

## RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT OF TEXAS	§	
GAS SERVICE COMPANY, A	§	GAS UTILITIES DOCKET NO.
DIVISION OF ONE GAS, INC., TO	§	
INCREASE RATES TO RECOVER	§	10844, CONSOLIDATED
HURRICANE HARVEY RESPONSE	§	
COSTS WITHIN THE GULF COAST	§	
SERVICE AREA	§	

### FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Ann. Chapter 551, *et seq.* The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

### **FINDINGS OF FACT**

1. Texas Gas Service Company, a Division of ONE Gas, Inc., ("TGS") is a gas utility as that term is defined in the Tex. Util. Code § 101.003(7) and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. On April 16, 2019, TGS filed a Statement of Intent ("SOI") with the Railroad Commission of Texas ("Commission") to recover Hurricane Harvey response costs within the Gulf Coast Service Area ("GCSA"). The filing was docketed as GUD No. 10844.
3. The unincorporated areas of the GCSA include customers residing in the unincorporated areas of Bayou Vista, Galveston, Groves, Jamaica Beach, Nederland, Port Arthur, and Port Neches, Texas.
4. TGS also filed a SOI for the incorporated areas of the GCSA with the cities of Bayou Vista, Galveston, Groves, Jamaica Beach, Nederland, Port Arthur, and Port Neches, Texas.
5. TGS requested an effective date of May 21, 2019.
6. TGS planned to implement the proposed rates within all incorporated and unincorporated areas in which it provides service in the GCSA.

7. Staff of the Railroad Commission ("Staff") timely intervened on April 18, 2019.
8. The City of Galveston ("Galveston") timely intervened on April 24, 2019.
9. The Cities of Groves, Nederland, Port Arthur, and Port Neches ("Cities") timely intervened on April 24, 2019.
10. No other parties intervened.
11. The Commission published notice of TGS's SOI application in *Gas Utilities Information Bulletin No. 1106* on April 30, 2019.
12. On May 7, 2019, the Commission suspended the implementation of TGS's proposed rates for 150 days from the date on which the proposed rates would otherwise become effective, or until October 18, 2019.
13. The Commission received no written communications from the public in response to TGS's proposed rate changes.
14. For all customers located in incorporated and unincorporated areas within the GCSA, TGS provided public notice by direct mail on June 20, 2019, in accordance with Tex. Util. Code § 104.103(a) and 16 Tex. Admin. Code §§ 7.230 and 7.235 (2016).
15. The notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate change in the Statement of Intent, in accordance with Tex. Util. Code § 104.103(a) and 16 Tex. Admin. Code §§ 7.230 and 7.235.
16. On July 3, 2019, TGS filed an affidavit attesting to proof of notice.
17. On July 10, 2019, the Notice of Hearing was issued and subsequently published in *Gas Utilities Information Bulletin No. 1111* on July 15, 2019, in accordance with 16 Tex. Admin. Code § 7.235 (Publication and Service of Notice).
18. Notice of Hearing was sent to the governing bodies of affected counties.
19. By June 24, 2019, the Cities (Port Arthur, Port Neches, Groves, and Nederland) had each acted at the municipal level to deny the proposed surcharge and rate change requested by TGS.

20. On July 1, 2019, TGS notified the ALJ that all parties to the proceeding had reached a settlement in principle and requested an abatement of the proceeding.
21. On July 3, 2019, the ALJ granted the request to abate the proceeding.
22. On July 17, 2019, TGS filed a Petition for Review of Municipal Rate Decisions and Motion to Consolidate for the Cities, which was docketed as GUD No. 10876.
23. On July 30, 2019, GUD No. 10876 was consolidated into GUD No. 10844.
24. On July 18, 2019, the parties filed a Unanimous Settlement Agreement ("Settlement"), agreed to by TGS, Staff, Galveston, and the Cities.
25. At the merits hearing conducted on August 1, 2019, the parties entered evidence into the record in support of the Settlement.
26. The evidentiary record closed on August 30, 2019.
27. In the Settlement, all parties agreed that TGS will no longer seek to implement a surcharge or change utility rates for customers within the GCSA through the SOI filed in this case.
28. The Settlement contemplates that TGS will create a regulatory asset to defer the costs incurred by TGS to restore service following Hurricane Harvey so that the recovery of the costs can be considered in the next rate proceeding in which base rates for the GCSA are determined.
29. TGS calculated its Hurricane Harvey response costs to be \$714,389, which represents total Hurricane Harvey response costs net of insurance proceeds and other adjustments.
30. The proposal in the Settlement for TGS to create a regulatory asset in the amount of \$714,389 for the Hurricane Harvey response costs is just and reasonable.
31. TGS will not include carrying costs in the regulatory asset and will not seek to recover any carrying costs associated with the Hurricane Harvey response costs.
32. The determination of the reasonableness, necessity, and total amounts of the regulatory asset to be recovered through rates will be postponed

until the next rate proceeding in which base rates for the GCSA are determined.

