



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10617
PROPOSAL FOR DECISION

**STATEMENT OF INTENT FILED BY ONALASKA WATER &
GAS SUPPLY CORPORATION TO CHANGE RATES IN THE
ENVIRONS OF THE CITY OF ONALASKA**

PARTIES

APPLICANT: **Onalaska Water & Gas Supply Corporation**
Karl Nalepa, Consultant
Resolved Energy Consulting LLC
11044 Research Blvd., Suite D-230
Austin, Texas 78759

INTERVENOR: **Staff of the Railroad Commission of Texas (Staff)**
Natalie Dubiel, Esq.
Railroad Commission of Texas
Counsel for Staff

PROCEDURAL HISTORY:

Statement of Intent Filed:	March 24, 2017
Suspension Order:	April 25, 2017
Petition for De Novo Review Filed:	May 11, 2017
Consolidation of GUD 10634:	May 22, 2017
Hearing on the Merits:	July 17, 2017
Heard By:	Dana Lewis, Administrative Law Judge James Currier, Technical Examiner
Settlement Agreement Filed:	June 6, 2017
Record Closed:	August 1, 2017
Proposal for Decision Issued:	August 3, 2017
Statutory Deadline:	September 25, 2017

SUMMARY STATEMENT OF THE CASE

Onalaska Water and Gas Supply Corporation ("Onalaska") filed with the Railroad Commission ("Commission") a Statement of Intent ("SOI") to Increase Gas Utility Rates in the Environs of the City of Onalaska and a Petition for De Novo Review of the Denial of the Statement of Intent filed by Onalaska Water & Gas Supply Corporation to Change Rates in the City of Onalaska, which was consolidated. The proposed rates will affect approximately 748 total customers, including approximately 698 residential customers and 50 commercial customers. The last gas utility rate increases for these customers was in 2013.

Onalaska and Staff of the Railroad Commission—the only intervenor—filed a Unanimous Settlement Agreement ("Settlement"), resolving all issues. In the Settlement, the parties agree to the following:

- An increase of an additional \$65,210 in annual revenues for Onalaska;
- The \$65,210 revenue increase is a "black box" figure and is not tied to any specific expense in Onalaska's underlying cost of service;
- A commodity charge of \$11.5525 per Mcf for all customers;
- A customer charge of \$14 for residential customers and \$17 for commercial customers;
- Depreciation rate amounts for distribution and general plant;
- Onalaska's capital investment booked to plant through the test year end, September 30, 2016, is reasonable as adjusted;
- A hypothetical rate of return of 8.48 percent using a 10.5 percent return on equity, cost of debt of 6 percent, and capital structure consisting of 55 percent equity and 45 percent debt are reasonable;
- Onalaska's is to make several record keeping adjustments;
- Rate case expense amounts limited to \$26,000; and
- All other items agreed to as listed in the Settlement.

After review and consideration of the SOI, the Settlement documents, and evidentiary record, the Examiners recommend that the Commission approve the terms and rate elements contained in the Settlement.

The deadline for Commission action is September 25, 2017.

Included in this consolidated docket are GUD Nos. 10617 and 10634.

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PROCEDURAL HISTORY.....	1
III.	JURISDICTION, BURDEN OF PROOF, AND NOTICE	3
IV.	BOOKS AND RECORDS	4
V.	ONALASKA’S ORIGINAL REQUEST.....	4
VI.	TERMS OF THE SETTLEMENT	5
	A. Overall Revenue Requirement	5
	B. Overall Rates	6
	C. Cost of Capital.....	7
	D. Depreciation Rates.....	8
	E. Capital Investment Prudence.....	8
	F. Future Interim Rate Adjustment Factors	8
	G. Affiliate Transactions	9
	H. Tariffs	9
	I. Rate Case Expenses	9
	J. Record Keeping Adjustments	12
VII.	FINDINGS OF FACT AND CONCLUSIONS OF LAW	13
VIII.	CONCLUSION	13

PROPOSAL FOR DECISION

I. INTRODUCTION

Onalaska Water and Gas Supply Corporation ("Onalaska") filed with the Railroad Commission ("Commission") a Statement of Intent ("SOI") to Increase Gas Utility Rates in the Environs of the City of Onalaska and a Petition for De Novo Review of the Denial of the Statement of Intent filed by Onalaska Water & Gas Supply Corporation to Change Rates in the City of Onalaska, which was consolidated. The parties in this proceeding are Applicant, Onalaska and Intervenor, Staff of the Railroad Commission ("Staff").

Onalaska's SOI and Petition for De Novo Review request the same terms for the customers it serves both in the city and in the environs. The primary components of Onalaska's original request included an increase of Onalaska's annual revenues by \$85,382, which is an increase of 28.91 percent excluding gas costs;¹ an update of its cost of gas adjustment ("CGA");² and recovery of reasonable rate case expenses.³ The proposed rates will affect approximately 748 total customers, including 698 residential customers and 50 commercial customers.⁴ The last gas utility rate increases for these customers was in 2013.

Onalaska and Staff filed a Unanimous Settlement Agreement ("Settlement"), resolving all issues. The parties in this proceeding have agreed to the Settlement terms and rate elements for Onalaska customers in both the environs and the incorporated areas of Onalaska.

After review and consideration of the Settlement and the supporting evidentiary record, the Examiners recommend that the Commission approve the terms and rate elements in the Settlement. The statutory deadline for Commission action is September 25, 2017.

II. PROCEDURAL HISTORY

On March 24, 2017, Onalaska filed its SOI with the Commission, requesting an original effective date of April 28, 2017. The Commission published notice of Onalaska's SOI application in *Gas Utilities Information Bulletin No. 1056* on March 31, 2017.⁵

On March 28, 2017, Staff filed a motion to intervene and be designated as a party "to assert its interest in seeing that the rules and regulations of the Commission

¹ Onalaska Ex. 1, Statement of Intent ("SOI"), at 3.

² Onalaska Ex. 1, SOI see also Ex. D to the SOI, Direct Testimony of Karl J. Nalepa, ("Nalepa Test.") at 21.

³ Onalaska Ex. 1, SOI, at 4.

⁴ Onalaska Ex. 1, SOI, at 3.

⁵ See *Gas Utilities Information Bulletin No. 1056*, published by the Railroad Commission of Texas Oversight and Safety Division on March 31, 2017, p. 2.

together with the appropriate statutes have been followed.”⁶ Staff’s motion was granted the same day.

On April 25, 2017, the Commission suspended Onalaska’s proposed rate change for a period of 150 days—from April 28, 2017, to September 25, 2017—in accordance with Section 104.107 (Rate Suspension; Deadline) of the Texas Utilities Code.⁷

A properly noticed prehearing conference was held on April 25, 2017, to consider various preliminary matters.

Onalaska provided public notice of its SOI by direct mail on May 4, 2017.⁸

On May 11, 2017, Onalaska filed a Petition for De Novo Review of the Denial of the SOI Filed by Onalaska to Change Rates in the City of Onalaska with the Commission. On May 22, 2017, the Examiners consolidated GUD No. 10634 with GUD No. 10617.⁹

On May 22, 2017, Onalaska filed a Motion for Abatement, to abate the procedural schedule to allow the parties to complete settlement negotiations. The motion was granted on May 23, 2017.¹⁰

On May 22, 2017, the Commission received a letter of protest from one resident potentially within the service area. Subsequently, the Examiners sent the complainant a Complaint and Statement of Intent to Participate Form, in accordance with Commission Rule § 7.240 (Statement of Intent to Participate). The Complainant did not return the form to the Commission.

On June 6, 2017, the parties filed a unanimous Settlement, agreed to by Onalaska and Staff.

On June 20, 2017, the Administrative Law Judge (“ALJ”) issued a Notice of Hearing for July 17, 2017, which was published in the Gas Utilities Information Bulletin on June 30, 2017, in accordance with Commission Rule § 7.235 (Publication and Service of Notice). The same day, the ALJ sent the Notice of Hearing to the governing body of the affected county, in accordance with Section 104.105(c) of the Texas Utilities Code.¹¹

On July 17, 2017, the Settlement was admitted and proven up at the hearing originally noticed for the merits of the case. No other parties attended the hearing.

