

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION OF HUGHES NATURAL GAS, INC. FOR TEST YEAR 2017 ANNUAL INTERIM RATE ADJUSTMENT PROGRAM FOR THE ENVIRONS AREA.</b>	§ § § § §	<b>GAS UTILITIES DOCKET NO. 10734</b>
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**INTERIM RATE ADJUSTMENT ORDER**

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

**FINDINGS OF FACT**

Background

1. Hughes Natural Gas, Inc. ("HNG") is a "gas utility," as that term is defined in the Texas Utilities Code and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. HNG owns and operates a gas distribution system.
3. On June 1, 2018, HNG filed an application for an annual interim rate adjustment ("IRA") applicable to customers located in its unincorporated areas.
4. HNG proposed the IRA for all customer classes become effective on July 31, 2018.
5. HNG's application was complete on June 7, 2018.
6. On June 7, 2018, the Commission suspended implementation of HNG's proposed IRA until September 20, 2018, which would be 45 days following the 60<sup>th</sup> day after the application was considered complete.
7. HNG voluntarily extended the statutory deadline for this filing to November 9, 2018, in order to provide additional time to determine the impact of the change in the Corporate Federal Income Tax rate on the approved rates.
8. Neither TEX. UTIL. CODE § 104.301 nor 16 Texas Administrative Code § 7.7101 provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.

9. 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest concerning the proposed interim rate adjustment to be filed with Gas Services.
10. As of the date of this order, the Commission has received three letters of protest concerning this application.
11. No further questions or comments were received by the Commission from the protestants.
12. This docket represents the fifth annual IRA for HNG's unincorporated areas since GUD No. 10190.<sup>1</sup>
13. Until promulgation of TEX. UTIL. CODE § 104.301, a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
14. The proposed IRA will allow HNG an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10190, without the necessity of filing a statement of intent rate case and without review by the Commission of HNG's comprehensive cost of service.

#### Applicability

15. This docket applies to only those rates over which the Commission has original jurisdiction, which includes all HNG's unincorporated customers.
16. As of December 31, 2017, HNG's average monthly customer count subject to this order included 3,879 residential customers and 55 commercial customers.

#### Most Recent Comprehensive Rate Case

17. HNG's most recent rate case for the area in which the IRA will be implemented is GUD No. 10190, *Statement of Intent of Hughes Natural Gas, Inc. To Change Gas Distribution Rates in the Unincorporated Towns and Rural Areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas.*
18. GUD No. 10190 was filed on July 6, 2012.
19. In that proceeding, the Examiners identified deficiencies in the Statement of Intent as originally filed.

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<sup>1</sup> *Statement of Intent of Hughes Natural Gas, Inc. To Change Gas Distribution Rates in the Unincorporated Towns and Rural Areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas.*

20. HNG subsequently filed a motion for Abatement, which was granted on September 14, 2012.
21. HNG re-filed its Statement of Intent on November 2, 2012 in GUD No. 10190.
22. The data used in the re-filed Statement of Intent in GUD No. 10190 was based on a test-year ending September 30, 2012.
23. It is reasonable to regard November 2, 2012 as the filing date of HNG's Statement of Intent in GUD No. 10190.
24. A hearing in GUD No. 10190 was held from February 6, 2013 through February 8, 2013. On February 19, 2013 a Settlement Agreement was filed in the case.
25. HNG, Commission Staff, and the City of Magnolia are signatories to the Settlement Agreement.
26. The Commission signed the GUD No. 10190 Final Order on March 26, 2013.
27. The following chart shows the factors that were established in GUD No. 10190 to calculate the return on investment, depreciation expense, and federal income tax for HNG's unincorporated areas as applied in this proceeding:

**GUD No. 10190 CALCULATION FACTORS**

<b>Factor</b>	<b>Percentage</b>
Rate of return	9.00%
Depreciation Rate	Varies <sup>2</sup>
Federal Income Tax Rate	35%

**Interim Rate Adjustment**

28. The revenue amounts to be recovered through HNG's revised annual IRA are incremental to the revenue requirement established in HNG's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10190, and subsequent IRAs.
29. Under TEX. ADMIN. CODE § 7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
30. In GUD No. 10386, the first IRA following HNG's most recent rate case, GUD No. 10190, HNG adjusted its rates based on the difference between its invested capital at the end of its

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<sup>2</sup> Staff review confirms that HNG used the appropriate depreciation rates approved in GUD No. 10190 in this docket.

