



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10899 PROPOSAL FOR DECISION

**STATEMENT OF INTENT FILED BY NATGAS, INC., TO INCREASE RATES IN AND AROUND
THE UNINCORPORATED COMMUNITY OF OZONA, TEXAS**

Administrative Law Judge Dee Marlo Chico
Technical Examiners: Rose Ruiz, James Currier

PARTIES

APPLICANT: NatGas, Inc. (NatGas)

Karl J. Nalepa
President

ReSolved Energy Consulting, LLC
Representatives for NatGas

Norman Smith
President
NatGas, Inc.

INTERVENOR: Staff of the Railroad Commission (Staff)

Natalie Dubiel
Office of General Counsel, Railroad Commission of Texas
Counsel for Staff

PROCEDURAL TIMELINE

Statement of Intent Filed: September 27, 2019

Suspension Order: October 22, 2019

Hearing on the Merits: February 26, 2020

Evidentiary Record Closed: March 19, 2020

PFD Issued: March 25, 2020

Deadline for
Commission Action: April 23, 2020

STATEMENT OF THE CASE

On September 27, 2019, NatGas, Inc. ("NatGas") filed with the Railroad Commission of Texas a Statement of Intent to increase rates in and around the unincorporated community of Ozona, Texas and to recover rate case expenses. The proposed rate affects approximately 1,150 customers in the environs of Ozona, Texas: approximately 1,013 residential customers, 102 commercial customers, and 35 public authority customers. The last gas utility rate increases for these environs customers was in 2016, GUD No. 10498.

The only intervening party is Staff of the Railroad Commission ("Staff"). The parties—NatGas and Staff—ultimately reached a settlement agreement that resolved all issues. In the settlement, NatGas and Staff agree to the following:

- An increase of an additional \$165,392 in annual revenues for NatGas, which is a settled figure and is not tied to any specific expense in the underlying cost of service within the areas served by NatGas;
- Net plant in the amount of \$546,835 as of June 30, 2019, is prudent and appropriate for recovery;
- For residential customers, a \$9 monthly customer charge and a \$5.76 per Mcf charge;
- Depreciation rate amounts for distribution and general plant;
- Increase in miscellaneous service fees;
- A rate of return of 7.69 percent;
- NatGas is compliant with the GUD No. 10695 Gas Utilities Accounting Order;
- NatGas annually shall file with Staff both a Plant Retirement Compliance Filing and a Cost Allocation Manual Compliance Filing; and
- Recovery by NatGas of its rate case expenses totaling no more than \$27,000.

The Commission has original jurisdiction over the environs rates.

SUMMARY OF RECOMMENDATIONS

The Administrative Law Judge ("ALJ") and Technical Examiners recommend that the Commission approve the parties' settlement as outlined in this Proposal for Decision ("PFD").

The deadline for Commission action is April 23, 2020.

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- 1 - Evidentiary Exhibit List
- 2 - Settlement Agreement
 - Exhibit A – Tariffs
 - Exhibit B – Proof of Revenues
 - Exhibit C – Depreciation Rates¹
 - Exhibit D – Rate Case Expenses (excludes voluminous receipts and invoices)
 - Exhibit E – Cost Allocation Manual
- 3. – Proposed Final Order

¹ The second page of the Depreciation Rates Summary was excluded in NatGas’s Settlement Agreement package. NatGas provided that second page in its Response to the Examiners’ Request for Information. For completeness, it is included in Exhibit C to the Settlement Agreement.

PROPOSAL FOR DECISION

I. INTRODUCTION

On September 27, 2019, NatGas, Inc. ("NatGas"), filed with the Railroad Commission of Texas ("Commission") a statement of intent to increase rates in and around the unincorporated community of Ozona, Texas (the "SOI"). NatGas 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). The SOI was docketed as GUD No. 10899.

The Commission only has original jurisdiction over the environs rates. The proposed rates will affect approximately 1,150 customers, which includes approximately 1,013 residential customers, 102 commercial customers, and 35 public authority customers.² The last gas utility rate increases for these environs customers was in 2016, GUD No. 10498.

The only intervening party is Commission Staff ("Staff"). NatGas and Staff ultimately reached a settlement agreement that resolved all issues. In the settlement, the parties agree to the following:

- An increase of an additional \$165,392 in annual revenues for NatGas, which is a settled figure and is not tied to any specific expense in the underlying cost of service within the areas served by NatGas;
- Net plant in the amount of \$546,835 as of June 30, 2019, is prudent and appropriate for recovery;
- For residential customers, a \$9 monthly customer charge and a \$5.76 per Mcf charge;
- Depreciation rate amounts for distribution and general plant;
- Increase in miscellaneous service fees;
- A rate of return of 7.69 percent;
- NatGas is compliant with the GUD No. 10695 Gas Utilities Accounting Order;
- NatGas annually shall file with Staff both a Plant Retirement Compliance Filing and a Cost Allocation Manual Compliance Filing; and
- Recovery by NatGas of its rate case expenses totaling no more than \$27,000.

The average residential customer's monthly bill will increase by \$9.28, as reflected in Table 1.³

² NatGas Ex 4 (SOI) at 3; see also Response to Request for Information ("Response to RFI"), filed on March 6, 2020, at Exhibit B to the Settlement (RFI 1-2).

³ This assumes an average monthly usage of 3.51 Mcf—the average usage for a residential customer. NatGas Ex. 3 (Public Notice and Affidavit). It excludes the two-year rate case expense surcharge of \$0.194/Mcf that would increase the average monthly bill by 68 cents. NatGas Ex. 1 (Settlement Package) at 4 (Term No. 12).

Table 1. Average Residential Customer's Monthly Bill Increase

Rate	Current	Settled	Change	Impact
Residential Customer	\$6.00	\$9.00	\$3.00	\$3.00
Commodity (Mcf)	\$3.97	\$5.76	\$1.79	\$6.28
Total				\$9.28

Assuming gas commodity costs of \$2.19 per Mcf, an average residential customer's monthly bill will increase from \$27.67 to \$36.96, or 34 percent. Excluding gas costs, the increase is 47 percent.

Mr. Karl J. Nalepa, NatGas's authorized representative and only witness, testified that the following factors drove the necessity for the rate increase: (1) pipeline replacement, (2) the period it included plant additions in rate base, and (3) its small customer base.⁴ First, plant needed replacement due to system integrity testing.⁵ The pipe replacement and integrity testing of pipe were since NatGas's last rate case, GUD No. 10498, test year ended September 30, 2015.⁶ Second, NatGas extended the period for which it included plant additions in rate base by six months.⁷ Finally, all of NatGas's customers are environs/unincorporated customers. NatGas does not have any incorporated customers to share cost increases.

The Administrative Law Judge ("ALJ") and Technical Examiners (collectively, the "Examiners") recommend the Commission approve the Settlement with adjustments to the categorization of rate case expenses.

The statutory deadline for Commission action is April 23, 2020.

II. PARTIES

The parties in this proceeding are Applicant NatGas and Intervenor Staff.

Applicant NatGas is a "gas utility" under GURA 101.003 (Definitions)⁸ and a provider of natural gas utility service to customers located in the unincorporated community of Ozona, Texas. NatGas filed its last Statement of Intent for the environs of the community of Ozona, Texas in 2016.⁹ NatGas also files this SOI to comply with the Commission's February 2018 Accounting Order, GUD No. 10695 (together with the Order Nunc Pro Tunc, the "Accounting Order"), accounting for the lower corporate tax rate.¹⁰

⁴ Transcript (Nalepa) 12:14-12:20-13:1 (February 26, 2020).

⁵ *Id.* at 13:7.

⁶ GUD No. 10498, Final Order dated August 9, 2016, and Order Nunc Pro Tunc dated October 25, 2016.

⁷ Transcript (Nalepa) 12:17-12:18 (February 26, 2020).

⁸ Tex. Util. Code § 101.003(7) (Definitions) (defining "gas utility" as "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.").

⁹ The February 12, 2016 Statement of Intent was docketed as GUD No. 10498.

¹⁰ NatGas Ex. 4 (Nalepa Test.) at 7.

Intervenor Staff participated in this docket “to assert its interest in assuring that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed.”¹¹

III. PROCEDURAL BACKGROUND

On September 27, 2019, NatGas filed with the Commission its SOI. Subsequently, Staff timely intervened.¹² On October 22, 2019, the Commission timely suspended the effective date of NatGas’s proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).¹³

On October 17, 2019, NatGas provided notice of its intent to increase rates based on the impact of its original rate filing to each affected NatGas customer by direct mail.¹⁴ On October 28, 2019, NatGas filed an errata addressing NatGas’s affiliate transactions during the test year that was omitted from the originally-filed SOI.¹⁵

On December 11, 2019, the ALJ abated all deadlines in the procedural schedule because the parties had entered negotiations with the expectation of reaching a settlement.¹⁶ NatGas then reissued the notice of its intent to increase rates to its affected customers on January 23, 2020, because the settlement it reached with Staff resulted in revenue impacts above those reflected in its original notice due to plant additions beyond NatGas’s original test year.¹⁷

On January 27, 2020, the Notice of Hearing was issued, setting the hearing on the merits to commence on February 26, 2020 (“Notice of Hearing”).¹⁸ On January 31, 2020, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1124*.¹⁹ On February 3, 2020, the Notice of Hearing was provided to the governing body of each affected county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).²⁰

¹¹ Staff of the Railroad Commission of Texas’ Motion to Intervene, filed September 27, 2019 at 1.

¹² See Hearings Letter No. 02 (Staff’s Motion to Intervene), issued October 2, 2019 (granting Staff’s motion to intervene).

¹³ See Hearings Letter No. 08 (Suspension Order), issued October 23, 2019 (attaching the Suspension Order signed by the Commissioners on October 22, 2019); see also Tex. Util. Code § 104.107(a)(2).

