas Cost Zone, consisting of one-twelfth of the Reconciliation Amount.

**Reconciliation Factor** – A factor, expressed as a cost per Mcf on customer bills within each Gas Cost Zone, reflecting the customer's share of the Reconciliation Component applicable to the period covered by the bill.

**Reconciliation Review** – An annual review of the company's records covering each 12-month period ending June 30 to determine any imbalances between the Purchase Gas Cost and the Sales Amount as applied to each Gas Cost Zone during that period.

**Sales Amount** – Sales Volumes, volumes of metered Company used gas, and losses of gas from the Company's system within each Gas Cost Zone that have been billed to third parties, multiplied by the Purchased Gas Factor.

**Sales Volumes** – The volumes of gas metered to general service customers within each Gas Cost Zone expressed in Mcf's and stated at 14.65 psia.

**Third Party** – Any person or entity, including an affiliate of the Company

**Weighted Average Cost of Gas** – The Purchase Gas Costs invoiced by third parties divided by the Purchase Volumes, calculated on a monthly basis for each Gas Cost Zone.

## **SECTION 2: WTG DISTRIBUTION SYSTEMS**

### **2.1 SERVICE AREAS**

#### **2.1.1 Incorporated and Environs Distribution Systems**

Balmorhea & Balmorhea Environs	Kermit & Kermit Environs
Booker Environs	LaPryor
Brady Environs	Lubbock & Lubbock Environs
Cactus & Cactus Environs	Menard & Menard Environs
Canadian & Canadian Environs	Miami & Miami Environs
Canyon & Canyon Environs	Mobeetie & Mobeetie Environs
Christoval Environs	Morton Environs
Claude & Claude Environs	Natalia & Natalia Environs
Dalhart & Dalhart Environs	Paint Rock & Paint Rock Environs
Darrouzett & Darrouzett Environs	Perryton Environs
Devine & Devine Environs	Plainview Environs
Dimmitt Environs	Seminole Environs
Eden & Eden Environs	Shamrock & Shamrock Environs
Farwell & Farwell Environs	Somerset & Somerset Environs
Follett & Follett Environs	Sonora & Sonora Environs
Ft. Stockton Environs	Spearman Environs
Groom & Groom Environs	Stratford & Stratford Environs
Higgins & Higgins Environs	Texline & Texline Environs
Imperial Environs	Texhoma & Texhoma Environs
Junction & Junction Environs	TGU System Environs
	Wheeler & Wheeler Environs

#### **2.1.2 Counties of Rural Systems**

Andrews	Coleman	Gaines	La Salle	Oldham	Terry
Archer	Collingsworth	Gray	Lamb	Parmer	Tom Green
Armstrong	Concho	Hale	Lipscomb	Pecos	Uvalde
Atascosa	Crosby	Hall	Lubbock	Potter	Val Verde
Bailey	Culberson	Hansford	Lynn	Presidio	Wheeler
Bexar	Dallam	Hartley	McCulloch	Randall	Wilson
Brewster	Dawson	Hemphill	Martin	Reeves	Winkler
Briscoe	Deaf Smith	Hockley	Maverick	Roberts	Yoakum
Brown	Dimmitt	Hutchinson	Medina	Runnels	Zavala
Carson	Donley	Jeff Davis	Menard	Sherman	
Castro	Floyd	Kimble	Moore	Sutton	
Cochran	Frio	Kinney	Ochiltree	Swisher	



## **2.2 Rate Schedule For Incorporated & Environs Systems**

### **2.2.1 Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$10.00
All Consumption @	\$3.76 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

- 4.1.1 Initiation of Service
- 4.1.2 Services - Other
- 4.1.3 Customer Requested Meter Test
- 4.1.4 Returned Checks
- 4.1.5 Collection Fee
- 4.1.6 Reconnect Fees
- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **2.2.2 Non-Domestic Service**

### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable Non-Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$13.70
All Consumption @	\$2.59 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

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- 4.1.6 Reconnect Fees
- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **2.3 Rate Schedule For Rural Systems**

### **2.3.1 Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$10.00
All Consumption @	\$3.76 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

- 4.1.1 Initiation of Service
- 4.1.2 Services - Other
- 4.1.3 Customer Requested Meter Test
- 4.1.4 Returned Checks
- 4.1.5 Collection Fee
- 4.1.6 Reconnect Fees
- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges



## **2.3 Rate Schedule For Rural Systems**

### **2.3.2 Non-Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Non-Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$13.70
All Consumption @	\$2.59 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

- 4.1.1 Initiation of Service
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- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **SECTION 3: WTG RATE ADJUSTMENT PROVISIONS**

### **3.1 Gas Cost Adjustment**

#### **Intent**

This clause is intended to allow collection of the Company's gas purchase costs in a manner that will lessen monthly fluctuations in the gas cost factor and ensure that all amounts billed to customers are fully reconciled with actual costs incurred, subject to limitations for excessive lost and unaccounted for gas.

#### **Applicability**

This clause shall apply to all customers served by the Company, except for customers purchasing gas at contract rates. Each customer's gas costs will be determined by the costs incurred in the applicable Gas Cost Zone. For purposes of determining gas purchase costs, all customers will be located in one of three Gas Cost Zones: North, South, and West. Each Gas Cost Zone consists of the following systems or geographic areas:

#### **NORTH GAS COST ZONE:**

Booker Environs, Cactus, Cactus Environs, Canadian, Canadian Environs, Canyon, Canyon Environs, Claude, Claude Environs, Dalhart, Dalhart Environs, Darrouzett, Darrouzett Environs, Farwell, Farwell Environs, Follett, Follett Environs, Groom, Groom Environs, Higgins, Higgins Environs, Miami, Miami Environs, Mobeetie, Mobeetie Environs, Perryton Environs, Shamrock, Shamrock Environs, Spearman Environs, Stratford, Stratford Environs, Texline, Texline Environs, Texhoma, Texhoma Environs, Wheeler, and Wheeler Environs.

#### **SOUTH GAS COST ZONE:**

Brady Environs, Christoval Environs, Devine, Devine Environs, Eden, Eden Environs, Junction, Junction Environs, LaPryor, Menard, Menard Environs, Natalia, Natalia Environs, Paint Rock, Paint Rock Environs, Somerset, Somerset Environs, Sonora, and Sonora Environs, TGU System Environs.

#### **WEST GAS COST ZONE:**

Balmorhea, Balmorhea Environs, Dimmitt Environs, Ft. Stockton Environs, Imperial Environs, Lubbock, Lubbock Environs, Seminole Environs, Morton Environs, Kermit, Kermit Environs, and Plainview Environs.

#### **Purchase Gas Cost Component (PGC)**

The Purchase Gas Cost for each Gas Cost Zone shall be computed utilizing the following components for the distribution system customers:

- Cost of gas purchased
- Credits, Refunds or Out of Period adjustments
- Cost of gas withdrawn from storage
- Interest on storage gas withdrawn
- Upstream Gathering and Transportation Charges
- Storage Deliverability Charges
- Storage Capacity Charges
- New taxes on the purchased gas or the purchase transaction and not reflected on elsewhere on customer bills

The company shall keep accurate records of all storage gas purchases, including the date, quantity, cost, and associated expenses. The company shall account for storage gas purchases and withdrawals using a weighted average cost basis.

#### **Purchased Gas Factor (PGF) Calculation**

Each customer bill shall include a Purchased Gas Factor reflecting the estimated Weighted Average Cost of Gas, plus additional elements described in this section, during the period covered by the bill for each Gas Cost Zone. The PGF shall be determined to the nearest \$0.001 per Mcf, and the following provisions shall apply:

- In addition to the estimated weighted average cost of gas for the current month's billing period, the PGF may include a pro rata portion of an amount reflecting the difference between the estimated Weighted Average Cost of Gas and the actual Weighted Average Cost of Gas during the previous billing period for each Gas Cost Zone
- The PGF shall also include a "Reconciliation Factor," an amount reflecting the customer's share of any gas cost imbalances in the preceding reconciliation period for each Gas Cost Zone.
- The PGF factor may also include an amount reflecting any new taxes or levies specifically applied to gas costs or purchases and not otherwise reflected on the customer bill for each Gas Cost Zone.

The Purchased Gas Factor is expressed as a formula as follows:

$$(A+/-B) + C + D = E$$

Where:

A = Estimated WACOG

C = Reconciliation Factor

B = Est. WACOG/Act. WACOG Difference

D = New Taxes

E = Total PGF

### **Gas Cost Reconciliation (GCR)**

The company shall keep accurate books and records of the Reconciliation Review and monthly Purchased Gas Factor reports to the Railroad Commission of Texas shall account for the Reconciliation Component and the Reconciliation Factors for each Gas Cost Zone.