Statement of Intent rate case test year, September 30, 2012, and the incremental invested capital at the end of December 31, 2013.

31. In GUD No. 10425, the second IRA, HNG adjusted its rates based on the difference between its invested capital from December 31, 2013 and December 31, 2014.
32. In GUD No. 10504, the third IRA, HNG adjusted its rates based on the difference between invested capital from December 31, 2014 to December 31, 2015.
33. In GUD No. 10614, the fourth IRA, HNG adjusted its rates based on the difference between invested capital from December 31, 2015 to December 31, 2016.
34. In this docket, the fifth IRA, HNG adjusted its rates based on the difference between invested capital from December 31, 2016 to December 31, 2017.
35. HNG seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment with regard to the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$143,123** (Exhibit B), of which **\$128,381** is attributable to customers subject to this order.
36. The value of HNG's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for HNG's IRAs.
37. HNG's incremental net utility plant investment is **\$819,916**, as shown in Exhibit B.
38. HNG is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates in HNG's most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10190.
39. HNG filed the Commission's annual Earnings Monitoring Report ("EMR") as required by 16 TEX. ADMIN. CODE § 7.7101. HNG's actual rate of return was 6.15% for the calendar year ending December 31, 2017, as compared with the 9.00% allowed rate of return established in GUD No. 10190.
40. GUD No. 10190, HNG's most recent Statement of Intent rate case of the unincorporated areas and the basis for the key factors in an IRA calculation, was approved by the Commission on March 26, 2013. Customer Charges are shown in Column B of the table below.
41. Interim rates approved in GUD No. 10386, the first IRA for the unincorporated areas, are shown in Column C below.

42. Interim rates approved in GUD No. 10425, the second IRA for the unincorporated areas, are shown in Column D below.
43. Interim rates approved in GUD No. 10504, the third IRA for the unincorporated areas, are shown in Column E below.
44. Interim rates approved in GUD No. 10614, the fourth IRA for the unincorporated areas, are shown in Column F below.
45. This docket, GUD No. 10734, is the fifth IRA for the HNG unincorporated areas. The proposed IRA charges are shown in Column G of the table below.
46. When the Customer Charge as established in GUD No. 10190 and Interim Rate Adjustments (Columns B, C, D, E, F, and G) are added, the resulting customer charge for affected customer classes is shown in Column H of the table below.

**HNG Customer Charges and Interim Rate Adjustments**

Customer Class	Customer Charge – 1 <sup>st</sup> year Phase-in (GUD 10190)	IRA - 2013 (GUD 10386)	IRA – 2014 (GUD 10425)	IRA – 2015 (GUD 10504)	IRA – 2016 (GUD 10614)	IRA - 2017 (GUD 10734)	New Customer Charge
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
Residential	\$18.35	\$7.83	\$4.19	\$3.18	\$3.38	\$2.72	\$39.65
Commercial	\$18.35	\$7.83	\$4.19	\$3.18	\$3.38	\$2.72	\$39.65

47. HNG filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101(d).
- Net capital additions included in this docket totaled \$819,916.<sup>3</sup>
  - Gross capital project additions totaled \$1,841,116.<sup>4</sup>
  - Safety-related improvements/infrastructure projects comprised 74% of total additions.<sup>5</sup>
48. HNG proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates.
49. HNG is required to show its annual IRA on its customers' monthly billing statements as a surcharge.

<sup>3</sup> Schedule IRA – 3 Summary.

<sup>4</sup> Schedule IRA – 10 Additions.

<sup>5</sup> Response to Staff's RFI No. 1-3.

50. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101 require the regulatory authority to review a utility's method of calculating the IRA.
51. Due process protections are deferred until HNG files its next full statement of intent rate case.

#### Notice

52. HNG provided adequate notice to environs area customers via bill insert on July 9, 2018. As a result, adequate notice was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).