⁶ Staff of the Railroad Commission of Texas’ Motion to Intervene, filed on March 28, 2017.

⁷ See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) (“Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.”).

⁸ Onalaska Ex. 2, Settlement, at 2; see also Affidavit of Gairee Brown, filed May 15, 2017.

⁹ GUD 10634, Examiners’ Letter No. 1.

¹⁰ Examiners’ Letter No. 9.

¹¹ Letter to Judge Murphy, Polk County Judge, dated June 20, 2017.

The hearing was captured by audio recording, as requested by the parties to save rate payers additional expense.

In response to the Examiners' request, Onalaska filed a revised settlement agreement on July 21, 2017, which replaced pages containing non-substantive errors and added a typical bill comparison as exhibit D.

On August 1, 2017, the evidentiary record was closed. The following exhibits were admitted prior to the close of the record.

- Onalaska's SOI, inclusive of all attachments and including the direct testimony of Karl J. Nalepa, Onalaska Exhibit 1;
- Settlement, Exhibit 2; and
- Affidavit of Karl J. Nalepa, attesting to the reasonableness of Onalaska's rate case expenses, Onalaska Exhibit 3.

III. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over Onalaska, which is a gas utility as defined in Section 101.003(7) of the Texas Utilities Code. Pursuant to Section 102.001(a) of the Texas Utilities Code, the Commission has exclusive original jurisdiction to set the rates Onalaska requests for customers in and around the unincorporated community of Onalaska, Texas. The Commission has jurisdiction over all matters at issue in this proceeding pursuant to Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and 104 (Rates and Services) of the Texas Utilities Code. The statutes and rules involved in this proceeding include, but are not limited to, those contained in Chapters 102, 103, and 104 of the Texas Utilities Code, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

Burden of Proof

As the party proposing gas utility rate changes, Onalaska has the burden of proving that the rate changes are just and reasonable.¹²

Notice

Proper notice has been issued to affected customers in this proceeding in accordance with applicable statutes and rules.¹³ On March 31, 2017, the Commission published notice of Onalaska's SOI application in *Gas Utilities Information Bulletin No. 1056*.¹⁴ Onalaska provided public notice of its SOI *by direct mail to its*

¹² Tex. Util. Code § 104.008 (Burden of Proof).

¹³ Onalaska Ex. 2, Settlement, p. 2; see also Affidavit of Gairee Brown.

¹⁴ See *Gas Utilities Information Bulletin No. 1056*, published by the Railroad Commission of Texas Oversight and Safety Division on March 31, 2017, p. 2.

customers.¹⁵ On June 20, 2017, the ALJ issued a Notice of Hearing, which the Commission published in the *Gas Utilities Information Bulletin No.1062* on June 30, 2017, in accordance with Commission Rule § 7.235 (Publication and Service of Notice).¹⁶ The same day, the ALJ sent the Notice of Hearing to the governing body of the affected county, in accordance with the Texas Utilities Code, Section 104.105(c) (Determination of Propriety of Rate Change; Hearing).¹⁷ On May 22, 2017, the Commission received a letter of protest from one resident potentially within the service area. Subsequently, the complainant was mailed a Complaint and Statement of Intent to Participate Form, in accordance with Commission Rule § 7.240 (Statement of Intent to Participate). The Complainant did not return the form to the Commission nor request to participate in the case in any other manner.

The Examiners find that all notice requirements have been satisfied.

IV. BOOKS AND RECORDS

Commission Rule 7.310 (System of Accounts) requires each gas utility to "utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USAO) for all operating and reporting purposes."¹⁸ "The FERC Uniform System of Accounts shall be applicable to all gas utility and gas utility related operations regardless of location."¹⁹ As the company maintains its books and records in accordance with Commission Rule 7.310 the amounts included therein are therefore subject to the presumption that they are reasonable and necessary. Onalaska established that it has complied with the requirements of Rule 16 TEX. ADMIN. CODE § 7.310, and the Examiners find that the amounts noted therein are subject to the presumption encapsulated in Rule 16 TEX. ADMIN. CODE § 7.503. However, as discussed in a later section of this Proposal for Decision, the Settlement does set forth record keeping adjustments required of Onalaska.

V. ONALASKA'S ORIGINAL REQUEST

Onalaska filed its SOI on March 24, 2017. The main components of Onalaska's original request were:

- An increase of Onalaska's annual revenues by \$85,382, which is an increase of 22.89 percent including gas costs and 28.91 percent excluding gas costs;²⁰
- Updating its cost of gas adjustment ("CGA") to reflect the Commission's current preference for monthly cost of gas reconciliation;²¹

¹⁵ Onalaska Ex. 2, at 1; see also Affidavit of Gairee Brown.

¹⁶ See *Gas Utilities Information Bulletin No. 1062*, published by the Railroad Commission of Texas Oversight and Safety Division on June 30, 2017, pgs. 2-4.

¹⁷ Letter to Judge Murphy, dated June 20, 2017.

¹⁸ 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

¹⁹ 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

²⁰ SOI, at 3.

²¹ Onalaska Ex. 1, (Nalepa Test.) at 21.

- A hypothetical rate of return of 8.48 percent, using a hypothetical capital structure of 55 percent equity and 45 percent long-term debt and hypothetical capital costs of 10.5 percent for equity and 6 percent for long-term debt;²²
- A monthly customer charge of \$15 for residential customers and \$18 for commercial customers;²³
- A volumetric charge of \$12.1074 per Mcf for residential and commercial customers;²⁴ and
- Recovery of reasonable rate case expenses.²⁵

VI. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD 10617. The signatories—Onalaska and Staff—have engaged in discovery regarding the issues in dispute. The parties agree that resolution of this docket under the terms of this Settlement will significantly reduce the amount of reimbursable rate case expenses associated with this docket.²⁶

The Examiners have reviewed and considered the Settlement and evidentiary record. The Examiners find that the terms of the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend approval of the Settlement.

A. Overall Revenue Requirement

Onalaska's rates have not changed since the current rates were approved by the Commission in 2013.²⁷ The proposed rates will affect all customer classes, which includes residential and commercial.

Onalaska initially requested a revenue requirement annual increase of \$85,382. The Settlement contemplates a reduced increase of \$65,210. This represents a decrease from the initial filing of \$20,172, or about 23.6 percent. Onalaska filed a cost-of-service analysis with test-year end September 30, 2016, updated for known and measurable changes, in support of its initial request. The revenue requirement—excluding gas costs—per the Settlement is \$360,534, a 22.1 percent increase from the \$295,324 revenue requirement for the pro forma test year ending September 30, 2016. The revenue requirement is based in part on the following customer counts as of September 30, 2016: 698 residential customers and 50 commercial customers.

The Settlement provides that the \$65,210 revenue increase is a "black box" amount, meaning that it is not tied to any specific expense in the underlying cost of

²² Onalaska Ex. 1, (Nalepa Test.) at 10-11.

²³ Onalaska Ex. 1, (Nalepa Test.) at 20.

²⁴ *Id.*

²⁵ Onalaska Ex. 1, SOI, at 4.

²⁶ Onalaska Ex. 2, Settlement at 2.

²⁷ SOI, at 1; see also Exhibit A of SOI (Final Order in GUD No. 10238).

service in Onalaska's service area.²⁸ The parties agree that the Settlement does not include expenses for business gifts, entertainment, charitable donations, legislative advocacy, advertising expense that exceeds one-half of one percent of the gross receipts of the utility, funds for support or membership in social, recreational, fraternal, or religious organizations pursuant to Tex. Util. Code § 104.057 and 16 Tex. Admin. Code § 7.5414.²⁹

The parties agree that the rates, terms, and conditions in the proposed Settlement tariffs comply with the rate-setting requirements of the Chapter 104 of the Texas Utilities Code.³⁰ Considering the Settlement and evidentiary record, the Examiners find the overall revenues for Onalaska in the Settlement to be just and reasonable and consistent with Chapter 104 (Rates and Services) of the Texas Utilities Code.