¹⁴ NatGas Ex. 3 (Public Notice and Affidavit) (Affidavit of Norman Smith, sworn to on October 17, 2019, attesting to NatGas providing public notice to affected customers by direct mail); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

¹⁵ Letter to Examiners from Karl J. Nalepa, representative for NatGas, filed October 28, 2019 (attaching the Errata Direct Testimony).

¹⁶ See Hearings Letter No. 09 (Abatement Order), issued December 11, 2019 (granting NatGas’s unopposed motion for abatement).

¹⁷ NatGas Ex. 3 (Public Notice and Affidavit) (Affidavit of Norman Smith, sworn to on January 27, 2020, attesting to NatGas providing public notice to affected customers by direct mail).

¹⁸ See Hearings Letter No. 11 (Notice of Hearing), issued January 27, 2020 (attaching the Notice of Hearing).

¹⁹ See *Gas Utilities Information Bulletin No. 1124*, published by the Railroad Commission of Texas Oversight and Safety Division on January 31, 2020 (“Bulletin”), pp. 5-7; see also 16 Tex. Admin. Code § 7.235 (Publication and Service of Notice).

²⁰ See Letter from ALJ to Crockett County Judge, dated February 3, 2020 (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”). NatGas serves only one county – Crockett County.

On January 31, 2020, NatGas and Staff filed a Unanimous Settlement Agreement (the "Settlement").²¹

The hearing on the merits was held on February 26, 2019 (the "Hearing"). The evidentiary exhibit list is attached to this PFD as Attachment 1. Also included in the evidentiary record are NatGas's filings responding to the Examiners' Request for Information ("RFI") requests 1-1, 1-2, 1-3, 1-4, and 1-5.²² The ALJ closed the evidentiary record on March 19, 2020.²³

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over NatGas, 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 NatGas requests for its customers located within the unincorporated community of Ozona, Texas.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities) 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, NatGas has the burden of proving that the rate changes are just and reasonable.²⁴

Notice

By January 23, 2020, NatGas provided revised notice of its intent to increase rates to each affected NatGas customer by direct mail—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).²⁵

²¹ NatGas Ex. 1 (Settlement Package).

²² Hearings Letter No. 15 (First Request for Information to NatGas), issued February 26, 2020; Hearings Letter No. 17 (Official Notice and Close of Evidentiary Record), issued March 19, 2020 (taking official notice of NatGas's response to Examiner's RFIs). The parties did not object to the ALJ taking official notice of NatGas's RFI filings.

²³ Hearings Letter No. 17 (Official Notice and Close of Evidentiary Record), issued March 19, 2020.

²⁴ 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.")

²⁵ NatGas Ex. 3 (Public Notice and Affidavits). NatGas delivered its public notices to affected customers by direct mail on October 17, 2019 and on January 23, 2020. *Id.* The second notice reflects the settlement agreement's plant additions beyond NatGas's original test year, which resulted in revenue impacts above those reflected in the original notice. *Id.*; Letter to Examiners from Karl J. Nalepa, representative for NatGas, filed January 30, 2020; *see also* Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

On January 27, 2020, 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.²⁶ On January 31, 2020, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1124*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).²⁷ 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 Crockett County, the only affected county.²⁸

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

V. COMPLIANCE WITH COMMISSION RULES; BOOK AND RECORDS

No evidence has been introduced indicating an investment or expense item had been unreasonably incurred. Furthermore, Staff did not dispute NatGas maintains its books and records in accordance with Commission requirements.²⁹ Accordingly, NatGas is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.³⁰

VI. NATGAS'S ORIGINAL REQUEST

NatGas filed its SOI on September 27, 2019. Prior to settling, the primary components of NatGas's original requests were:

- an increase of annual revenues by \$150,821, which is an increase of 28.99 percent including gas costs;³¹
- increased miscellaneous service charges of approximately \$3,059 annually;³²
- growth and weather normalization adjustments,³³ and

²⁶ See Hearings Letter No. 11 (Notice of Hearing) issued January 27, 2020 (attaching the Notice of Hearing).

²⁷ See *Bulletin*, pp. 5-7 (containing the GUD No. 10899 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.").

²⁸ 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.").

²⁹ Transcript (Dubiel) 17:4-17:15 (February 26, 2020) (affirming NatGas's compliance with Federal Energy Regulatory Commission's Accounting). Commission Rule § 7.310 (System of Accounts) requires each gas utility to "utilize the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act for all operating and reporting purposes. 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

³⁰ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

³¹ NatGas Ex. 4 (SOI) at 3 & (Nelapa Test.) at 5.

³² NatGas Ex. 4 (Nelapa Test.) at 9.

³³ *Id.*; NatGas Ex. 5 (Nalepa Errata) at 11.

- recovery of reasonable rate case expenses through a surcharge.³⁴

VII. TERMS OF SETTLEMENT

The Settlement resolves all issues in GUD No. 10899. A copy of the Settlement is attached to this PFD as Attachment 2. The signatories—NatGas and Staff—represent diverse interests and have engaged in significant discovery regarding the issues in dispute. The parties agree that resolution of this docket under the terms of the Settlement will significantly reduce the amount of reimbursable rate case expenses associated with this docket.³⁵

The Examiners have reviewed the Settlement and find that its terms and rate elements are just, reasonable, in the public interest, and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend that the Settlement be approved.

A. Revenue Increase

Under the Settlement, NatGas will receive a \$165,392 revenue increase for its service area in and around the unincorporated community of Ozona, Texas.³⁶ This settled amount is an increase of \$14,571 from NatGas's initial request.³⁷ The parties agree to the rates, terms, and conditions reflected in the tariffs attached as Exhibit A to the Settlement.³⁸ The \$165,392 revenue increase is a settled amount and is not tied to any specific expense in the underlying cost of service.³⁹ The \$165,392 revenue increase reflects a corporate income tax rate of 21 percent to recognize changes to the Federal Tax Code due to the Federal Tax Cuts and Jobs Act of 2017 ("Tax Cuts and Jobs Act").⁴⁰

The Texas Utilities Code requires that "the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility 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."⁴¹

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).⁴² The Settlement provides for a revenue requirement of \$521,819, which includes base rates designed to recover annual rate revenues of \$518,760 from

³⁴ NatGas Ex. 4 (SOI) at 4.

³⁵ NatGas Ex. 1 (Settlement Package) at 1.

³⁶ *Id.* at 2 (Term No. 1).

³⁷ *Id.*; NatGas Ex. 4 (SOI) at 3.

³⁸ NatGas Ex. 1 (Settlement Package) at 2 (Term No. 1).

³⁹ *Id.*

⁴⁰ *Id.* (Term No. 10).

⁴¹ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

⁴² NatGas Ex. 1 (Settlement Package) at 2 (Term No. 1).

all customers.⁴³ The balance of \$3,059 will be recovered through miscellaneous service fees.⁴⁴ The base rate increase is 46 percent of adjusted test-year base revenues, excluding gas costs.⁴⁵ The revenue requirement is based on a test year ending December 31, 2018, with capital plant additions extending to June 30, 2019.⁴⁶

Considering the evidence, the Examiners find the overall revenues for NatGas in the Settlement to be just and reasonable and consistent with GURA Chapter 104 (Rates and Services).

B. Rates

The parties agree to the below monthly customer and volumetric charges.⁴⁷

Table 2. Proposed Rates

Rate Schedule	Customer Charge	Commodity Charge (\$/Mcf)
Residential	\$ 9.00	\$5.76
Commercial	\$12.00	\$5.76
Public Authority	\$14.00	\$4.55

The revenue requirement is recovered from proposed rates as set out in the Settlement. Residential customers will pay \$3 more for the monthly customer charge. The below table shows the difference between the current customer charge and the proposed new customer charge.

Table 3. Proposed Customer Charge⁴⁸

Customer Class	Current	Proposed
Residential	\$6.00	\$ 9.00
Commercial	\$6.50	\$12.00
Public Authority	\$6.50	\$14.00

Residential customers will pay \$1.79 more for the commodity charge. The below table shows the difference between the current commodity charge and the proposed new commodity charge.

⁴³ NatGas Response to Examiners' RFI 1-5, filed March 6, 2020.

⁴⁴ *Id.*

⁴⁵ NatGas Ex. 1 (Settlement Package) at Exhibit B.

⁴⁶ *Id.* at 2 (Term No. 3) and Exhibit B.

⁴⁷ *Id.* at 2 (Term No.2).

⁴⁸ *Id.*; NatGas Ex. 4 (SOI) at 3.

Table 4. Proposed Commodity Charge (Per Mcf) ⁴⁹

Customer Class	Current	Proposed
Residential	\$3.97	\$5.76
Commercial	\$3.97	\$5.76
Public Authority	\$3.57	\$4.55

NatGas's base rates are designed to recover \$518,760 from its customers, which is 46 percent more than the adjusted test year base rate revenue of \$355,887.⁵⁰ The below table compares the adjusted test year base revenue to the proposed base revenue in the Settlement.⁵¹

Table 5. Annual Revenue Allocation

Customer Class	Current	Proposed	Increase	Percent
Residential	\$ 239,500	\$ 351,027	\$ 111,527	46.57%
Commercial	\$ 78,595	\$ 117,173	\$ 38,578	49.08%
Public Authority	\$ 37,792	\$ 50,560	\$ 12,768	33.78%
Total	\$ 355,887	\$ 518,760	\$ 162,873	45.77%

The average residential customer will realize a base rate increase of \$9.28, which is 34 percent including gas costs and 47 percent excluding gas costs. The below table shows the Settlement's bill impact for average usage customers.⁵²

Table 6. Bill Impact

Customer Class	Average Usage (Mcf)*	Bill		Increase	Percentage Increase	
		Current	Settled		With Gas Cost	Without Gas Cost
Residential	3.51	\$27.67	\$36.96	\$9.28	33.54%	46.57%
Commercial	14.55	\$94.67	\$126.22	\$31.54	33.32%	49.08%
Public Authority	23.44	\$143.46	\$173.93	\$30.47	21.24%	33.78%

* Average usage as applied in the notice to affected customers.⁵³

In addition to base rates, the parties also agreed to a rate case surcharge of \$0.194 per Mcf for an approximate 24-month period.⁵⁴ Rate case expenses are discussed in detail later in the PFD. The impact of the surcharge on average usage by customer class is illustrated below.

