

**RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED BY LDC, §  
LLC TO CHANGE THE RATES IN THE §  
UNINCORPORATED AREAS IN THE §  
VICINITY OF MONTGOMERY, TEXAS §  
§  
§**

**GAS UTILITIES DOCKET  
NO. 9837**

**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 1994 & Supp. 2004). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

1. LDC, LLC ("LDC") is a utility as that term is defined in the Gas Utility Regulatory Act.
2. LDC owns and operates a gas distribution system that provides gas service to customers in Montgomery County, Texas.
3. On November 21, 2008, LDC filed a statement of intent to increase rates on customers located in the unincorporated areas in the vicinity of Montgomery, Texas.
4. On December 9, 2008, the Examiners ruled that LDC's statement of intent was incomplete and did not contain the information required for such filings under TEX. UTIL. CODE ANN. §§ 104.002, 104.102 and 104.103 (Vernon 2007 & Supp. 2008) and 16 TEX. ADMIN. CODE §§ 7.201, et seq. (2002).
5. On December 16, 2008, the Commission suspended the implementation of LDC's proposed rate changes for environs customers for up to 150 days pursuant to TEX. UTIL. CODE ANN. §104.107(a)(2).
6. On April 2, 2009, the Examiners ruled that LDC's statement of intent was completed on January 29, 2009, and that the earliest effective date the utility is entitled to is March 5, 2009.
7. The statutory deadline for Commission action on this docket is August 2, 2009.
8. No protests were filed with the Commission regarding the proposed new rate schedules for LDC; no customers or municipality filed a petition to intervene or otherwise participated in this proceeding.
9. A final hearing was conducted in Austin on June 4, 2009, to take testimony, other evidence, and legal argument on all issues of law and fact that were raised in or relevant to LDC's appeal and statement of intent, for the purpose of developing a record that the Commission will use in setting rates.

10. LDC completed its notice requirements by mailing notice directly to each affected customer.
11. The data submitted by LDC in this docket encompass a full test-year, i.e. the twelve-month period ending December 31, 2007, adjusted to December 31, 2008.
12. LDC proposed rates for the following two classes of customers: residential and commercial.
13. There are approximately 459 residential and 19 commercial customers that will be affected by LDC's rate changes.
14. A capital structure of 44.91 percent long-term debt and 55.09 percent common equity is reasonable.
15. A cost of long-term debt for LDC of 7.50 percent is reasonable.
16. A cost of common equity for LDC of 8.50 percent is reasonable.
17. An overall rate of return of 8.05 percent based on the weighted average cost of capital is reasonable.
19. It is reasonable to set LDC's system-wide operating revenues at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing LDC's overall cost of service.
20. It is reasonable to set LDC's system-wide operating expenses at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing LDC's overall cost of service.
21. It is reasonable to set LDC's system-wide accumulated depreciation at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing LDC's overall cost of service.
22. It is reasonable to set LDC's system-wide rate base at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing LDC's overall cost of service.
23. It is reasonable to approve the miscellaneous service charges and fees, as shown on Examiners' Exhibit 2, attached hereto, for LDC's customers in Montgomery County, Texas.
24. The residential service rate, as shown on Examiners' Exhibit 1, is reasonable.
25. The commercial sales rate, as shown on Examiners' Exhibit 1, is reasonable.

#### **CONCLUSIONS OF LAW**

1. LDC, LLC ("LDC") is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 & Supp. 2008) and §121.001(2007) and is therefore subject to the jurisdiction of the Railroad Commission ("Commission") of Texas.