B. Overall Rates

The Settlement provides for the following rates:

Table 1
Proposed Rate Design

Customer Class	Customer Charge	Commodity Charge
Residential	\$14	\$11.5525 per Mcf
Commercial	\$17	\$11.5525 per Mcf

In its SOI, Onalaska proposed residential rates with a customer charge of \$15 and a commodity charge of \$12.1074. Under the Settlement, the average customer bill inclusive of the cost of gas will increase by more than \$5, or 18 percent, for residential customers.³¹

The Settlement rates are designed to recover an annual base revenue requirement of \$360,534 from Onalaska's approximately 748 total customers. Onalaska is recovering \$249,596, or 69 percent, from the approximately 698 residential customers and \$110,938, or 31 percent, from the approximately 50 commercial customers.

Table 2
Rate Difference

Customer Class	Commodity Charge (per Mcf)			Customer Charge		
	Current	Proposed	Difference	Current	Proposed	Difference
Residential - Environs	\$ 9.21	\$11.5525	\$ 2.3425	\$ 12	\$ 14	\$ 2
Residential - Incorporated	\$ 9.21	\$11.5525	\$ 2.3425	\$ 12	\$ 14	\$ 2
Commercial - Environs	\$ 9.21	\$11.5525	\$ 2.3425	\$ 15	\$ 17	\$ 2
Commercial - Incorporated	\$ 9.21	\$11.5525	\$ 2.3425	\$ 15	\$ 17	\$ 2

²⁸ Onalaska Ex. 2, Settlement, at 2, ¶ 1.

²⁹ Onalaska Ex. 2, Settlement, at 4, ¶ 14.

³⁰ Onalaska Ex. 2, Settlement, at 2, ¶ 1.

³¹ Onalaska Ex. 2, Settlement, Ex. D,

Table 3
Annual Revenue Allocation

Customer Class	Base Revenue		
	Current	Proposed	Difference
Residential - Environs	\$123,246	\$149,239	\$25,993
Residential - Incorporated	\$82,766	\$100,357	\$17,591
Commercial - Environs	\$2,624	\$3,095	\$471
Commercial - Incorporated	\$86,688	\$107,843	\$21,155
Total	\$295,324	\$360,534	\$65,210

Table 4
Typical Monthly Bill Impact³²

Customer Class	Average Usage (Mcf)	Current Bill	Proposed Bill	Difference	Percent Difference
Residential - Environs	1.33	\$28.54	\$33.66	\$5.12	18%
Residential - Incorporated	1.43	\$29.77	\$35.12	\$5.35	18%
Commercial - Environs	1.01	\$27.77	\$32.14	\$4.37	16%
Commercial - Incorporated	17.5	\$230.45	\$273.44	\$42.99	19%

C. Cost of Capital

The parties agree that the Settlement terms provide Onalaska a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses as provided in Tex. Util Code § 104.051.³³

As indicated in Mr. Nalepa's direct testimony on behalf of Onalaska, a hypothetical rate of return is used because Onalaska is a non-profit corporation that has debt at zero percent interest and no equity component.³⁴ Nalepa further testified that in past cases the Commission found it was unreasonable for a utility with zero debt to base its total return on the company's cost of equity.³⁵ Instead, the Commission imputed a weighted cost of capital based upon a historical average of the component debt and equity parts.³⁶

³² The typical monthly bill amounts include the customer charge, commodity charge and gas cost adjustment.

³³ Onalaska Ex. 2, Settlement, at 3, ¶ 5.

³⁴ Onalaska Ex. 1, (Nalepa Test.), at 10.

³⁵ *Id.*

³⁶ Onalaska Ex. 1, (Nalepa Test.) at 10-11.

The Settlement contains the following hypothetical rate of return,³⁷ which matches Onalaska's initial request:

Class of Capital	Percent	Cost	Cost of Capital
Long-Term Debt	45%	6%	2.7%
Common Equity	55%	10.50%	5.775%
Weighted Average Cost of Capital	100%		8.48%

After review and consideration of the Settlement and evidentiary record, the Examiners find the proposed capital structure, cost of debt and equity, as well as the overall return contained in the Settlement are just and reasonable.

D. Depreciation Rates

The parties agree that Onalaska's proposed depreciation rates for distribution and general plant as shown on Exhibit C of the Settlement are reasonable.³⁸

After review and consideration of the Settlement and evidentiary record, the Examiners find the depreciation rates reflected on Exhibit C of the Settlement to be just and reasonable.

E. Capital Investment Prudence

The parties agree that Onalaska's capital investment booked to plant through the test year end, September 30, 2016, is reasonable as adjusted.³⁹

After review and consideration of the Settlement and evidentiary record, the Examiners find that Onalaska's capital investment booked to plant through September 30, 2016, is reasonable and prudent, as adjusted.

F. Future Interim Rate Adjustment Factors

The parties agree that, for the purpose of calculating an interim rate adjustment ("IRA") under Tex. Util. Code § 104.301, the beginning invested capital, accumulated depreciation amounts, service lives, depreciation rates, and applicable tax rates are reflected on Exhibit C attached to the Settlement.⁴⁰

After review and consideration of the Settlement and the supporting evidentiary record, the Examiners find these Settlement terms to be just, reasonable, and prudent.

³⁷ Onalaska Ex. 2, Settlement, at 3, ¶ 6.

³⁸ Onalaska Ex. 2, Settlement, at 3, ¶ 7.

³⁹ Onalaska Ex. 2, Settlement, at 3, ¶ 8.

⁴⁰ Onalaska Ex. 2, Settlement, at 2, ¶ 4.

G. Affiliate Transactions

The parties agree that Onalaska does not have any affiliate transactions as an affiliate is defined in Tex. Util. Code §§ 101.003(2) and 101.004 and that Onalaska's intracompany allocations are reasonable.⁴¹

After review and consideration of the Settlement and evidentiary record, the Examiners find that Onalaska's intracompany allocations are just, reasonable, and prudent.

H. Tariffs

The parties have filed proposed tariffs as part of the Settlement. The tariffs include the following: 1) residential service for environs; 2) residential service for incorporated areas; 3) commercial service for environs; 4) commercial service for incorporated areas; 5) cost of gas adjustment clause; 5) tax rider; and 6) rate case expense tariff.

If approved, the proposed Final Order states that rates, terms, and conditions established by this Settlement shall be effective for bills rendered on and after the effective date of the Final Order.

The Signatories agree that the Gas Cost Adjustment rate schedule does not allow for recovery of more than five percent unaccounted for gas loss and does not allow for recovery of more than actual gas cost pursuant to 16 Tex. Admin. Code § 7.5414.⁴²

The Settlement rates are designed to recover an annual revenue requirement of \$360,534, excluding gas cost, from all customers. The rates reflect the Settlement increase of an additional \$65,210 in annual revenues, and the parties agree that the rates, terms, and conditions reflected in the Settlement tariffs comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.

After review and consideration of the Settlement and evidentiary record, the Examiners recommend approval of the proposed tariffs.

I. Rate Case Expenses

Onalaska requests reimbursement and recovery of reasonable rate case expenses.⁴³ In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.⁴⁴ Any gas utility and/or municipality claiming reimbursement for its rate

⁴¹ Onalaska Ex. 2, Settlement, at 3, ¶ 9.

⁴² Onalaska Ex. 2, Settlement, at 4, ¶ 15.

⁴³ Onalaska Ex. 1, SOI; See also Onalaska Ex. 2, Settlement, at 4, ¶¶ 16-17, and Onalaska Ex. 2, Settlement, Ex. A (Rate Case Expense Tariff).

⁴⁴ 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), and Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.⁴⁵ Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.⁴⁶

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase granted.⁴⁷

Onalaska filed an affidavit⁴⁸ and supporting evidence for reimbursement of rate case expenses.⁴⁹ The amounts include reasonable rate case expenses incurred through June 30, 2017, and estimated rate case expenses incurred through completion of this case.

