

**RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION**

**GAS UTILITIES
INFORMATION BULLETIN**

No. 812



**RAILROAD COMMISSION
OF TEXAS**

**Elizabeth A. Jones, Chairman
Michael L. Williams, Commissioner
Victor G. Carrillo, Commissioner**

**Stephen L. Pitner
Director
Gas Services Division**

January 25, 2007

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
SECTION 1 - NEW APPEALS AND APPLICATIONS FILED	2
SECTION 2 - APPEALS AND APPLICATIONS SET FOR HEARING.....	3
SECTION 3 - STATUS OF PENDING CASES	3
SECTION 4 - NOTICES OF DISMISSAL.....	3
SECTION 5 - ORDERS OF THE COMMISSION	4-7
SECTION 6 - MISCELLANEOUS.....	8-10

Orders were issued in the following dockets:

GUD No. 9673 – Formal Complaint Filed by I.T. Properties Against New Horizon Investments LTD. – *Final Order.*

January 25, 2007

SECTION 1
NEW APPEALS AND APPLICATIONS FILED

DOCKET NO. -- 9717
CAPTION -- Inquiry into the Failure of West Texas Gas, Inc. to Comply with Safety Standards.
DATE FILED -- January 11, 2007
FILED BY -- Commission's Own Motion.
EXAMINER --

DOCKET NO. -- 9718
CAPTION -- Inquiry into the Failure of Virtex Petroleum Company, Inc. to Comply with Safety Standards.
DATE FILED -- January 11, 2007
FILED BY -- Commission's Own Motion.
EXAMINER --

SECTION 2

APPEALS AND APPLICATIONS SET FOR HEARING OR PREHEARING CONFERENCE

None at this time.

SECTION 3

STATUS OF PENDING CASES

None at this time.

SECTION 4

NOTICES OF DISMISSAL

None at this time.

January 25, 2007

SECTION 5
ORDERS OF THE COMMISSION

BEFORE THE
RAILROAD COMMISSION OF TEXAS

FORMAL COMPLAINT FILED BY I. T.
PROPERTIES AGAINST NEW HORIZON
INVESTMENTS LTD.

‘
,
,
,
,

GAS UTILITIES DOCKET
NO. 9673

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. 2006). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Procedure and Notice

1. On May 15, 2006, I.T. Properties (AITP@) filed with the Railroad Commission of Texas (ACommission@) a formal complaint against New Horizons Investments, Ltd. (ANHI@).
2. ITP brought its complaint under NATURAL RESOURCES CODE, Chapter 111 and under 16 TEX. ADMIN. CODE '7.7001 (2002).
3. ITP supplemented its complainant on June 30, 2006.
4. NHI responded to ITP=s original and supplemental complaint on July 5, 2006.
5. On November 10, 2006, NHI mailed notice of its proposed rate increase to affected persons.
6. On November 28, 2006, and on December 1, 2006, NHI filed copies of the green, return receipt cards with the Commission as proof of notice.
7. The parties filed on December 1, 2006, a joint stipulation, which was subsequently modified by the parties during the December 20, 2006, hearing (AStipulation@).

January 25, 2007

8. The parties filed on December 1, 2006, a Gas Gathering and Transportation Agreement between New Horizon Investments, LTD. (Gatherer) and Mr. Wendell Chen d/b/a/ I.T. Properties (Shipper) (AAgreement@).
9. The parties resolved the access, transportation, and rate issues through the Stipulation and Agreement.
10. The parties requested disposition of the docket through a Commission order rather than through dismissal based on withdrawal of the complaint.
11. December 13, 2006, was the deadline for intervention in this proceeding.
12. The Commission received no motions to intervene or requests to participate in the proceeding. ITP and NHI are the sole parties to this Complaint proceeding.
13. On November 29, 2006, the Examiner issued notice of the December 20, 2006 , Hearing to the parties and to potentially affected persons.
14. Notice of the hearing was issued not less than 10 days nor more than 30 days prior to the hearing.
15. This Commission Order establishing NHI=s transportation rate was executed after a hearing was conducted on December 20, 2006.
16. The Examiner closed the record on December 20, 2006.

