



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10622, *consolidated*
Proposal for Decision

**STATEMENT OF INTENT FILED BY LDC, LLC, TO CHANGE RATES IN THE ENVIRONS OF
THE CITY OF MONTGOMERY, TEXAS**

Administrative Law Judge John Dodson
Technical Examiner Rose Ruiz

PARTIES

APPLICANT: **LDC, LLC (LDC)**
Karl J. Nalepa
President
ReSolved Energy Consulting, LLC
Representatives of LDC

Larry D. Corley
President, LDC, LLC

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:	April 13, 2017
Suspension Order:	May 10, 2017
Rate Case Expenses (RCE) Severed:	May 10, 2017
GUD No. 10641 Appeal Filed:	June 9, 2017
Consolidation of GUD No. 10641:	June 28, 2017
Settlement Filed:	July 25, 2017
Consolidation of RCE Docket:	July 27, 2017
Notice of Hearing Issued:	July 28, 2017
Hearing on the Merits:	August 15, 2017
Evidentiary Record Closed:	August 30, 2017
PFD Issued:	September 1, 2017
Deadline for Commission Action:	November 16, 2017

STATEMENT OF THE CASE

On April 13, 2017, LDC, LLC ("LDC"), filed with the Railroad Commission a statement of intent to change gas utility rates in the environs outside the City of Montgomery, Texas (the "SOI").

Commission Staff is the only intervenor. Staff and LDC reached a settlement that resolved all issues. Staff and LDC agree to the following:

- A system-wide revenue increase of \$167,668 for LDC, with a system-wide revenue requirement totaling \$731,118. This increase is a "black box" figure and is not tied to any specific expense in the underlying cost of service;
- Cost of equity set at 9.5 percent;
- Depreciation rates;
- LDC's capital investment booked to plant through December 31, 2016, is reasonable;
- Requirements for LDC's record keeping;
- Requirements for LDC's transparency, allocation, reporting, and handling of future affiliate expenses;
- Rate case expenses for LDC totaling \$45,000; and
- Various other terms.

The Commission has original jurisdiction over rates for environs (819 customers) and appellate jurisdiction over rates within the City of Montgomery (173 customers). The settled increase would increase the average monthly residential bill by 18.71 percent (from \$60.77 to \$72.14) for environs customers, and by 19.94 percent (from \$51.67 to \$61.97) for city customers. The last rate increase for both environs and city customers occurred in 2009.

The Examiners recommend that the Commission approve the settlement.

The deadline for Commission action is November 16, 2017.

Included in this consolidated docket are GUD Nos. 10622 (the SOI), 10641 (appeal), and 10633 (rate case expenses).

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PROPOSAL FOR DECISION

I. INTRODUCTION

On April 13, 2017, LDC, LLC ("LDC"), filed with the Railroad Commission a statement of intent to change gas utility rates in the environs of the City of Montgomery, Texas (the "SOI"). LDC filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility).

Staff of the Railroad Commission ("Staff") is the only intervenor. Staff and LDC reached a settlement that resolved all issues. Highlights of the Settlement are:

- A system-wide revenue increase of \$167,668 for LDC, with a system-wide revenue requirement totaling \$731,118. This increase is a "black box" figure and is not tied to any specific expense in LDC's underlying cost of service;
- Cost of equity set at 9.5 percent;
- LDC's capital investment booked to plant through December 31, 2016, is reasonable;
- Requirements for LDC's record keeping;
- Requirements for LDC's transparency, allocation, reporting, and handling of future affiliate expenses; and
- Rate case expenses for LDC totaling \$45,000.

Average Bill Impact (without gas cost)

City (173 Customers)								
Class*	Customer Charge		Commodity Charge		Current	Proposed	Amount Change	Percent Change
	Current	Proposed	Current	Proposed	Average Bill	Average Bill		
Residential	\$15.00	\$21.00	\$6.75	\$8.25	\$34.37	\$44.68	\$10.31	30%
Commercial	\$15.00	\$21.00	\$4.75	\$6.25	\$341.18	\$450.18	\$109.01	32%
Environs (819 Customers)								
Class**	Customer Charge		Commodity Charge		Current	Proposed	Amount Change	Percent Change
	Current	Proposed	Current	Proposed	Average Bill	Average Bill		
Residential	\$15.00	\$21.00	\$6.75	\$8.25	\$37.37	\$50.53	\$13.16	35%
Commercial	\$15.00	\$21.00	\$4.75	\$6.25	\$280.09	\$369.81	\$89.72	32%

* Average usage for Residential – 2.87, Commercial 68.67

** Average usage for Residential – 3.58, Commercial 55.81

The last rate increase for all customers occurred in 2009. The Examiners recommend that the Commission approve the Settlement. The deadline for Commission action is November 16, 2017.

Included in this consolidated docket are GUD Nos. 10622 (the SOI), 10641 (city appeal), and 10633 (rate case expenses).

II. PARTIES

The parties in this proceeding are Applicant LDC and Intervenor Staff. LDC is a “gas utility” under GURA Section 101.003 (Definitions).¹ Staff intervened in this docket “to assert its interest in seeing that the rules and regulations of the [Commission], together with the appropriate statutes, have been followed.”²

III. PROCEDURAL BACKGROUND

On April 13, 2017, LDC filed with the Commission its SOI. Subsequently, Staff properly intervened. A prehearing conference was held on May 9, 2017, to consider various procedural and pre-hearing issues. On May 10, 2017, the Commission properly suspended the effective date of LDC’s proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).³ Also on May 10, 2017, the rate case expense portion of GUD No. 10622 was severed into a separate docket, GUD No. 10633.⁴

On June 1, 2017, LDC properly provided notice to the public of its proposed increase by including the public notice of its proposed rate change as an insert to its customer bills sent on June 1, 2017.⁵ The Commission received five comment letters from the public voicing opposition to LDC’s proposed rate increase. On June 27, 2017, the public commenters were provided a “Complaint and Statement of Intent to Participate Form” in accordance with Commission Rule § 7.240 (Statement of Intent to Participate).⁶ No forms were returned to the Commission.

On June 7, 2017, LDC voluntarily extended the deadline for Commission action until November 16, 2017.⁷ On June 8, 2017, LDC timely filed with the Commission a petition for review from the action of the City of Montgomery, which denied LDC’s

¹ Tex. Util. Code § 101.003(7) (Definitions) (defining “gas utility” as “a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.”).

² Staff of the Railroad Commission of Texas’ Motion to Intervene, filed April 17, 2017, ¶ 1.

³ 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.”).

⁴ See Examiners’ Letter No. 04 (Rate Case Expense Docket), issued May 10, 2017 (severing rate case expenses).

⁵ Letter to the ALJ from LDC, filed June 26, 2017 (attaching Affidavit of Larry D. Corley, sworn to on June 9, 2017 (“Affidavit of Public Notice”)); see also Tex. Util. Code § 104.103(b)(2) (Notice of Intent to Increase Rates) (“Instead of publishing newspaper notice, a gas utility may provide notice by...including the notice, in conspicuous form, in the bill of each directly affected customer”).

⁶ Letter from the ALJ to public commenters, dated June 27, 2017 (attaching Complaint and Statement of Intent to Participate Form).

⁷ LDC, LLC’s Motion for Abatement, filed on June 7, 2017, at 1 (“LDC agrees to extend the effective date of its filing thirty (30) days to June 19, 2017, which results in a revised statutory deadline of November 16, 2017.”).

proposed increase in gas utility rates for its municipal customers.⁸ That petition for review, docketed as GUD No. 10641, subsequently was consolidated with GUD No. 10622.⁹

On July 25, 2017, the parties filed with the Commission a Unanimous Settlement Agreement ("Settlement"), resolving all issues. On July 27, 2017, the severed rate case expense docket, GUD No. 10633, was consolidated with GUD No. 10622.¹⁰

On July 28, 2017, the Notice of Hearing was issued, setting the hearing on the merits to commence on August 15, 2017 ("Notice of Hearing").¹¹ On July 31, 2017, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1064*.¹² On August 3, 2017, the Notice of Hearing was provided to the governing body of each affected municipality and county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).¹³

The hearing on the merits was held on August 15, 2017 (the "Hearing"). The evidentiary exhibit list is attached to this PFD as Attachment 1. On August 30, 2017, the evidentiary record closed.¹⁴

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over LDC, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates LDC requests for customers in the environs outside the City of Montgomery, Texas. Pursuant to GURA Section 102.001(b), the Commission has exclusive appellate jurisdiction to review the municipal action of the City of Montgomery.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and

⁸ GUD No. 10641, Petition for De Novo Review of the Denial of the Statement of Intent Filed by LDC, LLC, to Change Rates in the City of Montgomery, Texas, filed on June 9, 2017 (the "GUD No. 10641 Appeal").

⁹ See Examiners' Letter No. 08 (Consolidation of GUD No. 10641 Appeal), issued June 28, 2017.

¹⁰ See Examiners' Letter No. 11 (Rate Case Expense Docket Consolidated with GUD No. 10622), issued July 27, 2017.

¹¹ See Examiners' Letter No. 12 (Notice of Hearing), issued July 28, 2017 (attaching the Notice of Hearing).

¹² See *Gas Utilities Information Bulletin No. 1064*, published by the Railroad Commission of Texas Oversight and Safety Division on July 31, 2017 ("Bulletin"), pp. 7-9.

¹³ See letter from ALJ to Montgomery County Judge, dated August 3, 2017 (attaching the Notice of Hearing), and letter from ALJ to the Mayor of the City of Montgomery, dated August 3, 2017 (attaching the Notice of Hearing); see also Tex. Util. Code § 104.105(c) ("The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.").

¹⁴ See Examiners' Letter No. 14 (Close of Evidentiary Record), issued August 30, 2017.

Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, 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, LDC has the burden of proving that the rate changes are just and reasonable.¹⁵ LDC carries the burden of proving the reasonableness of its rate case expenses by a preponderance of the evidence.¹⁶

Notice

Proper notice has been issued in this proceeding in accordance with applicable statutes and rules. On June 1, 2017, LDC properly provided notice to the public of its proposed increase by including the public notice of its proposed rate change as an insert to its customer bills sent on June 1, 2017—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).¹⁷ On July 28, 2017, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On July 31, 2017, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1064*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).¹⁸ Pursuant to GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing), the ALJ provided a copy of the Notice of Hearing to the governing body of each affected municipality and county.¹⁹

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

¹⁵ Tex. Util. Code § 104.008 (Burden of Proof) (“In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.”).

¹⁶ 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses) (“In any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to Texas Utilities Code, § 103.022(b), shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.”).

¹⁷ Letter to the ALJ from LDC, filed June 26, 2017 (attaching Affidavit of Public Notice); see also Tex. Util. Code § 104.103(b)(2) (Notice of Intent to Increase Rates) (“Instead of publishing newspaper notice, a gas utility may provide notice by...including the notice, in conspicuous form, in the bill of each directly affected customer”).

¹⁸ See Bulletin, pp. 7-9 (containing the GUD No. 10622 Notice of Hearing); see also 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) (“The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.”).

¹⁹ Tex. Util. Code § 104.105(c) (Determination of Propriety of Rate Change; Hearing) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

V. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD 10622. A copy of the Settlement is attached to this PFD as Attachment 2. The parties—LDC and Staff—represent diverse interests and have engaged in discovery regarding the SOI, and Staff has analyzed and proposed adjustments to the cost of service and rates proposed by LDC in its SOI.²⁰ The Settlement resolves all issues in a manner the parties believe to be consistent with the public interest, and resolution of this docket by Settlement will reduce the amount of reimbursable rate case expenses.²¹

The Examiners have reviewed the Settlement and find that its terms are just and reasonable, supported by substantial evidence, and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend that the Settlement be approved. Notable terms of the Settlement are treated below.