1. Amounts

Onalaska agrees in the Settlement to limit its recovery of rate case expenses to \$26,000, though it represents that its reasonable rate case expenses incurred through June 30, 2017 and estimated expenses incurred through completion of this case are \$29,952.52.⁵⁰

Onalaska provided evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation. The Examiners reviewed the affidavit and invoices provided by Mr. Nalepa to support the rate case expenses requested by Onalaska. The Examiners found no evidence of double-billing, excess charges,

⁴⁵ 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ Onalaska Ex. 3, Affidavit of Karl J. Nalepa.

⁴⁹ *Id.*

⁵⁰ Onalaska Ex. 2, Settlement, at 4-5, ¶¶ 16-17.

inappropriate documentation of work, excessive entertainment and dining expenses, or other prohibited charges.

The Examiners find: (1) the request for a rate change was reasonable; (2) there was no duplication of services or testimony by any party; (3) the work performed by all parties was relevant and reasonably necessary to the proceeding; and (4) the complexity and expense of the work by all parties was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted. The Examiners further find that the terms in the Settlement relating to the reimbursement, recovery, and reporting of rate case expenses are reasonable and appropriate.⁵¹

After review and consideration of the Settlement and evidentiary record, the Examiners find that recovery by Onalaska of \$26,000 in rate case expenses is just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve Onalaska's recoverable rate case expense amount of \$26,000 contained in the Settlement.

2. Allocation and Surcharge

The parties agree that it is reasonable to allow Onalaska to implement a rate surcharge to recover rate case expenses of \$26,000 and to not add interest to the unrecovered rate case expense balance.⁵² Attached to the Settlement is a Rate Case Expense Tariff, which sets the terms for recovery from Onalaska customers of the rate case expenses incurred by Onalaska in this proceeding.⁵³ The surcharge will be \$0.97 per customer, per month until the entire rate case expense amount is collected, or approximately 36 months, but in no event shall the amount collected exceed \$26,000.⁵⁴

After review and consideration of the Settlement and evidentiary record, the Examiners find that the terms in the Settlement relating to reimbursement, allocation, and recovery of rate case expenses are just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve the terms in the Settlement relating to reimbursement, allocation, and recovery by Onalaska of its rate case expenses.

3. Compliance

The parties agree that Onalaska shall comply with the following:

- File annually a rate case expense report with the Oversight and Safety Division of the Commission on or before March 1 of each year. The report shall include the amount of rate case expense recovered by

⁵¹ Onalaska Ex. 2, Settlement, at 4-5, ¶¶ 16-18, and Onalaska Ex. 2, Settlement, Ex. A (Rate Case Expense Tariff).

⁵² Onalaska Ex. 2, Settlement, at 4, ¶ 17.

⁵³ Settlement, Exhibit A (Rate Case Expense Tariff).

⁵⁴ *Id.*, and Onalaska Ex. 2, Settlement, Ex. A (Rate Case Expense Tariff).

month and the outstanding balance by month through the end of the previous calendar year. Upon completion of the recovery, Onalaska shall file a final report within 60 days after the last billing cycle recovery from the customer.⁵⁵

- Submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Commission Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses.⁵⁶ The total actual expenses shall not exceed the actual expenses submitted to the Commission as of June 2017, plus the approved estimated expenses of \$2,500.⁵⁷
- File an annual Rate Case Expense Report with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within 90 days after each calendar day end.⁵⁸

4. Conclusion

Considering the Settlement and evidentiary record, the Examiners find that the terms in the Settlement relating to the amounts, reimbursement, allocation, and recovery of rate case expenses are just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve these terms in the Settlement.

J. Record Keeping Adjustments

Onalaska agrees to the following adjustments to its record keeping:

- Within 30 days of the Final Order, Onalaska agrees to fully adopt the FERC USOA and adhere to the FERC USOA instructions in accordance with 16 Tex. Admin. Code § 7.310. Within 60 days of the Final Order, Onalaska shall file with the Oversight and Safety Division of the Commission, its proposed methodology for compliance with the FERC USOA instructions. The compliance document shall list each gas plant account that is used and useful (estimated if not known) by gas plant account. The compliance document shall also reflect the approved depreciation rate by FERC Account and the total accumulated depreciation for each FERC Account.⁵⁹
- Onalaska agrees, in compliance with the FERC USOA, to: 1) maintain all gas plant accounts in the corresponding plant account with the accurate depreciation rate for each plant account; 2) only remove an asset from its books when the asset is retired, regardless of whether the asset has been fully depreciated; 3) add all used and useful assets that were

⁵⁵ Onalaska Ex. 2, Settlement, at 5, ¶ 18, and Onalaska Ex. 2, Settlement, Ex. A (Rate Case Expense Tariff).

⁵⁶ Onalaska Ex. 2, Settlement, at 5, ¶ 18

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ Onalaska Ex. 2, Settlement, at 3, ¶ 10.

removed from a plant account back to the applicable; 4) keep books monthly and make year-end adjustments in the applicable year; and 5) utilize FERC USOA in all future Commission Annual Report filings.⁶⁰

- Onalaska agrees to track its employees' time between the water and gas divisions based on a weekly estimate by each employee of hours spent working for each division.⁶¹
- Onalaska agrees that any expenses associated with integrity testing and/or leak surveys, including any requirements in 16 Tex. Admin. Code §§ 8.206-8.209, shall be reviewed annually and capitalized where applicable.⁶²
- Within 60 days of the Final Order, Onalaska shall file with the Oversight and Safety Division of the Commission a compliance report detailing its proposed methodology for compliance with the FERC USOA instructions.⁶³
- Within 60 days of the Final Order, Onalaska shall file with the Oversight and Safety Division of the Commission a compliance document reflecting its proposed methodology for adoption and compliance with the FERC USOA in accordance with the terms of the Settlement.⁶⁴

VII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, issued contemporaneously with this PFD, are fully incorporated herein by reference.

VIII. CONCLUSION

The Examiners find that the terms and rate elements in the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend that the terms and rate elements set forth in the Settlement Agreement be approved.

SIGNED August 3, 2017.



Dana Avant Lewis
Administrative Law Judge



James Currier
Technical Examiner

⁶⁰ *Id.*

⁶¹ Onalaska Ex. 2, Settlement, at 4, ¶ 12

⁶² Onalaska Ex. 2, Settlement, at 4, ¶ 13

⁶³ Onalaska Ex. 2, Settlement, at 3, ¶ 11.

⁶⁴ *Id.*

GUD Docket No. 10617

Proposal for Decision

ATTACHMENT 2

Settlement Agreement

GAS UTILITIES DOCKET NO. 10617

STATEMENT OF INTENT FILED BY	§	
ONALASKA WATER & GAS SUPPLY	§	BEFORE THE
CORPORATION TO CHANGE RATES	§	RAILROAD COMMISSION
IN THE ENVIRONS OF THE CITY OF	§	OF TEXAS
ONALASKA	§	

UNANIMOUS SETTLEMENT AGREEMENT
BETWEEN ONALASKA WATER & GAS SUPPLY CORPORATION
AND THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

This Unanimous Settlement Agreement ("Settlement Agreement") is entered into by and between Onalaska Water & Gas Supply Corporation ("OW&GS" or the "Company") and the Staff of the Railroad Commission of Texas ("Commission Staff") (collectively, the "Parties" or "Signatories").