⁴⁹ NatGas Ex. 1 (Settlement Package) at 2 (Term No. 2); NatGas Ex. 4 (SOI) at 3.

⁵⁰ NatGas Ex. 1 (Settlement Package) at Exhibit B.

⁵¹ *Id.*

⁵² NatGas Ex. 3 (Public Notice and Affidavits) (attaching the affidavit sworn to January 27, 2020).

⁵³ *Id.* (assuming gas commodity costs of \$2.19 per Mcf in the public notices).

⁵⁴ NatGas Ex. 1 (Settlement Package) at 4 (Term Nos. 11-13) and Exhibit A (attaching the tariff for rate case expenses).

Table 7. Monthly Bill Impact of Surcharge

Customer Class	Increase
Residential	\$ 0.68
Commercial	\$ 2.82
Public Authority	\$ 4.55

Considering the evidence, the Examiners find that the Settlement rates comply with GURA Section 104.003 (Just and Reasonable Rates). The rates are not unreasonably preferential, prejudicial, or discriminatory, but rather are sufficient, equitable, and consistent in application to each class of customer. The Examiners also find that the Settlement rates are just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited) because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service.

C. Tariffs

The parties agree to the rates, terms, and conditions reflected in the tariffs attached to the Settlement as Exhibit A.⁵⁵ The Settlement tariffs replace and supersede those tariffs currently in effect in and around the unincorporated community of Ozona, Texas. These tariffs are premised on an increase of approximately \$165,392 in annual revenues. The parties agree that the rates, terms, and conditions reflected in the tariffs comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).⁵⁶ The tariffs are listed below.

Table 8. Tariffs

Rate Sheet
Residential Service
Commercial Service
Public Authority Service
Rate Case Expense (RCE)
Miscellaneous Service Charges

NatGas also agrees to the following conditions regarding tariff filings:

- Within 30 days of the date of the Final Order, NatGas will electronically file its rate schedules in proper form that accurately reflect the rates in the tariffs, which will incorporate rates, rate design, and service charges consistent with the Final Order; and

⁵⁵ NatGas Ex. 1 (Settlement Package) at 2 (Term No. 1); NatGas Response to Examiners' RFI 1-4, filed March 6, 2020.

⁵⁶ NatGas Ex. 1 (Settlement Package) at 2 (Term No. 1).

- Any incremental change in rates approved by the Final Order and implemented by NatGas shall be subject to refund unless and until NatGas's tariffs are electronically filed and accepted by the Gas Services Department.

Considering the evidence, the Examiners find the Settlement's tariffs to be just and reasonable and recommend their approval.

D. Capital Investment Prudence

NatGas and Staff agreed to go beyond the original test year—ending December 31, 2018—to include six additional months of capital plant investment so the rates would be more reflective of the rate base.⁵⁷ NatGas explained that the capital plant investment was for plant replacements, not additions, and that some of the replacements were because of system integrity testing and some was old pipe.⁵⁸

Thus, the parties agree that a net plant amount of \$546,835 as of June 30, 2019, is prudent and appropriate for recovery in this proceeding.⁵⁹ In addition, the parties agree to the following:⁶⁰

- NatGas shall correctly calculate and record plant retirements by (1) acquiring software to calculate and record plant retirements as they occur; or (2) manually calculate and record plant retirements as they occur; and
- NatGas shall file an annual Plant Retirement Compliance Filing on March 31 of each calendar year. The Plant Retirement Compliance Filings shall include a list of the prior year's plant retirement calculations and an affidavit from an officer of NatGas that these retirements have been properly recorded in its books and records of NatGas.

Lastly, the parties also agree that Interim Rate Adjustment ("IRA") factors are not necessary to be established at this time because NatGas will not use the IRA mechanism between now and its next rate case.⁶¹

Consistent with the Settlement, the Examiners find NatGas's net plant amount of \$546,835, and the terms of the settlement relating to net plant, to be reasonable and prudent, used and useful, and just and reasonable.

⁵⁷ Transcript (Nalepa) 17:19-17:22 (February 26, 2020).

⁵⁸ *Id.* at 13:6-13:11.

⁵⁹ NatGas Ex. 1 (Settlement Package) at 2-3 (Term Nos. 3 & 4).

⁶⁰ *Id.*

⁶¹ *Id.* at 5 (Term No. 9).

E. Other Issues

1. Federal Tax Impact

The settled increase of \$165,392 reflects a corporate income tax rate of 21 percent to recognize changes due to the Tax Cuts and Jobs Act, and the parties agree that this settled amount reflects all impacts associated with calculation of taxes under the Tax Cuts and Jobs Act.⁶²

The parties further agree that NatGas is compliant with the GUD No. 10695 Accounting Order.⁶³

2. Cost of Capital

In the Settlement, NatGas and Staff agree to the capital structure and weighted cost of capital, including the pre-tax return, as shown below.⁶⁴

Table 9. Cost of Capital

Capital Structure	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	66.26%	6.00%	3.976%	3.976%
Common Equity	33.74%	11.00%	3.711%	4.698%
Rate of Return	100%		7.687%	8.674%

3. Depreciation Rates

The parties agree to the depreciation rates reflected in Exhibit C of the Settlement, which is in Attachment 2.⁶⁵

4. Cost Allocation Manual

The parties agree that the Cost Allocation Manual ("CAM") attached to the Settlement as Exhibit E and found in Attachment 2 is reasonable and that NatGas shall henceforth follow the allocation methodology in this CAM until another allocation methodology is approved by the Commission.⁶⁶ The parties also agree that NatGas shall file an annual Compliance Filing demonstrating the appropriate application of the CAM on March 31 of each calendar year.⁶⁷

⁶² NatGas Ex. 1 (Settlement Package) at 4 (Term No. 10).

⁶³ *Id.*

⁶⁴ *Id.* at 3-4 (Term No. 7).

⁶⁵ *Id.* at 4 (Term No. 8) and Exhibit C.

⁶⁶ *Id.* at 3 (Term Nos. 5 & 6).

⁶⁷ *Id.*

F. Rate Case Expenses

In any gas utility rate proceeding, the utility participating in the proceeding may be reimbursed for its reasonable rate case expenses.⁶⁸ Any gas utility 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.⁶⁹ Each gas utility shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.⁷⁰

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the aforementioned evidence, and shall also 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.⁷¹

NatGas provided evidence supporting reimbursement of its reasonable rate case expenses under Commission Rule § 7.5530 (Allowable Rate Case Expenses).⁷² The amounts and allocation agreed upon by NatGas and Staff are treated separately below.

1. Amounts

NatGas requests recovery of its rate case expenses totaling \$27,000.00, which includes \$23,319.30 in actual expenses incurred through December 31, 2019, and up to \$3,680.70 of estimated expenses through completion of this docket.⁷³ There

⁶⁸ See 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); 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).

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

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² NatGas Ex. 1 (Settlement Package) at Exhibit D (attaching receipts and invoices to the Affidavit of Karl J. Nalepa, sworn to on January 31, 2020).

⁷³ *Id.* at 4 (Term No. 11).

were no attorney fees, but fees for two consultants. One consultant charged an hourly rate of \$270 and billed 35.3 hours.⁷⁴ The other consultant charged an hourly rate of \$180 and billed 76.3 hours.⁷⁵ The parties agree that NatGas's rate case expenses, reflected below, are reasonable and recoverable.⁷⁶

Table 10. NatGas's Rate Case Expenses⁷⁷

Actual Regulatory Expenses	Actual Litigation Expenses	Expenses Estimated to Completion	Total Recoverable Expenses
\$8,010.00	\$15,309.30	\$3,680.70	\$27,000.00

The Examiners reviewed the testimony and documentation supporting the rate case expense amounts shown above. NatGas provided evidence showing the reasonableness of the cost of all professional services, included 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.⁷⁸ The Examiners found no evidence of double billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or other prohibited charges.

However, the Examiners discovered an incorrect allocation of expenses. The \$8,010.00 regulatory expenses are itemized in the invoices dated August 5, 2019, and September 4, 2019.⁷⁹ The remaining invoices, which include the October 3, 2019 invoice, document the \$15,309.30 litigation expenses. The October 3, 2019 invoice has an expense total of \$4,005.30 and lists services performed from September 5, 2019, through September 30, 2019.⁸⁰ Mr. Karl J. Nalepa, NatGas's authorized representative and only witness, affirms that all the services detailed on the October 3, 2019 invoice are related to the filing of the September 27, 2019 SOI and reflects actual regulatory expenses.⁸¹ Mr. Nalepa also explains that the costs for the October 17, 2019 and January 23, 2020 notices sent to affected customers by direct mail are not included in the rate expenses.⁸²

A utility's rate case expenses are classified into three categories: required regulatory expenses, litigation expenses, and estimated expenses.⁸³ Required regulatory expenses consist of expenses the utility incurs that are related to the initial filing of the statement of intent and the expenses the utility incurs to provide or publish required notices.⁸⁴ Litigation expenses consist of expenses incurred after the

⁷⁴ *Id.* at Exhibit D.

⁷⁵ *Id.*

⁷⁶ *Id.* at 4 (Term Nos. 11 & 12).

⁷⁷ *Id.*

⁷⁸ *Id.* at Exhibit D; see also Transcript (Nalepa) 20:14-20:19 (February 26, 2020).

⁷⁹ NatGas Ex. 4 (Rate Case Expenses). Invoice No. 4431, dated August 5, 2019, totaled \$4,518.00. *Id.* Invoice No. 4454, dated September 4, 2019, totaled \$3,492.00. *Id.*

⁸⁰ *Id.* Invoice No. 4475 is dated October 3, 2019.

⁸¹ Transcript (Nalepa) 18:18 (February 26, 2020).

⁸² *Id.* at 19:19-19:23.