#### Comprehensive Rate Case Required

53. HNG is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.
54. Under 16 TEX. UTIL. CODE § 7.7101(l), a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case no later than the 180<sup>th</sup> day after that anniversary.
55. HNG is required to file a Statement of Intent rate case, no later than June 29, 2020.
56. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an IRA tariff are subject to refund until the conclusion of the next rate case.

#### Review of Interim Rate Adjustment

57. HNG's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101.
58. HNG's proposed customer counts comply with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges or meter charges per year, it is reasonable for the Commission to approve use of HNG's 2017 actual number of customer charges. The following total numbers of bills / meter charges are reasonable for use in the calculation of the interim rate adjustment.

<b>Customer Class</b>	<b>Total Number Bills / Meter Charges</b>
Residential (R)	50,864
Commercial (C)	1,365
<b>Total</b>	<b>52,229</b>

59. It is reasonable for the Commission to approve HNG's application for an IRA. The following amounts of IRA revenue and additional customer charges by customer class are reasonable.

<b>Customer Class</b>	<b>Interim Rate Adjustment Revenue</b>	<b>IRA Revenue from RRC Jurisdiction</b>	<b>Additional Customer / Meter Charges</b>
Residential (R)	\$138,350	\$126,597	\$ 2.72
Commercial (C)	\$3,713	\$1,784	\$ 2.72
Total Increase	\$142,063	\$128,381	

*Voluntary Rate Reduction to Reflect the Tax Cuts and Jobs Act of 2017*

60. On October 9, 2018, in response to the Commission Accounting Order established in GUD No. 10695, HNG filed for Commission approval to implement a rate reduction to existing rates, include base rates set in GUD No. 10190 and interim rates set in GUD No. 10386, 10425, 10504, and 10614, to reflect the impact of a 21% Federal Corporate Income Tax rate as set in the Tax Cuts and Jobs Act of 2017 ("TCJA"). This filing was docketed as GUD No. 10778. The requested reduced rates were administratively approved on October 29, 2018.
61. In this docket, HNG voluntarily requested a reduction to the change in revenue requirement based on implementation of the 21% Federal Corporate Income Tax rate as set in the TCJA.
62. As a result of the change, HNG filed revised schedules and HNG seeks approval from the Commission for a revised adjustment to its IRA revenue based on incremental net utility plant investment with regard to the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement, calculated using a 21% Federal Income Tax rate, to be recovered through this IRA filing from all rate classes using the approved component factors is **\$129,968** (Exhibit C), of which **\$116,582** is attributable to customers subject to this order.
63. GUD No. 10190, HNG's most recent Statement of Intent rate case of the unincorporated areas and the basis for the key factors in an IRA calculation, was approved by the Commission on March 26, 2013. Customer Charges, as reduced in GUD No. 10778 to reflect the impact of the TCJA, is shown in Column B of the table below.

64. Interim rates approved in GUD No. 10386, the first IRA for the unincorporated areas, as reduced in GUD No. 10778, are shown in Column C below.
65. Interim rates approved in GUD No. 10425, the second IRA for the unincorporated areas, as reduced in GUD No. 10778, are shown in Column D below.
66. Interim rates approved in GUD No. 10504, the third IRA for the unincorporated areas, as reduced in GUD No. 10778, are shown in Column E below.
67. Interim rates approved in GUD No. 10614, the fourth IRA for the unincorporated areas, as reduced in GUD No. 10778, are shown in Column F below.
68. This docket, GUD No. 10734, is the fifth IRA for the HNG unincorporated areas. The revised IRA charges are shown in Column G of the table below.
69. When the customer charge as established in GUD No. 10190, the interim rates established in GUD Nos. 10386, 10425, 10504, 10614 and the revised test year 2017 Interim Rate Adjustment (columns B, C, D, E, F, and G,) are added, the resulting customer charges for affected customer classes are as shown in Column H of the table below.

