

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

STATEMENT OF INTENT OF NATGAS, INC., TO INCREASE GAS UTILITY RATES IN AND AROUND THE UNINCORPORATED COMMUNITY OF OZONA, TEXAS	§ § § § §	GAS UTILITIES DOCKET NO. 10498
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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 Chapter 551 (Open Meetings) of the Texas Government Code. The Railroad Commission of Texas ("Commission") adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

General

1. On February 12, 2015, NatGas, Inc. ("NatGas"), filed with the Commission a Statement of Intent to Increase Gas Utility Rates In and Around the Unincorporated Community of Ozona, Texas ("SOI"). The filing was docketed as GUD No. 10498.
2. The proposed rates will affect approximately 1,192 total customers, including approximately 1,051 residential customers, 107 commercial customers, and 34 public authority customers.
3. The last gas utility rate increases for these environs customers was in 2010 in GUD docket number 9951.
4. The data submitted by NatGas in this docket encompass a full test-year of the 12-month period ending September 30, 2015, updated for known changes and conditions that are measurable with reasonable accuracy.
5. On May 13, 2016, the parties filed a Unanimous Settlement Agreement ("Settlement"), resolving all issues.
6. The statutory deadline for Commission action is August 25, 2016.

Parties

7. Applicant NatGas is a “gas utility” under Section 101.003 (Definitions) of the Texas Utilities Code.
8. The following party properly intervened: Staff of the Railroad Commission (“Staff”).

Scope of Proceeding and Jurisdiction

9. This docket does not involve appeals of any action taken by municipalities.
10. Only NatGas customers in and around the unincorporated community of Ozona, Texas, are subject to the Commission’s jurisdiction in this docket.

Notice; Procedure; Books and Records

11. All material notices were issued and/or provided in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
12. This proceeding was conducted in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.

Procedural Background

13. On February 12, 2016, NatGas filed with the Commission its SOI with an original effective date of March 18, 2016.
14. Also on February 12, 2016, the Commission published notice of NatGas’s SOI application in *Gas Utilities Information Bulletin No. 1029*.
15. On February 17, 2016, Staff filed a motion to intervene, which was granted on February 24, 2016.
16. On March 8, 2016, the Commission suspended TGS’s proposed rate change for a period of 150 days—from March 18, 2016, to August 15, 2016—in accordance with Section 104.107 (Rate Suspension; Deadline) of the Texas Utilities Code.
17. A prehearing conference was held on March 17, 2016, to consider various preliminary matters.

18. NatGas provided public notice of its SOI by publication in the *Ozona Stockman*—a newspaper having general circulation in the territory served by NatGas—on four consecutive weeks beginning April 6, 2016.
19. On April 18, 2016, NatGas voluntarily extended the statutory deadline in this case from August 15, 2016, to August 25, 2016.
20. On May 2, 2016, a Notice of Hearing was issued, which set the hearing on the merits for May 19, 2016 (“Notice of Hearing”).
21. On May 13, 2016, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1035*.
22. On May 13, 2016, the parties filed with the Commission the Settlement, unanimously agreed to by NatGas and Staff.
23. On May 19, 2016, a settlement hearing was held at the time, date, and location provided in the Notice of Hearing.
24. On June 13, 2016, the docket was reassigned to a different ALJ. That ALJ has read the record.
25. On July 12, 2016, the Proposal for Decision (“PFD”) was issued.

The Settlement

26. The Settlement, unanimously agreed to by NatGas and Staff, resolves all issues in GUD 10498.
27. The signatories to the Settlement—NatGas and Staff—represent diverse interests and have engaged in significant discovery regarding the issues in dispute.
28. The Settlement resolves all issues in a manner consistent with the public interest.
29. The terms of the Settlement are just and reasonable and are consistent with the requirements of the Texas Utilities Code and applicable Commission rules.
30. The rates, terms and conditions reflected in Settlement are just and reasonable and comply with the rate-setting requirements of Chapter 104 (Rates and Services) of the Texas Utilities Code.
31. An increase of an additional \$10,000 in annual revenues, as specified and detailed in the Settlement, is just and reasonable.

32. The following customer charges and volumetric rates, identified in the Settlement, are just and reasonable.

Customer Class	Customer Charge	Commodity Charge
Residential	\$6.00	\$3.97 per Mcf all usage
Commercial	\$6.50	\$3.97 per Mcf all usage
Public Authority	\$6.50	\$3.57 per Mcf all usage

33. NatGas's proposed class revenue allocation, identified in the Settlement, is just and reasonable: Residential 68.04 percent; Commercial 23.83 percent; and Public Authority 8.13 percent.
34. NatGas's proposed depreciation rates for distribution and general plant, as shown in the Settlement, are just and reasonable.
35. NatGas's capital investment booked to plant through September 30, 2015, is reasonable and prudent.
36. The capital structure and weighted cost of capital contained in the Settlement are just and reasonable: a rate of return using an 11.0 percent return on equity, actual cost of debt of 6.0 percent, and actual capital structure consisting of 56.52 percent equity and 43.48 percent debt.

Rate Case Expenses - Amounts

37. NatGas represented that its reasonable rate case expenses total \$39,800.46. This amount includes \$36,080.46 in actual invoices, with an additional \$3,720.00 estimated to completion of this docket.
38. NatGas agreed in the Settlement to limit recovery of rate case expenses to \$26,800.
39. NatGas submitted sworn testimony attesting to the reasonableness of its rate case expense amounts, along with supporting documentation.
40. NatGas established the reasonableness of its requested \$26,800 in rate case expenses.
41. NatGas's rate case expenses amount of \$26,800 is reasonable and recoverable pursuant to Section 103.022 (Rate Assistance and Cost Reimbursement) of the Texas Utilities Code and Commission Rule 7.5530 (Allowable Rate Case Expenses).

Rate Case Expenses – Allocation and Recovery

42. The Settlement contains a "Rate Case Expense (RCE) Rider," which sets a single monthly surcharge of \$0.17 per Mcf for a twenty-four (24) month period ("RCE Rate") to apply to NatGas customers affected by this docket.

43. The provisions of the Settlement relating to allocation and recovery of NatGas's rate case expense amounts totaling \$26,800 are just and reasonable.

Record Keeping Adjustments

44. Per the Settlement, NatGas agrees to the following adjustments to its record keeping:
- Within 30 days of the date of the Final Order, NatGas agrees to comply with Tex Admin Code § 7.310 System of Accounts and adhere to FERC USOA instructions, including, but not limited to, accounting for its utility and non-utility operations. Within 60 days of the date of the Final Order, NatGas will file with the Oversight and Safety Division its proposed methodology for compliance with FERC USOA instructions;
 - Within 30 days of the date of the Final Order, NatGas will track all of its full and part time employees' work time by utility and non-utility function. Within 60 days of the date of the Final Order, NatGas will file with the Oversight and Safety Division its proposed methodology for tracking employee time; and
 - No later than November 1, 2016, NatGas will create and adhere to a Cost Allocation Manual to accurately allocate revenues, expenses, and assets between its utility and non-utility operations. On or before November 1, 2016, NatGas will file with the Oversight and Safety Division a copy of its Cost Allocation Manual.

CONCLUSIONS OF LAW

Jurisdiction

1. NatGas is a gas utility as defined in Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code and therefore is subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over all matters decided in this docket.
3. The Commission has exclusive original jurisdiction over the rates and services of NatGas for customers located in and around the unincorporated community of Ozona, Texas.

Notice and Procedure

4. All material notices were issued and/or provided in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
5. This proceeding was conducted in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative

Procedure and Practice) of the Texas Government Code, and applicable Commission rules.

6. The Commission properly suspended the operation of NatGas's proposed rate schedule for 150 days pursuant to Section 104.107 (Rate Suspension; Deadline) of the Texas Utilities Code.
7. The deadline for Commission action in this docket is August 25, 2016.

Burden of Proof

8. NatGas has the burden of proving that its proposed rate changes are just and reasonable.
9. NatGas has the burden of proving its other requested relief by a preponderance of the evidence.
10. NatGas has the burden of proving the reasonableness of its rate case expenses by a preponderance of the evidence.

NatGas's Requested Relief

11. NatGas's SOI complied with the requirements of Section 104.102 (Statement of Intent to Increase Rates) of the Texas Utilities Code.
12. The proposed rates constitute a major change as defined by Section 104.101 (Definition) of the Texas Utilities Code.
13. NatGas failed to meet its burden of proof with respect to its original SOI.
14. NatGas met its burden of proof with respect to the proposed rates, terms, and other requested relief in the Settlement.
15. All terms in the Settlement are just and reasonable and are consistent with the requirements of Subtitle A (Gas Utility Regulatory Act) and applicable Commission rules.
16. The revenue, rates, rate design, and service charges in the Settlement 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 Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code.
17. The overall revenues as established by the findings of fact and contained in the Settlement are just and reasonable, fix an overall level of revenues for NatGas that will permit the utility 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 Section 104.051 (Establishing Overall

Revenues) of the Texas Utilities Code, and otherwise comply with Chapter 104 (Rates and Services) of the Texas Utilities Code.

18. The revenue, rates, rate design, and service charges in the Settlement will not yield to NatGas 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 Section 104.052 (Establishing Fair Rate of Return) of the Texas Utilities Code.
19. The rates established in this docket comport with the requirements of Section 104.053 (Components of Adjusted Value of Invested Capital) of the Texas Utilities Code 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.
20. The depreciation rates for distribution and general plant, contained in the Settlement, are just and reasonable.
21. NatGas's capital investment booked to plant through September 30, 2015, is reasonable and prudent.

Rate Case Expenses

22. Only NatGas customers in and around the unincorporated community of Ozona, Texas, are subject to the Commission's jurisdiction in this docket, including the Commission's jurisdiction with respect to ordering recovery of rate case expenses.
23. NatGas met its burden of proving the reasonableness of its rate case expense amount of \$26,800.

IT IS THEREFORE ORDERED that NatGas's originally-filed proposed schedule of rates is hereby **DENIED**.

IT IS FURTHER ORDERED that NatGas's proposed rates in the Settlement, attached to this Final Order, are hereby **APPROVED**.

IT IS FURTHER ORDERED that all other terms and proposed relief in the Settlement, attached to this Final Order, are hereby **APPROVED**.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, NatGas shall file with the Commission its final actual incurred rate case expenses through completion of this docket.

IT IS FURTHER ORDERED that NatGas shall file annually, due on the 15th of each December, a report with the Railroad Commission's Oversight and Safety Division. The report

shall detail the monthly collections for the RCE surcharge and show the outstanding balance. No interest will accumulate on the outstanding balance.

IT IS FURTHER ORDERED that, within 30 days of the date of this Order, NatGas shall *electronically* file tariffs in proper form with the Oversight and Safety Division. The tariffs and rate schedules shall accurately reflect the rates and terms approved by the Commission in this Order.

IT IS FURTHER ORDERED that, within 60 days of the date of this Order, NatGas shall file with the Oversight and Safety Division its proposed methodology for compliance with FERC USOA instructions.

IT IS FURTHER ORDERED that, within 60 days of the date of this Order, NatGas shall file with the Oversight and Safety Division its proposed methodology for tracking employee time.

IT IS FURTHER ORDERED that, on or before November 1, 2016, NatGas shall file with the Oversight and Safety Division a copy of its Cost Allocation Manual.

IT IS FURTHER ORDERED that all other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not specifically granted or approved in this Final Order, 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 9th day of August, 2016.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN DAVID PORTER



COMMISSIONER CHRISTI CRADDICK



COMMISSIONER RYAN SITTON

ATTEST:



SECRETARY

GAS UTILITIES DOCKET NO. 10498

**STATEMENT OF INTENT OF
NATGAS, INC. TO INCREASE GAS
UTILITY RATES IN AND AROUND
THE UNINCORPORATED
COMMUNITY OF OZONA, TEXAS**

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**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

2016 MAY 13 PM 4:38
DOCKET STAFF'S
RAILROAD COMMISSION
OF TEXAS

FILED

UNANIMOUS SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between NatGas, Inc. and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

WHEREAS, on February 12, 2016, NatGas filed its Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission"); and

WHEREAS, the Commission docketed the rate request as GUD No. 10498; and

WHEREAS, Staff was the only other party to seek intervention and was granted party status in GUD No. 10498; and

WHEREAS, NatGas provided public notice by publication in a newspaper having general circulation in the territory served by NatGas on four consecutive weeks beginning April 6, 2016 in the form approved by the Examiners; and

WHEREAS, direct testimony of Staff was due on May 4, 2016, but was not filed in reliance on this Unanimous Settlement Agreement; and

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

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers affected by this docket; and

WHEREAS, the Signatories represent diverse interests and the Unanimous Settlement Agreement resolves the issues in GUD No. 10498 in a manner that the Signatories agree is consistent with the public interest; 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 resolving the rate request pending before the Commission without the need for additional litigation:

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs and rate schedules attached to this Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede the tariffs currently in effect in the environs of Ozona, Texas. These tariffs represent an increase of an additional \$10,000 in annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement. Except as specifically provided herein, the Signatories agree that the \$10,000 revenue increase is a "black box" figure and is not tied to any specific expense in the underlying cost of service in NatGas' service area. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall be effective on or after August 1, 2016.
2. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

Customer Class	Customer Charge	Commodity Charge
Residential	\$6.00	\$3.97 per Mcf all usage
Commercial	\$6.50	\$3.97 per Mcf all usage
Public Authority	\$6.50	\$3.57 per Mcf all usage

3. The Signatories agree that the Company's proposed depreciation rates for distribution and general plant as shown on Exhibit C are reasonable.
4. The Signatories agree that the Company's capital investment booked to plant through September 30, 2015 is prudent.
5. The Signatories agree that a rate of return using an 11.0% return on equity, actual cost of debt of 6.0%, and actual capital structure consisting of 56.52% equity and 43.48% debt are reasonable.
6. The Signatories agree that the class revenue allocation reflected in the following table is reasonable:

Customer Class	Revenue Allocation
Residential	68.04%
Commercial	23.83%
Public Authority	8.13%
Total	100.00%

7. NatGas represents that its reasonable rate case expenses incurred through April 2016, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Invoices	Est. to Completion	Total
NatGas	\$36,080.46	\$3,720.00	\$39,800.46

8. NatGas agrees to limit recovery of rate case expenses to \$26,800. Signatories agree that this amount is reasonable and recoverable pursuant to Texas Utilities Code § 104.051. Signatories agree that the recovery period for the applicable surcharge to recover rate case expenses shall be 24 months. Signatories intend and advocate that the Commission authorize recovery of \$26,800 of the rate case expenses recited above in the same proceeding and at the same time that it approves this Unanimous Settlement Agreement.
9. NatGas agrees to the following adjustments to its record keeping:
- Within 30 days of the date of the Final Order, NatGas agrees to comply with Tex Admin Code § 7.310 System of Accounts and adhere to FERC USOA instructions, including, but not limited to, accounting for its utility and non-utility operations. Within 60 days of the date of the Final Order, NatGas will file with the Oversight and Safety Division its proposed methodology for compliance with FERC USOA instructions;
 - Within 30 days of the date of the Final Order, NatGas will track all of its full and part time employees' work time by utility and non-utility function. Within 60 days of the date of the Final Order, NatGas will file with the Oversight and Safety Division its proposed methodology for tracking employee time; and
 - No later than November 1, 2016, NatGas will create and adhere to a Cost Allocation Manual to accurately allocate revenues, expenses, and assets between its utility and non-utility operations. On or before November 1, 2016, NatGas will file with the Oversight and Safety Division a copy of its Cost Allocation Manual.
10. The Signatories agree to the admission of the following items, including any confidential portions:
- NatGas, Inc. Statement of Intent to Increase Gas Utility Rates In and Around the Unincorporated Community of Ozona Texas, filed on February 12, 2016, inclusive of all attachments and including the direct testimony of Karl J. Nalepa
 - Affidavit of Norman Smith attesting to Public Notice
 - Affidavit of Karl J. Nalepa attesting to the reasonableness of NatGas' rate case expenses

Attached as Exhibit D to this Unanimous Settlement Agreement.

11. The Signatories agree to support and seek approval by the Commission of this Unanimous Settlement Agreement.

12. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on February 12, 2016.
13. The Signatories agree that neither this 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 Unanimous Settlement Agreement.
14. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous 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 Unanimous Settlement Agreement or its subsequent withdrawal.
15. The Signatories agree that this 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 Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
16. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 13th day of May 2016.

NATGAS, INC.

By: Karl J. Nalepa
Karl J. Nalepa
ReSolved Energy Consulting, LLP

On behalf of NatGas, Inc.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Pierce Griffin
Attorney for Staff of the Railroad Commission of Texas

12. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on February 12, 2016.
13. The Signatories agree that neither this 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 Unanimous Settlement Agreement.
14. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous 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 Unanimous Settlement Agreement or its subsequent withdrawal.
15. The Signatories agree that this 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 Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
16. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this ____ day of May 2016.

NATGAS, INC.

By: _____

Karl J. Nalepa
ReSolved Energy Consulting, LLP

On behalf of NatGas, Inc.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____

John Pierce Griffin

Attorney for Staff of the Railroad Commission of Texas

EXHIBIT A

NatGas, Inc.
Rate Sheet
Commercial Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$6.50

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

MONTHLY COMMODITY RATE:

The price payable by each Commercial customer for all consumption each month shall be \$3.97 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an amount of \$1.00 per service line for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE:

The Company shall recover approved rate case expenses through an RCE Rider on each customer's bill.

OTHER SURCHARGES:

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

PAYMENT

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

NatGas, Inc.
Rate Sheet
Residential Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$6.00

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

MONTHLY COMMODITY RATE:

The price payable by each Residential customer for all consumption each month shall be \$3.97 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in the amount of \$1.00 per service line for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE:

The Company shall recover approved rate case expenses through an RCE Rider on each customer's bill.

OTHER SURCHARGES:

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

PAYMENT

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

NatGas, Inc.
Rate Sheet
Public Authority Service

APPLICATION OF SCHEDULE

This schedule is applicable to tax exempt Public Authority type customers, including schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$6.50

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

MONTHLY COMMODITY RATE:

The price payable by each Public Authority customer for all consumption each month shall be \$3.57 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an amount of \$1.00 per service line for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT

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

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

A. APPLICABILITY

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

B. DEFINITIONS

1. **Cost of Gas** - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a monthly reconciliation component, and other purchased gas expenses.
2. **Commodity Cost** - The Cost of Purchased Gas.
3. **Cost of Purchased Gas** - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase commodity cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, and storage necessary for the movement of gas to the Company's city gate delivery point(s) and associated taxes.
4. **Reconciliation Component** – The amount to be returned to or recovered from general service customers each month as a result of the monthly cost of gas reconciliation.
5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the production month of June to determine an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes purchased for all customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to all customers during the same period. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 5 percent lost and unaccounted for gas.
7. **Monthly Cost of Gas Reconciliation** – The Company will estimate the cost of gas and billing units to determine to cost of gas billed to its general service customers. Prior to the next month billing, the Company will determine the difference between the estimated cost of gas used in the monthly billing and the actual cost of gas for the month. This difference, whether an amount of over or under collection, will be added or subtracted to the cost of gas in the following month billing.

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

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

C. COST OF GAS

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

The cost of gas calculation formula is $CGA = G/S + RC$, where:

"CGA" in \$/Mcf, is the estimated unit cost of gas for the billing month.

"G" in dollars, is the expected cost of gas for the expected sales billing units;

"S" in Mcf at 14.65 PSIA, is the expected sales billing units to be billed;

"RC" in \$/Mcf at 14.65 PSIA, is the reconciliation component to adjust for the cumulative monthly difference between the cost of gas purchased by the Company and the amount of gas cost billed to the customer. This adjustment takes into consideration such things as any differences between estimated and actual cost of gas, any differences between expected and actual billing units, and any adjustments to the cost of gas (including credits or surcharges) made by the supplier.

D. DETERMINATION AND APPLICATION OF THE MONTHLY COST OF GAS RECONCILIATION

If the Monthly Cost of Gas Reconciliation reflects either an over recovery or under recovery of revenues, such amount shall be added to the Cost of Gas and divided by the general service sales volumes.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Monthly Cost of Gas Reconciliation.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) the amount of the cost of gas caused by any surcharge or refund; (c) the Reconciliation Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to: (a) a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending June 30; (b) a tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues; (c) the monthly reconciliation component; and (d) a description of all other costs and refunds made during the year and their effect on the Cost of Gas. This report shall be filed concurrently with the Cost of Gas Statement for August.

NatGas, Inc.
Rate Sheet
Tax Rider

APPLICABILITY

This Rider is applicable to any customer served under Residential, Commercial, and Public Authority rate schedules in all environs served by NatGas, Inc. The Company shall collect from customers on each monthly bill an amount equal to the taxes, fees and other charges imposed by regulatory or governmental authorities.

NatGas, Inc.
Rate Sheet
Rate Case Expense (RCE) Rider

APPLICABILITY

This Rider is applicable to any customer served under Residential, Commercial, and Public Authority rate schedules in all environs served by NatGas, Inc. This schedule is for the recovery of rate case expenses approved in Gas Utilities Docket No. 10498 and shall be in effect beginning on or after August 1, 2016, for a twenty-four (24) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The price payable by each customer for all consumption each month shall be \$0.17 per Mcf.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations; as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from the Company's office located at 3838 Oak Lawn Ave., Suite 1525, Dallas, Texas, 75219.

COMPLIANCE

The Company will file annually, due on the 15th of each December, a report with the RRC Oversight and Safety Division. The report shall detail the monthly collections for the RCE surcharge and show the outstanding balance. No interest will accumulate on the outstanding balance.

EXHIBIT B

NATGAS
REVENUE BY CUSTOMER CLASSIFICATION - SETTLEMENT
For the Pro Forma Test Year Ended September 30, 2015

Line No.	Customer Classification	REVENUE PER BOOKS		PRO FORMA ADJUSTED		PROPOSED REVENUE		
		Commodity Sales - MCF	Billing Revenue - \$	Commodity Sales - MCF	Billing Revenue - \$	Billing Revenue - \$	Increase \$	%
1	Sales of Gas - Total							
2	Residential	50,180	\$442,193	48,635	\$427,469	\$436,933	\$9,464	2.21%
6	Commercial	17,685	\$140,291	21,767	\$177,538	\$178,140	\$601	0.34%
11	Public Authority	9,004	\$65,783	8,275	\$59,632	\$59,664	\$32	0.05%
12								
13	Other Revenue		\$2,663		\$2,663	\$2,663	\$0	0.00%
15								
16								
17	Total Sales of Gas	76,869	\$650,930	78,677	\$667,303	\$677,399	\$10,097	1.51%
18								
19								
20	Sales of Gas - Base Rates							
21	Residential	50,180	\$266,325	48,635	\$252,915	\$262,379	\$9,464	3.74%
25	Commercial	17,685	\$77,906	21,767	\$91,284	\$91,886	\$601	0.66%
26								
30	Public Authority	9,004	\$34,815	8,275	\$31,306	\$31,338	\$32	0.10%
31								
32								
33	Total Sales of Gas	76,869	\$379,046	78,677	\$375,506	\$385,603	\$10,097	2.69%

NATGAS
REVENUE BY CUSTOMER CLASSIFICATION - SETTLEMENT
For the Pro Forma Test Year Ended September 30, 2015

		AVERAGE COST PER MCF		
Line No.	Customer Classification	PER BOOKS	PRO FORMA ADJUSTED	PROPOSED
1				
2	Sales of Gas - Total			
3	Residential	\$8.81	\$8.79	\$8.98
7				
8	Commercial	\$7.93	\$8.16	\$8.18
12				
13	Public Authority	\$7.31	\$7.21	\$7.21
14				
15	Total Sales of Gas	<u>\$8.47</u>	<u>\$8.48</u>	<u>\$8.61</u>
16				
17				
18	Sales of Gas - Base Rates			
19	Residential	\$5.31	\$5.20	\$5.39
23				
24	Commercial	\$4.41	\$4.19	\$4.22
28				
29	Public Authority	\$3.87	\$3.78	\$3.79
30				
31	Total Sales of Gas	<u>\$4.93</u>	<u>\$4.77</u>	<u>\$4.90</u>

NATGAS
TYPICAL BILL COMPARISONS - SETTLEMENT
For the Pro Forma Test Year Ended September 30, 2015

Residential Service					
Charge	Present	Proposed	Change		
Customer Charge \$/Month	\$5.00	\$6.00			
Commodity \$/MCF	\$4.0300	\$3.9700			
Gas Cost Adjustment \$/MCF	\$3.5891	\$3.5891			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	(\$)	(%)	
1	\$12.62	\$13.56	\$0.94	7.45%	
2	\$20.24	\$21.12	0.88	4.35%	
4	\$35.48	\$36.24	0.76	2.14%	
6	\$50.71	\$51.35	0.64	1.26%	
8	\$65.95	\$66.47	0.52	0.79%	
10	\$81.19	\$81.59	0.40	0.49%	
Avg MCF Use					
3.9	\$34.71	\$35.48	0.77	2.21%	

Commercial Service					
Charge	Present	Proposed	Change		
Customer Charge \$/Month	\$5.00	\$6.50			
Commodity \$/MCF	\$4.0300	\$3.9700			
Gas Cost Adjustment \$/MCF	\$3.9625	\$3.9625			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	(\$)	(%)	
5	\$44.96	\$46.16	\$1.20	2.67%	
10	\$84.93	\$85.83	0.90	1.06%	
15	\$124.89	\$125.49	0.60	0.48%	
20	\$164.85	\$165.15	0.30	0.18%	
25	\$204.81	\$204.81	0.00	0.00%	
30	\$244.78	\$244.48	(0.30)	-0.12%	
Avg MCF Use					
17.0	\$140.87	\$141.35	0.48	0.34%	

NATGAS
TYPICAL BILL COMPARISONS - SETTLEMENT
For the Pro Forma Test Year Ended September 30, 2015

Public Authority				
	Charge	Present	Proposed	
Customer Charge \$/Month		\$5.00	\$6.50	
Commodity \$/MCF		\$3.6400	\$3.57	
Gas Cost Adjustment \$/MCF		\$3.4232	\$3.4232	
TYPICAL MONTHLY BILL COMPARISON				
	MCF	Present	Proposed	Change (\$)
	5	\$40.32	\$41.47	\$1.15
	10	\$75.63	\$76.43	0.80
	15	\$110.95	\$111.40	0.45
	25	\$181.58	\$181.33	(0.25)
	35	\$252.21	\$251.26	(0.95)
	50	\$358.16	\$356.16	(2.00)
				(%)
				2.85%
				1.06%
				0.41%
				-0.14%
				-0.38%
				-0.56%
	Avg MCF Use			
	20.3	\$148.38	\$148.46	0.08
				0.05%

NATGAS
DEVELOPMENT OF PROPOSED RATES - SETTLEMENT
For the Pro Forma Test Year Ended September 30, 2015

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	Residential					
2	Customer Charge	12,612 Bills	\$6.00	\$75,672		
3	Commodity Charge	48,635 MCF	\$3.9700	193,080		
4	Total Residential			\$268,752		
5	Times Booked to Billed Ratio			98%		
6	Adjusted Residential			\$262,379	\$9,463	3.74%
7						
8						
9	Commercial					
10	Customer Charge	1,284 Bills	\$6.50	\$8,346		
11	Commodity Charge	21,767 MCF	\$3.9700	86,417		
12	Total Commercial			\$94,763		
13	Times Booked to Billed Ratio			97%		
14	Adjusted Commercial			\$91,886	\$601	0.66%
15						
16						
17	Public Authority					
18	Customer Charge	408 Bills	\$6.50	\$2,652		
19	Commodity Charge	8,275 MCF	\$3.5700	29,540		
20	Total Public Authority			\$32,192		
21	Times Booked to Billed Ratio			97%		
22	Adjusted Public Authority			\$31,338	\$32	0.10%
23						
24						
25						
26	Total Base Rate Revenue			\$385,603	\$10,096	2.69%

EXHIBIT C

NatGas, Inc.
Depreciation Rates
GUD No. 10498

Account No.	Description	Useful Life	Rate
Distribution Plant			
374	Land & Land Rights	-	-
375	Structures & Improvements	30	.03333
376	Mains	30	.03333
378	Meas. & Reg. Stn. Equipment	30	.03333
380	Services	30	.03333
381-4	Meters & House Regulators	30	.03333
386-7	Other Prop. & Equipment	30	.03333
General Plant			
389	Land & Land Rights	-	-
390	Structures & Improvements	39	.02564
391	Office Furniture & Equipment	10	.10000
392	Transportation Equipment	5	.20000
393-6	Stores, Tools, Power Equipment	10	.10000
397	Communication Equipment	10	.10000
398-9	Misc. & Other Equipment	10	.10000

EXHIBIT D

NATGAS, INC.
3838 OAK LAWN AVE., SUITE 1525
DALLAS, TX 75219

February 12, 2016

RECEIVED
R.R.C. OF TEXAS
FEB 12 2016
GAS SERVICES DIVISION
AUSTIN, TEXAS

Ms. Kari French
Director
Oversight & Safety Division
Railroad Commission of Texas
1701 N. Congress Avenue
Austin, TX 78701


Re: *Statement of Intent filed by NatGas, Inc. to Increase Rates.*

Dear Ms. French:

Enclosed for filing are an original and three copies of NatGas's Statement of Intent to Increase Rates.