⁸³ 16 Tex. Admin. Code § 7.5530(d) (Allowable Rate Case Expenses).

⁸⁴ *Id.*

utility files its statement of intent, excluding the cost of providing notice.⁸⁵ Estimated expenses consist of the costs the utility estimates it will incur for potential appellate proceedings.⁸⁶ Based on Staff's position and Mr. Nalepa's testimony and description of the services performed, the proper category for the \$4,005.30 expense in the October 3, 2019 invoice is "actual regulatory expenses."⁸⁷ Thus, the below table illustrates the appropriate distribution of NatGas's rate case expenses based on the Settlement and evidentiary record.

Table 11. Recategorization of NatGas's Rate Case Expenses

Actual Regulatory Expenses	Actual Litigation Expenses	Expenses Estimated to Completion	Total Recoverable Expenses
\$12,015.30	\$11,304.00	\$3,680.70	\$27,000.00

Considering the Settlement and evidentiary record, the Examiners find that recovery by NatGas of no more than \$27,000.00 in rate case expenses, and as categorized in Table 11, is just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). The Examiners also find that NatGas proved the reasonableness of its rate case expenses by a preponderance of the evidence. Accordingly, the Examiners recommend the Commission approve NatGas's recoverable rate case expenses totaling no more than \$27,000.00.

2. Allocation and Surcharge

The parties agree that the total reimbursable rate case expenses of \$27,000.00 shall be recovered from its customers through a uniform volumetric surcharge of \$0.194 per Mcf for a period of approximately 24 months—or until all actually-incurred expenses are recovered.⁸⁸ NatGas's estimated rate case expenses are recoverable only to the extent they are actually incurred.⁸⁹

Consistent with the Settlement, the Examiners find the parties' proposed allocation and surcharge to be just and reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

3. Compliance

Consistent with the Settlement, it is reasonable that NatGas file annually, due on or before March 1st, a rate case expense report with the Commission's Oversight and Safety Division referencing GUD No. 10899.⁹⁰ The report shall detail the amount recovered by month by customer class, the RCE recovered, and the outstanding balance by month.⁹¹

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ Transcript (Dubiel) 19:2-19:10 (February 26, 2020); NatGas Ex. 4 (Rate Case Expenses).

⁸⁸ NatGas Ex. 1 (Settlement Package) at 4 (Term No. 12).

⁸⁹ *Id.* at 4-5 (Term No. 13).

⁹⁰ *Id.* at 4-5 (Term Nos. 13 & 14).

⁹¹ *Id.*

VIII. CONCLUSION

The Examiners find that NatGas's request for a rate change pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners recommend that the Settlement be approved.

IX. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, attached to this PFD as Attachment 3, are incorporated herein by reference.

SIGNED March 25, 2020

Dee Marlo Chico

Dee Marlo Chico
Administrative Law Judge

Rose A. Ruiz

Rose A. Ruiz
Technical Examiner

James R. Currier III

James R. Currier
Technical Examiner

GUD No. 10899
Proposal for Decision
Attachment 1
(Exhibit List)

GUD NO. 10899

**STATEMENT OF INTENT FILED BY NATGAS, INC., TO INCREASE RATES IN
AND AROUND THE UNINCORPORATED COMMUNITY OF OZONA, TEXAS**

NATGAS' EXHIBIT LIST

EX. No.	DESCRIPTION	OFFERED	ADMITTED/DATE
Ex. 1	Settlement Package (filed 1/31/2020)	✓	2/26/2020
Ex. 2	Correction to 5 th Ordering Paragraph in Proposed Final Order (filed 2/25/2020)	✓	2/26/2020
Ex. 3	Public Notice and Affidavits (filed 1/30/2020)	✓	3/3/2020 ¹
Ex. 4	Original Statement of Intent Filing (filed 9/27/2019)	✓	3/3/2020
Ex. 5	Errata Filing (filed 10/28/2019)	✓	3/3/2020

¹ Hearings Letter No. 16 (NatGas Exhibits 3, 4, 5), issued March 3, 2020 (admitting NatGas' Exhibits 3 (Public Notice and Affidavit), 4 (Original Statement of Intent Filing), and 5 (Errata Filing) into the evidentiary record); Transcript (Nalepa) 20:20-21:1 (February 26, 2020) (reserving NatGas Exhibit 3 into the record; Transcript (Dubiel) 21:12-21:25 (February 26, 2020) (reserving and admitting NatGas Exhibits 4 and 5 into the record).

GUD No. 10899
Proposal for Decision
Attachment 2
(Settlement Agreement)

GAS UTILITIES DOCKET NO. 10899

STATEMENT OF INTENT OF	§	
NATGAS, INC. TO INCREASE	§	BEFORE THE
RATES IN AND AROUND THE	§	RAILROAD COMMISSION
UNINCORPORATED COMMUNITY	§	
OF OZONA, TEXAS	§	OF TEXAS

UNANIMOUS SETTLEMENT AGREEMENT

This Unanimous Settlement Agreement is entered into by and between NatGas, Inc. (“NatGas” or “Company”) and the Staff of the Railroad Commission of Texas (“Commission Staff”), (collectively, the “Parties” or “Signatories”).

WHEREAS, on September 27, 2019, NatGas filed a Statement of Intent to Increase Rates (“Statement of Intent”) in and around the unincorporated areas of Ozona, Texas in Crockett County, Texas; and

WHEREAS, the Commission docketed the rate request as Gas Utilities Docket (“GUD”) No. 10899; and

WHEREAS, Commission Staff sought intervention and was granted party status in GUD No. 10899 on October 2, 2019; and

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

WHEREAS, NatGas’ last rate change was approved by the Commission in GUD No. 10498, effective August 9, 2016; and

WHEREAS, NatGas provided public notice by direct mail on October 17, 2019, to all affected customers; and

WHEREAS, NatGas provided an updated public notice by direct mail on January 23, 2020, to all affected customers; and

WHEREAS, direct testimony of Commission Staff was due on January 10, 2020, but Commission Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, the Parties to this proceeding have engaged in significant discovery regarding the issues in dispute; and

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

WHEREAS, the Signatories represent diverse interests and the Unanimous Settlement Agreement resolves the issues in GUD No. 10899 in a manner that the Signatories agree is consistent with the public interest.

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms as a means of concluding the above-referenced docket filed by NatGas without the need for prolonged litigation:

Settlement Terms

1. As a product of compromise and for the purposes of settlement, the Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Unanimous Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede those tariffs currently in effect in and around the unincorporated community of Ozona, Texas served by NatGas. These tariffs are premised on an increase of approximately \$165,392 in current annual revenues as illustrated in the proof of revenues attached as Exhibit B to this Unanimous Settlement Agreement. Except as specifically provided herein, the Signatories agree that the approximately \$165,392 revenue increase is a settled figure and is not tied to any specific expense in the underlying cost of service within the areas served by NatGas. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Unanimous Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Unanimous Settlement Agreement shall be effective upon approval by the Commission or other regulatory authority.
2. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

Rate Schedule	Customer Charge	Commodity Charge
Residential	\$9.00	\$5.76 per Mcf all usage
Commercial	\$12.00	\$5.76 per Mcf all usage
Public Authority	\$14.00	\$4.55 per Mcf all usage

3. The Signatories agree that a net plant amount of \$546,835 as of June 30, 2019 is prudent and appropriate for recovery in this proceeding. In addition, the Signatories agree to the following:
 - a. NatGas shall correctly calculate and record plant retirements by (1) acquiring software to calculate and record plant retirements as they occur; or (2) manually calculate and record plant retirements as they occur; and
 - b. NatGas shall file an annual Plant Retirement Compliance Filing on March 31 of each calendar year. The Plant Retirement Compliance Filing shall include a list of the prior year's plant retirement calculations and an affidavit from an officer of the Company that these retirements have been properly recorded in the books and records of the Company.

4. The Signatories agree to and propose the inclusion of the following Findings of Fact and Conclusion of Law in the Final Order:
 - a. Finding of Fact: It is reasonable that NatGas correctly calculate and record plant retirements by (1) acquiring software to calculate and record plant retirements as they occur; or (2) manually calculate and record plant retirements as they occur.
 - b. Finding of Fact: It is reasonable that NatGas file with Commission Staff an annual Plant Retirement Compliance Filing on March 31 of each calendar year that includes a list of the prior year's plant retirement calculations.
 - c. Ordering Paragraph: IT IS FURTHER ORDERED that NatGas shall file with Commission Staff in the Gas Services Department an annual Plant Retirement Compliance Filing on March 31 of each calendar year that includes a list of the prior year's plant retirement calculations and an affidavit from an officer of the NatGas that these retirements have been properly recorded in the books and records of NatGas.
5. The Signatories agree that the attached Cost Allocation Manual ("CAM") (Exhibit E) is reasonable and that NatGas shall henceforth follow the allocation methodology in this CAM until another allocation methodology is approved by the Commission.
 - a. NatGas shall file an annual Compliance Filing demonstrating the appropriate application of the CAM on March 31 of each calendar year. The CAM Compliance Filing shall include a list of the prior year's plant retirement calculations and an affidavit from an officer of the Company that these retirements have been properly recorded in the books and records of the Company.
6. The Signatories agree to and propose the inclusion of the following Findings of Fact and Conclusion of Law in the Final Order:
 - a. Finding of Fact: It is reasonable that NatGas correctly apply the allocation methodology in the Cost Allocation Manual found in Exhibit E of the Settlement Agreement until another allocation methodology is approved by the Commission.
 - b. Finding of Fact: It is reasonable that NatGas file with Commission Staff an annual CAM Compliance Filing on March 31 of each calendar year demonstrates NatGas' understanding and appropriate implementation of the CAM.
 - c. Ordering Paragraph: IT IS FURTHER ORDERED that NatGas shall file with Commission Staff in the Gas Services Department an annual CAM Compliance Filing on March 31 of each calendar year that demonstrates NatGas' understanding and appropriate implementation of the CAM.
7. The Signatories agree that a rate of return as shown in the table below is reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	66.26%	6.00%	3.976%	3.976%
Common Equity	33.74%	11.00%	3.711%	4.698%
Rate of Return	100.00%		7.687%	8.674%