#### HNG Customer Charges and Interim Rate Adjustments

Customer Class	Customer Charge – 1 <sup>st</sup> year Phase-in (GUD 10190)	IRA - 2013 (GUD 10386)	IRA – 2014 (GUD 10425)	IRA – 2015 (GUD 10504)	IRA – 2016 (GUD 10614)	IRA 2017 (GUD 10734)	New Customer Charge
A	B	C	D	E	F	G	H
Residential	\$17.06	\$7.01	\$3.76	\$2.89	\$3.09	\$2.47	\$36.28
Commercial	\$17.06	\$7.01	\$3.76	\$2.89	\$3.09	\$2.47	\$36.28

70. It is reasonable for the Commission to approve HNG's revised application for an IRA calculated using a 21% Federal Income Tax rate as requested by HNG in this docket. The following amounts of IRA revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from RRC Jurisdiction	Additional Customer Charge
Residential	\$ 125,634	\$ 114,961	\$ 2.47
Commercial	\$ 3,372	\$ 1,620	\$ 2.47
Total	\$ 129,006	\$ 116,582	



Reimbursements of Expense

71. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
72. After the Commission has finally acted on HNG's application for an IRA, the Director of the Oversight and Safety Division will estimate HNG's proportionate share of the Commission's annual costs related to the processing of such applications.
73. In making the estimate of HNG's proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
74. HNG is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division within thirty days after receipt of notice of the amount of the reimbursement.

**CONCLUSIONS OF LAW**

1. HNG is a "gas utility" as defined in TEX. UTIL. CODE §§ 101.003(7) and 121.001 and is therefore subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over HNG, HNG's applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, and 104.301.
3. Under TEX. UTIL. CODE § 102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, HNG is required to seek Commission approval before implementing an IRA tariff for environs customers.
5. HNG filed its applications for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. HNG's application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.

7. In accordance with 16 TEX. ADMIN. CODE § 7.315, within thirty days of the effective date of any change to rates or services, HNG is required to electronically file with the Commission its revised tariffs.
8. In accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of HNG's most recent rate case, in which there is a final order setting rates for the area in which the interim rate adjustment will apply, was no more than two years prior to the date HNG filed its initial interim rate adjustment.
9. HNG is required, under TEX. UTIL. CODE § 104.301(e) and 16 TEX. ADMIN. CODE § 7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
10. HNG shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
11. HNG is required, under TEX. UTIL. CODE § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating the HNG's earnings during the preceding calendar year.
12. HNG is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved interim rate adjustments annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous interim rate adjustment application.
13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under HNG's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that HNG files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that HNG files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).

16. HNG provided adequate notice of its IRA in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. HNG's application for an IRA complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. HNG's IRA established in the findings of fact and conclusions of law, complies with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), HNG shall file a comprehensive rate case for the areas in which the IRA is implemented, not later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective, or June 29, 2020.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from HNG the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** HNG's interim rate adjustments as recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

**IT IS FURTHER ORDERED THAT** within 30 days of this order, in accordance with 16 TEX. ADMIN. CODE § 7.315, HNG **SHALL** electronically file its interim rate adjustment tariffs in proper form that accurately reflect the rates, as expressed in Exhibit A, approved by the Commission in this Order.

**IT IS FURTHER ORDERED THAT HNG SHALL** file with the Commission no later than June 29, 2020, a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l).

**IT IS FURTHER ORDERED THAT** any incremental change in rates approved by this order and implemented by HNG shall be subject to refund unless and until HNG's interim rate adjustment tariffs are electronically filed and accepted by Gas Services in accordance with 16 TEX. ADMIN. CODE § 7.315.

**IT IS FURTHER ORDERED THAT HNG SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further


action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of HNG's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 30<sup>th</sup> day of October, 2018.