A. Revenue Requirement

The Commission is required to establish LDC's overall revenues at an amount that will permit LDC 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."²² Here, the parties agree to a system-wide revenue requirement for LDC totaling \$731,118. As treated below, the Examiners find this amount to be just and reasonable, supported by substantial evidence, and consistent with the requirements of GURA Chapter 104 (Rates and Services). Accordingly, the Examiners recommend that the Commission approve this amount.

Rate Base

Under the Settlement, LDC will receive a system-wide revenue increase of \$167,668, with a system-wide revenue requirement totaling \$731,118.²³ The parties agree that the rates, terms, and conditions reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).²⁴ The \$167,668 revenue increase is a "black box" figure and is not tied to any specific expense in LDC's underlying cost of service.²⁵

²⁰ LDC Ex. 1 (Settlement), p. 1.

²¹ *Id.*, p. 2.

²² Tex. Util. Code § 104.051 (Establishing Overall Revenues).

²³ LDC Ex. 1 (Settlement) ¶ 3.

²⁴ *Id.* ¶ 1.

²⁵ *Id.*

The Examiners find that a system-wide revenue increase of \$167,668 is just and reasonable, supported by substantial evidence, and consistent with the requirements of GURA Chapter 104 (Rates and Services).

Operations & Maintenance (O&M) Expenses

Depreciation

The parties agree to the below depreciation rates.²⁶

Description	Annual Depreciation Rate
Distribution Plant	
374 - Land and Land Rights	0
375 - Structures and Improvements	0
376 - Mains Total	2.50%
378 - Measuring & Regulating Station Equipment Total	2.50%
380 - Services Total	2.50%
381 - Meters Total	6.667%
383 - House Regulators Total	6.667%
Total Depreciable Distribution Plant	
General Plant	
389 - Land and Land Rights	0
390 - Structures & Improvements Total	6.667%
391 - Office Furniture & Equipment Total	14.286%
392 - Transportation Equipment Total	20.00%
394 - Tool, Shop & Garage Equipment Total	20.00%
396 - Power Operated Equipment Total	20.00%

The Examiners find that these depreciation rates are proper and adequate²⁷, reasonable and necessary, and supported by substantial evidence.

Federal Income Tax

The parties that a federal income tax rate of 35 percent is reasonable. The Examiners find that the proper, lawful federal income tax rate is 35 percent and that LDC's income tax expenses at this rate are reasonable and necessary.

²⁶ LDC Ex. 1 (Settlement) ¶ 11; *see also id.* at Exhibit C (Interim Rate Adjustment Factors).

²⁷ See Tex. Util. Code § 104.054(a) (Depreciation, Amortization, and Depletion) ("The railroad commission shall establish proper and adequate rates and methods of depreciation, amortization, or depletion for each class of property of a gas utility or municipally owned utility.").

Miscellaneous

The parties agree to terms requiring LDC to adopt the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USAO") and adhere to the FERC USAO instructions in accordance with Commission Rule § 7.310 (System of Accounts).²⁸ The parties also agree to terms relating to LDC's transparency, allocation, reporting, and handling of future affiliate expenses.²⁹

The Examiners find these terms to be just and reasonable.

Rate of Return

The parties agree that the below hypothetical rate of return is reasonable.³⁰

Class of Capital	Percent	Cost	Cost of Capital
Long-Term Debt	50.00%	6.43%	3.215%
Common Equity	50.00%	9.50%	4.750%
Weighted Average Cost of Capital	100.00%		7.965%

B. Customer Charges, Volumetric Rates, and Tariffs

The parties agree to the below customer charges and volumetric rates for customers served by LDC.³¹

Class	Customer Charge		Commodity Charge	
	Current	Proposed	Current	Proposed
Residential	\$15.00	\$21.00	\$6.75	\$8.25
Commercial	\$15.00	\$21.00	\$4.75	\$6.25

The parties also agree to the below miscellaneous service charges for customers served by LDC.³²

Gas Rate Sheet - Service Charges

	Service	Current Rate	Proposed Rate
1	Institution of New Service	\$15.00	\$45.00
2	Restore Service after Termination for Non-Payment or for Leak on a Customer Owned Facility	\$35.00	\$45.00
3	Restore Service after Service Turned-Off at Customer or Customer's Agent's Request	\$35.00	\$45.00

²⁸ LDC Ex. 1 (Settlement) ¶ 15.

²⁹ *Id.* ¶¶ 13, 14, 15, 18, 19.

³⁰ LDC Ex. 1 (Settlement) ¶ 8.

³¹ LDC Ex. 1 (Settlement) ¶ 4; *see also id.* at Exhibit A (Tariffs) and Exhibit D (Average Bill Comparison).

³² LDC Ex. 1 (Settlement) ¶ 5; *see also id.* at Exhibit A (Tariffs).

4	Trip Charge	\$25.00	\$35.00
5	Rebuild Meter Installation Damaged by Someone other than LDC (TWO (2) HOUR MINIMUM + ACTUAL COSTS OF MATERIALS)		
	Requiring construction crew	\$75.00	\$90.00
	Not requiring construction crew	\$50.00	\$90.00
6	Meter Retest on Request of Customer	\$15.00	\$35.00
7	Repair Damaged Meters and Regulators (PLUS ACTUAL COST OF MATERIALS)		
7a	Damage to Index	\$50.00	\$65.00
7b	Damage to Regulator	\$25.00	\$35.00
8	Re-Route, Installation and Extension of Service Line and New Mains (PER FOOT PLUS ACTUAL COST OF MATERIALS UNDER NORMAL CONSTRUCTION CONDITIONS)		
8a	1" - 1-1/4"	\$3.50	\$4.50
8b	1-1/2" - 2"	\$4.50	\$5.25
8c	3" - 4"		\$6.25
9	Tap Charge	\$375.00	\$375.00
10	Meter and Regulator Facility	\$485.00	\$485.00
10a	AL-425 Large Meter Upgrade - Pool / Generator (During Initial Construction)		\$595.00
10b	AL-425 Large Meter Upgrade - Pool / Generator (After Initial Construction)		\$790.00
	Large Commercial Meter (See Manager for Pricing)		
11	Labor for all other Service Work (During normal business hours, 8 a.m.- 5 p.m., Mon. - Fri.)		
	Two Hour Minimum	\$60.00/Hr.	\$90.00/Hr.
	Each Additional 1/2 Hour (or Part Thereof)	\$30.00	\$45.00
	After Normal Business Hours, Holidays, Saturdays, Sundays (Two Hour Minimum)	\$90.00/Hr.	\$135.00/Hr.
	After Normal Business Hours - Each Additional 1/2 Hour (or Part Thereof)	\$45.00	\$67.50
12	Collection Call, Missed Appointment, Re-Read (PER TRIP)	\$20.00	\$35.00
13	Returned Check Fee (PLUS BANK FEE)	\$20.00	\$30.00
14	High Volume Excess Flow Valve ³³	\$225.00	\$225.00
15	Residential Deposit	\$140.00	\$140.00
	(Refunded with interest to Customers who meet the Requirements in 16 Tex. Admin. Code Section 7.45(5)(F))		
16	Small Commercial Deposit	\$500.00	\$500.00
17	Test and Inspection of Service Line Installed by Others		\$695.00

The Examiners find the customer charges, rates, and tariffs in the Settlement to be just and reasonable.

³³ Under amendments to 49 C.F.R. § 192.383, adopted by the Pipeline and Hazardous Materials Safety Administration and effective on April 14, 2017, a notification must be provided to all customers of their right to request the installation of an Excess Flow Valve on service lines that are not being replaced or newly installed. All newly installed service lines must include the installation of an Excess Flow Valve.

C. Prudency Review and Interim Rate Adjustments

Prudence Review

The parties agree that LDC's capital investment booked to plant through December 31, 2016, is reasonable as adjusted.³⁴ Considering the evidence and agreement by Staff, the Examiners find that LDC's capital investment booked to plant through December 31, 2016, is reasonable and prudent, per the Settlement.

Interim Rate Adjustments

The parties agree that for purposes of calculating an interim rate adjustment ("IRA") under GURA Section 104.301 (Interim Adjustment for Changes in Investment), the beginning invested capital, accumulated depreciation amounts, service lives, depreciation rates, and applicable tax rates should be determined consistent with the Settlement.³⁵ The parties also agree that for the purpose of calculating an interim rate adjustment, the base rate revenue allocation factors to spread the rate adjustment to the appropriate customer classes should be as follows:

Residential	Commercial
78.36%	21.64%

The Examiners find these factors and conditions to be just and reasonable.

D. Rate Case Expenses

In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.³⁶ Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.³⁷ 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;

³⁴ LDC Ex. 1 (Settlement) ¶ 9.

³⁵ LDC Ex. 1 (Settlement) ¶ 6; *see also id.* at Exhibit C (Interim Rate Adjustment Factors).

³⁶ See 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), 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).

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

- (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.³⁸

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 that may be granted.³⁹

1. Amounts

LDC represents that its reasonable rate case expenses incurred through June 2017, and estimated rate case expenses incurred through completion of this case, are as follows⁴⁰:

Actual Invoices	Est. to Completion	Total
\$49,070.21	\$10,500	\$59,570.21

After the Hearing, LDC provided updated supporting documentation for actual expenses incurred by ReSolved Energy Solutions, LLC ("ReSolved"), a regulatory consulting firm, and Michael Swaim, a regulatory consultant.⁴¹ Both ReSolved and Mr. Swaim 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.⁴²

ReSolved's actual expenses incurred through July 2017 totaled \$38,516.71.⁴³ Mr. Swaim's actual expenses incurred through June 2017 totaled \$17,457.50.⁴⁴ Despite the above amount totals, LDC agrees under the Settlement to limit its total recoverable rate case expenses to \$45,000.⁴⁵

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ LDC Ex. 1 (Settlement) ¶ 23.

⁴¹ See LDC Ex. 4 (Affidavits of Karl J. Nalepa (the "Nalepa Aff.") and Michael T. Swaim (the "Swaim Aff."), each attaching supporting invoices and receipts, filed on August 18, 2017).

⁴² LDC Ex. 4 (Nalepa Aff.) ¶¶ 4-7; *id.* (Swaim Aff.) ¶¶ 4-9.

⁴³ LDC Ex. 4 (Nalepa Aff.) ¶ 4.

⁴⁴ LDC Ex. 4 (Swaim Aff.) ¶ 4.

⁴⁵ LDC Ex. 1 (Settlement) ¶ 24.

The Examiners reviewed the sworn affidavits and documentation supporting LDC's requested rate case expense amount. Considering the above factors, the Examiners find that a rate case expense amount for LDC totaling \$45,000 is reasonable and necessary, and that LDC proved the reasonableness of this amount by a preponderance of the evidence. Mr. Swaim, a consultant for LDC, also has an approximate 9-percent ownership interest in LDC, though he is not an employee.⁴⁶ With respect to the portion of LDC's expenses attributable to Mr. Swaim's consulting services, the Examiners further find that these expenses (1) are reasonable and necessary consulting expenses for this consolidated rate proceeding, and (2) do not result in a higher cost to LDC than would be charged by Mr. Swaim to other regulated and non-regulated entities.⁴⁷ The evidence supports that Mr. Swaim has significant experience in utility ratemaking proceedings,⁴⁸ his consulting services were directly tailored to this proceeding,⁴⁹ and his billing rate for this proceeding is the same as for his other consulting work.⁵⁰

2. Allocation and Surcharge

The parties agree that it is reasonable for LDC to recover its rate case expenses totaling \$45,000 via a monthly customer surcharge of \$0.95, applied evenly to all environs and municipal customers, over approximately 48 months or until the entire \$45,000 is collected.⁵¹ The parties also agree to compliance-filing requirements.⁵²

The Examiners find it reasonable to allocate LDC's rate case expenses totaling \$45,000 evenly among environs and municipal customers. Use of a surcharge is a reasonable mechanism for recovering rate case expenses, and a monthly customer surcharge of \$0.95 is reasonable in this case.

