

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

| | | |
|---|-----------------------|---|
| APPLICATION OF EPCOR GAS TEXAS, INC. FOR TEST YEAR 2018 ANNUAL INTERIM RATE ADJUSTMENT PROGRAM FOR THE ENVIRONS AREAS. | § § § § § | GAS UTILITIES DOCKET NO. 10861 |
|---|-----------------------|---|

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. EPCOR Gas Texas Inc. ("EGT") 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. EGT owns and operates a gas distribution system.
3. On June 1, 2017 EGT completed the acquisition of the gas distribution system and affiliated entities from Hughes Natural Gas ("HNG").
4. On November 1, 2018 an operating name change for the gas distribution system was effected from Hughes Natural Gas Inc. to EPCOR Gas Texas Inc.
5. On July 2, 2019, EGT filed an application for an annual interim rate adjustment ("IRA") applicable to customers located in its unincorporated areas.
6. EGT proposed the IRA for all customer classes become effective on August 31, 2019.
7. On July 2, 2019, the Commission suspended implementation of EGT's proposed IRA until October 15, 2019, which would be 45 days following the 60th day after the application was considered complete.
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, no comments or protests concerning this application have been received by the Commission.
11. This docket represents the sixth annual IRA for EGT's unincorporated areas since HNG's last rate case in GUD No. 10190.¹
12. 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.
13. The proposed IRA will allow EGT an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since the last rate case, GUD No. 10190, without the necessity of filing a statement of intent rate case and without review by the Commission of EGT's comprehensive cost of service.

Applicability

14. This docket applies to only those rates over which the Commission has original jurisdiction, which includes all EGT's unincorporated customers.
15. As of December 31, 2018, EGT's average monthly customer count subject to this order included 4,016 residential customers and 57 commercial customers.

Most Recent Comprehensive Rate Case

16. EGT's most recent applicable 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*.
17. GUD No. 10190 was filed on July 6, 2012.
18. In that proceeding, the Examiners identified deficiencies in the Statement of Intent as originally filed.
19. HNG subsequently filed a motion for Abatement, which was granted on September 14, 2012.

¹ *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 re-filed its Statement of Intent on November 2, 2012 in GUD No. 10190.
21. The data used in the re-filed Statement of Intent in GUD No. 10190 was based on a test-year ending September 30, 2012.
22. It is reasonable to regard November 2, 2012 as the filing date of HNG's Statement of Intent in GUD No. 10190.
23. 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.
24. HNG, Commission Staff, and the City of Magnolia are signatories to the Settlement Agreement.
25. The Commission signed the GUD No. 10190 Final Order on March 26, 2013.
26. 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

| Factor | Percentage |
|-------------------------|---------------------|
| Rate of return | 9.00% |
| Depreciation Rate | Varies ² |
| Federal Income Tax Rate | 35% |

Interim Rate Adjustment

27. The revenue amounts to be recovered through EGT's annual IRA are incremental to the revenue requirement established in the most recent rate case for the area in which the IRA is to be implemented, GUD No. 10190, and subsequent IRAs.
28. 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.
29. In GUD No. 10386, the first IRA following the most recent rate case, GUD No. 10190, HNG adjusted its rates based on the difference between its invested capital at the end of its Statement of Intent rate case test year, September 30, 2012, and the incremental invested capital at the end of December 31, 2013.

² Staff review confirms that EGT used the appropriate depreciation rates approved in GUD No. 10190 in this docket.

30. 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.
31. 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.
32. 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.
33. In GUD No. 10734, the fifth IRA, HNG adjusted its rates based on the difference between invested capital from December 31, 2016 to December 31, 2017.
34. In this docket, the sixth IRA, EGT adjusted its rates based on the difference between invested capital from December 31, 2017 to December 31, 2018.
35. EGT 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 **\$41,608** (Exhibit B), of which **\$37,209** is attributable to customers subject to this order.
36. The value of EGT'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 EGT's IRAs.
37. EGT's incremental net utility plant investment is **(\$22,376)**, as shown in Exhibit B.
38. EGT 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 the most recent applicable rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10190.
39. EGT filed the Commission's annual Earnings Monitoring Report ("EMR") as required by 16 TEX. ADMIN. CODE § 7.7101. EGT's actual rate of return was 8.12% for the calendar year ending December 31, 2018, as compared with the 9.00% allowed rate of return established in GUD No. 10190.
40. GUD No. 10190, EGT's most recent applicable 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 Tax Cuts and Jobs Act of 2017 ("TCJA") 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. Interim rates approved in GUD No. 10734, the fifth IRA for the unincorporated areas, are shown in Column G below.
46. This docket, GUD No. 10861, is the sixth IRA for the EGT unincorporated areas. The proposed IRA charges are shown in Column H of the table below.
47. 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.