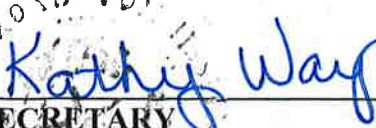
RAILROAD COMMISSION OF TEXAS

  
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ATTEST

  
  
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Kathy Way  
SECRETARY

**HUGHES NATURAL GAS, INC.  
ENVIRONS SERVICE AREA  
TWELVE MONTH PERIOD ENDING 12/31/2017**

**1.2**

**(A) Rates.** The following rates are effective for bills rendered on and after the date of the Commission's Final Order in Gas Utilities Docket 10190:

**1.2.1** Monthly Customer Charge, residential and commercial customers:  
\$17.10, applies per meter, per month;

**1.2.2** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf);

**(B) Rates.** The following rates are effective for bills rendered one year after the date of the Commission's Final Order in Gas Utilities Docket 10190:

**1.2.3** Monthly Customer Charge, residential and commercial customers:  
\$18.35, applies per meter, per month;

**1.2.4** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf);

**(C) Rates.** The following rates are effective for bills rendered on or after January 1, 2015;

**1.2.5** Monthly Customer Charge, residential and commercial customers:  
\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$26.18 Total applies per meter, per month;

**1.2.6** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf);

**(D) Rates.** The following rates are effective for bills rendered after the date of the Commission's Final Order concerning the 2015 IRA;

**1.2.7** Monthly Customer Charge, residential and commercial customers:  
\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;  
\$30.37 Total applies per meter, per month;

**1.2.8** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf);

**(E) Rates.** The following rates are effective for bills rendered after the date of the Commission's Final Order concerning the 2015 IRA:

**1.2.9** Monthly Customer Charge, residential and commercial customers:

\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;  
\$3.18 2015 IRA Surcharge;  
\$33.55 Total applies per meter, per month;

**1.2.10** Volumetric Fee, residential and commercial customers:

\$7.05, applies per thousand cubic feet (Mcf).

**(F) Rates.** The following rates are effective for bills rendered on or after September 1, 2016: IRA:

**1.2.11** Monthly Customer Charge, residential customers with Primary meters:

\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;  
\$3.18 2015 IRA Surcharge;  
\$33.55 Total applies per meter, per month;

**1.2.12** 1.2.10 Volumetric Fee, residential and commercial customers:

\$7.05, applies per thousand cubic feet (Mcf);

**1.2.13** Monthly Customer Charge, residential customers with Secondary meters:

\$12.50, applies per secondary meter, per month;

**1.2.14** Monthly Customer Charge, commercial customers:

\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;  
\$3.18 2015 IRA Surcharge;  
\$33.55 Total applies per meter, per month;

**1.2.15** Volumetric Fee, residential and commercial customers:

\$7.05, applies per thousand cubic feet (Mcf).

**(G) Rates.** The following rates are effective for bills rendered after the date of the Commission's Final Order concerning the 2016 IRA: IRA:

**1.2.16** Monthly Customer Charge, residential customers with Primary meters:

\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;

\$3.18 2015 IRA Surcharge;  
\$3.38 2016 IRA Surcharge  
\$36.93 Total applies per meter, per month;

**1.2.17** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf);

**1.2.18** Monthly Customer Charge, residential customers with Secondary meters:  
\$12.50, applies per secondary meter, per month;

**1.2.19** Monthly Customer Charge, commercial customers:  
\$18.35, applies per meter, per month;  
\$7.83 2013 IRA Surcharge;  
\$4.19 2014 IRA Surcharge;  
\$3.18 2015 IRA Surcharge;  
\$3.38 2016 IRA Surcharge;  
\$36.93 Total applies per meter, per month;

**1.2.20** Volumetric Fee, residential and commercial customers:  
\$7.05, applies per thousand cubic feet (Mcf).

**(H) Rates.** The following rates are effective for bills rendered on or after the date of the Commission's Final Order concerning GUD No. 10734, which includes the impact of a 21% Federal Corporate Income Tax rate as set in the Tax Cuts and Jobs Act of 2017.