⁴⁶ LDC Ex. 4 (Swaim Aff.) ¶ 2.

⁴⁷ See Tex. Util. Code § 104.055(b) (Net Income; Allowable Expenses).

⁴⁸ LDC Ex. 4 (Swaim Aff.) ¶¶ 6-7.

⁴⁹ LDC Ex. 4 (Swaim Aff.) ¶ 4.

⁵⁰ LDC Ex. 4 (Swaim Aff.) ¶ 5 ("My billing rate is \$225 per hour. This is the normal billing rate that I charge for services provided to both regulated and non-regulated entities. This rate is reasonable for a consultant providing these types of services before utility regulatory agencies in Texas."). Compare with the ReSolved consultant's billing rate of \$260 per hour. See LDC Ex. 4 (Nalepa Aff.) ¶ 5.

⁵¹ LDC Ex. 1 (Settlement) ¶ 24; see also *id.* at Exhibit A (Tariffs), "Environs" and "Incorporated" RCE tariffs.

⁵² See LDC Ex. 1 (Settlement) ¶ 25.

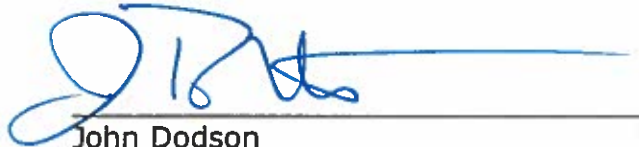
VI. CONCLUSION

The Examiners find that LDC's request for a rate increase pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by substantial evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve the Settlement.

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 incorporated herein by reference.

SIGNED September 1, 2017.



John Dodson
Administrative Law Judge



Rose Ruiz
Technical Examiner

Proposal for Decision
GUD No. 10622, *consolidated*

ATTACHMENT 1

Evidentiary Record

EVIDENTIARY RECORD
(LIST OF ADMITTED EXHIBITS)

- LDC Ex. 1:** Settlement Agreement, filed by LDC on July 25, 2017.
- LDC Ex. 2:** Statement of Intent, filed by LDC on April 13, 2017.
- LDC Ex. 3:** Petition for Review, filed by LDC on June 8, 2017.
- LDC Ex. 4:** Affidavits of Karl J. Nalepa and Michael T. Swaim, with attached invoices and receipts, filed by LDC on August 18, 2017.

Proposal for Decision
GUD No. 10622, *consolidated*

ATTACHMENT 2

Settlement

GAS UTILITIES DOCKET NO. 10622

STATEMENT OF INTENT FILED BY	§	
LDC, LLC TO CHANGE RATES IN THE	§	BEFORE THE
ENVIRONS OF THE CITY OF	§	RAILROAD COMMISSION
MONTGOMERY, TEXAS.	§	OF TEXAS

UNANIMOUS SETTLEMENT AGREEMENT BETWEEN
LDC, LLC AND THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

This Unanimous Settlement Agreement ("Settlement Agreement") is entered into by and between LDC, llc ("LDC" or the "Company") and the Staff of the Railroad Commission of Texas ("Commission Staff") (collectively, the "Parties" or "Signatories").

WHEREAS, LDC serves approximately 992 residential and commercial customers inside and outside the City of Montgomery;

WHEREAS, on April 13, 2017, LDC filed with the Railroad Commission of Texas ("Commission") its Statement of Intent to Change Rates in the Environs of the City of Montgomery ("Statement of Intent") 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 such filing was docketed as Gas Utilities Docket ("GUD") No. 10622; and

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

WHEREAS, LDC timely filed an appeal of the City of Montgomery's actions 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. 10641 and consolidated with GUD No. 10622; and

WHEREAS, Commission Staff sought intervention and was granted party status in GUD No. 10622 on April 17, 2017; and

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

WHEREAS, LDC's last rate change was approved by the Commission in GUD No. 9837, effective July 14, 2009;

WHEREAS, proper notice has been made to all affected customers by direct mail on June 1, 2017, which is supported by a duly notarized affidavit; and

WHEREAS, the Parties have engaged in discovery regarding the statement of intent to increase rates; and

WHEREAS, Commission Staff has analyzed and proposed adjustments to the cost of service and rates proposed by LDC in its Statement of Intent; and

WHEREAS, this Settlement Agreement resolves all issues between the Signatories regarding the LDC'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; and

WHEREAS, the Signatories believe that the resolution of the issues raised in LDC's Statement of Intent can best be accomplished by the Commission approving this Settlement Agreement and the rates, terms and conditions reflected in the rate schedules attached to this Settlement Agreement as Exhibit A.

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to the following Settlement Terms as a means of fully resolving and concluding GUD No. 10622 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 Montgomery County, 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 \$167,668 revenue increase is a "black box" figure and is not tied to any specific expense in LDC'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. LDC filed its original application on April 13, 2017 demonstrating a base revenue deficiency of \$219,228.
3. The Signatories agree that a \$167,668 increase in annual base revenue and an adjusted net cost of service of \$731,118 are reasonable and shown in the proof of revenues attached to this Settlement Agreement as Exhibit B.
4. The Signatories agree to the following customer charges and volumetric rates for customers served by LDC. These rates are reflected in the rate schedules attached as Exhibit A. An average bill comparison is attached as Exhibit D.

Customer Class	Customer Charge	Commodity Charge
Residential	\$21.00	\$8.25 per Mcf
Commercial	\$21.00	\$6.25 per Mcf

5. The Signatories agree to the following miscellaneous service charges, as shown below, for customers served by LDC. These rates are reflected in the rate schedules attached as Exhibit A.

		<i>Current Rate</i>	<i>Proposed Rate</i>
1	Institution of New Service	\$15.00	\$45.00
2	Restore Service after Termination for Non-Payment or for Leak on a Customer Owned Facility	\$35.00	\$45.00
3	Restore Service after Service Turned-Off at Customer or Customer's Agent's Request	\$35.00	\$45.00
4	Trip Charge	\$25.00	\$35.00
5	Rebuild Meter Installation Damaged by Someone other than LDC (TWO (2) HOUR MINIMUM + ACTUAL COSTS OF MATERIALS)		
	Requiring construction crew	\$75.00	\$90.00
	Not requiring construction crew	\$50.00	\$90.00
6	Meter Retest on Request of Customer	\$15.00	\$35.00
7	Repair Damaged Meters and Regulators (PLUS ACTUAL COST OF MATERIALS)		
7a	Damage to Index	\$50.00	\$65.00
7b	Damage to Regulator	\$25.00	\$35.00
8	Re-Route, Installation and Extension of Service Line and New Mains (PER FOOT PLUS ACTUAL COST OF MATERIALS UNDER NORMAL CONSTRUCTION CONDITIONS)		
8a	1" - 1-1/4"	\$3.50	\$4.50
8b	1-1/2" - 2"	\$4.50	\$5.25
8c	3" - 4"		\$6.25
9	Tap Charge	\$375.00	\$375.00

10	Meter and Regulator Facility	\$485.00	\$485.00
10a	AL-425 Large Meter Upgrade - Pool / Generator (During Initial Construction)		\$595.00
10b	AL-425 Large Meter Upgrade - Pool / Generator (After Initial Construction)		\$790.00
	Large Commercial Meter (See Manager for Pricing)		
11	Labor for all other Service Work (During normal business hours, 8 a.m.- 5 p.m., Mon. - Fri.)		
	Two Hour Minimum	\$60.00/Hr.	\$90.00/Hr.
	Each Additional 1/2 Hour (or Part Thereof)	\$30.00	\$45.00
	After Normal Business Hours, Holidays, Saturdays, Sundays (Two Hour Minimum)	\$90.00/Hr.	\$135.00/Hr.
	After Normal Business Hours - Each Additional 1/2 Hour (or Part Thereof)	\$45.00	\$67.50
12	Collection Call, Missed Appointment, Re-Read (PER TRIP)	\$20.00	\$35.00
13	Returned Check Fee (PLUS BANK FEE)	\$20.00	\$30.00
14	High Volume Excess Flow Valve ¹	\$225.00	\$225.00
15	Residential Deposit	\$140.00	\$140.00
	(Refunded with interest to Customers who meet the Requirements in 16 Tex. Admin. Code Section 7.45(5)(F))		
16	Small Commercial Deposit	\$500.00	\$500.00
17	Test and Inspection of Service Line Installed by Others		\$695.00
	Total		

6. 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.
7. The Signatories agree that for the purpose of calculating an interim rate adjustment, the base rate revenue allocation factors to spread the rate adjustment to the appropriate customer classes is shown in the table below:

¹ Under amendments to 49 C.F.R. § 192.383, adopted by the Pipeline and Hazardous Materials Safety Administration and effective on April 14, 2017, a notification must be provided to all customers of their right to request the installation of an Excess Flow Valve on service lines that are not being replaced or newly installed. All newly installed service lines must include the installation of an Excess Flow Valve.

Residential	Commercial
78.36%	21.64%

8. 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	50.00%	6.43%	3.215%
Common Equity	50.00%	9.50%	4.750%
Weighted Average Cost of Capital	100.00%		7.965%

9. The Signatories agree that LDC's capital investment booked to plant through the test year end, December 31, 2016, is reasonable as adjusted.
10. The Signatories agree that LDC shall not file an interim rate adjustment under Tex. Util. Code § 104.301 and 16 Tex. Admin. Code § 7.7101 before January 1, 2019.
11. The Signatories agree that the depreciation rates approved in GUD No. 9837 are reasonable. Annual depreciation rates are identified as follows and are also reflected on Exhibit C attached to this Settlement Agreement:

Description	Annual Depreciation Rate
Distribution Plant	
374 - Land and Land Rights	0
375 - Structures and Improvements	0
376 - Mains Total	2.50%
378 - Measuring & Regulating Station Equipment Total	2.50%
380 - Services Total	2.50%
381 - Meters Total	6.667%
383 - House Regulators Total	6.667%
Total Depreciable Distribution Plant	
General Plant	
389 - Land and Land Rights	0
390 - Structures & Improvements Total	6.667%
391 - Office Furniture & Equipment Total	14.286%
392 - Transportation Equipment Total	20.00%
394 - Tool, Shop & Garage Equipment Total	20.00%
396 - Power Operated Equipment Total	20.00%

12. The Signatories agree that the terms of this Settlement Agreement provide LDC 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.
13. The Signatories agree that it is reasonable for LDC to create and utilize a Cost Allocation Manual ("CAM") to provide a systematic and defensible basis for allocating labor expenses and common revenues and expenses between LDC and its affiliates as defined in Tex. Util. Code §§ 101.003(2) and 104.055. The Signatories further agree that the LDC's proposed methodology for the CAM must be submitted in the form of a compliance filing to the Commission's Oversight and Safety Division for review within sixty (60) days of the effective date of the Final Order in this docket. The CAM must be finalized and submitted to the Commission's Oversight and Safety Division for review within six (6) months of the effective date of the Final Order in this docket.
14. The Signatories agree that it is reasonable for LDC to develop in good faith a transparent and competitive request for bid process for the purchase of its gas supply. This process may be developed with the assistance of a third-party consultant and is subject to approval by Commission Staff within six (6) months from the effective date of the Final Order in this docket. LDC shall review its gas costs on an annual basis and shall implement the bid process as long as the process does not violate the terms of LDC's existing gas supply contract.
15. 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 LDC 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 LDC file a compliance filing 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. Finding of Fact: It is reasonable that LDC create and utilize a Cost Allocation Manual to provide a systematic and defensible basis for allocating labor expenses and common revenues and expenses between LDC and its affiliates as defined in Tex. Util. Code §§ 101.003(2) and 104.055.
 - d. Finding of Fact: It is reasonable that LDC develop its Cost Allocation Manual and submit it to the Commission's Oversight and Safety Division within six (6) months of the effective date of the Final Order in this docket.
 - e. Finding of Fact: It is reasonable that LDC develop in good faith a transparent and competitive request for bid process for the purchase of its gas supply. This process may be developed with the assistance of a third-party consultant.