A Reconciliation Review and calculation shall first determine whether the lost and unaccounted for gas is more or less than 5% of that metered into the system. The sales volumes shall be converted to the same pressure base as the purchase volumes. Calculations of the sales volumes furnished to its gas sales customers (from meters not corrected for pressure and/or temperature) shall be calculated utilizing the following service pressures (psia) for each listed municipality and associated environs.

Balmorhea	13.48	Junction	14.18	Wheeler	13.78
Cactus	13.28	Kermit	13.68		
Canadian	13.88	Menard	14.08		
Canyon	13.45	Miami	13.68		
Claude	13.38	Mobeetie	13.78		
Dalhart	13.07	Natalia	14.68		
Darrouzett	13.78	Paint Rock	14.28		
Devine	14.68	Shamrock	13.88		
Eden	14.08	Somerset	14.68		
Farwell	13.18	Sonora	13.98		
Follett	13.68	Stratford	13.18		
Groom	13.38	Texhoma	13.38		
Higgins	13.78	Texline	12.98		

If the Reconciliation Review indicates a gas loss or gas gain of less than 5% of that metered into the system, the following methodology shall apply:

- The company shall calculate the imbalance between its Net Jurisdictional Cost of Gas and amount collected through the PGA billed on a monthly basis for said Gas Cost Zone. The Net Jurisdictional Cost of Gas shall be calculated by multiplying the Total Jurisdictional Sales Volumes by the Actual P/S Ratio to arrive at the Calculated Purchased Volume. The Calculated Purchased Volume is then multiplied by the WACOG to arrive at the Net Jurisdictional Cost of Gas.
- Interest shall be applied to each monthly imbalance for said Gas Cost Zone and shall accrue for each month of the review period.
- The interest rate shall be the same rate as determined by the Public Utility Commission of Texas for refunds on customer deposits and in effect during the last month of the audit period (June).



- The sum of the monthly imbalances, plus interest for each Gas Cost Zone for the period under review shall be the Reconciliation Amount, the total amount to be refunded/surcharged in said Gas Cost Zone.

If the Reconciliation Review indicates a gas loss or gas gain of greater than 5% of that metered into the system, the following methodology shall apply:

- The company shall calculate the imbalance between its Purchase Gas Cost and Sales Amount on a monthly basis for said Gas Cost Zones Purchase Gas Cost amounts in excess of the 1.0526 ratio shall be disallowed by:
  - 1) Dividing total Purchase Volumes for the 12-month review period by the total Sales Volumes for the same period in said Gas Cost Zone.
  - 2) Subtracting that result from 1, which when expressed as a percentage, becomes said Gas Cost Zones "Actual P/S Ratio."
  - 3) Subtracting 5.26% from said Gas Cost Zones Actual P/S Ratio, results in a "Disallowance Factor" for the review period.
  - 4) Multiplying the Disallowance Factor by the Purchase Volumes for each month and by the Weighted Average Cost of Gas for each month, for said Gas Cost Zone will result in an amount to be disallowed each month.
  - 5) The Net Jurisdictional Cost of Gas shall be calculated by multiplying the Total Jurisdictional Sales Volume by the Actual P/S Ratio to arrive at the Calculated Purchased Volume. The Calculated Purchased Volume is then multiplied by the WACOG to arrive at the Jurisdictional Cost of Gas. The Net Jurisdictional Cost of Gas is calculated by subtracting the Disallowed Amount calculated above.
- Interest shall be applied to each monthly imbalance for said Gas Cost Zone and shall accrue for each month of the review period.
- The interest rate shall be the rate in effect during the last month of the audit period (June).
- The sum of the monthly imbalances, plus interest for the period under review shall be the Reconciliation Amount for said Gas Cost Zone or the total amount to be refunded/surcharged.

### **Reconciliation Factor Calculation (RFC)**

The Reconciliation Amount for each Gas Cost Zone shall be divided by 12, resulting in the Reconciliation Component.

The Reconciliation Component shall be reflected in a refund or surcharge on each customer bill, according to Gas Cost Zone, over a twelve-month period beginning with the first billing cycle in September following the period covered by the review.

The Reconciliation Component for each month of the reconciliation period shall be calculated by dividing the Reconciliation Amount by the estimated Sales Volumes for the applicable billing period. The result will be a monthly Reconciliation Factor, expressed in Mcf for each Gas Cost Zone. Any under or over collection from the prior month may be factored in subsequent months' Reconciliation Component.

Each month during the reconciliation period, the PGF for each Gas Cost Zone on customer bills shall be increased or reduced by the product of the number of Mcf billed to the customer and the monthly Reconciliation Factor, as indicated in the section of PGF calculations. Any under or over collections remaining at the end of the gas reconciliation period will be carried forward to the next gas reconciliation period.

#### **3.1.1 Recovery of Existing Purchased Gas Cost Imbalances**

The Company shall determine the amount of unrecovered purchased gas costs applicable to the customers served in each incorporated city or rural area immediately prior to the effectiveness of new Gas Cost Zones. Any resulting over-recovery or under-recovery in excess of \$25,000 shall be charged or credited, as appropriate, to the customers in each such city or rural area. Any over-recovery or under-recovery of less than \$25,000 in any incorporated city or rural area shall be recovered along with any Purchase Gas Costs in the applicable Gas Cost Zone.

### **3.2 Revenue Related Tax Adjustment**

Each monthly bill, as adjusted above shall also be adjusted by an amount equivalent to the various revenue related taxes, franchise fees, rentals, or other fees and charges imposed by regulatory or governmental authorities. This includes, but not limited to, Gross Receipts Taxes, Municipal Taxes, Fees, or any other governmental imposition, rental fee or charge levied that is based on any portion of revenues billed by Company.

## **SECTION 4: WTG MISCELLANEOUS FEES AND DEPOSITS**

### **4.1 Fees**

#### **4.1.1 Initiation of Service**

##### **a) Connection Charge**

The following connection charges apply:

<u>Schedule</u>	<u>Charge</u>
Business Hours (8AM to 5PM, Monday – Friday, except holidays)	\$50.00
After Hours (All Hours not associated with Business Hours)	\$70.00

A connect fee will be charged to any applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.

##### **b) Read-In for Change Charge**

A read-in fee of \$20.00 will be charged to any applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.

##### **c) After-Hours & Special Handling**

In addition to initiation of service fee above, a fee shall be charged to any applicant whose request to initiate service cannot be completed during normal business hours or requires special handling. Applicant shall be advised that an additional fee will be charged and must agree to pay such charge. Any fees assessed will reflect actual time incurred at \$20 per hour during business hours and \$30 per hour for after hours, plus the actual cost of materials and any incidental (third party) expenses.

(i) **Special Handling:** The Company may, at customer's request, provide special handling in order to meet the Customer's requirements for a fee based on the rates indicated in (c) above.. Special handling may include such assistance as calling the customer in advance or making other special arrangements (such as A.M. or P.M. scheduling) for access to the customer's premises.

(ii) **Expedited Service:** If the customer requires that the order be worked after hours for their convenience or if the customer requires expedited service, the charge shall be based on the rates indicated in (c) above for after hours service work on customer premises. The Customer's request for expedited service may then be scheduled at any time to fit the Company's work schedule but the after-hours charge shall be collected as long as any other work is done on overtime.



(iii) **Special Call Out:** If the initiation of service order requires special call out, the customer shall be charged based on the rates indicated in (c) above for after hours service work on customer's premises.

#### **4.1.2 Customer Requested Meter Test**

Whenever the Company is requested by a customer to have a meter test performed, and the result of that meter test indicates that the meter is within 2% accuracy and the meter has been tested within a four year period from the time the customer made the request the customer will be charged according to the following fee schedule.

Positive Displacement	Charge
275 cubic feet per hour or less	\$25.00
276 to 1500 cubic feet per hour	\$30.00
1501 to 3000 cubic feet per hour	\$35.00
3001 to 5000 cubic feet per hour	\$45.00
over 5000 cubic feet per hour	\$60.00

Orifice Meters	
All sizes	\$40.00

The meter test fees schedule above will not apply when the test results indicate the meter is outside of the allowed 2% accuracy range.

#### **4.1.3 Returned Check/Bank Draft Charges**

Accounts for which payment is made using checks or electronic drafts which are returned or denied by a bank for any reason may be charged a fee for each occurrence of \$25.00.

#### **4.1.4 Collection Fee**

A fee of \$20.00 will be charged to any customer whose failure to respond to a termination notice necessitates the dispatch of a company representative who attempts collection of payment from customer.

#### **4.1.5 Reconnect Fees**

The following reconnection fees will be charged to any customer whose service is terminated and then re-initiated unless terminated in error by the Company.