2. The Railroad Commission of Texas has jurisdiction over LDC and LDC's statement of intent under TEX. UTIL. CODE ANN. §§ 102.001, 104.001, 104.001 and 104.201 (Vernon 2007 & Supp. 2008).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 & Supp. 2008), 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 Statement of Intent was processed in accordance with the requirements of the Gas Utility regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§2001.001-2001.902 (Vernon 2000 and Supp. 2004) (APA).
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 1998), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 & Supp. 2008) 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.
7. In accordance with TEX. UTIL. CODE §104.103 (Vernon 2007 & Supp. 2008), 16 TEX. ADMIN. CODE ANN. §7.230 (2002), and 16 TEX. ADMIN. CODE ANN. §7.235 (2002), adequate notice was properly provided.
8. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 & Supp. 2008), 16 TEX. ADMIN. CODE ANN. §7.205 (2002), and 16 TEX. ADMIN. CODE §7.210 (2002), LDC filed its Statement of Intent to change rates.
9. The revenue, rates, rate design, and service charges proposed by LDC, as amended by the Examiners 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. §104.003 (Vernon 2007 & Supp. 2008).
10. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for LDC 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 & Supp. 2008); and otherwise comply with Chapter 104 of the Texas Utilities Code.
11. The revenue, rates, rate design, and service charges proposed will not yield to LDC 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 & Supp. 2008).
12. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN.

§104.053 (Vernon 2007 & Supp. 2008) 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.

13. In accordance with TEX. UTIL. CODE ANN. §104.054 (Vernon 2007 & Supp. 2008) and TEX. ADMIN. CODE §7.5252, book depreciation and amortization was calculated on a straight line basis over the useful life expectancy of LDC's property and facilities.

14. In this proceeding, LDC has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 & Supp. 2008) to show that the proposed rate changes are just and reasonable.

15. It is reasonable for the Commission to allow LDC to include a Purchase 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 (2002).

16. All expenses for lost and unaccounted for gas in excess of 5.0 percent shall be disallowed, consistent with TEX. ADMIN. CODE § 7.5519 (2002).

17. LDC is required by 16 TEX. ADMIN. CODE §7.315 (2002) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

18. The rate setting methodologies set forth in TEX. UTIL. CODE ANN. §104.051 et seq. were used to set the rates in this proceeding.

**IT IS THEREFORE ORDERED** that LDC'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 in the Examiners' Recommendation shown on the attached Schedules for LDC are **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, LDC shall file tariffs 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 in the Examiners' Recommendation on the attached Schedules.

**IT IS FURTHER ORDERED** that LDC file an annual statement of its operations concurrent with its annual report. The annual statement of operation shall be filed with the Gas Services Division and shall contain information required by Gas Services Division staff.

**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**.

**IT IS FURTHER ORDERED THAT** within 30 days of this order LDC **SHALL** electronically file tariffs and rates schedules in proper form that accurately reflect the rates approved by the Commission

in this Order.

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

Each exception to the examiners' proposal for decision not expressly granted herein is overruled. All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 14<sup>th</sup> day of July, 2009.

RAILROAD COMMISSION OF TEXAS

*vg Carrillo*

CHAIRMAN VICTOR G. CARRILLO

*Elizabeth A. Jones*

COMMISSIONER ELIZABETH A. JONES

*Michael L. Williams*

COMMISSIONER MICHAEL L. WILLIAMS

ATTEST: CAD

*Kevin Williams*

SECRETARY



LDC, LLC  
Cost of Service

1 Rate Base	2,106,362
2 Rate of Return	8.05%
3 Total Return	169,562
4 Taxes Other Than Income	45,000
5 Interest on Long Term Debt	147,653
6 Distribution Expenses	136,801
7 Customer Accounts Expenses	16,944
8 Administrative and General	210,692
9 Depreciation	81,252
10 Total Operating Expense Before FIT	638,342
11 Federal Income Tax	-
12 Subtotal	638,342
13 Total Cost of Service	<b>807,904</b>
14 Test Year Adjusted Revenues	(498,306)
15 Revenue Requirement	<b>309,598</b>

Rate Design

Service Rates:	Cust Charge	Volumetric Rate/mcf
Residential	\$15.00	\$6.75
Commercial	\$15.00	\$4.75

Service Rates - Revenue Projection

Customer Charge:	Customers	Mo Charge Rev	Annual
Residential	459	\$6,885.00	\$82,620.00
Commercial	20	\$300.00	\$3,600.00
Total			<b>\$86,220.00</b>