33. The Settlement contemplates that TGS reimburse Cities and Galveston for their legal and consultant expenses associated with this proceeding on or before 30 days from the date the Settlement is approved. The determination of the reasonableness, necessity, and total amounts of the proposed rate case expenses incurred by TGS, Galveston, and Cities to be potentially recovered through rates will be reviewed at the next proceeding in which base rates for the GCSA are determined.

### **CONCLUSIONS OF LAW**

1. TGS 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 under Tex. Util. Code §§ 104.002 and 121.051.
2. The Commission has exclusive original jurisdiction over TGS and TGS's SOI affecting its customers residing in the unincorporated areas of the GCSA under Tex. Util. Code § 102.001.
3. The Commission has appellate jurisdiction over cities with original jurisdiction in the GCSA under Tex. Util. Code § 102.001.
4. TGS may appeal a municipality's rate decision and seek *de novo* review under Tex. Util. Code §§ 103.051 and 103.055.
5. This proceeding was conducted in accordance with the requirements of Tex. Util. Code §§ 101.001 et seq., and the Administrative Procedure Act, Tex. Gov't Code §§ 2001.001 et seq.
6. Tex. Util. Code § 104.107 provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
7. TGS's direct mail of notice to all customers meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate change in the SOI, in accordance with Tex. Util. Code § 104.103(a) and 16 Tex. Admin Code §§ 7.230 and 7.235.
8. TGS filed its SOI in accordance with Tex. Util. Code § 104.102 and 16 Tex. Admin. Code §§ 7.205 and 7.210.

9. The Settlement approved by this Order to not implement a Hurricane Harvey Surcharge or change utility rates for customers within the GCSA due to the creation of a regulatory asset, the delay in consideration of the reasonableness and necessity of TGS's costs incurred in its response to Hurricane Harvey, and the delay in consideration of the reasonableness, necessity, and total amounts of the proposed rate case expenses until the next comprehensive rate proceeding in which base rates for the GCSA will be examined is just and reasonable to customers and to TGS in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under Tex. Util. Code § 101.002.

**IT IS THEREFORE ORDERED** that the terms under the Unanimous Settlement Agreement, as reflected in this Order, is hereby **APPROVED**.

**IT IS FURTHER ORDERED** that TGS create and record a regulatory asset to defer the Hurricane Harvey response costs in the amount of \$714,389 so that the reasonableness and necessity of the costs can be considered in the next proceeding in which base rates for the GCSA are determined.

**IT IS FURTHER ORDERED** that in the next proceeding in which base rates for the GCSA are determined, TGS will not include carrying costs in the regulatory asset and will not seek to recover any carrying costs associated with the Hurricane Harvey response costs.

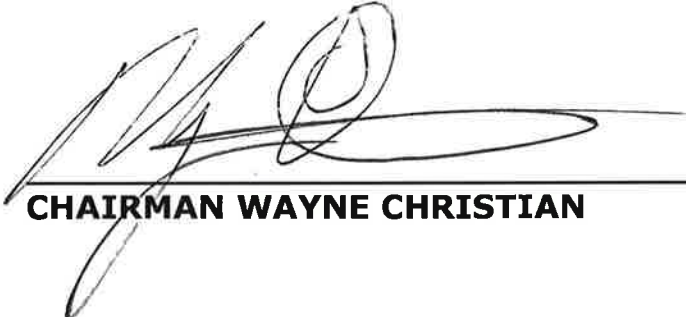
**IT IS FURTHER ORDERED** that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**.

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

**IT IS FURTHER ORDERED** that this Order will not be final and effective until 25 days after the date this Order is signed. If a timely motion for rehearing is filed by any party of interest, this Order shall not become final and effective until such motion is overruled, or if such motion is granted, this Order shall be subject to further action by the Commission. The time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

**SIGNED** on October 1, 2019.

**RAILROAD COMMISSION OF TEXAS**



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**CHAIRMAN WAYNE CHRISTIAN**



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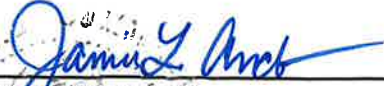
**COMMISSIONER CHRISTI CRADDICK**



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**COMMISSIONER RYAN SITTON**

**ATTEST:**



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**SECRETARY**

