

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED §  
BY WEST TEXAS GAS, INC., FOR §  
RATE INCREASE IN THE §  
ENVIRONS OF THE CITIES OF §  
NATALIA, MEDINA COUNTY, §  
TEXAS; CITY OF SOMERSET, § GAS UTILITIES DOCKET No. 10034  
BEXAR COUNTY, TEXAS; IN THE §  
RURAL AREAS OF ATASCOSA, §  
BEXAR, MEDINA COUNTIES, §  
TEXAS WITHIN THE ORIGINAL §  
JURISDICTION OF THE §  
RAILROAD COMMISSION §**

**FINAL ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 *et seq.* (Vernon 2004 & Supp. 2009).

**FINDINGS OF FACT**

1. West Texas Gas, Inc. ("WTG") is a gas utility as that term is defined in the Texas Utilities Code.
2. WTG provides gas utility service in the environs of the cities of Devine and Natalia, Medina County, Texas, City of Somerset, Bexar County, Texas and in the rural areas of Atascosa, Bexar, and Medina Counties, Texas.
3. Natural gas supplies to the areas described in Finding of Fact No. 2 are supplied through a pipeline operated by Enterprise Texas Pipeline, LLC identified as Line No. 9041 ("Line 9041").
4. Line 9041 is located in Bexar and Medina counties and is approximately 23.524 miles in length.
5. Line 9041 is supplied from the east end near San Antonio and flows west.
6. As described more particularly in GUD No. 9959, as an operator Enterprise was required to develop a Pipeline Integrity Assessment and Management Plan for all pipeline operated by Enterprise, including Line 9041.
7. Implementation of the initial baseline assessment for Line 9041 required that the line be out of service.

8. Enterprise notified WTG that the baseline assessment test would commence in the summer of 2010.
9. The Pipeline Integrity Assessment and Management Plan developed by Enterprise was designed to meet federal and state standards.
10. The Pipeline Integrity Assessment and Management Plan developed by Enterprise scheduled an assessment of all pipelines operated by Enterprise.
11. The Pipeline Integrity Assessment and Management Plan, and the baseline assessment test for Line 9041, was reviewed by the Pipeline Safety Division and found to comply with Rule 8.101.
12. All parties to GUD No. 9959 agreed, and the Railroad Commission found, that the test of Line 9041 would require some period of outage.
13. During the testing WTG was required to provide an alternative source of natural gas service to its customers because Line 9041 was out of service.
14. The purchase of temporary alternative fuel was part of the cost of providing gas service to the customers and rather than pass the cost through the purchase gas adjustment clause, WTG filed this proceeding.
15. The Gas Services Division, of the Railroad Commission of Texas, indicated that a Statement of Intent is an appropriate approach to recover these expenses since their recovery increases rates charged to customers. A temporary surcharge for the recovery of these expenses over time rather than including the expenses as part of the company's monthly purchase gas adjustment clause is preferable because a temporary surcharge reduces the impact of recovery on the customers.
16. This proceeding was filed on November 2, 2010.
17. WTG's current Purchase Gas Adjustment Clause was approved in GUD No. 9488, and the PGA divided the WTG services areas into four gas cost zones: North Gas Cost Zone, Southeast Gas Cost Zone, West Gas Cost Zone, and the Farwell Gas Cost Zone.
18. Line 9041 and the distribution customers affected by the outage are within the Southeast Gas Cost Zone.
19. Within the Southeast Gas Cost Zone not all WTG distribution systems are contiguous to one another.
20. WTG's Southeast Gas Cost Zone is composed of systems in Somerset, Natalia, Devine, Junction, Menard, Sonora, Eden, and various rural areas in south Texas.