<u>Schedule</u>	<u>Charge</u>
Business Hours	\$50.00
After Hours	\$70.00



#### **4.1.6 Temporary Service**

Customers will be charged the actual cost of installation and removal of pipe and metering facilities. The actual cost will be calculated in accordance with the rates specified in Section 4.1.1 (c) above. This service does not include extension of mains.

#### **4.1.7 Special Read**

Customer requested reading of a meter for any purpose other than initiation of service will be charged \$20.00

#### **4.1.8 No Access**

A fee of \$20.00 will be charged to customer who schedules an appointment but fails to appear or company personnel cannot access property to perform the service requested.

#### **4.1.9 Tampering**

Customers who tamper with their meters will be assessed a charge of \$150.00 plus the actual cost of any estimated volumes of gas illegally consumed or improperly measured based on such tampering, and the actual cost of time and materials to repair meters or other company equipment. The actual costs will be based on the labor rates and costs specified in Section 4.1.1 (c) above. This charge is not intended to duplicate any charge that may be imposed by the Texas Penal Code.

#### **4.1.10 Extension Fee**

In the event the cost of extending mains exceeds the free limit established by Franchise for domestic and non-domestic customers, customers shall pay the actual cost of the extension, based on costs calculated in accordance with Section 4.1.1 above, less the free limit. In the event the Franchise does not apply, the charge will be equal to the actual cost of the extension, less a \$150.00 credit. The actual cost will be calculated in accordance with the rates specified in Section 4.1.1 (c) above.

### **4.2 Deposits**

#### **4.2.1 Customer Deposits**

Deposits will be based on 1/6 of the customers estimated annual usage. For any customer who pays bills by electronic transfer to WTG, these deposits will be based on 1/12 of the customers estimated annual usage.

## **SECTION 5: WTG SURCHARGES**

### **5.1 Other Surcharges**

Pursuant to the Final Order in GUD No. 10235 Consolidated, WTG is authorized to recover a total of \$642,578.54 in rate case expenses from Texas jurisdictional customers by surcharge at the rate of \$0.0984/Mcf for a period of approximately 60 months commencing June, 2013.

West Texas Gas will recover other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.

# **EXHIBIT C** **PROOF OF REVENUE**

<u>Line</u>	<u>(a)</u> <u>Item</u>	<u>(b)</u> <u>Domestic</u>	<u>(c)</u> <u>Non-Domestic</u>
1	Current Revenue 1/	\$ 3,651,206	\$ 1,366,618
2	Increase	\$ 1,307,292	\$ 192,708
3	Total Revenue	\$ 4,958,498	\$ 1,559,326
4	Percent Increase	35.80%	14.10%
5	Total Increase	\$ 1,500,000	

	<u>Item</u>	<u>Proof of Rate</u>	<u>Proof of Rate</u>
6	Settlement Demand Rate	\$ 10.00	\$ 13.70
7	Customer Count	<u>14,985</u>	<u>2,148</u>
8	Demand Revenue	\$ 1,798,170	\$ 353,145
9	Settlement Commodity Rate	\$ 3.76	\$ 2.59
10	Annual Mcf	<u>840,022</u>	<u>465,768</u>
11	Commodity Revenue	\$ 3,160,328	\$ 1,206,340
12	Total Revenue	\$ 4,958,498	\$ 1,559,485

1/ From Schedule A, line 17

**EXHIBIT D**  
**CURRENT AND SETTLEMENT DEPRECIATION RATES**

	(a)	(b)	(c)	(d)
<u>Line</u>	<u>Item</u>	<u>FERC Account</u>	<u>Current Rate</u>	<u>Settlement Rate</u>
1	INTANGIBLE PLANT			
2	ORGANIZATION	301.0	20.00%	0.00%
3	FRANCHISES & CONSENTS	302.0	20.00%	0.00%
4	MISCELLANEOUS INTANGIBLE PLANT	303.0	1.82%	17.60%
5	TOTAL INTANGIBLE PLANT			
6	FIELD LINES & EQUIPMENT PLANT			
7	FIELD LINES	332.0	5.00%	3.32%
8	FIELD COMPRESSOR STATION EQUIPMENT	333.0	10.00%	0.00%
9	FIELD MEASURING & REGULATING STATION EQUIPMENT	334.0	10.00%	0.00%
10	TRANSMISSION PLANT			
11	RIGHTS-OF-WAY	365.2	1.82%	0.50%
12	MAINS	367.0	2.26%	2.12%
13	COMPRESSOR STATION EQUIPMENT	368.0	4.06%	7.84%
14	MEASURING & REGULATING STATION EQUIPMENT	369.0	4.06%	5.92%
15	OTHER EQUIPMENT	371.0	6.14%	7.31%
16	DISTRIBUTION PLANT			
17	MAINS	376.0	2.26%	2.36%
18	COMPRESSOR STATION EQUIPMENT	377.0	4.06%	5.85%
19	MEASURING & REGULATING STATION EQUIPMENT	378.0	4.06%	3.56%
20	OTHER EQUIPMENT	387.0	4.06%	4.18%
21	GENERAL PLANT			
22	LAND & LAND RIGHTS - DEPR	389.0	2.86%	2.45%
23	LAND & LAND RIGHTS - NON-DEPR	389.1	0.00%	0.00%
24	STRUCTURES & IMPROVEMENTS	390.0	7.41%	2.49%
25	OFFICE FURNITURE & EQUIPMENT	391.0	4.66%	2.89%
26	TRANSPORTATION EQUIPMENT	392.0	20.07%	9.93%
27	TOOLS, SHOP & GARAGE EQUIPMENT	394.0	6.14%	4.94%
28	COMMUNICATION EQUIPMENT	397.0	6.88%	10.84%
29	MISCELLANEOUS EQUIPMENT	398.0	7.23%	5.12%

From Schedule D-2, Page 3



**EXHIBIT E**  
**RATE CASE EXPENSE**  
**SURCHARGE CALCULATION AND AFFIDAVITS**

**Calculation of Rate Case Expense Surcharge**

**Affidavit of G. William Fowler**

**Affidavit of Alfred R. Herrera**

**West Texas Gas, Inc.  
Calculation of Rate Case Expense  
Surcharge**

Rate Case Expense - WTG                      \$546,483.27

Rate Case Expense - AWM                      \$96,095.27

Total Expense to be Recovered              \$642,578.54

**Annual Estimated Billing  
Determinants**

(as per Sch A-1, Pg 2 of Rate Model)      1,305,790      Mcf

Estimated # of Months for Recovery      60

Surcharge per Mcf                      

\$0.0984
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**RAILROAD COMMISSION OF TEXAS  
GAS SERVICES DIVISION**

**STATEMENT OF INTENT OF WEST )  
TEXAS GAS, INC. TO INCREASE GAS ) GUD NO. 10235  
DISTRIBUTION RATES IN THE )  
UNINCORPORATED AREAS OF TEXAS )  
AND CONSOLIDATED DOCKET )**

**AFFIDAVIT OF G. WILLIAM FOWLER RELATED TO  
RATE CASE EXPENSES OF WEST TEXAS GAS, INC.**

**STATE OF TEXAS           §  
                                  §  
COUNTY OF ECTOR       §**

Before me, the undersigned authority, on this day personally appeared G. William Fowler, being by me first duly sworn, on oath deposed and said the following:

1. WTG's reasonable rate case expenses are summarized as follows:

(a)	G. William Fowler	\$ 87,176.47
(b)	Robert A. Rima	\$187,789.94
(c)	Pendulum Energy, LLC	\$169,087.50
(d)	Alliance Consultant Group	\$ 33,852.79
(e)	Financial Concepts and Applications, Inc.	\$ 19,775.00
(f)	WTG direct paid expenses	<u>\$ 8,412.72</u>
	Total	\$506,094.42

2. My name is G. William Fowler. I have over 40 years of experience in legal and legislative matters related to the utility industry. I am an attorney licensed in the States of Texas and Oklahoma, and several federal courts. One major area of my legal practice is utility rate regulation. Since 1972, I have been involved in several rate cases, rule making proceedings, and other dockets as an employee of the Railroad Commission, and as counsel appearing before city councils, the Railroad Commission of Texas, the Oklahoma Corporation Commission, the Federal Energy Regulatory Commission, the Public Utility Commission of Texas and in district and appellate courts. I have also testified before the Railroad Commission of Texas on the reasonableness of rate case expenses and filed testimony regarding purchase gas adjustment clauses. I have litigated several gas pipeline and utility matters. I have been retained by West Texas Gas, Inc. ("WTG") in connection with *GUD Docket No. 10235, Statement of Intent of West Texas Gas, Inc. to Increase Gas Distribution Rates in the Unincorporated Areas of Texas* and *GUD Docket No. 10239, Petition for De Novo Review Filed by West Texas Gas, Inc. Appealing the Municipal Rate Decisions of Cactus, Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora and Stratford. ("Consolidated Docket")*. I am over

18 years of age and I am not disqualified from making this affidavit. My statements are true and correct.