8. The Signatories agree to the depreciation rates reflected in Exhibit C.
9. The Signatories agree that Interim Rate Adjustment (“IRA”) factors are not necessary to establish at this time because NatGas will not utilize the IRA mechanism between now and its next rate case.
10. The Signatories agree that the settled amount included in Paragraph 1 reflects a corporate income tax rate of 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017 (“Act”) and that such amount reflects all impacts associated with calculation of taxes under the Act. The Signatories further agree that NatGas is compliant with GUD No. 10695, Gas Utilities Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (Mar. 20, 2018).
11. NatGas represents that its reasonable rate case expenses incurred through December 31, 2019, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Regulatory Expenses	Actual Litigation Expenses	Expenses Estimated to Completion	Total Recoverable Expenses
NatGas	\$8,010.00	\$15,309.30	\$3,680.70	\$27,000.00

12. NatGas attaches as Exhibit D affidavits and invoices in support of these amounts and will supplement with additional invoices as they are processed. The Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Tex. Util. Code § 103.022. The Signatories agree that rate case expenses shall be recovered through a volumetric fee of \$0.194 per Mcf, and that the recovery period for the applicable surcharge to recover rate case expenses shall be approximately twenty-four (24) months or until the full \$27,000.00 in rate case expenses are recovered. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.
13. NatGas shall file annually a rate case expense compliance filing with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10899. The compliance filing shall include the amount of rate case expense recovered by month and the outstanding balance by month as set out in the Rate Schedule entitled Rate Case Expenses. 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 NatGas submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Commission Staff can

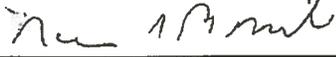
accurately audit such invoices for the purposes of reconciling actual rate case expenses to estimated rate case expenses. In no case shall the total recoverable expenses exceed the actual expenses up to a total of \$27,000.00.

- b.** Finding of Fact: It is reasonable that NatGas file an annual Rate Case Expense Compliance Filing with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end.
 - c.** Ordering Paragraph: IT IS FURTHER ORDERED that NatGas file an annual Rate Case Expense Compliance Filing with Commission Staff detailing recovery of rate case expenses as described in Finding of Fact 40 within ninety (90) days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered.
14. The Signatories agree to and propose the inclusion of the following Ordering Paragraphs in the Final Order in this docket:
 - a.** Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, NatGas shall electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order. The tariffs shall incorporate rates, rate design, and service charges consistent with this Final Order, as stated in the findings of fact and conclusions of law and shown on the attached schedules.
 - b.** Ordering Paragraph: IT IS FURTHER ORDERED that any incremental change in rates approved by this Final Order and implemented by NatGas shall be subject to refund unless and until NatGas' tariffs are electronically filed and accepted by the Gas Services Department of the Oversight and Safety Division of the Commission in accordance with 16 Tex. Admin. Code § 7.315.
15. The Signatories agree to the admission of the following items, including any confidential portions:
 - a.** The *Statement of Intent Filed by Nat Gas, Inc. to Change Rates In and Around the Unincorporated Community of Ozona, Texas*, filed on September 27, 2019, inclusive of all attachments, errata, direct testimony and exhibits;
 - b.** The Affidavit of Norman Smith attesting to provision of notice to all customers of NatGas, filed on January 30, 2020;
 - c.** The Affidavit of Norman Smith attesting to provision of the updated notice to all customers of NatGas, filed on January 30, 2020; and
 - d.** The Affidavit of Karl J. Nalepa attesting to the reasonableness of NatGas' rate case expenses, included in Exhibit D to this Unanimous Settlement Agreement.

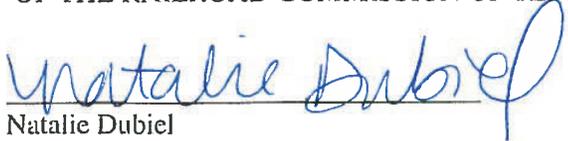
16. The Signatories agree to support and seek Commission approval of this Unanimous Settlement Agreement.
17. Except as may be allowed under Rule 408 of the Texas Rules of Evidence, the Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in this proceeding.
18. The Signatories agree that neither this Unanimous 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 an order approving this Unanimous Settlement Agreement.
19. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous Settlement Agreement, then any 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 Unanimous Settlement Agreement or its subsequent withdrawal and further agree that NatGas' application to increase rates will be remanded for hearings.
20. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes. The matters resolved herein are resolved on the basis of a compromise and settlement. Except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding. Each Signatory acknowledges that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in other dockets or other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other dockets or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other dockets or jurisdictions, regardless of whether other dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. Agreement by the Signatories to any provision in this Stipulation will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.
21. The provisions of this Stipulation are intended to relate to only the specific matters referred to herein. By agreeing to this Stipulation, no Signatory waives any claim it may otherwise have with respect to issues not expressly provided for herein. The Signatories further understand and agree that this Stipulation represents a negotiated settlement of all issues in this proceeding.
22. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 31st day of January 2020.

NAT GAS, INC.

By: 
Norman D. Smith
President, NatGas, Inc.

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: 
Natalie Dubiel
Attorney for Staff of the Railroad Commission of Texas

GUD No. 10899

EXHIBIT A

TARIFFS

NatGas, Inc.
Rate Sheet
Residential Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$9.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Residential customer for all consumption each month shall be \$5.76 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Commercial Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$12.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Commercial customer for all consumption each month shall be \$5.76 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Public Authority Service

APPLICATION OF SCHEDULE

This schedule is applicable to tax exempt Public Authority type customers, including schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$14.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Public Authority customer for all consumption each month shall be \$4.55 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Rate Case Expense (RCE)

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential, Commercial, and Public Authority rate schedules in all unincorporated areas served by NatGas, Inc. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after April 1, 2020, for a twenty-four (24) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The rate payable by each customer for all consumption each month shall be \$0.194 per Mcf.

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 3838 Oak Lawn Ave., Suite 1525, Dallas, Texas, 75219.

COMPLIANCE

The Company shall file an annual report 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. The company shall file the report with the commission addressed to the Director of Oversight and Safety Division and referencing Gas Utilities Docket No. 10899. The report shall detail the monthly collections for the RCE surcharge by customer class and show the outstanding balance. Upon completion of the recovery, NatGas, Incorporated 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
Director of Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

NatGas, Inc.
Rate Sheet
Miscellaneous Service Charges

	<u><i>Service</i></u>	<u><i>Amount</i></u>
1	Turn on with Meter Set	\$38.00
2	Turn on with Meter Set (After Hours)	\$47.00
3	Turn on Service (Shut in Test)	\$30.00
4	Turn on Service (Shut in Test – After Hours)	\$43.25
5	Turn on Service (Meter Read only)	\$20.00
6	Turn on Service (Meter Read only – After Hours)	\$30.00
7	Reconnect Delinquent Service or Service Temp Off at Customer's Request	\$43.50
8	Reconnect Delinquent Service or Service Temp Off at Customer's Request (After Hours)	\$55.25
9	Dishonored Check	\$25.00
10	Meter Tampering	\$150.00

Rates are Based On:

- 1) During Normal Business Hours or 8am to 5pm, Monday through Friday excluding holidays.
- 2) Normal Construction Conditions

GUD No. 10899

EXHIBIT B

PROOF OF REVENUES

NATGAS, INCORPORATED - EXHIBIT NO. 1
DEVELOPMENT OF PROPOSED RATES
For the Pro Forma Test Year Ended December 31, 2018

LINE NO.	RATE CLASS	BILLING UNITS	PROPOSED RATES	PROPOSED REVENUE	Base Rate Change	
					\$	%
1	Residential					
2	Customer Charge	12,016 Bills	\$9.00 / Month	\$108,144		30.8%
3	Commodity Charge	42,167 MCF	\$5.760 / MCF	242,883		69.2%
4	Total Residential			\$351,027	\$111,527	46.57%
5						
6	Commercial					
7	Customer Charge	1,223 Bills	\$12.00 / Month	\$14,676		12.5%
8	Commodity Charge	17,795 MCF	\$5.760 / MCF	102,497		87.5%
9	Total Commercial			\$117,173	\$38,578	49.08%
10						
11	Public Authority					
12	Customer Charge	419 Bills	\$14.00 / Month	\$5,866		11.6%
13	Commodity Charge	9,823 MCF	\$4.550 / MCF	44,694		88.4%
14	Total Public Authority			\$50,560	\$12,768	33.78%
15						
16	Total Base Rate Revenue			\$518,760	\$162,873	45.77%
17						
18						
19	Residential Service					
20	Base Rate					
21	Customer Charge	12,016 Bills	9.00 / Month	\$108,144		30.8%
22	Commodity	42,167 MCF	5.76000 / MCF	242,883		69.2%
23	Total			\$351,027	\$111,527	46.6%
24						
25	Commercial Service					
26	Base Rate					
27	Customer Charge	1,223 Bills	12.00 / Month	\$14,676		12.5%
28	Commodity	17,795 MCF	5.76000 / MCF	102,497		87.5%
29	Total			\$117,173	\$38,578	49.1%
30						
31	Public Authority Service					
32	Base Rate					
33	Customer Charge	419 Bills	14.00 / Month	\$5,866		11.6%
34	Commodity	9,823 MCF	4.55000 / MCF	44,694		88.4%
35	Total			\$50,560	\$12,768	33.8%
36						
37	Total			\$518,760	\$162,873	45.8%