- f. Finding of Fact: It is reasonable that LDC review its gas costs on an annual basis and implement a competitive request for bid process as long as the process does not violate the terms of LDC's existing gas supply contract.
 - g. Finding of Fact: It is reasonable that LDC develop a competitive request for bid process for the purchase of its gas supply and submit it for approval to the Commission's Oversight and Safety Division within six (6) months of the effective date of the Final Order in this docket.
 - h. Ordering Paragraph: IT IS THEREFORE ORDERED that LDC shall adopt and adhere to the FERC USOA and 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 filing reflecting its proposed methodology for adoption and compliance with the FERC USOA in accordance with the terms of the Unanimous Settlement Agreement.
 - i. Ordering Paragraph: IT IS THEREFORE ORDERED that LDC 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 filing reflecting its proposed methodology for its Cost Allocation Manual in accordance with the terms of the Unanimous Settlement Agreement.
 - j. Ordering Paragraph: IT IS THEREFORE ORDERED that LDC shall file with the Oversight and Safety Division, within six (6) months of the effective date of the Final Order in this docket, its Cost Allocation Manual in accordance with the terms of the Unanimous Settlement Agreement.
 - k. Ordering Paragraph: IT IS THEREFORE ORDERED that LDC shall develop a competitive request for bid process for the purchase of its gas supply and submit it for approval to the Commission's Oversight and Safety Division within six (6) months of the effective date of the Final Order in this docket, in accordance with the terms of the Unanimous Settlement Agreement.
16. The Signatories agree that any costs associated with the relocation project in the Villas of Mia Lago subdivision shall be excluded from any future cost of service calculations.
17. The Signatories agree that a Federal Income Tax rate of 35% is reasonable.
18. The Signatories agree to the following terms to increase the transparency of LDC's affiliate transactions as defined in Tex. Util. Code § 104.055:
- a. LDC agrees, effective January 1, 2018, that Energy Projects Inc. will no longer provide gas supply management services to LDC.

- b. LDC agrees to pay its own cell phone bill, agrees to charge Energy Projects Inc. rent, and agrees to document this arrangement in its Cost Allocation Manual.
 - c. LDC agrees to track the time of its owners, officers, managers and employees based on a weekly estimate by each owner, officer, manager and employee of hours spent working for LDC and any of LDC's affiliates, including but not limited to Montgomery Gas Transmission, Inc., OGS Pipeline, LLC and Energy Projects Inc.
19. LDC agrees that the sale of assets to Maxim Production should be accurately reported. LDC shall make the following adjustments in the 2016 Annual Report to the Commission:
- a. Remove \$238,071 from Column (c), Line 18 and place it in Column (d), Line 18 on Page 16 of the 2016 Annual Report to accurately reflect the sale of the asset;
 - b. Remove \$47,783 from Column (c), Line 18 and place it in Column (d), Line 18 on Page 17 of the 2016 Annual Report to accurately reflect the sale of the asset;
 - c. Remove the gain on the sale of the asset sold to Maxim Production of \$130,712 from Account 488 Miscellaneous Revenues, Page 21, Line 11 to Account 411.6 Gain from Disposition of Utility Plant, Page 25, Line 210; and
 - d. Make the same corrections to the books of the utility.
20. LDC agrees that the overhead factor shall be recalculated annually at year end for application in the next calendar year.
21. LDC 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.
22. The Parties agree that GUD No. 10633, *Rate Case Expenses Severed from GUD No. 10622, Statement of Intent Filed by LDC, LLC, to Change Rates in the Environs of the City of Montgomery, Texas*, may be re-consolidated with GUD No. 10622 to efficiently facilitate the Parties' agreement in this Settlement Agreement as to the recovery of rate case expenses.
23. LDC 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
REC	\$32,900.21	\$4,000.00	\$36,900.21
Mike Swaim	\$14,670.00	\$6,000.00	\$20,670.00
Accountant	\$1,500.00	\$500.00	\$2,000.00
Total	\$49,070.21	\$10,500.00	\$59,570.21

24. The Signatories agree that it is reasonable to allow LDC to implement a rate surcharge to recover rate case expenses not to exceed \$45,000. Interest will not be added to the unrecovered rate case expense balance. The surcharge will be \$0.95 per customer per month until the entire rate case expense amount is collected, but in no event shall the amount collected exceed \$45,000.
25. The Signatories agree that LDC shall file annually a rate case expense compliance filing with the Oversight and Safety Division of the Commission on or before March 31 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, LDC 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 LDC 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.
 - b. Finding of Fact: It is reasonable that LDC file an annual Rate Case Expense compliance filing with Commission Staff detailing the balance of rate case expenses allowed for recovery 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 LDC 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.
26. 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.
27. 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.
28. 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.

29. 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.
30. This agreement is made amongst the Signatories hereto exclusively and shall not be binding upon, nor inure to the benefit of, any non-party to this Agreement. There shall be no third-party beneficiaries to this Agreement and there are no intended third-party beneficiaries of this Agreement.
31. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.
32. The Signatories agree to support and seek approval by the Commission of this Settlement Agreement.
33. The Signatories agree that this Agreement, when fully executed, shall be requested to be placed on the Railroad Commission's docket for issuance of a final order prior to September 1, 2017.

Agreed to this 24th day of July, 2017.

LDC, LLC

By: Larry D. Conley
Larry D. Conley
President

Agreed to this _____ day of July, 2017.

THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
Natalie Dubiel
Attorney

Agreed to this _____ day of July, 2017.

LDC, LLC

By:

Larry D. Corley
President

Agreed to this 24th day of July, 2017.

THE STAFF OF THE RAILROAD COMMISSION OF TEXAS

By:

Natalie Dubiel
Natalie Dubiel
Attorney

GUD No. 10622

EXHIBIT A

TARIFFS

LDC, LLC
Gas Rate Sheet
Commercial Environs

APPLICATION OF SCHEDULE

This schedule applies to all COMMERCIAL customers in the environs of the City of Montgomery receiving gas service through a meter from LDC, LLC., and 1) who do not use gas for domestic purposes and 2) who do not use gas for industrial purposes. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Where proposed service to a customer does not exist, additional charges and other arrangements with customer will be required prior to service being provided.

Service under this rate schedule shall be furnished in accordance with the Commissions Special Rules of Practice and Procedures and Substantive Rules and the Company's General Rules and Regulations, as such rules may be amended from time to time.

GROSS MONTHLY RATE

The gross monthly rate for each customer receiving service shall be the sum of:

1. a minimum monthly customer charge, plus
2. a commodity rate per MCF of consumption, plus
3. a gas cost adjustment calculated per MCF of consumption, plus
4. authorized taxes and other surcharges

MINIMUM MONTHLY CUSTOMER CHARGE:

The minimum monthly customer charge shall be \$21.00.

MONTHLY COMMODITY RATE:

The price payable by each residential customer for all consumption each month shall be \$6.25 per MCF.

GAS COST ADJUSTMENT:

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

TAXES:

The Company shall recover other surcharges as authorized by federal, state, and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements as a separate line item on the customer's bill.

LDC, LLC
Gas Rate Sheet
Commercial Environs

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.

PAYMENT:

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

LDC, LLC
Gas Rate Sheet
Commercial Incorporated

APPLICATION OF SCHEDULE

This schedule applies to all COMMERCIAL customers within the incorporated areas of the City of Montgomery receiving gas service through a meter from LDC, LLC., and 1) who do not use gas for domestic purposes and 2) who do not use gas for industrial purposes. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Where proposed service to a customer does not exist, additional charges and other arrangements with customer will be required prior to service being provided.

Service under this rate schedule shall be furnished in accordance with the Commissions Special Rules of Practice and Procedures and Substantive Rules and the Company's General Rules and Regulations, as such rules may be amended from time to time.

GROSS MONTHLY RATE

The gross monthly rate for each customer receiving service shall be the sum of:

1. a minimum monthly customer charge, plus
2. a commodity rate per MCF of consumption, plus
3. a gas cost adjustment calculated per MCF of consumption, plus
4. authorized taxes and other surcharges

MINIMUM MONTHLY CUSTOMER CHARGE:

The minimum monthly customer charge shall be \$21.00.

MONTHLY COMMODITY RATE:

The price payable by each residential customer for all consumption each month shall be \$6.25 per MCF.

GAS COST ADJUSTMENT:

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

TAXES:

The Company shall recover other surcharges as authorized by federal, state, and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements as a separate line item on the customer's bill.

**LDC, LLC
Gas Rate Sheet
Commercial Incorporated**

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.

PAYMENT:

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

LDC, LLC
Gas Rate Sheet
Gas Cost Adjustment
Environs

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential or Commercial rate schedules in the environs of the City of Montgomery served by LDC, LLC. This schedule calculates 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.

GAS COST ADJUSTMENT

The gross monthly Purchased Gas Adjustment shall be the cost of gas the Company pays its supplier(s) for gas on the system. The cost of gas shall be expressed in a MCF format and rounded to the nearest (\$0.01) by dividing the total amount purchased in dollars, plus all gas related costs and adjustments from the supplier(s) or other third parties, by the volume amount in MCF purchased. The product, or Weighted Average Cost of as (WACOG), shall be called the PGA and billed to the customer per CCF consumed each month. The product is then adjusted for Lost and Unaccounted for Gas (LUG), not to exceed actual to a maximum of five percent (5%). The PGA shall be calculated using actual amounts due and payable to the supplier(s) for the same approximate time period that customers' meters are read. Any adjustment, refund and/or billing correction received by the Company for a prior period shall be included in the following months' PGA calculation. If the Company's current weighted average cost of gas purchased for resale is not known at the date that customers' bills are prepared, then Company shall calculate its current weighted average cost of gas purchased for resale as follows:

Step 1. Current Month Estimated Cost of Gas Adjustment:

- A. Current Month's Estimated Total Gas Cost
- B. Current Month's Estimated Purchase Volume (MCF)
- C. Current Month's Estimated Cost of Gas per MCF
- D. Unaccounted for Gas Factor (LUG)
- E. Current Month's Estimated Adjusted Cost of Gas per MCF.

Step 2. Correction of Prior Month Estimated Cost of Gas Adjustment:

LDC, LLC
Gas Rate Sheet
Gas Cost Adjustment
Environs

- A. Prior Month's Actual Total Gas Cost
- B. Prior Month's Actual Purchase Volume (MCF)
- C. Prior Month's Actual Cost of Gas Per MCF
- D. Unaccounted for Gas Factor (LUG)
- E. Prior Month's Actual Adjusted Cost of Gas per MCF
- F. Prior Month's Estimated Adjusted Cost of Gas per MCF
- G. Difference per MCF (E-F)
- H. Prior Month's Actual Sales Volume (MCF)
- I. Total Amount (Over)/ Under Collected (GxH).

Step 3. Current Month Cost of Gas Adjustment:

- A. Current Month's Estimated Cost of Gas per MCF
- B. Amount (Over)/Under Collected in Prior Month
- C. Current Month's Actual Sales Volume
- D. Adjustment per MCF (R/S)
- E. Current Month's Estimated Cost of Gas per MCF (A+D).

LDC, LLC
Gas Rate Sheet
Gas Cost Adjustment
Incorporated

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential or Commercial rate schedules in the incorporated areas of the City of Montgomery served by LDC, LLC. This schedule calculates 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.