WHEREAS, OW&GS serves approximately 750 residential and commercial customers inside and outside the City of Onalaska near Lake Livingston, about 70 miles north of Houston; and

WHEREAS, on March 24, 2017, OW&GS filed with the Railroad Commission of Texas ("Commission") its Statement of Intent to Change Rates in the Environs of the City of Onalaska ("Statement of Intent") to adjust rates under the provisions of Subchapter C of Chapter 104 of the Texas Utilities Code and Chapter 7 of Title 16 of the Texas Administrative Code; and

WHEREAS, the Commission docketed OW&GS's filing as Gas Utilities Docket ("GUD") No. 10617; and

WHEREAS, Commission Staff sought intervention and was granted party status in GUD No. 10617 on March 28, 2017; and

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

WHEREAS, OW&GS timely filed an appeal of the City of Onalaska's denial under the provisions of Subchapter C of Chapter 103 of the Texas Utilities Code and Chapter 7 of Title 16 of the Texas Administrative Code, and such filing was docketed as GUD No. 10634 and consolidated with GUD No. 10617; and

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

WHEREAS, OW&GS's last rate change was approved by the Railroad Commission of Texas ("Commission") in GUD No. 10238, effective May 7, 2013; and

WHEREAS, proper notice was made to all affected customers by direct mail on May 4, 2017, which is supported a duly notarized affidavit; and

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

WHEREAS, this Settlement Agreement resolves all issues between the Signatories regarding OW&GS's Statement of Intent in a manner that the Signatories believe is consistent with the public interest; and

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

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to the following Settlement Terms as a means of fully resolving and concluding GUD No. 10617 without the need for prolonged litigation:

Settlement Terms

1. Upon the execution of this Settlement Agreement, the Signatories recommend that a Final Order be issued to approve this Settlement Agreement and implement the rates, terms and conditions reflected in the rate schedules attached to this Settlement Agreement as Exhibit A. The rate schedules attached as Exhibit A replace and supersede the rate schedules currently in effect in the environs and incorporated areas of Onalaska, Texas. The Signatories agree that the rates, terms and conditions reflected in Exhibit A comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. Except as specifically provided herein, the Signatories further agree that the \$65,210 revenue increase is a "black box" figure and is not tied to any specific expense in OW&GS's underlying cost of service. The gas rates, terms and conditions established by this Settlement Agreement shall, subject to the Commission's approval, be effective for bills rendered on and after the effective date of the Final Order in this docket.
2. The Signatories agree that an additional, prospective \$65,210 increase in annual base revenue is reasonable and is shown by the proof of revenues attached to this Settlement Agreement as Exhibit B.
3. The Signatories agree to the following customer charges and volumetric rates for customers served by OW&GS. These rates are reflected in the rate schedules attached as Exhibit A. Typical bill comparisons are attached as Exhibit D.

Customer Class	Customer Charge	Commodity Charge
Residential	\$14.00	\$11.5525 per Mcf
Commercial	\$17.00	\$11.5525 per Mcf

4. The Signatories agree that for the purpose of calculating an interim rate adjustment under Tex. Util. Code § 104.301, the beginning invested capital, accumulated depreciation

amounts, service lives, depreciation rates, and applicable tax rates are reflected on Exhibit C attached to this Settlement Agreement.

5. The Signatories agree that the terms of this Settlement Agreement provide OW&GS a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses as provided in Tex. Util. Code § 104.051.
6. The Signatories agree that a hypothetical rate of return as shown in the table below is reasonable.

Class of Capital	Percent	Cost	Cost of Capital
Long-Term Debt	45.00%	6.00%	2.700%
Common Equity	55.00%	10.50%	5.775%
Weighted Average Cost of Capital	100.00%		8.480%

7. The Signatories agree that OW&GS's proposed depreciation rates for distribution and general plant as shown on Exhibit C are reasonable.
8. The Signatories agree that OW&GS's capital investment booked to plant through the test year end, September 30, 2016, is reasonable as adjusted.
9. OW&GS does not have any affiliate transactions as an affiliate is defined in Tex. Util. Code §§ 101.003(2) and 101.004. The Company's intracompany allocations are reasonable.
10. The Signatories agree that OW&GS will make the following record keeping adjustments:
 - a. Within thirty (30) days of the Final Order in this docket, OW&GS agrees to fully adopt the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") and adhere to the FERC USOA instructions in accordance with 16 Tex. Admin. Code § 7.310.
 - b. Within sixty (60) days of the Final Order in this docket, OW&GS shall file with the Oversight and Safety Division of the Commission its proposed methodology for compliance with the FERC USOA instructions. The compliance document shall list each gas plant account that is used and useful (estimated if not known) by gas plant account. The compliance document shall also reflect the approved depreciation rate by FERC Account and the total accumulated depreciation for each FERC Account. OW&GS agrees, in compliance with the FERC USOA, to:
 - i. Maintain all gas plant accounts in the corresponding plant account with the accurate depreciation rate for each plant account;
 - ii. Only remove an asset from its books when the asset is retired, regardless of whether the asset has been fully depreciated;

- iii. Add all used and useful assets that were removed from a plant account back to the applicable account; and
 - iv. Keep books monthly and make year-end adjustments in the applicable year.
 - c. OW&GS will utilize FERC USOA in all future Commission Annual Report filings.
- 11. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
 - a. Finding of Fact: It is reasonable for OW&GS to adopt the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") and adhere to the FERC USOA instructions in accordance with 16 Tex. Admin. Code § 7.310.
 - b. Finding of Fact: It is reasonable that OW&GS file a compliance report detailing its proposed methodology for compliance with the FERC USOA instructions within sixty (60) days of the effective date of the Final Order in this docket.
 - c. Ordering Paragraph: IT IS THEREFORE ORDERED that OW&GS shall file with the Oversight and Safety Division, within sixty (60) days of the effective date of the Final Order in this docket, a compliance document reflecting its proposed methodology for adoption and compliance with the FERC USOA in accordance with the terms of the Unanimous Settlement Agreement.
- 12. OW&GS agrees to track its employees' time between the water and gas divisions based on a weekly estimate by each employee of hours spent working for each division.
- 13. OW&GS agrees that any expenses associated with integrity testing and/or leak surveys, including any requirements in 16 Tex. Admin. Code §§ 8.206-8.209, shall be reviewed annually and capitalized where applicable.
- 14. The Signatories agree that this Settlement Agreement does not include expenses for business gifts, entertainment, charitable donations, legislative advocacy, advertising expense that exceeds one-half of one percent of the gross receipts of the utility, funds for support or membership in social, recreational, fraternal, or religious organizations pursuant to Tex. Util. Code § 104.057 and 16 Tex. Admin. Code § 7.5414.
- 15. The Signatories agree that the Gas Cost Adjustment rate schedule does not allow for recovery of more than five percent (5%) unaccounted for gas loss and does not allow for recovery of more than actual gas cost pursuant to 16 Tex. Admin. Code § 7.5519.
- 16. OW&GS represents that its reasonable rate case expenses incurred through June 30, 2017 and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Invoices	Est. to Completion	Total
Onalaska	\$27,452.52	\$2,500.00	\$29,952.52

17. The Signatories agree that it is reasonable to allow OW&GS to implement a rate surcharge to recover rate case expenses of \$26,000. Interest will not be added to the unrecovered rate case expense balance. The surcharge will be \$0.97 per customer per month until the entire rate case expense amount is collected, or approximately 36 months, but in no event shall the amount collected exceed \$26,000.
18. The Signatories agree that OW&GS shall file annually a rate case expense report with the Oversight and Safety Division of the Commission on or before March 1 of each year. The report shall include the amount of rate case expense recovered by month and the outstanding balance by month through the end of the previous calendar year. Upon completion of the recovery, OW&GS shall file a final report within 60 days after the last billing cycle recovery from the customer. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
- a. Finding of Fact: It is reasonable that OW&GS submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Commission Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of June 2017, plus the approved estimated expenses of \$2,500.
 - b. Finding of Fact: It is reasonable that OW&GS file an annual Rate Case Expense Report with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within 90 days after each calendar year end.
 - c. Ordering Paragraph: IT IS THEREFORE ORDERED that OW&GS file an annual Rate Case Expense Report with Commission Staff detailing recovery of rate case expenses as described in Finding of Fact __ within 90 days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered.
19. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission issues a Final Order that is inconsistent with this Settlement Agreement, then either Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.

20. Except as may be allowed under Rule 408 of the Texas Rules of Evidence, the Signatories agree that all negotiations, discussions, and conferences related to this Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in this docket.
21. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of a Final Order implementing this Settlement Agreement.
22. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
23. The Signatories agree to support and seek approval by the Commission of this Settlement Agreement.
24. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 6 day of June, 2017.