GUD No. 10899

EXHIBIT C

DEPRECIATION RATES

NATGAS, INCORPORATED
Depreciation Rate Summary

Description	Plant Balance	Depreciable Life	Depreciation Rate	Depreciation Expense	Accumulated Depr.	Ending Balance 12/31/18
Distribution Plant						
375- Structures and Improvements	35	30	0.03333	1	23	12
376- Mains	537,048	30	0.03333	2,828	140,385	396,663
378- Meas. & Reg. Stn. Equipment	122,764	30	0.03333	0	110,488	12,276
380- Services	63,865	30	0.03333	1,862	27,618	36,248
381- Meters	143,720	30	0.03333	1,960	126,006	17,714
382- Meter Installs	18,869	30	0.03333	2,000	12,471	6,398
383- House Regulators	22,762	30	0.03333	1,500	15,602	7,160
384- House Regulator Intallations	3,878	30	0.03333	279	1,822	2,056
385- Industrial Measuring & Regulators	5,270	30	0.03333	150	4,289	981
Total Depreciable Distribution Plant	918,212.27	86.78	0.01152	10,581	438,705	479,508
General Plant - Allocated to Utility						
390- Structures & Improvements	92,975	39	0.02564	963	48,858	44,117
391- Structures and Improvements	32,574	10	0.10000	480	21,231	11,343
392- Transportation Equipment	38,837	5	0.20000	795	29,193	9,644
394- Shop Equipment	-	10	0.10000	86	5,409	(5,409)
397- Communication Equipment	1,455	10	0.10000	0	1,309	146
399- Other Equipment	30,372	10	0.10000	120	26,430	3,942
Total General Plant	196,214	80.29	0.01245	2,444	132,431	63,783
Total	1,114,425.97			13,024.33	571,135.62	543,290.35

NATGAS, INCORPORATED
Depreciation Rate Summary

Line No.	Description	Plant Balance	Depreciable Life	Depreciation Rate	Depreciation Expense
394- Shop Equipment		-	10	0.10000	86
397- Communication Equipment		1,455	10	0.10000	0
399- Other Equipment		30,372	10	0.10000	120
	Total General Plant	196,214	80.29	0.01245	2,444
	Total	1,114,425.97			13,024.33

GUD No. 10899

EXHIBIT D

Rate Case Expenses

GAS UTILITIES DOCKET NO. 10899

STATEMENT OF INTENT FILED BY	§	
NATGAS, INC. TO INCREASE RATES IN	§	BEFORE THE
AND AROUND THE UNINCORPORATED	§	RAILROAD COMMISSION
COMMUNITY OF OZONA, TEXAS	§	OF TEXAS

RATE CASE EXPENSE AFFIDAVIT OF KARL J. NALEPA
PROVIDING ACTUAL EXPENSES THROUGH DECEMBER 2019

I, Karl J. Nalepa, state the following facts upon my oath.

1. My name is Karl J. Nalepa. I am over eighteen years of age and am not disqualified from making this affidavit.
2. I am the President of ReSolved Energy Consulting, LLC (“REC”), an independent utility consulting company. I have been retained by NatGas, Inc. (“NatGas”) to assist in the preparation, filing and management of its statement of intent to change rates in Gas Utilities Docket No. 10899 before the Railroad Commission of Texas. My business address is 11044 Research Blvd., Suite A-420, Austin, Texas 78759.
3. I am giving this affidavit to address the necessity for and reasonableness of REC’s actual fees and expenses incurred through December 31, 2019.
4. REC’s actual fees through December 31, 2019 correspond to time preparing the application testimony, schedules and work papers, responding to discovery, conferring with NatGas personnel, and participating in settlement discussions with Railroad Commission Staff. The hours charged are set forth in the following table:

RESOLVED ENERGY CONSULTING’S EXPENSES
THROUGH DECEMBER 31, 2019

CONSULTANTS	HOURLY RATE	HOURS	EXPENSES	TOTAL
Karl Nalepa	\$270	35.3	\$54.30	\$9,585.30
Erin Cromleigh	\$180	76.3	\$0	\$13,734.00
Total Actual		111.6	\$54.30	\$23,319.30

5. My billing rate is \$270 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. The hourly rate is especially reasonable given I have more than 30 years of utility rate regulatory experience. Part of the basis for my opinion is a review of the hourly rates charged by other consultants to perform similar services. Assisting me in this proceeding is Erin Cromleigh. Ms. Cromleigh is a Management Consultant with REC and has over 9 years of audit and regulatory experience. Her billing rate is \$180 per hour. Ms. Cromleigh works under my direction and supervision.

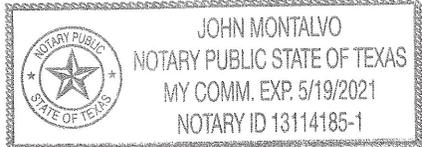
6. No REC personnel billed in excess of 12 hours on any given day to this case. No REC personnel incurred any airline or lodging expenses. No REC personnel charged for any luxury items. No meal was charged in excess of \$25 and no alcohol was charged. The only other expenses charged were related to reproduction of filed documents. There are no instances of double billing for REC's services.
7. Based on my extensive experience relating to analysis of rate proceeding matters and the reasonableness of rate case expenses before the Railroad Commission of Texas, I conclude that: (1) REC's hourly rates are reasonable; and (2) the 111.6 actual hours in this case are both reasonable and necessary.
8. The statements made in this affidavit are true and correct.



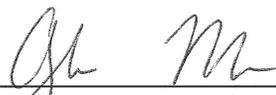
 Karl J. Nalepa

STATE OF Texas
 COUNTY OF Tarrant

§
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SUBSCRIBED AND SWORN to before me, the undersigned authority, on this 31st day of January, 2020, by Karl J. Nalepa.



 Notary Public, State of Texas
 My Commission Expires: 05/19/2021

GUD No. 10899

EXHIBIT E

COST ALLOCATION MANUAL

NatGas, Inc.
Cost Allocation Manual

Account	Description	Utility/Non-Utility Allocation	Utility Allocation to FERC Account
80000	General and Admin Salaries	1) Directly assigned based on time billed.	Directly assigned to Acct. 920 A&G Salaries.
80000	Field Employee's Salaries	Directly assigned based on time billed.	Directly assigned to the appropriate O&M account where applicable.
80002	Insurance	1) General Liability and Umbrella policies allocated on the Common Allocation Factor. 2) Property insurance allocated on the Common Allocation Factor. 3) Health and Workers' Comp insurance allocated based on time billed.	1) General Liability and Umbrella policies directly assigned to FERC Account 925. 2) Property insurance booked to Acct. 924 Property Insurance. 3) Health and Workers' Comp insurance booked to Acct. 926 Employee Pensions and Benefits.
80003	Legal & Professional	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 923 Outside Services Employed.
80005	Office Supplies	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 921 Office Supplies and Expenses.
80006	Admin. Overhead	1) Labor directly assigned based on time billed. 2) Unassigned allocated on the Common Allocation Factor.	1) Directly assigned booked to Acct. 920 A&G Salaries. 2) Unassigned booked to Acct. 930.2 Misc. General Expenses
8007	Payroll Taxes	1) Directly assigned based on time billed.	Booked to Payroll Taxes within Acct. 408 Taxes Other Than Income Texas Payroll taxes should follow payroll.
80008	Telephone / Utilities	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 921 Office Supplies and Expenses.
80009	Travel	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	1) Directly assigned where applicable. 2) Unassigned booked to Acct. 921 Office Supplies and Expenses.
80011	Bank Charges	1) Direct assigned if separate bank accounts. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 930.2 Misc. General Expenses

NatGas, Inc.
Cost Allocation Manual

Account	Description	Utility/Non-Utility Allocation	Utility Allocation to FERC Account
80012	Dues & Subscriptions	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 930.2 Misc. General Expenses
80013	Other Taxes	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to subaccounts: (Property, Pipeline Safety, Gas Utility, and Texas Franchise) in Acct. 408 Taxes Other Than Income Texas.
80014	Contributions	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 930.2 Misc. General Expenses
80015	Miscellaneous	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	1) Directly assigned where applicable. 2) Unassigned booked to Acct. 930.2 Misc. General Expenses
80017	Education Expense	Directly assigned.	Booked to Acct. 926 Employee Pensions and Benefits.
80019	Vehicle Expense	Directly assigned based on employee time billed.	Directly assigned based on employee time billed by function.
80021	Outside Services	Directly assigned.	Booked to Acct. 923 Outside Services Employed.
80022	Supplies	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 921 Office Supplies and Expenses.
80023	Repairs	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	1) Directly assigned where applicable. 2) Common assigned to Acct. 932 Maintenance of General Plant.
80025	Fuel	Allocated based on reported mileage.	Directly assigned based on reported mileage.
80030	Bad Debt Expense	Directly assigned.	Booked to Acct. 904 Uncollectible Accounts.
80031	Uniforms	Directly assigned.	Booked to Acct. 930.2 Misc. General Expenses
80032	Advertising	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 912 Advertising Expenses
80036	Meals & Entertainment	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	1) Directly assigned where applicable. 2) Unassigned booked to Acct. 930.2 Misc. General Expenses

NatGas, Inc. Cost Allocation Manual			
Account	Description	Utility/Non-Utility Allocation	Utility Allocation to FERC Account
80040	Postage & Shipping	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to Acct. 921 Office Supplies and Expenses.
80042	Penalties	Directly assigned.	Directly assigned where applicable.
80048	Non-Deductible	Directly assigned.	Directly assigned where applicable.
80049	Capital Items	1) Directly assigned. 2) Unassigned allocated on the Common Allocation Factor.	Booked to relevant FERC Acct. based on FERC guidelines.

The Common Allocation Factor is based on the percentage of total company revenue. So, the factor for the utility business equals utility revenue divided by total company revenue and for the non-utility business, the factor equals non-utility revenue divided by total company revenue.

Assigned amounts are booked directly to an account. Unassigned amounts are allocated into more than one account.