GAS COST ADJUSTMENT

The gross monthly Purchased Gas Adjustment shall be the cost of gas the Company pays its supplier(s) for gas on the system. The cost of gas shall be expressed in a MCF format and rounded to the nearest (\$0.01) by dividing the total amount purchased in dollars, plus all gas related costs and adjustments from the supplier(s) or other third parties, by the volume amount in MCF purchased. The product, or Weighted Average Cost of Gas (WACOG), shall be called the PGA and billed to the customer per CCF consumed each month. The product is then adjusted for Lost and Unaccounted for Gas (LUG), not to exceed actual to a maximum of five percent (5%). The PGA shall be calculated using actual amounts due and payable to the supplier(s) for the same approximate time period that customers' meters are read. Any adjustment, refund and/or billing correction received by the Company for a prior period shall be included in the following months' PGA calculation. If the Company's current weighted average cost of gas purchased for resale is not known at the date that customers' bills are prepared, then Company shall calculate its current weighted average cost of gas purchased for resale as follows:

Step 1. Current Month Estimated Cost of Gas Adjustment:

- A. Current Month's Estimated Total Gas Cost
- B. Current Month's Estimated Purchase Volume (MCF)
- C. Current Month's Estimated Cost of Gas per MCF
- D. Unaccounted for Gas Factor (LUG)
- E. Current Month's Estimated Adjusted Cost of Gas per MCF.

Step 2. Correction of Prior Month Estimated Cost of Gas Adjustment:

- A. Prior Month's Actual Total Gas Cost

**LDC, LLC
Gas Rate Sheet
Gas Cost Adjustment
Incorporated**

- B. Prior Month's Actual Purchase Volume (MCF)**
- C. Prior Month's Actual Cost of Gas Per MCF**
- D. Unaccounted for Gas Factor (LUG)**
- E. Prior Month's Actual Adjusted Cost of Gas per MCF**
- F. Prior Month's Estimated Adjusted Cost of Gas per MCF**
- G. Difference per MCF (E-F)**
- H. Prior Month's Actual Sales Volume (MCF)**
- I. Total Amount (Over)/ Under Collected (GxH).**

Step 3. Current Month Cost of Gas Adjustment:

- A. Current Month's Estimated Cost of Gas per MCF**
- B. Amount (Over)/Under Collected in Prior Month**
- C. Current Month's Actual Sales Volume**
- D. Adjustment per MCF (R/S)**
- E. Current Month's Estimated Cost of Gas per MCF (A+D).**

LDC, LLC

GENERAL RULES AND REGULATIONS FOR NATURAL GAS SERVICE

1. DEFINITIONS

- (a) **"Consumer, Customer and Applicant"** are used interchangeably and mean a person or organization utilizing services or who wants to utilize services of LDC, LLC.
- (b) **"Company"** means LDC, LLC., its successors and assigns.
- (c) **"Cubic Foot of Gas"**: Unless otherwise expressly provided by rate schedule or written contract (or agreement), the amount of gas necessary to fill a cubic foot of space when the gas is at a gauge pressure of four (4) ounces above atmospheric pressure of 14.65 psia at 60° Fahrenheit.
- (d) **"Service Line"**: The pipe and attached fittings which convey gas from Company's mains to the property line of Consumer's premises.
- (e) **"Yard Line"**: The pipe and attached fittings which convey gas from the Consumer's property line to and including the stopcock on the riser for the Consumer's meter.
- (f) **"Consumer's Housepiping"**: All pipe and attached fittings which convey gas from the outlet side of the meter to the Consumer's connection for gas appliances.
- (g) **"Point of Delivery"**: The point where the gas is measured for delivery into Consumer's piping.

2. APPLICATION OF RULES

- (a) Unless otherwise expressly stated, these rules apply to all Consumers regardless of classification, except insofar as they are changed by or are in conflict with any statute of the State of Texas, valid municipal ordinance, valid final order of any court or of the Railroad Commission of Texas, or written contract executed by Company, in which case such statute, ordinance, order or contract shall control to the extent that it is applicable to the Consumer(s) in question. Whenever possible, these rules shall be construed harmoniously with such laws, contracts, ordinances, and orders.
- (b) The use of gas service shall constitute an agreement by the Consumer to utilize such service in accordance with the applicable rules of the Company as set forth herein.

- (c) These rules, and all subsequently enacted rules, may be abrogated, modified, or added to in whole or in part, by the Company and such rules abrogated, modified, or added to, shall become effective when filed with the appropriate regulatory authority.

3. CLASSIFICATION FOR RATE AND CONTRACT PURPOSES

For purposes of determining rates, Consumers shall be classified as Residential, Commercial or Large Volume Consumers as defined in Company's applicable rate schedules. Service by Company to Consumers classified herein as Residential and Commercial is available without a written contract between Consumer and Company at the standard rates and charges applicable to such Consumers from time to time. Company shall have no obligation to deliver more than 5,000 cubic feet of gas in any day to any Consumer not having a written gas sales contract with Company. A contract may be required from Large Volume Consumers using less than 5,000 cubic feet per day, provided this requirement shall be uniformly applied to all such Consumers within each municipal rate jurisdiction. In the case of existing Consumers, the maximum gas usage during any one day shall be obtained from records of the Company, except in cases where the existing Consumer will be purchasing increased volumes of gas from Company because of expansions or for any other reason, in which event the Company may estimate usage by the Consumer. Any such estimates made by Company shall be binding on Consumer in determining rate classification and whether or not a contract is required. Company's obligation to provide service to any Large Volume Consumer is contingent upon Company's determination that there will be an adequate supply of gas to serve such Large Volume Consumer, and that existing facilities are of adequate capacity and suitable pressure.

4. LIMITATION OF USE

All gas delivered through Company's meters is for use only at the Point of Delivery and shall not be redelivered or resold to others without Company's written consent.

5. SERVICE CONNECTIONS

- (a) **Tap Charge:** Company may impose a reasonable charge for the connection of a new Consumer to its distribution mains. The tap charge to be collected and the amount and conditions under which such charge will be imposed are set out in the Schedules of Miscellaneous Service Charges filed with the appropriate regulatory authorities.
- (b) **Service Line:** Company shall install and maintain all Service Lines and to the extent permitted by applicable ordinance shall be entitled to make a reasonable charge for such installation as set out in the Schedule of Miscellaneous Service Charges filed with appropriate regulatory

authorities. A Service Line may be used to supply a single building or single group of buildings which may or may not be located on a single lot, such as a group of factory buildings, hospital buildings, or institutional buildings, all under one ownership or control. However, gas service supplied to Consumer for use at separate lots physically divided by other private or public property (including streets, alleys and other public ways) must be separately metered and billed. More than one Service Line to supply a Consumer's premises may be constructed by agreement between Company and Consumer.

- (c) **Yard Line:** Company may install Yard Lines if so requested by Consumer. To the extent permitted by applicable ordinance, Company shall be entitled to make a reasonable charge for such installation as set out in the Schedules of Miscellaneous Service Charges filed with the appropriate regulatory authorities.
- (d) **Housepiping:** Consumer shall be responsible for installing and maintaining Consumer's Housepiping. Company may refuse service to any Consumer whose housepiping is inadequate or unsafe but Company shall have no responsibility for determining whether or not Consumer has complied with applicable safety codes, inspecting Consumer's Housepiping or in any way establishing or enforcing housepiping specifications. Information relating to piping may be obtained at the Company's main offices.
- (e) **Gas Main Extensions:** Company shall extend its gas mains to provide new or additional service and shall be entitled to make a reasonable charge for such installation as set out in the Schedule of Miscellaneous Service Charges filed with appropriate regulatory authorities. Gas main extensions shall be made at Company's expense only where the probable expected use of all facilities necessary for such service will provide a reasonable and compensatory return to Company on the value of such facilities. Otherwise, gas main extensions shall be made only under the following conditions:
 - (1) **Individual Residential and Commercial Consumers** – upon payment of the fee for gas main extension set out in the Schedule of Miscellaneous Service Charges or upon execution of Company's "Gas Main Extension Contract."
 - (2) **Developers of Residential or Business Subdivisions** – upon execution of Company's "Gas Main Extension Contract" or "Predevelopment Gas Main Extension Contract," or under special circumstances where, in Company's opinion, such forms are not appropriate, upon execution of a special agreement providing for

reimbursement to Company for cost of the necessary gas main extension.

- (3) **Large Volume Consumers** – upon execution of a special agreement providing for reimbursement to Company for the cost of the necessary gas main extension.

6. ADDITIONAL CHARGES RELATING TO GAS SERVICE

Charges for services other than delivering natural gas may be made in accordance with the Schedule of Miscellaneous Service Charges filed with the appropriate regulatory authorities.

7. APPLICATION FOR SERVICE

Where no written contract for service is necessary, any application by telephone, in person, or in writing may be made to request initiation of service. Upon request, Consumer shall provide information necessary for purposes of rate classification, billing, and determining whether a deposit will be required.

8. REFUSAL TO INSTITUTE SERVICE AND TERMINATION OF SERVICE

(a) Refusal of Service

- (1) **Compliance by Applicant.** The Company may decline to serve an Applicant until such Applicant has complied with the state and municipal rules, regulations or laws, and with approved rules and regulations of the Company on file with the appropriate regulatory authority governing the service applied for, or for the following reasons:
 - (A) the Applicant's installation or equipment is known to be hazardous or of such character that satisfactory service cannot be given;
 - (B) the Applicant is indebted to any utility Company for the same kind of service as that applied for; provided, however, that in the event the indebtedness of the Applicant for service is in dispute, the Applicant shall be served upon complying with the applicable deposit requirement;
 - (C) the Applicant refuses to make a deposit if Applicant is required to make a deposit under these rules;
 - (D) where an unsafe condition exists at any point on Consumer's premises;

- (E) for use of gas in violation of Company's rules;
 - (F) in the event Company's representatives are refused access to such premises for any lawful purpose;
 - (G) when Company's property on the Consumer's premises is tampered with, damaged or destroyed.
- (2) **Applicant's Recourse.** In the event that the Company shall refuse to serve an Applicant under the provisions of these rules, the Company shall inform the Applicant of the basis of its refusal and that the Applicant may file a complaint with the appropriate regulatory authority thereon.
- (3) **Insufficient Grounds for Refusal to Serve.** The following shall not constitute sufficient cause for refusal of service to a present residential or commercial Customer or Applicant:
- (A) delinquency in payment for service by a previous occupant of the premises to be served;
 - (B) failure to pay for merchandise or charges for non-utility service purchased from the Company;
 - (C) failure to pay a bill to correct previous underbilling due to misapplication of rates more than six months prior to the date of application;
 - (D) violation of the Company's rules pertaining to the operation of nonstandard equipment or unauthorized attachments, which interfere with the service of others, unless the Customer has first been notified and been afforded reasonable opportunity to comply with these rules;
 - (E) failure to pay a bill of another Customer as guarantor thereof, unless the guarantee was made in writing to the Company as a condition precedent to service; and
 - (F) failure to pay the bill of another Customer at the same address except where the change of Customer identity is made to avoid or evade payment of a utility bill.