ONALASKA WATER & GAS SUPPLY CORPORATION

By: Gairee Brown
Gairee Brown
Gas Superintendant

Sidney L. Chance, Jr.
Sidney L. Chance, Jr.
General Manager

Agreed to this _____ day of June, 2017.

ATTORNEY FOR THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
Natalie Dubiel

Agreed to this _____ day of June, 2017.

ONALASKA WATER & GAS SUPPLY CORPORATION

By: _____
Gairee Brown
Gas Superintendant

Agreed to this 7th day of June, 2017.

ATTORNEY FOR THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: Natalie Dubiel
Natalie Dubiel

GUD No. 10617

EXHIBIT A

TARIFFS

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

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$14.00

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 \$11.5525 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall recover a one-time annual fee as a surcharge to its existing rates for the Commission's Pipeline Safety and Regulatory Program Fee in the amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code §121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

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

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$14.00

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 \$11.5525 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall recover a one-time annual fee as a surcharge to its existing rates for the Commission's Pipeline Safety and Regulatory Program Fee in the amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code §121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

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

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$17.00

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 \$11.5525 per Mcf (Commodity Rate), subject to the Gas Cost Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall recover a one-time annual fee as a surcharge to its existing rates for the Commission's Pipeline Safety and Regulatory Program Fee in the amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code §121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

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

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$17.00

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 \$11.5525 per Mcf (Commodity Rate), subject to the Gas Cost Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PIPELINE SAFETY AND REGULATORY PROGRAM FEE:

The Company shall recover a one-time annual fee as a surcharge to its existing rates for the Commission's Pipeline Safety and Regulatory Program Fee in the amount determined by the Commission for each service line reported to be in service at the end each calendar year, pursuant to Texas Utilities Code §121.211 and 16 Texas Admin. Code §8.201.

RATE CASE EXPENSE SURCHARGE:

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

OTHER SURCHARGES:

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

PAYMENT:

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

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

A. APPLICABILITY

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

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

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

C. COST OF GAS

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

D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E. PAYMENT FOR FUNDS, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather for the period beginning with the October billing cycle last preceding through the June billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following October billing cycle and continuing through the next following June billing cycle at which time it will terminate until a new Reconciliation Component is determined

E. PAYMENT FOR FUNDS

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

Onalaska Water & Gas Supply Corporation
Gas Rate Sheet
Tax Rider

APPLICABILITY

This Rider is applicable to any customer served under Residential and Commercial rate schedules served by Onalaska. 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.

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

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under residential or commercial rate schedules in the city and environs served by Onalaska Water & Gas Supply Corporation, filed on March 24, 2017, GUD No. 10617. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after _____, 2017, for an approximate thirty-six (36) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The rate payable shall be \$0.97 per customer per month.

RULES AND REGULATIONS

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

COMPLIANCE

The Company shall file an annual report with the Gas Services Department on or before March 1st of each year showing the beginning balance of the unrecovered rate case expense at January 1st, the amount recovered by customer class by month during the previous calendar year and the ending balance as of December 31st. Upon completion of the recovery, OW&GS shall file a final report within 60 days after the last billing cycle recovery from the customer. No interest will accumulate on the outstanding balance. Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filing
Oversight and Safety Division, Gas Services
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

GUD No. 10617

EXHIBIT B

PROOF OF REVENUES

ONALASKA WATER AND GAS CORPORATION - EXHIBIT B
DEVELOPMENT OF SETTLEMENT RATES
For the Pro Forma Test Year Ended September 30, 2016

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	<u>Residential</u>					
2	Customer Charge	8,376 Bills	\$14.00 / Month	\$117,264		47.0%
3	Commodity Charge	11,455 MCF	\$11.5525 / MCF	132,332		53.0%
4	Total Residential			\$249,596	\$43,584	21.2%
5						
6	<u>Commercial</u>					
7	Customer Charge	600 Bills	\$17.00 / Month	\$10,200		9.2%
8	Commodity Charge	8,720 MCF	\$11.5525 / MCF	100,738		90.8%
9	Total Commercial			\$110,938	\$21,626	24.2%
10						
11	Total Base Rate Revenue			\$360,534	\$65,210	22.08%
12						
13						
14	<u>Residential Service - (Incorporated)</u>					
15	Base Rate					
16	Customer Charge	3,288 Bills	14.00 / Month	\$46,032		45.9%
17	Commodity	4,702 MCF	11.55250 / MCF	54,325		54.1%
18	Total			\$100,357	\$17,591	21.3%
19						
20	<u>Residential Service - (Environs)</u>					
21	Base Rate					
22	Customer Charge	5,088 Bills	14.00 / Month	\$71,232		47.7%
23	Commodity	6,752 MCF	11.55250 / MCF	78,007		52.3%
24	Total			\$149,239	\$25,993	21.1%
25						
26	<u>Commercial Service - (Incorporated)</u>					
27	Base Rate					
28	Customer Charge	492 Bills	17.00 / Month	\$8,364		7.8%
29	Commodity	8,611 MCF	11.55250 / MCF	99,479		92.2%
30	Total			\$107,843	\$21,155	24.4%
31						
32	<u>Commercial Service - (Environs)</u>					
33	Base Rate					
34	Customer Charge	108 Bills	17.00 / Month	\$1,836		59.3%
35	Commodity	109 MCF	11.55250 / MCF	1,259		40.7%
36	Total			\$3,095	\$471	17.9%
37						
38						
39	Total			\$360,534	\$65,210	22.1%

GUD No. 10617

EXHIBIT C

INTERIM RATE ADJUSTMENT FACTORS

Onalaska Water & Gas Supply Corporation
Interim Rate Adjustment Factors

Depreciation Rates

<u>Distribution Plant</u>	<u>Plant Balance</u>	<u>Life</u>	<u>Rate</u>
376-Mains			
6/19/2005 Additions	437,383.64	30	0.03333
6/22/2005 Additions	4,795.51	25	0.04000
12/31/2002 200 L/F 2" Line	400.00	20	0.05000
12/31/2002 600 L/F 2" Line	1,200.00	20	0.05000
12/31/2002 600 L/F 2" Line	1,200.00	20	0.05000
2003 Gas Lines 2005	7,634.00	25	0.04000
2004 Improvements 2004	5,242.00	25	0.04000
2005 Improvements 2005	2,033.00	25	0.04000
2006 315' of 2" Line	677.00	25	0.04000
2/27/2008 Line Extension	6,312.92	20	0.05000
GRIP Total 376-Mains	466,878.07	29.45	0.03395
378-Meas. & Reg. Station Equipment			
6/14/2005 Taps & Equip	5,392.53	5	0.00000
6/15/2005 Taps & Equip	126.04	5	0.00000
6/12/2002 Equipment	1,500.00	5	0.00000
6/12/2002 Equipment	123.75	5	0.00000
6/12/2002 Equipment	405.79	5	0.00000
GRIP Total 378-Meas/Reg Station	7,548.11	5	0.00000
GRIP Total 380-Services	6,225.62	28.48	0.03512
381-Meters			
12/12/2002 13 RE Gas Meter	3,900.00	20	0.05000
12/12/2002 2-2" Gas Meter	1,600.00	20	0.05000
2004 Gas Meters	3,000.00	10	0.10000
2005 Gas Meters	5,700.00	10	0.10000
2003 Gas Meters	8,200.00	10	0.10000
2006 18 New Meters @\$300	5,400.00	10	0.10000
04/17/15 Meters, Valves, etc.	1,340.62	7	0.14286
09/17/15 Couplings & Caps	1,300.80	7	0.14286
2006 2007 Gas Meters	18,067.37	10	0.10000
GRIP Total 381-Meters	48,508.79	10.35	0.09666
GRIP Total Distribution Plant	529,160.59	25.44	0.03931