21. Not all distribution customers within the Southeast Gas Cost Zone were affected by the work conducted on Line 9041.
22. The customers affected by the work on Line 9041 are in the following WTG service areas within the Southeast Gas Cost Zone of WTG:
  - a. The Cities of Devine, Natalia and Somerset.
  - b. The environs of the Cities of Devine, Natalia, and Somerset in Medina and Bexar counties.
  - c. The rural areas of Atascosa, Bexar and Medina counties.
23. WTG seeks to establish a surcharge to recover the gas costs from only those distribution customers directly impacted by the temporary interruption of service on Line 9041.
24. Establishing a temporary surcharge to recover the pass-through cost of natural gas is reasonable.
25. It is reasonable under the facts and circumstances of this case that the temporary surcharge apply to only those customers within the Southeast Gas Cost Zone affected by the temporary interruption of service on Line 9041.
26. Notice was sent to all customers outside the municipal boundaries located in Atascosa, Bexar and Medina Counties, Texas by United States Mail, first class mail postage prepaid by West Texas Gas, Inc. to every affected domestic and non-domestic customer to their billing address on February 8, 2011.
27. No protests were filed and no motions to intervene were filed in this case.
28. WTG has stipulated to the following documents as exhibits in this proceeding:
  - a. A copy of the original filing, Examiners Ex. 1.
  - b. A copy of the invoices reflecting the cost of providing natural gas, Examiners Ex. 2.
  - c. A copy of the invoices for 3<sup>rd</sup> Party Costs to Provide Temporary CNG Supplies, Examiners' Ex. 3.
  - d. Non-confidential portions of the Response to Request for Information, filed on April 4, 2011 including documentation in support of rate case expenses, Examiners' Ex. 4.
  - e. Summary of Costs to Provide Temporary CNG Supply, Examiners' Ex. 5.
29. The Commission also takes judicial notice of the materials in the file related to GUD No. 9959, *Complaint of WTG and WTTGM against Enterprise*. The subject of GUD No. 9959 was the baseline assessment conducted on Line 9041.

30. The total cost of providing an alternative source of gas to those customers affected by the interruption of service on Line No. 9041 was \$662,852.71.
31. The expenses associated with providing natural gas service to the City of Devine in the amount of \$199,250.02 are being recovered from the City of Devine.
32. The remaining amount is \$463,602.69 and is to be collected from customers within Natalia and Somerset, the environs of the cities of Natalia and Somerset and in the rural areas of Atascosa, Bexar and Medina counties.
33. WTG has collected \$13,508.85 from the customers affected by the interruption of service on Line 9041 through the operation of the existing purchase gas adjustment clause.
34. The remaining amount \$450,093.84 must be collected from customers within Natalia and Somerset, the environs of the cities of Natalia and Somerset and in the rural areas of Atascosa, Bexar and Medina counties.
35. The total annual volumes of all affected customers within Natalia and Somerset, the environs of the cities of Natalia and Somerset and in the rural areas of Atascosa, Bexar, and Medina counties is estimated to be 78,571.9 Mcf.
36. It is reasonable to recover \$450,093.84 over a five year period. This amount does not include rate case expense. Thus, the amount to be recovered annually is estimated to be \$90,018.77.
37. It is reasonable to calculate a per Mcf surcharge by dividing the estimated annual recovery amount by the estimated annual volumes for all affected customers. The resulting surcharge is estimated to be \$1.146 per Mcf.
38. A \$1.146 per Mcf surcharge is a reasonable surcharge to recover the cost of supplying natural gas during the baseline integrity test of Line 9041.
39. It is reasonable that the surcharge be assessed until all costs associated with these expenses are recovered.
40. WTG incurred \$2,621.92 in actual rate case expense to file this proceeding.
41. WTG estimates that an additional \$1,378.08 will be required to complete this proceeding and requests the inclusion of a total rate case expense request of \$4,000.
42. The rate case expense request is supported by affidavit.
43. The total amount of rate case expenses included shall not include amounts in excess of total actual expenses or \$4,000, whichever is less.

44. It is reasonable that rate case expense recovery be included in the surcharge in this proceeding.
45. The total surcharge, including rate case expenses, shall be set to recover \$454,093.84. Thus, the annual recovery amount is estimated to be \$90,818.77. Accordingly, dividing the annual estimated recovery amount by the estimated annual volumes results in a surcharge of 1.156 per Mcf.
46. The total recovered in Finding of Fact No. 43, shall be adjusted to reflect the total amount of actual rate case expenses.
47. WTG shall file annually, due on the 15<sup>th</sup> of each April, a report with the cities of Somerset and Natalia, and the RRC Gas Services Division. The report shall detail the monthly collections of the temporary gas supply and reflect the uncollected balance remaining at the end of the previous calendar year.
48. The report filed on April 15, 2012, shall include a calculation of the total rate case expenses and the total amount to be recovered by the approved surcharge.
49. WTG shall include CNG purchases in the calculation of the annual lost and unaccounted for gas.
50. There was no evidence presented in this proceeding that the contracts between WTG and Enterprise were not reasonable and prudent.
51. Under the facts and circumstances of this case, the recovery mechanism reflected in Findings of Fact Nos. 32 – 50 and the attached tariff is just and reasonable.
52. Once the cities of Natalia and Somerset have approved the temporary surcharge within their respective jurisdiction, or to the extent that the municipalities have already acted upon WTG's request, it is reasonable that WTG amend the tariff to reflect that fact.