EGT Customer Charges and Interim Rate Adjustments

| Customer Class | Customer Charge – 1 st 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) | IRA - 2018 (GUD 10861) | New Customer Charge |
|----------------|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|
| A | B | C | D | E | F | G | H | I |
| Residential | \$17.06 | \$7.01 | \$3.76 | \$2.89 | \$3.09 | \$2.47 | \$0.77 | \$37.05 |
| Commercial | \$17.06 | \$7.01 | \$3.76 | \$2.89 | \$3.09 | \$2.47 | \$0.77 | \$37.05 |

48. EGT filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101(d).
- Net capital additions included in this docket totaled (\$22,376).³
 - Gross capital project additions totaled \$647,249.⁴
 - Safety-related improvements/infrastructure projects comprised 51% of total additions.⁵
49. EGT 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.

³ Schedule IRA – 3 Summary.

⁴ Schedule IRA – 10 Additions.

⁵ Response to Staff's RFI No. 1-8.

50. EGT is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
51. 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.
52. Due process protections are deferred until EGT files its next full statement of intent rate case.

Notice

53. EGT provided adequate notice to environs area customers via bill insert on August 8, 2019. 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

54. EGT is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.
55. 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 180th day after that anniversary.
56. EGT is required to file a Statement of Intent rate case, no later than June 29, 2020.
57. 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

58. EGT's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101.
59. EGT'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 EGT's 2018 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.

| Customer Class | Total Number Bills / Meter Charges |
|-----------------------|---|
| Residential (R) | 52,236 |
| Commercial (C) | 1,380 |
| Total | 53,616 |

60. 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.

| Customer Class | Interim Rate Adjustment Revenue | IRA Revenue from RRC Jurisdiction | Additional Customer / Meter Charges |
|-----------------------|--|--|--|
| Residential (R) | \$40,222 | \$36,692 | \$ 0.77 |
| Commercial (C) | \$1,062 | \$517 | \$ 0.77 |
| Total Increase | \$41,284 | \$37,209 | |

Reimbursements of Expense

61. 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.
62. After the Commission has finally acted on EGT's application for an IRA, the Director of the Oversight and Safety Division will estimate EGT's proportionate share of the Commission's annual costs related to the processing of such applications.
63. In making the estimate of EGT'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.
64. EGT 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. EGT 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 EGT, EGT’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, EGT is required to seek Commission approval before implementing an IRA tariff for environs customers.
5. EGT 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. EGT’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, EGT 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 the 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. EGT 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. EGT 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. EGT 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 EGT’s earnings during the preceding calendar year.

12. EGT 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 EGT'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 EGT 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 EGT 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. EGT provided adequate notice of its IRA in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. EGT's application for an IRA complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. EGT'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), EGT 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 EGT 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 EGT'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, EGT **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 EGT 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 EGT shall be subject to refund unless and until EGT'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 EGT 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 EGT'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 1st day of October, 2019.

RAILROAD COMMISSION OF TEXAS



**WAYNE CHRISTIAN
CHAIRMAN**



**CHRISTI CRADDICK
COMMISSIONER**



**RYAN SITTON
COMMISSIONER**

ATTEST



Deputy SECRETARY

GUD NO. 10861

EXHIBIT A

Tariffs

**EPCOR GAS TEXAS INC.
ENVIRONS SERVICE AREA
Twelve Month Period Ending 12/31/2018**

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 No. 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 No. 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 and 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 on and after the date of the Commission's Final Order concerning the 2014 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 on and 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 and after September 1, 2016:

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 Monthly Customer Charge, residential customers with Secondary Meters:

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

1.2.13 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

1.2.12 Volumetric Fee, residential and commercial customers:

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

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

1.2.13 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

1.2.14 Monthly Customer Charge, residential customers with Secondary Meters:
\$12.50, applies per secondary meter, per month;

1.2.15 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

1.2.16 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 and after the date of the Commission's Final Order concerning the 2017 IRA. The 2017 filing adjusted previous base rates to account for the effect of the TCJA.

1.2.13 Monthly Customer Charge, residential customers with Primary Meters:
\$17.06 Applies per meter, per month
\$7.01 2013 IRA Surcharge
\$3.76 2014 IRA Surcharge
\$2.89 2015 IRA Surcharge
\$3.09 2016 IRA Surcharge
\$2.47 2017 IRA Surcharge
\$36.28 Total applies per meter, per month

1.2.14 Monthly Customer Charge, residential customers with Secondary Meters:
\$11.62, applies per secondary meter, per month;

1.2.15 Monthly Customer Charge, commercial customers:
\$17.06 Applies per meter, per month¹
\$7.01 2013 IRA Surcharge²
\$3.76 2014 IRA Surcharge³
\$2.89 2015 IRA Surcharge⁴
\$3.09 2016 IRA Surcharge⁵