(b) Discontinuance of Service

- (1) Bills are due and payable when rendered; a bill shall be past due not less than 15 days after issuance or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.
- (2) A Customer's utility service may not be terminated unless the Company has made a reasonable effort to offer the Customer the option of paying a delinquent bill in installments. A Customer's utility service may be disconnected if the bill has not been paid or a suitable written agreement for payment in installments entered into within 5 working days after the bill has become delinquent and if proper notice has been given. Proper notice shall consist of a mailing or hand delivery thereof at least five working days prior to a stated date of disconnection. Said notice shall be provided in English (and Spanish, if the Company has any Spanish speaking Customers) and shall include:
 - (A) the words "Disconnect Notice" or similar language prominently displayed;
 - (B) the reason service is to be terminated;
 - (C) what Customer must do to prevent termination;
 - (D) in the case of a past-due bill, the amount past due and the hours, address, and telephone number where payment may be made; and
 - (E) a statement that if a health or other emergency exists, the Company may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency.
- (3) Utility service may be disconnected for any of the following reasons.
 - (A) failure to pay a delinquent account or failure to comply with the terms of a written agreement for installment payment of a delinquent account;
 - (B) violation of the Company's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment or unauthorized attachments if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation;

- (C) failure to comply with deposit or guarantee arrangements where required by these rules and regulations;
 - (D) without notice where a known dangerous condition exists for as long as the condition exists;
 - (E) tampering with the Company's meter or equipment or bypassing the same;
 - (F) for use of gas in violation of Company's rules;
 - (G) in the event Consumer's premises are vacated;
 - (H) in the event Company's representatives are refused access to such premises for any lawful purpose;
 - (I) when Company's property on the Consumer's premises is tampered with, damaged or destroyed;
 - (J) for use of gas in violation of any law, ordinance or regulation;
 - (K) for fraudulent misrepresentation in relation to the consumption of gas or any other fraud practiced by Consumer, with regard to the matters referred to in these rules or Consumer's contract.
- (4) Utility service may not be disconnected for any of the following reasons:
- (A) delinquency in payment for service by a previous occupant of the premises;
 - (B) failure to pay for merchandise or charges for non-utility service by the Company;
 - (C) failure to pay for a different type or class of utility service unless fee for such service is included on the same bill;
 - (D) failure to pay the account of another Customer as guarantor thereof, unless the guarantee was made in writing to the Company as a condition precedent to service;
 - (E) failure to pay charges arising from any underbilling occurring due to any misapplication of rates more than six months prior to the current billing;

- (F) failure to pay charges arising from any underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due to other misconduct of the customer; and
 - (G) failure to pay an estimated bill other than a bill rendered pursuant to any approved meter reading plan, unless the Company is unable to read the meter due to circumstances beyond its control.
- (5) Unless a dangerous condition exists, or unless the Customer requests disconnection, service shall not be disconnected on a day, or on a day immediately preceding a day, when personnel of the Company are not available to the public for the purpose of making collections and reconnecting service.
 - (6) The Company shall not abandon a Customer without written approval from the regulatory authority.
 - (7) The Company shall not discontinue service to a delinquent residential Customer permanently residing in an individually metered dwelling unit when that Customer establishes that discontinuance of service will result in some person residing at that residence becoming seriously ill or more seriously ill if service is discontinued. Any Customer seeking to avoid termination of service under this provision must make a written request to the Company supported by a written statement from a licensed physician. The Company must receive both the request and the statement within five working days of the issuance of the utility bill. The prohibition against service termination as provided herein shall last twenty (20) days from the date of receipt by the Company of the request and statement or such lesser period as may be agreed upon by the Company and the Customer. The Customer who makes such request shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

9. LOCATION OF METERS

Wherever practical and if requested by the Consumer, all new meter installations shall be accessible at all times for inspection, reading, and change out for testing. Whenever the Company shall permanently discontinue the delivery of gas to any of Consumer's premises, it shall have the right at any reasonable time thereafter to enter upon the premises and remove therefrom its meter and any other of its equipment there located.

10. METER TESTS AND BILL ADJUSTMENTS WITH RESPECT TO METER ACCURACY

(a) Meter Requirement.

- (1) Use of meter. All gas sold by the Company shall be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the regulatory authority or tariff.
- (2) Installation by Company. Unless otherwise authorized by the regulatory authority, the Company shall provide and install and will continue to own and maintain all meters necessary for measurement of gas delivered to its Customers.
- (3) Standard type. The Company shall not furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.

(b) Meter Records. The Company shall keep the following records:

- (1) Meter equipment records. The Company shall keep a record of all its meters, showing the Customer's address and date of the last test.
- (2) Records of meter tests. All meter tests must be properly referenced to the meter record provided for therein. The record of each test made on request of a Customer must show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made, the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.

(c) Meter readings.

In general, each meter must indicate clearly the units of service for which charge is made to the Customer.

(d) Test for accuracy.

- (1) The Company shall, upon request of a Customer make a test of the accuracy of the meter serving that Customer. The Company shall inform the Customer of the time and place of the test, and permit the Customer or his authorized representative to be present if the

Customer so desires. If no such test has been performed within the previous four years for the same Customer at the same location, the test shall be performed without charge. If such a test has been performed for the same Customer at the same location within the previous four years, the Company may charge a fee for the test, not to exceed \$35.00, or such other fee for the testing of meters as may be set forth in the Company's Schedule of Miscellaneous Service Charges properly on file with the regulatory authority. The Customer must be informed of the result of any test on a meter that serves him.

- (2) Notwithstanding Paragraph (1), above, if the meter is found to be more than nominally defective, to either Customer's or the Company's disadvantage, any fee charged for a meter test must be refunded to the Customer. More than nominally defective means a deviation of more than 2% from accurate registration.
- (3) If any meter test requested by a Customer reveals a meter to be more than nominally defective, the Company shall correct previous readings consistent with the inaccuracy found in the meter for the period of either
 - (i) the last six months, or
 - (ii) the last test of the meter, whichever is shorter. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be waived by the Company if the error is to the Company's disadvantage.
- (4) If a meter is found not to register for any period of time, the Company may make a charge for units used but not metered, for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same Customer at the same location when available, and on consumption under similar conditions at the same location or of other similarly situated Customers when not available.

(e) Meter Exchange

- (1) The Company follows the practice of testing and repairing its meters on periodic schedules in accordance with good operating practice. The "periodic meter test interval" is based on the results of accuracy tests of its meters randomly sampled of varying ages.

The period of presumed accuracy is the period during which not less than 70% of the randomly sampled meters exhibit accuracy in the range of 2% fast to 2% slow.

11. DEPOSITS FROM CONSUMERS TO GUARANTEE PAYMENTS OF BILLS

(a) Establishment of Credit for Residential Applicants

(1) The Company may require a residential Applicant for service to satisfactorily establish credit but such establishment of credit shall not relieve the Customer from complying with rules for prompt payment of bills. Subject to these rules, a residential Applicant shall not be required to make a deposit;

(A) if the residential Applicant has been a Customer of any utility for the same kind of service within the last two years and is not delinquent in payment of any such utility service account and during the last twelve consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment; or

(B) if the residential Applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required;

(C) if the residential Applicant demonstrates a satisfactory credit rating by appropriate means, including but not limited to, the production of generally accepted credit cards, letters of credit reference, the names of credit references which may be quickly and inexpensively contacted by the utility, or proof of ownership of substantial equity.

(b) Re-establishment of credit. Every Applicant who has previously been a Customer of the Company and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all amounts due the Company or execute a written deferred payment agreement, if offered, and reestablish credit as provided herein.

(c) Amount of deposit and interest for residential service and exemption from deposit.

(1) The required residential deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings (rounded up to the nearest \$5.00). If the actual use is at least twice the

amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within five days. If such additional deposit is not made, the Company may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.

Estimated Annual Billings as such term is used in this Section shall be either (i) the 12-month billing history at the service address involved (if a billing history is available for the service address), or (ii) the average annual residential bill in the same or similar service area (if a billing history is not available at the service address); Provided, that such average annual residential bill determined pursuant to clause "ii" hereof, shall be determined periodically but no less frequently than annually.

- (2) All Applicants for residential service who are sixty-five years of age or older will be considered as having established credit if such Applicant does not have an outstanding account balance with the Company or another utility for the same utility service which accrued within the last two years. No cash deposit shall be required of such Applicant under these conditions.
- (3) The Company shall pay a minimum interest on such deposits according to the rate as established by law; provided, if refund of deposit is made within thirty days of receipt of deposit, no interest payment shall be made. If the Company retains the deposit more than thirty days, payment of interest shall be made retroactive to the date of deposit.
 - (A) payment of interest to the Customer shall be annually or at the time the deposit is returned or credited to the Customer's account.
 - (B) the deposit shall cease to draw interest on the date it is returned or credited to the Customer's account.
- (d) For commercial and large volume Customers, Company may require a deposit where the Applicant is unable to establish good credit by standards generally accepted as evidence of credit worthiness. The amount of any deposit, where required, shall be in an amount sufficient to protect Company but shall not exceed the amount of the estimated highest two (2) months' billing. Interest on commercial and large Customer deposits shall be paid at the rate established by ordinance, regulation or rule for gas utility deposits. Deposits shall be refunded after three (3) years of prompt payment, with refund including any interest to be made in cash or by credit to the Consumer's bill. Deposits may be refunded sooner if

Consumer can establish a record of credit worthiness which would have entitled him to initial service without a deposit and otherwise has a record of prompt payment.

(e) Records of deposits

- (1) The Company shall keep records to show:
 - (A) the name and address of each depositor;
 - (B) the amount and date of the deposit; and
 - (C) each transaction concerning the deposit.
- (2) The Company shall issue a receipt of deposit to each Applicant from whom a deposit is received and shall provide a means whereby a depositor may reclaim the deposit if the receipt is lost.
- (3) A record of each unclaimed deposit shall be maintained for at least four years, during which time the Company shall make a reasonable effort to return the deposit.

(f) Refund of deposit

- (1) If service is not connected or after disconnection of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The transfer of service from one premises to another within the service area of the Company shall not be deemed a disconnection within the meaning of these rules, and, in the event of such transfer, no additional deposit may be demanded unless permitted by these rules.
- (2) When a residential Customer has paid bills for service for twelve consecutive months without having service disconnected for nonpayment of bills and without having more than one occasion in which a bill was delinquent and when the Customer is not delinquent in the payment of the current bills, the Company shall promptly and automatically refund the deposit plus accrued interest to the Customer in the form of cash or credit to the Customer's account. Deposits may be refunded sooner if Consumer can establish a record of credit worthiness which would have entitled him to install service without a deposit and otherwise has a record of prompt payment.

- (g) Upon the sale or transfer of the Company or operating units thereof, the Company shall file with the commission under oath, in addition to other information, a list showing the names and addresses of all Customers served by the Company or unit who have to their credit a deposit, the date the deposit was made, the amount thereof, and the unpaid interest thereon.
- (h) The Company shall direct its personnel engaged in initial contact with an Applicant or Customer for service seeking to establish or re-establish credit under the provisions of these rules to inform the Customer, if dissatisfaction is expressed with the Company decision, of the Customer's right to file a complaint with the regulatory authority thereon.

12. DISCONTINUANCE BY CONSUMER

A Consumer who wishes to discontinue the use of gas (provided he otherwise has the right to do so) must give notice of his intent to do so to Company at its principal office. Consumer shall be obligated to pay for all service which is rendered by the Company (including applicable minimum charges therefore) prior to time Company receives such notice.

13. RECORDS OF GAS SUPPLIED

Company shall keep accurate records of the amount of gas registered by its meters, and such records shall be accepted at all times and in all places as prima facie evidence of the true amount of gas consumed.

14. ESCAPING GAS

Immediate notice must be given to Company by Consumer of any escaping gas on Consumer's premises. No flame shall be taken near the point where gas is escaping and as an added precaution, the gas should immediately be shut off at the meter by Company. Company shall not be liable for any damage or loss caused by the escape of gas from Consumer's Housepiping or Consumer's appliances.

15. DAMAGE AND REPAIR TO AND TAMPERING WITH COMPANY'S FACILITIES

Consumer shall immediately notify Company in the event of damage to Company's property on Consumer's premises. Consumer shall not permit anyone other than authorized employees of Company to adjust, repair, connect, or disconnect, or in any way tamper with the meter, lines or any other equipment of Company used in serving Consumer's premises.

16. ACCESS TO PREMISES

The Company's representatives shall have the right at all reasonable hours to enter upon the premises and property of Consumer to read the meter; and to remove, to inspect, or to make necessary repairs and adjustment to, or replacements of, Service Lines, meter loop, and any property of the Company located thereon, and for any other purpose connected with the Company's operation. The Company's representatives shall have the right at all times to enter upon the premises and property of Consumer in emergencies pertaining to Company's service. All dogs and other animals which might hinder the performance of such operations on the Consumer's property shall be kept away from such operations by the Consumer upon notice by the Company representatives of their intention to enter upon the Consumer's premises.