<u>General Plant</u>	<u>Plant Balance</u>	<u>Life</u>	<u>Rate</u>
390- Structures & Improvements	819.50	7	0.14286
GRIP Total 390- Struct & Improv	819.50	7	0.14286
391-Office Furniture & Equipment	1,129.30	5	0.00000
GRIP Total 391-Office Furn	1,129.30	5	0.00000
392-Transportation Equipment			
6/25/2005 Truck	24,000.00	10	0.00000
8/25/14 2009 Ford F350	10,988.00	7	0.14286
5/9/2008 2005 Ford Truck	4,802.03	5	0.00000
GRIP Total 392-Trans Equipment	39,790.03	8.07	0.12390
394-396 Stores, Tools, Lab & Power Equipment			
4/21/16 VERMEER VAC	17,750.00	7	0.14286
12/12/13 PortaMold	5,000.00	7	0.14286
3/20/2008 Kubota Tractor	12,000.00	10	0.10000
3/17/2010 Trailer	800.00	5	0.20000
6/23/2010 Pipe Cutter	749.06	5	0.20000
9/2/2011 Kubota KX41	28,390.00	5	0.20000
GRIP Total 394-396 Stores, Tools	64,689.06	6.20	0.16135
GRIP Total General Plant	106,427.89	6.78	0.14759
374- Land and Land Rights	12,750		
GRIP Land and Land Rights	12,750		
Total Plant			
GRIP Gross Plant	648,339		
GRIP Accumulated Depreciation	(386,996)		
GRIP Net Plant	261,343		

Tax Rates/Base Amounts

Federal Income Tax Rate:	0.00%
Property Tax:	\$22,491
Total Taxes Other Than Income:	\$17,793

GUD No. 10617

EXHIBIT D

TYPICAL BILL COMPARISONS

ONALASKA WATER AND GAS CORPORATION
TYPICAL BILL COMPARISONS

For the Pro Forma Test Year Ended September 30, 2016

GUD No. 10617
 Exhibit D
 Page 1 of 2

Residential Service - (Incorporated)					
Charge	Present	Proposed	# of Cust.		
Customer Charge \$/Month	\$12.00	\$14.00	274		
Commodity \$/MCF	\$9.2100	\$11.5525			
Gas Cost Adjustment \$/MCF	\$3.2140	\$3.2140			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
1	\$24.42	\$28.77	\$4.34	17.78%	
2	\$36.85	\$43.53	6.69	18.14%	
4	\$61.70	\$73.07	11.37	18.43%	
6	\$86.54	\$102.60	16.06	18.55%	
8	\$111.39	\$132.13	20.74	18.62%	
10	\$136.24	\$161.66	25.43	18.66%	
Avg MCF Use					
1.43	\$29.77	\$35.12	5.35	17.97%	
Residential Service - (Environs)					
Charge	Present	Proposed	# of Cust.		
Customer Charge \$/Month	\$12.00	\$14.00	424		
Commodity \$/MCF	\$9.2100	\$11.5525			
Gas Cost Adjustment \$/MCF	\$3.2264	\$3.2264			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
1	\$24.44	\$28.78	\$4.34	17.77%	
2	\$36.87	\$43.56	6.69	18.13%	
4	\$61.75	\$73.12	11.37	18.41%	
6	\$86.62	\$102.67	16.06	18.54%	
8	\$111.49	\$132.23	20.74	18.60%	
10	\$136.36	\$161.79	25.43	18.64%	
Avg MCF Use					
1.33	\$28.54	\$33.66	5.12	17.92%	

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43

ONALASKA WATER AND GAS CORPORATION
TYPICAL BILL COMPARISONS
For the Pro Forma Test Year Ended September 30, 2016

GUD No. 10617
Exhibit D
Page 2 of 2

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

69

70

71

72

73

74

75

76

77

78

79

80

81

82

83

84

85

86

Commercial Service - (Incorporated)				
Charge		Present	Proposed	# of Cust.
Customer Charge \$/Month		\$15.00	\$17.00	41
Commodity \$/MCF		\$9.2100	\$11.5525	
Gas Cost Adjustment \$/MCF		\$3.1014	\$3.1014	
TYPICAL MONTHLY BILL COMPARISON				
MCF		Present	Proposed	Change
				(%)
				(%)
5		\$76.56	\$90.27	\$13.71 17.91%
10		\$138.11	\$163.54	25.43 18.41%
15		\$199.67	\$236.81	37.14 18.60%
20		\$261.23	\$310.08	48.85 18.70%
25		\$322.79	\$383.35	60.56 18.76%
30		\$384.34	\$456.62	72.28 18.80%
Avg MCF Use				
17.50		\$230.45	\$273.44	42.99 18.66%
Commercial Service - (Environs)				
Charge		Present	Proposed	# of Cust.
Customer Charge \$/Month		\$15.00	\$17.00	9
Commodity \$/MCF		\$9.2100	\$11.5525	
Gas Cost Adjustment \$/MCF		\$3.4377	\$3.4377	
TYPICAL MONTHLY BILL COMPARISON				
MCF		Present	Proposed	Change
				(%)
				(%)
1		\$27.65	\$31.99	\$4.34 15.71%
2		\$40.30	\$46.98	6.69 16.59%
4		\$65.59	\$76.96	11.37 17.33%
6		\$90.89	\$106.94	16.06 17.66%
8		\$116.18	\$136.92	20.74 17.85%
10		\$141.48	\$166.90	25.43 17.97%
Avg MCF Use				
1.01		\$27.77	\$32.14	4.37 15.72%

of Cust.
41

of Cust.
9

Avg MCF Use
1.01

of Cust.
15.72%

GUD Docket No. 10617

Proposal for Decision

ATTACHMENT 3

Final Order

RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT FILED BY	§	
ONALASKA WATER & GAS SUPPLY	§	GAS UTILITIES
TO CHANGE RATES IN THE	§	
ENVIRONS OF THE CITY OF	§	DOCKET NO. 10617
ONALASKA	§	

FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 et. seq. (Vernon 2008 & Supp. 2016). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Onalaska Water and Gas Supply Corporation ("Onalaska") owns and operates a natural gas distribution system in the incorporated community of Onalaska, Texas and its environs.
2. On March 24, 2017, Onalaska filed with the Railroad Commission of Texas ("Commission") a Statement of Intent ("SOI") to increase its Rates in the Environs of Onalaska, Texas.
3. Onalaska requested an effective date of April 28, 2017.
4. On April 25, 2017, the Commission suspended the implementation of Onalaska's proposed rates for 150 days beyond the proposed effective date, or until September 25, 2017.
5. Staff of the Railroad Commission intervened on March 28, 2017. No other interventions were filed.
6. The Commission published notice of Onalaska's SOI application in *Gas Utilities Information Bulletin No. 1056* on March 31, 2017.
7. Onalaska provided adequate notice of its Statement of Intent by sending a direct mailout to all of its customers on May 4, 2017.
8. The Direct mail out to customers meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the Statement of Intent, in accordance with GURA §104.103(a) and 16 TEX. ADMIN. CODE §§7.230 AND 7.235 (2016).

9. On May 11, 2017, Onalaska filed a Petition for De Novo Review of the Denial of the SOI Filed by Onalaska to Change Rates in the City of Onalaska with the Commission.
10. On May 22, 2017, the Examiners consolidated GUD No. 10634 with GUD No. 10617.
11. On May 22, 2017, the Commission received a letter of protest from one resident potentially within Onalaska's service area; however, the complainant did not seek further participation in the docket.
12. On June 6, 2017, the parties filed a Unanimous Settlement Agreement ("Agreement"), consented to by Onalaska and Staff.
13. On June 20, 2017, Notice of Hearing for July 17, 2017, was issued and subsequently published in the Gas Utilities Information Bulletin on June 30, 2017, in accordance with Commission Rule § 7.235 (Publication and Service of Notice).
14. Notice of Hearing was sent to the governing body of the affected county, in accordance with Section 104.105(c) of the Texas Utilities Code.
15. A hearing to consider the Settlement was conducted on July 17, 2017.
16. Only Onalaska and Commission staff attended the hearing.
17. On August 1, 2017, the evidentiary record closed.
18. Onalaska established that it has complied with the books and records requirements of Commission Rule 7.310, and the amounts included therein are therefore subject to the presumption encapsulated in Commission Rule 7.503 that these amounts are reasonable and necessary.
19. Although Onalaska has complied with the books and record requirements of Commission Rule 7.310, is required to make additional record keeping adjustments.
20. Onalaska initially requested an increase of annual revenues by \$85,382, which is an increase of 22.89 percent including gas costs and 28.91 percent excluding gas costs.
21. Onalaska also requested a hypothetical rate of return of 8.48 percent, using a hypothetical capital structure of 55 percent equity and 45 percent long-term debt and hypothetical capital costs of 10.5 percent for equity and 6 percent for long-term debt.
22. Onalaska requested a monthly customer charge of \$15 for residential customers and \$18 for commercial customers.