#### CONCLUSIONS OF LAW

1. West Texas Gas, Inc. ("WTG") is "Gas Utilities" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 & Supp. 2010) and §121.001(Vernon 2007) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Commission has jurisdiction over WTG and its *Statement of Intent* under TEX. UTIL. CODE ANN. §§121,001, 103.022, 103.054, 103,055, 104.001, 104.201 (Vernon 2007).

3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), 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. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007), the Commission has ensured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utility.
5. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007) provides the Commission authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
6. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007), 16 Tex. Admin. Code Ann. §7.230 (2007), and 16 Tex. Admin. Code Ann. §7.235 (2010), adequate notice was properly provided.
7. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 2007), 16 Tex. Admin. Code Ann. §7.205 (2010), and 16 Tex. Admin. Code Ann. §7.210 (2010), WTG filed its *Statement of Intent*.
8. WTG met its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007) and is entitled to recover its reasonable rate case expenses.
9. The rates proposed by WTG comport with TEX. UTIL. CODE ANN. §104.003 (Vernon 2007).
10. The overall revenues proposed by WTG comport with TEX. UTIL. CODE ANN. §104.051 (Vernon 2007).
11. WTG is required by 16 TEX. ADMIN. CODE ANN. §7.315 (2010) to file electronic tariffs incorporating rates consistent with this Final Order within thirty days of the date of this Order.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS** that WTG may recover \$454,093.84 through a per Mcf surcharge of \$1.156 to be collected for an estimated period of sixty months.

**IT IS FURTHER ORDERED BY THE RAILROAD COMMISSION OF TEXAS** that WTG shall electronically file the attached tariff with the Gas Services Division, within 30 days of the date of this Final Order. The electronic tariff shall incorporate the rates, terms and conditions shown on the tariff attached to the Final Order.

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

This Final Order will not be final and effective until 20 days after WTG is notified of the Commission's Final Order. A party is presumed to have been notified of the Commission's Final Order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this Final Order shall not become final and effective until such motion is overruled or, if such motion is granted, this Final Order shall be subject to further action by the Commission. Pursuant to Tex. Gov't Code §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the Final Order is served on the parties.

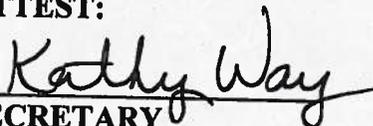
SIGNED this 18th day of April, 2011.

**RAILROAD COMMISSION OF TEXAS**

  
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**CHAIRMAN ELIZABETH AMES JONES**

  
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**COMMISSIONER DAVID PORTER**

**ATTEST:**

  
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**SECRETARY**

**Tariff for Gas Distribution Services**  
**SERVICE RATE SCHEDULE NO. \_\_\_\_\_**  
**Temporary Gas Supply Surcharge**

<b>WEST TEXAS GAS, INC.</b> <b>211 N. Colorado</b> <b>Midland, Texas 79701</b>	<b>No. TOC</b> <b>Effective Date: April 18, 2011</b> <b>Revision:</b>
<b>TABLE OF CONTENTS</b> <b>Applicable to:</b> <b>WTG Distribution Systems</b>	

**APPLICATION OF SCHEDULE**

This Temporary Gas Supply Surcharge will be specific to the WTG service area or areas affected by the required temporary gas supply service.

Environs of the Cities of Devine, Natalia, (Medina County, Texas)  
Environs of the City of Somerset (Medina County, Bexar County, Texas)  
The Rural areas of Atascosa, Bexar and Medina Counties.

This surcharge per Mcf expires upon collection of \$454,094.

Temporary gas supply costs shall include, but not be limited to, CNG contractor charges, trucking expenses, site and facility preparation expenses, contract labor costs, compression costs, rate case expenses, and other 3<sup>rd</sup> party expenses related to WTG providing gas service from a temporary CNG source.

**TEMPORARY SURCHARGE RATE**

Residential, Commercial, Industrial, and Public Authority Customers: \$1.156 per Mcf

**EFFECTIVE DATES**

Temporary Gas Surcharge Rider to be effective for meters read on or after April 18, 2011.

This rate will be in effect for approximately 60 months until all approved temporary gas supply charges are recovered from the applicable customer classes as documented in the compliance filing for GUD 10034. This rider expires upon collection of \$454,094, which is estimated to be a five-year period ending in June, 2016.

**COMPLIANCE**

The Company will file annually, due on the 15<sup>th</sup> of each April, a report with the RRC Gas Services Division. Each report shall detail the monthly collections for the temporary gas supply and reflect the uncollected balance remaining at the end of the previous calendar year. The initial report, due April 15, 2012, shall update the amount of rate case expenses incurred to conclude this docket. Recovery is not to exceed the approved amount of \$454,094.