17. NON-LIABILITY

- (a) The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connection and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.
- (b) Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the Point of Delivery other than damage caused by the fault of the Company in the manner of installation of the Service Lines, in the manner in which such Service Lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the Point of Delivery shall be assumed by the Consumer, his agents, servants, employees or other persons.
- (c) The Company agrees to use reasonable diligence in rendering continuous gas service to all Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.
- (d) Company shall not be liable for any damage or loss caused by stoppage or curtailment of the gas supply pursuant to order of a governmental agency having jurisdiction over Company or Company's suppliers, or caused by an event of force majeure. The term "force majeure" as employed herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockages; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or

entire failure of natural gas wells or gas supply; depletion of gas reserves; and any other causes; whether of the kind herein enumerated or otherwise.

18. TEMPORARY INTERRUPTION OF SERVICE

- (a) The Company shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Company shall reestablish service within the shortest possible time consistent with prudent operating principals so that the smallest number of Customers are affected.
- (b) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and shall issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
- (c) In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
 - (1) Record of interruption. Except for momentary interruptions which do not cause major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of such interruptions, date, time duration, location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence.
 - (2) Report to Commission. The Commission shall be notified in writing within forty-eight hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.

19. WAIVER OF RULES

No agent or representative of the Company is authorized to add to, alter, waive, or otherwise change any of the foregoing rules except by agreement in writing signed by an officer in the Company.

20. BILLING

- (a) Bills for gas service shall be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills shall be rendered as promptly as possible following the reading of meters.
- (b) The Customer's bill must show all the following information:
 - (1) If the meter is read by the Company, the date and reading of the meter at the beginning and end of the period for which rendered;
 - (2) The number and kind of units billed;
 - (3) The applicable rate schedule, title or code;
 - (4) The total base bill;
 - (5) The total of any adjustments to the base bill and the amount of adjustments per billing unit;
 - (6) The date by which the Customer must pay the bill in order to avoid penalty;
 - (7) The total amount due after addition of any penalty for nonpayment within a designated period; and
 - (8) A distinct marking to identify an estimated bill.

The information required above shall be arranged and displayed in such a manner as to allow the Customer to compute his bill with the applicable rate schedule. The applicable rate schedule must be mailed to the Customer on request of the Customer. The Company may exhaust its stock of non-conforming bill forms existing on the effective date hereof before compliance is required with this section.

- (c) Where there is a good reason for doing so, estimated bills may be submitted provided that an actual meter reading is taken at least every six months. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, the Company shall provide the Customer with a postcard and request that the Customer read the meter and return the card to the utility if the meter is of a type that can be read by the Customer without significant inconvenience or special tools or equipment. If such a postcard is not received by the Company in time for billing, the Company may estimate the meter reading and render the bill accordingly.

(d) Disputed bills.

- (1) In the event of a dispute between the Customer and the Company regarding the bill, the Company shall forthwith make such investigation as is required by the particular case and report the results thereof to the Customer. If the Customer wishes to obtain the benefit of subsection (2) hereunder, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate regulatory authority.
- (2) Notwithstanding any other provisions of these rules and regulations, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: (1) resolution of the dispute; or (2) the expiration of the sixty day period beginning on the day the disputed bill is issued. For purposes of this section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar Customers and under similar conditions.

21. NEW CONSTRUCTION

- (a) Standards of construction. The Company shall construct, install, operate, and maintain its plant, structures, equipment and lines in accordance with the provisions of such codes and standards as are generally accepted by the industry, as modified by rule or regulation of the regulatory authority, or otherwise by law, and in such manner to best accommodate the public and to prevent interference with service furnished by other public utilities insofar as practical.
- (b) Response to request for residential and commercial service. The Company shall serve each qualified residential and commercial Applicant for service within its service area as rapidly as practical. As a general policy, those applications not involving line extensions or new facilities should be filled within seven working days. Those applications for individual residential service requiring line extensions should be filled within ninety days unless unavailability of materials or other causes beyond the control of the Company result in unavoidable delays. In the event that residential service is delayed in excess of ninety days after an Applicant has met credit requirements and made satisfactory arrangements

for payment of any required construction charges, a report must be made to the regulatory authority listing the name of the Applicant, location, and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the Company, a delay in excess of ninety days may be found to constitute a refusal to serve.

22. CURTAILMENT POLICY

The Company adopts and shall adhere to the curtailment program set forth in Rule 2 of Texas Railroad Commission Gas Utilities Division Docket No. 489 as well as all other rules and regulations adopted from time to time by governmental agencies having authority over the operations of Company.

23. CUSTOMER RELATIONS

(a) Information to Customers. The Company shall:

- (1) Maintain a current set of maps showing the physical location of its facilities. All distribution facilities shall be labeled to indicate the size or any pertinent information which will accurately describe the utility's facilities. These maps, or such other maps as may be required by the regulatory authority, shall be kept by the Company in a central location and will be available for inspection by the regulatory authority during normal working hours. Each business office or service center shall have available up-to-date maps, plans or records of its immediate area, with such other information as may be necessary to enable the utility to advise Applicants and others entitled to the information as to the facilities available for serving that locality;
- (2) Assist the Customer or Applicant in selecting the most economical rate schedule;
- (3) In compliance with applicable law or regulations, notify Customers affected by a change in rates or schedule or classification;
- (4) Post a notice in a conspicuous place in each business office of the utility where applications for service are received informing the public that copies of current rate schedules and rules relating to the service of the Company, as filed with the Commission, are available for inspection;
- (5) Furnish such additional information on rates and services as the Customer may reasonably request;

- (6) Upon request, inform its Customers as to the method of reading meters; and
 - (7) As required by law or the rules of the appropriate regulatory authority, provide its Customers with Customer service information. At least once each calendar year, the Company shall notify its Customers that Customer service information is available on request without charge.
- (b) **Customer Complaints.** Upon complaint to the Company by residential or small commercial Customers either at its office, by letter, or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof. The Company shall make its initial response to the Customer no later than the end of the business day following the date of the complaint. The Company shall keep a record of all complaints which shall show the name and address of the complainant, the date and nature of the complaint, and the adjustment and disposition thereof for a period of two years subsequent to the final disposition of the complaint.
- (c) **Company Response.** Upon receipt of the complaint, either by letter or by telephone, from the regulatory authority on behalf of a Customer, the Company shall make a suitable investigation and advise the regulatory authority and complainant of the results thereof. An initial response shall be made not later than the next business day following receipt of the complaint. The Commission encourages all Customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of the Company.
- (d) **Deferred Payment Plan.** The Company may, but is not required to, offer a written deferred payment plan for delinquent residential accounts. If such a plan is offered, it shall conform to the following guidelines:
- (1) Every deferred payment plan entered into due to the Customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the Customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.
 - (2) For purposes of determining reasonableness under these rules the following shall be considered: size of delinquent account; Customer's ability to pay; Customer's payment history; time that the debt has been outstanding; reasons why the debt has been outstanding; and other relevant factors concerning the circumstances of the Customer.

- (3) A deferred payment plan offered by the Company shall state, immediately preceding the space provided for the Customer's signature and in bold face print at least two sizes larger than any other used, that "If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the utility's failure or refusal to comply with the terms of this agreement."
- (4) A deferred payment plan may include a one time five percent penalty for late payment on the original amount of the outstanding bill except in cases where the outstanding bill is unusually high as a result of the Company's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan shall not include a finance charge.
- (5) If a Customer for utility service has not fulfilled terms of a deferred payment agreement or refuses to sign the same, the Company shall have the right to disconnect pursuant to disconnection rules herein and, under such circumstance, it shall not be required to offer a subsequent negotiation of a deferred payment plan prior to disconnection.
- (6) If the Company institutes a deferred payment plan it shall not refuse a Customer participation in such a program on the basis of race, color, creed, sex or marital status.

EFFECTIVE _____, 2017

LDC, LLC
Gas Rate Sheet
Rate Case Expense (RCE)
Environs

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential or Commercial rate schedules in the environs of the City of Montgomery served by LDC, LLC, filed on April 13, 2017, GUD No. 10622. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after (add the date of the FO), for an approximate forty-eight (48) month period or until approved rate case expenses in the amount of \$45,000 are recovered.

MONTHLY RATE CASE EXPENSE RECOVERY FACTOR

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

RULES AND REGULATIONS

Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations; as such rules may be amended from time to time. A copy of the Company's General Rules and Regulations may be obtained from the Company's office located at 620 Longmire Road, Conroe, TX 77304.

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, LDC, LLC 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 Filings
Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

LDC, LLC
Gas Rate Sheet
Rate Case Expense (RCE)
Incorporated

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential or Commercial rate schedules in the incorporated areas of the City of Montgomery served by LDC, LLC, filed on April 13, 2017, GUD No. 10622. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after (add the date of the FO), for an approximate forty-eight (48) month period or until approved rate case expenses in the amount of \$45,000 are recovered.

MONTHLY RATE CASE EXPENSE RECOVERY FACTOR

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

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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 620 Longmire Road, Conroe, TX 77304.

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

LDC, LLC
Gas Rate Sheet
Residential Environs

APPLICATION OF SCHEDULE

This schedule applies to all RESIDENTIAL customers in the environs of the City of Montgomery receiving gas service through a meter from LDC, LLC and who use gas services for domestic purposes only. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Where proposed service to a customer does not exist, additional charges and other arrangements with customer will be required prior to service being provided.

Service under this rate schedule shall be furnished in accordance with the Commissions Special Rules of Practice and Procedures and Substantive Rules and the Company's General Rules and Regulations, as such rules may be amended from time to time.

GROSS MONTHLY RATE

The gross monthly rate for each customer receiving service shall be the sum of:

1. a minimum monthly customer charge, plus
2. a commodity rate per MCF of consumption, plus
3. a gas cost adjustment calculated per MCF of consumption, plus
4. authorized taxes and other surcharges

MINIMUM MONTHLY CUSTOMER CHARGE:

The minimum monthly customer charge shall be \$21.00.

MONTHLY COMMODITY RATE:

The price payable by each residential customer for all consumption each month shall be \$8.25 per MCF.

GAS COST ADJUSTMENT:

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

TAXES:

The Company shall recover other surcharges as authorized by federal, state, and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements as a separate line item on the customer's bill.

LDC, LLC
Gas Rate Sheet
Residential Environs

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.

PAYMENT:

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

LDC, LLC
Gas Rate Sheet
Residential Incorporated

APPLICATION OF SCHEDULE

This schedule applies to all RESIDENTIAL customers within the incorporated areas of the City of Montgomery receiving gas service through a meter from LDC, LLC and who use gas services for domestic purposes only. Natural gas supplied hereunder is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Where proposed service to a customer does not exist, additional charges and other arrangements with customer will be required prior to service being provided.

Service under this rate schedule shall be furnished in accordance with the Commissions Special Rules of Practice and Procedures and Substantive Rules and the Company's General Rules and Regulations, as such rules may be amended from time to time.

GROSS MONTHLY RATE

The gross monthly rate for each customer receiving service shall be the sum of:

1. a minimum monthly customer charge, plus
2. a commodity rate per MCF of consumption, plus
3. a gas cost adjustment calculated per MCF of consumption, plus
4. authorized taxes and other surcharges

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The price payable by each residential customer for all consumption each month shall be \$8.25 per MCF.

GAS COST ADJUSTMENT:

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

TAXES:

The Company shall recover other surcharges as authorized by federal, state, and local regulatory authorities in accordance with applicable statutes, laws, regulations, ordinances, orders, rules, contracts, or agreements as a separate line item on the customer's bill.

LDC, LLC
Gas Rate Sheet
Residential Incorporated

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.