Jurisdiction

17. NHI has provided transportation services for a fee for several shippers, including: Eddy Stacha; Allegro Investments, Ltd.; Midas Resources, Inc.; Tidal Petroleum, Inc.; W.M. Null, Virtex Petroleum, Inc.; and I.T. Properties.
18. NHI is a common purchaser because it exercises the right to carry or transport natural gas by pipeline or pipelines for hire, compensation, or otherwise within the limits of this state or engages in the business of purchasing or taking natural gas, residue gas, or casinghead gas.

Stipulation and Agreement

January 25, 2007

19. Through the Stipulation and Agreement, NHI granted to ITP access to NHI=s pipeline and agreed to gather and transport gas from ITP's B.W. Cox #1 Well at a rate of fifty-cents (\$0.50) per Mcf for all gathering and transportation by ITP from on or before December 18, 2006, through March 1, 2008, and thereafter until a different rate is determined by agreement of the parties, by mediation, or by the Commission. By March 1, 2008, and annually by March 1 each year thereafter, the parties may renegotiate an adjusted rate to reflect current operating expenses. If the parties are unable to determine an adjusted rate by agreement, the parties may seek to determine an adjusted rate by mediation. If the parties are unable to determine an adjusted rate by agreement or mediation, either party may seek a determination of an adjusted rate from the Commission. NHI will continue to provide gathering and transportation at the fifty-cent per Mcf rate (or at the most recent annually-adjusted rate) pending any renegotiation, mediation, or Commission determination.
20. Through the Stipulation and Agreement, NHI will provide gathering and transportation to all other current shippers on NHI=s pipeline at a rate of fifty-cents (\$0.50) per Mcf from on or before December 18, 2006, through March 1, 2008, and thereafter until a different rate is determined by agreement of the parties, by mediation, or by the Commission. By March 1, 2008, and annually by March 1 each year thereafter, the parties may renegotiate an adjusted rate to reflect current operating expenses. If the parties are unable to determine an adjusted rate by agreement, the parties may seek to determine an adjusted rate by mediation. If the parties are unable to determine an adjusted rate by agreement or mediation, either party may seek a determination of an adjusted rate from the Railroad Commission. NHI will continue to provide gathering and transportation at the fifty-cent per Mcf rate, or at the most recent annually-adjusted rate, pending any renegotiation, mediation, or Commission determination.
21. Pursuant to the parties' informal disposition of the issues, the fifty-cent per Mcf rate to be charged by NHI to ITP shall be charged to all other shippers currently on NHI=s pipeline.
22. The preponderance of the record evidence is that the Stipulation and Agreement provide a fair return on the aggregate value of NHI=s property used and useful in providing gathering and transportation service, after providing a reasonable allowance for depreciation and for reasonable operating expenses under honest, efficient, and economical management.

CONCLUSIONS OF LAW

1. The Railroad Commission of Texas (Commission) has jurisdiction over NHI, ITP, ITP=s Formal Complaint, NHI=s transportation activities, the rates charged by NHI, and the disposition of this proceeding under TEX. NAT=L RES. CODE " 81.051, 111.081(a), 111.082, 111.083, 111.181 - 111.190, 111.085, 111.096, and 111.221; TEX. GOV=T CODE '2001.056; AND 16 TEX. ADMIN. CODE '7.7001 (2002).
2. In accordance with the provisions of TEXAS GOV=T CODE '2001.056, the parties informally disposed of the issues applicable to access, the rates NHI will charge ITP, and the rate that NHI will charge all other current shippers on NHI=s pipeline by entering into a Stipulation and Agreement.