Thank you for your attention to this matter. If you have any questions please contact Mr. Karl J. Nalepa with ReSolved Energy Consulting, LLC at 512-331-1949, extension 105.

Very truly yours,


Norman Smith
President

**RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION**

GAS UTILITIES DOCKET NO. _____

STATEMENT OF INTENT OF NATGAS, INC. TO INCREASE RATES IN AND AROUND THE UNINCORPORATED COMMUNITY OF OZONA, TEXAS	§ § § § §	BEFORE THE RAILROAD COMMISSION OF TEXAS
---	-----------------------	--

**STATEMENT OF INTENT TO INCREASE RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY OF OZONA, TEXAS**

COMES NOW NatGas, Incorporated (“NatGas” or “Company”), a gas utility under Texas Utilities Code § 101.003(7), and files this Statement of Intent to Increase Rates in and around the unincorporated community of Ozona, Texas under the provisions of Subchapter C of Section 104 of the Texas Utilities Code and the rules of the Gas Services Division of the Railroad Commission of Texas (“Commission”), and in support thereof would respectfully show the Commission as follows:

I.

PROPOSED EFFECTIVE DATE

NatGas proposes to make all rate changes pursuant to this Statement of Intent, effective March 18, 2016.

II.

CURRENT RATES

NatGas’s current rate schedules for all customers within the Commission’s original jurisdiction in and around the unincorporated community of Ozona, Texas are shown in the Commission’s Final Order in Gas Utilities Docket No. 9951, attached hereto as **Exhibit A**.

III.

SUMMARY OF RELIEF REQUESTED

NatGas requests that the Commission adopt the rate schedules attached to this petition as **Exhibit B** in order to: (1) afford the Company the opportunity to recover its reasonable and

necessary costs to provide gas utility services in its service area; and (2) provide the Company with a fair and reasonable return upon its invested capital used and useful in providing natural gas service. The rates set forth in the **Exhibit B** rate schedules are supported by the cost of service information and direct testimony that the Company is providing as part of the Rate Filing Package accompanying this Petition. The accompanying Rate Filing Package is incorporated herein by reference. NatGas further requests that the Commission set this matter for hearing on the Gas Services Division Docket, and that upon Final Hearing, the Commission issue an Order establishing rates consistent with those set forth in **Exhibit B** to this Petition.

IV.

COMMISSION JURISDICTION

NatGas, Inc. is a gas utility under § 101.003(7) of the Texas Utilities Code, and the Commission has exclusive original jurisdiction to set the rates requested for the residential, commercial and public authority service customers of the Company under §102.001(a) of the Texas Utilities Code. Consistent with such jurisdiction, the proposed rates are applicable to the Company's natural gas sales and service within the service territory.

V.

DETAILS OF PROPOSED CHANGES

A. Test Year

The Company's proposed cost of service is based on the twelve-month period ending September 30, 2015, updated for known changes and conditions that are measurable with reasonable accuracy.

B. Class and Number of Customers Affected

The following classes and numbers of customers will be affected by the proposed changes in base rates:

Table I

<u>Customer Class (1)</u>	<u>Number of Customers</u>	<u>Revenue Change</u>
Residential	1,051	\$28,936
Commercial	107	\$4,980
Public Authority	34	<u>\$1,588</u>
		\$35,504

(1) Residential and Commercial customers are currently served under the combined Residential and Small Commercial tariff. Public Authority customers are currently served under the Large Commercial tariff.

C. Proposed Rates for General Sales Customers:

The new base rates will consist of a customer charge and a volumetric charge designed to recover NatGas's cost of service and provide a reasonable return on its investment. The proposed rate changes are set forth on the following table.

Table II

Customer Class (1)	Tariffed Rates		Present Base Rates (2)		Proposed Rates	
	Customer Charge \$/Month	Commodity Charge \$/Mcf	Customer Charge \$/Month	Commodity Charge \$/Mcf	Customer Charge \$/Month	Commodity Charge \$/Mcf
Residential	\$5.00	\$7.03	\$5.00	\$4.03	\$7.35	\$4.03
Commercial	\$5.00	\$7.03	\$5.00	\$4.03	\$9.00	\$4.03
Public Authority	\$5.00	\$6.64	\$5.00	\$3.64	\$9.00	\$3.64

(1) Residential and Commercial customers are currently served under the combined Residential & Small Commercial tariff. Public Authority customers are currently served under the Large Commercial tariff.
(2) Excludes \$3.00/Mcf base cost of gas.

IV.

EFFECT OF PROPOSED CHANGE ON COMPANY REVENUES

The proposed changes to NatGas' rate schedules and tariffs will affect all general service customers. For the twelve (12) month period ending September 30, 2015, adjusted for known and measurable changes, the total operating revenues were approximately \$667,303. The proposed change in rates is expected to increase such annual revenues by approximately \$35,504. If approved by the Commission, the proposed rates would increase NatGas' aggregate revenues by 5.32 percent. Therefore, the increase constitutes a "major change" as defined in Texas Utilities Code §104.101.

VI.

RATE CASE EXPENSES

Pursuant to Commission Rule §7.5530, NatGas requests recovery of its reasonable rate case expenses through a rate case surcharge. The amount of the surcharge will not be known until the end of the proceeding.

VII.

NOTICE

Notice of this proceeding will be made pursuant to provisions of Texas Utilities Code § 104.103, including the notice, in a conspicuous form, in the bill of each directly affected customer. *See* Tex. Util. Code § 104.103 (b). A copy of the proposed form of notice for this proceeding is attached to this Statement of Intent as **Exhibit C**.

VII.

SUPPORTING WITNESS TESTIMONY

Attached to the Statement of Intent is the pre-filed direct testimony of Karl J. Nalepa, President of ReSolved Energy Consulting, LLC. The purpose of Mr. Nalepa's testimony is to present and support the class cost of service study, and proposed rate design for NatGas.

VIII.

AUTHORIZED REPRESENTATIVES

NatGas' business address and telephone numbers are:

NatGas, Inc.
3838 Oak Lawn Ave., Suite 1525
Dallas, TX 75219
214-526-6273

NatGas' authorized representatives are:

Mr. Norman Smith
President
NatGas, Inc.
3838 Oak Lawn Ave., Suite 1525
Dallas, TX 75219
214-526-6273

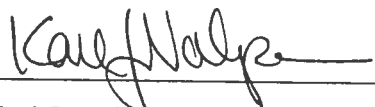
Mr. Karl J. Nalepa
President
ReSolved Energy Consulting, LLC
11044 Research Blvd., Suite A-420
Austin, TX 78759
512-331-4949, Ext. 105

Please serve all pleadings, motions, orders and other documents filed in this proceeding upon NatGas' authorized representatives at the above-stated addresses.

IX.
CONCLUSION

WHEREFORE, PREMISES CONSIDERED, NatGas, Inc. requests that the Commission set this matter for hearing on the Gas Services Division Docket; that upon Final Hearing, the Commission issue an order adopting the schedule of rates for Residential, Commercial and Public Authority customers consistent with the rate schedules set forth in **Exhibit B**; and for such further legal, equitable and necessary relief to which the Company may be entitled.

Respectfully Submitted

By: _____

Mr. Karl J. Nalepa
President
ReSolved Energy Consulting, LLC
11044 Research Blvd., Suite A-420
Austin, TX 78759
512-331-4949, Ext. 105 (phone)
512-331-5743 (fax)

EXHIBIT A

FINAL ORDER IN GUD NO. 9951

RAILROAD COMMISSION OF TEXAS

**STATEMENT OF INTENT FILED BY §
NATGAS INC. TO INCREASE RATES IN §
AND AROUND THE UNINCORPORATED §
COMMUNITY OF OZONA, TEXAS §
§**

**GAS UTILITIES DOCKET
NO. 9951**

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. Natgas, Inc. ("Natgas") is a utility as that term is defined in the Gas Utility Regulatory Act.
2. Natgas owns and operates a gas distribution system that provides gas service to customers in and around the unincorporated community of Ozona, Texas in Crockett County, Texas.
3. On February 11, 2010, Natgas filed a statement of intent to increase rates on customers located in and around the unincorporated community of Ozona, Texas.
4. On March 9, 2010, the Commission suspended the implementation of Natgas's proposed rate changes for environs customers for up to 150 days pursuant to TEX. UTIL. CODE ANN. §104.107(a)(2).
5. Natgas requested April 1, 2010 as the effective date for its proposed rate increase.
6. The statutory deadline for Commission action on this docket is August 29, 2010.
7. Three individuals filed objections to the Natgas' proposed rate increase. Notice of the final hearing in this matter was sent to these objectors. No individual filed a motion to intervene, attended the final hearing, or otherwise participated in this proceeding.
8. A final hearing was conducted in Austin on June 30, 2010, to take testimony, other evidence, and legal argument on all issues of law and fact that were raised in or relevant to Natgas's statement of intent, for the purpose of developing a record that the Commission will use in setting rates.
9. Natgas completed its notice requirements by mailing notice directly to each affected customer.
10. The data submitted by Natgas in this docket encompass a full test-year, i.e. the twelve-month period ending December 31, 2008.

11. Natgas proposed rates for the following two classes of customers: residential and small commercial; and, large commercial.
12. There are approximately 1,080 residential, and 167 commercial customers that will be affected by Natgas' rate changes.
13. A capital structure of 24.43 percent long-term debt and 75.57 percent common equity is reasonable.
14. A cost of long-term debt for Natgas of 8.50 percent is reasonable.
15. It is reasonable under the facts for Natgas to use the same cost of equity approved in its last rate case, GUD No. 9234, of 12.75 percent because Natgas has been unprofitable for the past three years, needs to replace several segments of line, its customer base is stable, and the utility's rates for gas service are within the average range of gas rates for similarly sized gas distribution companies in Texas.
16. An overall rate of return of 11.71 percent based on the weighted average cost of capital is reasonable.
17. It is reasonable to set Natgas's system-wide operating revenues at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
18. It is reasonable to set Natgas's system-wide operating expenses at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
19. It is reasonable to set Natgas's system-wide accumulated depreciation at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
20. It is reasonable to set Natgas's system-wide rate base at the level indicated in Examiners' Exhibit 1, attached hereto, for purposes of establishing Natgas's overall cost of service.
21. The residential and small commercial service rate, as shown on Examiners' Exhibit 1, is reasonable.
22. The large commercial service rate, as shown on Examiners' Exhibit 1, is reasonable.

CONCLUSIONS OF LAW

1. Natgas, LLC ("Natgas") 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 Natgas and Natgas'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), Natgas filed its Statement of Intent to change rates.
9. The revenue, rates, rate design, and service charges proposed by Natgas 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 Natgas 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 Natgas 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 Natgas's property and facilities.

14. In this proceeding, Natgas 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 Natgas 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. Natgas 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 Natgas'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 attached Schedules for Natgas 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, Natgas 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 attached Schedules.

IT IS FURTHER ORDERED that Natgas 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 Natgas **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 10th day of August, 2010.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN VICTOR G. CARRILLO


COMMISSIONER ELIZABETH A. JONES


COMMISSIONER MICHAEL L. WILLIAMS

ATTEST:


Deputy SECRETARY

Natgas Inc.

INDEX

Schedule 1	<u>Data Sheet</u>
Schedule 2	<u>Net Revenue Deficiency Excluding Gas Cost</u>
Schedule 2a	<u>Net Revenue Deficiency Including Gas Cost</u>
Schedule 3	<u>Gas Cost with Graph</u>
Schedule 4	<u>O & M Expenses</u>
Schedule 5	<u>Taxes Other Than Income Taxes</u>
Schedule 6	<u>Depreciation Expense</u>
Schedule 6 a	<u>Net Plant</u>
Schedule 6b	<u>Net Plant using tax depreciation</u>
Schedule 7	<u>Rate of Return</u>
Schedule 8	<u>Capital Structure</u>
Schedule 9	<u>Federal Income Tax</u>
Schedule 10	<u>Revenue at Present Rates</u>
Schedule 11	<u>Proposed Rate Design</u>
Schedule 12	<u>6 Mcf Calculation Excluding Gas Cost - Residential and Small Commercial</u>
Schedule 12a	<u>6 Mcf Calculation Excluding Gas Cost - Large Commercial</u>
Schedule 13	<u>6 Mcf Calculation Including Gas Cost - Residential and Small Commercial</u>
Schedule 13a	<u>6 Mcf Calculation Including Gas Cost - Large Commercial</u>
Schedule 14	<u>Rates Comparison for Residential and Small Commercial Customers - Excluding Gas Costs</u>
Schedule 15	<u>Graph Comparison of Area Rates - Including Gas Costs</u>
Schedule 16	<u>Summary of Gas Handled</u>
Schedule 17	<u>Footnotes</u>

Natgas Inc.

SCHEDULE 1

Utility Name: Natgas Inc.
Address: 3838 Oak Lawn Ave., Ste. 1525
Dallas, TX 75219

Telephone: 214-526-8273
214-526-8437

President: Norman W. Smith
President
60%

Vice President: N/A

Secretary: Norman W. Smith
Secretary
same as above

Treasurer: N/A

Person Responsible for this Filing: Pamela S. Joyce
Controller
Employee

Area Served: Ozona Texas
Number of Customers:
Residential: 1080
Commercial: 167

Gas Supplier: J Cleo Thompson & J Cleo Thompson Jr.

Gas Supply Pricing: Month to Month Average Sales Price of Supplier

Current Rate Case:

GUD Docket No.	
Date Filed	
Notice to Customers	
Notice Method	Newspaper
Test Year	12/31/2008
Capital Structure	1/3
Common Equity	75.57%
Cost of Equity	12.75%
Weighted Average Cost of Capital	9.64%
Return on Rate Base	11.71%
Rate Case Expenses	
Long Term Debt	\$
	150,685.00

Current Tariff Filing:

Tariff No.
Tariff No.
Tariff No.
Tariff No.
Tariff No.

Previous Tariff Filing:

Tariff No. DS 01
Tariff No. DS 02
Tariff No.
Tariff No.
Tariff No.

Source Documentation:

Cost of Service Model: 2008 ANNUAL DISTRIBUTION REPORT

Atmos Energy Corp., Mid-Tex Division RRC Tariff No. 20650:
Sterling Natural Gas, Inc. RRC Tariff No. 1: West
Texas Gas, Inc. RRC Tariff No. 12451

Copies of Tariffs of neighboring communities:

Known and Measurable Changes: N/A

Cost of Equity Calculation: GUD No. 9234

Debt Calculation: GUD No. 9234

Interest on Customer Deposits: RRC GUIB NO. 833

If Amounts in COS Model do NOT tie to the
Utility's Annual Report to the RRC, state Reason Used Straight Line Depreciation on COS Model vs. MACRS
and Reconcile all differences. Depreciation on the Annual Report.

Natgas Inc.

NET REVENUE DEFICIENCY EXCLUDING GAS COST

SCHEDULE 2

Operation & Maintenance Expenses (Schedule 4)	309,238
Taxes Other Than Income Taxes (Schedule 5)	13,164
Depreciation (Schedule 6)	25,327
Return On Rate Base (Schedule 7)	57,534
Income Tax (Schedule 9)	9,483
Interest Expense On Customer Deposits ($\$13,200 \times 4.69\%$)	619
Service Revenues credited to Cost of Service	(3,555)
	<hr/>
TOTAL COST OF SERVICE	\$411,810
Revenue At Present Rates (Schedule 10)	<hr/> 260,254
NET REVENUE DEFICIENCY	<hr/> <hr/> \$151,557

Natgas Inc.

REVENUE REQUIREMENT INCLUDING GAS COST

SCHEDULE 2A

Gas Cost (Schedule 3)	\$578,496
Operation & Maintenance Expenses (Schedule 4)	309,238
Taxes Other Than Income Taxes (Schedule 5)	13,164
Depreciation (Schedule 6)	25,327
Return On Rate Base (Schedule 7)	57,534
Income Tax (Schedule 9)	9,483
Interest Expense On Customer Deposits (4.69%)	619
Service Revenues credited to Cost of Service	(3,555)

TOTAL REVENUE REQUIREMENT

990,307

Natgas Inc.

GAS COST

SCHEDULE 3

GAS PURCHASED (MCF @ 14.65)	90,080
GAS SOLD (MCF @ 14.65)	<u>85,073</u>
LOST AND UNACCOUNTED FOR GAS (MCF)	<u>5,007</u>
PERCENTAGE OF LOST AND UNACCOUNTED FOR GAS	5.56%
TOTAL GAS COST (acc 804)	\$612,405
AVERAGE COST OF GAS (\$/Mcf)	\$6.80
COST OF GAS FOR TEST YEAR (\$6.80*85073)	<u>\$578,496</u>

Natgas Inc.

GAS COST

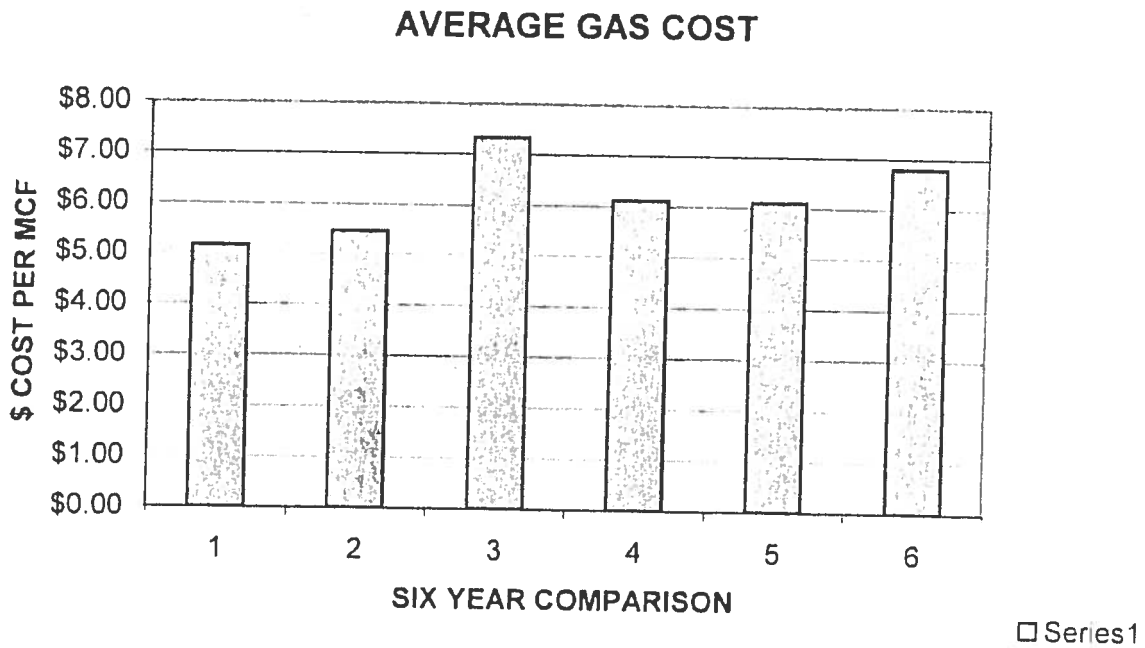
SCHEDULE 3A

Table Illustrating Changing Gas Cost

Year	Gas Purchased in mcf	Purchase Amount	Aver. Gas Cost
2003	93,948	\$484,776	\$5.16
2004	91,540	\$499,232	\$5.45
2005	86,145	\$632,358	\$7.34
2006	85,410	\$523,508	\$6.13
2007	99,520	\$608,335	\$6.11
2008	90,080	\$612,405	\$6.80

six year average cost

\$6.17



Natgas Inc.
O & M EXPENSES
SCHEDULE 4

Account No.	Description	
870 - 894	Distribution Expenses	\$88,086
901 - 905	Customer Accounts	126,890
907 - 910	Customer Service and Customer Informational Expenses	2,355
911 - 916	Sales Expenses	4,442
920 - 932	Administrative & General Expense	<u>91,099</u>
Total O&M Expense		<u>\$312,872</u>
930.2	Misc. Gen. Exp.	(3,634)
Adjusted Total O & M Expense		<u>\$309,238</u>
403 -411	Other Operating Expenses	63,460
Total Operating Expenses		<u>\$372,698</u>
(less gas cost)		

Natgas Inc.

SCHEDULE 5

Taxes Other Than Income Taxes

Acc 408.1

			<u><u>\$13,164</u></u>
	Total Taxes	Utility Allocation	
Property Taxes	14,518.43	10,598.45	
Franchise tax	<u>3,514.90</u>	<u>2,565.88</u>	
	<u>18,033.33</u>	<u>13,164.33</u>	

Note: Taxes are allocated based on income from various business ventures. Utility activity is approximately 73% of total income for Natgas, Inc.

Natgas Inc.

DEPRECIATION

SCHEDULE 6

Account No	Description	Cost	Utility Allocation	Residual Value	Useful Life	Depreciation	Utility Allocation
Distribution Plant							
374	Land & Land Rights	\$3,545	\$3,545	\$355		\$106	\$106
375	Structures & Improvements	35	\$35	\$4	30	\$1	\$1
376	Mains	355,700	\$355,700	\$35,570	30	\$11,211	\$11,211
378	Meas. & Reg. Station equipment	89,213	\$89,213	\$8,921	30	\$2,676	\$2,676
380	Services	47,925	\$47,925	\$4,793	30	\$1,438	\$1,438
381-4	Meters&House Regulators	93,485	\$93,485	\$9,349	15	\$2,806	\$2,806
386-7	Other Prop. & Equipment	5,271	\$5,271	\$527	7	\$150	\$150
	Subtotal	\$595,174	\$595,174			\$18,388	\$18,388
General Plant							
389	Land & Land Rights	\$0	\$0				
390	Structures & Improvement	\$123,967	92,975	\$12,397	39	\$1,946	\$1,421
391	Office Furniture & Equipment	39,182	29,387	\$3,918	7	\$2,428	1,772
392	Transportation Equipment	61,918	46,439	\$6,192	5	\$4,893	3,572
393-6	Stores, tools, pwr equipment	8,551	6,413	\$855	5	\$0	-
397	Communication Equipment	1,940	1,455	\$194	7	\$0	-
398-9	Misc. & Other Equipment	19,042	14,282	\$1,904	5	238	174
	Subtotal	\$254,600	\$190,950			\$9,505	\$6,939
	TOTAL	\$849,774	\$786,124			\$27,893	\$25,327

Note: Schedule is using straight line depreciation

Natgas Inc.

NET PLANT

SCHEDULE 6 a

Account No.	Description	Cost	Utility Allocation	Residual Value	Useful Life	Accumulated Depreciation	Utility Allocation
Distribution Plant							
374	Land & Land Rights	\$3,545	\$3,545	\$355	30	\$1,534	\$1,534
375	Structures & Improvements	35	\$35	\$4	30	\$17	\$17
376	Mains	355,700	\$355,700	\$35,570	30	\$147,557	\$147,557
378	Meas. & Reg. Station equipment	89,213	\$89,213	\$8,921	30	\$39,346	\$39,346
380	Services	47,925	\$47,925	\$4,793	30	\$25,871	\$25,871
381-4	Meters&House Regulators	93,485	\$93,485	\$9,349	30	\$30,646	\$30,646
386-7	Other Prop. & Equipment	5,271	\$5,271	\$527	30	\$2,908	\$2,908
	Subtotal	\$595,174	\$595,174			\$247,879	\$247,879
General Plant							
390	Structures & Improvement	\$123,967	\$92,975	\$12,397	39	\$19,453	14,201
391	Office Furniture & Equipment	39,182	29,387	\$3,918	10	\$21,836	15,940
392	Transportation Equipment	61,918	46,439	\$6,192	5	\$31,595	23,064
393-6	Stores, tools, pwr equipment	8,551	6,413	\$855	10	\$7,700	5,621
397	Communication Equipment	1,940	1,455	\$194	10	\$1,740	1,270
398-9	Misc & Other Equipment	19,042	14,282	\$1,904	10	\$16,821	12,279
	Subtotal	\$254,600	190,950			\$99,145	72,376
	TOTAL	\$849,774	\$786,124			\$347,024	320,255
	NET PLANT					\$502,750	\$465,869

Schedule 6 a

All depreciation is figured straight-line claiming 10% residual value. Accumulated depreciation differs from reported depreciation on annual reports due to tax depreciation being reported on annual reports. All General plant assets and are allocated 73% to the Utility and 27% to the Appliance store using revenue as the allocation basis.

Natgas Inc.

NET PLANT

SCHEDULE 6b

Account No	Description	Cost	Utility Allocation	Accumulated Depreciation	Utility Allocation
Distribution Plant					
374	Land & Land Rights	\$3,545	\$3,545	\$1,752	\$1,752
375	Structures & Improvements	35	\$35	\$14	\$14
376	Mains	355,700	\$355,700	\$207,327	\$207,327
378	Meas. & Reg. Station equipment	89,213	\$89,213	\$59,251	\$59,251
380	Services	47,925	\$47,925	\$27,683	\$27,683
381-4	Meters&House Regulators	93,485	\$93,485	\$30,570	\$30,570
386-7	Other Prop & Equipment	5,271	\$5,271	\$2,610	\$2,610
	Subtotal	\$595,174	\$595,174	\$329,207	\$329,207
General Plant					
390	Structures & Improvement	\$123,967	\$92,975	\$43,693	\$32,770
391	Office Furniture & Equipment	39,182	29,387	\$14,670	11,003
392	Transportation Equipment	61,918	46,439	\$51,298	38,474
393-6	Stores, tools, pwr equipment	8,551	6,413	\$4,392	3,294
397	Communication Equipment	1,940	1,455	\$1,940	1,455
398-9	Misc. & Other Equipment	19,042	14,282	\$8,317	6,238
	Subtotal	\$254,600	190,950	124,310	93,233
	TOTAL	\$849,774	\$786,124	\$453,517	\$422,440
	NET PLANT			\$396,257	\$363,685

Note: Schedule 6b is used to support the 2008 Distribution Annual Report. Tax depreciation was used for the 2008 Distribution report. Current depreciation was estimated at time of report.

Natgas Inc.

RATE OF RETURN

SCHEDULE 7

Net Original Cost (Schedule 6a)	\$465,869
Working Capital (Schedule 4 * 12.5%)	38,655
Customer Deposits	(13,200)
	<hr/>
Total Rate Base	\$491,324
Return at 11.71% (Schedule 8)	11.71%
	<hr/>
Return Requirement	<u><u>\$57,534</u></u>

Natgas Inc.
CAPITAL STRUCTURE

SCHEDULE 8

	Amount	Cost	% of Total	Weighted Avg.
Long-Term Debt	\$150,685	8.50%	24.43%	2.08%
Common Equity	<u>466,183</u>	12.75%	<u>75.57%</u>	<u>9.64%</u>
TOTAL	\$616,868		100.00%	<u><u>11.71%</u></u>

Footnote - Same cost of Common Equity and Long-Term Debt used as in 2002 rate increase proposal.

Natgas Inc.
FEDERAL INCOME TAX
SCHEDULE 9

Total Rate Base	491,324
Rate of Return (Schedule 8)	<u>11.71%</u>
Return Requirement	57,534
Less: Interest on Long Term Debt (1)	<u>(10,220)</u>
Net After Tax Income	47,314
Gross-Up Factor [1 / (1-0.1833)]	1.224439819
Net Taxable Income	\$57,933
Tax Rate	<u>16.37%</u>
Federal Income Tax	<u><u>\$9,483</u></u>

Note (1)	
Debt Component of Return	2.08%
Rate Base	<u>491,324</u>
Interest on Long-Term Debt	<u><u>\$ 10,220</u></u>

Natgas Inc.
REVENUES AT PRESENT RATES

SCHEDULE 10

Actual Gas Sales Revenue	\$838,750
Eliminate Puchase Expense (Schedule 3)	(578,496)
	<hr/>
Revenue at Present Rates	<u><u>\$260,254</u></u>

Natgas Inc.

PROPOSED RATE DESIGN

SCHEDULE 11

Total Cost of Service (Schedule 2) \$411,810

Proposed Monthly Charge \$ 5.00

Total number of bills during test year 14,965
[Total bills during test year]

Amount to be recovered from Monthly Bill \$ 74,825
[\$5 * 14965]

Revenues to be recovered through volumetric rates \$336,985
[\$1,019,816-74,825]

GENERAL RESIDENTIAL & SMALL COMMERCIAL

Proposed Volumetric Charge less Base Gas Cost \$ 4.03
[7.03 - 3.00]

Volumes (Mcf) sold during the Test Year 72,913

Revenues to be recovered from the General Residential and Small Commercial Classes 293,839
[\$4.03* 72913]

LARGE COMMERCIAL

Proposed Volumetric Charge less Base Gas Cost \$ 3.64
[6.64 - 3.00]

Volumes (Mcf) sold during the Test Year 12,160

Revenues to be recovered from the Large Commercial Class \$44,262
[\$3.64 *12160]

Net Un-Recovered Revenue Requirement (1,116)

Natgas Inc.
Calculation Excluding the Gas Cost

SCHEDULE 12

Residential & Small Commercial Customers:

Present Rates as of:

Area Served

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill									0.00
ALL CONSUMPTION	6.0	Mcf @	\$3.1700	per Mcf	6.0	x	3.1700	=	19.02
Total Bill Base:					6.0				\$19.02
PGA	6.0	Mcf @	\$0.0000	per Mcf	6.0	x	0.0000	=	\$0.00
Total Bill:									<u>\$19.02</u>

Proposed Rates

					Usage (Mcf)	x	Rate	=	Amount
Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$4.03	per Mcf	6.0	x	4.03	=	24.18
Total Bill Base:					6.0				\$29.18
PGA	6.0	Mcf @	\$0.0000	per Mcf	6.0	x	0.0000	=	\$0.00
Total Bill:									<u>\$29.18</u>

Percentage Increase: 53.42%

Natgas Inc.