23. Onalaska requested a volumetric charge of \$12.1074 per Mcf for residential and commercial customers.
24. The data submitted to the Commission in this docket encompasses a full test-year, ending September 30, 2016, adjusted for known and measurable changes.
25. The Settlement contemplates a \$65,210, revenue increase, which is a "black box" amount; meaning that it is not tied to any specific expense in Onalaska's underlying cost-of-service.
26. The new base rates will consist of a customer charge and a volumetric charge designed to recover Onalaska's cost of service and provide a reasonable return on its investment. The proposed rate changes are set forth on the following table.

<u>Customer Class</u>	<u>Customer Charge \$/Month</u>	<u>Commodity Charge \$/MCF</u>
Residential	\$14.00	\$11.5525
Commercial	\$17.00	\$11.5525

27. The parties have established that the proposed revenue increase of \$65, 210, is just and reasonable, and indicated by the proof of revenues reflected on Exhibit B to the Settlement.¹
28. The purposes of calculating an interim rate adjustment under TEX. UTIL. CODE § 104.301, the beginning invested capital, accumulated depreciation amounts, service lives, depreciation rates, and applicable tax rates reflected on Exhibit C in the attached Settlement Agreement are just and reasonable.
29. The terms of the Settlement provide Onalaska a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses as provided in Tex. Util. Code § 104.051.
30. The hypothetical rate of return as shown in the table below is reasonable.

Class of Capital	Percent	Cost	Cost of Capital
Long-Term Debt	45%	6%	2.7%
Common Equity	55%	10.50%	5.775%
Weighted Average Cost of Capital	100%		8.48%

¹ The Unanimous Settlement Agreement is attachment 2 to this Final Order.

31. The proposed depreciation rates for distribution and general plant, as shown on Exhibit C to the Settlement, are reasonable.
32. The capital investment booked to plant through the test year end, September 30, 2016, is reasonable.
33. Onalaska does not have any affiliate transactions, but they do have intracompany allocations, which are reasonable.
34. It is reasonable for Onalaska to adopt the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") and adhere to the FERC USOA instructions in accordance with 16 TEX. ADMIN. CODE § 7.310.
35. It is reasonable for Onalaska to file a compliance report detailing its methodology for compliance with the FERC USOA instructions within sixty (60) days of the effective date of the Final Order in this docket.
36. It is reasonable for Onalaska to track its employees' time between the water and gas divisions based on a weekly estimate by each employee of hours spent working for each division.
37. It is reasonable that any expenses associated with integrity testing and/or leak surveys, including any requirements in 16 TEX. ADMIN. CODE §§ 8.206-8.209, be reviewed annually and capitalized where applicable.
38. The Settlement does not include expenses for business gifts, entertainment, charitable donations, legislative advocacy, advertising expense that exceeds one-half of one percent of the gross receipts of the utility, funds for support or membership in social, recreational, fraternal, or religious organizations pursuant to Tex. Util. Code § 104.057 and 16 TEX. ADMIN. CODE § 7.5414.
39. The total actual and estimated rate case expenses requested by Onalaska are \$29,952.52.
40. Onalaska provided billings, invoices and evidence in support of its rate case expense request.
41. The billings, invoices and evidence provided in support of its rate cases expenses do not evidence double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses.
42. Onalaska agreed in the Settlement to limit its rate case expenses to \$26,000.
43. The rate case expenses incurred were reasonably necessary to this rate-case docket. However, it is reasonable that Onalaska submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Commission Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses to

ensure no case shall the total actual expense does not exceed the actual expenses submitted to the Commission as of June 1, 2017, plus the approved estimated expense of \$2500.

44. It is reasonable to allow Onalaska to recover rate case expenses with a recovery rate of \$0.97 per customer per month for approximately 36 months, or until the entire rate case expense amount is collected.
45. It is reasonable for Onalaska to file an annual Rate Case Expense Report with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within 90 days after each calendar year end.
46. The rates proposed by above Findings of Fact are just and reasonable and allow the utility to earn the cost of service approved herein.

CONCLUSIONS OF LAW

1. Onalaska is a gas utility as defined in Tex. Util. Code Ann. § 101.003(7) and Tex. Util. Code Ann. § 121.001 and is subject to the Commission's jurisdiction under Tex. Util. Code Ann. §§ 104.002 and 121.051.
2. The Commission has exclusive original jurisdiction over Onalaska and Onalaska's statement of intent under Tex. Util. Code Ann. § 102.001.
3. The Commission has exclusive appellate jurisdiction pursuant to Util. Code Ann. §§102.001 (b) and 103.001, et seq. (Vernon 2007 and Supp. 2016) to review a decision by a municipality that exercises its exclusive original jurisdiction, so long as, the decision is appealed in accordance with Gas Utility Regulatory Act (GURA) §103.051, et seq.
4. This proceeding was conducted in accordance with the requirements of GURA §§101.001 et seq., (Vernon 2007 and Supp. 2016) and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 et seq., (Vernon 2008 and Supp. 2016).
5. The proposed rates constitute a major change as defined by Tex. Util. Code Ann. §104.101 (Vernon 2007 and Supp. 2016).
6. Onalaska's direct mail of notice to all customers meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the Statement of Intent, in accordance with GURA §104.103(a) and 16 Tex. Admin. Code §§7.230 and 7.235 (2016).

7. The overall revenue requirement established in this Order will permit Onalaska a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses under Tex. Util. Code Ann. § 104.051 (Vernon 2007 and Supp. 2016).
8. The rates established in this Order will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public, under Tex. Util. Code Ann. § 104.052 (Vernon 2007 and Supp. 2016).
9. The rates and rate design reflected in the findings of fact are just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer, under Tex. Util. Code Ann. § 104.003 (Vernon 2007 and Supp. 2016).
10. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to Onalaska in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under Tex. Util. Code Ann. §101.002 (Vernon 2007 and Supp. 2016).
11. The rate case expenses approved herein are reasonable and comply with TEX. UTIL. CODE §103.022(b) and 16 Tex. Admin. Code § 7.5530(a)-(b).

IT IS THEREFORE ORDERED that the proposed schedule of rates under the *Unanimous Settlement Agreement* is hereby **APPROVED**.

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

IT IS FURTHER ORDERED that Onalaska shall file with the Oversight and Safety Division, within sixty (60) days of the effective date of the Final Order in this docket, a compliance document reflecting its proposed methodology for adoption and compliance with FERC USOA in accordance with the terms of the Unanimous Settlement Agreement.

IT IS FURTHER ORDERED that Onalaska file an annual Rate Case Expense Report with Commission Staff detailing recovery of rate case expenses as described in Finding of Fact 45 within 90 days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered.

IT IS FURTHER ORDERED that, in accordance with 16 TEX. ADMIN. CODE § 7.315, within 30 days of the date this Order, Onalaska shall electronically file tariffs and rate schedules with the Director of the Commission's Oversight & Safety Division.

The tariffs shall incorporate rates, rate design, and service charges consistent with this Final Order.

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

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

IT IS FURTHER ORDERED this Order will not be final and effective until 25 days after the Commission's Order is signed. 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. The time allotted for Commission action on a motion for rehearing in this docket prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

SIGNED this ____ day of August, 2017.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

COMMISSIONER WAYNE CHRISTIAN

ATTEST:

SECRETARY

See PFD Attachments