3. Robert A. Rima has 37 years of experience in electric, gas, and telephone regulated and unregulated matters involving rates, services, contracts, and franchises. His experience includes: preparation of comprehensive filings to initiate cases before administrative agencies; managing and coordinating the identification and analysis of issues; handling the discovery process; supervising the preparation of expert testimony; motion practice; trial and argument of complex cases; responsibility for pursuing appeals before state courts, negotiating and drafting comprehensive settlements in complex cases; and serving as regulatory counsel in transactional matters. Mr. Rima has also presented expert testimony on utility law, franchise and rate case expense issues. Mr. Rima has over thirty years of experience in state and federal legislative matters. Mr. Rima has served as Senior Vice President and General Attorney for a gas utility, Vice President and General Attorney for an interstate pipeline, and General Counsel for the Public Utility Commission of Texas. While in private practice, he has provided legal services to, among others, three Fortune 500 companies, a \$9.1 billion global investment firm and a \$4.6 billion independent wind and transmission company.
4. I am familiar with the legal work performed by G. William Fowler and Robert A. Rima and the expert utility technical consultants appearing on behalf of WTG in connection with *GUD Docket No. 10235, Consolidated*.
5. Messrs. Fowler and Rima have provided services to WTG in these dockets including, but not limited to, the following activities: client communications, legal advice and strategy, case management negotiating schedules and substantive issues; identification of consultants and recommendations to client regarding consultants; coordination of issue development; legal research; preparation and filing of statements of intent, pleadings and briefs; discovery; preparation for and participating in prehearing conferences; briefing clients and discussions with consultants; and preparation and filing of an appeal to the Railroad Commission from those cities denying rate relief. Because WTG is not staffed to manage or meet the logistical challenges of a rate case, Mr. Rima and his firm were asked to assume those responsibilities as part of the services provided to WTG.
6. Messrs. Fowler and Rima are responsible for coordinating and supervising the legal representation efforts of firm personnel pertaining to the services rendered to WTG in these dockets. I have personally reviewed all billings for all work performed (legal and consulting) in connection with *GUD Docket No. 10235, Consolidated*.
7. Messrs. Fowler and Rima's individual charges, time expended and rates for legal services are reasonable, consistent with the lower end of the range of rates billed to others for similar work and comparable to the lower end of the range of rates charged by other professionals with the same level of expertise and experience. The amounts charged for such service are reasonable and there has been no double billing of charges. There were no expenses charged for any luxury items. There was no first-class airfare or charges for use of non-commercial aircraft, no luxury hotel charges, no limousine services, no meals



charged in excess of \$25 per person, no charges for sporting events, alcoholic drinks, or other entertainment. The charges for copies, printing, courier service, newspaper publications, hearing transcripts and other expenses and costs were necessary for the prosecution of the case and are reasonable. The total legal expenses include reimbursable items such as courier services, express mail, postage, shipping, and photocopying billed at cost. Internal copying charges were limited to 10¢ per page. Expenses for newspaper publications of notice and hearing transcripts have been paid by my firm and rebilled to WTG without any markup.

8. For the period January 31, 2012 through March 29, 2013, G. William Fowler has billed \$87,176.47 in connection with WTG's rate case. This figure includes \$77,410.00 in legal fees and \$9,766.47 in legal expenses. The fees and expenses incurred through March 29, 2013 were necessary to advise and represent WTG in the rate filings. A copy of G. William Fowler invoices are attached as Attachment GWF-1.
9. For the period April 12, 2012 through March 31, 2013, Robert A. Rima has billed \$187,789.94 in connection with WTG's rate case. This figure includes \$183,062.50 in legal fees and \$4,724.74 in legal expenses. The fees and expenses incurred through March 29, 2013 were necessary to advise and represent WTG in the rate filings. A copy of Robert A. Rima invoices are attached as Attachment GWF-2.
10. The attorney hourly rates of \$250-\$275, upon which the legal billings are based, are comparable to the lower end of the range of hourly rates charged to other clients for comparable services during the same time frame. Messrs. Fowler and Rima's rates are at the lower end of the range of reasonable hourly rates when compared to the rates charged by other lawyers with similar experience providing similar services.
11. The invoices submitted by Messrs. Fowler and Rima include a description of services performed and time expended on each activity. Messrs. Fowler and Rima have documented all charges with time sheets, direct entry system, invoices and records. The documentation in this case is similar to that provided in many previous cases at the Railroad Commission.
12. All of the work performed by WTG's attorneys was necessary and reasonable with respect to both time and amount considering the nature, extent, and difficulty of the work, the originality of the issues presented including the nature of the issues raised and addressed by WTG and in this proceeding, and the amount of time spent by and charges by others for work of a similar nature in this and other proceedings. This case presented unique issues related to the reasonableness of affiliate transactions, allocation of costs and depreciation rates, unusual factual and procedural issues, and unusual factual issues due to the complex operating arrangements of WTG, all of which had to be addressed to reach a settlement.
13. The hours spent to perform the tasks assigned to Messrs. Fowler and Rima were necessary to complete the required tasks in a professional and timely manner. Messrs. Fowler and Rima's many years in working with and supervising attorneys and

consultants in utility rate cases at the Railroad Commission and before other regulatory authorities facilitated efforts to keep rate case expenses reasonable.

14. William Rodney Pennington is an experienced utility consultant in the gas pipeline business. He has participated in numerous utility rate proceedings in the United States over his 39 year career. He is a founding member of the firm of Pendulum Energy. Mr. Pennington prepared the annual peak day designs requirements portion of the rate study. Mr. J.R. "Randy" Underwood has 34 years pipeline regulatory experience and is a utility consultant. Mr. Underwood prepared the cost of service rate study supporting revenue increase in accordance with the Commission's suggested best practices for major changes in rates. He determined cost classification and allocations to develop the jurisdictional Texas rate base and expenses as well as the appropriate rate design to recover fair and reasonable expenses. The time and effort expended by Messrs Pennington and Underwood in this case were coordinated with the attorneys. Because of their extensive background and experience, including knowledge of WTG, Messrs. Pennington and Underwood were able to work very efficiently and accomplish their assignments with fewer hours than would be expected from other consultants or expert witness. Mr. Pennington's and Mr. Underwood's time and associated fees of \$169,087.50 for the period from January, 1012 through February 2013 are fair reasonable and necessary. Copies of Pendulum's invoices are attached as Attachment GWF-3.
15. Dane Watson is a founding partner of Alliance Consulting Group ("ACG") and has prepared a depreciation study and supporting testimony recommending depreciation rates for rate making purposes. He has testified in numerous states including Alaska, California, Colorado, Michigan, North Carolina, Texas and other states and federal agencies since 2005. Watson's testimony was coordinated through legal counsel. Because of his experience, he was able to work efficiently and quickly to develop a comprehensive depreciation study including determining service life and net salvage estimates for rate making purposes. ACG's time, effort and associated fees totaling \$33,852.79 are fair, reasonable and necessary. A copy of AGG's invoices are attached as Attachment GWF-4.
16. Bruce H. Fairchild is a consulting Certified Public Accountant and he has provided cost of capital testimony in numerous public utility ratemaking proceedings. He has participated in numerous cases while employed by the Public Utility Commission of Texas and in approximately 200 utility proceedings before approximately 20 regulatory agencies in the United States. He is currently Principal of Financial Concepts and Applications, Inc. ("FINCAP"). His time and efforts in WTG's rate case were coordinated by the attorneys. Because of Fairchild's extensive background and experience, FINCAP was able to work very efficiently and accomplish his assignment with minimum hours. FINCAP's time, effort and associated fees of \$19,250.00 are fair reasonable and necessary. A copy of FINCAP's invoices are attached as Attachment GWF-5.

17. WTG has incurred reasonable and necessary expenses directly associated with the rate case which can be itemized as follows:

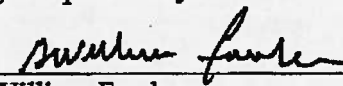
Reynolds Brothers Reproduction \$ 603.37  
(labels, printing, public notices,  
Envelopes) for direct mail notice in  
September 2012.