Calculation Excluding the Gas Cost

SCHEDULE 12A

Large Commercial

Present Rates as of:

Area Served

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill			\$0.00						0.00
ALL CONSUMPTION	6.0	Mcf @	\$2.8500	per Mcf	6.0	x	2.8500	=	17.10
Total Bill Base:					6.0				\$17.10
PGA	6.0	Mcf @	\$0.0000	per Mcf	6.0	x	0.0000	=	\$0.00
Total Bill:									<u>\$17.10</u>

Proposed Rates

					Usage (Mcf)	x	Rate	=	Amount
Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$3.64	per Mcf	6.0	x	3.64	=	21.84
Total Bill Base:					6.0				\$26.84
PGA	6.0	Mcf @	\$0.0000	per Mcf	6.0	x	0.0000	=	\$0.00
Total Bill:									<u>\$26.84</u>

Percentage Increase: 56.96%

Natgas Inc.

Calculation Including the Gas Cost

SCHEDULE 13

Residential & Small Commercial Customers:

Present Rates as of:

Area Served

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill			\$0.00						0.00
ALL CONSUMPTION	6.0	Mcf @	\$6.1700	per Mcf	6.0	x	6.1700	=	37.02
Total Bill Base:					6.0				\$37.02
PGA	6.0	Mcf @	\$3.8000	per Mcf	6.0	x	3.8000	=	\$22.80
(PGA has a \$3 base cost)									
(6.80 - 3 = 3.80)									
Total Bill:									<u>\$59.82</u>

Proposed Rates

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$7.03	per Mcf	6.0	x	7.03	=	42.18
Total Bill Base:					6.0				\$47.18
PGA	6.0	Mcf @	\$3.8000	per Mcf	6.0	x	3.8000	=	\$22.80
using test year gas cost									
Total Bill:									<u>\$69.98</u>

Percentage Increase: 16.98%

Minimum Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$7.03	per Mcf	6.0	x	7.03	=	42.18
Total Bill Base:					6.0				\$47.18
PGA	6.0	Mcf @	\$3.1700	per Mcf	6.0	x	3.1700	=	\$19.02
using avg from gas cost table									
Total Bill:									<u>\$66.20</u>

Percentage Increase: 10.67%

Natgas Inc.

Calculation Including the Gas Cost

SCHEDULE 13A

Large Commercial Customers:

Present Rates as of:

Area Served

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill			\$0.00						0.00
ALL CONSUMPTION	6.0	Mcf @	\$5.8500	per Mcf	6.0	x	5.8500	=	35.10
Total Bill Base:					6.0				\$35.10
PGA	6.0	Mcf @	\$3.8000	per Mcf	6.0	x	3.8000	=	\$22.80
(PGA has a \$3 base cost)									
(6.80 - 3 = 3.80)									
Total Bill:									<u>\$57.90</u>

Proposed Rates

					Usage (Mcf)	x	Rate	=	Amount
Minimum Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$6.64	per Mcf	6.0	x	6.64	=	39.84
Total Bill Base:					6.0				\$44.84
PGA	6.0	Mcf @	\$3.8000	per Mcf	6.0	x	3.8000	=	\$22.80
using test year gas cost									
Total Bill:									<u>\$67.64</u>

Percentage Increase: 16.82%

Minimum Monthly Bill			\$5.00						5.00
ALL CONSUMPTION	6.0	Mcf @	\$6.64	per Mcf	6.0	x	6.64	=	39.84
Total Bill Base:					6.0				\$44.84
PGA	6.0	Mcf @	\$3.1700	per Mcf	6.0	x	3.1700	=	\$19.02
using avg from gas cost table									
Total Bill:									<u>\$63.86</u>

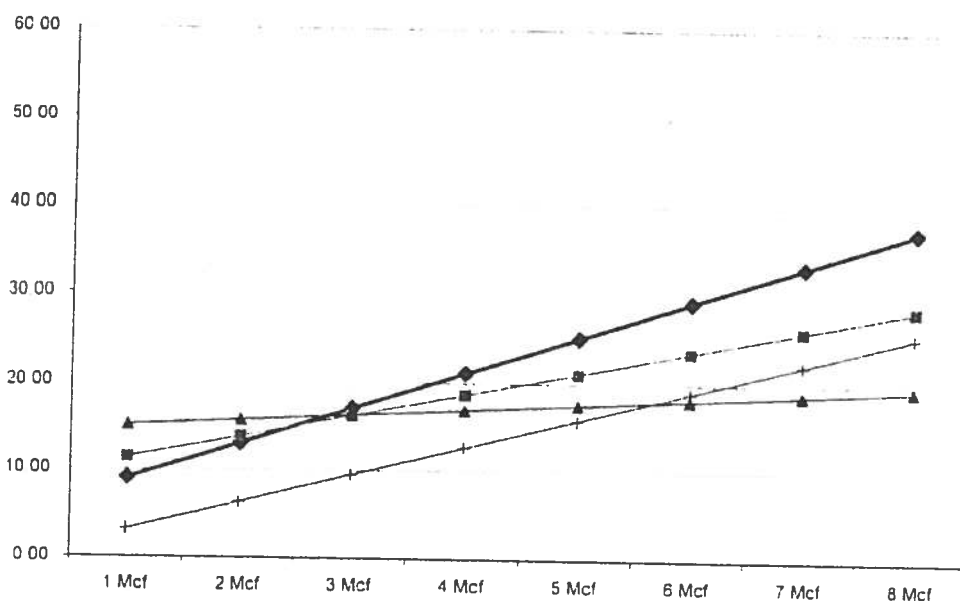
Percentage Increase: 10.29%

**Natgas Inc.
Graph Comparison of Area Rates**

SCHEDULE 14

	1 Mcf	2 Mcf	3 Mcf	4 Mcf	5 Mcf	6 Mcf	7 Mcf	8 Mcf	Company
Natgas, Inc. Proposed Rates	9.03	13.06	17.09	21.12	25.15	29.18	33.21	37.24	
Natgas, Inc. present rates	3.17	6.34	9.51	12.68	15.85	19.02	22.19	25.36	
Sonora	11.42	13.84	16.26	18.68	21.10	23.52	25.94	28.36	West Texas Gas, Inc
San Angelo	15.09	15.70	16.32	16.94	17.55	18.17	18.78	19.40	Atmos Energy Corp
Sterling City	19.00	23.00	27.50	32.00	36.50	41.00	45.50	50.00	Sterling Natural Gas, Inc

**Rates Comparison for Residential Bills
Excluding Gas Costs**



◆ Natgas, Inc. Proposed Rates
 ■ Sonora
 ▲ San Angelo
 ▲ Sterling City
 + Natgas, Inc. present rates

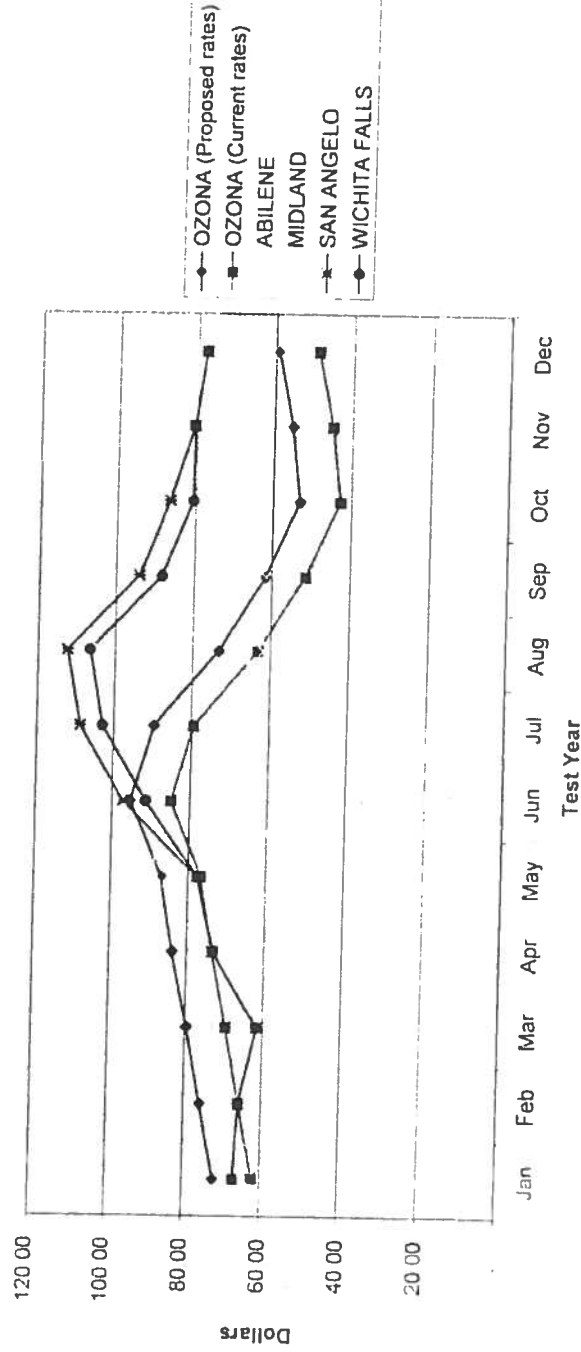
Natgas Inc.
GRAPH COMPARISON OF RATES AT 6 MCF

SCHEDULE 15

TEXAS CITIES	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
OZONA (Proposed rates)	72.19	75.99	79.71	83.72	87.00	95.14	89.66	73.28	61.58	53.05	55.19	58.98
OZONA (Current rates)	62.03	65.83	69.55	73.56	76.84	84.72	79.50	63.12	51.42	42.89	45.03	48.82
ABILENE	66.89	65.80	61.57	73.23	77.71	91.32	102.89	106.40	88.28	80.65	80.56	77.72
MIDLAND	57.78	71.04	72.96	75.31	88.20	90.84	87.54	61.74	61.50	47.16	52.26	57.54
SAN ANGELO	66.89	65.80	61.57	73.23	77.71	97.14	108.71	112.22	94.10	86.47	80.56	77.72
WICHITA FALLS	66.89	65.80	61.57	73.23	77.71	91.32	102.89	106.40	88.28	80.65	80.56	77.72

* Test years gas prices used

Total Bill (Cost of gas + Cost of service) - 6 MCF



Source: Six MCF Residential Gas Bill Analysis For Twenty Five Texas Cities for January through December 2008

GAS SUMMARY

SCHEDULE 16

Gas Summary 1-1-08 to 12-31-08

Total Gas Purchased	90,080	
Total Gas Sales	85,073	0.05558
Lost and Unaccounted for Gas	5,007	

* We believe the overage lost and unaccounted gas is primarily the result of measurement issues on the sales side. Our residential meters have not been changed out, unless faulty in 10+ years. We have begun to replace outdated meters on a regular basis. We have also employed a gas leak survey crew and detected and fixed leaks in 2009.

Gas Summary 7-1-07 to 6-30-08

Total Gas Purchased	88,958	
Total Gas Sales	79,731	
Lost and Unaccounted for Gas	9227	0.10372

FOOTNOTES

SCHEDULE 17

- SCH 3 Gas cost was calculated by using the average gas cost for the test year of \$6.80 and multiplying by 85,073 which was total gas sales for the test year. Total lost gas was 5.56% for the test year. In 2009, we used new technology in finding leaks at a cost of \$6,330. We have spent over \$15,000 in fixing the leaks and will continue to use this technology to reduce lost gas.
- SCH 5 Taxes are allocated based on income from the utility vs. income from the appliance store. The utility generates approximately 73% of the income and would therefore account for the tax value of the business.
- SCH 6 All depreciation is figured straight-line claiming 10% residual value. Accumulated depreciation differs from reported depreciation on annual reports due to tax depreciation being reported on annual reports. Schedule 6b represents the accumulated depreciation as reported on the annual reports. All General plant assets are shared assets and are allocated 73% to the Utility and 27% to the Appliance store using revenue as the allocation method.
- SCH 7 Utility is requesting Working Capital rate of 12.5%.
- SCH 8 Utility is using the same rates for cost of longterm debt and cost of equity as was used in 2002 rate increase proposal (GUD No. 9234).
- SCH 11 Utility is proposing a \$5 customer charge along with a 13.94% and 13.50% volumetric rate increase respectively for the residential/small commercial customers and the large commercial customers. The Utility has lost a significant amount of money in the past few years. The increase in rates are not significantly more than rates for gas in the surrounding areas. Utility used an average PGA of 3.80 computed by taking average gas price of \$6.80 less the \$3.00 base cost.
- SCH 14 All rates are without gas cost included. Natgas Inc. Proposed rates were calculated by adding \$5 customer charge plus \$7.03 less the \$3.00 gas base cost per mcf. Natgas Inc. current rates were calculated by using the present \$6.17 volumetric rate less the \$3.00 gas base cost per number of mcf. Sonora rates were calculated by using the West Texas Gas, Inc. Tariff no. 12451 with a customer charge of \$9.00 and consumption charge of \$2.42 per mcf. San Angelo rates were calculated using the Atmos Energy Corp., Mid-Tex Division Tariff No. 20650 with a Customer charge of \$14.47 and a consumption charge of .6164 per mcf. Sterling City rates were calculated by using Sterling Natural Gas, Inc. Tariff No. 1 with a Customer charge of \$15.00 and a consumption charge of \$4.00 for the first 2 mcf and \$4.50 for the next 8 mcf.
- SCH 16 We believe the overage lost and unaccounted gas is primarily the result of measurement issues on the sales side. Our residential meters have not been changed out, unless faulty in 10+ years. We have begun to replace outdated meters on a regular basis. We have also employed a gas leak survey crew and detected and fixed leaks in 2009.

NATGAS, INC.
RRC TARIFF CODE: DS
RRC TARIFF NO: 1

Rate Schedule: 470
Applicable To: Ozona Unincorporated service area
Effective Date: August 10, 2010

Application
Applicable to Residential and Small Commercial Customers

Monthly Rate
Monthly customer charge of \$5.00 and volumetric rate of \$7.03/Mcf plus a cost of gas adjustment determined in accordance with the Gas Cost Rider.

Gas Cost Rider
Gas bills issued under rate schedules to which this rider applies will include adjustments to reflect decreases or increases in purchased gas costs or taxes from the base level of those expenses embedded in the rates. Any such adjustments shall be filed with the appropriate regulatory authority before the beginning of the month in which the adjustment will be applied to the bills. The amount of each adjustment shall be computed as follows:

Gas Cost Adjustment (CGA)
The CGA to be applied to each MCF billed shall be computed as follows and rounded to the nearest \$.0001:

$$CGA = (G/S - \text{Base} + CF)$$

Where:

1. "G" in dollars, is the expected cost of gas for the expected sales billing units.
2. "S" in MCF at 14.65 PSIA, is the expected sales billing units to be billed to the Company's Ozona, Texas service area.
3. "CF" in \$/MCF at 14.65 PSIA, is a correction factor charge per MCF to adjust for cumulative monthly differences between the cost of gas purchased by the Company and the amount of gas cost billed to the customer.
4. Once a year, on a 12 months ended September basis, the Company shall review the percentage of lost and unaccounted for gas and if this percentage exceeds 5% of the amount metered in, the correcting account balance will be reduced so that the customer will effectively be charged a maximum of 5% for lost and unaccounted for gas while the Company will absorb the excess.
5. "Base" in \$/MCF at 14.65 PSIA, is the base cost of gas of \$3.00/MCF that is included in the base rate.

NATGAS, INC.
RRC TARIFF CODE: DS
RRC TARIFF NO: 2

Rate Schedule: 490
Applicable To: Ozona Unincorporated service area
Effective Date: August 10, 2010

Application
Applicable to Large Commercial Customers

Monthly Rate

Monthly customer charge of \$5.00 and volumetric rate of \$6.64/MCF plus a cost of gas adjustment determined in accordance with the Gas Cost Rider.

Gas Cost Rider

Gas bills issued under rate schedules to which this rider applies will include adjustments to reflect decreases or increases in purchased gas costs or taxes from the base level of those expenses embedded in the rates. Any such adjustments shall be filed with the appropriate regulatory authority before the beginning of the month in which the adjustment will be applied to the bills. The amount of each adjustment shall be computed as follows:

Gas Cost Adjustment (CGA)

The CGA to be applied to each MCF billed shall be computed as follows and rounded to the nearest \$.0001:

$$CGA = (G/S - \text{Base} + CF)$$

Where:

6. "G" in dollars, is the expected cost of gas for the expected sales billing units.
7. "S" in MCF at 14.65 PSIA is the expected sales billing units to be billed to the Company's Ozona, Texas service area.
8. "CF" in \$/MCF at 14.65 PSIA, is a correction factor charge per MCF to adjust for cumulative monthly differences between the cost of gas purchased by the Company and the amount of gas cost billed to the customer.
9. Once a year, on a 12 months ended September basis, the Company shall review the percentage of lost and unaccounted for gas and if this percentage exceeds 5% of the amount metered in, the correcting account balance will be reduced so that the customer will effectively be charged a maximum of 5% for lost and unaccounted for gas while the Company will absorb the excess.
10. "Base" in \$/MCF at 14.65 PSIA, is the base cost of gas of \$3.00/MCF that is included in the base rate.

EXHIBIT B

PROPOSED TARIFFS

NatGas, Inc.
Rate Sheet
Residential Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$7.35

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

MONTHLY COMMODITY RATE:

The price payable by each Residential customer for all consumption each month shall be \$4.03 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

SYSTEM REPLENISHMENT FEE:

This shall be an individual line item charge, which is designated for construction costs and replacement of replacement of regulating and measuring equipment. This will be utilized for a period of ten (10) years.

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Commercial Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$9.00

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

MONTHLY COMMODITY RATE:

The price payable by each Commercial customer for all consumption each month shall be \$4.03 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

SYSTEM REPLENISHMENT FEE:

This shall be an individual line item charge, which is designated for construction costs and replacement of replacement of regulating and measuring equipment. This will be utilized for a period of ten (10) years.

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Public Authority Service

APPLICATION OF SCHEDULE

This schedule is applicable to tax exempt Public Authority type customers, including schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$9.00

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

MONTHLY COMMODITY RATE:

The price payable by each Public Authority customer for all consumption each month shall be \$3.64 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

SYSTEM REPLENISHMENT FEE:

This shall be an individual line item charge, which is designated for construction costs and replacement of replacement of regulating and measuring equipment. This will be utilized for a period of ten (10) years.

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code 121.211 of the Commission's Rules and Regulations.

RATE CASE EXPENSE SURCHARGE: *and Section 8.201*

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

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

A. APPLICABILITY

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

B. DEFINITIONS

1. **Cost of Gas** - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a monthly reconciliation component, and other purchased gas expenses.
2. **Commodity Cost** - The Cost of Purchased Gas.
3. **Cost of Purchased Gas** - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase commodity cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, and storage necessary for the movement of gas to the Company's city gate delivery point(s) and associated taxes.
4. **Reconciliation Component** – The amount to be returned to or recovered from general service customers each month as a result of the monthly cost of gas reconciliation.
5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the production month of September to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company to provide service to its general service customers during the period, (b) the revenues received from operation of the provisions of this cost of gas clause, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, and (d) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending September 30 by the sum of the volumes sold to all customers during the same period. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 5 percent lost and unaccounted for gas.

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

7. **Monthly Cost of Gas Reconciliation** – The Company will estimate the cost of gas and billing units to determine to cost of gas billed to its general service customers. Prior to the next month billing, the Company will determine the difference between the estimated cost of gas used in the monthly billing and the actual cost of gas for the month. This difference, whether an amount of over or under collection, will be added or subtracted to the cost of gas in the following month billing.
8. **Reconciliation Account** - The account will be maintained by the Company to ensure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records, (b) the revenues produced by the operation of this Cost of Gas Clause, (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
9. **General Service Customers** - those customers served under the Residential, Commercial and Public Authority rate schedules.

C. COST OF GAS

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

D. DETERMINATION AND APPLICATION OF THE MONTHLY COST OF GAS RECONCILIATION

If the Monthly Cost of Gas Reconciliation reflects either an over recovery or under recovery of revenues, such amount shall be added to the Cost of Gas and divided by the general service sales volumes.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Monthly Cost of Gas Reconciliation.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) the amount of the cost of gas caused by any surcharge or refund; (c) the Reconciliation

NatGas, Inc.
Rate Sheet
Cost of Gas Adjustment Clause

Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to: (a) a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending September 30; (b) a tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues; (c) the monthly reconciliation component; and (d) a description of all other costs and refunds made during the year and their effect on the Cost of Gas. This report shall be filed concurrently with the Cost of Gas Statement for October.

NatGas, Inc.
Rate Sheet
Rate Case Expense (RCE)

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential, Commercial, and Public Authority rate schedules in all environs served by NatGas, Inc. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after _____, 2016, for a twenty-four (24) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The price payable by each customer for all consumption each month shall be \$_____ per Mcf.

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations; as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from the Company's office located at 3838 Oak Lawn Ave., Suite 1525, Dallas, Texas, 75219.

COMPLIANCE

The Company will file annually, due on the 15th of each December, a report with the RRC Oversight and Safety Division. The report shall detail the monthly collections for the RCE surcharge and show the outstanding balance. No interest will accumulate on the outstanding balance.

EXHIBIT C

PUBLIC NOTICE

GAS UTILITIES DOCKET NO. _____

STATEMENT OF INTENT OF
NATGAS, INC. TO INCREASE
RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY
OF OZONA, TEXAS

§
§
§
§
§

BEFORE THE
RAILROAD COMMISSION
OF TEXAS

DIRECT TESTIMONY

OF

KARL J. NALEPA

ON BEHALF OF

NATGAS, INC.

FEBRUARY 12, 2016

**DIRECT TESTIMONY OF
KARL J. NALEPA**

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I. INTRODUCTION AND QUALIFICATIONS	1
II. PURPOSE AND SCOPE	2
III. BILLING DETERMINANTS	6
Growth Normalization Adjustment	7
Weather Normalization Adjustment	8
IV. PRO-FORMA ADJUSTMENTS	13
V. CLASS COST OF SERVICE STUDY	14
VI. RATE DESIGN	21
VII. RATE CASE EXPENSES	23
VIII. CONCLUSION	24

APPENDICES

APPENDIX A – Statement of Qualifications

APPENDIX B – Previously Filed Testimony

EXHIBITS

SCHEDULE A - Revenue by Customer Classification

SCHEDULE B - Typical Bill Comparisons

SCHEDULE C - Development of Proposed Rates

SCHEDULE D - Class Cost of Service Analysis

SCHEDULE E - Proof of Revenue

SCHEDULE F – Bill Frequency Model

SCHEDULE G – Rate of Return

SCHEDULE H – Federal Income Taxes

SCHEDULE I – Interest on Customer Deposits

SCHEDULE J – Compliance with Commission Rule 7.5414

WORKPAPERS

WP 1 – Average & Excess Capacity Allocation

WP 2 – Weighted Monthly Sales Volumes

WP 3 – Weather Adjustment

GAS UTILITIES DOCKET NO. _____

STATEMENT OF INTENT OF
NATGAS, INC. TO INCREASE
RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY
OF OZONA, TEXAS

§
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§
§

BEFORE THE
RAILROAD COMMISSION
OF TEXAS

**DIRECT TESTIMONY OF
KARL J. NALEPA**

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Karl J. Nalepa. I am the President of ReSolved Energy Consulting, LLC, an independent utility consulting company. My business address is 11044 Research Blvd., Suite A-420, Austin, Texas 78759.

Q. ON WHOSE BEHALF ARE YOU PRESENTING TESTIMONY IN THIS PROCEEDING?

A. I am presenting testimony on behalf of NatGas, Inc. ("NatGas" or "Company").

Q. PLEASE OUTLINE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A. I hold a Bachelor of Science degree in Mineral Economics and a Master of Science degree in Petroleum Engineering, and am a certified mediator. My professional experience includes eight years in the reservoir engineering department of an exploration company affiliated with a major interstate pipeline company, then four

1 years as a Fuels Analyst with the Public Utility Commission of Texas
2 (“Commission”). This was followed by five years with two different consulting firms
3 providing expert advice regarding a broad range of electric and natural gas industry
4 issues. Immediately prior to my current position, I served for more than five years as
5 an Assistant Director with the Railroad Commission of Texas (“RRC”). In this
6 position, I was responsible for overseeing the economic regulation of natural gas
7 utilities in Texas. I joined R.J. Covington Consulting, LLC in June of 2003.
8 R.J. Covington Consulting became ReSolved Energy Consulting in August 2011. My
9 Statement of Qualifications is attached as Attachment A.

10
11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSISON?**

12 A. Yes, I have testified a number of times before both the Texas RRC and the Texas
13 PUC on a variety of regulatory issues. A summary of my previously filed testimony
14 is provided in Appendix B. In addition, I supervised the staff case in proceedings
15 before the RRC and served as a Technical Rate Examiner on behalf of the RRC. I
16 have also provided analysis and recommendations in numerous city-level regulatory
17 proceedings that resulted in settlements without written testimony.

18 **II. PURPOSE AND SCOPE**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

20 A. The purpose of my testimony is to present and support the class cost of service study
21 and proposed rate design for NatGas.

1 **Q. WHAT IS NATGAS REQUESTING IN THIS PROCEEDING?**

2 A. NatGas is requesting to increase annual revenues by \$35,504 or 5.3% including gas
3 costs. The Residential class will see a 6.77% increase in average bills, Commercial
4 class a 2.84% increase in average bills, and the Public Authority class a 2.70%
5 increase in average bills.

6

7 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

8 A. Section I summarizes my experience, education, and qualifications. Section II of my
9 testimony provides the purpose and scope of my direct testimony and describes the
10 exhibits that I am sponsoring as part of this filing. Section III describes the customer
11 usage data and customer growth adjusted sales by customer class. Section IV of my
12 testimony presents the requested revenue requirement. Section V provides an
13 explanation of the allocations and results of the class cost of service study. Section VI
14 of my direct testimony describes and presents NatGas' proposed rates for gas service.
15 Section VII addresses recovery of rate case expenses, and Section VIII summarizes
16 the relief requested by NatGas.

17

18 **Q. ARE YOU SPONSORING ANY SCHEDULES TO THE COMPANY'S**
19 **APPLICATION?**

20 A. Yes, I am sponsoring the entire application which consists of ten (10) schedules.

21

22

23

1 **Q. PLEASE DESCRIBE SCHEDULE A.**

2 A. Schedule A provides a summary of revenue by customer classification. This schedule
3 identifies the commodity sales in thousand cubic feet ("MCF") and associated
4 revenues per the Company's books, year-end customer and weather adjusted sales
5 and revenue, and the proposed revenue for each retail customer class. The proposed
6 percent change in revenue and the average cost per MCF are also provided on this
7 schedule.

8

9 **Q. PLEASE DESCRIBE SCHEDULE B.**

10 A. Schedule B provides typical bill comparisons for the proposed rate schedules. The
11 bill comparisons set forth the dollar and percentage change associated with various
12 levels of use for customers.

13

14 **Q. PLEASE DESCRIBE SCHEDULE C.**

15 A. The development of proposed rates by class is detailed on Schedule C.

16

17 **Q. PLEASE DESCRIBE SCHEDULE D.**

18 A. Schedule D, the class cost of service analysis, provides the adjusted class cost of
19 service study for the test year ending September 30, 2015. The class cost of service
20 study is used to determine the level of revenues necessary for each class to support its
21 allocated revenue requirement.

22

23

1 **Q. PLEASE DESCRIBE SCHEDULE E.**

2 A. Schedule E provides the billing units and present rates by rate schedule and provides
3 the calculation of adjusted revenues under present rates. The billing determinants
4 applied are the fully adjusted customer and MCF sales levels.

5

6 **Q. PLEASE DESCRIBE SCHEDULE F.**

7 A. Schedule F is the bill frequency model which provides the monthly unadjusted billing
8 determinants by customer class. This schedule also develops the year-end and
9 weather adjusted billing determinants which will be discussed in detail in Section V
10 of my direct testimony.

11

12 **Q. PLEASE DESCRIBE SCHEDULE G.**

13 A. Schedule G provides the rate of return calculation based on the Company's debt and
14 equity values. The rate of return calculation is discussed in more detail in Section IV
15 of my direct testimony.

16

17 **Q. PLEASE DESCRIBE SCHEDULE H.**

18 A. Schedule H provides the calculation of federal income tax at the proposed rates.

19

20 **Q. PLEASE DESCRIBE SCHEDULE I.**

21 A. Schedule I provides the calculation of allowed interest on customer deposits. The
22 interest rate of 0.11% used in this calculation is per the Railroad Commission of

1 Texas, Oversight and Safety Division, Gas Utilities Information Bulletin No. 1027,
2 dated January 15, 2016.

3

4 **Q. PLEASE DESCRIBE SCHEDULE J.**

5 A. Schedule J provides the calculation of allowable advertising expenses pursuant to
6 Commission rule 7.5414.

7

8 **Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR**
9 **SUPERVISION?**

10 A. Yes, they were.

11

12 **Q. ARE THESE SCHEDULES TRUE AND CORRECT TO THE BEST OF YOUR**
13 **KNOWLEDGE AND BELIEF?**

14 A. Yes, they are.

15

III. BILLING DETERMINANTS

16 **Q. IS NATGAS PROPOSING ANY CHANGES TO ITS CUSTOMER CLASSES?**

17 A. Yes. NatGas currently recognizes for ratemaking purposes two customer classes: (1)
18 Residential & Small Commercial, and (2) Large Commercial. NatGas is proposing to
19 split the Residential & Small Commercial class into separate Residential and
20 Commercial classes, and to change Large Commercial to Public Authority to
21 recognize that this class consists of only tax exempt customers.