**1.2.21** Monthly Customer Charge, residential customers with Primary meters:  
\$17.06, applies per meter, per month<sup>1</sup>;  
\$7.01 2013 IRA Surcharge<sup>2</sup>;  
\$3.76 2014 IRA Surcharge<sup>3</sup>;  
\$2.89 2015 IRA Surcharge<sup>4</sup>;  
\$3.09 2016 IRA Surcharge<sup>5</sup>;  
\$2.47 2017 IRA Surcharge;  
\$36.28 Total applies per meter, per month;

**1.2.22** Volumetric Fee, residential and commercial customers:  
\$6.56, applies per thousand cubic feet (Mcf)<sup>6</sup>;

**1.2.23** Monthly Customer Charge, residential customers with Secondary meters:  
\$11.62, applies per secondary meter, per month<sup>7</sup>;

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<sup>1</sup> Base Customer Charge of \$18.35 (GUD No. 10190) revised to \$17.06 (GUD No. 10778)

<sup>2</sup> 2013 IRA Surcharge of \$7.83 (GUD No. 10386) revised to \$7.01 (GUD No. 10778)

<sup>3</sup> 2014 IRA Surcharge of \$4.19 (GUD No. 10425) revised to \$3.76 (GUD No. 10778)

<sup>4</sup> 2015 IRA Surcharge of \$3.18 (GUD No. 10504) revised to \$2.89 (GUD No. 10778)

<sup>5</sup> 2016 IRA Surcharge of \$3.38 (GUD No. 10614) revised to \$3.09 (GUD No. 10778)

<sup>6</sup> Volumetric Fee of \$7.05/Mcf (GUD No. 10190) revised to \$6.56 (GUD No. 10778)

**1.2.24 Monthly Customer Charge, commercial customers:**

\$17.06, applies per meter, per month<sup>8</sup>;  
\$7.01 2013 IRA Surcharge<sup>9</sup>;  
\$3.76 2014 IRA Surcharge<sup>10</sup>;  
\$2.89 2015 IRA Surcharge<sup>11</sup>;  
\$3.09 2016 IRA Surcharge<sup>12</sup>;  
\$2.47 2017 IRA Surcharge;  
\$36.28 Total applies per meter, per month;

**1.2.25 Volumetric Fee, residential and commercial customers:**

\$6.56, applies per thousand cubic feet (Mcf).<sup>13</sup>

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<sup>7</sup> Secondary Residential Meter Customer Charge of \$12.50 (GUD No. 10534) revised to \$11.62 (GUD No. 10778)

<sup>8</sup> Base Customer Charge of \$18.35 (GUD No. 10190) revised to \$17.06 (GUD No. 10778)

<sup>9</sup> 2013 IRA Surcharge of \$7.83 (GUD No. 10386) revised to \$7.01 (GUD No. 10778)

<sup>10</sup> 2014 IRA Surcharge of \$4.19 (GUD No. 10425) revised to \$3.76 (GUD No. 10778)

<sup>11</sup> 2015 IRA Surcharge of \$3.18 (GUD No. 10504) revised to \$2.89 (GUD No. 10778)

<sup>12</sup> 2016 IRA Surcharge of \$3.38 (GUD No. 10614) revised to \$3.09 (GUD No. 10778)

<sup>13</sup> Volumetric Fee of \$7.05/Mcf (GUD No. 10190) revised to \$6.56 (GUD No. 10778)



**Summary**  
**HUGHES NATURAL GAS, INC.**  
**ENVIRONS SERVICE AREA**  
**Twelve Month Period Ending 12/31/2017**

LINE NO.	DESCRIPTION	PER GRIP AT 12/31/16	INCREASE	PER BOOK As of 12/31/2017
	(a)	(b)	(c)	(d)
1	Utility Plant Investment	\$19,114,296	\$1,617,846	\$20,732,142
2	(376) Mains - CapGas CIAC (See Footnote 1)	(\$75,263)	\$0	(\$75,263)
3	Accum. Depr CapGas CIAC (See Footnote 1)	\$73,036	\$2,227	\$75,263
4	Acquisition Adjustment (See Footnote 2)	(\$259,949)	\$64,988	(\$194,962)
5	Accumulated Depreciation	(\$4,613,345)	(\$865,145)	(\$5,478,490)
6	Net Investment	<u>\$14,238,775</u>	<u>\$819,916</u>	<u>\$15,058,690</u>
7	Increase (Decrease) in Net Investment		\$819,916	
8	Authorized Return on Capital (See Footnote 3)		<u>9.00%</u>	
9	Change in Return on Net Investment		\$73,792	
10	Depreciation Expense	688,610		731,959
11	CapGas CIAC Depreciation (See Footnote 1)	<u>(1,882)</u>		<u>(1,882)</u>
		686,728		730,077
12	Change in Depreciation Expense		\$43,349	
13	Change in Ad Valorem Tax (See Footnote 4)		\$0	
14	Change in Revenue-Related Taxes (See Footnote 4)		\$0	
15	Change in Federal Tax		<u>\$25,982</u>	
16	Change in Revenue Requirement (See Footnote 6)		<u>\$143,123</u>	
			<u>Monthly Fee</u>	<u>Volumetric Fee</u>
17	Billing Determinants (See Footnote 5)		52,594	225,546
18	Proposed IRA:		<u>\$2.72</u>	<u>\$0.00</u>
19	Resulting impact on revenues:		\$143,055.68	\$0.00
20	<b>Revenue deferred:</b>		<b>\$67.27</b>	