January 25, 2007

3. NHI is a common purchaser as that term is defined under TEX. NAT. RES. CODE ANN. '111.081(a)(2) (Vernon 1993 and Supp. 2006) and is subject to the jurisdiction of the Commission.
4. The Commission's rule at 16 TEX. ADMIN. CODE '7.7001 requires that NHI must apply its tariffs and contracts for the provision of transportation services in a similar manner to similarly situated shippers, without giving preference to any one or more shippers or to itself.
5. ITP properly instituted proceedings before the Commission in accordance with TEX. NAT. RES. CODE ANN. '111.221.
6. Notice of the hearing was provided by the Commission in accordance with the requirements of TEX. NAT. RES. CODE ANN. '111.134 (Vernon 1993 and Supp. 2006); TEX. GOV'T CODE '2001.051 (Vernon 2000 & Supp. 2006); and 16 TEX. ADMIN. CODE '1.45.
7. The Commission considered the parties' Stipulation and Agreement in accordance with the requirements of 16 TEX. ADMIN. CODE '1.123 (1991).
8. The Commission's Order establishing NHI's transportation rate was executed after a hearing that was conducted in accordance with TEX. NAT. RES. CODE ANN. '111.134, 111.189, and 111.190.
9. The evidence shows that the transportation rate of fifty-cents per Mcf will provide a fair return on the aggregate value of the property used and useful in the services performed after providing reasonable allowance for depreciation and other factors and for reasonable operating expenses under honest, efficient, and economical management, in accordance with the requirements of TEX. NAT. RES. CODE ANN. '111.183.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the Stipulation and Agreement as reflected in the findings of fact and conclusions of law is hereby **APPROVED**.

IT IS FURTHER ORDERED that NHI shall provide transportation service to ITP in accordance with the terms of the Stipulation and Agreement.

IT IS FURTHER ORDERED that the proposed findings of fact and conclusions of law not specifically adopted herein are **DENIED**.

IT IS FURTHER ORDERED that NHI may begin charging the approved rate for natural gas transportation service provided in accordance with the Stipulation and Agreement on and after the date of this Order. This order will not be final and appealable, however, until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission.

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

January 25, 2007

SIGNED this 23rd day of January, 2007.

RAILROAD COMMISSION OF TEXAS

/s/ _____
ELIZABETH A. JONES
CHAIRMAN

/s/ _____
MICHAEL L. WILLIAMS
COMMISSIONER

/s/ _____
VICTOR G. CARRILLO
COMMISSIONER

ATTEST

/s/ Kim Williamson _____
SECRETARY

January 25, 2007

**SECTION 6
MISCELLANEOUS****STEPHEN L. PITNER, GAS SERVICES DIVISION DIRECTOR****1. OFFICE OF THE DIRECTOR****A. Publications**

1. Texas Utilities Code Titles 3 and 4. Now available at the State of Texas' website at:
<http://www.capitol.state.tx.us/statutes/uttoc.html>
Special Rules of Practice and Procedure and Substantive Rules. Now available thru the Commission's Website at:
[http://info.sos.state.tx.us/pls/pub/readtac\\$ext_ViewTAC?tac_view=4&ti=16&pt=1&ch=7](http://info.sos.state.tx.us/pls/pub/readtac$ext_ViewTAC?tac_view=4&ti=16&pt=1&ch=7)
2.
 - a. Annual Report for Fiscal Year 2004 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/TABLECON04.htm>
 - b. Annual Report for Fiscal Year 2003 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents03.html>
 - c. Annual Report for Fiscal Year 2002 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents02.html>
 - d. Annual Report for Fiscal Year 2001 – available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/tablecontents01.html>
 - e. Annual Report for Fiscal Year 2000 - \$17.00 (includes statistical data for 1999)
 - f. Annual Report for Fiscal Year 1999 - \$9.00 (includes statistical data for 1998)
 - g. Annual Report for Fiscal Year 1998 - \$7.00 (includes statistical data for 1997)
3. Six MCF Monthly Residential Gas Bill Analysis for Twenty-five Texas Cities - \$2.00 – Now available via the Commission's website at:
<http://www.rrc.state.tx.us/divisions/gs/rap/sixmcf.html>

Anyone who wishes to obtain a copy of any of the publications or maps listed in Section A should contact the Central Records Section at 512-463-6887 OR 512-463-6882 P. O. Box 12967, Austin, Texas 78711-2967.