22

1 **Q. PLEASE DESCRIBE NATGAS' REVISED CUSTOMER CLASSES.**

2 A. NatGas served 1,051 residential, 107 commercial and 34 public authority customers
3 at the end of the test year. Booked commodity sales were 76,869 MCF in the test
4 year, 65% of which is attributed to residential sales. Schedule F provides details by
5 customer class of the number of customers, MCF sales, and sales revenue for each
6 month of the test year.

7

8 **Q. IS NATGAS PROPOSING ANY ADJUSTMENTS TO TEST YEAR BILLING**
9 **DETERMINANTS?**

10 A. Yes, NatGas is proposing growth and weather normalization adjustments. Each of
11 these adjustments is described in more detail below.

12

13 **Growth Normalization Adjustment**

14 **Q. WHY ARE YOU PROPOSING A GROWTH NORMALIZATION**
15 **ADJUSTMENT?**

16 A. NatGas is using test year-end plant in service to determine its cost of service. For
17 consistency, booked commodity sales and revenue need to be adjusted to show a full
18 years' billing for all customers receiving service at the end of the test year. This
19 adjustment synchronizes the test year-end revenue with the year-end investment.

20

21 **Q. PLEASE DESCRIBE HOW THIS ADJUSTMENT IS CALCULATED.**

22 A. This adjustment is calculated on Schedule F, lines 94 through 180. The adjustment to
23 commodity sales is calculated on a monthly basis as the ratio of the test year end

number of customers minus the historic number of customers in each month of the test year divided by the historic number of customers in each month of the test year. This ratio is multiplied by the monthly unadjusted MCF sales to determine the adjustment to commodity sales. This adjustment to sales is multiplied by the applicable commodity charge to calculate the impact on revenues.

Q. WHAT IS THE ANNUAL IMPACT OF THIS ADJUSTMENT?

A. As a result of this growth normalization adjustment, sales decrease by 1,686.5 MCF and the base rate revenue is adjusted downward by \$8,052.

Weather Normalization Adjustment

Q. WHY ARE YOU PROPOSING A WEATHER NORMALIZATION ADJUSTMENT?

A. The weather normalization adjustment was necessary to ensure that sales volumes were neither over-stated nor under-stated relative to normal temperatures. Failure to adjust for abnormal temperature conditions would result in NatGas under- or over-recovering its allowed revenue requirement under temperature conditions that are normally expected to occur. The weather normalization adjustment submitted in the rate filing adjusts only the effects of abnormal heating degree days (“HDD”). The weather normalization adjustment is provided in Workpaper 3 of the rate application.

Q. PLEASE DESCRIBE HOW THE TEST YEAR SALES BY CLASS OF SERVICE WERE WEATHER NORMALIZED.

1 A. The procedure for adjusting for abnormal temperature conditions involves
2 determining the temperature sensitive portion of monthly usage and dividing that
3 temperature sensitive usage by the actual degree days for the billing month. The
4 weather normalization for gas customers is made for HDD only since there is little or
5 no effect of cooling degree days ("CDD") upon gas usage. HDD are calculated as the
6 difference between the actual average temperature and a base temperature of 65
7 degrees. For example, a day with a high temperature of 55 degrees and a low
8 temperature of 35 degrees has an average temperature of 45 degrees and thus 20 HDD
9 (65° - 45°). This is the common practice used to calculate HDD and is the practice
10 employed by NOAA, the source of the temperature data I employed and the
11 temperature information resource most frequently relied upon by the utility industry.

12 NOAA degree day data were revised so that the data consistently matched
13 NatGas' billing cycle. Because customer usage occurs over portions of two calendar
14 months while degree days are recorded on a calendar month basis, it is necessary to
15 restate the calendar month degree days on the basis of a billing month to ensure that
16 usage and temperatures are properly matched. The temperature sensitive usage per
17 MCF for the revenue month calculated as described above is then multiplied by the
18 normal (i.e. the expected or average) number of degree days for the revenue month to
19 derive the normal level of temperature sensitive usage per customer. This normalized
20 temperature sensitive usage per month per customer is then added back to the non-
21 temperature sensitive usage to produce the total normalized usage per customer. Each
22 month's normalized use per customer is multiplied by the year end number of
23 customers to obtain total weather normalized MCF sales for the month.

1

2 Q. WOULD YOU PLEASE PROVIDE AN EXAMPLE OF THIS
3 CALCULATION?

4 A. Yes. The example in Figure 1 illustrates the calculation of the weather normalization
5 adjustment for Residential customers for the month of February 2015. Note that the
6 revenues booked in February are derived from consumption in January and February.

7

Figure 1

8	Actual HDD	394
9	Normal HDD	<u>335</u>
10	Difference (adjustment to normal)	-59
11		
12	Actual Use Per Customer	7.12
13	Less: Non-Temperature Sensitive Use Per Customer	<u>1.03</u>
14	Equals: Temperature Sensitive Use Per Customer	6.09
15	Divided by: Actual Heating Degree Days	<u>394</u>
16	Equals: Temperature Sensitive User Per Customer Per HDD	0.015453
17	Times: Degree Day Difference	<u>-59</u>
18	Equals: Weather Adjustment Per Customer	-0.90
19	Times: Year-end Number of Customers	<u>1,051</u>
20	Equals: Weather Normalization Adjustment	-950.6
21		

22 First, in order to calculate actual and normal HDD for a billing month, it is
23 necessary to synchronize calendar month HDD data with the billing months over
24 which sales are recorded. For example, NatGas reads customer meters on the last two
25 working days of the month. Therefore, the sales amounts booked in any given month
26 reflect some consumption that actually occurs during the calendar month preceding
27 the book month.

28 Residential year-end customer adjusted sales booked in February were 7,483.0
29 MCF and the bill cycle HDD for the month were 394. Bill cycle normal HDD for the
30 month are 335, indicating that actual sales were overstated relative to normal

1 conditions. Average use per customer was 7.12 MCF. The non-temperature portion of
2 residential use was determined to be the average use per month experienced by
3 residential customers during the non-heating summer months of July and August.
4 This amount was 1.03 MCF per customer. Therefore, the temperature sensitive
5 portion of load was 6.09 MCF per customer (i.e. $7.12 - 1.03 = 6.09$). This
6 temperature sensitive portion of load was divided by the number of HDD and resulted
7 in a temperature sensitive use per customer per degree day of 0.015453. Multiplying
8 this amount by the normal number of HDD results in an adjustment of -0.90 MCF per
9 customer which, when added back to the actual average use per customer produces a
10 normal use per customer of approximately 6.22 MCF. Multiplying this normal use
11 per customer by the test year end number of customers of 1,051 produces and
12 adjusted class sales amount of 6,532.4 MCF, a decrease of 950.6 MCF from the year-
13 end customer adjusted sales amount of 7,483.0. This process was repeated for each
14 month for Residential, Commercial and Public Authority customers using information
15 specific to each month and class. Note that some rounding may have occurred in the
16 calculations set forth above, but that all numbers were carried out to a greater number
17 of decimals in the actual calculations used to develop the weather normalization
18 adjustment set forth on Workpaper 3.

19
20 **Q. WHAT IS THE ANNUAL IMPACT OF THIS ADJUSTMENT?**

21 A. As a result of the weather normalization adjustment, residential and public authority
22 sales decreased by approximately 1.10% and 8.10% respectively. However,

1 commercial sales increased by 28.01%. Overall, total sales increased by 3,494.4
2 MCF and base rate revenue increased by \$14,367.
3

4 **Q. PLEASE EXPLAIN THE REASON FOR THE LARGE WEATHER**
5 **ADJUSTMENT IMPACT ON COMMERCIAL SALES.**

6 A. Certainly. Refer to Workpaper WP – 3, page 2 of 7. In the month of October 2014
7 there is a significant difference between the number of actual heating degree days
8 compared to normal. While October typically experiences 46 heating degree days
9 there were only 8 in October of 2014, indicating the weather was much warmer than
10 normal. Consequently, sales were increased to reflect normal weather conditions.
11 This weather impact is also true for the Residential and Public Authority classes, but
12 the Commercial class experienced a much greater MCF use per customer in that
13 month compared to its base usage per customer as shown on columns 9 and 10. The
14 combination of much warmer weather than normal and the higher average use per
15 customer in October resulted in a significant increase in weather adjusted sales
16 volumes.
17

18 **Q. WHAT HISTORICAL PERIOD DID YOU EMPLOY AS THE BASIS FOR**
19 **COMPUTING NORMAL HEATING DEGREE DAYS?**

20 A. For purposes of this filing, NatGas used the most recent 10 year average to calculate
21 normal heating degree days. This is consistent with past Commission practice and
22 precedent.
23

1 Q. WHY DID YOU APPLY THE WEATHER NORMALIZATION
2 ADJUSTMENT TO YEAR-END CUSTOMER ADJUSTED SALES INSTEAD
3 OF BOOKED SALES?

4 A. The Railroad Commission of Texas "Natural Gas Rate Review Handbook" dated
5 October 2012 states on page 47 that when performing the weather normalization
6 adjustment, "*All figures should have already been adjusted for customer growth*".

7 **IV. PRO-FORMA ADJUSTMENTS**

8 Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO THE GAS
9 DEPARTMENT BOOKS AND RECORDS?

10 A. Yes, labor and associated benefits and taxes were adjusted to annualize payroll
11 increases. In addition, adjustments were made to the Company's books and records to
12 include Cash Working Capital.

13
14 Q. PLEASE DESCRIBE THE ADJUSTMENT TO ANNUALIZE GAS
15 DEPARTMENT PAYROLL INCREASES.

16 A. Three employees of the gas department received payroll increases on January 1, 2015
17 ranging from \$50 to \$150 per month. Therefore a known and measurable payroll
18 adjustment was made for three months (October 2014 through December 2014) of the
19 test year for these three employees. Each of these employees received an additional
20 \$1,200 per year in January 2016.

21

1 Q. PLEASE DESCRIBE THE ADJUSTMENT TO EMPLOYEE PENSIONS AND
2 BENEFITS.

3 A. An adjustment was made for one employee to reflect an increase of \$49 for AFLAC
4 insurance in July 2015. This increased pensions and benefits by \$441 for the nine
5 prior months of the test year.
6

7 Q. PLEASE DESCRIBE THE ADJUSTMENT TO PAYROLL TAXES.

8 A. An adjustment of \$345 in payroll taxes was made to reflect the salary increases.
9

10 Q. PLEASE DESCRIBE THE CASH WORKING CAPITAL ADJUSTMENT.

11 A. There is normally a time lag between the point when service is rendered and the
12 related operating costs are incurred and the point where the revenues to recover such
13 costs are received. The RRC provides for the use of 45-days or 12.50% of operating
14 expense as a component of rate base to fund these going-concern requirements of
15 business.¹ The Company's rate base was increased by \$39,972 on Schedule D, line
16 2043 to recognize the cash working capital allowance.

17 V. CLASS COST OF SERVICE STUDY

18 Q. WHAT IS A CLASS COST OF SERVICE STUDY?

19 A. A class cost of service study is an analysis that develops dollar revenue requirements
20 by customer class utilizing causal relationships between cost components and
21 customer characteristics as the basis for assigning costs. A class cost of service study

¹ Railroad Commission of Texas, Oversight and Safety Division, Natural Gas Rate Review Handbook, October 2012, Page 18.

1 uses the cost elements of the total Company revenue requirements and distributes
2 these elements to NatGas' various customer classes either by allocating costs or by
3 direct assignment if appropriate. Any costs that can be specifically identified as being
4 incurred for the benefit of or as a result of an individual customer or group of
5 customers are directly assigned to that specific customer(s) rate class. Costs that
6 cannot be specifically assigned are allocated to classes of customers using allocation
7 factors that reflect the manner in which costs arise.

8 To a large extent, the reasonableness of the results of a cost of service study
9 depends upon the reasonableness of the methods by which costs are allocated to
10 classes. When allocating costs, it is important that the most appropriate cost driver
11 for each individual cost is used to allocate that cost. Selecting the most appropriate
12 cost driver is essential to ensuring that costs are allocated to the classes for which the
13 costs are incurred. For this reason, class cost of service studies are said to be based
14 upon the principle of "cost causation." Once the costs are allocated to the various rate
15 classes, the total costs of serving each class can be ascertained.

16
17 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY THE TERMS "ALLOCATE"**
18 **AND "ALLOCATION"?**

19 A. "Allocate" and "allocation," in the context of class cost of service and rate design, are
20 terms used to describe the process by which NatGas' rate base items and expenses are
21 apportioned among the various rate classes. This allocation is based on various causal
22 parameters. The choice of the parameter to be used is primarily based upon the notion
23 that "cost responsibility follows cost causation." Apportionment of cost

responsibility is accomplished by allocating or assigning various investments or costs among the rate classes on a basis that represents the usage and, thus, the cost causation of these rate classes.

Q. PLEASE DESCRIBE SCHEDULE D WHICH CONTAINS THE ADJUSTED CLASS COST OF SERVICE STUDY.

A. In Schedule D each component of the system revenue requirement is set forth in rows and the allocated portion of the various cost components for each class is set forth in the column associated with the class. Allocation factors and the underlying information from which the allocation factors are calculated are provided in the first two pages of Schedule D. Following the allocation factor information, plant and other rate base items are allocated to classes. Next, operation and maintenance expenses are allocated to classes using either the input allocation factors or allocation factors that were developed based upon previously allocated plant or rate base items. Following the allocation of operation and maintenance expenses is the allocation of depreciation expense and taxes other than income. Next, other operating revenue is allocated to classes. Finally, using the rate base, expenses, taxes and revenues that have already been allocated to classes, the cost of service study determines the dollars of return for each customer class under NatGas' proposed rate of return by class of service.

Q. PLEASE IDENTIFY THE RATE CLASSES USED IN THE CLASS COST OF SERVICE AND RATE DESIGN STUDY.

1 A. As described earlier, the rate classes used in this gas filing include:

- 2 • Residential
- 3 • Commercial, and
- 4 • Public Authority

5

6 **Q. PLEASE DESCRIBE THE ALLOCATION METHODOLOGIES YOU**
7 **EMPLOYED IN THE CLASS COST OF SERVICE STUDY TO ALLOCATE**
8 **COSTS.**

9 A. There are numerous specific allocations made in the cost of service study. The
10 specific allocation of each revenue requirement component is identified by the
11 allocation factor set forth next to the total column. The allocation factors contained in
12 the cost of service study are either externally developed allocation factors
13 (independent) or internally developed allocation factors (dependent). Externally
14 developed allocation factors are calculated using information that is developed
15 externally to the cost of service study, such as sales volumes or number of customers.
16 Internally developed allocation factors are calculated within the cost of service study
17 based upon the results of previously allocated items, such as total plant in service.

18 NatGas does not possess the design-day nor peak day send-out data required
19 to calculate commonly used demand related allocation factors. However, it is not
20 reasonable to simply allocate plant on the basis of commodity sales volumes as this
21 method provides no recognition of peak demand periods. Therefore, monthly
22 commodity sales volumes, weighted by the monthly cost of gas as a proxy for
23 demand, were used to allocate measurement and regulatory station plant, and

1 distribution mains. We have utilized an approach identified as proportional
2 responsibility to weight the monthly sales volumes.

3
4 **Q. COULD YOU DESCRIBE THE PROPORTIONAL RESPONSIBILITY**
5 **METHOD?**

6 A. The Proportional Responsibility method was originally proposed by Gary H. Grainger
7 in an article entitled "The Proportional Responsibility Method of Capacity Cost
8 Allocation", published in the November 9, 1972 issue of Public Utilities Fortnightly.
9 The method is a capacity allocation procedure which considers the monthly variation
10 in sales by customer class. In contrast, the Design Day Allocation Method relates all
11 costs to a single day, a hypothetical day where temperature extremes create the
12 greatest load for which the utility can provide firm delivery service. This method
13 assumes that all costs are attributable to a single day, so by inference, there is no
14 value to capacity at any other time. Non-peaking period customers would have no
15 capacity cost responsibility at any time. In essence, these customers would receive the
16 benefit of free use of the transmission and distribution system. This anomaly is one of
17 the reasons why the FERC has migrated to capacity allocation methods that recognize
18 customer loads throughout the year, such as the Modified Fixed Variable Method.

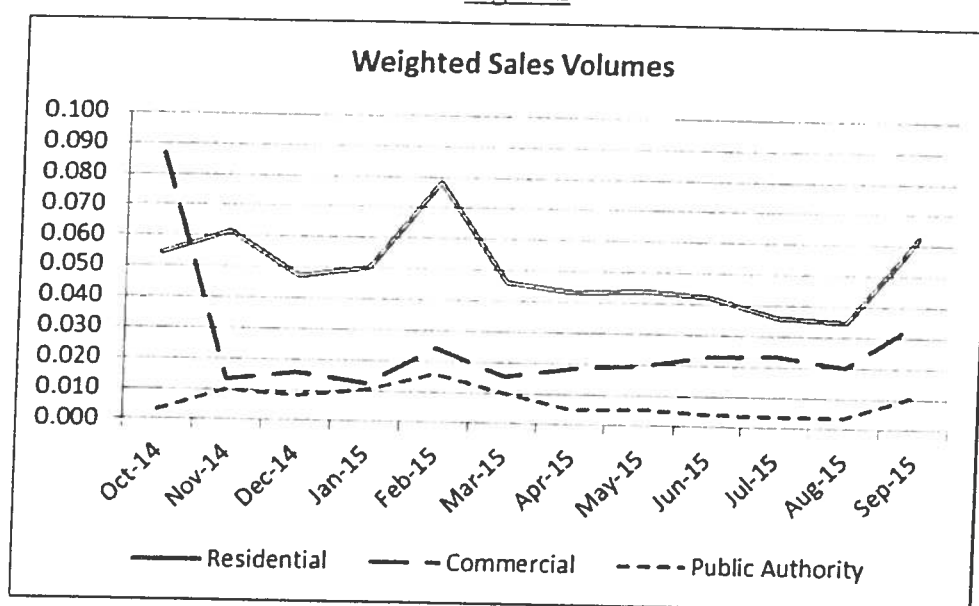
19
20 **Q. PLEASE DESCRIBE THE DEVELOPMENT OF YOUR PROPORTIONAL**
21 **RESPONSIBILITY ALLOCATION FACTORS.**

22 A. First, monthly gas cost weighting factors are developed using the Proportional
23 Responsibility methodology. This calculation is provided on workpaper WP-2 of this

1 filing. The monthly gas cost is ranked as a percentage of the system's maximum
2 monthly cost of gas. This percentage is the demand cost responsibility. Second, the
3 demand cost responsibility is spread over the month(s) it occurs. For example, the
4 lowest demand cost responsibility on WP-2 is .701909 (August). This occurs in 12
5 months of the year and should be spread over the 12 months, i.e., .058492 per month.
6 The second lowest responsibility is .753637 (July). The difference between .753637
7 and .701909 (.051728) occurs for 11 months of the year. Therefore, the second lowest
8 demand month gets the cost responsibility of the lowest demand over 12 months
9 (.058492) plus the responsibility of the second lowest demand spread over 11 months
10 (.004703) as shown on WP-2. This calculation continues until the highest demand
11 month is calculated. The cumulative monthly weighting factor is computed by
12 adding the month's individual weighting factors such that the sum of the cumulative
13 weighting factor for all 12 months equals 100%.

14 The class demand allocation factor is developed by multiplying the monthly
15 ratio of class to total customer growth adjusted sales volumes by the respective
16 monthly cumulative proportional responsibility weighting factors. This calculation is
17 provided on lines 32 through 36 on Workpaper 2. Figure 2 graphically depicts this
18 allocation factor.

Figure 2



Q. PLEASE DESCRIBE THE OTHER ALLOCATION FACTORS EMPLOYED IN THE GAS COST OF SERVICE STUDY.

A. Meters, services, and house regulators were allocated on the number of customers weighted by the relative cost of meters servicing those respective loads. General plant was allocated on labor. Distribution expenses related to plant accounts were allocated to classes on previously allocated distribution plant. Administrative and general expenses were allocated to classes on the sum of previously allocated distribution related expenses, customer accounting and sales-related expenses. Maintenance of General Plant was allocated on the previously allocated General Plant.

Q. PLEASE DESCRIBE THE RESULTS OF THE CLASS COST OF SERVICE STUDY.

1 A. The class cost of service study identifies the revenue requirement by class of service
2 at the requested rate of return. The results of the class cost of service study indicate
3 that the Commercial and Public Authority classes' rates should be decreased and the
4 Residential class requires an increase.

5
6 Q. ARE YOU PROPOSING RATES THAT REFLECT THESE CLASS
7 ALLOCATION RESULTS?

8 A. No. As I previously indicated, NatGas does not possess the design-day nor peak day
9 send-out data required to calculate commonly used capacity related allocation factors.
10 The proportional responsibility allocation method I employed provides a reasonable
11 starting point to design rates, but lack of data supporting the Commission's preferred
12 methodology to allocate capacity costs led me to a more conservative approach to rate
13 design. While the cost of service study indicates that the Commercial and Public
14 Authority class' rates should be decreased I am proposing that no class receive a
15 decrease, which serves to moderate the Residential class increase.

16 **VI. RATE DESIGN**

17 Q. PLEASE SUMMARIZE THE PROPOSED RATES.

18 A. NatGas proposes no structural changes to the existing gas service rates. That is,
19 NatGas proposes to continue for each customer class a two part base rate consisting
20 of a fixed monthly Customer Charge and a Commodity Charge per MCF used.
21 However, NatGas proposes to increase the levels of the Customer Charges for each
22 class to recover its required cost of service and to provide for more revenue stability.

The proposed Customer Charge for Residential customers was increased from \$5.00 per month to \$7.35 per month. The proposed Customer Charge for Commercial and Public Authority customers was increased from \$5.00 per month to \$9.00 per month.

Q. DOES NATGAS PROPOSE ANY CHANGES TO THE CURRENT COMMODITY CHARGES?

A. Yes. The current Commodity Charges include a \$3.00/MCF base cost of gas. NatGas proposes that going forward this amount be moved to the Purchased Gas Cost Adjustment and the base rate charges reflect only non-gas costs of the Company. Once the base cost of gas is removed, NatGas proposes no other changes to the Commodity Charges authorized by the Commission in GUD 9951.

Q. PLEASE SUMMARIZE THE PROPOSED CHANGE IN RATES.

A. Table 1 provides a comparison of the present and proposed rates by class of service:

Table 1

Customer Class (1)	Tariffed Rates		Present Base Rates (2)		Proposed Rates	
	Customer Charge \$/Month	Commodity Charge \$/Mcf	Customer Charge \$/Month	Commodity Charge \$/Mcf	Customer Charge \$/Month	Commodity Charge \$/Mcf
Residential	\$5.00	\$7.03	\$5.00	\$4.03	\$7.35	\$4.03
Commercial	\$5.00	\$7.03	\$5.00	\$4.03	\$9.00	\$4.03
Public Authority	\$5.00	\$6.64	\$5.00	\$3.64	\$9.00	\$3.64

(1) Residential and Commercial customers are currently served under the combined Residential & Small Commercial tariff. Public Authority customers are currently served under the Large Commercial tariff.
 (2) Excludes \$3.00/Mcf base cost of gas.

1 Q. ON WHAT SCHEDULES ARE THE DEVELOPMENT OF NATGAS'
2 PROPOSED RATES SUMMARIZED?

3 A. Schedule C provides the billing units and proposed rates by rate schedule and
4 provides the calculation of adjusted revenues under proposed rates. The billing
5 determinants employed to develop the proposed revenues are fully adjusted customer
6 and weather adjusted MCF sales levels. Schedule B, Typical Bill Comparisons,
7 provides bill impact analyses for the proposed rate schedules. The bill impact
8 analyses set forth the dollar and percentage increases associated with various levels of
9 use for customers.

10

11 Q. DOES NATGAS PROPOSE ANY CHANGES TO THE MISCELLANEOUS
12 SERVICE CHARGES?

13 A. No, NatGas is not proposing any changes to its miscellaneous service charges.

14

VII. RATE CASE EXPENSES

15 Q. HOW DOES THE COMPANY PROPOSE TO RECOVER RATE CASE
16 EXPENSES IN THIS PROCEEDING?

17 A. The Company requests recovery of its reasonable and necessary rate case expenses in
18 this case through a surcharge to those customers that are affected by this proceeding.
19 The Company requests that the Commission address the appropriate level of
20 recoverable rate case expenses at a later point during the proceeding when such
21 expenses will be known. In the alternative, the Commission may prefer that the issue
22 of the reasonableness and recovery of rate case expenses associated with this

1 proceeding be severed from this docket and determined in a separate docket. This
2 approach is consistent with the Commission's handling of this issue in other dockets.
3

4 **Q. PLEASE DESCRIBE GENERALLY THE TYPES OF EXPENSES THAT**
5 **WILL BE INCURRED BY NATGAS IN THIS PROCEEDING.**

6 A. The Company will incur direct expenses such a copying, faxing, postage and printing
7 expense, certain expenses of an incremental nature for those Company employees that
8 may travel, as well as the expense associated with providing public notice. NatGas
9 will also incur expenses associated with consulting assistance, and may incur
10 expenses associated with legal assistance, in connection with this case. All of these
11 categories of expenses will continue to be incurred through the duration of this
12 proceeding.

13 **VIII. CONCLUSION**

14 **Q. PLEASE SUMMARIZE NATGAS' OVERALL REQUEST IN THIS**
15 **PROCEEDING.**

16 A. NatGas is requesting to increase annual revenues by \$35,504 or 5.3% including gas
17 costs. The Residential class will see a 6.77% increase in average bills, Commercial
18 class a 2.84% increase in average bills, and the Public Authority class a 2.70%
19 increase in average bills.
20

21 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING THE**
22 **CLASS BILLING DETERMINANTS.**

1 A. NatGas is using test year end plant in service to determine its cost of service. For
2 consistency, booked commodity sales need to be adjusted to show a full year's billing
3 for all customers receiving service at the end of the test year.
4

5 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS REGARDING THE**
6 **CLASS COST OF SERVICE STUDY THAT YOU SPONSOR.**

7 A. The cost of service study provides the allocated revenue requirements by class of
8 service. The allocation methods employed to assign costs to customer classes vary
9 depending upon the particular cost item being allocated using the best data available.
10 For example, mains investment costs were allocated to classes on the weighted
11 volumes allocation methodology which weights monthly sales volumes by the cost of
12 gas. Customer related costs were allocated on the basis of the number of customers.

13 The class cost of service study employs allocation methods that are commonly
14 employed in work of this nature and the results of the allocations are fair and
15 reasonable.
16

17 **Q. PLEASE SUMMARIZE YOUR RATE DESIGN RECOMMENDATIONS.**

18 A. The rate design proposed by NatGas reflects moderate movement of rates by class
19 towards the cost of providing service.
20

21 **Q. IN YOUR OPINION, ARE THE ADJUSTED CUSTOMER BILLING DATA,**
22 **THE CLASS COST OF SERVICE STUDY, AND THE RATE DESIGN**

1 **PROPOSED BY NATGAS IN ITS RATE FILING APPLICATION FAIR AND**
2 **REASONABLE?**

3 A. Yes, they are.

4

5 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

6 A. Yes.

APPENDIX A
STATEMENT OF QUALIFICATIONS

KARL J. NALEPA

Mr. Nalepa is an energy economist with more than 30 years of private and public sector experience in the electric and natural gas industries. He has extensive experience analyzing utility rate filings and resource plans with particular focus on fuel and power supply requirements, quality of fuel supply management, and reasonableness of energy costs. Mr. Nalepa developed peak demand and energy forecasts for municipal and electric cooperative utilities and has forecast the price of natural gas in ratemaking and resource plan evaluations. He led a management and performance review of the Texas Public Utility Commission, and has conducted performance reviews and valuation studies of a number of municipal utility systems. Mr. Nalepa previously directed the Railroad Commission of Texas' Regulatory Analysis & Policy Section, with responsibility for preparing timely natural gas industry analysis, managing ratemaking proceedings, mediating informal complaints, and overseeing consumer complaint resolution. He has prepared and defended expert testimony in both administrative and civil proceedings, and has served as a technical examiner in natural gas rate proceedings.

EDUCATION

- 1998 Certificate of Mediation
 Dispute Resolution Center, Austin
- 1989 NARUC Regulatory Studies Program
 Michigan State University
- 1988 M.S. - Petroleum Engineering
 University of Houston
- 1980 B.S. - Mineral Economics
 Pennsylvania State University

PROFESSIONAL HISTORY

- 2003 - ReSolved Energy Consulting
 President and Managing Director
- 1997 – 2003 Railroad Commission of Texas
 Asst. Director, Regulatory Analysis & Policy
- 1995 – 1997 Karl J. Nalepa Consulting
 Principal
- 1992 – 1995 Resource Management International, Inc.
 Supervising Consultant
- 1988 – 1992 Public Utility Commission of Texas
 Fuels Analyst
- 1980 – 1988 Transco Exploration Company
 Reservoir and Evaluation Engineer

AREAS OF EXPERTISE

Regulatory Analysis

Electric Power: Analyzed electric utility rate, certification, and resource forecast filings. Assessed the quality of fuel supply management, and reasonableness of fuel costs recovered from ratepayers. Projected the cost of fuel and purchased power. Estimated the impact of environmental costs on utility resource selection. Participated in regulatory rulemaking activities. Provided expert staff testimony in a number of proceedings before the Texas Public Utility Commission.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the Public Utility Commission. Also assist municipal utilities in preparing and defending requests to change rates and other regulatory matters before the Public Utility Commission.