Conference calls \$ 210.93

Managers (Bean, Bland, Mueller,  
Sorrells, King) expenses to hand  
Deliver statements of intent to  
Cities and attend council meeting \$ 5,245.70

Richard D. Hatchett (travel expenses \$ 2,352.72  
to Austin, City Council meetings) Total \$ 8,412.72

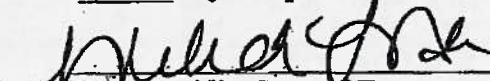
18. Copies of supporting documentation to support WTG's direct rate case expenses as attached as Attachment GWF-6.
19. To complete GUD No. 10235, Consolidated, it is estimated that G. William Fowler and Robert A. Rima will invoice additional legal fees and expenses will be actually incurred through June 5, 2013, will be \$20,000.00. It is estimated that Pendulum Energy will invoice additional consultant fees and expenses actually incurred through June 4, 2013 of \$17,888.50. It is estimated that WTG will incur additional rate case expenses through June 4, 2013, of \$2,500.00. These estimates are based on actual experience in previous rate cases at the Railroad Commission and will be documented for final approval before seeking recovery from the rate payer.
20. WTG reserve the right to amend this affidavit and their request for reimbursement as more invoice information is gathered over the course of GUD Docket Nos. 10235, Consolidated.
21. Statements in this affidavit are true and known by me personally.

  
\_\_\_\_\_  
G. William Fowler

SWORN AND SUBSCRIBED before me on this the 15 day of April 2013.

(seal)



  
\_\_\_\_\_  
Notary Public, State of Texas



**RAILROAD COMMISSION OF TEXAS  
GAS SERVICES DIVISION**

**STATEMENT OF INTENT OF WEST  
TEXAS GAS, INC. TO INCREASE GAS  
DISTRIBUTION RATES IN THE  
UNINCORPORATED AREAS OF  
TEXAS AND CONSOLIDATED  
DOCKET**

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**GUD NO. 10235**

**AFFIDAVIT OF ALFRED R. HERRERA RELATED TO THE ALLIANCE OF WEST  
TEXAS GAS MUNICIPALITIES' RATE CASE EXPENSES**

**STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §**

Before me, the undersigned authority, on this day personally appeared Alfred R. Herrera, being by me first duly sworn, on oath deposed and said the following:

1. My name is Alfred R. Herrera, and I am a principal of Herrera & Boyle, PLLC. I have over 30 years of experience in legal and legislative matters related to the utility industry (telecommunication, electric, and gas). I have litigated numerous electric and gas rate matters.
2. Herrera & Boyle, PLLC has been retained by the cities of Cactus, Canadian, Canyon, Dalhart, Devine, Eden, Kermit, Miami, Natalia, Somerset, Sonora, and Stratford (collectively the "Alliance of West Texas Gas Municipalities" or "AWM") in connection with *GUD Docket No. 10235, Statement of Intent of West Texas Gas, Inc. to Increase Gas Distribution Rates in the Unincorporated Areas of Texas and Consolidated Docket*.
3. I am familiar with the work performed by Herrera and Boyle and the technical consultants on behalf of AWM in connection with *GUD Docket No. 10235*. I am over 18 years of age and I am not disqualified from making this affidavit. My statements are true and correct.
4. This firm has provided services to AWM in these dockets including, but not limited to, the following activities: the provision of legal advice and strategy to AWM member cities; negotiating schedules and substantive issues; identification of consultants and recommendations to client regarding consultants; coordination of issue development; legal research; preparation and filing of pleadings; discovery; preparation for and participating in prehearing conferences; briefing clients and discussions with consultants; and preparation for and participation in settlement negotiations.



5. I am responsible for coordinating and supervising the efforts of my firm's personnel pertaining to the services rendered to AWM in these dockets. I have personally reviewed all billings for all work performed (legal and consulting) in connection with *GUD Docket No. 10235, Statement of Intent of West Texas Gas, Inc. to Increase Gas Distribution Rates in the Unincorporated Areas of Texas and Consolidated Docket*.
6. Invoices and backup for the fees and expenses charged to AWM member cities are provided to the member cities for approval and forwarded to West Texas Gas, Inc. for payment. My firm's billings are associated with efforts that were reasonable and necessary for development of the record and advocacy of AWM's collective position. Duplication of effort was avoided.
7. My firm's individual charges and rates are reasonable, consistent with the rates billed to others for similar work and comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged for such service are reasonable and there has been no double billing of charges. No meal expense has been billed by any attorney or other Herrera and Boyle personnel. No charges have been incurred or billed for luxury items, first-class airfare, limousines, alcohol, sporting events, or entertainment.
8. For the period September 27, 2012 through March 31, 2013, Herrera and Boyle has billed \$93,095.27 in GUD Docket No. 10235. This figure includes \$30,905.75 in legal fees, \$1,116.32 in legal expenses and \$61,073.20 in consultant fees and expenses. The fees and expenses incurred through March 31, 2013 were necessary to advise the AWM member cities on the rate package filing, review the application, identify issues, coordinate activities, retain and work with consultants, engage in discovery, draft pleadings, and prepare for hearing, and engage in settlement discussions. A summary of invoices for GUD Docket No. 10235 is attached as Exhibit A.
9. The attorney hourly rates of \$285-\$325, upon which the billings are based, are comparable to hourly rates charged to other clients for comparable services during the same time frame. Herrera and Boyle's rates are at the lower end of the range of reasonable hourly rates compared to the rates charges by other lawyers with similar experience providing similar services.
10. The hours spent to perform the tasks assigned to Herrera and Boyle were necessary to complete the required tasks in a professional manner on a timely basis. My many years in working with and supervising attorneys and consultants in utility rate cases at the Railroad Commission of Texas (RCT) and the Public Utility Commission of Texas facilitates efforts to keep rate case expenses reasonable.
11. Jacob Pous is a registered professional engineer. He has participated in well over 400 utility rate proceedings in the United States and Canada over a 40-year career. He is currently a principal of the firm of Diversified Utility Consultants, Inc. (DUCI). His time and efforts in GUD Docket No. 10235 were coordinated with me and with attorneys working under my direction. Because of his extensive background and experience,

including knowledge of other gas utilities in Texas, including West Texas Gas Company, Atmos Energy, Texas Gas Services, Inc., and CenterPoint Energy Resources Corp., Jacob Pous was able to work very efficiently and accomplish his assignment with fewer hours than I would expect other consultants or expert witness would require. Jacob Pous' and DUCT's time, effort and associated fees in GUD Docket No. 10235 of \$57,823.20 are reasonable and necessary.

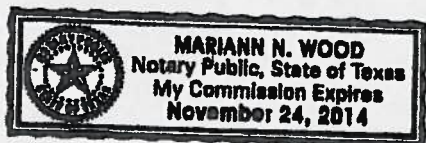
12. Sara Coleman is a Certified Public Accountant. She has assisted Mr. Pous in approximately 100 utility rate proceedings over a 16-year career. She is currently a Senior Analyst with DUCI. Her time and efforts in GUD Docket No. 10235 were supervised by Mr. Pous and were guided by and coordinated with me and with attorneys under my direction. Because of her extensive background and experience, including knowledge of gas utilities in Texas, she was able to work very efficiently and assist Mr. Pous in accomplishing his assignment with fewer hours than I would expect other consultants or expert witnesses would require. Sara Coleman's time, effort, and associated fees in GUD Docket No. 10235 are included in DUCT's total fees of \$57,823.20 and are reasonable and necessary.
13. David C. Parcell is a consulting economist and he has provided cost of capital testimony in numerous public utility ratemaking proceedings. He has participated in over 460 utility proceedings before some 50 regulatory agencies in the United States and Canada. He is currently President and Senior Economist of Technical Associates, Inc. (TAI). His time and efforts in GUD Docket No. 10235 were coordinated with me and with attorneys working under my direction. Because of his extensive background and experience, David C. Parcell was able to work very efficiently and accomplish his assignment with fewer hours than I would expect other consultants or expert witness would require. David C. Parcell's and TAI's time, effort and associated fees of \$3,250.00 are reasonable and necessary.
14. The invoices submitted by Herrera and Boyle include a description of services performed and time expended on each activity. The invoices for GUD No. 10235 have been provided to West Texas Gas, Inc. Herrera and Boyle has documented all charges with time sheets, invoices and records. The documentation in this case is similar to that provided in many previous cases at the RCT.
15. Legal expenses connected with GUD Docket No. 10235, total \$32,022.07. There are no luxury items associated with Herrera and Boyle's expense. The total consists of reimbursable items such as courier services, express mail, postage and shipping, and photocopying. Internal copying charges were limited to 15¢ per page.
16. My responsibilities, as well as other attorneys assigned to GUD No. 10235, included client communication, strategy development, overall case management, discovery review, review and edit testimony, prepare for hearing, and negotiate settlement. The other attorney assigned to this proceeding, Mr. Sean Farrell, is a former Staff attorney with the Public Utility Commission of Texas and now an associate with the firm. He has over seven years of related utility experience, including proceedings before the Railroad Commission of Texas.