Commodity Charge:	Mo Avg Volume	Mo Revenue	Annual
Residential	1,868	\$12,609.00	\$151,308.00
Commercial	1,268	\$6,023.00	\$72,276.00
			<b>\$223,584.00</b>

<b>Total Annual Revenue</b>	<b>\$309,804.00</b>
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## Capital Structure

	Amount	Cost	% of Total Weighted Average	
Long-Term Debt	\$ 1,968,706	7.50%	44.91%	3.37%
Common Equity	\$ 2,415,050	8.50%	55.09%	4.68%
Total	\$ 4,383,756		100.00%	8.05%

## Rate of Return

Net Original Cost	2,142,362
Working Capital	-
Customer Deposits	(36,000)
Total Rate Base	2,106,362
Rate of Return	8.05%
Return Requirement	\$ 169,562

## Net Plant and Depreciation Expense

Description	Beginning Year Balance	Current Year Additions	End of Year Balance	Annual Depreciation	Accumulated Depreciation	Net Plant
374 Land & Land Rights	154,235	-	154,235		-	
376 Mains	1,593,186	76,694	1,669,880		(331,576)	
380 Services	84,856	121,727	206,583		(8,386)	
381 - 384 Meters/Regulators	182,660	24,835	207,495		(42,241)	
390 Structures/Improvements	146,002	-	146,002		(15,712)	
391 Office Furniture & Equipment	16,998	-	16,998		(8,869)	
392 Transport Equipment	47,281	85,268	132,549		(10,082)	
393 - 396 Stores, Tools, Equipment	26,892	8,035	34,927		(9,441)	
398 - 399 Misc./Other Equipment	3,195	-	3,195		(3,195)	
<b>Total</b>	<b>2,255,305</b>	<b>316,559</b>	<b>2,571,864</b>	<b>(81,252)</b>	<b>(429,502)</b>	<b>2,142,362</b>
					<b>(348,250)</b>	

Service Charge	Amount
1. Institution of Service	\$15.00
2. Restore service after termination for non-payment	\$35.00
3. Restore service after cut off by customer or his agent	\$35.00
4. Turning on or turning off service (per trip)	\$25.00
5. Additional trip required to turn on service, after first trip with no one home	\$25.00
6. Change meter for special test at customer's request or set meter at existing tap (plus cost of materials)	\$25.00
7. Replace damaged stopcock, plus cost of valve	\$25.00
8. Rebuild meter installation damaged by someone other than LDC	
a. Requiring construction crew (1 hour minimum, plus costs of materials)	\$75.00
b. Not requiring construction crew (1 hour minimum, plus costs of materials)	\$50.00
9. Customer requested meter test (within 4 years of last test)	\$15.00
10. Change residential meter location: Minimum charge	\$125.00
Additional meters in manifold (plus costs of materials)	\$35.00
11. Repair damaged meters and regulators (plus costs of materials)	
Damage to top cover and/or index	\$50.00
Damage in excess of damage to top cover and/or index	\$25.00
Damage to regulator	\$25.00
12. Reroute or extend yard lines under normal conditions 1 1/4" or smaller (per foot, includes pipe; cost of additional materials extra)	\$3.50
13. Installation and extension of new mains, yard and service lines under normal conditions:	
Mains not larger than 2" and Service Lines (per foot)	\$4.50
Yard lines, 1 1/4" or smaller (per foot)	\$3.50
14. Tap Charge	\$375.00
15. Electronic meter and regulator facility	\$485.00
16. Labor for all other service work on customers' installations	
No charge for leak check or bill inquiry, 1 hour minimum	\$60.00
Each additional 1/2 hour, or part thereof	\$30.00
After normal business hours, 1 hour minimum	\$90.00
Saturdays, Sundays, holidays, after hour calls, 1 hour minimum	\$90.00
Each additional 1/2 hour	\$45.00
17. Collection call, missed appointment, second re-read	\$20.00
18. Return check charge, plus bank fee	\$20.00
19. High Volume Flow Valve at customer's request	\$225.00