Natural Gas: Directed the economic regulation of gas utilities in Texas for the Railroad Commission of Texas. Responsible for monitoring, analyzing and reporting on conditions and events in the natural gas industry. Managed Commission staff representing the public interest in contested rate proceedings before the Railroad Commission, and acted as technical examiner on behalf of the Commission. Mediated informal disputes between industry participants and directed handling of customer billing and service complaints. Oversaw utility compliance filings and staff rulemaking initiatives. Served as a policy advisor to the Commissioners.

As consultant, represent interests of municipal clients intervening in large utility rate proceedings through analysis of filings and presentation of testimony before the cities and Railroad Commission. Also assist small utilities in preparing and defending requests to change rates and other regulatory matters before the Railroad Commission.

Litigation Support

Retained to support litigation in natural gas contract disputes. Analyzed the results of contract negotiations and competitiveness of gas supply proposals considering gas market conditions contemporaneous with the period reviewed. Supported litigation related to alleged price discrimination related to natural gas sales for regulated customers. Provided analysis of regulatory and accounting issues related to ownership of certain natural gas distribution assets in support of litigation against a natural gas utility. Supported independent power supplier in binding arbitration regarding proper interpretation of a natural gas transportation contract. Provided expert witness testimony in administrative and civil court proceedings.

Utility System Assessment

Led a management and performance review of the Public Utility Commission. Conducted performance reviews and valuation studies of municipal utility systems. Assessed ability to compete in the marketplace, and recommended specific actions to improve the competitive position of the utilities. Provided comprehensive support in the potential sale of a municipal gas system, including preparation of a valuation study and all activities leading to negotiation of contract for sale and franchise agreements.

Energy Supply Analysis

Reviewed system requirements and prepared requests for proposals (RFPs) to obtain natural gas and power supplies for both utility and non-utility clients. Evaluated submittals under alternative demand and market conditions, and recommended cost-effective supply proposals. Assessed supply strategies to determine optimum mix of available resources.

Econometric Forecasting

Prepared econometric forecasts of peak demand and energy for municipal and electric cooperative utilities in support of system planning activities. Developed forecasts at the rate class and substation levels. Projected price of natural gas by individual supplier for Texas electric and natural gas utilities to support review of utility resource plans.

Reservoir Engineering

Managed certain reserves for a petroleum exploration and production company in Texas. Responsible for field surveillance of producing oil and natural gas properties, including reserve estimation, production forecasting, regulatory reporting, and performance optimization. Performed evaluations of oil and natural gas exploration prospects in Texas and Louisiana.

PROFESSIONAL MEMBERSHIPS

Society of Petroleum Engineers
International Association for Energy Economics
United States Association for Energy Economics

SELECT PUBLICATIONS, PRESENTATIONS, AND TESTIMONY

- "Summary of the USAEE Central Texas Chapter's Workshop entitled 'EPA's Proposed Clean Power Plan Rules: Economic Modeling and Effects on the Electric Reliability of Texas Region,'" with Dr. Jay Zarnikau and Mr. Neil McAndrews, USAEE Dialogue, May 2015
- "Public Utility Ratemaking," EBF 401: Strategic Corporate Finance, The Pennsylvania State University, September 2013
- "What You Should Know About Public Utilities," EBF 401: Strategic Corporate Finance, The Pennsylvania State University, October 2011
- "Natural Gas Markets and the Impact on Electricity Prices in ERCOT," Texas Coalition of Cities for Fair Utility Issues, Dallas, October 2008
- "Natural Gas Regulatory Policy in Texas," Hungarian Oil and Gas Policy Business Colloquium, U.S. Trade and Development Agency, Houston, May 2003
- "Railroad Commission Update," Texas Society of Certified Public Accountants, Austin, April 2003
- "Gas Utility Update," Railroad Commission Regulatory Expo and Open House, October 2002
- "Deregulation: A Work in Progress," Interview by Karen Stidger, *Gas Utility Manager*, October 2002
- "Regulatory Overview: An Industry Perspective," Southern Gas Association's Ratemaking Process Seminar, Houston, February 2001
- "Natural Gas Prices Could Get Squeezed," with Commissioner Charles R. Matthews, *Natural Gas*, December 2000
- "Railroad Commission Update," Texas Society of Certified Public Accountants, Austin, April 2000
- "A New Approach to Electronic Tariff Access," Association of Texas Intrastate Natural Gas Pipeline Annual Meeting, Houston, January 1999
- "A Texas Natural Gas Model," United States Association for Energy Economics North American Conference, Albuquerque, 1998
- "Texas Railroad Commission Aiding Gas Industry by Updated Systems, Regulations," *Natural Gas*, July 1998
- "Current Trends in Texas Natural Gas Regulation," Natural Gas Producers Association, Midland, 1998
- "An Overview of the American Petroleum Industry," Institute of International Education Training Program, Austin, 1993
- Direct testimony in PUC Docket No. 10400 summarized in *Environmental Externality*, Energy Research Group for the Edison Electric Institute, 1992
- "God's Fuel - Natural Gas Exploration, Production, Transportation and Regulation," with Danny Bivens, Public Utility Commission of Texas Staff Seminar, 1992
- "A Summary of Utilities' Positions Regarding the Clean Air Act Amendments of 1990," Industrial Energy Technology Conference, Houston, 1992
- "The Clean Air Act Amendments of 1990," Public Utility Commission of Texas Staff Seminar, 1992

APPENDIX B
PREVIOUSLY FILED TESTIMONY

KARL J. NALEPA
TESTIMONY FILED

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
<u>Before the Public Utility Commission of Texas</u>					
45084	Nov 15	Cities	Entergy Texas, Inc.	TCRF	TCRF Methodology
45083	Oct 15	Cities	Entergy Texas, Inc.	DCRF	DCRF Methodology
45071	Aug 15	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
44941	Dec 15	City of El Paso	El Paso Electric	Cost of Service	CEP Adjustments
44677	Jul 15	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
44572	May 15	Cities	CenterPoint Energy Houston	DCRF	DCRF Methodology
44060	May 15	City of Frisco	Brazos Electric Coop	CCN	Transmission Cost Recovery
43695	May 15	Pioneer Natural Resources	Southwestern Public Service	Cost of Service	Cost Allocation
43111	Oct 14	Cities	Entergy Texas Inc.	DCRF	DCRF Methodology
42770	Aug 14	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
42485	Jul 14	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
42449	Jul 14	City of El Paso	El Paso Electric	EECRF	EECRF Methodology
42448	Jul 14	Cities	SWEPCO	TCRF	Transmission Cost Recovery Factor
42370	Dec 14	Cities	SWEPCO	Rate Case Expenses	Rate Case Expenses
41791	Jan 14	Cities	Entergy Texas, Inc.	Cost of Service	Cost of Service/Fuel
41539	Jul 13	Cities	AEP Texas North	EECRF	EECRF Methodology
41538	Jul 13	Cities	AEP Texas Central	EECRF	EECRF Methodology

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
41444	Jul 13	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
41223	Apr 13	Cities	Entergy Texas, Inc.	ITC Transfer	Public Interest Review
40627	Nov 12	Austin Energy	Austin Energy	Cost of Service	General Fund Transfers
40443	Dec 12	Office of Public Counsel	SWEPCO	Cost of Service	Cost of Service/Fuel
40346	Jul 12	Cities	Entergy Texas, Inc.	Join MISO	Public Interest Review
39896	Mar 12	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power
39366	Jul 11	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
38951	Feb 12	Cities	Entergy Texas, Inc.	CGS Tariff	CGS Costs
38815	Sep 10	Denton Municipal Electric	Denton Municipal Electric	Interim TCOS	Wholesale Transmission Rate
38480	Nov 10	Cities	Texas-New Mexico Power	Cost of Service	Cost of Service/Rate Design
37744	Jun 10	Cities	Entergy Texas, Inc.	Cost of Service/ Fuel Reconciliation	Cost of Service/ Nat Gas/ Purch Power/ Gen
37580	Dec 09	Cities	Entergy Texas, Inc.	Fuel Refund	Fuel Refund Methodology
36956	Jul 09	Cities	Entergy Texas, Inc.	EECRF	EECRF Methodology
36392	Nov 08	Texas Municipal Power Agency	Texas Municipal Power Agency	Interim TCOS	Wholesale Transmission Rate
35717	Nov 08	Cities Steering Committee	Oncor	Cost of Service	Cost of Service/Rate Design
34800	Apr 08	Cities	Entergy Gulf States	Fuel Reconciliation	Natural Gas/Coal/Nuclear
16705	May 97	North Star Steel	Entergy Texas	Fuel Reconciliation	Natural Gas/Fuel Oil
10694	Jan 92	PUC Staff	Midwest Electric Coop	Revenue Requirements	Depreciation/ Quality of Service

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
10473	Sep 91	PUC Staff	HL&P	Notice of Intent	Environmental Costs
10400	Aug 91	PUC Staff	TU Electric	Notice of Intent	Environmental Costs
10092	Mar 91	PUC Staff	HL&P	Fuel Reconciliation	Natural Gas/Fuel Oil
10035	Jun 91	PUC Staff	West Texas Utilities	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas/Fuel Oil/Coal
9850	Feb 91	PUC Staff	HL&P	Revenue Req. Fuel Factor	Natural Gas/Fuel Oil/ETSI Natural Gas/Coal/Lignite
9561	Aug 90	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
9427	Jul 90	PUC Staff	LCRA	Fuel Factor	Natural Gas
9165	Feb 90	PUC Staff	El Paso Electric	Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas
8900	Jan 90	PUC Staff	SWEPCO	Fuel Reconciliation Fuel Factor	Natural Gas Natural Gas
8702	Sep 89 Jul 89	PUC Staff	Gulf States Utilities	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas/Fuel Oil Natural Gas/Fuel Oil Natural Gas/Fuel Oil
8646	May 89 Jun 89	PUC Staff	Central Power & Light	Fuel Reconciliation Revenue Requirements Fuel Factor	Natural Gas Natural Gas/Fuel Oil Natural Gas
8588	Aug 89	PUC Staff	El Paso Electric	Fuel Reconciliation	Natural Gas

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
<u>Before the Railroad Commission of Texas</u>					
10359	Jul 14	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10295	Oct 13	Cities Steering Committee	Atmos Pipeline Texas	Revenue Rider	Rider Renewal
10242	Jan 13	Onalaska Water & Gas	Onalaska Water & Gas	Cost of Service	Cost of Service/Rate Design
10196	Jul 12	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
10190	Jan 13	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10174	Aug 12	Steering Committee of Cities	Atmos Energy West Texas	Cost of Service	Cost of Service/Rate Design
10170	Aug 12	Cities Steering Committee	Atmos Energy Mid Tex	Cost of Service	Cost of Service/Rate Design
10106	Oct 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10083	Aug 11	City of Magnolia, Texas	Hughes Natural Gas	Cost of Service	Cost of Service/Rate Design
10038	Feb 11	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
10021	Oct 10	AgriTex Gas, Inc.	AgriTex Gas, Inc.	Cost of Service	Cost of Service/Rate Design
10000	Dec 10	Cities Steering Committee	Atmos Pipeline Texas	Cost of Service	Cost of Service/Rate Design
9902	Oct 09	Gulf Coast Coalition	CenterPoint Energy Entex	Cost of Service	Cost of Service/Rate Design
9810	Jul 08	Bluebonnet Natural Gas	Bluebonnet Natural Gas	Cost of Service	Cost of Service/Rate Design
9797	Apr 08	Universal Natural Gas	Universal Natural Gas	Cost of Service	Cost of Service/Rate Design
9732	Jul 08	Cities Steering Committee	Atmos Energy Corp.	Cost of Service	Cost of Service/Rate Design
9670	Oct 06	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9667	Nov 06	Oneok Westex Transmission	Oneok Westex Transmission	Cost of Service	Affiliate Transactions/ O&M Expenses/GRIP
			Abandonment		Abandonment

<u>DKT NO.</u>	<u>DATE</u>	<u>REPRESENTING</u>	<u>UTILITY</u>	<u>PHASE</u>	<u>ISSUES</u>
9598	Sep 05	Cities Steering Committee	Atmos Energy Corp.	GRIP Appeal	GRIP Calculation
9530	Apr 05	Cities Steering Committee	Atmos Energy Corp.	Gas Cost Review	Natural Gas Costs
9400	Dec 03	Cities Steering Committee	TXU Gas Company	Cost of Service	Affiliate Transactions/ O&M Expenses/Capital Costs
<u>Before the Louisiana Public Service Commission</u>					
U-33633	Nov 15	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Prudence
U-33033	Jul 14	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Revenue Requirement
U-31971	Nov 11	PSC Staff	Entergy Louisiana, LLC/ Entergy Gulf States Louisiana	Resource Certification	Certification/Cost Recovery
<u>Before the Arkansas Public Service Commission</u>					
O7-105-U	Mar 08	Arkansas Customers	CenterPoint Energy, Inc. & pipelines serving CenterPoint	Gas Cost Complaint	Prudence / Cost Recovery

NATGAS
REVENUE BY CUSTOMER CLASSIFICATION
For the Pro Forma Test Year Ended September 30, 2015

Line No.	Customer Classification	REVENUE PER BOOKS		PRO FORMA ADJUSTED		PROPOSED REVENUE	
		Commodity Sales - MCF	Billing Revenue - \$	Commodity Sales - MCF	Billing Revenue - \$	Billing Revenue - \$	Increase %
1	Sales of Gas - Total						
2	Residential	50,180	\$442,193	48,635	\$427,469	\$456,405	\$28,936 6.77%
6	Commercial	17,685	\$140,291	21,767	\$177,538	\$182,519	\$4,980 2.81%
11	Public Authority	9,004	\$65,783	8,275	\$59,632	\$61,220	\$1,588 2.66%
12	Other Revenue		\$2,663		\$2,663	\$2,663	\$0 0.00%
13							
15							
16							
17	Total Sales of Gas	76,869	\$650,930	78,677	\$667,303	\$702,807	\$35,504 5.32%
18							
19							
20	Sales of Gas - Base Rates						
21	Residential	50,180	\$266,325	48,635	\$252,915	\$281,851	\$28,936 11.44%
25	Commercial	17,685	\$77,906	21,767	\$91,284	\$96,265	\$4,980 5.46%
26	Public Authority	9,004	\$34,815	8,275	\$31,306	\$32,895	\$1,588 5.07%
30							
31							
32							
33	Total Sales of Gas	76,869	\$379,046	78,677	\$375,506	411,010	\$35,504 9.46%

NATGAS
REVENUE BY CUSTOMER CLASSIFICATION
For the Pro Forma Test Year Ended September 30, 2015

		AVERAGE COST PER MCF		
Line No.	Customer Classification	PER BOOKS	PRO FORMA ADJUSTED	PROPOSED
1				
2	Sales of Gas - Total			
3	Residential	\$8.81	\$8.79	\$9.38
7				
8	Commercial	\$7.93	\$8.16	\$8.38
12				
13	Public Authority	\$7.31	\$7.21	\$7.40
14				
15	Total Sales of Gas	<u>\$8.47</u>	<u>\$8.48</u>	<u>\$8.93</u>
16				
17				
18	Sales of Gas - Base Rates			
19	Residential	\$5.31	\$5.20	\$5.80
23				
24	Commercial	\$4.41	\$4.19	\$4.42
28				
29	Public Authority	\$3.87	\$3.78	\$3.98
30				
31	Total Sales of Gas	<u>\$4.93</u>	<u>\$4.77</u>	<u>\$5.22</u>

NATGAS
TYPICAL BILL COMPARISONS
For the Pro Forma Test Year Ended September 30, 2015

Residential Service					
Charge		Present	Proposed	Change	
Customer Charge \$/Month		\$5.00	\$7.35		18.62%
Commodity \$/MCF		\$4.0300	\$4.0300		11.61%
Gas Cost Adjustment \$/MCF		\$3.5891	\$3.5891		6.62%
TYPICAL MONTHLY BILL COMPARISON					
MCF		Present	Proposed		
1		\$12.62	\$14.97	\$2.35	18.62%
2		\$20.24	\$22.59	2.35	11.61%
4		\$35.48	\$37.83	2.35	6.62%
6		\$50.71	\$53.06	2.35	4.63%
8		\$65.95	\$68.30	2.35	3.56%
10		\$81.19	\$83.54	2.35	2.89%
Avg MCF Use					
3.9		\$34.71	\$37.06	2.35	6.77%

Commercial Service				
Charge		Present	Proposed	
Customer Charge \$/Month		\$5.00	\$9.00	
Commodity \$/MCF		\$4.0300	\$4.0300	
Gas Cost Adjustment \$/MCF		\$3.9625	\$3.9625	
TYPICAL MONTHLY BILL COMPARISON				
MCF		Present	Proposed	Change (\$) (%)
5		\$44.96	\$48.96	\$4.00 8.90%
10		\$84.93	\$88.93	4.00 4.71%
15		\$124.89	\$128.89	4.00 3.20%
20		\$164.85	\$168.85	4.00 2.43%
25		\$204.81	\$208.81	4.00 1.95%
30		\$244.78	\$248.78	4.00 1.63%
Avg MCF Use				
17.0		\$140.87	\$144.87	4.00 2.84%

NATGAS
TYPICAL BILL COMPARISONS
For the Pro Forma Test Year Ended September 30, 2015

Public Authority				
Charge	Present		Proposed	
Customer Charge \$/Month		\$5.00		\$9.00
Commodity \$/MCF		\$3.6400		\$3.64
Gas Cost Adjustment \$/MCF		\$3.4232		\$3.4232
TYPICAL MONTHLY BILL COMPARISON				
MCF	Present	Proposed	Change	
5	\$40.32	\$44.32	\$4.00	9.92%
10	\$75.63	\$79.63	4.00	5.29%
15	\$110.95	\$114.95	4.00	3.61%
25	\$181.58	\$185.58	4.00	2.20%
35	\$252.21	\$256.21	4.00	1.59%
50	\$358.16	\$362.16	4.00	1.12%
Avg MCF Use				
20.3	\$148.38	\$152.38	4.00	2.70%

NATGAS
DEVELOPMENT OF PROPOSED RATES
For the Pro Forma Test Year Ended September 30, 2015

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	Residential					
2	Customer Charge			\$92,698		
3	Commodity Charge	12,612 Bills	\$7.35	195,999		
4	Total Residential	48,635 MCF	\$4.0300	\$288,697		
5	Times Booked to Billed Ratio			98%		
6	Adjusted Residential			\$281,851		
7						
8				\$28,935		11.44%
9	Commercial					
10	Customer Charge			\$11,556		
11	Commodity Charge	1,284 Bills	\$9.00	87,723		
12	Total Commercial	21,767 MCF	\$4.0300	\$99,279		
13	Times Booked to Billed Ratio			97%		
14	Adjusted Commercial			\$96,265		
15						
16				\$4,980		5.46%
17	Public Authority					
18	Customer Charge			\$3,672		
19	Commodity Charge	408 Bills	\$9.00	30,119		
20	Total Public Authority	8,275 MCF	\$3.6400	\$33,791		
21	Times Booked to Billed Ratio			97%		
22	Adjusted Public Authority			\$32,895		
23						
24				\$1,589		5.07%
25						
26	Total Base Rate Revenue			\$411,010		9.45%

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
1001	Average & Excess	1	1,0000	0.6710	0.1961	0.1329
1002	Monthly Weighted Sales Volumes	2	1,0000	0.6012	0.3078	0.0910
1003	Sales Volumes	3	78,677	48,635	21,767	8,275
1004	Customers-Billing	4	14,304	12,612	1,284	408
1005	Customers	5	14,304	12,612	1,284	408
1006	Customers - Weighted Meters	6	18,512	12,612	4,455	1,444
1007	Customers - ERT Meters	7	0	0	0	0
1008	Customers - Weighted Regulators	8	18,512	12,612	4,455	1,444
1009	Customers - Weighted Services	9	18,512	12,612	4,455	1,444
1010	Mains & Regulators	10	478,464	287,661	147,266	43,537
1011	Meters	11	137,409	93,616	33,072	10,721
1012	House Regulators	12	20,733	14,125	4,990	1,618
1013	Services	13	47,924	32,650	11,535	3,739
1014	Total Intangible Plant	14	0	0	0	0
1015	Total Distribution Plant	15	716,127	449,293	204,707	62,127
1016	Total General Plant	16	203,984	159,176	34,258	10,550
1017	Total Plant in Service	17	920,111	608,469	238,966	72,677
1018	Total Rate Base	18	251,305	175,269	58,319	17,717
1019	Meters & House Regulators	19	158,142	107,741	38,062	12,338
1020	Mains & Services	20	403,624	246,504	121,015	36,106
1021	Open	21	0.0000	0	0	0
1022	Open	22	0.0000	0	0	0
1023	Net Plant In Service	23	223,407	152,255	54,507	16,646
1024	Open	24	0	0	0	0
1025	Open	25	0	0	0	0
1026	Open	26	0	0	0	0
1027	Total Operation & Maintenance	27	319,779	249,181	53,979	16,620
1028	Labor	28	79,623	62,133	13,372	4,118
1029	Open	29	0	0	0	0
1030	Open	30	0	0	0	0
1031	Distribution Operation Subtotal	31	28,887	19,098	7,441	2,348
1032	Distribution Maintenance Subtotal	32	56,649	34,515	17,053	5,081
1033	Total Distribution O&M	33	85,536	53,614	24,494	7,429
1034	Distribution Operation & Maintenance Subtotal	34	85,536	53,614	24,494	7,429
1035	Distribution O&M Excluding Labor	35	78,407	49,145	22,452	6,810
1036	Distribution and Customer Related Expenses	36	212,736	165,767	35,912	11,057
1037	Open	37	0	0	0	0
1038	Open	38	0	0	0	0
1039	YEC and Weather Adjusted Revenues	39	375,506	252,916	91,285	31,306
1040	Late Payment Revenue	40	375,506	252,916	91,285	31,306
1041	Miscellaneous Service Revenues	41	375,506	252,916	91,285	31,306

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
1042	Average & Excess	1	2	3	4	5
1043	Monthly Weighted Sales Volumes	1	100%	67.10%	19.61%	13.29%
1044	Sales Volumes	2	100%	60.12%	30.78%	9.10%
1045	Customers-Billing	3	100%	61.82%	27.67%	10.52%
1046	Customers	4	100%	88.17%	8.98%	2.85%
1047	Customers - Weighted Meters	5	100%	88.17%	8.98%	2.85%
1048	Customers - ERT Meters	6	100%	68.13%	24.07%	7.80%
1049	Customers - Weighted Regulators	7	0%	0.00%	0.00%	0.00%
1050	Customers - Weighted Services	8	100%	68.13%	24.07%	7.80%
1051	Mains & Regulators	9	100%	68.13%	24.07%	7.80%
1052	Meters	10	100%	60.12%	30.78%	9.10%
1053	House Regulators	11	100%	68.13%	24.07%	7.80%
1054	Services	12	100%	68.13%	24.07%	7.80%
1055	Total Intangible Plant	13	100%	68.13%	24.07%	7.80%
1056	Total Distribution Plant	14	0%	0.00%	0.00%	0.00%
1057	Total General Plant	15	100%	62.74%	28.59%	8.68%
1058	Total Plant in Service	16	100%	78.03%	16.79%	5.17%
1059	Total Rate Base	17	100%	66.13%	25.97%	7.90%
1060	Meters & House Regulators	18	100%	69.74%	23.21%	7.05%
1061	Mains & Services	19	100%	68.13%	24.07%	7.80%
1062	Open	20	100%	61.07%	29.98%	8.95%
1063	Open	21	0%	0.00%	0.00%	0.00%
1064	Net Plant In Service	22	0%	0.00%	0.00%	0.00%
1065	Open	23	100%	68.15%	24.40%	7.45%
1066	Open	24	0%	0.00%	0.00%	0.00%
1067	Open	25	0%	0.00%	0.00%	0.00%
1068	Total Operation & Maintenance	26	0%	0.00%	0.00%	0.00%
1069	Labor	27	100%	77.92%	16.88%	5.20%
1070	Open	28	100%	78.03%	16.79%	5.17%
1071	Open	29	0%	0.00%	0.00%	0.00%
1072	Distribution Operation Subtotal	30	0%	0.00%	0.00%	0.00%
1073	Distribution Maintenance Subtotal	31	100%	66.11%	25.76%	8.13%
1074	Total Distribution O&M	32	100%	60.93%	30.10%	8.97%
1075	Distribution Operation & Maintenance Subtotal	33	100%	62.68%	28.64%	8.69%
1076	Distribution O&M Excluding Labor	34	100%	62.68%	28.64%	8.69%
1077	Distribution and Customer Related Expenses	35	100%	62.68%	28.64%	8.69%
1078	Open	36	100%	77.92%	16.88%	5.20%
1079	Open	37	0%	0.00%	0.00%	0.00%
1080	YEC and Weather Adjusted Revenues	38	0%	0.00%	0.00%	0.00%
1081	Late Payment Revenue	39	100%	67.35%	24.31%	8.34%
1082	Miscellaneous Service Revenues	40	100%	67.35%	24.31%	8.34%
		41	100%	67.35%	24.31%	8.34%

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
2001 Plant in Service						
2002 Intangible Plant						
2002 Distribution Plant						
2003	374-Land and Land Rights	2	0	0	0	0
2004	375-Structures and Improvements	2	3,545	2,131	1,091	323
2005	376 Mains	2	35	21	11	3
2006	378 Meas. & Reg. Sta. Eq.	2	355,700	213,853	109,480	32,367
2007	380 Services	2	122,764	73,808	37,785	11,171
2008	381 Meters	9	47,924	32,650	11,535	3,739
2009	382 Meter Installations	6	137,409	93,616	33,072	10,721
2010	383 House Regulators	6	18,869	12,855	4,541	1,472
2011	384 House Reg. Installations	8	20,733	14,125	4,990	1,618
2012	385 Industrial Measuring and Regulating Station Equip.	8	3,878	2,642	933	303
2013	Total Distribution Plant	8	5,270	3,590	1,268	411
2014 General Plant						
2015	390 Structures and Improvements	28	92,975	72,552	15,615	4,809
2016	391 Office Furniture and Equipment	28	31,791	24,808	5,339	1,644
2017	392 Transportation Equipment	28	40,789	31,829	6,850	2,110
2018	394 Tools, Shop and Garage Equipment	28	6,602	5,152	1,109	341
2019	397 Communication Equipment	28	1,455	1,135	244	75
2020	399 Other Tangible Property	28	30,372	23,700	5,101	1,571
2021	Total General Plant	28	203,984	159,176	34,258	10,550
2022	Total Plant in Service		920,111	608,469	238,966	72,677

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
2023	Accumulated Depreciation					
2024	374-Land and Land Rights	2	2,391	1,438	736	218
2025	375-Structures and Improvements	2	20	12	6	2
2026	376 Mains	2	276,094	165,993	84,979	25,123
2027	378 Meas. & Reg. Sta. Eq.	2	110,488	66,427	34,007	10,054
2028	380 Services	9	37,063	25,251	8,920	2,892
2029	381 Meters	6	115,388	78,613	27,772	9,003
2030	382 Meter Installations	6	9,283	6,324	2,234	724
2031	383 House Regulators	8	12,777	8,705	3,075	997
2032	384 House Reg. Installations	8	1,298	884	312	101
2033	385 Industrial Measuring and Regulating Station Equip.	8	3,642	2,481	876	284
2034	390 Structures and Improvements	28	43,157	33,677	7,248	2,232
2035	391 Office Furniture and Equipment	28	28,612	22,327	4,805	1,480
2036	392 Transportation Equipment	28	27,871	21,749	4,681	1,441
2037	394 Tools, Shop and Garage Equipment	28	4,757	3,712	799	246
2038	397 Communication Equipment	28	1,309	1,022	220	68
2039	399 Other Tangible Property	28	22,554	17,600	3,788	1,167
2040	Total Accumulated Depreciation		696,704	456,214	184,459	56,031
2041	Net Plant		223,407	152,255	54,507	16,646
2042	Working Capital					
2043	Cash Working Capital Allowance (1/8 O&M)					
2044	Material Inventory	17	39,972	31,148	6,747	2,077
2045	Prepaid Expenses	15	0	0	0	0
2046	Property Deposits	27	0	0	0	0
2047	235-Customer Deposits	39	0	0	0	0
2048	Total Working Capital		(12,075)	(8,133)	(2,935)	(1,007)
			27,897	23,015	3,812	1,071
2049	Total Rate Base		251,305	175,269	58,319	17,717