GUD No. 10899
Proposal for Decision
Attachment 3
(Proposed Final Order)

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED BY
NATGAS, INC., TO INCREASE
RATES IN AND AROUND THE
UNINCORPORATED COMMUNITY
OF OZONA, TEXAS**

§
§
§
§
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§

HEARINGS DIVISION

GUD NO. 10899

PROPOSED FINAL ORDER

Notice of Open Meeting to consider this Final Order was duly posted with the Secretary of State within the time period provided by law pursuant to Chapter 551 (Open Meetings) of the Texas Government Code. The Railroad Commission of Texas adopts the following Findings of Fact and Conclusions of Law and orders as follows:

FINDINGS OF FACT

1. NatGas, Inc. ("NatGas"), is a gas utility as that term is defined in Tex. Util. Code § 101.003(7) and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. On September 27, 2019, NatGas filed a Statement of Intent ("SOI") to increase rates in and around the unincorporated community of Ozona, Texas. The filing was docketed as GUD No. 10899.
3. NatGas requested an effective date of November 1, 2019.
4. NatGas proposes to implement the proposed rates in and around the unincorporated community of Ozona, Texas, in which it provides service.
5. NatGas has the burden of proof under Tex. Util. Code § 104.008 to show that the proposed rate changes are just and reasonable.
6. Staff of the Railroad Commission ("Staff") timely intervened on September 27, 2019.
7. On October 22, 2019, the Commission suspended the implementation of NatGas's proposed rates for 150 days from the date on which the proposed rates would otherwise become effective.
8. On October 28, 2019, NatGas filed an errata to its Direct Testimony.
9. For all customers located in and around the unincorporated community of Ozona, Texas, NatGas provided public notice by direct mail on October 17, 2019, and a revised notice on January 27, 2020, in accordance with Tex. Util. Code § 104.103(a) and 16 Tex. Admin. Code §§ 7.230 and 7.235.

10. On January 30, 2020, NatGas filed the Affidavits of Norman Smith attesting to proof of notice.
11. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the Statement of Intent, in accordance with Tex. Util. Code § 104.103(a) and 16 Tex. Admin. Code §§ 7.230 and 7.235.
12. On December 9, 2019, NatGas notified the Administrative Law Judge ("ALJ") that all parties to the proceeding had reached a settlement in principle and requesting an abatement of the proceeding.
13. On December 11, 2019, the ALJ granted the request to abate the proceeding.
14. On January 27, 2020, the Notice of Hearing was issued, setting the hearing on the merits to commence on February 26, 2020.
15. The Notice of Hearing was published in *Gas Utilities Information Bulletin No. 1124* on January 31, 2020, in accordance with 16 Tex. Admin. Code § 7.235 (Publication and Service of Notice).
16. On January 31, 2020, NatGas and Staff filed a Unanimous Settlement Agreement ("Settlement"), which resolved all issues among the parties.
17. On February 3, 2020, the Notice of Hearing was sent to the governing body of Crockett County, the only affected county, in accordance with Tex. Util. Code § 104.105(c).
18. At the merits hearing conducted on February 26, 2020, the NatGas entered evidence into the record in support of the Settlement.
19. On February 26, 2020, the Examiners sent a Request for Information ("RFI"), to which NatGas responded on March 6, 2020.
20. On March 19, 2020, the ALJ took official notice of NatGas's filings responding to Examiner RFI Nos. 1-1, 1-2, 1-3, 1-4, and 1-5.
21. The evidentiary record closed on March 19, 2020.
22. NatGas established that it maintains its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") prescribed for natural gas companies.
23. NatGas established that it has fully complied with the books and records requirements of 16 Tex. Admin. Code § 7.310, and the amounts included therein are therefore entitled to the presumption in 16 Tex. Admin. Code § 7.503 that these amounts are reasonable and necessary.

24. The test year in this filing is based upon the financial data for the twelve-month period ending December 31, 2018, adjusted for known and measurable changes.
25. NatGas requested in its Statement of Intent a revenue requirement increase of approximately \$150,821 for all customers served by NatGas in and around the unincorporated community of Ozona, Texas.
26. The Settlement contemplates an approximate \$165,392 revenue increase from current revenues as a settled amount. The revenue increase is not tied to any specific expense in NatGas's underlying cost-of-service. The approximately \$165,392 revenue increase represents an additional \$14,571 from the revenues originally requested in the Statement of Intent. The additional increase was due to the inclusion of incremental plant that was negotiated during the settlement process.
27. The parties have established that the proposed revenue increase of \$165,392 from current revenues is just and reasonable.
28. The proposed rates will affect the following classes of customers within the unincorporated areas served by NatGas in and around Ozona, Texas: Residential, Commercial, and Public Authority.
29. The rates, which are reflected in Attachment 1 to this Order, and the customer charges shown in the table below, are just and reasonable for the customers within the unincorporated areas in and around Ozona, Texas.

Rate Schedule	Customer Charge	Commodity Charge (\$/Mcf)
Residential	\$ 9.00	\$5.76
Commercial	\$12.00	\$5.76
Public Authority	\$14.00	\$4.55

30. The capital structure, cost of debt, cost of equity, weighted cost of capital, overall rate of return, and pre-tax return for the unincorporated areas in and around Ozona, Texas, which are reflected in the table below, are just and reasonable.

Capital Structure	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	66.26%	6.00%	3.976%	3.976%
Common Equity	33.74%	11.00%	3.711%	4.698%
Rate of Return	100%		7.687%	8.674%

31. A net plant amount of \$546,835 as of June 30, 2019, is prudent and appropriate for recovery in this proceeding.

32. The depreciation rates, as reflected in Attachment 2 to this Order, are reasonable.
33. Interim Rate Adjustment ("IRA") factors are not necessary to establish at this time because NatGas will not use the IRA mechanism from the time this Order becomes final and effective to the time of NatGas's next rate case.
34. On February 27, 2018, the Commission issued an Accounting Order in GUD No. 10695 (together with the March 20, 2018 Order Nunc Pro Tunc, the "Accounting Order") that reflects the Commission's directives regarding changes to utility rates to account for the change in the Federal corporate income tax due to the Federal Tax Cuts and Jobs Act of 2017 (Tax Cuts and Jobs Act).
35. NatGas has a corporate income tax rate of 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act and such amount reflects all impacts associated with calculation of taxes under the Tax Cuts and Jobs Act.
36. NatGas is compliant with the Commission's Accounting Order.
37. It is reasonable that NatGas calculate and record plant retirements by (1) acquiring software to calculate and record plant retirements as they occur; or (2) manually calculate and record plant retirements as they occur.
38. It is reasonable that NatGas file with Commission Staff an annual Plant Retirement Compliance Filing on March 31 of each calendar year that includes a list of the prior year's plant retirement calculations.
39. It is reasonable that NatGas correctly apply the allocation methodology in the Cost Allocation Manual ("CAM").
40. It is reasonable that NatGas file with Commission Staff an annual CAM Compliance Filing on March 31 of each calendar year that demonstrates NatGas's understanding and appropriate implementation of the CAM.

Rate Case Expenses

41. NatGas requests recovery of its rate case expenses totaling \$27,000.00, which includes \$23,319.30 in actual expenses incurred through December 31, 2019, and up to \$3,680.70 of estimated expenses through completion of this docket. NatGas's actual incurred expenses include regulatory expenses totaling \$8,010.00 and litigation expenses totaling \$15,309.30.
42. There were no attorney fees. The rate case expenses were from two consultants: One consultant charged an hourly rate of \$270 and billed 35.3 hours. The other consultant charged an hourly rate of \$180 and billed 76.3 hours.
43. The hourly rates charged by the consultants were reasonable rates charged by firms in cases addressing utility rate matters.

44. NatGas has established that its actual and estimated rate case expenses up to \$27,000.00 are just and reasonable, and that the expenses do not include any expenses for luxury items and did not incur any excessive airline, lodging, or meal expenses.
45. The amount of work performed and the time and labor required to accomplish the work were reasonable given the nature of the issues addressed.
46. Regulatory expenses of \$8,010.00 are itemized in the invoices dated August 5, 2019, and September 4, 2019. Invoice No. 4431, dated August 5, 2019, had an expense total of \$4,518.00. Invoice No. 4454, dated September 4, 2019, had an expense total of \$3,492.00.
47. The remaining invoices, which includes an October 3, 2019 invoice, document \$15,309.30 in litigation expenses.
48. Invoice No. 4475, dated October 3, 2019, has an expense total of \$4,005.30 and lists services performed from September 5, 2019, through September 30, 2019.
49. The services detailed on the October 3, 2019 invoice totaling \$4,005.30 are related to the filing of the September 27, 2019 SOI and reflect actual regulatory expenses.
50. The costs for the October 17, 2019 and January 23, 2020 notices sent to affected customers by direct mail are not included in the rate case expenses.
51. NatGas's rate case expenses, reflected in the below table, are reasonable and recoverable expenses incurred through December 31, 2019, and estimated rate case expenses incurred through completion of this case, are as follows:

Actual Regulatory Expenses	Actual Litigation Expenses	Expenses Estimated to Completion	Total Recoverable Expenses
\$12,015.30	\$11,304.00	\$3,680.70	\$27,000.00

52. The expenses set forth in Findings of Fact No. 52 reflect allocations consistent with 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses), which is reasonable.
53. It is reasonable that the recovery of \$27,000.00 in total rate case expenses be recovered through a volumetric fee of \$0.194 per Mcf and that the recovery period for the surcharge occur over an approximate 24-month period or until all actually-incurred expenses are recovered, not to exceed \$27,000.00.
54. It is reasonable that the rate case expense surcharge will continue until the amounts to be collected under those surcharges are collected.