PAYMENT:

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

LDC, LLC
Gas Rate Sheet
Service Charges

	<u>Service</u>	<u>Amount</u>
1	Institution of New Service	\$45.00
2	Restore Service after Termination for Non-Payment or for Leak on a Customer Owned Facility	\$45.00
3	Restore Service after Service Turned-Off at Customer or Customer's Agent's Request	\$45.00
4	Trip Charge	\$35.00
5	Rebuild Meter Installation Damaged by Someone other than LDC (TWO (2) HOUR MINIMUM + Actual costs of materials)	
	Requiring construction crew	\$90.00
	Not requiring construction crew	\$90.00
6	Meter Retest on Request of Customer.	\$35.00
7	Repair Damaged Meters and Regulators (PLUS Actual COST OF MATERIALS)	
7a	Damage to Index	\$65.00
7b	Damage to Regulator	\$35.00
8	Re-Route, Installation and Extension of Service Line and New Mains (PER FOOT PLUS Actual COST OF MATERIALS under normal construction conditions)	
8a	1" - 1-1/4"	\$4.50
8b	1-1/2" - 2"	\$5.25
8c	3" - 4"	\$6.25
9	Tap Charge	\$375.00
10	Meter and Regulator Facility	\$485.00
10a	AL-425 Large Meter Upgrade - Pool / Generator (During Initial Construction)	\$595.00
10b	AL-425 Large Meter Upgrade - Pool / Generator (After Initial Construction)	\$790.00
	Large Commercial Meter (See Manager for Pricing)	
11	Labor for all other Service Work (During normal Business Hours 8am-5pm, Mon.-Fri.)	
	Two Hour Minimum	\$90.00/Hr.
	Each Additional 1/2 Hour (or Part Thereof)	\$45.00

LDC, LLC
Gas Rate Sheet
Service Charges

	After Normal Business Hours, Holidays, Saturdays, Sundays (Two Hour Minimum)	\$135.00/Hr.
	After Normal Business Hours - Each Additional 1/2 Hour (or Part Thereof)	\$67.50
12	Collection Call, Missed Appointment, Re-Read (PER TRIP)	\$35.00
13	Returned Check Fee (PLUS BANK FEE)	\$30.00
14	High Volume Excess Flow Valve ¹	\$225.00
15	Residential Deposit (Refunded with interest to Customers who meet the Requirements in 16 TEX. ADMIN Code Section 7.45 (5) (F))	\$140.00
16	Small Commercial Deposit	\$500.00
17	Test and Inspection of Service Line Installed by Others	\$695.00

¹ Under amendments to 49 C.F.R. § 192.383, adopted by the Pipeline and Hazardous Materials Safety Administration and effective on April 14, 2017, a notification must be provided to all customers of their right to request the installation of an Excess Flow Valve on service lines that are not being replaced or newly installed. All newly installed service lines must include the installation of an Excess Flow Valve.

GUD No. 10622

EXHIBIT B

PROOF OF REVENUES

LDC, LLC
PROOF OF REVENUES
For the Pro Forma Test Year Ended December 31, 2016

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	Residential					
2	Customer Charge	11,544 Bills	\$21.00 / Month	\$242,424		
3	Commodity Charge	40,058 MCF	\$8.2500 / MCF	330,479		
4	Total Residential			\$572,903	\$129,351	29.2%
5						
6	Commercial					
7	Customer Charge	360 Bills	\$21.00 / Month	\$7,560		
8	Commodity Charge	24,105 MCF	\$6.2500 / MCF	150,655		
9	Total Commercial			\$158,215	\$38,317	32.0%
10						
11	Total Base Rate Revenue			\$731,118	\$167,668	29.8%
12						
13						
14	<u>Residential Service - (Incorporated)</u>					
15	Base Rate					
16	Customer Charge	1,764 Bills	21.00 / Month	\$37,044		
17	Commodity	5,059 MCF	8.25000 / MCF	41,735		
18	Total			\$78,779	\$18,172	30.0%
19						
20	<u>Residential Service - (Environrs)</u>					
21	Base Rate					
22	Customer Charge	9,780 Bills	21.00 / Month	\$205,380		
23	Commodity	34,999 MCF	8.25000 / MCF	288,744		
24	Total			\$494,124	\$111,179	29.0%
25						
26	<u>Commercial Service - (Incorporated)</u>					
27	Base Rate					
28	Customer Charge	312 Bills	21.00 / Month	\$6,552		
29	Commodity	21,426 MCF	6.25000 / MCF	133,911		
30	Total			\$140,463	\$34,010	31.9%
31						
32	<u>Commercial Service - (Environrs)</u>					
33	Base Rate					
34	Customer Charge	48 Bills	21.00 / Month	\$1,008		
35	Commodity	2,679 MCF	6.25000 / MCF	16,744		
36	Total			\$17,752	\$4,307	32.0%
37						
38						
39	Total			\$731,118	\$167,668	29.8%

LDC, LLC
PROOF OF REVENUES
For the Pro Forma Test Year Ended December 31, 2016

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
40						
41	Number of Bills Summary					
42	Residential					
43	Incorporated	1,764				
44	Environs	9,780				
45	Total Residential Bills	11,544				
46						
47	Commercial					
48	Incorporated	312				
49	Environs	48				
50	Total Commercial Bills	360				
51						
52	Total Bills	11,904				
53						
54	MCF Summary					
55	Residential					
56	Incorporated	5,059				
57	Environs	34,999				
58	Total Residential MCF	40,058				
59						
60	Commercial					
61	Incorporated	21,426				
62	Environs	2,679				
63	Total Commercial MCF	24,105				
64						
65	Total MCF	64,163				
66						
67	Base Rate Revenue Summary					
68	Residential			\$78,779	\$18,172	30.0%
69	Incorporated			\$494,124	\$111,179	29.0%
70	Environs			\$572,903	\$129,351	29.2%
71	Total Residential Base Rate Revenue					
72						
73	Commercial			\$140,463	\$34,010	31.9%
74	Incorporated			\$17,752	\$4,307	32.0%
75	Environs			\$156,215	\$38,317	32.0%
76	Total Commercial Base Rate Revenue					
77						
78	Total Base Rate Revenue			\$731,118	\$167,668	29.8%

GUD No. 10622

EXHIBIT C

INTERIM RATE ADJUSTMENT FACTORS

LDC, LLC
INTERIM RATE ADJUSTMENT FACTORS

Line No.	Description	Plant Balance	Depreciable Life	Depreciation Rate	Estimated Depr. Exp.
1	Distribution Plant				
2	374 - Land and Land Rights	\$0	-	0.000%	\$0
3	375 - Structures and Improvements	\$0	-	0.000%	\$0
4	376 - Mains Total	\$2,153,931	40	2.500%	\$53,848
5	378 - Measuring & Regulating Station Equipment Total	\$109,286	40	2.500%	\$2,732
6	380 - Services Total	\$318,256	40	2.500%	\$7,956
7	381 - Meters Total	\$440,051	15	6.667%	\$29,337
8	383 - House Regulators Total	\$160,967	15	6.667%	\$10,731
9	Total Distribution Plant	<u>\$3,182,491</u>	<u>30.42</u>	<u>3.287%</u>	<u>\$104,605</u>
10	General Plant				
11	389 - Land and Land Rights	\$15,572	-	0.000%	\$0
12	390 - Structures & Improvements Total	\$2,300	15	6.667%	\$153
13	391 - Office Furniture & Equipment Total	\$31,218	7	14.286%	\$4,460
14	392 - Transportation Equipment Total	\$224,848	5	20.000%	\$44,970
15	394 - Tool, Shop & Garage Equipment Total	\$150,500	5	20.000%	\$30,100
15	396 - Power Operated Equipment Total	\$3,195	5	20.000%	\$639
16	Total General Plant	<u>\$427,633</u>	<u>5.32</u>	<u>18.783%</u>	<u>\$80,322</u>
17	Total Plant	\$3,610,124	19.52	5.122%	\$184,926
18	Accumulated Depreciation	(\$1,512,612)			
19	Net Plant	\$2,097,512			
20	Tax Rates / Base Tax Amounts				
			<u>Tax Factor</u>		
21	Federal Income Tax	\$53,667	35.0000%		
22	Property Tax	\$12,826	0.6115%	property taxes / net plant	
23	Total Taxes Other Than Income	\$80,582	11.0218%	taxes other than income / base rever	

GUD No. 10622

EXHIBIT D

AVERAGE BILL COMPARISON

LDC, LLC
AVERAGE BILL COMPARISONS
For the Pro Forma Test Year Ended December 31, 2016

Residential Service - (Incorporated)						
Charge			Present	Proposed	# of Cust.	
Customer Charge \$/Month			\$15.00	\$21.00	147	
Commodity \$/MCF			\$6.7500	\$8.2500		
Gas Cost Adjustment \$/MCF			\$6.0262	\$6.0262		
TYPICAL MONTHLY BILL COMPARISON						
MCF			Present	Proposed	Change	
1			\$27.78	\$35.28	\$7.50	27.00%
2			\$40.55	\$49.55	9.00	22.19%
4			\$66.10	\$78.10	12.00	18.15%
6			\$91.66	\$106.66	15.00	16.37%
8			\$117.21	\$135.21	18.00	15.36%
10			\$142.76	\$163.76	21.00	14.71%
12			\$168.31	\$192.31	24.00	14.26%
Avg MCF Use						
2.87			\$51.67	\$61.97	10.31	19.94%
Residential Service - (Environ)						
Charge			Present	Proposed	# of Cust.	
Customer Charge \$/Month			\$15.00	\$21.00	815	
Commodity \$/MCF			\$6.7500	\$8.2500		
Gas Cost Adjustment \$/MCF			\$6.0337	\$6.0337		
TYPICAL MONTHLY BILL COMPARISON						
MCF			Present	Proposed	Change	
1			\$27.78	\$35.28	\$7.50	26.99%
2			\$40.57	\$49.57	9.00	22.19%
4			\$66.13	\$78.13	12.00	18.14%
6			\$91.70	\$106.70	15.00	16.36%
8			\$117.27	\$135.27	18.00	15.35%
10			\$142.84	\$163.84	21.00	14.70%
12			\$168.40	\$192.40	24.00	14.25%
Avg MCF Use						
3.58			\$60.77	\$72.14	11.37	18.71%

LDC, LLC
AVERAGE BILL COMPARISONS
For the Pro Forma Test Year Ended December 31, 2016

Commercial Service - (Incorporated)					
Charge	Present	Proposed	# of Cust.		
Customer Charge \$/Month	\$15.00	\$21.00	26		
Commodity \$/MCF	\$4.7500	\$6.2500			
Gas Cost Adjustment \$/MCF	\$6.0421	\$6.0421			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
10	\$122.92	\$143.92	\$21.00	17.08%	
20	\$230.84	\$266.84	36.00	15.60%	
30	\$338.76	\$389.76	51.00	15.05%	
40	\$446.69	\$512.69	66.00	14.78%	
50	\$554.61	\$635.61	81.00	14.60%	
60	\$682.53	\$758.53	96.00	14.49%	
70	\$770.45	\$881.45	111.00	14.41%	
Avg MCF Use	\$756.10	\$865.10	109.01	14.42%	
68.67					
Commercial Service - (Enviroins)					
Charge	Present	Proposed	# of Cust.		
Customer Charge \$/Month	\$15.00	\$21.00	4		
Commodity \$/MCF	\$4.7500	\$6.2500			
Gas Cost Adjustment \$/MCF	\$5.9980	\$5.9980			
TYPICAL MONTHLY BILL COMPARISON					
MCF	Present	Proposed	Change (\$)	Change (%)	
10	\$122.48	\$143.48	\$21.00	17.15%	
20	\$229.96	\$265.96	36.00	15.65%	
30	\$337.44	\$388.44	51.00	15.11%	
40	\$444.92	\$510.92	66.00	14.83%	
50	\$552.40	\$633.40	81.00	14.66%	
60	\$659.88	\$755.88	96.00	14.55%	
70	\$767.36	\$878.36	111.00	14.47%	
Avg MCF Use	\$614.85	\$704.56	89.71	14.59%	
55.81					