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
3001	Operation and Maintenance Expense					
3002	Distribution Expense					
3003	Operation					
3004	874 Mains and Services Expenses	20	8,253	5,041	2,475	738
3005	875 Measuring and Regulating Expenses	12	12,380	8,435	2,980	966
3006	878 Meter and House Regulator Expenses	19	8,253	5,623	1,986	644
3007	885 Maintenance Supervision and Engineering	35	7,129	4,468	2,041	619
3007	887 Maintenance of Mains	20	28,887	17,642	8,661	2,584
3008	893 Maintenance of Meters and House Regulators	10	20,634	12,405	6,351	1,878
3009	Total Distribution O&M		85,536	53,614	24,494	7,429
3010	Customer Accounting & Collection					
3011	901 Supervision	4	9,755	8,601	876	278
3012	902 Meter Reading Expenses	4	65,033	57,340	5,838	1,855
3013	904 Uncollectables	4	1,665	1,468	149	47
3014	903 Customer Records and Collection	4	32,516	28,670	2,919	927
3012	905 Miscellaneous Customer Accounts Expenses	4	1,084	956	97	31
3010	Total Customer Accounting & Collection		110,053	97,035	9,879	3,139
3011	Customer Service, Information & Sales Expense					
3012	910 Miscellaneous Customer Service & Information	4	6,859	6,048	616	196
3013	911 Supervision	4	1,715	1,512	154	49
3014	912 Demonstration and Selling Expense	4	8,574	7,560	770	245
3015	912 Advertising Expenses	4	0	0	0	0
3011	Total Customer Service, Info. & Sales		17,147	15,119	1,539	489
3012	Administrative and General Exp.					
3013	920 Administrative and General Salaries	36	25,795	20,100	4,354	1,341
3014	921 Office Supplies and Expenses	36	19,843	15,462	3,350	1,031
3015	923 Outside Services Employed	36	5,194	4,047	877	270
3016	924 Property Insurance	36	14,885	11,599	2,513	774
3017	925 Injuries and Damages	36	2,302	1,794	389	120
3018	926 Employee Pensions and Benefits	36	35,230	27,452	5,947	1,831
3019	930 2 Miscellaneous General Expenses	36	395	308	67	21
3020	932 Maintenance of General Plant	16	3,399	2,652	571	176
3021	Total A&G Expenses		107,043	83,413	18,067	5,563
3022	Total O&M Expenses		319,779	249,181	53,979	16,620

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
3023	Depreciation Expense					
3024	374-Land and Land Rights	2	106	64	33	10
3025	375-Structures and Improvements	2	1	1	0	0
3026	376 Mains	2	11,845	7,121	3,646	1,078
3027	378 Meas. & Reg. Sta. Eq.	2	0	0	0	0
3028	380 Services	9	1,581	1,077	381	123
3029	381 Meters	6	24,778	16,881	5,964	1,933
3030	382 Meter Installations	6	623	424	150	49
3031	383 House Regulators	8	684	466	165	53
3032	384 House Reg. Installations	8	128	87	31	10
3033	385 Industrial Measuring and Regulating Station Equip.	8	174	118	42	14
3034	390 Structures and Improvements	28	1,819	1,419	305	94
3035	391 Office Furniture and Equipment	28	0	0	0	0
3036	392 Transportation Equipment	28	1,167	911	196	60
3037	394 Tools, Shop and Garage Equipment	28	218	170	37	11
3038	397 Communication Equipment	28	0	0	0	0
3039	399 Other Tangible Property	28	980	765	165	51
3040	Total Depreciation Expense		44,104	29,505	11,113	3,486
3041	Taxes Other Than Income					
3042	Payroll Taxes	28				
3043	Property Taxes	17	9,782	7,633	1,643	506
3044	Pipeline Safety Fee	17	10,612	7,018	2,756	838
3045	Gas Utility Tax	39	0	0	0	0
3046	Texas Franchise Tax	39	0	0	0	0
3047	Total Taxes Other Than Income		1,507	1,015	366	126
3048	431-Interest on Customer Deposits		21,901	15,666	4,765	1,470
3049	Total Oper. Exp. Before Inc. Tax	39	13	9	3	1
4001	Other Operating Revenue		385,798	294,361	69,860	21,577
4002	Acct. 487 - Forfeited Discounts					
4003	Acct. 488 - Misc. Service Revenues	40	0	0	0	0
4004	Total Other Operating Revenue	41	2,663	1,794	647	222
			2,663	1,794	647	222

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
5001	Return Under Existing Rates					
5002	Revenue from Firm Sales		375,506	252,916	91,285	31,306
5003	Acct. 487 - Forfeited Discounts		0	0	0	0
5004	Acct. 488 - Misc. Service Revenues		2,663	1,794	647	222
5005	Total Operating Revenue		378,169	254,709	91,932	31,528
5006	Oper. Expense Before Income Tax		385,798	294,361	69,860	21,577
5007	Oper. Income Before Income Tax		(7,629)	(39,652)	22,072	9,951
5008	Federal Income Tax Calculation					
5009	Tax Adjustments					
5010	Interest Expense	18	6,557	4,573	1,522	462
5011	State Income Tax	39	0	0	0	0
5012	Other Tax Adjustments	18	0	0	0	0
5013	Total Tax Adjustments		6,557	4,573	1,522	462
5014	Taxable Income		(14,185)	(44,225)	20,550	9,489
5015	Federal Income Tax		(2,128)	(6,634)	3,083	1,423
5016	Less Inv. Tax Credit Amort.	17	0	0	0	0
5017	Total Federal Income Tax		(2,128)	(6,634)	3,083	1,423
5018	State Income Tax	39	0	0	0	0
5019	State Income Tax		0	0	0	0
5020	Total Operating Expense		383,670	287,727	72,943	23,000
5021	Return to equity pretax		(5,501)	(33,018)	18,989	8,528
5022	Rate Base		251,305	175,269	58,319	17,717

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
6001	Return Under Current Rates					
6002	Revenue from Firm Sales		375,506	252,916	91,285	31,306
6003	Other Operating Revenue		2,663	1,794	647	222
6004	Total Operating Revenue		378,169	254,709	91,932	31,528
6005	Operation and Maintenance Expense		319,779	249,181	53,979	16,620
6006	Depreciation and Amortization Expense		44,104	29,505	11,113	3,486
6007	Taxes Other than Income Tax		21,901	15,666	4,765	1,470
6008	Interest on Customer Deposits		13	9	3	1
6009	Federal Income Tax - Existing Rates		(2,128)	(6,634)	3,083	1,423
6010	State Income Tax		0	0	0	0
6011	Total Operating Expenses		383,670	287,727	72,943	23,000
6012	Return		(5,501)	(33,018)	18,989	8,528
6013	Rate Base		251,305	175,269	58,319	17,717
7001	Cost of Service and Revenue Deficiency					
7002	Rate Base		251,305	175,269	58,319	17,717
7003	Rate of Return		9.81%	9.81%	9.81%	9.81%
7004	Return		24,653	17,194	5,721	1,738
7005	Operation and Maintenance Expenses		319,779	249,181	53,979	16,620
7006	Depreciation and Amortization Expense		44,104	29,505	11,113	3,486
7007	Taxes Other than Income Tax		21,901	15,666	4,765	1,470
7008	Interest on Customer Deposits		13	9	3	1
7009	Federal Income Tax - Existing Rates		(2,128)	(6,634)	3,083	1,423
7010	State Income Tax		0	0	0	0
7011	Total Cost of Service		408,323	304,921	78,664	24,738
7012	Less: Other Operating Revenue		2,663	1,794	647	222
7013	Net Cost of Service		405,660	303,127	78,016	24,516
7014	Sales Revenue Under Existing Rates		375,506	252,916	91,285	31,306
7015	Revenue Deficiency					
7016	Amount before tax adjustment		(30,154)	(50,212)	13,268	6,790
7017	Tax Adjusted Amount Needed		(35,475)	(59,073)	15,610	7,988
7018	Percent Increase/(Decrease)		9.45%	23.36%	-17.10%	-25.52%

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commercial	Public Authority
8001	Proposed Revenue Increase At Claimed ROR					
8002	Sales Revenue Increase					
8003	Sales Revenue Under Existing Rates		375,506	252,916	91,285	31,306
8004	Sales Revenue Under Equalized Claimed ROR		410,981	311,988	75,675	23,318
8005	Required Revenue Increase		30,154	50,212	(13,268)	(6,790)
8006	Additional Revenue with Federal Income Tax		35,475	59,073	(15,610)	(7,988)
8007	Return at Claimed ROR					
8008	Revenue from Firm Sales		410,981	311,988	75,675	23,318
8009	Present Other Operating Revenue		2,663	1,794	647	222
8010	Total Operating Revenue		413,644	313,782	76,322	23,540
8011	Operation and Maintenance Expense					
8012	Depreciation and Amortization Expense		319,779	249,181	53,979	16,620
8013	Taxes Other than Income Tax		44,104	29,505	11,113	3,486
8014	Interest on Customer Deposits		21,901	15,666	4,765	1,470
8015	Federal Income Tax - Existing Rates		13	9	3	1
8016	Federal Income Tax - Additional		(2,128)	(6,634)	3,083	1,423
8017	Total Federal Income Tax		5,321	8,861	(2,341)	(1,198)
8018	State Income Tax		3,193	2,227	741	225
			0	0	0	0
8019	Total Operating Expenses		388,991	296,588	70,601	21,802
8020	Return					
8021	Rate Base		24,653	17,194	5,721	1,738
			251,305	175,269	58,319	17,717

NATGAS
CLASS COST OF SERVICE ANALYSIS
For the Pro Forma Test Year Ended September 30, 2015

Ref. #	Description	Allocation Factor	Total	Residential	Commerical	Public Authority
9001 Revenue at Proposed Rates						
9002	Revenue Increase					
9003	Revenue Under Existing Rates		375,506	252,916	91,285	31,306
9004	Revenue Under Proposed Rates		411,010	281,851	96,265	32,895
9005	Proposed Sales Revenue Increase					
9006	Return at Proposed Rates		35,504	28,935	4,980	1,589
9007	Revenue from Firm Sales		411,010	281,851	96,265	32,895
9008	Present Other Operating Revenue		2,663	1,794	647	222
9009	Proposed Increase in Other Operating Revenue		0	0	0	0
9010	Total Operating Revenue		413,673	283,644	96,912	33,117
9011	Operation and Maintenance Expense					
9012	Depreciation and Amortization Expense		319,779	249,181	53,979	16,620
9013	Taxes Other than Income Tax		44,104	29,505	11,113	3,486
9014	Interest on Customer Deposits		21,901	15,666	4,765	1,470
9015	Federal Income Tax - Existing Rates		13	9	3	1
9016	Federal Income Tax - Additional		(2,128)	(6,634)	3,083	1,423
9017	Total Federal Income Tax		5,326	4,340	747	238
9018	State Income Tax		3,198	(2,293)	3,830	1,662
9019	Total Operating Expenses		0	0	0	0
9020	Return		388,996	292,068	73,690	23,238
9021	Rate Base		24,678	(8,423)	23,222	9,878
			251,305	175,269	58,319	17,717

NATGAS
Year End Customer and Weather Adjusted Proof of Revenue
For the Pro Forma Test Year Ended September 30, 2015

Line No.	Rate Schedule	Adjusted Billing Units	Present Rate	Adjusted Revenue
1	<u>Residential Service</u>			
2	Base Rate			
3	Customer Charge	12,612 Bills	\$5.00 / Month	\$63,060
4	Commodity	48,634.9 MCF	\$4.03000 / MCF	195,999
5	Subtotal			\$259,059
6	Adjustment to Booked			98%
7	Total			\$252,916
8				
9				
10	<u>Commercial Service</u>			
11	Base Rate			
12	Customer Charge	1,284 Bills	\$5.00 / Month	\$6,420
13	Commodity	21,767.4 MCF	\$4.03000 / MCF	87,723
14	Subtotal			\$94,143
15	Adjustment to Booked			97%
16	Total			\$91,285
17				
18				
19	<u>Public Authority</u>			
20	Base Rate			
21	Customer Charge	408 Bills	\$5.00 / Month	\$2,040
22	Commodity	8,274.5 MCF	\$3.64000 / MCF	30,119
23	Subtotal			\$32,159
24	Adjustment to Booked			97%
25	Total			\$31,306
26				
27				
28	Total Base Rate Revenue			\$375,506

Bill Frequency Model
For the Pro Forma Test Year Ended September 30, 2015

For the Pro Forma Test Year Ended September 30, 2015														
Line No		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total 12 mo Ended Sep-15
1	Residential													
2	Customer Charge													
3		1,068	1,072	1,073	1,077	1,076	1,071	1,071	1,067	1,069	1,063	1,062	1,051	
4	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
5	Customer Charge	\$5,340.00	\$5,360.00	\$5,365.00	\$5,385.00	\$5,380.00	\$5,355.00	\$5,355.00	\$5,335.00	\$5,345.00	\$5,315.00	\$5,310.00	\$5,255.00	12,820
6	Commodity Charge													
7		1,702	6,819	6,563	12,544	7,661	6,825	1,786	1,514	1,374	1,097	1,101	1,164	
8	MCF Use	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	50,180.0
9	Rate per MCF	\$6,859.06	\$27,480.57	\$26,448.89	\$50,552.32	\$30,873.83	\$27,504.75	\$7,197.58	\$6,101.42	\$5,537.22	\$4,420.91	\$4,437.03	\$4,811.82	\$202,225.40
10	Subtotal	\$5,106.00	\$20,457.00	\$19,869.00	\$37,632.00	\$22,983.00	\$20,475.00	\$5,358.00	\$4,542.00	\$4,122.00	\$3,291.00	\$3,303.00	\$3,582.00	\$150,541.25
11	CGA Base Revenue	\$4,520.22	\$9,555.40	\$9,848.61	\$509.75	(\$3,507.09)	\$171.17	(\$2,057.93)	\$3,291.93	\$999.78	\$18.02	\$1,594.05	\$383.61	\$25.32
12	CGA Revenue	\$21,825.28	\$62,852.97	\$61,351.50	\$94,079.07	\$55,729.74	\$53,505.92	\$15,852.65	\$19,270.35	\$16,004.00	\$13,044.93	\$14,644.08	\$14,032.43	\$442,192.92
13	Total	\$21,786	\$63,050	\$61,141	\$93,942	\$55,712	\$52,075	\$14,194	\$13,979	\$15,168	\$12,994	\$13,641	\$14,024	\$431,706.51
14	Booked Revenue													
15	Commercial													
16	Customer Charge													
17		111	112	112	113	111	112	111	110	110	109	109	107	
18	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
19	Customer Charge	\$555.00	\$560.00	\$560.00	\$565.00	\$555.00	\$560.00	\$555.00	\$550.00	\$550.00	\$545.00	\$545.00	\$535.00	1,327
20	Commodity Charge													
21		1,907	1,300	2,348	3,176	2,317	2,208	829	774	801	716	643	666	
22	MCF Use	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	17,685.0
23	Rate per MCF	\$7,685.21	\$5,239.00	\$9,462.44	\$12,799.28	\$9,337.51	\$8,888.24	\$3,340.87	\$3,119.22	\$3,228.03	\$2,885.48	\$2,591.29	\$2,683.98	\$71,270.55
24	Subtotal	\$5,721.00	\$3,900.00	\$7,044.00	\$9,528.00	\$6,951.00	\$6,824.00	\$2,487.00	\$2,322.00	\$2,403.00	\$2,148.00	\$1,929.00	\$1,998.00	\$33,055.00
25	CGA Base Revenue	\$5,054.04	\$571.76	\$3,526.75	-\$407.66	-\$1,084.36	\$178.57	-\$1,685.23	\$1,591.21	\$324.56	-\$0.47	\$1,034.64	\$206.47	\$9,330.28
26	CGA Revenue	\$19,015.95	\$10,270.76	\$20,593.19	\$22,484.62	\$15,779.15	\$16,260.81	\$4,697.64	\$7,582.43	\$6,505.59	\$5,578.01	\$6,099.93	\$5,423.45	\$140,290.83
27	Total	\$18,933.65	\$10,114.76	\$20,462.80	\$22,221.37	\$15,543.79	\$15,848.72	\$4,616.05	\$5,230.00	\$6,355.12	\$5,568.65	\$5,788.57	\$5,347.90	\$136,031.38
28	Booked Revenue													
29	Public Authority													
30	Customer Charge													
31		34	34	34	34	34	34	34	34	34	34	34	34	
32	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
33	Customer Charge	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	2,040.00
34	Commodity Charge													
35		183.0	1,100.0	1,137.0	2565.0	1536.0	1496.0	217.0	195.0	142.0	112.0	116.0	205.0	
36	MCF Use	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	\$3,640.00	9,004.0
37	Rate per MCF	\$666.12	\$1,004.00	\$4,138.68	\$9,336.60	\$5,591.04	\$5,445.44	\$789.88	\$709.80	\$516.88	\$407.68	\$422.24	\$746.20	\$32,774.56
38	Subtotal	\$549.00	\$3,300.00	\$3,411.00	\$7,695.00	\$4,608.00	\$4,468.00	\$651.00	\$585.00	\$426.00	\$336.00	\$348.00	\$615.00	\$27,012.00
39	CGA Base Revenue	\$487.27	\$1,541.42	\$1,709.15	\$107.45	-\$712.23	\$104.54	-\$497.56	\$858.05	\$25.61	\$2.31	\$266.40	\$63.77	\$3,956.18
40	CGA Revenue	\$1,872.39	\$9,015.42	\$9,428.83	\$17,309.05	\$9,656.81	\$10,207.98	\$1,113.32	\$2,322.85	\$1,138.49	\$915.99	\$1,206.64	\$1,594.97	\$65,782.74
41	Total	\$1,872.39	\$9,015.42	\$9,428.83	\$17,309.05	\$9,656.81	\$9,817.55	\$1,074.71	\$1,218.56	\$1,138.49	\$913.63	\$997.23	\$1,594.97	\$64,037.64
42	Booked Revenue													
43														
44														
45														
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NATGAS
Bill Frequency Model
For the Pro Forma Test Year Ended September 30, 2015

Line No		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total 12 mo Ended Sep-15
94	Year End Customer MCF Adjustment													
95	Residential	(27.1)	(134.6)	(134.6)	(302.8)	(178.0)	(127.5)	(33.4)	(22.7)	(23.1)	(12.4)	(11.4)	0.0	(1,006)
96	Commercial	(68.7)	(58.0)	(104.8)	(168.6)	(83.5)	(98.6)	(29.9)	(21.1)	(21.8)	(13.1)	(11.8)	0.0	(680)
97	Public Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
98	Total MCF Adjustment	(95.8)	(191.6)	(239.4)	(471.5)	(261.5)	(226.0)	(63.2)	(43.8)	(45.0)	(25.5)	(23.2)	0.0	(1,686.5)
100														
101	YEC Adjusted Residential													
102	Customer Charge													
103	Meter Count	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	12,600
104	Customer Charge	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$63,060.00
105														
106	Commodity Charge													
107	MCF Use	1,674.9	6,685.4	6,428.4	12,241.2	7,483.0	6,697.5	1,752.6	1,491.3	1,350.9	1,084.6	1,089.6	1,194.0	49,173.5
108	Rate per MCF	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300
109	Subtotal	\$6,749.88	\$28,942.24	\$25,906.60	\$49,331.93	\$30,156.50	\$26,991.12	\$7,063.17	\$6,009.83	\$5,443.98	\$4,371.00	\$4,391.07	\$4,811.82	\$198,169.24
110														
111	CGA Base Revenue	\$5,024.72	\$20,056.26	\$19,285.31	\$36,723.52	\$22,449.01	\$20,092.65	\$5,257.94	\$4,473.89	\$4,052.59	\$3,253.85	\$3,268.79	\$3,582.00	\$147,520.53
112	CGA Revenue	\$4,448.27	\$9,368.21	\$9,646.68	\$497.44	-\$3,425.61	\$167.97	-\$2,019.50	\$3,242.57	\$982.95	\$17.82	\$1,577.54	\$383.61	\$24,887.95
113	Total	\$21,477.87	\$51,621.71	\$60,093.59	\$91,807.89	\$54,434.90	\$52,506.74	\$15,556.61	\$18,981.39	\$15,734.52	\$12,897.67	\$14,492.40	\$14,032.43	\$286,117.19
114														
115	YEC Adjusted Commercial													
116	Customer Charge													
117	Meter Count	107	107	107	107	107	107	107	107	107	107	107	107	1,284
118	Customer Charge	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$6,420.00
119														
120	Commodity Charge													
121	MCF Use	1,838.3	1,242.0	2,243.2	3,007.4	2,233.5	2,109.4	799.1	752.9	779.2	702.9	631.2	666.0	17,005.0
122	Rate per MCF	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300
123	Subtotal	\$7,408.27	\$5,005.12	\$9,040.01	\$12,119.67	\$9,001.02	\$8,501.00	\$3,220.48	\$3,034.15	\$3,139.99	\$2,832.54	\$2,543.74	\$2,683.98	\$68,529.97
124														
125	CGA Base Revenue	\$5,514.84	\$3,725.89	\$6,729.54	\$9,022.09	\$6,700.51	\$6,328.29	\$2,397.38	\$2,258.67	\$2,337.46	\$2,108.59	\$1,893.61	\$1,998.00	\$51,014.86
126	CGA Revenue	\$4,871.91	\$546.24	\$3,369.31	-\$386.01	-\$1,026.00	\$170.60	-\$1,624.50	\$1,547.81	\$315.71	-\$0.46	\$1,015.66	\$206.47	\$9,006.00
127	Total	\$18,330.02	\$9,812.25	\$19,673.85	\$21,290.74	\$15,210.53	\$15,534.88	\$4,528.36	\$7,375.64	\$6,328.16	\$5,475.67	\$5,988.00	\$5,423.45	\$134,971.00
128														
129	YEC Adjusted Public Authority													
130	Customer Charge													
131	Meter Count	34	34	34	34	34	34	34	34	34	34	34	34	408
132	Customer Charge	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$2,040.00
133														
134	Commodity Charge													
135	MCF Use	183.0	1,100.0	1,137.0	2,565.0	1,536.0	1,496.0	217.0	195.0	142.0	112.0	116.0	205.0	9,004.0
136	Rate per MCF	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400
137	Subtotal	\$666.12	\$4,004.00	\$4,138.68	\$9,336.60	\$5,591.04	\$5,445.44	\$789.88	\$709.80	\$516.88	\$407.68	\$422.24	\$746.20	\$32,774.56
138														
139	CGA Base Revenue	\$549.00	\$3,300.00	\$3,411.00	\$7,695.00	\$4,608.00	\$4,488.00	\$651.00	\$585.00	\$426.00	\$336.00	\$348.00	\$615.00	\$27,012.00
140	CGA Revenue	\$487.27	\$1,541.42	\$1,709.15	\$107.45	-\$712.23	\$104.54	-\$497.56	\$858.05	\$25.61	\$2.31	\$286.40	\$63.77	\$3,956.18
141	Total	\$1,872.39	\$9,015.42	\$9,428.83	\$17,309.05	\$9,656.81	\$10,207.98	\$1,113.32	\$2,322.85	\$1,138.49	\$915.99	\$1,206.64	\$1,594.97	\$65,782.74
142														
143	YEC Adjusted Residential													
144	Customer Charge													
145	Meter Count	107	107	107	107	107	107	107	107	107	107	107	107	1,284
146	Customer Charge	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$6,420.00
147														
148	Commodity Charge													
149	MCF Use	1,838.3	1,242.0	2,243.2	3,007.4	2,233.5	2,109.4	799.1	752.9	779.2	702.9	631.2	666.0	17,005.0
150	Rate per MCF	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300
151	Subtotal	\$7,408.27	\$5,005.12	\$9,040.01	\$12,119.67	\$9,001.02	\$8,501.00	\$3,220.48	\$3,034.15	\$3,139.99	\$2,832.54	\$2,543.74	\$2,683.98	\$68,529.97

NATGAS
Bill Frequency Model
For the Pro Forma Test Year Ended September 30, 2015

Line No		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total 12 mo Ended Sep-15
152	Year End Customer Adjusted MCF													
153	Residential	1,674.9	6,685.4	6,428.4	12,241.2	7,483.0	6,697.5	1,752.6	1,491.3	1,350.9	1,084.6	1,089.6	1,194.0	49,173.5
154	Commercial	1,838.3	1,242.0	2,243.2	3,007.4	2,233.5	2,109.4	799.1	752.9	779.2	702.9	631.2	666.0	17,005.0
155	Public Authority	183.0	1,100.0	1,137.0	2,565.0	1,536.0	1,496.0	217.0	195.0	142.0	112.0	116.0	205.0	9,004.0
156	Total Adjusted MCF	3,696.2	9,027.4	9,808.6	17,813.5	11,252.5	10,303.0	2,768.8	2,439.2	2,272.0	1,899.5	1,836.8	2,065.0	75,182.5
157	Year End Customer Adjusted Base Rate Revenue													
158	Residential	\$12,004.88	\$32,197.24	\$31,161.60	\$54,586.93	\$35,411.50	\$32,246.12	\$12,318.17	\$11,264.93	\$10,698.98	\$9,626.00	\$9,646.07	\$10,066.82	\$261,229.24
159	Commercial	\$7,943.27	\$5,540.12	\$9,575.01	\$12,654.67	\$9,536.02	\$9,036.00	\$3,755.48	\$3,569.15	\$3,674.99	\$3,367.54	\$3,076.74	\$3,218.98	\$74,949.97
160	Public Authority	\$836.12	\$4,174.00	\$4,308.68	\$9,506.60	\$5,761.04	\$5,615.44	\$959.88	\$879.60	\$686.88	\$577.68	\$592.24	\$916.20	\$34,814.56
161	Total Base Rate Rev Adj	\$20,784.27	\$41,911.36	\$45,045.29	\$76,748.20	\$50,708.56	\$46,897.56	\$17,033.53	\$15,713.88	\$15,060.85	\$13,571.22	\$13,317.05	\$14,202.00	\$370,999.27
162	Year End Customer Adjusted CGA Base Revenue													
163	Residential	\$5,024.72	\$20,056.26	\$19,285.31	\$36,723.52	\$22,449.01	\$20,092.65	\$5,257.94	\$4,473.89	\$4,052.59	\$3,253.85	\$3,268.79	\$3,582.00	\$147,520.53
164	Commercial	\$5,514.84	\$3,725.89	\$6,729.54	\$9,022.09	\$6,700.51	\$6,328.29	\$2,397.38	\$2,258.67	\$2,337.46	\$2,108.59	\$1,893.61	\$1,998.00	\$51,014.86
165	Public Authority	\$549.00	\$3,300.00	\$3,411.00	\$7,695.00	\$4,608.00	\$4,488.00	\$651.00	\$585.00	\$426.00	\$336.00	\$348.00	\$615.00	\$27,012.00
166	Total Adjusted CGA Base Rev	\$11,088.56	\$27,082.15	\$29,425.85	\$53,440.61	\$33,757.52	\$30,908.93	\$8,306.32	\$7,317.56	\$6,816.06	\$5,698.44	\$5,510.39	\$6,195.00	\$225,547.40
167	Year End Customer Adjusted CGA Revenue													
168	Residential	\$4,448.27	\$9,366.21	\$9,646.68	\$497.44	-\$3,425.61	\$167.97	-\$2,019.50	\$3,242.57	\$982.95	\$17.82	\$1,577.54	\$383.61	\$24,887.95
169	Commercial	\$4,871.91	\$546.24	\$3,369.31	-\$386.01	-\$1,026.00	\$170.60	-\$1,624.50	\$1,547.81	\$315.71	-\$0.46	\$1,015.66	\$206.47	\$9,006.72
170	Public Authority	\$487.27	\$1,541.42	\$1,709.15	\$1,074.45	-\$712.23	\$104.54	-\$497.56	\$858.05	\$25.61	\$2.31	\$266.40	\$63.77	\$3,956.18
171	Total Adjusted CGA Rev	\$9,807.45	\$11,453.87	\$14,725.14	\$218.88	-\$5,163.84	\$443.11	-\$4,141.56	\$5,648.43	\$1,324.28	\$19.67	\$2,859.59	\$653.85	\$37,850.85
172	Year End Customer Adjusted Total Revenue													
173	Residential	\$21,477.87	\$61,621.71	\$60,093.59	\$91,807.89	\$54,434.90	\$52,506.74	\$15,556.61	\$18,981.39	\$15,734.52	\$12,897.67	\$14,492.40	\$14,032.43	\$433,637.73
174	Commercial	\$18,330.02	\$9,812.25	\$19,673.85	\$21,290.74	\$15,210.53	\$15,534.88	\$4,528.36	\$7,375.64	\$6,328.16	\$5,475.67	\$5,988.00	\$6,423.45	\$134,971.55
175	Public Authority	\$1,872.39	\$9,015.42	\$9,428.83	\$17,309.05	\$9,656.81	\$10,207.98	\$1,113.32	\$2,322.85	\$1,138.49	\$915.99	\$1,206.64	\$1,594.97	\$65,782.74
176	Total Adjusted Revenue	\$41,680.28	\$80,449.38	\$89,196.27	\$130,407.69	\$79,302.24	\$78,249.60	\$21,198.29	\$28,679.87	\$23,201.17	\$19,289.32	\$21,687.04	\$21,050.85	\$664,392.02

NATGAS
Bill Frequency Model
For the Pro Forma Test Year Ended September 30, 2015

Line No		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total 12 mo Ended Sep-15
182	Weather Adjusted Residential													
183	Customer Charge	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	1,051	
184	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	
185	Customer Charge	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	\$5,255.00	12,612
186	Commodity Charge													\$63,060.00
187	MCF Use	4,411.0	4,924.5	8,040.6	11,030.8	6,532.4	5,136.7	1,950.8	1,710.8	1,499.2	1,084.6	1,089.6	1,194.0	48,634.9
188	Rate per MCF	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	
189	Subtotal	\$17,697.12	\$19,845.63	\$32,403.64	\$44,453.98	\$26,325.59	\$20,700.82	\$7,861.65	\$6,894.35	\$6,041.89	\$4,371.00	\$4,391.07	\$4,811.82	\$195,998.00
190	CGA Base Revenue	\$13,322.92	\$14,773.42	\$24,121.81	\$33,092.29	\$19,597.22	\$15,410.04	\$5,852.35	\$5,132.27	\$4,497.69	\$3,253.85	\$3,268.79	\$3,582.00	\$145,904.00
191	CGA Revenue	\$11,794.46	\$6,900.62	\$12,065.94	\$448.26	-\$2,990.44	\$128.83	-\$2,247.80	\$3,719.74	\$1,090.90	\$17.82	\$1,577.54	\$383.61	\$32,889.48
192	Total	\$48,269.49	\$46,774.67	\$73,846.40	\$83,249.53	\$48,187.37	\$41,494.69	\$16,721.20	\$21,001.36	\$16,885.48	\$12,897.67	\$14,492.40	\$14,032.43	\$437,852.68
193	Weather Adjusted Commercial													
194	Customer Charge	107	107	107	107	107	107	107	107	107	107	107	107	
195	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	1,284
196	Customer Charge	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$535.00	\$6,420.00
197	Commodity Charge													
198	MCF Use	7,091.8	1,078.4	2,702.4	2,759.3	2,008.8	1,723.4	822.1	769.7	811.4	702.9	631.2	666.0	21,767.4
199	Rate per MCF	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	\$4.0300	
200	Subtotal	\$28,580.10	\$4,345.83	\$10,890.48	\$11,120.17	\$8,095.61	\$6,945.30	\$3,313.16	\$3,102.02	\$3,269.84	\$2,832.54	\$2,543.74	\$2,683.96	\$87,722.77
201	CGA Base Revenue	\$21,275.51	\$3,235.11	\$8,107.06	\$8,278.04	\$6,026.51	\$5,170.20	\$2,466.37	\$2,309.20	\$2,434.13	\$2,108.59	\$1,893.61	\$1,998.00	\$65,302.32
202	CGA Revenue	\$18,795.19	\$474.28	\$4,059.00	-\$354.18	-\$922.80	\$139.38	-\$1,671.25	\$1,582.44	\$328.76	-\$0.46	\$1,015.66	\$206.47	\$23,652.48
203	Total	\$69,185.79	\$8,590.22	\$23,591.53	\$19,579.03	\$13,734.32	\$12,788.88	\$4,643.28	\$7,528.65	\$6,567.73	\$5,475.67	\$5,988.00	\$5,423.45	\$183,097.57
204	Weather Adjusted Public Authority													
205	Customer Charge	34	34	34	34	34	34	34	34	34	34	34	34	
206	Meter Count	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	40
207	Customer Charge	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$2,040.00
208	Commodity Charge													
209	MCF Use	257.6	806.6	1,429.7	2,304.8	1,332.6	1,126.3	231.8	210.1	142.0	112.0	116.0	205.0	8,274.5
210	Rate per MCF	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	\$3.6400	
211	Subtotal	\$937.74	\$2,935.92	\$5,204.22	\$8,389.44	\$4,850.49	\$4,098.74	\$843.91	\$764.86	\$516.88	\$407.68	\$422.24	\$746.20	\$30,119.32
212	CGA Base Revenue	\$772.86	\$2,419.71	\$4,289.19	\$6,914.37	\$3,997.66	\$3,378.91	\$695.53	\$630.38	\$426.00	\$336.00	\$348.00	\$615.00	\$24,823.60
213	CGA Revenue	\$685.96	\$1,130.24	\$2,149.19	\$96.55	-\$617.89	\$78.71	-\$531.59	\$924.61	\$25.61	\$2.31	\$266.40	\$63.77	\$4,273.85
214	Total	\$2,566.56	\$6,655.87	\$11,812.60	\$15,570.36	\$8,400.25	\$7,727.35	\$1,177.85	\$2,489.84	\$1,138.49	\$915.99	\$1,206.64	\$1,594.97	\$61,256.77

NATGAS
Bill Frequency Model
For the Pro Forma Test Year Ended September 30, 2015

Line	NO	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Total 12 mo Ended Sep-15
233	Weather Adjusted Mct													
234	Residential	4,441.0	4,924.5	8,040.6	11,030.8	6,532.4	5,136.7	1,950.8	1,710.8	1,499.2	1,084.6	1,089.6	1,194.0	48,634.9
235	Commercial	7,091.8	1,078.4	2,702.4	2,759.3	2,008.8	1,723.4	822.1	769.7	811.4	702.9	631.2	666.0	21,767.4
236	Public Authority	257.6	806.6	1,429.7	2,304.8	1,332.6	1,126.3	231.8	210.1	142.0	112.0	116.0	205.0	8,274.5
237	Total Adjusted MCF	11,790.4	6,809.4	12,172.7	16,094.9	9,873.8	7,986.4	3,004.8	2,690.6	2,452.6	1,899.5	1,836.8	2,065.0	78,676.9
238														
239														
240	Weather Adjusted Base Rate Revenue													
241	Residential	\$23,152.12	\$25,100.63	\$37,658.64	\$49,708.98	\$31,580.59	\$25,955.82	\$13,116.65	\$12,149.35	\$11,296.89	\$9,626.00	\$9,646.07	\$10,066.82	\$259,058.56
242	Commercial	\$29,115.10	\$4,880.83	\$11,425.48	\$11,655.17	\$8,630.61	\$7,480.30	\$3,848.16	\$3,637.02	\$3,804.84	\$3,361.54	\$3,078.74	\$3,218.98	\$94,142.77
243	Public Authority	\$1,107.74	\$3,105.92	\$5,374.22	\$8,559.44	\$5,020.49	\$4,269.74	\$1,013.91	\$934.86	\$986.88	\$577.68	\$592.24	\$916.20	\$32.15
244	Total Base Rate Revenue	\$53,374.96	\$33,087.38	\$54,458.34	\$69,923.59	\$45,231.69	\$37,705.86	\$17,978.72	\$16,721.23	\$15,788.61	\$13,571.22	\$13,317.05	\$14,202.00	\$385,366.00
245														
246	Weather Adjusted CGA Base Revenue													
247	Residential	\$13,322.92	\$14,773.42	\$24,121.81	\$33,092.29	\$19,597.22	\$15,410.04	\$5,852.35	\$5,132.27	\$4,497.69	\$3,253.85	\$3,268.79	\$3,582.00	\$145,904.64
248	Commercial	\$21,275.51	\$3,235.11	\$8,107.06	\$8,278.04	\$6,026.51	\$5,170.20	\$2,466.37	\$2,309.20	\$2,434.13	\$2,108.59	\$1,893.61	\$1,998.00	\$65,302.32
249	Public Authority	\$772.86	\$2,419.71	\$4,289.19	\$6,914.37	\$3,997.66	\$3,378.91	\$895.53	\$630.38	\$426.00	\$336.00	\$348.00	\$615.00	\$24,823.60
250	Total Adjusted CGA Base Rev	\$35,371.28	\$20,428.24	\$36,518.06	\$48,284.71	\$29,621.38	\$23,959.15	\$9,014.25	\$8,071.84	\$7,357.81	\$5,698.44	\$5,510.39	\$6,195.00	\$236,030.56
251														
252	Weather Adjusted CGA Revenue													
253	Residential	\$11,794.46	\$6,900.62	\$12,065.94	\$448.26	-\$2,990.44	\$128.83	-\$2,247.80	\$3,719.74	\$1,090.90	\$17.82	\$1,577.54	\$383.61	\$32,889.48
254	Commercial	\$18,795.19	\$474.28	\$4,059.00	-\$354.18	-\$922.80	\$139.38	-\$1,671.25	\$1,582.44	\$328.76	-\$0.46	\$1,015.66	\$206.47	\$23,652.48
255	Public Authority	\$685.96	\$1,130.24	\$2,149.19	\$96.55	-\$617.89	\$78.71	-\$531.59	\$924.61	\$25.61	\$2.31	\$266.40	\$63.77	\$4,273.85
256	Total Adjusted CGA Rev	\$31,275.61	\$8,505.14	\$18,274.12	\$190.63	-\$4,531.13	\$346.91	-\$4,450.65	\$6,226.79	\$1,445.28	\$19.67	\$2,859.59	\$653.85	\$60,815.80
257														
258	Total Weather Adjusted Revenue													
259	Residential	\$48,269.49	\$46,774.67	\$73,846.40	\$83,249.53	\$48,187.37	\$41,494.69	\$16,721.20	\$21,001.36	\$16,885.48	\$12,897.67	\$14,492.40	\$14,032.43	\$437,852.68
260	Commercial	\$69,185.79	\$8,590.22	\$23,591.53	\$19,579.03	\$13,734.32	\$12,789.88	\$4,643.28	\$7,528.65	\$6,567.73	\$5,475.67	\$5,988.00	\$5,423.45	\$183,097.57
261	Public Authority	\$2,566.56	\$6,655.87	\$11,812.60	\$15,570.36	\$8,400.25	\$7,727.35	\$1,177.85	\$2,489.84	\$1,138.49	\$915.99	\$1,206.64	\$1,594.97	\$61,256.77
262	Total Adjusted Revenue	\$120,021.85	\$63,020.77	\$109,250.53	\$118,398.92	\$70,321.94	\$62,011.92	\$22,542.32	\$31,019.86	\$24,591.70	\$19,289.32	\$21,687.04	\$21,050.85	\$687,207.02
263														
264	Total Revenue Booked													
265	Residential													
266	Commercial													
267	Public Authority													
268	Total Adjusted Revenue													

\$427,469.20
\$177,538.44
\$59,631.74
\$664,639.37

NATGAS
For the Pro Forma Test Year Ended September 30, 2015

RATE OF RETURN

Line No.	Description	Proposed Rates
1	Net Operating Income/Return	
2		
3	Cost of LT Debt	Interest Rate
4	Return on Equity	6.00%
5		12.75%
6		
7		
8	Rate Base - Capitalization Structure	
9		
10	LT Debt	\$233,185 43.48%
11	Common Equity at Book Value	\$303,060 56.52%
12	Total Invested Capital	\$ 536,245.04 100.00%
13		
14	Percent Return	
15		
16	LT Debt	2.61%
17	Common Equity at Book Value	7.21%
	Percent Return on Rate Base	9.81%

NATGAS
For the Pro Forma Test Year Ended September 30, 2015

FEDERAL INCOME TAXES

Line No.	Description	Adjusted Test Year
1	Rate Base	\$251,305
2	Rate of Return	<u>9.81%</u>
3	Required Return	\$24,653
4	Less: Interest on Long Term Debt (1)	(\$6,557)
5	Net After Tax Income	\$18,096
6	Less ITC Amortization	\$0
7	Net	\$18,096
8	Gross-Up Factor [1 / (1-0.150)]	<u>1.176470588</u>
9	Net Taxable Income	\$21,290
10	Tax Rate	15.00%
11	Federal Income Tax	<u><u>\$3,193</u></u>
12	Note (1)	
13	Debt Component of Return	2.61%
14	Rate Base	<u>\$251,305</u>
15	Interest on Long-Term Debt	<u><u>\$6,557</u></u>

NATGAS
For the Pro Forma Test Year Ended September 30, 2015

INTEREST ON CUSTOMER DEPOSITS

Line No.	Description	Adjusted Test Year
1	Customer Deposits	12,075
2		
3	Current Interest Rate (1)	0.11%
4		
5	Interest on Customer Deposits (Ln. 1 times Ln. 3)	
6		<u>\$13</u>
7		

8 Note (1)

9 Interest rate is per the Railroad Commission of Texas, Gas Services

10 Gas Utilities Information Bulletin No. 1027, Dated January 15, 2016

NATGAS
COMPLIANCE WITH COMMISSION RULE 7.5414
ADJUSTMENT CALCULATION FOR ADVERTISING LIMITATION

Line No.	Description	Per Books Amount
1	912 Advertising Expenses	
5		0
6		
7	Total Operating Revenue	664,639
8	Less: Uncollectible Accounts	1,665
9		
10	Total Gross Receipts	<u>662,974</u>
11		
12	Allowable Percentage for Advertising per Substantive Rule 7.5414	0.500%
13		
14	Calculated Allowable Advertising Expense	<u><u>3,315</u></u>

atGas Inc.
verage & Excess Capacity Allocation

djusted Monthly Consumption													
	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Annual
esidential	4,441	4,924	8,041	11,031	6,532	5,137	1,951	1,711	1,499	1,085	1,090	1,194	48,635
ommerical	7,092	1,078	2,702	2,759	2,009	1,723	822	770	811	703	631	666	21,767
ublic Authority	258	807	1,430	2,305	1,333	1,126	232	210	142	112	116	205	8,275
Total	11,790	6,809	12,173	16,095	9,874	7,986	3,005	2,691	2,453	1,899	1,837	2,065	78,677

verage Daily Load													
	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Annual
esidential	143.3	164.1	259.4	355.8	233.3	165.7	65.0	55.2	50.0	35.0	35.1	39.8	13
ommerical	228.8	35.9	87.2	89.0	71.7	55.6	27.4	24.8	27.0	22.7	20.4	22.2	59.6
ublic Authority	8.3	26.9	46.1	74.3	47.6	36.3	7.7	6.8	4.7	3.6	3.7	6.8	22.7
Total	380.3	227.0	392.7	519.2	352.6	257.6	100.2	86.8	81.8	61.3	59.3	68.8	215.6

Annual				A&E			
Mcf	Load Factor	Max Day	Average Demand	Excess Demand	Factor		
48,635	47.1%	282.8	133.2	149.6	67.10%		
21,767	72.2%	82.6	59.6	23.0	19.61%		
8,275	40.5%	56.0	22.7	33.3	13.29%		
78,677	51.1%	421.5	215.6	205.9	100.00%		

NatGas
Proportional Responsibility

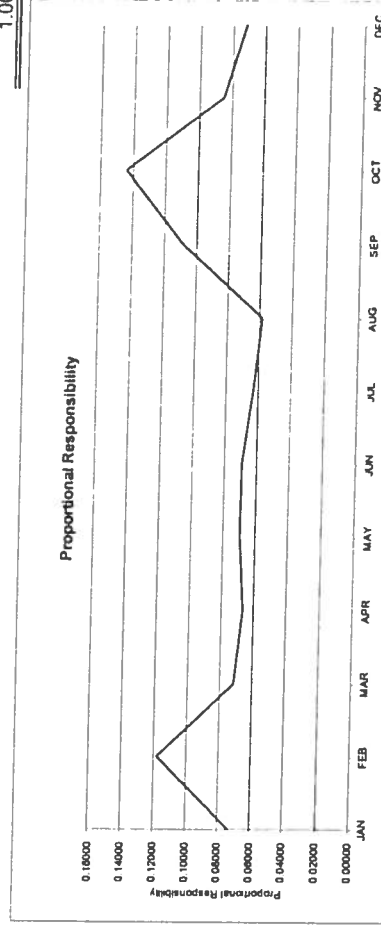
NE O. MONTH	GAS COST	MIN LOAD	NEXT HI - PREV	NEXT HI / 11	NEXT HI - PREV	NEXT HI / 10	NEXT HI - PREV	NEXT HI / 9	NEXT HI - PREV	NEXT HI / 8	NEXT HI - PREV	NEXT HI / 7	NEXT HI - PREV	NEXT HI / 6	NEXT HI - PREV	NEXT HI / 5	NEXT HI - PREV	NEXT HI / 4	NEXT HI - PREV	NEXT HI / 3	NEXT HI - PREV	NEXT HI / 2	NEXT HI - PREV	TOTAL MONTHLY WEIGHT
1 JAN	3.974	0.701909	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.07323
2 FEB	4.626	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.11835
3 MAR	3.933	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.07156
4 APR	3.749	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.06676
5 MAY	3.862	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.06943
6 JUN	3.857	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.06921
7 JUL	3.580	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.06326
8 AUG	3.334	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.05849
9 SEP	4.530	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.10821
0 OCT	4.750	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.14434
1 NOV	4.204	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.02598
2 DEC	3.941	0.058492	0.004703	0.004703	0.003568	0.002520	0.000146	0.000146	0.000146	0.000146	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.000290	0.08531
3																								0.07185
4																								1.00000

Gas Cost

Twelve Months Ending
Sep 2015

	Gas Cost	Avg. \$/Mcf	% of Max
8	4.957	3.974	0.836699
9	7.078	4.626	0.974002
10	5.240	3.933	0.828052
11	4.959	3.749	0.789316
12	4.923	3.862	0.813155
13	4.954	3.857	0.811991
14	4.349	3.580	0.753637
15	4.302	3.334	0.701909
16	6.606	4.530	0.953733
17	3.930	4.750	1.000000
18	3.826	4.204	0.885020
19	4.644	3.941	0.829793
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			

Proportional Responsibility



Weighted Sales Volumes

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Proportional Responsibility
32 Residential	0.05437	0.06169	0.04746	0.05019	0.07830	0.04602	0.04334	0.04414	0.04235	0.03608	0.03470	0.06257	0.60122
33 Commercial	0.08682	0.01351	0.01595	0.01255	0.02408	0.01544	0.01827	0.01986	0.02292	0.02338	0.02010	0.03490	0.30779
34 Public Authority	0.00315	0.01010	0.00844	0.01049	0.01597	0.01009	0.00515	0.00542	0.00401	0.00373	0.00369	0.01074	0.09099
35 Total	0.14434	0.08531	0.07185	0.07323	0.11835	0.07156	0.06676	0.06943	0.06928	0.06320	0.05849	0.10821	1.00000

NatGas, Inc.
Weather Adjustment
Residential

Revenue Month	Consumption Month	Actual HDD	10 Year Normal HDD	Billing Cycle Lag Start Mo	Billing Cycle Lag Ratio	Billing Cycle Adjusted Actual HDD	Billing Cycle Adjusted Normal HDD	Test Year YEC Adjusted Mcf/Cust	Test Year Base Mcf/Cust (Avg Jul-Aug)	Test Year Actual Weather Sensitive Mcf/Cust	Test Year Actual Weather Sensitive Mcf/HDD	Test Year Weather Adjustment Mcf/Cust	Test Year Weather Adjusted Mcf/Cust	Test Year Year End Number of Customers	Test Year Weather Adjustment To Sales	Test Year Weather Adjusted Sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Sep-14	Sep-14	3	1													
Oct-14	Oct-14	8	46	0.03226	0.96774	8	45	1.59	1.03	0.56	0.071495	2.63	4.23	1,051	2,766.1	4,441.0
Nov-14	Nov-14	309	210	0.03571	0.96429	298	204	6.36	1.03	5.33	0.017860	-1.68	4.69	1,051	-1,760.9	4,924.5
Dec-14	Dec-14	330	449	0.09091	0.90909	328	427	6.12	1.03	5.08	0.015490	1.53	7.65	1,051	1,612.2	8,040.6
Jan-15	Jan-15	554	489	0.03333	0.96667	547	487	11.65	1.03	10.61	0.019418	-1.15	10.50	1,051	-1,210.4	11,030.6
Feb-15	Feb-15	382	324	0.07143	0.92857	394	335	7.12	1.03	6.09	0.015453	-0.90	6.22	1,051	-950.6	6,531.7
Mar-15	Mar-15	212	149	0.06250	0.93750	222	160	6.37	1.03	5.34	0.024032	-1.49	4.89	1,051	-1,560.9	5,136.7
Apr-15	Apr-15	27	39	0.03333	0.96667	33	42	1.67	1.03	0.63	0.019385	0.19	1.86	1,051	198.1	1,950.8
May-15	May-15	4	6	0.03448	0.96552	5	7	1.42	1.03	0.38	0.080525	0.21	1.63	1,051	219.5	1,710.8
Jun-15	Jun-15	0	0	0.09375	0.90625	0	1	1.29	1.03	0.25	0.869225	0.14	1.43	1,051	148.4	1,499.2
Jul-15	Jul-15	0	0	0.03226	0.96774	0	0	1.03	1.03	0.00	0.000000	0.00	1.03	1,051	0.0	1,084.6
Aug-15	Aug-15	0	0	0.03448	0.96552	0	0	1.04	1.03	0.00	0.000000	0.00	1.04	1,051	0.0	1,089.6
Sep-15	Sep-15	0	1	0.09375	0.90625	0	1	1.14	1.03	0.10	0.000000	0.00	1.14	1,051	0.0	1,194.0
Test Year		1,825	1,712			1,834	1,710	46.79						12,612	-538.6	48,634.9

NatGas, Inc.
Weather Adjustment
Commercial

Revenue Month	Consumption Month	Actual HDD	10 Year Normal HDD	Billing Cycle Lag Ratio Start Mo	Billing Cycle Lag Ratio Stop Mo	Billing Cycle Adjusted Actual HDD	Billing Cycle Adjusted Normal HDD	Test Year		Test Year YEC Adjusted Mcd/Cust	Test Year Base Mcd/Cust (Avg Apr-Sep)	Test Year		Test Year Weather Adjusted Mcd/Cust	Test Year Year End Number of Customers	Test Year Weather Adjustment To Sales	Test Year Weather Adjusted Sales
								(9)	(10)			(11)	(12)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
Sep-14	Sep-14	3	1														
Oct-14	Oct-14	8	46	0.03226	0.96774	8	45	17.18	6.75	10.43	1.333793	49.10	66.28	107	5,253.6	7,091.8	
Nov-14	Nov-14	309	210	0.03571	0.96429	298	204	11.61	6.75	4.86	0.016297	-1.53	10.08	107	-163.6	1,078.4	
Dec-14	Dec-14	330	449	0.09091	0.90909	328	427	20.96	6.75	14.22	0.043335	4.29	25.26	107	459.2	2,702.4	
Jan-15	Jan-15	554	489	0.03333	0.96667	547	487	28.11	6.75	21.36	0.039082	-2.32	25.79	107	-248.0	2,759.3	
Feb-15	Feb-15	382	324	0.07143	0.92857	394	335	20.87	6.75	14.13	0.035873	-2.10	18.77	107	-224.7	2,008	
Mar-15	Mar-15	212	149	0.06250	0.93750	222	160	19.71	6.75	12.97	0.058381	-3.61	16.11	107	-386.0	1,723	
Apr-15	Apr-15	27	39	0.03333	0.96667	33	42	7.47	6.75	0.72	0.022102	0.21	7.68	107	23.0	822.1	
May-15	May-15	4	6	0.03448	0.96552	5	7	7.04	6.75	0.29	0.060699	0.16	7.19	107	16.8	769.7	
Jun-15	Jun-15	0	0	0.09375	0.90625	0	1	7.28	6.75	0.54	1.427587	0.30	7.58	107	32.2	811.4	
Jul-15	Jul-15	0	0	0.03226	0.96774	0	0	6.57	6.75	0.00	0.000000	0.00	6.57	107	0.0	702.9	
Aug-15	Aug-15	0	0	0.03448	0.96552	0	0	5.90	6.75	0.00	0.000000	0.00	5.90	107	0.0	631.2	
Sep-15	Sep-15	0	1	0.09375	0.90625	0	1	6.22	6.75	0.00	0.000000	0.00	6.22	107	0.0	666.0	
Test Year		1,827	1,713			1,834	1,710	158.92						1,284	4,762.5	21,767.4	

NatGas, Inc.
Weather Adjustment
Public Authority

Revenue Month	Consumption Month	Actual HDD	10 Year Normal HDD	Billing Cycle Lag Ratio Start Mo	Billing Cycle Lag Ratio Stop Mo	Billing Cycle Adjusted Actual HDD	Billing Cycle Adjusted Normal HDD	Test Year YEC Adjusted Mcf/Cust	Test Year Base Mf/Cust (Avg Apr-Oct)	Test Year Actual Weather Sensitive Mf/Cust	Test Year Actual Weather Sensitive Mcf/HDD	Test Year Weather Adjustment Mf/Cust	Test Year Weather Adjusted To Sales	Test Year Year End Number of Customers	Test Year Weather Adjustment To Sales	Test Year Weather Adjusted Sales
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
Oct-14	Sep-14	3	1	0.03226	0.96774	8	45	5.38	4.92	0.47	0.059621	2.19	7.58	34	74.6	257.6
Nov-14	Oct-14	8	46	0.03571	0.96429	298	204	32.35	4.92	27.44	0.091993	-8.63	23.72	34	-293.4	806.6
Dec-14	Nov-14	309	210	0.09091	0.90909	328	427	33.44	4.92	28.53	0.086943	8.61	42.05	34	292.7	1,429.7
Jan-15	Dec-14	330	449	0.03333	0.96667	547	487	75.44	4.92	70.53	0.129041	-7.65	67.79	34	-260.2	2,304.8
Feb-15	Jan-15	554	489	0.07143	0.92857	394	335	45.18	4.92	40.26	0.102230	-5.98	39.19	34	-203.4	1,332
Mar-15	Feb-15	382	324	0.06250	0.93750	222	160	44.00	4.92	39.08	0.175955	-10.87	33.13	34	-369.7	1,126.0
Apr-15	Mar-15	212	149	0.03333	0.96667	33	42	6.38	4.92	1.47	0.044889	0.44	6.82	34	14.8	231.8
May-15	Apr-15	27	39	0.03448	0.96552	5	7	5.74	4.92	0.82	0.171556	0.44	6.18	34	15.1	210.1
Jun-15	May-15	4	6	0.09375	0.90625	0	1	4.18	4.92	0.00	0.000000	0.00	4.18	34	0.0	142.0
Jul-15	Jun-15	0	0	0.03226	0.96774	0	0	3.29	4.92	0.00	0.000000	0.00	3.29	34	0.0	112.0
Aug-15	Jul-15	0	0	0.03448	0.96552	0	0	3.41	4.92	0.00	0.000000	0.00	3.41	34	0.0	116.0
Sep-15	Aug-15	0	1	0.09375	0.90625	0	1	6.03	4.92	1.11	0.000000	0.00	6.03	34	0.0	205.0
Test Year		1,827	1,713			1,834	1,710	264.82						408	-729.5	8,274.5

NatGas, Inc.
Weather Adjustment

AVERAGE OF DEL RIO & SAN ANGELO HEATING DEGREE DAYS

Line	Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Year Normal HDD	Deviation from 10 Yr Normal HDD
1	Jan	368	322	651	527	431	547	493	399	439	524	554	489	65
2	Feb	331	336	348	238	205	457	369	306	251	346	382	324	58
3	Mar	199	123	110	160	145	211	77	113	140	207	212	149	62
4	Apr	56	8	106	46	45	34	14	5	65	41	27	39	(12)
5	May	14	1	3	3	0	2	15	2	18	16	4	6	(2)
6	Jun	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Jul	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Aug	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Sep	0	1	0	2	1	0	0	1	0	3	0	1	(1)
10	Oct	64	43	43	52	73	15	48	72	46	8	0	46	(38)
11	Nov	196	163	202	221	176	200	197	133	309	309	309	210	99
12	Dec	483	456	426	431	561	411	502	351	539	330	449	449	(119)
13	Total	1,710	1,452	1,887	1,678	1,636	1,875	1,712	1,379	1,805	1,781	1,712	1,712	112

Source Monthly=> ftp://ftp.cpc.ncep.noaa.gov/hdrcs/products/analysis/monitoring/cdus/degree_days/archives/

[illegible]

[illegible][illegible]

[illegible]

NatGas, Inc.

K. Nalepa Relied Upon Material

NATGAS, Inc.
Balance Sheet
 As of September 30, 2015

4:42 PM
 12/03/2015
 Accrual Basis

	<u>Sep 30, 15</u>	<u>Sep 30, 14</u>
ASSETS		
Current Assets		
Checking/Savings		
10001 · Petty cash	250.00	250.00
10023 · CNB- 9814	2,820.07	2,977.33
10024 · CNB - 9822	2,684.50	903.17
10025 · CNB - 3004066	10,011.31	10,001.31
11001 · CNB - 3004112	157,192.64	60,480.03
Total Checking/Savings	<u>172,958.52</u>	<u>74,611.84</u>
Accounts Receivable		
12001 · A/R - Gas sales		
12100 · SAFETY FEE	4.44	6.60
12001 · A/R - Gas sales - Other	26,297.46	31,003.79
Total 12001 · A/R - Gas sales	<u>26,301.90</u>	<u>31,010.39</u>
12005 · A/R - Other	795.29	4,363.59
12009 · A/R- Appliance Sales	303,873.28	308,504.02
Total Accounts Receivable	<u>330,970.47</u>	<u>343,878.00</u>
Other Current Assets		
14000 · Inventory	24,074.06	22,930.99
Total Other Current Assets	<u>24,074.06</u>	<u>22,930.99</u>
Total Current Assets	528,003.05	441,420.83
Fixed Assets		
20192 · Building	123,967.35	123,967.35
20193 · Transportation Equipment	46,924.91	54,384.91
20194 · Machinery & Equipment	775,531.62	766,466.84
22000 · Furniture & Fixtures	42,387.95	42,387.95
23000 · Accumulated Depr. - F&F	-42,387.95	-42,387.95
23192 · Accumulated Depr.- Building	-57,543.28	-55,118.44
23193 · Accumulated Depr.-Trans. Equip.	-46,924.91	-54,384.91
23194 · Accum. Depr - Machinery & Equip	-614,086.10	-571,011.94
Total Fixed Assets	<u>227,869.59</u>	<u>264,303.81</u>
TOTAL ASSETS	<u><u>755,872.64</u></u>	<u><u>705,724.64</u></u>

LIABILITIES & EQUITY**Liabilities**

	<u>Sep 30, 15</u>	<u>Sep 30, 14</u>
Current Liabilities		
Accounts Payable		
30000 · A/P - Trade	48,757.61	28,454.16
30008 · A/P - Sales Tax	-1,894.44	1,862.25
Total Accounts Payable	<u>46,863.17</u>	<u>30,316.41</u>
Other Current Liabilities		
30011 · A/P - Utility deposits payable	12,075.00	13,200.00
30099 · A/P CLEARING ACCOUNT	3,552.94	24,495.19
Total Other Current Liabilities	<u>15,627.94</u>	<u>37,695.19</u>
Total Current Liabilities	<u>62,491.11</u>	<u>68,011.60</u>
Total Liabilities	62,491.11	68,011.60
Equity		
40000 · Notes Payable - Long term	233,185.00	233,185.00
50000 · Capital Stock	1,000.00	1,000.00
50001 · Retained Earnings	78,114.38	70,879.01
50002 · Additional Paid In Capital	303,060.04	303,060.04
Net Income	78,022.11	29,588.99
Total Equity	<u>693,381.53</u>	<u>637,713.04</u>
TOTAL LIABILITIES & EQUITY	<u>755,872.64</u>	<u>705,724.64</u>

NATGAS, Inc.
Profit & Loss
 October 2014 through September 2015

4:38 PM
 12/03/2015
 Accrual Basis

	<u>Oct '14 - Sep 15</u>	<u>Oct '13 - Sep 14</u>
Ordinary Income/Expense		
Income		
62000 · Gas Sales - Residential	431,707.36	535,876.52
62001 · Gas Sales - Commercial	200,069.02	319,576.93
62004 · Service Revenue	9,945.24	9,249.97
62005 · Merchandise Sales	64,678.28	53,917.61
62009 · Appliance Contract Sales	234,210.66	230,943.92
62010 · Finance Income (Appliance Sales)	35,915.63	33,387.05
66000 · Interest Income	10.00	1.31
67000 · Other Income	115.80	139.42
Total Income	976,651.99	1,183,092.73
Cost of Goods Sold		
73001 · Cost of Gas	248,369.63	441,342.83
73002 · Cost of Goods Sold	197,295.86	192,950.06
Total COGS	445,665.49	634,292.89
Gross Profit	530,986.50	548,799.84
Expense		
80000 · Salaries	148,661.26	120,585.39
80002 · Insurance	20,701.36	20,029.94
80003 · Legal and Professional	3,280.64	1,908.00
80005 · Office Supplies	7,760.64	4,415.51
80006 · Administrative Overhead	51,108.08	78,414.71
80007 · Payroll Taxes	11,796.45	9,507.54
80008 · Telephone / Utilities	12,233.81	12,008.18
80009 · Travel	1,256.21	1,793.49
80011 · Bank Charges	80.00	40.00
80012 · Dues & Subscriptions	570.00	1,065.00
80013 · Other Taxes	16,601.62	15,522.84
80014 · Contributions	1,460.00	720.00
80015 · Miscellaneous	864.00	803.08
80016 · Interest Expense	15,114.45	14,023.02
80017 · Education Expense	5,605.00	1,270.00
80019 · Auto Expense	4,056.29	2,129.22
80021 · Outside Service	19,609.02	8,817.74
80022 · Supplies	56,050.52	41,177.99
80023 · Repairs	12,321.86	118,935.66
80025 · Fuel	10,754.41	11,869.63
80030 · Bad Debt Expense	1,902.05	1,894.77

63,430

	<u>Oct '14 - Sep 15</u>	<u>Oct '13 - Sep 14</u>
80031 · Uniforms	1,019.24	0.00
80032 · Advertising	494.19	455.00
80036 · Meals & Entertainment	593.02	502.60
80037 · Depreciation Expense	45,499.00	34,484.58
80040 · Postage & Shipping	7,639.51	6,663.97
80042 · Penalties	222.01	500.00
80048 · Non-Deductible	18,063.37	-313.75
Total Expense	<u>475,318.01</u>	<u>509,224.11</u>
Net Ordinary Income	55,668.49	39,575.73
Other Income/Expense		
Other Income		
85000 · Gain / Loss	<u>0.00</u>	<u>1,000.00</u>
Total Other Income	<u>0.00</u>	<u>1,000.00</u>
Net Other Income	<u>0.00</u>	<u>1,000.00</u>
Net Income	<u><u>55,668.49</u></u>	<u><u>40,575.73</u></u>

ASSET ALLOCATION				ACCUMULATED DEPRECIATION ALLOCATION					undepreciated balance
Account No.	Description	Begin Balance 12/31/2011	Adds	Deletes	Ending Balance 12/31/2012	Begin Balance 12/31/2011	Adds	ADJ & Deletes	
374	Land Rts	0.005119902	3,545		3,545	2,285	106		
375	Structure, IMP	0	35		35	18	1		800
376	Mains	0.513723361	355,700		355,700	284,249	11,845		12
378	Meas. REG STA	0.177303162	122,764		122,764	110,488			44,036
380	Services	0.069214727	47,924		47,924	35,481			(0)
381	Meters	0.164180613	113,678		113,678	90,610	24,778		6,089
382	Meier Installs	0.027251746	18,868		18,868	12,093	684		8,280
383	House Regs	0.029943847	20,733		20,733	12,777	128		7,699
384	HSE REG INSTA	0.005600841	3,878		3,878	3,468	174		5,883
385	IND MS, Reg EQ	0.007611251	5,270		5,270	528,522	38,921		2,192
	Sub Total	0.999949451	692,398		692,398	558,443			1,101
	General Plant	16,537			716,127				
390	Struc/IMP								
391	Office Furniture	123,987			123,987	55,118	2,425		54,027
392	Transp Equipment	42,388			42,388	38,149			0
394	Shop Equipment	54,385			54,385	43,066	1,556	-7,460	5,071
397	Commun Equipment	8,802			8,802	8,052	290		1,579
399	Other Equipment	1,940			1,940	1,746			5,568
	Sub Total	39,598			39,598	28,765	1,307		
	Grand Total Assets	271,080			271,080	172,896	5,578	(7,460)	
		963,476	23,731	7,460	979,747 (1)	701,418	45,499	(7,460)	

Deprec Expense
39,921
4,183.65 1,384.55
44,104 1,384.55
28400.45

ADJUSTED BALANCES TO STRAIGHT LINE DEPRECIATION TO FOLLOW GUIDELINES BY RAILROAD COMMISSION
ALSO ADJUST BALANCES TO ASSETS TO MATCH PRIOR SCHEDULES
SEE FILE MY DOCUMENTS\NATGAS\RATE INCREASE INFO\NATGAS SL DEPREC

allocate for appliance utility	appliance	utility	Accum Depreciation	depr expense
123,987	82,975.00	30,992.00	43,157.03	1,818.75
42,388	31,791.00	10,597.00	28,611.60	608.25
46,925	40,789.00	13,596.00	27,871.35	1,167.00
8,802	6,602.00	2,200.00	4,757.15	389.00
1,940	1,455.00	485.00	1,309.31	72.62
39,598	30,372.00	9,226.00	22,554.44	980.05

WP-2 Gas cost

13-Oct	16,112.14	4100	3.93
13-Nov	42,092.46	11001	3.83
13-Dec	71,160.76	15322	4.64
14-Jan	85,966.54	17342	4.96
14-Feb	90,859.70	12837	7.08
14-Mar	44,399.79	8474	5.24
14-Apr	20,408.27	4115	4.96
14-May	16,207.39	3292	4.92
14-Jun	14,396.22	2906	4.95
14-Jul	12,377.05	2846	4.35
14-Aug	11,111.75	2583	4.30
14-Sep	16,250.76	2460	6.61
14-Oct	17,066.10	3064	5.57
14-Nov	46,420.84	10133	4.58
14-Dec	37,183.36	11482	3.24
15-Jan	52,038.54	17397	2.99
15-Feb	28,658.78	13178	2.17
15-Mar	24,648.83	9384	2.63
15-Apr	8,398.19	3308	2.54
15-May	8,048.53	2873	2.80
15-Jun	6,747.42	2445	2.76
15-Jul	6,817.96	2426	2.81
15-Aug	6,473.43	2736	2.37
15-Sep	5,867.85	2391	2.45

Accounts

	Amount
885 870	4,126.71
874	8,253.42
875	12,380.13
878	8,253.42
887	28,886.96
893	20,633.55
901	9,754.89
902	65,032.60
903	32,516.30
905	1,083.88
910	6,858.98
911	1,714.75
912	8,573.73
913	-
920	24,292.83
921	19,843.30
923	5,194.00
924	14,885.00
925	2,302.00
926	34,789.00
930.2	395.00
932	3,399.00

313,169.43

allocation of taxes for utility	80007	12,119.46	
non utility		4,482.54	> 16,602
allocation of depr for utility		44,105.00	
non utility		1,394.00	> 45,499
allocation of payroll taxes for utility		9,437.16	
non utility	80013	2,359.29	> 11,796.45

313,169.43
 + 12,119.46
 + 44,105.00
 + 9,437.16

 \$ 379,356.05

EPA
 Taxes Property other [1,507 TX Franchise Tax]
 Dep Exp
 Payroll

Natgas Inc.
Other Taxes

Crockett County Property Taxes	15,094.62
Texas Franchise Tax	<u>1,507.00</u>
	<u>16,601.62</u>

NATGAS INC ALLOCATION OF OPERATING EXPENSE
YEAR ENDING 9/30/2015

ACCOUNT
NAME

GL BAL
2015

	870-894	901-905	909-918	920-932	9416	
	%	%	%	%	%	
Salaries	148,661	0.1	14,866.10	0.03	4,459.83	1
Legal & Professional	3,281	-	-	1	3,281.00	1
Insurance	20,701	-	-	1	20,701.00	1
Admin Fees	51,108	-	-	1	51,108.00	1
Postage and Shipping	7,640	-	-	1	7,640.00	1
Office Supplies	7,761	0.05	388.05	0.3	2,328.30	1
Telephone/Utilities	12,234	0.65	4,956.00	0.1	12,234.00	1
Meals & Entertainment	593	0.45	3,482.45	0.1	593.00	1
Travel	1,256	-	-	1	1,256.00	1
Dues & Subscriptions	570	-	-	1	570.00	1
Advertising/Contributions	1,954	-	-	1	1,954.00	1
Education	17,611	1	17,611.00	0	-	1
Vehicles	4,056	0.00	-	0	-	1
Outside Services	7,603	0.65	2,636.40	0.1	7,603.00	1
Supplies	56,051	0.10	294.34	0.1	3,794.00	1
Repairs	12,322	1	12,322.00	1	12,322.00	1
Fuel	10,754	0.1	1,075.40	1	1,075.40	1
Rentals	1,902	0.65	6,990.10	1	1,913.00	1
Bad Debt	1,019	0.25	475.50	1	475.50	1
Uniforms	944	0.33	336.27	0.34	346.46	1
Misc	368,021	82,534.18	17,147.46	1	944.00	1
Things not included in expense	15,114	-	-	-	-	1
Interest	92,183	-	-	-	-	1
Depr. PH Tax, Other Taxes, non	475,318	-	-	-	-	1
	475,318.00	-	-	-	-	1

	Distribution Expenses	Customer Accounts Expense	Customer Svc/Sales Expense	G & A Expenses	172648 B4 COGS	
870	0.05	4,126.71	Opex 901	0.09	8,754.89	supr 910
874	0.10	8,253.42	mai 902	0.60	65,032.60	metr 911
875	0.15	12,380.13	mea 903	0.30	32,516.30	Cus 912
878	0.10	8,253.42	mei 905	0.01	1,083.88	miscellaneous customer accounts
887	0.35	28,896.96	maintenance of mains	0.25	20,633.55	maintenance of meters and hous regulators
893	0.25	20,633.55	maintenance of meters and hous regulators	0.25	20,633.55	maintenance of meters and hous regulators
	1	82,534.18	1	108,387.66	1	108,387.66
12119 46						
4482 54						
44105						
1394						
9437 16						
2359 29						

allocation of taxes for utility
non utility
allocation of depr for utility
non utility
allocation of payroll taxes for util
non utility

313,169

11197
1118.7
10077.3

ASSET ALLOCATION					ACCUMULATED DEPRECIATION ALLOCATION						
Account No	Description	Begin Balance 12/31/2011	Adds	Deletes	Ending Balance 12/31/2012	Begin Balance 12/31/2011	Adds	ADJ & Deletes	Ending Balance 12/31/2011	fully depreciated at 10%	undepreciated balance
374	Land Rts	0.005119902	3,545		3,545	0.00432337	2,285	106	2,391	3,190.50	800
375	Structure, IMP	0	35		35		19	1	20	31.50	12
376	Mains	0.513723361	355,700		355,700	0.49987779	264,249	11,845	276,094	320,130.00	44,036
378	Meas, REG STA	0.177303162	122,764		122,764	0.20805007	110,488	-	110,488	110,487.60	(0)
380	Services	0.069214727	47,924		47,924	0.06713338	35,481	1,581	37,063	43,131.60	6,069
381	Meters	0.164180613	113,678	23731	137,409	0.17143935	90,510	24,778	115,388	123,668.10	8,280
382	Meter Installs	0.027251746	18,869		18,869	0.01638538	8,660	623	9,283	16,982.10	7,698
383	House Regs	0.029943847	20,733		20,733	0.02287995	12,093	684	12,777	18,659.70	5,883
384	HSE REG INSTA	0.005600841	3,878		3,878	0.00221357	1,170	128	1,298	3,490.20	2,192
385	IND MS, Reg EQ	0.007611251	5,270		5,270	0.00656118	3,468	174	3,642	4,743.00	1,101
	Sub Total	0.999948451	692,396	23,731	716,127		528,522	39,921	568,443		
	General Plant	16,537				37123					
390	Struc/IMP		123,967		123,967	0.31878268	55,118	2,425	57,543	111,570.30	54,027
391	Office Furniture		42,388		42,388	0.22064701	38,149		38,149	38,148.20	0
392	Transp Equipment		54,385		54,385	0.24808608	43,066	-7,460	37,162	42,232.50	5,071
394	Shop Equipment		8,802	7460	8,802	0.03500416	6,052	1,556	6,343	7,921.80	1,579
397	Commun Equipment		1,940		1,940	0.01009855	1,746		1,746	1,746.00	-
399	Other Equipment		39,598		39,598	0.16637154	28,765	1,307	30,072	35,638.20	5,566
	Sub Total		271,080	-	263,620		172,896	5,578	171,014		
	Grand Total Assets		963,476	23,731	979,747 (1)	11937	701,418	45,499	739,457 (2)		

Deprec Expense
38,921
4,183.65 1,384.55
44,104 1,394.55

28400.45

ADJUSTED BALANCES TO STRAIGHT LINE DEPRECIATION TO FOLLOW GUIDELINES BY RAILROAD COMMISSION
ALSO ADJUST BALANCES TO ASSETS TO MATCH PRIOR SCHEDULES
SEE FILE MY DOCUMENTS\NATGAS\RATE INCREASE INFO\NATGAS SL DEPREC

General

allocate for appliance	utility	appliance	Accum Depreciation	depr expense
123,967	92,975.00	30,892.00	43,157.03	1,818.75
42,388	31,791.00	10,597.00	28,611.60	14,385.68
46,925	40,789.00	13,596.00	33,466.35	9,537.20
8,802	6,802.00	2,200.00	4,757.15	1,167.00
1,940	1,455.00	485.00	1,309.31	1,585.73
39,598	30,372.00	9,226.00	22,554.44	217.85
				980.05
				4,184
				326.68

202,984

Long term Debt Interest Rate is 6%. The note is held by Norman W. Smith

	Salaries	Payroll tax	Healthcare
Trudy Barrera	30,408.00	2,326.21	-
Scott Carson	59,395.44	4,543.75	12,790.20
Wayne Flores	27,000.00	2,065.50	17,865.00
Byrl Allen	29,004.00	2,218.81	13,054.80
Virginia Hernandez	\$15 an hour. No set hours just when they need extra help.		

10/1/14

Raises are given in December and effective January 1st. These salaries are current at this time.

- * On January 1, 2015, Wayne Flores received a \$50 per month raise.
- ** On January 1, 2015, Trudy Barrera received a \$100.66 per month raise.
- * On January 1, 2015, Scott Carson received a \$150.62 per month raise and also a increase in July on AFLAC of \$49. Norman is going to think about 2016 raises.

Salaries

TAX

Payroll Tax
Rate

145,807.44

11,154.27

7.65%

(Oct-Dec)
2014

*

$$3 \times (50 + 150.62) = 601.86 + 1200 + 1200$$

ACCT 885

*

$$9 \times 49 = 441 \quad \text{ACCT 926}$$

**

$$3 \times 100.66 = 301.98 + 1200 \quad \text{ACCT 920}$$

Payroll TAX

601.86

301.98

1200.00

1200.00

1200.00

4,503.84*

$$.0765 = \$344.54$$

Meter replacement cost:

		New	Rebuilt
Residential	20 LT	\$ 98.00	\$ 56.00
Residential & Small Commercial	30 LT	\$ 340.00	
Large Commercial	Roots Meter	\$ 3,056.25	

only one

$$\begin{array}{rcl}
 407 * 340 & = & 138,380 \\
 1 * 3056.25 & = & 3056.25 \\
 \hline
 & & 141,436.25 \\
 \div 408 & = & 346.66
 \end{array}$$

Res 1
 Comm 3.47
 PA 3.54

	Oct-14	14-Nov	14-Dec	15-Jan	15-Feb	15-Mar	15-Apr	15-May	15-Jun	15-Jul	15-Aug	15-Sep
<u>Bills</u>												
Residential	1068	1072	1073	1077	1076	1071	1071	1067	1069	1063	1062	1051
Small Commercial	111	112	112	113	111	112	111	110	110	109	109	107
Public funds	34	34	34	34	34	34	34	34	34	34	34	34
<u>Volumes</u>												
Residential	1702	6819	6563	12544	7661	6825	1786	1514	1374	1097	1101	1194
Small Commercial	1907	1300	2348	3176	2317	2208	829	774	801	716	643	666
Public funds	183	1100	1137	2565	1536	1496	217	195	142	112	116	205

<u>Base Rate Revenue</u>		Oct-14	14-Nov	14-Dec	15-Jan	15-Feb	15-Mar	15-Apr	15-May	15-Jun	15-Jul	15-Aug	15-Sep
<u>Residential</u>													
Small Commercial		17265.71	53494.39	51291.94	93432.37	59218.93	51904.02	16252.17	10687.25	14168.6	12975.57	12047.26	13640.78
Public funds		13879.61	9543	16936.05	22629.03	16608.15	15670.15	6301.28	3638.79	6030.56	5569.12	4753.93	5141.43
		1385.12	7474	7719.68	17201.6	10369.04	9713.01	1572.27	360.51	1112.88	911.32	730.83	1531.2
<u>CGA Revenue</u>													
Residential		4520.22	9555.4	9848.61	509.75	-3507.09	171.17	-2057.93	3291.93	999.78	18.02	1594.05	383.61
Small Commercial		5054.04	571.76	3526.75	-407.66	-1064.36	178.57	-1685.23	1591.21	324.56	-0.47	1034.64	206.47
Public funds		487.27	1541.42	1709.15	107.45	-712.23	104.54	-497.56	858.05	25.61	2.31	266.4	63.77
		21785.93	63049.79	61140.55	93942.12	55711.84	52075.19	14194.24	13979.18	15168.38	12993.59	13641.31	14024.39
		20806.04	19130.18	29891.63	39530.42	25200.6	25666.27	5690.76	6448.56	7493.61	6482.28	6785.8	6942.87
		42591.97	82179.97	91032.18	133472.5	80912.44	77741.46	19885	20427.74	22661.99	19475.87	20427.11	20967.26

K. Nalepa Relied Upon Material - Page 16

GAS UTILITIES DOCKET NO. 10498

STATEMENT OF INTENT OF NATGAS,
INC. TO INCREASE GAS UTILITY
RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY OF
OZONA, TEXAS

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BEFORE THE
RAILROAD COMMISSION
OF TEXAS

AFFIDAVIT OF NORMAN SMITH

STATE OF TEXAS

DALLAS COUNTY

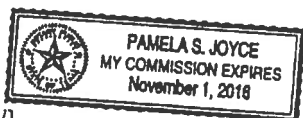
BEFORE ME, the undersigned authority on this day personally appeared Norman Smith, who, after being duly sworn upon his oath deposed and stated as follows:

1. My name is Norman Smith. I am the President of NatGas, Inc. I am authorized to make this affidavit and I have personal knowledge of the facts stated herein.
2. The captioned statement of intent of NatGas, Inc. that is Gas Utilities Docket No. 10498 is currently pending before the Texas Railroad Commission.
3. NatGas, Inc. published in the *Ozona Stockman*, a newspaper of general circulation in the area affected by the proposed increase, for four consecutive weeks - April 6, 2016, April 13, 2016, April 20, 2016 and April 27, 2016, a copy of the notice that is attached as Exhibit A.

Further, Affiant sayeth not.

Norm Smith
Norman Smith

Subscribed and sworn to before me on the 9th day of May, 2016.



[Seal]

Pamela S. Joyce
Notary Public, in and for the
State of Texas

My Commission Expires:

November 1, 2016

PUBLIC NOTICE

Notice of Proposed Filing of Statement of Intent to Increase Rates for Gas Service

To the Customers of NatGas, Inc. ("NatGas") in and around the unincorporated community of Ozona, Texas in Crockett County, Texas:

Pursuant to the public notice requirements of § 104.102 and § 104.103 of the Gas Utility Regulatory Act ("GURA"), TEX. UTIL. CODE CH.101 *et seq*, NatGas hereby provides notice to the public that on February 12, 2016, NatGas filed with the Railroad Commission of Texas its Statement of Intent to Increase Rates in and around the unincorporated Community of Ozona, Texas. The proposed rates will affect all of NatGas' approximately 1,192 customers. Of this total, NatGas serves approximately 1,051 residential customers, 107 commercial customers, and 34 public authority customers. The proposed effective date of the rate increase is March 18, 2016.

The proposed rates and tariffs are expected to increase NatGas's annual revenues by \$35,504 or 5.3% including gas costs, or 9.5% excluding gas costs. The proposed change in rates constitutes a "major change" as that term is defined by Section 104.101 of the Texas Utilities Code. NatGas is proposing to divide the current Residential and Small Commercial tariff into separate Residential and Commercial tariffs. NatGas is also proposing to rename the current Large Commercial tariff the Public Authority tariff. Finally, NatGas is proposing to move all gas costs remaining in base rates to the cost of gas adjustment clause. This will result in a \$3.00 per Mcf reduction in the base rate commodity charge and a corresponding \$3.00 per Mcf increase in the cost of gas clause.

Based on the proposed rate design, the average monthly bills for a residential, commercial, or public authority customer will, excluding revenue related taxes, change by the amount and percent shown in the following table:

Customer Class (1)	Number of Customers Affected	Current Bill Including Gas Cost (2)	Proposed Bill Including Gas Cost (2)	Difference	Percent Change With Gas Cost/without Gas Cost
Residential	1,051	\$34.71	\$37.06	\$2.35	6.77% / 11.44%
Commercial	107	\$140.87	\$144.87	\$4.00	2.84% / 5.46%
Public Authority	34	\$148.38	\$152.38	\$4.00	2.70% / 5.07%

- (1) Residential and Commercial customers are currently served under the combined Residential and Small Commercial tariff. Public Authority customers are currently served under the Large Commercial tariff.
- (2) The calculation of bill impacts assumes monthly consumption of 3.9 Mcf for residential, 17.0 Mcf for commercial, and 20.3 Mcf for public authority customers. The annual average cost of gas for the twelve months ending September 30, 2015 was \$3.6770 per Mcf. Gas costs by class of service vary slightly from the average cost.

The next table provides by class a comparison of the rates currently being charged with the rates proposed by NatGas:

Residential Service (1)			
<u>Charge</u>	<u>Tariffed Rates</u>	<u>Present Base Rate (2)</u>	<u>Proposed Rate</u>
Customer Charge \$/Month	\$5.00	\$5.00	\$7.35
Commodity Charge \$/Mcf	\$7.03	\$4.03	\$4.03

Commercial Service (1)			
<u>Charge</u>	<u>Tariffed Rates</u>	<u>Present Base Rate (2)</u>	<u>Proposed Rate</u>
Customer Charge \$/Month	\$5.00	\$5.00	\$9.00
Commodity Charge \$/Mcf	\$7.03	\$4.03	\$4.03

Public Authority Service (1)			
<u>Charge</u>	<u>Tariffed Rates</u>	<u>Present Base Rate (2)</u>	<u>Proposed Rate</u>
Customer Charge \$/Month	\$5.00	\$5.00	\$9.00
Commodity Charge \$/Mcf	\$6.64	\$3.64	\$3.64

(1) Residential and Commercial customers are currently served under the combined Residential & Small Commercial tariff. Public Authority customers are currently served under the Large Commercial tariff.

(2) Excludes \$3.00/Mcf base cost of gas.

In addition, the Company seeks to recover all rate case expenses as allowed by law. The exact amount of rate case expenses will not be known until the case is completed.

Complete copies of the filed Statement of Intent, including all proposed tariffs, are available for inspection at the business office of NatGas, located at 901 Avenue H, Ozona, Texas 76943. Affected customers may file written comments or protests concerning the proposed change in rates with the Docket Services Section of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967. The deadline to intervene in this proceeding is 45 days after the date this notice is filed, or _____. Persons with specific questions or desiring additional information about this filing may contact NatGas at (214) 526-6273 or by written communication directed to the undersigned as shown below.

Mr. Norman Smith
 NatGas, Inc.
 3838 Oak Lawn Ave., Suite 1525
 Dallas, TX 75219

Para una explicación de este Aviso en Español, por favor visite la oficina de NatGas en Ozona.

GAS UTILITIES DOCKET NO. 10498

**STATEMENT OF INTENT OF NATGAS,
INC. TO INCREASE GAS UTILITY
RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY OF
OZONA, TEXAS**

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**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

AFFIDAVIT OF KARL J. NALEPA

STATE OF TEXAS

TRAVIS COUNTY

BEFORE ME, the undersigned authority on this day personally appeared Karl J. Nalepa, who, after being duly sworn upon his oath deposed and stated as follows:

1. My name is Karl J. Nalepa. I am over 18 years of age, authorized to make this affidavit and I have personal knowledge of the facts stated herein.
2. I am the President and a partner in the firm ReSolved Energy Consulting, LLC. I am an energy economist and have more than 30 years of private and public sector experience in the natural gas and electric power industries. I have extensive experience in proceedings before the Railroad Commission of Texas ("Commission") and the Public Utility Commission of Texas. In addition, I previously directed the Regulatory Analysis & Policy Section of the Gas Services Division at the Railroad Commission of Texas and served as a technical examiner in natural gas rate proceedings at the Commission.
3. I am representing NatGas, Inc. ("NatGas" or "Company") in Gas Utilities Docket No. 10498, which was filed with the Commission on February 12, 2016. Attached to this Affidavit are itemized invoices documenting actual rate case expenses in the amount of \$36,080.46 incurred by NatGas in this docket through April 30, 2016. This amount includes expenses incurred to assist the Company in preparing its rate filing package, responding to discovery questions from Commission Examiners and Staff, participating in conferences with Examiners and Staff, negotiating settlement terms and preparing settlement documents.

4. I am familiar with the Commission's Rate Case Expense Rule, 16 Tex. Admin. Code §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case recovery.
5. I have reviewed the billings of ReSolved Energy Consulting, LLC submitted to NatGas for services performed in this proceeding through April 30, 2016, and I affirm that those billings accurately reflect the time spent and expenditures incurred by ReSolved Energy Consulting on NatGas' behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of experience and expertise. The hours spent to perform tasks delegated to ReSolved Energy Consulting were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a contested case such as this.
6. In addition to the actual amounts incurred through April 30, 2016, NatGas will continue to incur expenses for additional work performed in May 2016 through the issuance of a Final Order in this docket. The nature of this work includes negotiating final settlement terms and preparing final settlement documents, presenting the settlement to the Examiners, responding to Examiners' questions, and participating in Commission conferences. I estimate that these expenses will be approximately \$3,720, which makes the total amount of actual and estimated fees and expenses necessary to complete this proceeding \$39,800.46.
7. No portion of the fees or expenses that NatGas expects to incur is or will be for luxury items such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. In fact, there are no food, hotel or entertainment expenses at all. The charges for copies, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.
8. The total amount of actual rate case expenses incurred through April 30, 2016 is \$36,080.46 and the amount estimated to be incurred after that date is \$3,720, for total rate case expenses in the amount of \$39,800.46. However, consistent with the terms of the Settlement Agreement in this docket, NatGas is requesting the Commission to authorize recovery of only \$26,800 in rate case expenses.

Further, Affiant sayeth not.

Karl J. Nalepa
Karl J. Nalepa

Subscribed and sworn to before me on the 10th day of May, 2016.

[Seal]



Alma Paloma Alvarez
Notary Public, in and for the
State of Texas

My Commission Expires:

July 16, 2019