B. Interest Rate on Customer Deposits

We have been advised by the Public Utility Commission that the interest rate to be applied to customer deposits in calendar year 2007 is 4.68%. All gas utilities should use 3.09% through December 31, 2006 and use 4.68% effective January 1, 2007.

January 25, 2007

2. UTILITY AUDIT SECTION**A. Maintains headquarters and three district offices as follows:**

Headquarters - William B. Travis Building
 1701 North Congress, P. O. Box 12967, Austin, Texas 78701 Telephone (512) 463-7022
 Ed Abrahamson, Director, Utility Audit Section Fax (512) 475-3180
 Shannon Miller, Program Specialist
 Pearl Rodriguez, Program Specialist
 Rachel Hampton, Administrative Assistant

Dallas District- 1546 Rowlett Rd., Suite 107, Garland, Texas 75043 Telephone (972) 240-5757
 Fax (972) 303-1897
 Yolandra Davis, Auditor
 Josh Settle, Auditor

Austin District- P. O. Box 12967, Austin, Texas 78711-2967 Telephone (512) 463-7022
 Fax (512) 475-3180
 Stephen Cooper, Senior Auditor

Houston District- 1706 Seamist Drive. Suite 501 Telephone (713) 869-8425
 Houston, TX 77008-3135 Fax (713) 869-3219
 Margie Stoney, Senior Auditor
 Larry Alcorn, Auditor
 Dale Francis, Auditor
 LaToya Johnson, Auditor
 Konata Uzoma, Auditor

B. Gas Utility Tax, Annual Reports and Audit Reports

1. Questions relating to gas utility tax, call Rachel Hampton at (512) 463-7022.
2. Questions relating to annual reports, call Rachel Hampton or Pearl Rodriguez at (512) 463-7022.
3. Inquiries relating to audit reports, call Pearl Rodriguez at (512) 463-7022.

C. Available Information

Copies of gas utility annual reports (1999 to present), as well as information relating to any of the above, A through C, are available for review at the William B. Travis Building, Gas Services Division, 9th Floor, 1701 North Congress. All requests for copies must be made in writing and should be addressed to the Audit Section. Copies will be provided for a fee, depending on the volume of copy work desired, allow a minimum of five days for completion of requests. Inquiries regarding copies should be directed to the Audit Section at (512) 463-7022, or Fax your request to (512) 475-3180.

3. MARKET OVERSIGHT**A. Maintains the following office to assist you:**

Headquarters - William B. Travis Building
 1701 North Congress, P.O. Box 12967, Austin, Texas 78711 Telephone (512) 463-7164
 William O. Geise, Director

B. Gas Utilities Information Bulletin

Published on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gs/rap/rapbls.html>

January 25, 2007

C. Proposals For Decision

Published on the Commission's web site at: <http://www.rrc.state.tx.us/divisions/gp/rap/pfds.html>

D. Tariff Filings

Questions pertaining to the filing of tariffs and/or quality of service rules should be directed to Kathy Arroyo, Yolanda Lovelace or Marie Blanco at (512) 463-7167.

E. Curtailments

Curtailment questions should be referred to (512) 463-7167. Curtailment reports made Monday through Friday, 8:00 a.m. to 5:00 p.m., should be made to (512) 463-7167. Curtailment reports made during hours other than those specified above and holidays, should be made to (512) 463-6788.

F. Compliance Filings

Questions regarding gas utilities docket compliance filing requirements should be referred to Mark Brock at (512) 463-7164.

G. Complaints and Inquiries

All complaints and inquiries relating to the gas utility industry should be directed to the Market Oversight Section at (512) 463-7164.

H. Pending RRC Rules and Regulations:

GUD No. 9277 Amendments to §7.305 Curtailment Rule

4. HEARINGS AND LEGAL ANALYSIS**A. Miscellaneous**

Anyone wishing to obtain copies of appendices to Orders appearing in Section 5 of this Bulletin should contact the Legal Division at (512) 463-7017.

B. Status of Pending Cases

The status of all pending cases listed in Section 3 of this Bulletin is for informational purposes only and is complete up to the time of printing of this Bulletin. For a more accurate status of pending cases, please call the Legal Division at (512) 463-7017.