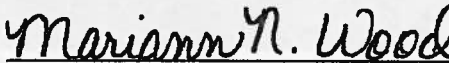
17. To complete GUD No. 10235, I estimate that Herrera and Boyle will invoice additional fees and expenses of approximately \$3,000.00, for a total estimate, including legal and consultant fees and expenses actually incurred through about mid-June, 2013, of \$96,095.27 to cover GUD Docket No. 10235. This estimate is based on actual experience in previous rate cases at the Railroad Commission. AWM will request reimbursement only for actual amounts billed for work that has been performed.
18. AWM reserves the right to amend this affidavit and its request for reimbursement as more invoice information is gathered over the course of GUD Docket No. 10235.
19. Statements in this affidavit are true and known by me personally.

  
Alfred R. Herrera

SWORN AND SUBSCRIBED before me on this the 15<sup>th</sup> day of April 2013.

(seal)



  
Notary Public, State of Texas



# EXHIBIT A

## AWM's Rate Case Expense Summary for GUD No. 10235

	Invoice Date	Invoice No.	Billing Period	Through Period	Invoice Amount	Total Billed to Date	
<b>DUCI - Pous</b>	4/2/13	D622.1	10/1/12	4/1/13	57,823.20	\$57,823.20	
						<b>DUCI Total</b>	<b>\$57,823.20</b>
<b>Technical Associates - Parcell</b>	4/4/13	2939	3/1/13	3/31/13	\$3,250.00	\$3,250.00	
						<b>Technical Associates Total</b>	<b>\$3,250.00</b>
<b>Herrera &amp; Boyle</b>	10/11/12		9/25/12	9/30/13	\$2,165.00	\$2,165.00	
	11/2/12		10/1/12	10/31/12	\$12,256.07	\$14,421.07	
	12/4/12		11/1/12	11/30/12	\$1,649.00	\$16,070.07	
	1/10/13		12/1/12	12/31/12	\$2,261.80	\$18,331.87	
	2/8/13		1/1/13	1/31/13	\$652.30	\$18,984.17	
	3/11/13		2/1/13	2/28/13	\$3,667.80	\$22,651.97	
	4/10/13		3/1/13	3/31/13	\$9,370.10	\$32,022.07	
						<b>Herrera &amp; Boyle Total</b>	<b>\$32,022.07</b>
<b>Legal and Consultants</b>							
	10/11/12		9/25/12	9/30/13	\$2,165.00	\$2,165.00	
	11/2/12		10/1/12	10/31/12	\$12,256.07	\$14,421.07	
	12/4/12		11/1/12	11/30/12	\$1,649.00	\$16,070.07	
	1/10/13		12/1/12	12/31/12	\$2,261.80	\$18,331.87	
	2/8/13		1/1/13	1/31/13	\$652.30	\$18,984.17	
	3/11/13		2/1/13	2/28/13	\$3,667.80	\$22,651.97	
	4/10/13		3/1/13	3/31/13	\$70,443.30	\$93,095.27	
						<b>Legal and Consultants</b>	<b>\$93,095.27</b>
						<b>Estimated expenses to complete settlement</b>	<b>\$3,000.00</b>
						<b>Total Including Billed and</b>	
						<b>Estimated</b>	<b>\$96,095.27</b>



**GUD NO. 10235**  
**Final Order – Exhibit No. 2**  
**June 13, 2013**



**TARIFF FOR GAS SERVICES**  
**FOR THE**  
**WTG DISTRIBUTION SYSTEMS**

**Effective June 14, 2013**

**WEST TEXAS GAS, INC.**

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## **SECTION 1:        DEFINITIONS**

**Commission** – Railroad Commission of Texas.

**Company** – West Texas Gas, Inc. ("WTG") its successors and assigns.

**Domestic Customer** – A customer whose natural gas service is separately and individually metered in an individual private dwelling or in an individual metered apartment, provided the gas is used primarily for residential purposes, unless otherwise specified in the rate schedule.

**Gas Cost Zones** – North, South, and West, as defined in Section 4.1.

**Interest** – The percentage of interest shall be the interest rate established by the Public Utility Commission, or such other agency or manner as determined by the Commission, under Chapter 183 of the Texas Utilities Code.

**Lost and Unaccounted For Gas** – Lost and Unaccounted for Gas (LUG) shall represent volumes of gas metered into the distribution system and volumes of gas metered out of the distribution system at 14.65 p.s.i.a., which shall include distribution and non-distribution volumes. Transmission LUG shall not be included in these volumes.

**Non-Domestic Customer** – All customers other than Domestic Customers obtaining service from West Texas Gas, Inc. unless otherwise specified in the rate schedule or served under a contract.

**Purchased Gas Costs** – The total cost of Purchase Volumes, as received into the Company's distribution systems within each Gas Cost Zone, all as more specifically described in Section 3 of this Tariff.

**Purchased Gas Factor ("PGF")** – A factor on each customer's monthly bill, expressed in dollars per Mcf, to reflect the Purchase Gas Costs, all as more specifically described herein.

**Purchase/Sales Ratio** – A ratio determined by dividing the Company's Purchase Volumes metered into the distribution system during the twelve-month period ending June 30 of each year by the sum of the Company's Sales Volumes metered out of the distribution system, volumes of metered Company used gas, and losses of gas from the Company's systems within each Gas Cost Zone that have been billed to third parties during the same period. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1-.05)$  unless expressly authorized by the applicable regulatory authority.

**Purchase Volumes** – The volumes of gas, expressed in Mcf's and stated at 14.65 psia, received by the Company's distribution system from all sources within each Gas Cost Zone, including monthly purchases and withdrawals from storage, if any, for use by general service customers.



This quantity of gas shall not include LUG attributable to the transmission system or transmission function.

**Reconciliation Amount** – The net of any monthly imbalances by Gas Cost Zone during the period covered by the Reconciliation Review.

**Reconciliation Component** – The monthly amount to be refunded or passed through to customers within each Gas Cost Zone, consisting of one-twelfth of the Reconciliation Amount.

**Reconciliation Factor** – A factor, expressed as a cost per Mcf on customer bills within each Gas Cost Zone, reflecting the customer's share of the Reconciliation Component applicable to the period covered by the bill.

**Reconciliation Review** – An annual review of the company's records covering each 12-month period ending June 30 to determine any imbalances between the Purchase Gas Cost and the Sales Amount as applied to each Gas Cost Zone during that period.

**Sales Amount** – Sales Volumes, volumes of metered Company used gas, and losses of gas from the Company's system within each Gas Cost Zone that have been billed to third parties, multiplied by the Purchased Gas Factor.

**Sales Volumes** – The volumes of gas metered to general service customers within each Gas Cost Zone expressed in Mcf's and stated at 14.65 psia.

**Third Party** – Any person or entity, including an affiliate of the Company

**Weighted Average Cost of Gas** – The Purchase Gas Costs invoiced by third parties divided by the Purchase Volumes, calculated on a monthly basis for each Gas Cost Zone.

## **SECTION 2: WTG DISTRIBUTION SYSTEMS**

### **2.1 SERVICE AREAS**

#### **2.1.1 Incorporated and Environs Distribution Systems**

Balmorhea & Balmorhea Environs	Kermit & Kermit Environs
Booker Environs	LaPryor
Brady Environs	Lubbock & Lubbock Environs
Cactus & Cactus Environs	Menard & Menard Environs
Canadian & Canadian Environs	Miami & Miami Environs
Canyon & Canyon Environs	Mobeetie & Mobeetie Environs
Christoval Environs	Morton Environs
Claude & Claude Environs	Natalia & Natalia Environs
Dalhart & Dalhart Environs	Paint Rock & Paint Rock Environs
Darrouzett & Darrouzett Environs	Perryton Environs
Devine & Devine Environs	Plainview Environs
Dimmitt Environs	Seminole Environs
Eden & Eden Environs	Shamrock & Shamrock Environs
Farwell & Farwell Environs	Somerset & Somerset Environs
Follett & Follett Environs	Sonora & Sonora Environs
Ft. Stockton Environs	Spearman Environs
Groom & Groom Environs	Stratford & Stratford Environs
Higgins & Higgins Environs	Texline & Texline Environs
Imperial Environs	Texhoma & Texhoma Environs
Junction & Junction Environs	TGU System Environs
	Wheeler & Wheeler Environs

#### **2.1.2 Counties of Rural Systems**

Andrews	Coleman	Gaines	La Salle	Oldham	Terry
Archer	Collingsworth	Gray	Lamb	Parmer	Tom Green
Armstrong	Concho	Hale	Lipscomb	Pecos	Uvalde
Atascosa	Crosby	Hall	Lubbock	Potter	Val Verde
Bailey	Culberson	Hansford	Lynn	Presidio	Wheeler
Bexar	Dallam	Hartley	McCulloch	Randall	Wilson
Brewster	Dawson	Hemphill	Martin	Reeves	Winkler
Briscoe	Deaf Smith	Hockley	Maverick	Roberts	Yoakum
Brown	Dimmitt	Hutchinson	Medina	Runnels	Zavala
Carson	Donley	Jeff Davis	Menard	Sherman	
Castro	Floyd	Kimble	Moore	Sutton	
Cochran	Frio	Kinney	Ochiltree	Swisher	

**2.1.3 Tariff Applicability**

This tariff applies to the Cities set forth below, all Counties of Rural Systems identified in Section 2.1.2, and all environs customers identified in Section 2.1.1, except the Lubbock environs.