<b>Current and Proposed Bill Information - With Gas Cost (See Footnote 5)</b>					
		<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	<u>% Change</u>
21	Residential Customers Average Monthly Bill @ 6 MCF	\$125.73	\$128.45	\$2.72	2.16%
22	Commercial Customers Average Monthly Bill @ 30 MCF	\$480.93	\$483.65	\$2.72	0.57%
<b>Current and Proposed Bill Information - Without Gas Cost</b>					
23	Residential Customers Average Monthly Bill @ 6 MCF	\$79.23	\$81.95	\$2.72	3.43%
24	Commercial Customers Average Monthly Bill @ 30 MCF	\$248.43	\$251.15	\$2.72	1.09%

**Summary**  
**HUGHES NATURAL GAS, INC.**  
**ENVIRONS SERVICE AREA**  
**Twelve Month Period Ending 12/31/2017**

LINE NO.	DESCRIPTION	PER GRIP		PER BOOK
		AT 12/31/16	INCREASE	As of 12/31/2017
	(a)	(b)	(c)	(d)
1	Utility Plant Investment	\$19,114,296	\$1,617,846	\$20,732,142
2	(376) Mains - CapGas CIAC (See Footnote 1)	(\$75,263)	\$0	(\$75,263)
3	Accum. Depr CapGas CIAC (See Footnote 1)	\$73,036	\$2,227	\$75,263
4	Acquisition Adjustment (See Footnote 2)	(\$259,949)	\$64,988	(\$194,962)
5	Accumulated Depreciation	(\$4,613,345)	(\$865,145)	(\$5,478,490)
6	Net Investment	\$14,238,775	\$819,916	\$15,058,690
7	Increase (Decrease) in Net Investment		\$819,916	
8	Authorized Return on Capital (See Footnote 3)		9.00%	
9	Change in Return on Net Investment		\$73,792	
10	Depreciation Expense	688,610		731,959
11	CapGas CIAC Depreciation (See Footnote 1)	(1,882)		(1,882)
		686,728		730,077
12	Change in Depreciation Expense		\$43,349	
13	Change in Ad Valorem Tax (See Footnote 4)		\$0	
14	Change in Revenue-Related Taxes (See Footnote 4)		\$0	
15	Change in Federal Tax		\$12,826	
16	Change in Revenue Requirement (See Footnote 6)		\$129,968	
			Monthly Fee	Volumetric Fee
17	Billing Determinants (See Footnote 5)		52,594	225,546
18	Proposed IRA:		\$2.47	\$0.00
19	Resulting impact on revenues:		\$129,907.18	\$0.00
20	Revenue deferred:		\$60.41	

Current and Proposed Bill Information - With Gas Cost (See Footnote 5)					
		Current	Proposed	Difference	% Change
21	Residential Customers Average Monthly Bill @ 6 MCF	\$125.73	\$128.20	\$2.47	1.96%
22	Commercial Customers Average Monthly Bill @ 30 MCF	\$480.93	\$483.40	\$2.47	0.51%
Current and Proposed Bill Information - Without Gas Cost					
23	Residential Customers Average Monthly Bill @ 6 MCF	\$79.23	\$81.70	\$2.47	3.12%
24	Commercial Customers Average Monthly Bill @ 30 MCF	\$248.43	\$250.90	\$2.47	0.99%