55. It is reasonable that NatGas 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 actual rate case expenses to estimated rate case expenses. In no case shall the total recoverable expenses exceed the actual expenses up to a total of \$27,000.00.
56. It is reasonable that NatGas file an annual Rate Case Expense Compliance Filing with the Commission's Oversight and Safety Division, referencing GUD No. 10899, within 90 days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered. The compliance filing will include the amount of rate case expense recovered by month, the outstanding balance by month, the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance.
57. The rate schedules, attached to this Order as Attachment 1, which consist of Residential, Commercial, Public Authority, Rate Case Expenses, and Miscellaneous Service Charges, are just and reasonable

CONCLUSIONS OF LAW

1. NatGas 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 NatGas's SOI affecting its customers residing in and around the unincorporated community of Ozona, Texas under Tex. Util. Code §§ 102.001, 103.022, 103.054, 103.055, 104.001, 104.001, and 104.201.
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. This proceeding was conducted in accordance with the requirements of the Gas Utility Regulatory Act, Tex. Util. Code §§ 101.001 *et seq.* and the Administrative Procedure Act, Tex. Gov't Code §§ 2001.001 *et seq.*
5. The proposed rates constitute a major change as defined by Tex. Util. Code § 104.107.
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. In accordance with Tex. Util. Code § 104.103 and 16 Tex. Admin. Code §§ 7.230 and 7.235, adequate notice was properly provided.
8. NatGas filed its SOI in accordance with Tex. Util. Code § 104.102 and 16 Tex. Admin. Code §§ 7.205 and 7.210.
9. NatGas met its burden of proof in accordance with the provisions of Tex. Util. Code § 104.008 on the elements of its requested rate increase identified in this Order.
10. NatGas established that its books and records conform with 16 Tex. Admin. Code § 7.310 to utilize FERC's USOA prescribed for Natural Gas Companies, and NatGas is thus entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with 16 Tex. Admin. Code § 7.503.
11. The revenue, rates, rate design, and service charges identified in the rate schedules attached to this Order are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; and are sufficient, equitable, and consistent in application to each class of consumer, as required by Tex. Util. Code § 104.003.
12. The rates, operations, and services established in this docket are just and reasonable to customers and to NatGas in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under Tex. Util. Code § 101.002.
13. The overall revenues as established in the Findings of Fact and attached schedules are reasonable; fix an overall level of revenues for NatGas that will permit it a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by Tex. Util. Code § 104.051; and otherwise comply with Chapter 104 of the Texas Utilities Code.
14. The revenue, rates, rate design, and service charges proposed will not yield to NatGas more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by Tex. Util. Code § 104.052.
15. The rates established in this docket comport with the requirements of Tex. Util. Code § 104.053 and are based upon the adjusted value of invested capital used and useful.
16. Rate case expenses totaling no more than \$27,000.00 are reasonable, necessary, and consistent with the requirements of 16 Tex. Admin. Code § 7.5530(a).

17. NatGas is required by 16 Tex. Admin. Code § 7.315 to file electronic tariffs incorporating rates consistent with this Final Order within thirty days of the date of this Final Order.

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

IT IS FURTHER ORDERED that the proposed schedule of rates, as reflected in this Order and in Attachment 1, is hereby **APPROVED**.

IT IS FURTHER ORDERED that the rates, rate design, and service charges established in the Findings of Fact, Conclusions of Law, and as shown on the attached tariffs (Attachment 1) are **APPROVED**.

IT IS FURTHER ORDERED that NatGas calculate and record plant retirements by (1) acquiring software to calculate and record plant retirements as they occur or (2) manually calculate and record plant retirements as they occur.

IT IS FURTHER ORDERED that NatGas file with Commission Staff in the Gas Services Department an annual Plant Retirement Compliance Filing on March 31 of each calendar year that includes a list of the prior year's plant retirement calculations and an affidavit from an officer of NatGas that these retirements have been properly recorded in the books and records of NatGas.

IT IS FURTHER ORDERED that NatGas file with Commission Staff in the Gas Services Department an annual CAM Compliance Filing on March 31 of each calendar year end that demonstrates NatGas' understanding and appropriate implementation of the CAM.

IT IS FURTHER ORDERED that final actual incurred rate case expenses be filed with the Commission through completion of the case within 30 days of issuance of this Order.

IT IS FURTHER ORDERED that NatGas file an annual Rate Case Expense Compliance Filing with Commission Staff detailing recovery of rate case expenses as described in Finding of Fact No. 57 within 90 days after each calendar year end until the calendar year end in which the rate case expenses are fully recovered. The compliance filing will include the amount of rate case expense recovered by month, the outstanding balance by month, the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance. The total recoverable rate case expenses will not exceed the actual expenses up to a total of \$27,000.00.

IT IS FURTHER ORDERED that, within 30 days of this Order, in accordance with 16 Tex. Admin. Code § 7.315, NatGas electronically file its rate schedules in proper form that accurately reflect the rates in Attachment 1 to this Order. The tariffs shall incorporate rates, rate design, and service charges consistent with this Final Order,

as stated in the Findings of Fact and Conclusions of Law and shown on the attached schedules (Attachment 1).

IT IS FURTHER ORDERED that any incremental change in rates approved by this Order and implemented by NatGas shall be subject to refund unless and until NatGas's tariffs are electronically filed and accepted by the Gas Services Department of the Oversight and Safety Division of the Commission in accordance with 16 Tex. Admin. Code § 7.315.

IT IS FURTHER ORDERED that all proposed Findings of Fact and Conclusions of Law not specifically adopted in this Final Order are hereby **DENIED**.

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

IT IS FURTHER ORDERED 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 at interest, this Order shall not become final and effective until such motion is overruled, or if such motion is granted, this Order shall be subject to further action by the Commission. The time allotted for Commission action on a motion for rehearing in this 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 April 21, 2020.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN WAYNE CHRISTIAN

COMMISSIONER CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

ATTEST:

SECRETARY

GUD No. 10899
Proposed Final Order
Attachment 1
(Tariffs)

NatGas, Inc.
Rate Sheet
Residential Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$9.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Residential customer for all consumption each month shall be \$5.76 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Commercial Service

APPLICATION OF SCHEDULE

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

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$12.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Commercial customer for all consumption each month shall be \$5.76 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Public Authority Service

APPLICATION OF SCHEDULE

This schedule is applicable to tax exempt Public Authority type customers, including schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas. Natural gas supplied is for the individual use of the customer at one point of delivery and shall not be resold or shared with others. Service under this schedule shall be furnished in accordance with the Company's General Rules and Regulations.

MONTHLY RATE

MONTHLY CUSTOMER CHARGE: \$14.00

Multiple metered customers will be assessed a single customer charge per month.

MONTHLY COMMODITY RATE:

The price payable by each Public Authority customer for all consumption each month shall be \$4.55 per Mcf (Commodity Rate), subject to the Cost of Gas Adjustment and other adjustments set forth below.

COST OF GAS ADJUSTMENT:

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

TAXES:

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

PS INSPECTION FEE:

The Company shall pass on the Pipeline Safety Inspection Fee in an 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 of the Commission's Rules and Regulations.

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 Mcf basis from customers on each monthly bill.

OTHER SURCHARGES:

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

PAYMENT:

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

NatGas, Inc.
Rate Sheet
Rate Case Expense (RCE)

APPLICATION OF SCHEDULE

This schedule is applicable to any customer served under Residential, Commercial, and Public Authority rate schedules in all unincorporated areas served by NatGas, Inc. This schedule is for the recovery of rate case expenses and shall be in effect beginning on or after April 1, 2020, for a twenty-four (24) month period or until all approved expenses are collected.

MONTHLY RATE RECOVERY FACTOR

The rate payable by each customer for all consumption each month shall be \$0.194 per Mcf.

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 3838 Oak Lawn Ave., Suite 1525, Dallas, Texas, 75219.

COMPLIANCE

The Company shall file an annual report 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. The company shall file the report with the commission addressed to the Director of Oversight and Safety Division and referencing Gas Utilities Docket No. 10899. The report shall detail the monthly collections for the RCE surcharge by customer class and show the outstanding balance. Upon completion of the recovery, NatGas, Incorporated 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
Director of Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

NatGas, Inc.
Rate Sheet
Miscellaneous Service Charges

	<u><i>Service</i></u>	<u><i>Amount</i></u>
1	Turn on with Meter Set	\$38.00
2	Turn on with Meter Set (After Hours)	\$47.00
3	Turn on Service (Shut in Test)	\$30.00
4	Turn on Service (Shut in Test – After Hours)	\$43.25
5	Turn on Service (Meter Read only)	\$20.00
6	Turn on Service (Meter Read only – After Hours)	\$30.00
7	Reconnect Delinquent Service or Service Temp Off at Customer's Request	\$43.50
8	Reconnect Delinquent Service or Service Temp Off at Customer's Request (After Hours)	\$55.25
9	Dishonored Check	\$25.00
10	Meter Tampering	\$150.00

Rates are Based On:

- 1) During Normal Business Hours or 8am to 5pm, Monday through Friday excluding holidays.
- 2) Normal Construction Conditions

GUD No. 10899
Proposed Final Order
Attachment 2
(Depreciation Rates)

NATGAS, INCORPORATED
Depreciation Rate Summary

Line No.	Description	Plant Balance	Depreciable Life	Depreciation Rate	Depreciation Expense
Distribution Plant					
375-	Structures and Improvements	35	30	0.03333	1
376-	Mains	537,048	30	0.03333	2,828
378-	Meas. & Reg. Stn. Equipment	122,764	30	0.03333	0
380-	Services	63,865	30	0.03333	1,862
381-	Meters	143,720	30	0.03333	1,960
382-	Meter Installs	18,869	30	0.03333	2,000
383-	House Regulators	22,762	30	0.03333	1,500
384-	House Regulator Intallations	3,878	30	0.03333	279
385-	Industrial Measuring & Regulators	5,270	30	0.03333	150
	Total Depreciable Distribution Plant	918,212.27	86.78	0.01152	10,581

General Plant - Allocated to Utility

390-	Structures & Improvements	92,975	39	0.02564	963
391-	Structures and Improvements	32,574	10	0.10000	480
392-	Transportation Equipment	38,837	5	0.20000	795

NATGAS, INCORPORATED
Depreciation Rate Summary

Line No.	Description	Plant Balance	Depreciable Life	Depreciation Rate	Depreciation Expense
394-	Shop Equipment	-	10	0.10000	86
397-	Communication Equipment	1,455	10	0.10000	0
399-	Other Equipment	30,372	10	0.10000	120
	Total General Plant	196,214	80.29	0.01245	2,444
	Total	1,114,425.97			13,024.33