Cactus	Canadian	Canyon	Dalhart	Devine	Eden
Kermit	Miami	Natalia	Somerset	Sonora	Stratford

## **2.2 Rate Schedule For Incorporated & Environs Systems**

### **2.2.1 Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$10.00
All Consumption @	\$3.76 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

- 4.1.1 Initiation of Service
- 4.1.2 Services - Other
- 4.1.3 Customer Requested Meter Test
- 4.1.4 Returned Checks
- 4.1.5 Collection Fee
- 4.1.6 Reconnect Fees
- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges



## **2.2.2 Non-Domestic Service**

### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable Non-Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$13.70
All Consumption @	\$2.59 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

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- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **2.3 Rate Schedule For Rural Systems**

### **2.3.1 Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$10.00
All Consumption @	\$3.76 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

#### **Rate Adjustment Provisions:**

- 3.1 Gas Cost Adjustment
- 3.2 Revenue Related Tax Adjustment

#### **Miscellaneous Service Charges:**

- 4.1.1 Initiation of Service
- 4.1.2 Services - Other
- 4.1.3 Customer Requested Meter Test
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- 4.1.5 Collection Fee
- 4.1.6 Reconnect Fees
- 4.1.7 Temporary Service
- 4.1.8 Special Read
- 4.1.9 No Access
- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **2.3 Rate Schedule For Rural Systems**

### **2.3.2 Non-Domestic Service**

#### **Monthly Rate:**

Subject to applicable rate adjustment provisions listed below, the following rates are the maximum applicable to Non-Domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

Customer Charge	\$13.70
All Consumption @	\$2.59 per Mcf

The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

### **APPLICABLE RATE SCHEDULES/RIDERS**

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- 4.1.10 Tampering
- 4.1.11 Extension Fee
- 4.2.1 Customer Deposits

#### **Surcharges:**

- 5.1 Other Surcharges

## **SECTION 3: WTG RATE ADJUSTMENT PROVISIONS**

### **3.1 Gas Cost Adjustment**

#### **Intent**

This clause is intended to allow collection of the Company's gas purchase costs in a manner that will lessen monthly fluctuations in the gas cost factor and ensure that all amounts billed to customers are fully reconciled with actual costs incurred, subject to limitations for excessive lost and unaccounted for gas.

#### **Applicability**

This clause shall apply to all customers served by the Company, except for customers purchasing gas at contract rates. Each customer's gas costs will be determined by the costs incurred in the applicable Gas Cost Zone. For purposes of determining gas purchase costs, all customers will be located in one of three Gas Cost Zones: North, South, and West. Each Gas Cost Zone consists of the following systems or geographic areas:

#### **NORTH GAS COST ZONE:**

Booker Environs, Cactus, Cactus Environs, Canadian, Canadian Environs, Canyon, Canyon Environs, Claude, Claude Environs, Dalhart, Dalhart Environs, Darrouzett, Darrouzett Environs, Farwell, Farwell Environs, Follett, Follett Environs, Groom, Groom Environs, Higgins, Higgins Environs, Miami, Miami Environs, Mobeetie, Mobeetie Environs, Perryton Environs, Shamrock, Shamrock Environs, Spearman Environs, Stratford, Stratford Environs, Texline, Texline Environs, Texhoma, Texhoma Environs, Wheeler, and Wheeler Environs.

#### **SOUTH GAS COST ZONE:**

Brady Environs, Christoval Environs, Devine, Devine Environs, Eden, Eden Environs, Junction, Junction Environs, LaPryor, Menard, Menard Environs, Natalia, Natalia Environs, Paint Rock, Paint Rock Environs, Somerset, Somerset Environs, Sonora, and Sonora Environs, TGU System Environs.

#### **WEST GAS COST ZONE:**

Balmorhea, Balmorhea Environs, Dimmitt Environs, Ft. Stockton Environs, Imperial Environs, Lubbock, Lubbock Environs, Seminole Environs, Morton Environs, Kermit, Kermit Environs, and Plainview Environs.

#### **Purchase Gas Cost Component (PGC)**

The Purchase Gas Cost for each Gas Cost Zone shall be computed utilizing the following components for the distribution system customers:



- Cost of gas purchased
- Credits, Refunds or Out of Period adjustments
- Cost of gas withdrawn from storage
- Interest on storage gas withdrawn
- Upstream Gathering and Transportation Charges
- Storage Deliverability Charges
- Storage Capacity Charges
- New taxes on the purchased gas or the purchase transaction and not reflected on elsewhere on customer bills

The company shall keep accurate records of all storage gas purchases, including the date, quantity, cost, and associated expenses. The company shall account for storage gas purchases and withdrawals using a weighted average cost basis.

#### **Purchased Gas Factor (PGF) Calculation**

Each customer bill shall include a Purchased Gas Factor reflecting the estimated Weighted Average Cost of Gas, plus additional elements described in this section, during the period covered by the bill for each Gas Cost Zone. The PGF shall be determined to the nearest \$0.001 per Mcf, and the following provisions shall apply:

- In addition to the estimated weighted average cost of gas for the current month's billing period, the PGF may include a pro rata portion of an amount reflecting the difference between the estimated Weighted Average Cost of Gas and the actual Weighted Average Cost of Gas during the previous billing period for each Gas Cost Zone
- The PGF shall also include a "Reconciliation Factor," an amount reflecting the customer's share of any gas cost imbalances in the preceding reconciliation period for each Gas Cost Zone.
- The PGF factor may also include an amount reflecting any new taxes or levies specifically applied to gas costs or purchases and not otherwise reflected on the customer bill for each Gas Cost Zone.

The Purchased Gas Factor is expressed as a formula as follows:

$$(A+/-B) + C + D = E$$

Where:

A = Estimated WACOG

B = Est. WACOG/Act. WACOG Difference

C = Reconciliation Factor

D = New Taxes

E = Total PGF

**Gas Cost Reconciliation (GCR)**

The company shall keep accurate books and records of the Reconciliation Review and monthly Purchased Gas Factor reports to the Railroad Commission of Texas shall account for the Reconciliation Component and the Reconciliation Factors for each Gas Cost Zone.

A Reconciliation Review and calculation shall first determine whether the lost and unaccounted for gas is more or less than 5% of that metered into the system. The sales volumes shall be converted to the same pressure base as the purchase volumes. Calculations of the sales volumes furnished to its gas sales customers (from meters not corrected for pressure and/or temperature) shall be calculated utilizing the following service pressures (psia) for each listed municipality and associated environs.

Balmorhea	13.48	Junction	14.18	Wheeler	13.78
Cactus	13.28	Kermit	13.68		
Canadian	13.88	Menard	14.08		
Canyon	13.45	Miami	13.68		
Claude	13.38	Mobeetie	13.78		
Dalhart	13.07	Natalia	14.68		
Darrouzett	13.78	Paint Rock	14.28		
Devine	14.68	Shamrock	13.88		
Eden	14.08	Somerset	14.68		
Farwell	13.18	Sonora	13.98		
Follett	13.68	Stratford	13.18		
Groom	13.38	Texhoma	13.38		
Higgins	13.78	Texline	12.98		

If the Reconciliation Review indicates a gas loss or gas gain of less than 5% of that metered into the system, the following methodology shall apply:

- The company shall calculate the imbalance between its Net Jurisdictional Cost of Gas and amount collected through the PGA billed on a monthly basis for said Gas Cost Zone. The Net Jurisdictional Cost of Gas shall be calculated by multiplying the Total Jurisdictional Sales Volumes by the Actual P/S Ratio to arrive at the Calculated Purchased Volume. The Calculated Purchased Volume is then multiplied by the WACOG to arrive at the Net Jurisdictional Cost of Gas.
- Interest shall be applied to each monthly imbalance for said Gas Cost Zone and shall accrue for each month of the review period.
- The interest rate shall be the same rate as determined by the Public Utility Commission of Texas for refunds on customer deposits and in effect during the last month of the audit period (June).

- The sum of the monthly imbalances, plus interest for each Gas Cost Zone for the period under review shall be the Reconciliation Amount, the total amount to be refunded/surcharged in said Gas Cost Zone.