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

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

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

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

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

\$2.47 2017 IRA Surcharge
\$36.28 Total applies per meter, per month

1.2.16 Volumetric Fee, residential and commercial customers:
\$6.56. applies per thousand cubic feet (Mcf)⁶

(I) Rates. The following rates are effective for bills rendered on and after the date of the Commission's Final Order concerning the 2018 IRA:

1.2.13 Monthly Customer Charge, residential customers with Primary Meters:

\$17.06 Applies per meter, per month
\$7.01 2013 IRA Surcharge
\$3.76 2014 IRA Surcharge
\$2.89 2015 IRA Surcharge
\$3.09 2016 IRA Surcharge
\$2.47 2017 IRA Surcharge
\$0.77 2018 IRA Surcharge
\$37.05 Total applies per meter, per month

1.2.14 Monthly Customer Charge, residential customers with Secondary Meters:

\$11.62, applies per secondary meter, per month;

1.2.15 Monthly Customer Charge, commercial customers:

\$17.06 Applies per meter, per month
\$7.01 2013 IRA Surcharge
\$3.76 2014 IRA Surcharge
\$2.89 2015 IRA Surcharge
\$3.09 2016 IRA Surcharge
\$2.47 2017 IRA Surcharge
\$0.77 2018 IRA Surcharge
\$37.05 Total applies per meter, per month

1.2.16 Volumetric Fee, residential and commercial customers:

\$6.56 applies per thousand cubic feet (Mcf)

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

GUD NO. 10861

EXHIBIT B

Schedules

GUD 10861 Exhibit B - Summary
EPCOR GAS TEXAS INC.
ENVIRONS SERVICE AREA
Twelve Month Period Ending 12/31/2018

| LINE NO. | DESCRIPTION | PER GRIP AT 12/31/17 | INCREASE | PER BOOK As of 12/31/2018 |
|----------|--|-------------------------|--------------------|---------------------------------|
| | (a) | (b) | (c) | (d) |
| 1 | Utility Plant Investment | \$20,732,142 | \$598,504 | \$21,330,646 |
| 2 | (376) Mains - CapGas CIAC (See Footnote 1) | (\$75,263) | \$0 | (\$75,263) |
| 3 | Accum. Depr CapGas CIAC (See Footnote 1) | \$75,263 | \$0 | \$75,263 |
| 4 | Acquisition Adjustment (See Footnote 2) | (\$194,962) | \$64,988 | (\$129,974) |
| 5 | Accumulated Depreciation | (\$5,478,490) | (\$685,867) | (\$6,164,357) |
| 6 | Net Investment | \$15,058,690 | (\$22,376) | \$15,036,314 |
| 7 | Increase (Decrease) in Net Investment | | (\$22,376) | |
| 8 | Authorized Return on Capital (See Footnote 3) | | 9.00% | |
| 9 | Change in Return on Net Investment | | (\$2,014) | |
| 10 | Depreciation Expense | 731,959 | | 776,245 |
| 11 | CapGas CIAC Depreciation (See Footnote 1) | (1,882) | | (1,882) |
| | | 730,077 | | 774,363 |
| 12 | Change in Depreciation Expense | | \$44,286 | |
| 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 | | (\$350) | |
| 16 | Change in Revenue Requirement (See Footnote 6) | | \$41,922 | |
| | | | <u>Monthly Fee</u> | <u>Volumetric Fee</u> |
| 17 | Billing Determinants (See Footnote 5) | | 54,037 | 311,679 |
| 18 | Proposed IRA: | | <u>\$0.77</u> | <u>\$0.00</u> |
| 19 | Resulting impact on revenues: | | \$41,608.49 | \$0.00 |
| 20 | Revenue deferred: | | \$313.67 | |

| Current and Proposed Bill Information - With Gas Cost (See Footnote 5) | | | | | |
|---|-------------------------------|----------------|-----------------|-------------------|-----------------|
| | | <u>Current</u> | <u>Proposed</u> | <u>Difference</u> | <u>% Change</u> |
| | Residential Customers | | | | |
| 21 | Average Monthly Bill @ 6 MCF | \$129.58 | \$130.35 | \$0.77 | 0.59% |
| | Commercial Customers | | | | |
| 22 | Average Monthly Bill @ 30 MCF | \$502.76 | \$503.53 | \$0.77 | 0.15% |
| Current and Proposed Bill Information - Without Gas Cost | | | | | |
| | Residential Customers | | | | |
| 23 | Average Monthly Bill @ 6 MCF | \$75.64 | \$76.41 | \$0.77 | 1.02% |
| | Commercial Customers | | | | |
| 24 | Average Monthly Bill @ 30 MCF | \$233.08 | \$233.85 | \$0.77 | 0.33% |