If the Reconciliation Review indicates a gas loss or gas gain of greater than 5% of that metered into the system, the following methodology shall apply:

- The company shall calculate the imbalance between its Purchase Gas Cost and Sales Amount on a monthly basis for said Gas Cost Zones Purchase Gas Cost amounts in excess of the 1.0526 ratio shall be disallowed by:
  - 1) Dividing total Purchase Volumes for the 12-month review period by the total Sales Volumes for the same period in said Gas Cost Zone.
  - 2) Subtracting that result from 1, which when expressed as a percentage, becomes said Gas Cost Zones "Actual P/S Ratio."
  - 3) Subtracting 5.26% from said Gas Cost Zones Actual P/S Ratio, results in a "Disallowance Factor" for the review period.
  - 4) Multiplying the Disallowance Factor by the Purchase Volumes for each month and by the Weighted Average Cost of Gas for each month, for said Gas Cost Zone will result in an amount to be disallowed each month.
  - 5) The Net Jurisdictional Cost of Gas shall be calculated by multiplying the Total Jurisdictional Sales Volume by the Actual P/S Ratio to arrive at the Calculated Purchased Volume. The Calculated Purchased Volume is then multiplied by the WACOG to arrive at the Jurisdictional Cost of Gas. The Net Jurisdictional Cost of Gas is calculated by subtracting the Disallowed Amount calculated above.
- Interest shall be applied to each monthly imbalance for said Gas Cost Zone and shall accrue for each month of the review period.
- The interest rate shall be the rate in effect during the last month of the audit period (June).
- The sum of the monthly imbalances, plus interest for the period under review shall be the Reconciliation Amount for said Gas Cost Zone or the total amount to be refunded/surcharged.

**Reconciliation Factor Calculation (RFC)**

The Reconciliation Amount for each Gas Cost Zone shall be divided by 12, resulting in the Reconciliation Component.

The Reconciliation Component shall be reflected in a refund or surcharge on each customer bill, according to Gas Cost Zone, over a twelve-month period beginning with the first billing cycle in September following the period covered by the review.

The Reconciliation Component for each month of the reconciliation period shall be calculated by dividing the Reconciliation Amount by the estimated Sales Volumes for the applicable billing period. The result will be a monthly Reconciliation Factor, expressed in Mcf for each Gas Cost Zone. Any under or over collection from the prior month may be factored in subsequent months' Reconciliation Component.

Each month during the reconciliation period, the PGF for each Gas Cost Zone on customer bills shall be increased or reduced by the product of the number of Mcf billed to the customer and the monthly Reconciliation Factor, as indicated in the section of PGF calculations. Any under or over collections remaining at the end of the gas reconciliation period will be carried forward to the next gas reconciliation period.

**3.1.1 Recovery of Existing Purchased Gas Cost Imbalances**

The Company shall determine the amount of unrecovered purchased gas costs applicable to the customers served in each incorporated city or rural area immediately prior to the effectiveness of new Gas Cost Zones. Any resulting over-recovery or under-recovery in excess of \$25,000 shall be charged or credited, as appropriate, to the customers in each such city or rural area. Any over-recovery or under-recovery of less than \$25,000 in any incorporated city or rural area shall be recovered along with any Purchase Gas Costs in the applicable Gas Cost Zone.

**3.2 Revenue Related Tax Adjustment**

Each monthly bill, as adjusted above shall also be adjusted by an amount equivalent to the various revenue related taxes, franchise fees, rentals, or other fees and charges imposed by regulatory or governmental authorities. This includes, but not limited to, Gross Receipts Taxes, Municipal Taxes, Fees, or any other governmental imposition, rental fee or charge levied that is based on any portion of revenues billed by Company.



## **SECTION 4: WTG MISCELLANEOUS FEES AND DEPOSITS**

### **4.1 Fees**

#### **4.1.1 Initiation of Service**

##### **a) Connection Charge**

The following connection charges apply:

<u>Schedule</u>	<u>Charge</u>
Business Hours (8AM to 5PM, Monday – Friday, except holidays)	\$50.00
After Hours (All Hours not associated with Business Hours)	\$70.00

A connect fee will be charged to any applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.

##### **b) Read-In for Change Charge**

A read-in fee of \$20.00 will be charged to any applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.

##### **c) After-Hours & Special Handling**

In addition to initiation of service fee above, a fee shall be charged to any applicant whose request to initiate service cannot be completed during normal business hours or requires special handling. Applicant shall be advised that an additional fee will be charged and must agree to pay such charge. Any fees assessed will reflect actual time incurred at \$20 per hour during business hours and \$30 per hour for after hours, plus the actual cost of materials and any incidental (third party) expenses.

(i) **Special Handling:** The Company may, at customer's request, provide special handling in order to meet the Customer's requirements for a fee based on the rates indicated in (c) above.. Special handling may include such assistance as calling the customer in advance or making other special arrangements (such as A.M. or P.M. scheduling) for access to the customer's premises.

(ii) **Expedited Service:** If the customer requires that the order be worked after hours for their convenience or if the customer requires expedited service, the charge shall be based on the rates indicated in (c) above for after hours service work on customer premises. The Customer's request for expedited service may then be scheduled at any time to fit the Company's work schedule but the after-hours charge shall be collected as long as any other work is done on overtime.

(iii) **Special Call Out:** If the initiation of service order requires special call out, the customer shall be charged based on the rates indicated in (c) above for after hours service work on customer's premises.

#### **4.1.2 Customer Requested Meter Test**

Whenever the Company is requested by a customer to have a meter test performed, and the result of that meter test indicates that the meter is within 2% accuracy and the meter has been tested within a four year period from the time the customer made the request the customer will be charged according to the following fee schedule.

Positive Displacement	Charge
275 cubic feet per hour or less	\$25.00
276 to 1500 cubic feet per hour	\$30.00
1501 to 3000 cubic feet per hour	\$35.00
3001 to 5000 cubic feet per hour	\$45.00
over 5000 cubic feet per hour	\$60.00

Orifice Meters	
All sizes	\$40.00

The meter test fees schedule above will not apply when the test results indicate the meter is outside of the allowed 2% accuracy range.

#### **4.1.3 Returned Check/Bank Draft Charges**

Accounts for which payment is made using checks or electronic drafts which are returned or denied by a bank for any reason may be charged a fee for each occurrence of \$25.00.

#### **4.1.4 Collection Fee**

A fee of \$20.00 will be charged to any customer whose failure to respond to a termination notice necessitates the dispatch of a company representative who attempts collection of payment from customer.

#### **4.1.5 Reconnect Fees**

The following reconnection fees will be charged to any customer whose service is terminated and then re-initiated unless terminated in error by the Company.

<u>Schedule</u>	<u>Charge</u>
Business Hours	\$50.00
After Hours	\$70.00

#### **4.1.6 Temporary Service**

Customers will be charged the actual cost of installation and removal of pipe and metering facilities. The actual cost will be calculated in accordance with the rates specified in Section 4.1.1 (c) above. This service does not include extension of mains.

#### **4.1.7 Special Read**

Customer requested reading of a meter for any purpose other than initiation of service will be charged \$20.00

#### **4.1.8 No Access**

A fee of \$20.00 will be charged to customer who schedules an appointment but fails to appear or company personnel cannot access property to perform the service requested.

#### **4.1.9 Tampering**

Customers who tamper with their meters will be assessed a charge of \$150.00 plus the actual cost of any estimated volumes of gas illegally consumed or improperly measured based on such tampering, and the actual cost of time and materials to repair meters or other company equipment. The actual costs will be based on the labor rates and costs specified in Section 4.1.1 (c) above. This charge is not intended to duplicate any charge that may be imposed by the Texas Penal Code.

#### **4.1.10 Extension Fee**

In the event the cost of extending mains exceeds the free limit established by Franchise for domestic and non-domestic customers, customers shall pay the actual cost of the extension, based on costs calculated in accordance with Section 4.1.1 above, less the free limit. In the event the Franchise does not apply, the charge will be equal to the actual cost of the extension, less a \$150.00 credit. The actual cost will be calculated in accordance with the rates specified in Section 4.1.1 (c) above.

### **4.2 Deposits**

#### **4.2.1 Customer Deposits**

Deposits will be based on 1/6 of the customers estimated annual usage. For any customer who pays bills by electronic transfer to WTG, these deposits will be based on 1/12 of the customers estimated annual usage.

## **SECTION 5: WTG SURCHARGES**

### **5.1 Other Surcharges**

Pursuant to the Final Order in GUD No. 10235 Consolidated, WTG is authorized to recover a total of \$457,068 in rate case expenses from RRC GUD No. 10235 jurisdictional customers identified in Section 2.1.3. by surcharge at the rate of \$0.0984/Mcf for a period of approximately 60 months commencing June, 2013.

WTG shall file an Annual Compliance Report with the RRC Gas Services Division annually, due on or before 30th of each June, commencing in 2014. The report shall detail the monthly collections for the rate case expense surcharge and show the outstanding balance.

West Texas Gas will recover other surcharges as authorized by federal, state and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements.