FILED

4:11 pm, Jul 30, 2021

DOCKET SERVICES
RAILROAD COMMISSION OF TEXAS

CASE NO. 00007153

APPLICATION OF UNIVERSAL	§	BEFORE THE
NATURAL GAS, LLC D/B/A	§	
UNIVERSAL NATURAL GAS, INC.	§	RAILROAD COMMISSION
FOR CUSTOMER RATE RELIEF	§	
AND RELATED REGULATORY	§	OF TEXAS
ASSET DETERMINATION	8	

APPLICATION OF UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC. FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION

Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. ("UniGas") is a local distribution company gas utility filing this Application for Customer Rate Relief and Related Regulatory Asset Determination ("Application") in accordance with the requirements of newly-enacted House Bill 1520 ("HB 1520"), codified in part in Subchapter I of Chapter 104, Texas Utilities Code. HB 1520 requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the utility within 150 days after the date of the application. By submitting this Application and the information requested in the Commission's Notice to Gas Utilities issued on June 17, 2021 ("NGU"), UniGas seeks to participate in the securitization program contemplated by HB 1520 and requests determination of its proper regulatory asset amount to be recovered through securitization pursuant to a Commission-issued financing order.

I. INTRODUCTION AND BACKGROUND

In February 2021, Winter Storm Uri struck Texas. This extreme weather event caused dangerously low temperatures across the state for several days. In response to the unprecedented demand for gas coupled with gas supply limitations created by the storm, many gas utilities incurred extraordinary costs associated with Winter Storm Uri. The Commission quickly acted to meet the extraordinary challenges Winter Storm Uri presented. First, in response to Governor

Greg Abbott's disaster declaration applicable throughout Texas, the Commission issued an emergency order directing gas utilities to prioritize human needs customers. Second, in a February 13, 2021, Notice to Local Distribution Companies, the Commission authorized utilities to record and defer these extraordinary expenses, including but not limited to gas costs and other costs related to the procurement and transportation of gas supply in response to Winter Storm Uri, in a regulatory asset. UniGas continued to provide reliable and uninterrupted gas service to its residential customers during Winter Storm Uri. Accordingly, UniGas was among those gas utilities navigating unprecedented gas demand in a low supply environment, which created extraordinarily high gas costs that form the basis of this proceeding.

In response to these extraordinary gas costs, the Legislature enacted and Governor Abbott signed HB 1520, providing the Commission the authority to make a determination regarding the reasonableness and necessity of gas costs placed into gas utility regulatory assets and, if warranted, issue a financing order authorizing issuance of customer rate relief bonds that are securitized through future trade receivables ("Relief Bonds"). If issued, these Relief Bonds would facilitate UniGas' timely recovery of those extraordinary costs in a manner that is affordable and cost-effective for its consumers and in the public interest.

Accordingly, UniGas seeks a Commission determination of the regulatory asset amount it is permitted to recover under HB 1520 as well as subsequent Commission issuance of a financing order authorizing Relief Bonds.

II. JURISDICTION

The Commission has jurisdiction over this application for a regulatory asset determination under Texas Utilities Code § 104.365, and it has jurisdiction to issue a financing order under Texas Utilities Code § 104.364. The Commission likewise has jurisdiction over gas utility books, records and accounts under Texas Utilities Code § 102.101.

III. SUMMARY OF REQUEST

In this Application, UniGas requests that the Commission determine its appropriate regulatory asset balance related to its reasonable, necessary and prudent extraordinary gas costs incurred due to Winter Storm Uri. The total amount and primary components of UniGas's requested regulatory asset are shown below:

Regulatory Asset Component	Amount
Principal Unrecovered Extraordinary Gas Procurement Costs for February 2021	\$28,588,141
Carrying Costs (assuming August 31, 2022 recovery)	\$3,097,853
Estimated Legal and Consulting Expenses	\$138,339
Expected Tax Obligation (assuming August 31, 2022 recovery)	\$618,384
Total Requested Regulatory Asset	\$32,442,717

In order to provide the customer rate relief contemplated herein, UniGas also requests that the Commission issue a financing order directing the Texas Public Finance Authority to issue Relief Bonds to reimburse participating gas utilities for their regulatory asset balances, while also establishing the other items required by HB 1520 for a financing order.

In the alternative, if the Commission establishes a regulatory asset balance for UniGas but declines to issue a financing order, then UniGas requests recovery of its principal regulatory asset balance through its existing Rate Schedule Cost of Gas at a rate of \$5.90 per Mcf, plus an additional per Mcf amount to recover its estimated taxes, legal and consulting expenses, and carrying costs based on its weighted-average cost of capital through the date on which the regulatory asset is projected to be fully recovered. Schedule H-2, included in Attachment A to this Application,

projects this time period would be approximately 58.45 months based on UniGas's normalized annual volumes for the year ending December 31, 2020.

IV. OVERVIEW OF APPLICATION PACKAGE

The Commission's NGU listed various elements to be included in the Application. UniGas's Application provides the information required by both HB 1520 and the NGU, the contents of which are summarized below:

<u>Application Attachment A</u> – Regulatory Asset Schedules (with Appendices A-D)

- Appendix A to Regulatory Asset Schedules contains supporting documentation for gas purchase invoices, meter statements, proofs of payment, and related items (NGU Parts 6(a)(i) and 7). Some of these materials are being filed as Protected Materials under the terms of the proposed Protective Order discussed below in Section VIII.
- Appendix B to Regulatory Asset Schedules contains supporting documentation for gas contracts and related items (NGU Parts 6(a)(ii) and 7). These materials are being filed as Highly Sensitive Protected Materials under the terms of the proposed Protective Order discussed below in Section VIII.
- Appendix C to Regulatory Asset Schedules contains example residential and commercial customer bills for the months of January March 2021 (NGU Parts 6(a)(iii) and 7). These documents contain reductions for personally identifiable information (customer name, address, email address, banking information, etc.).
- Appendix D to Regulatory Asset Schedules contains supporting documentation for UniGas's actual and estimated legal expenses for services related to Winter Storm Uri gas costs and this proceeding (NGU Part 6(b)). These materials are being filed as Protected Materials or Highly Sensitive Protected Materials under the terms of the proposed Protective Order discussed below in Section VIII.

Application Attachment B – Direct Testimony

• Direct Testimony of J. Ross Buttermore – Mr. Buttermore is the Chief Financial Officer of Texas Gas Utility Services, Inc., an affiliated management company that operates UniGas. Mr. Buttermore describes UniGas's gas supply structure and how it operated during Winter Storm Uri; supports the reasonableness and necessity of the extraordinary gas procurement costs it incurred; provides the carrying costs, expected tax obligations, and legal and consulting expenses related to its extraordinary costs during Winter Storm Uri; describes the accounting relevant to these costs; recommends a regulatory asset balance and issuance of a financing order; and supports a Commission determination that securitization would be cost-effective, affordable for customers, provide tangible and quantifiable benefits, and in the public interest

• Direct Testimony of Dr. Bruce H. Fairchild – Dr. Fairchild is a Principal in Financial Concepts and Applications, Inc. Dr. Fairchild demonstrates that: securitization provides tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds; securitization financing is the most cost-effective method of funding the regulatory asset balances for the Company participating gas utilities based on monthly customer affordability considerations and comparisons of conventional forms of recovery and securitization recovery; and securitization is in the public interest.

Application Attachment C - Proposed Public Notice

<u>Application Attachment D</u> – Proposed Procedural Schedule

V. AUTHORIZED REPRESENTATIVES

For purposes of notice in this proceeding, UniGas's authorized representatives are:

Robert S. Barnwell, IV J. Ross Buttermore Universal Natural Gas, LLC 9750 FM 1488 Magnolia, Texas 77354 robert.barnwell@txgas.net ross.buttermore@txgas.net

Winston Skinner Vinson & Elkins LLP 2001 Ross Ave., Suite 3900 Dallas, Texas 75201 214-220-7870 214-999-7970 (fax) wskinner@yelaw.com

VI. MOTION TO APPROVE PROPOSED PUBLIC NOTICE

UniGas seeks to provide notice of this Application to its customers. UniGas' proposed form of public notice ("Notice") is included as <u>Attachment C</u>. UniGas proposes to provide this Notice by bill insert to each of its customers. Additionally, a non-confidential version of this Application will be posted on UniGas's website and a paper copy will be made available for review upon request at its office during normal business hours, as further specified in the Notice.

In an effort to include an approved form of notice in customer bills expected to be rendered on or around August 10, 2021, UniGas requests expedited review and approval of the Notice. Following notice completion, UniGas will file proof of notice with the Commission.

VII. PROPOSED PROCEDURAL SCHEDULE

As requested in the Commission's NGU, UniGas includes a proposed Procedural Schedule as <u>Attachment D</u>. The proposed Procedural Schedule will facilitate timely processing of this case within the statutory 150-day timeframe set forth in HB 1520.

VIII. MOTION TO CONSOLIDATE AND ADOPT PROTECTIVE ORDER

Under separate cover filed concurrently herewith, UniGas and other applicant gas utilities have filed a motion to consolidate, or otherwise hold a joint hearing regarding, their respective applications for customer rate relief and related regulatory asset determinations. That motion also seeks approval of a proposed Protective Order applicable to these proceedings to allow for the orderly exchange of confidential or highly sensitive confidential information. UniGas will provide Protected Materials to other parties upon their execution of a protective order certification included as an exhibit to the proposed Protective Order attached to that motion.

IX. CONCLUSION

UniGas respectfully requests that the Commission determine that the costs comprising its requested regulatory asset balance of \$32,442,717 are reasonable, necessary, and prudent; authorize securitization recovery of UniGas's requested regulatory asset balance through issuance of a financing order consistent with the requirements of HB 1520; and for all other or further relief to which it may be entitled.

Respectfully submitted,

Winston Skinner State Bar No. 24079348

VINSON & ELKINS LLP

2001 Ross Ave., Suite 3900

Dallas, Texas 75201

214-220-7870

214-999-7970 (fax)

wskinner@velaw.com

ATTORNEY FOR UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.

Dated: July 30, 2021

UNIVERSAL <u>NATURAL</u> GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION

JULY 30, 2021 Table of Contents

Line	Schedule	
No.	Number	Schedule Description
		(b)
1	A	Summary of Regulatory Asset Costs
2	A-1	Estimated Total Financing Consulting and Legal Fees Related to Securitization Filing (NGU Part 5b & 5c)
3	В	Extraordinary Gas Costs (NGU Part 5a)
4	B-1	Company Breakdown of Gas Cost Invoices-Incurred February 2021 (NGU Parts 1 and 3)
5	B-2	Company Breakdown of Gas Costs Recovered (NGU Part 2)
6	B-3	Normalized Market Pricing (NGU Part 4)
7	B-4	Calculation of Carrying Costs February 15 2021 through August 31 2022 (NGU Part 5d)
8	B-4-1	Calculation of Carrying Costs February 15 2021 through July 31 2021 (NGU Part 5d)
9	B-5	Calculation of Income Taxes Related to Carrying Costs (NGU Part 5e)
10	C	Normalized Annual Volumes and Customer Count by Customer Class at December 31, 2020 (NGU Part 12)
S	chedules D th	ru G Intentionally Omitted
11	Н	Cost of Gas Method and Three Year Amortization Method - Cost Effectiveness Support (NGU Part 9)
12	H-1	Calculation of Carrying Costs February 15 2021 Thru December 31 2021
13	H-1-1	Calculation of Carrying Costs February 15 2021 Thru July 31 2021
14	H-2	Calculation of Post 2021 Carrying Costs
15	H-3	Calculation of Federal Income Taxes for Schedule H Cost Three Year Amortization Method

Schedule A

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Summary of Regulatory Asset Costs

No.	Description	Total	Reference
	(a)	(b)	(c)
1	February 2021 Gas Costs	\$31,404,057	Schedule B-1
2	Gas Costs Recovered From Customers	(\$2,815,916)	Schedule B-2
3	Estimated Total Legal and Consulting Fees Related to Securitization Filing	\$138,339	Schedule A-1
4	Carrying Costs	\$3,097,853	Schedule B-4
5	Federal Income Taxes	\$618,384	Schedule B-5
6	Proposed Regulatory Asset Balance	\$32,442,717	

Schedule A-1

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Estimated Total Financing Consulting and Legal Fees Related to Securitization Filing (NGU Part 5b & 5c)

•	•		
	-	-	•

No.	Description	Total	Reference
	(a)	(b)	(c)
Actua	l Professional & Financing Costs Incurred During the Winter	r Event	
1	Financing Costs	\$0	Appendix D
2	Legal Fees	\$18,000	Appendix D
3	Consulting Fees	\$0	Appendix D
	ated Professional Costs Related to Securitization Filing		
4	Actual Costs Incurred to Date	\$30,339	Appendix D
5	Estimated Additional Costs	\$75,000	Appendix D
Cons	sulting Fees		
6	Actual Costs Incurred to Date	\$0	Appendix D
7	Estimated Costs	\$15,000	Appendix D
8	Total	\$138,339	

Schedule B

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Extraordinary Gas Costs (NGU Part 5a)

Line		D 47 17 4	D 45 25 4	Deference
No.	Description (a)	Part 5 a 1 Test	Part 5 a 2 Test	Reference (d)
	(a)	(b)	(c)	(u)
1	Total February 2021 Gas Purchases, Transportation & Other	\$31,404,057	\$31,404,057	Schedule B-1, Line 17, Col (f)
.	O TENCT 5 1			
NT	O TEST 5 a 1			
2	February Gas Purchases at Normalized Market Pricing per MCF	\$730,881		Footnote 1
3	Actual February 2021 Transportation & Other Non-Indexed Costs & Adders	\$766,378		Schedule B-1, Line 19, Col (f)
NT	<u>O TEST 5 a 2</u>			
4	Total February 2021 Gas Cost Recovered		(\$2,286,632)	Schedule B-2, Line 5, Col (d)
5	Approved Winter Event Installment Charge Billed in April 2021		(\$529,284)	Schedule B-2, Line 5, Col (f)
6	Total Extraordinary Gas Costs Both Methods	\$32,901,316	\$28,588,141	
U	Total Extraordinary Gas Costs Both Methods	Ψ32,701,310		
7	Lowest Total Extraordinary Gas Costs Per NGU Part 5		\$28,588,141	

⁽¹⁾ Schedule B-1, Line 20, Col (f) * Schedule B-3, Line 6

Schedule B-1

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Company Breakdown of Gas Cost Invoices-Incurred February 2021 (NGU Parts 1 and 3)

Line No.	FERC Account	Invoice Date	Company	Invoice Number	Vendor Name	Total Invoice Amount (1)	Reference
	(a)	(b)	(c)	(d)	(e)	(f)	
1		2/28/2021	Unigas	UNG-0221.2	Janix Energy	\$24,725,566	Appendix A
2				Gas Costs		\$24,130,878	
3			Invoice Details	Transport/Other		\$594,688	
4				Volumes MCF		210,418	
5		2/28/2021	Gas Energy	GE-0221.2	Janix Energy	\$4,478,788	Appendix A
6				Gas Costs		\$4,351,112	
7			Invoice Details	Transport/Other		\$127,676	
8				Volumes MCF		44,875	
9		2/28/2021	Enertex	ETX-0221.2	Janix Energy	\$1,479,332	Appendix A
10				Gas Costs		\$1,457,235	
11			Invoice Details	Transport/Other		\$22,097	
12				Volumes MCF		7,243	
13		2/28/2021	Consumers Gas	CGC-0221.2	Janix Energy	\$720,371	Appendix A
14				Gas Costs	<u> </u>	\$698,454	
15			Invoice Details	Transport/Other		\$21,917	
16				Volumes MCF		5,945	
17		2/28/2021	Consolidated Total		Janix Energy	\$31,404,057	
18				Gas Costs		\$30,637,679	
19			Invoice Details Consolidated	Transport/Other		\$766,378	
20				Volumes MCF		268,481	

⁽¹⁾ Gas sales for resale from UniGas to Gas Energy excluded as revenue-neutral for UniGas due to these companies' subsequent consolidation. General Ledger entries and invoices for these transactions are contained in Appendix A.

Schedule B-2

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Company Breakdown of Gas Costs Recovered (NGU Part 2)

Line No.	Description	Total February Gas Costs	February Volumes Billed (Mcf)	Gas Cost Recovery Rates as Charged in March Billing	Total February Gas Cost Recovered	Approved Winter Event Installment Charge Billed in April 2021
	(a)	(b)	(c)	(d)	(e) = (c) * (d)	(f)
1	Unigas	\$24,725,566	163,543	\$8.419	\$1,376,872	\$321,421
2	Gas Energy	\$4,478,788	94,424	\$8.494	\$802,037	\$177,489
3	Enertex	\$1,479,332	7,181	\$8.096	\$58,135	\$13,306
4	Consumers Gas	\$720,371	6,118	\$8.105	\$49,588	\$17,068
5	Total	\$31,404,057	271,266	•	\$2,286,632	\$529,284
6	Total Gas Costs I	Recovered				\$2,815,916

Schedule B-3 UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Normalized Market Pricing (NGU Part 4)

Line No.	Description	Month	Price
	(a)	(b)	(c)
1	Henry Hub (MMBtu)	Nov 2020	\$3.0000
2	11 11 11	Dec 2020	\$2.9000
3	11 11 11	Jan 2021	\$2.4800
4	" " "	Average	\$2.7933
5	Conversion Factor to MCF	_	1.0261
6	MCF Rate	_	\$2.7223

Schedule B-4

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Carrying Costs February 15 2021 through August 31 2022 (NGU Part 5d)

Description	Amount	Reference
(a)	(b)	(c)
Extraordinary Gas Costs	\$28,588,141	Schedule B
Estimated Total Financing Consulting and Legal Fees	\$138,339	Schedule A-1
Total Balance For Computation of Carrying Costs	\$28,726,480	
Carrying Cost Rate	7.94%	Footnote 1
Annual Carrying Costs Amount	\$2,280,780	Line 3 * Line 4
Divided by 12 months	12.00	
Monthly Carrying Costs	\$190,065	Line 5 / Line 6
Multiply by 13 months 8/1/2021 - 8/31/2022	13.00	
Total Proposed Carrying Costs 8/1/2021-8/31/2022	\$2,470,845	Line 7 * Line 8
Total Proposed Carrying Costs 2/15/2021-7/31/2021	\$627,008	Schedule B-4-1
Total Proposed Carrying Costs 2/15/2021-8/31/2022	\$3,097,853	
	Extraordinary Gas Costs Estimated Total Financing Consulting and Legal Fees Total Balance For Computation of Carrying Costs Carrying Cost Rate Annual Carrying Costs Amount Divided by 12 months Monthly Carrying Costs Multiply by 13 months 8/1/2021 - 8/31/2022 Total Proposed Carrying Costs 8/1/2021-8/31/2022 Total Proposed Carrying Costs 2/15/2021-7/31/2021	(a) (b) Extraordinary Gas Costs \$28,588,141 Estimated Total Financing Consulting and Legal Fees \$138,339 Total Balance For Computation of Carrying Costs \$28,726,480 Carrying Cost Rate 7.94% Annual Carrying Costs Amount \$2,280,780 Divided by 12 months 12.00 Monthly Carrying Costs \$190,065 Multiply by 13 months 8/1/2021 - 8/31/2022 13.00 Total Proposed Carrying Costs 8/1/2021-8/31/2022 \$2,470,845 Total Proposed Carrying Costs 2/15/2021-7/31/2021 \$627,008

(1) Rate of Return Granted in Case OS-20-00004865, FOF 36, April 13, 2021

	Capital	Debt/Equity	Weighted Cost
	Structure	Cost	of Capital
Long-Term Debt	37.24%	5.31%	1.98%
Common Equity	62.76%	9.50%	5.96%
Rate of Return	100.00%		7.94%

Schedule B-4-1

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Carrying Costs February 15 2021 through July 31 2021 (NGU Part 5d)

Line No.	Description (1) (2)	Feb	March	April	May	June	July	Total Carrying Costs
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1 2	Purchase Gas First Payment Carrying Costs	\$18,228,691 \$60,304	\$18,228,691 \$120,608	\$18,228,691 \$120,608	\$18,228,691 \$120,608	\$18,228,691 \$120,608	\$18,228,691 \$120,608	\$663,343
3 4	Purchase Gas Final Payment Carrying Costs						\$13,175,366 \$43,587	\$43,587
5 6	Legal Fees During Winter Event Carrying Costs			\$18,000 \$60	\$18,000 \$119	\$18,000 \$119	\$18,000 \$119	\$417
7 8	Customer Payments for Feb Gas Carrying Costs Credits		(\$2,286,632) (\$7,565)	(\$2,286,632) (\$15,129)	(\$2,286,632) (\$15,129)	(\$2,286,632) (\$15,129)	(\$2,286,632) (\$15,129)	(\$68,081)
9 10	Approved Winter Event Installment Carrying Costs Credits			(\$529,284) (\$1,751)	(\$529,284) (\$3,502)	(\$529,284) (\$3,502)	(\$529,284) (\$3,502)	(\$12,257)
11	Total Carrying Costs	\$60,304	\$113,043	\$103,787	\$102,096	\$102,096	\$145,682	\$627,008

(1) Carrying Cost Rate

7.94%

(2) Assumes 1/2 Month for 1st Month of Payment or Credit

Schedule B-5

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Income Taxes Related to Carrying Costs (NGU Part 5e)

Line			
No.	Description	Amount	Reference
	(a)	(b)	(c)
1	Total Carrying Costs	\$3,097,853	Schedule B-4
2	Equity Potion of Carrying Costs Rate	75.09%	Footnote 1
3	Taxable Potion of Carrying Costs	\$2,326,303	
4	Federal Income Tax Factor (21% / (1-21%))	26.58%	
5	Total Federal Income Tax Liability	\$618,384	
(1)	Weighted Common Equity	5.96%	
(1)	Weighted Common Equity		
	Divided By Total Rate of Return	7.94%	
	Taxable Portion of Carrying Costs Costs	75.09%	

Rate of Return Granted in Case OS-20-00004865, FOF 36, April 13, 2021

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital
Long-Term Debt	37.24%	5.31%	1.98%
Common Equity	62.76%	9.50%	5.96%
Rate of Return	100.00%		7.94%

Schedule C

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Normalized Annual Volumes and Customer Count by Customer Class at December 31, 2020 (NGU Part 12)

Line No.	Customer Class	Customers at 12/31/2020 *	Customer % by Class	Per Customer Normalized Annual Consumption (Mcf) As of 12/31/2020	Total Normalized Annual Consumption (Mcf) *
	(a)	(b)	(c)	(d)	(e)
1	Residential	17,959	98.5%	50	893,452
2	Commercial Small	255	1.4%	271	69,011
3	Commercial Large	16	0.1%	4,313	69,011
4	Total	18,230	100.0%	_	1,031,474

^{*} Customer Count and Normalized Annual Volumes per Case 0S-20-00004865, FOF 38, April 13, 2021

Schedule H

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Cost of Gas Method and Three Year Amortization Method - Cost Effectiveness Support (NGU Part 9)

Line No.	. Description	Gas Cost Recovery Reconciliation Mechanism	Gas Cost Recovery Three Year Amortization	Reference
Line 1 (o.	(a)	(b)	(c)	(d)
1	Extraordinary Gas Costs	\$28,588,141	\$28,588,141	Schedule B
2	Carrying Costs February 2021 - December 2021	\$1,054,914	\$1,577,333	Schedule H-1
3	Legal and Consulting Expenses	\$138,339	\$138,339	Schedule A-1
4	Taxes	\$0	\$1,080,279	Schedule H-3
5	Post 2021 Carrying Costs	\$4,063,786	\$3,834,423	Schedule H-2
6	Total Extraordinary Gas Costs	\$33,845,180	\$35,218,515	
7	Normalized Volumes Over Total Recovery Period	5,024,246	3,094,422	Schedules C & H-2
8	Total Extraordinary Gas Costs per Mcf	\$6.74	\$11.38	

Schedule H-1

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC. APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Carrying Costs February 15 2021 Thru December 31 2021

Line No.	Description	Gas Cost Recovery Reconciliatio n Mechanism	Gas Cost Recovery Over Three Year Period	Reference
	(a)	(b)	(c)	(d)
1	Extraordinary Gas Costs	\$28,588,141	\$28,588,141	Schedule B
2	Estimated Total Financing Consulting and Legal Fees	\$138,339	\$138,339	Schedule A-1
3	Total Balance For Computation of Carrying Costs	\$28,726,480	\$28,726,480	
4	Carrying Cost Rate	5.31%	7.94%	Footnote 1
5	Annual Carrying Costs Amount	\$1,525,376	\$2,280,780	Line 3 * Line 4
6	Divided by 12 months	12.00	12.00	
7	Monthly Carrying Costs	\$127,115	\$190,065	Line 5 / Line 6
8	Multiply by 5 months 8/1/2021 - 12/31/2021	5.00	5.00	
9	Total Proposed Carrying Costs 8/1/2021-12/31/2021	\$635,573	\$950,325	Line 7 * Line 8
10	Total Proposed Carrying Costs 2/15/2021-7/31/2021	\$419,340	\$627,008	Schedule H-1-1/ B-4-1
11	Total Proposed Carrying Costs 2/15/2021-12/31/2021	\$1,054,914	\$1,577,333	Line 9 + Line 10

(1) Rate of Return Granted in Case OS-20-00004865, FOF 36, April 13, 2021

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital
Long-Term Debt	37.24%	5.31%	1.98%
Common Equity	62.76%	9.50%	5.96%
Rate of Return	100.00%		7.94%

Schedule H-1-1

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Carrying Costs February 15 2021 Thru July 31 2021

Line No.	Description (1) (2)	Feb	March	April	May	June	July	Total Carrying Costs
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1 2	Purchase Gas First Payment Carrying Costs	\$18,228,691 \$40,331	\$18,228,691 \$80,662	\$18,228,691 \$80,662	\$18,228,691 \$80,662	\$18,228,691 \$80,662	\$18,228,691 \$80,662	\$443,641
3 4	Purchase Gas Final Payment Carrying Costs						\$13,175,366 \$29,150	\$29,150
5 6	Legal Fees During Winter Event Carrying Costs			\$18,000 \$40	\$18,000 \$80	\$18,000 \$80	\$18,000 \$80	\$279
7 8	Customer Payments for Feb Gas Carrying Costs Credits		(\$2,286,632) (\$5,059)	(\$2,286,632) (\$10,118)	(\$2,286,632) (\$10,118)	(\$2,286,632) (\$10,118)	(\$2,286,632) (\$10,118)	(\$45,533)
9 10	Approved Winter Event Installment Carrying Costs Credits			(\$529,284) (\$1,171)	(\$529,284) (\$2,342)	(\$529,284) (\$2,342)	(\$529,284) (\$2,342)	(\$8,197)
11	Total Carrying Costs	\$40,331	\$75,603	\$69,412	\$68,281	\$68,281	\$97,432	\$419,340

(1) Carrying Cost Rate

5.31%

(2) Assumes 1/2 Month for 1st Month of Payment or Credit

Schedule H-2

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Post 2021 Carrying Costs

Gas Cost Recovery Reconciliation Mechanism

1 2 3 4	Extraordinary Cost of Gas @ January 2022 Annual Normalized Cost of Gas Recovery @ \$5.90 Per MCF Years to Recover Extraordinary Cost Months To Recover Extraordinary Cost	\$29,643,054 \$6,085,697 4.87 58.45	Schedule H-1, Column (b) Line 11 + Schedule B, Column (c), Line 7 Schedule C, Column (e), Line 4 *\$5.90 Line 1 / Line 2 Line 3 * 12 months
5	Monthly Normalized Payment	\$576,665.74	Terms: Line 1 Amount @ 58.45 months & 5.31% Annual Interest
6	Total Payment Amount	\$33,706,841	Line 5 * Line 4
7	Total Estimated Carrying Costs	\$4,063,786	Line 6 - Line 1
Gas (Cost Recovery Over Three Year Period		
8	Extraordinary Cost of Gas @ January 2022	\$30,165,474	Schedule H-1, Column (c) Line 11 + Schedule B, Column (c), Line 7
9	Annual Cost of Extraordinary Gas Costs Over 3 Years	\$10,055,158	Line 8 / Three Years
10	Years to Recover Extraordinary Cost	3.00	Line 8 / Line 9
11	Months To Recover Extraordinary Cost	36.00	Line 10 * 12 Months
12	Monthly Normalized Payment	\$944,442	Terms: Line 8 Amount @ 36.00 months & 7.94 % Annual Interest
13	Total Payment Amount	\$33,999,897	Line 11 * Line 12
15	Total Estimated Carrying Costs	\$3,834,423	Line 13 - Line 8

Schedule H-3

UNIVERSAL NATURAL GAS, LLC DBA UNIVERSAL NATURAL GAS, INC.

APPLICATION FOR CUSTOMER RATE RELEIF AND RELATED REGULATORY ASSET DETERMINATION JULY 30, 2021

Calculation of Federal Income Taxes for Schedule H Cost Three Year Amortization Method

n C, Line 11

Rate of Return Granted in Case OS-20-00004865, FOF 36, April 13, 2021

	Capital	Debt/Equity	Weighted Cost
	Structure	Cost	of Capital
Long-Term Debt	37.24%	5.31%	1.98%
Common Equity	62.76%	9.50%	5.96%
Rate of Return	100.00%		7.94%

TABLE OF CONTENTS: APPENDICES TO SUPPORTING REGULATORY ASSET SCHEDULES (ATTACHMENT A TO UNIGAS APPLICATION)

Appendix A to Supporting Schedules

General Ledger Entries (NGU 6(a)(i)) – 5 documents

- GL Entries Accts 804 and 483 (Jan-Mar 2021).xlsx (native file on flash drive)
- GL Entries Acct 186 (Jan-Mar 2021).xlsx (native file on flash drive)
- Gas Energy Adj (Acct 804 to 186).pdf
- Gas Energy Sale for Resale Bill 1.31.2021.xlsx (native file on flash drive)
- Gas Energy Sale for Resale Bill 2.28.2021.xlsx (native file on flash drive)

Invoices for Gas Purchases (NGU 6(a)(i)(1)) - 14 documents

- Consumers Jan. Gas Bill JES.pdf PROTECTED MATERIALS
- Enertex Jan. Gas Bill JES.pdf PROTECTED MATERIALS
- Gas Energy Jan. Gas Bill JES.pdf PROTECTED MATERIALS
- UniGas Jan. Gas Bill JES .pdf PROTECTED MATERIALS
- Consumers Feb. Gas Bill JES.pdf PROTECTED MATERIALS
- Enertex Feb. Gas Bill JES.pdf PROTECTED MATERIALS
- Gas Energy Feb. Gas Bill JES.pdf PROTECTED MATERIALS
- UniGas Feb. Gas Bill JES.pdf PROTECTED MATERIALS
- Consumers Mar. Gas Bill JES.pdf PROTECTED MATERIALS
- Enertex Mar. Gas Bill JES.pdf PROTECTED MATERIALS
- Gas Energy Mar. Gas Bill JES.pdf PROTECTED MATERIALS
- UniGas Mar. Gas Bill JES.pdf PROTECTED MATERIALS
- UniGas Sale for Resale Invoice 1.31.2021.pdf PROTECTED MATERIALS
- UniGas Sale for Resale Invoice 2.28.2021.pdf PROTECTED MATERIALS

Invoices for Gas Transportation (NGU 6(a)(i)(2)) - 0 documents

• None – not applicable

Invoices for Other Gas Supply Expenses (NGU 6(a)(i)(3)) - 0 documents

• None – not applicable

Invoices for Imbalances or Other Penalties and Fees Incurred (NGU 6(a)(i)(4)) - 0 documents

• None – not applicable

Invoices for Gas Adjustments (NGU 6(a)(i)(5)) - 0 documents

• None – not applicable

Gas Meter Statements (NGU 6(a)(i)(6)) - 1 document

• Meter Volumes by City Gate and Route (Jan-Mar 2021).xlsx (native file on flash drive) – PROTECTED MATERIALS

<u>Proof of Payment/Payment Arrangements</u> (NGU 6(a)(i)(7)) - 16 documents

- Consumers Jan. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Enertex Jan. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Gas Energy Jan. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- UniGas Jan. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Consumers Feb. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Enertex Feb. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Gas Energy Feb. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- UniGas Feb. 2021 Gas Bill Prepayment \$1.6M.pdf PROTECTED MATERIALS
- UniGas Feb. 2021 Gas Bill Prepayment \$2.25M.pdf PROTECTED MATERIALS
- UniGas Feb. 2021 Gas Bill Prepayment \$2.6M.pdf PROTECTED MATERIALS
- UniGas Feb. 2021 Gas Bill Payment \$5.1M.pdf PROTECTED MATERIALS
- UniGas Feb. 2021 Gas Bill Payment \$13.1M.pdf PROTECTED MATERIALS
- Consumers Mar. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Enertex Mar. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- Gas Energy Mar. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS
- UniGas Mar. 2021 Gas Bill Payment.pdf PROTECTED MATERIALS

<u>Invoices for Gas Withdrawn from Storage</u> (NGU 6(a)(i)(8)) - 0 documents

• None – not applicable

<u>Invoices for Gas Delivered to Storage</u> (NGU 6(a)(i)(9)) - 0 documents

• None – not applicable

Appendix B to Supporting Schedules

Gas Supply Contracts and Confirmations (NGU 6(a)(ii)(1)-(2)) – 13 documents

- Consumers-JES Base NAESB 7-15-20.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- Consumers-JES NAESB Confirm 7-21-20.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- Enertex-BCX Base NAESB 8-1-19.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- Enertex-BCX NAESB Confirm 8-1-19.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- Gas Energy-BCX Base NAESB 11-1-13.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- Gas Energy-BCX NAESB Confirm 11-1-13.pdf HIGHLY SENSITIVE PROTECTED MATERIALS

- Gas Energy-BCX Gas Supply Contract 7-18-16.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- UniGas-BCX Base NAESB 10-1-13.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- UniGas-BCX NAESB Confirm 12-24-14.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- UniGas-BCX Gas Supply Contract 7-18-16.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- UniGas-JES Base NAESB 3-1-21.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- UniGas-JES NAESB Confirm 3-1-21.pdf HIGHLY SENSITIVE PROTECTED MATERIALS
- BCX-JES Omnibus Assignment and Assumption 5-1-20.pdf HIGHLY SENSITIVE PROTECTED MATERIALS

Gas Transportation Contracts (NGU 6(a)(ii)(3)) – 0 documents

• None – not applicable

Appendix C to Supporting Schedules

Customer Bills (NGU 6(a)(iii)) – 9 documents

- Consumers Feb 2021 Bills for Jan Service RES and COMM (REDACTED)
- Enertex Feb 2021 Bills for Jan Service RES and COMM (REDACTED)
- Gas Energy Feb 2021 Bills for Jan Service RES and COMM (REDACTED)
- UniGas Feb 2021 Bills for Jan Service RES and COMM (REDACTED)
- Consumers Mar 2021 Bills for Feb Service RES and COMM (REDACTED)
- Enertex Mar 2021 Bills for Feb Service RES and COMM (REDACTED)
- Gas Energy Mar 2021 Bills for Feb Service RES and COMM (REDACTED)
- UniGas Mar 2021 Bills for Feb Service RES and COMM (REDACTED)
- UniGas (Consolidated) Apr 2021 Bills for Mar Service RES and COMM (REDACTED)

Appendix D to Supporting Schedules

Legal and Consulting Invoices – 3 documents

- Vinson & Elkins Invoice (Feb. 2021 work) (REDACTED) PROTECTED MATERIALS
- Vinson & Elkins Invoice (Mar. 2021 work) (REDACTED) PROTECTED MATERIALS
- Vinson & Elkins Invoice (June 2021 work) (REDACTED) HIGHLY SENSITIVE PROTECTED MATERIALS

TABLE OF CONTENTS: APPENDICES TO SUPPORTING REGULATORY ASSET SCHEDULES (ATTACHMENT A TO UNIGAS APPLICATION)

Appendix A to Supporting Schedules

Genera	al Ledger Entries (NGU 6(a)(i)) – 5 documents	<u>Pages</u>
•	GL Entries – Accts 804 and 483 (Jan-Mar 2021).xlsx (native)	1
•	GL Entries – Acct 186 (Jan-Mar 2021).xlsx (native)	5
•	Gas Energy Adj (Acct 804 to 186).pdf	9
•	Gas Energy Sale for Resale Bill 1.31.2021.xlsx (native)	10
•	Gas Energy Sale for Resale Bill 2.28.2021.xlsx (native)	11

9:26 AM 07/02/21 Accrual Basis

Universal Natural Gas, LLC Profit & Loss January through March 2021

	Jan 21	Feb 21	Mar 21	TOTAL
Ordinary Income/Expense				
Income				
Gas Sales for ReSale (Gas Sales to Other Utilities)				
483.10 · Gas Energy - Woodforest Station (Sale for ReSale - Woodforest Station)	264,515.17	458,294.51	0.00	722,809.68
Total Gas Sales for ReSale (Gas Sales to Other Utilities)	264,515.17	458,294.51	0.00	722,809.68
Total Income	264,515.17	458,294.51	0.00	722,809.68
Cost of Goods Sold				
804 · GAS PURCHASES				
804.1 - GAS PURCHASES - FM 2978	24,456.39	48,406.55	12,697.31	85,560.25
804.2 · GAS PURCHASES - FM 1488 Hooks	764,556.12	1,095,067.92	415,149.55	2,274,773.59
804.3 · GAS PURCHASES - Huntsville	722.34	1,379.42	1,000.76	3,102.52
804.4 · GAS PURCHASES - Jones St. Fores (Jones State Forest)	26,460.72	631.82	2,314.26	29,406.80
804.6 - GAS PURCHASES - Woodtrace	40,369.21	71,722.53	20,037.88	132,129.62
804.7 - GAS PURCHASES - Timbergreen	19,442.41	33,297.10	8,377.42	61,116.93
804.11 · GAS PURCHASES - Indigo	79,070.52	148,702.15	40,464.90	268,237.57
Total 804 - GAS PURCHASES	955,077.71	1,399,207.49	500,042.08	2,854,327.28
January True UP billed in February	_	(22,764.44)		
		1,376,443.05		
Billed to Customers GCA - UniGas	_	1,376,643.05		
Variance		-200.00		

9:30 AM 07/02/21 Accrual Basis

Gas Energy, LLC Profit & Loss

January through March 2021

	Jan 21	Feb 21	Mar 21	TOTAL
Ordinary Income/Expense				
Cost of Goods Sold				
804 · City Gate Gas Purchases				
804.1 · Gas Purchases - May Valley	39,559.54	380,388.95	21,746.76	441,695.25
804.2 · Gas Purchases - CSPW	159,767.76	4,279.19	72,177.66	236,224.61
804 · City Gate Gas Purchases - Other	264,673.41	458,492.38	0.00	723,165.79
Total 804 · City Gate Gas Purchases	464,000.71	843,160.52	93,924.42	1,401,085.65
Total COGS	464,000.71	843,160.52	93,924.42	1,401,085.65
January True UP billed in February		-5,338.73		
Billed to Customers GCA - Gas Energy		800,683.84		
	_	837,821.79		
		37,137.95		

9:33 AM 07/02/21 Accrual Basis

Consumers Gas Company, LLC Profit & Loss

	January ti	hroբ gh₂Marc	h 2021 Mar ₂₁	TOTAL
Ordinary Income/Expense				
Cost of Goods Sold				
804 · Gas Purchases	31,432.28	49,588.08	15,483.05	96,503.41
Total COGS	31,432.28	49,588.08	15,483.05	96,503.41
Billed to Customers GCA - Consumers		49,588.08		
Variance		0.00		

9:36 AM 07/02/21 Accrual Basis

Enertex NB, LLC Profit & Loss

January through March 2021

		oundary amo	agii illai oii z	O - 1
	Jan 21	Feb 21	Mar 21	TOTAL
Ordinary Income/Expense				
Cost of Goods Sold				
Cost of Goods Sold				
804 · Gas Purchases	38,242.25	58,135.07	16,878.61	113,255.93
Total Cost of Goods Sold	38,242.25	58,135.07	16,878.61	113,255.93
Billed to Customers GCA - ETX NB		58,135.07		
Variance		0.00		

11:36 AM 07/22/21 Accrual Basis

Universal Natural Gas, LLC Transaction Detail by Account February 2021

	Type	Date	Num	Name	Memo	Class	Clr	Split	Debit	Credit
186 · Miscellaneous Deferred Debits (Rate Case Invoices)										
	Bill	02/14/2021	UNG-PP0221	Janix Energy Services, LLC	February 2021 Pre-payment Gas Purchases	2021 Winterstorm		232 · Accounts Payable	2,600,000.00	
	Bill	02/17/2021	UNG-PP0221#2	Janix Energy Services, LLC	February 2021 Pre-payment Gas Purchases	2021 Winterstorm		232 · Accounts Payable	2,250,000.00	
	Bill	02/18/2021	UNG-PP0221#3	Janix Energy Services, LLC	February 2021 Pre-payment Gas Purchases	2021 Winterstorm		232 · Accounts Payable	1,600,000.00	
	Bill	02/28/2021	UNG-0221REV	Janix Energy Services, LLC	(\$24,725,566.16 less 6,450,000 prepaid)	2021 Winterstorm		232 · Accounts Payable	16,899,123.11	
Total 186 · Miscellaneous Deferred Debits (Rate Case Invoices)									23,349,123.11	0.00
TOTAL									23,349,123.11	0.00

11:38 AM 07/22/21 Accrual Basis

Gas Energy, LLC Transaction Detail by Account February 2021

	Туре	Date	Num	Name	Memo	Class	Clr	Split	Debit	Credit
186 · Miscellaneous Deferred Debits										
	Bill	02/28/2021	GE-0221	Janix Energy Services, LLC	Excess gas cost due to winterstorm	2021 WinterStorm		232 · Accounts Payable	4,099,458.52	
	General Journal	02/28/2021	2021-639		Move unbilled Gas Costs to Reg Asset per JRB	2021 WinterStorm		804 · City Gate Gas Purchases	37,137.95	
Total 186 · Miscellaneous Deferred Debits									4,136,596.47	0.00
TOTAL									4,136,596.47	0.00

11:54 AM 07/22/21 Accrual Basis

Consumers Gas Company, LLC Transaction Detail by Account February 2021

	Type	Date	Num	Name	Memo	Class	Clr	Split	Debit	Credit
186 · Miscellaneous Deferred Debit										
	Bill	02/28/2021	CGC-0221	Janix Energy Services, LLC	Deferral of excess gas cost from 2021 Winterstorn	m 2021 Winterstorm		232 · Accounts Payable	670,782.53	
Total 186 · Miscellaneous Deferred Debit									670,782.53	0.00
TOTAL									670,782.53	0.00

11:45 AM 07/22/21 Accrual Basis

Enertex NB, LLC Transaction Detail by Account February 2021

ET	Type	Date	Num	Name	Memo	Class	Cir	Split	Debit	Credit
186 · Miscellaneous Deferred Debits										
	Bill	02/28/2021	ETX-0221	Janix Energy Services, LLC	Excess gas cost February 2021	2021 Winterstorm		232 · Accounts Payable	1,421,197.41	
Total 186 · Miscellaneous Deferred Debits									1,421,197.41	0.00
TOTAL									1,421,197.41	0.00

7:26 AM 07/23/21 Accrual Basis

Gas Energy, LLC General Journal Transaction

February 28, 2021

Num	Name	Memo	Account	Class	Debit	Credit
2021		Move unbilled Move unbilled	804 · City Gate Gas 186 · Miscellaneous	2021 Win	37,137.95	37,137.95
				_	37,137.95	37,137.95
TOTAL				_	37,137.95	37,137.95

9:16 AM 07/21/21

Gas Energy, LLC Transaction Journal

All Transactions

	Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
•	43,928	Bill	01/31/2021	Uni_GE 0121	Universal Natural Gas, LLC	January 2021 Gas Sales	232 · Accounts Payable			264,673.41
					Universal Natural Gas, LLC	January 2021 Gas Sales for Resale (MCF 3	89,0:804 · City Gate Gas Purchases	_	264,673.41	
								_	264,673.41	264,673.41
TOTAL								=	264,673.41	264,673.41

APPENDIX A TO SUPPORTING SCHEDULES General Ledger Entries

9:17 AM 07/21/21

Gas Energy, LLC Transaction Journal

All Transactions

	Trans #	Type	Date	Num	Name	Memo	Account	Class	Debit	Credit
•	44,352	Bill	02/28/2021	Uni_GE 0221	Universal Natural Gas, LLC	February 2021 Gas Sales	232 · Accounts Payable			458,492.38
					Universal Natural Gas, LLC	February 2021 Gas Sales for Resale (MCF 4	97 804 · City Gate Gas Purchases	_	458,492.38	
								_	458,492.38	458,492.38
TOTAL								=	458,492.38	458,492.38

TABLE OF CONTENTS: APPENDICES TO SUPPORTING REGULATORY ASSET SCHEDULES (ATTACHMENT A TO UNIGAS APPLICATION)

Appendix C to Supporting Schedules

Customer Bills (NGU 6(a)(iii)) – 9 documents	Page
• Consumers Feb 2021 Bills for Jan Service – RES and COMM (REDACTED)	1
 Enertex Feb 2021 Bills for Jan Service – RES and COMM (REDACTED) 	3
 Gas Energy Feb 2021 Bills for Jan Service – RES and COMM (REDACTED) 	5
 UniGas Feb 2021 Bills for Jan Service – RES and COMM (REDACTED) 	7
 Consumers Mar 2021 Bills for Feb Service – RES and COMM (REDACTED) 	9
 Enertex Mar 2021 Bills for Feb Service – RES and COMM (REDACTED) 	11
 Gas Energy Mar 2021 Bills for Feb Service – RES and COMM (REDACTED) 	13
 UniGas Mar 2021 Bills for Feb Service – RES and COMM (REDACTED) 	15
 UniGas (Consolidated) Apr 2021 Bills for Mar Service – RES and COMM 	
(REDACTED)	17



Mail this portion with payment Account number: Location number: Misty Manor Lane Service Address: Date payment is due in our office Amount Due If paid by: 02/21/2021 \$107.51 02/21/2021 \$109.88 Amount Due if paid after: Amount Paid:

River Poppy Road Mascot TN - միլովագիկալիկինիներ Ալիլայինը Արևինիային այստանությանը և

Make check payable to: Consumers Gas CONSUMERS GAS COMPANY

Customer Name

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

---- TEAR HERE -----Keep this portion of your bill for your records.

CONSUMER

ACCOUNT SUMMARY For January 2021 Billing Period Customer Name Account Number Location Number Date Mailed **Date Due** Discount Date

Regular

02/11/2021 02/27/2021 02/21/2021

Service Address Meter Serial # Email Address:

Misty Manor Lane

YOUR GAS USAGE

Current Read Prior Read

363.5 354.9

02/05/2021 01/04/2021

Total calculated gas usage for the period

9.7 = (1.1330 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS.

MAGNOLIA, TX 77354-1619

1-800-925-0705

9750 FM 1488 RD

www.txgas.net

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$

Balance Forward \$

141.70

0.00

13.00

Less Total Payments(s) Received \$

-141.70 Posted on 1/15/2021

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

Base Charge (9.7 MCF x 3.55000) \$ 34.44

Cost of Gas This Period (9.7 MCF x 6.43700)

62.44

Current Total Billing without Discount \$

109.88

Balance Forward \$

0.00

GROSS AMOUNT DUE \$

109.88

Discount Amount Due \$

107.51

Page 1 of 19



դոննելըը լերգերի ԱՄՈՒՈւիի Արևայումի չի իր

Mail this portion with payment Account number: Location number: Bluejack National Blvd #1 Service Address: 02/27/2021 Date payment is due in our office 02/21/2021 \$2,262.56 Amount Due If paid by: 02/21/2021 \$2,303.52 Amount Due If paid after: \$

Regular

Amount Paid: Customer Name

* Your account is PAST DUE. Please make arrangements to pay your bill to avoid an interuption in service.

Make check payable to: Consumers Gas

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

CONSUMERS GAS COMPANY

--- TEAR HERE -----

Keep this portion of your bill for your records.

South FM 1486

Montgomery, TX

CONSUMER

9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS.

1-800-925-0705

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMED!ATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

Customer Name Account Number Location Number Date Mailed **Date Due**

Discount Date Service Address

Meter Serial # Email Address: 02/11/2021

02/27/2021 02/21/2021

Bluejack National Blvd #1

YOUR GAS USAGE

Current Read Prior Read 434.3 249.6 02/03/2021 01/04/2021

Total calculated gas usage for the period

199.8 = (1.0815 Mtr Factor x Usage)

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$ 2,613.89

Less Total Payments(s) Received \$ -2,568.31 Posted on 1/29/2021

Past Due Amount \$

45.58

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

20.00

Base Charge (199.8 MCF x 4.00000) \$

799.20

Cost of Gas This Period (199.8 MCF x 6.43700) \$

1,286.11

Sales Tax (0.725) for this Period \$

152.63 2.257.94

Current Total Billing without Discount \$

Past Due Amount \$ 45,58

GROSS AMOUNT DUE \$

2,303.52

Discount Amount Due \$

2,262,56



Mail this portion with payment

Account number: Location number:

Service Address:

Date payment is due in our office

Total Due



02/27/2021

\$132.66

\$

Regular

Amount Paid:

Customer Name

Road լիգլիկին!<u>||բանն</u>|իվումին||ՍանիՄիՄիՄի

Make check payable to: ENERTEX NB, LLC

ENERTEX NB, LLC 9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----Keep this portion of your bill for your records.

ENERTEX

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

1-800-925-0705

www.txgas.net

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

AGGOUNT SUMMARY For January 2021 Billing Period Customer Name Account Number Location Number 02/11/2021 Date Mailed 02/27/2021 Date Due Road Service Address Meter Serial # Email Address:

YOUR GAS USAGE

Current Read Prior Read 74.9

02/02/2021

64.7

12/29/2020

Total calculated gas usage for the period

10.5 = (1.0300 Mtr Factor x Usage)

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$

120.20

0.00

-120,20 Posted on 1/20/2021

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

Less Total Payments(s) Received \$

22.50

Base Charge (10.5 MCF x 4.75000) \$

49.88

Cost of Gas This Period (10.5 MCF x 5.74100) \$

60.28

Contract Principal \$

0,00

Contract Interest \$

Balance Forward \$

0.00

Total Bill Due \$

132.66

Balance Forward \$

0.00

TOTAL AMOUNT DUE

132.66

Page 3 of 19



Mail this portion with payment

Date payment is due in our office

Account number: Location number:

Service Address:

Road 3550

Total Due

02/27/2021 \$366.73

Regular

Amount Paid:

Customer Name

Mirror Ridge Ct

The Woodlands, TX

Make check payable to: ENERTEX NB, LLC

ENERTEX NB, LLC

9760 FM 1488 RD

MAGNOLIA, TX 77354-1619

Keep this portion of your bill for your records.

ACCOUNT SUMMARY For January 2021 Billing Period

ENERTEX

9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.** 1-800-925-0705

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

Customer Name Account Number

---- TEAR HERE -----

Location Number

Date Mailed

Date Due

Service Address

Meter Serial #

Email Address:

YOUR GAS USAGE

Current Read

318,9

02/02/2021

281.3 Prior Read

12/29/2020

Total calculated gas usage for the period

02/11/2021

02/27/2021

Road 3550

38.7 = (1.0300 Mtr Factor x Usage)

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$ Less Total Payments(s) Received \$ 303.64

0.00

-303.64 Posted on 1/27/2021

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

45.00

Base Charge (38.7 MCF x 1.85000) \$

71.60

Cost of Gas This Period (38.7 MCF x 5.74100) \$

222.18

Contract Principal \$ Contract Interest \$

Balance Forward \$

0,00 0.00

Sales Tax (0,0825) for this Period \$

27.95

Total Bill Due \$ Balance Forward \$ 366.73 0.00

TOTAL AMOUNT DUE

366.73

Page 4 of 19



Mail this portion with payment Account number: Location number: Dawning Flower Drive Service Address: 02/27/2021 Date payment is due in our office \$232.14 02/21/2021 Amount Due if pald by: \$238.10 02/21/2021 Amount Due if paid after: Auto Payment - Do Not Pay \$ **Amount Paid:** Regular Customer Name



Make check payable to: Gas Energy, LLC.

GAS ENERGY, LLC

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----Keep this portion of your bill for your records.



ACCOUNT SUMMARY For January 2021 Billing Reviol Customer Name Account Number Location Number 02/11/2021 Date Mailed 02/27/2021 Date Due Discount Date 02/21/2021 Service Address Dawning Flower Drive Meter Serial #

9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

Prior Read Total calculated gas usage for the period

ACTIVITY FOR PREVIOUS BILLING PERIOD

19.1 = (1.0300 Mtr Factor x Usage)

-140.59 Posted on 1/18/2021

02/02/2021

12/30/2020

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

1-800-925-0705

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

0.00 Balance Forward \$

56.9

38.4

BILLING DETAIL (Current Month)

Email Address: YOUR GAS USAGE

> Customer Charge (per meter) \$ Base Charge (19.1 MCF x 5.53000) \$

Current Read

Previous balance \$

Less Total Payments(s) Received \$

13.68 105.62

Cost of Gas This Period (19.1 MCF x 6.22000) \$

118.80

140.59

Current Total Billing without Discount \$ Balance Forward \$ 238.10 0.00

GROSS AMOUNT DUE \$

238.10

232.14 Discount Amount Due \$

Page 5 of 19



Mail this portion with payment

Account number:

Location number:

Service Address:

Date payment is due in our office

Amount Due if paid by:

O2/21/2021

Amount Due if paid after:

Amount Paid:

\$

Make check payable to: Gas Energy, LLC.

Customer Name

GAS ENERGY, LLC 9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

Regular

Keep this portion of your bill for your records.



9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS. 1-800-925-0705

QUESTIONS OR COMMENTS?
Billing & Service: 281-252-6700

8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

Customer Name Account Number Location Number 02/11/2021 Date Mailed Date Due 02/27/2021 02/21/2021 Discount Date Kuykendahi Road Service Address Meter Serial # Email Address: YOUR GAS USAGE 15,760.4 02/02/2021 Current Read 15,364.7 12/30/2020 Prior Read 538.0 = (1.3596 Mtr Factor x Usage) Total calculated gas usage for the period **ACTIVITY FOR PREVIOUS BILLING PERIOD** Previous balance \$ 6,073.73 Less Total Payments(s) Received \$ -6,073.73 Posted on 1/19/2021 0.00

Balance Forward \$
BILLING DETAIL (Current Month)

Customer Charge (per meter) \$ 21.05

Base Charge (538.0 MCF x 5.53000) \$ 2,975.14

Cost of Gas This Period (538.0 MCF x 6.22000) \$ 3,346.36

Sales Tax (0.0825) for this Period \$

nt \$ 6.865.81

Current Total Billing without Discount \$
Balance Forward \$

\$ 0.00

523.26

GROSS AMOUNT DUE \$

\$ 6,865.81

Discount Amount Due \$

\$ 6,716.00

Page 6 of 19



Mail this portion with payment Account number:

Location number:

Service Address: Date payment is due in our office Runnymede Street

02/27/2021

Amount Due if paid by: Amount Due if pald after: 02/21/2021 02/21/2021

\$122.99 \$125.22

Auto Payment - Do Not Pay

Amount Paid:

Regular

Customer Name

Runnymede St

Conroe, TX ակնիկներինակցրբիություններիկների Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

-- TEAR HERE -----

Keep this portion of your bill for your records.

NATURAL GAS

Customer Name

Account Number Location Number

Date Mailed

Date Due Discount Date

Service Address

Meter Serial #

Email Address:

02/11/2021

02/27/2021

02/21/2021 Runnymede Street

Current Read

Prior Read

Please call 281-252-6700 to provide your email address for future notices.

YOUR GAS USAGE

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

www.txgas.net

Total calculated gas usage for the period

472.6 02/03/2021 462.7 01/04/2021

13.5 = (1.3596 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

1-800-925-0705

ACTIVITY FOR PREVIOUS BILLING PERIOD Previous balance \$

Less Total Payments(s) Received \$

0.00

12.00

-157.53 Posted on 1/19/2021

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700

8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

Base Charge (13.5 MCF x 2.42000) \$ 32.67

Balance Forward \$

Cost of Gas This Period (13.5 MCF x 5.96700) \$

80.55

Current Total Billing without Discount \$

Balance Forward \$

0.00

125.22

GROSS AMOUNT DUE \$

125 22

Discount Amount Due \$

122,99

Page 7 of 19



լքըյ<u>ին վերիկիկին արժանին արկանինի</u>ներին այդ

AGGOUNTSUMMARY, For January 2021 Billing:Period

Mail this portion with payment

Account number:

Location number:

Service Address:

FM 1488 Road

Date payment is due in our office

02/21/2021

02/27/2021

Amount Due if paid by: Amount Due If paid after:

02/21/2021

\$5,674,17 \$5,750.72

Regular

Amount Paid: **Customer Name**

* Your account is PAST DUE. Please make arrangements to pay your bill to avoid an interuption in service.

Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

---- TEAR HERE -----

Keep this portion of your bill for your records.

P O Box

San Antonio, TX

Customer Name

Account Number Location Number

Date Mailed

Date Due

Discount Date

Service Address

Meter Serial #

02/11/2021 02/27/2021

02/21/2021

FM 1488 Road

Email Address:

YOUR GAS USAGE

Current Read Prior Read 6,368.5

01/29/2021

5,910.8

12/29/2020

Total calculated gas usage for the period

622.3 = (1.3596 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

MAGNOLIA, TX 77354-1619

1-800-925-0705

9750 FM 1488 RD

www.txgas.net

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Herel Visit our website at www.txgas.net for more details.

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$ 5,623.80

Less Total Payments(s) Received \$ -5,549.95 Posted on 1/25/2021

Past Due Amount \$

73.85

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

1,505.97

Base Charge (622.3 MCF x 2.42000) \$ Cost of Gas This Period (622.3 MCF x 5.96700) \$

3,713.26

Sales Tax (0.0825) for this Period \$

432.64

Current Total Billing without Discount \$

5,676,87

Past Due Amount \$

73,85

GROSS AMOUNT DUE \$

Discount Amount Due \$

5,750.72

5,674.17



Mail this portion with payment Account number: Location number:

Jacks Barn Place

Date payment is due in our office Amount Due If paid by:

03/22/2021

Amount Due If paid after:

Service Address:

03/22/2021

\$248.78 \$253.09

Regular

Amount Pald: Customer Name



Make check payable to: Consumers Gas CONSUMERS GAS COMPANY 9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

Keep this portion of your bill for your records.

CONSUME

Customer Name Account Number Location Number Date Mailed

----- TEAR HERE -----

Date Due **Discount Date** Service Address

Meter Serial # Email Address:

03/12/2021 03/27/2021 03/22/2021

Jacks Barn Place

YOUR GAS USAGE

Current Read Prior Read 277.6 03/03/2021

Total calculated gas usage for the period

Balance Forward \$

20.6 = (1.0300 Mtr Factor x Usage)

02/03/2021

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$

228.15

0.00

Less Total Payments(s) Received \$

257.6

-228.15 Posted on 2/11/2021

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.** 1-800-925-0705

9750 FM 1488 RD

www.txgas.net

MAGNOLIA, TX 77354-1619

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

13.00 73.13

Base Charge (20.6 MCF x 3.55000) \$ Cost of Gas This Period (20.6 MCF x 8.10500) \$

166.96

Current Total Billing without Discount \$

Balance Forward \$

253.09 0.00

GROSS AMOUNT DUE \$

253.09

Discount Amount Due \$

248.78

Page 9 of 19



Mail this portion with payment Account number: Location number: Service Address: 03/27/2021 Date payment is due in our office \$281.32 03/22/2021 Amount Due if paid by: \$286.28 03/22/2021 Amount Due if paid after: \$ Amount Paid:

Regular

Customer Name

* Your account is PAST DUE. Please make arrangements to pay your bill to avoid an interuption in service.

Make check payable to: Consumers Gas **CONSUMERS GAS COMPANY** 9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----Keep this portion of your bill for your records.

CONSUMER

9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

South FM 1486

Montgomery, TX

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.** 1-800-925-0705

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY, Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

Customer Name Account Number Location Number 03/12/2021 Date Mailed 03/27/2021 Date Due 03/22/2021 Discount Date Service Address Meter Serial # Email Address:

YOUR GAS USAGE

Current Read Prior Read 1,010.4

992.1

03/01/2021 02/01/2021

Total calculated gas usage for the period

19.8 = (1.0815 Mtr Factor x Usage)

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$

Past Due Amount \$

407.83

Less Total Payments(s) Received \$

-400.05 Posted on 3/2/2021

7.78

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$ Base Charge (19.8 MCF x 4.00000) \$

20.00 79.20

Cost of Gas This Period (19.8 MCF x 8.10500) \$

160.48

Sales Tax (0.725) for this Period \$

18.82

Current Total Billing without Discount \$

278.50

Past Due Amount \$

7.78

GROSS AMOUNT DUE \$

286,28

Discount Amount Due \$

281.32

Page 10 of 19

Customer Bills

Mail this portion with payment

Account number:

Location number: Service Address:

Date payment is due in our office

Total Due

Iron Hill 03/27/2021

\$ 127.84

Regular

Amount Paid: **Customer Name**

Rustic Manor Dr

Brownsville, TX

A (SECOLO NESSUM MARY = 501 = ESTRUGRY 2014 = \$111 ng | 251 o to = = = =

Make check payable to: ENERTEX NB, LLC

ENERTEX NB, LLC

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

Keep this portion of your bill for your records.

----- TEAR HERE -----

CHERTEX

Customer Name Account Number Location Number Date Mailed

03/12/2021

Service Address Meter Serial# Email Address: Iron Hill

Date Due

03/27/2021

YOUR GAS USAGE

Current Read Prior Read 9.5

1.5

03/02/2021 02/02/2021

Total calculated gas usage for the period

8.2 = (1.0300 Mtr Factor x Usage)

9750 FM 1488 RD MAGNOLIA, TX 77354-1619 www.txgas.net

ACTIVITY FOR PREVIOUS BILLING PERIOD Previous balance

38.24

0.00

22.50

Less Total Payments(s) Received

-38.24 Posted 2/26/2021

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS. 1-800-925-0705

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY, Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

Balance Forward \$

38.95 Base Charge (8.2 MCF x 4.75000) \$

Cost of Gas This Period (8.2 MCF x 8.09600)

66.39 \$

Contract Principal

0.00

Contract Interest \$

0.00

Total Bill Due Balance Forward 127.84 0.00

TOTAL AMOUNT DUE \$

127.84

Page 11 of 19

CR 3470 N

Cleveland, TX

Mail this portion with payment

Account number:

Location number: Service Address:

Date payment is due in our office

Total Due

Road 3549

Customer Bills

03/27/2021

\$ 295.28

Regular

Amount Paid: Customer Name

Make check payable to: ENERTEX NB, LLC

ENERTEX NB, LLC

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

Keep this portion of your bill for your records.

րերիդիիկնանիիոնկությ<u>ի</u>նիիիիոսինդրի

----- TEAR HERE -----

Merce United Immerce for Enduring 2024 En ling flands **Customer Name** Account Number Road 3549 Service Address Location Number Meter Serial# 03/12/2021 Date Mailed Email Address: 03/27/2021 Date Due **E**質量開TEX YOUR GAS USAGE 145.3 **Current Read** 125.1 Prior Read 22.9 = (1.1330 Mtr Factor x Usage) Total calculated gas usage for the period 9750 FM 1488 RD ACTIVITY FOR PREVIOUS BILLING PERIOD MAGNOLIA, TX 77354-1619 Previous balance www.txgas.net Less Total Payments(s) Received

IN CASE OF EMERGENCY CALL

TOLL-FREE 24 HRS. 1-800-925-0705

QUESTIONS OR COMMENTS? Billing & Service: 281-252-6700

8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

242.64

-242.64 Posted 2/21/2021

03/03/2021

02/02/2021

0.00 Balance Forward \$

BILLING DETAIL (Current Month)

45.00 Customer Charge (per meter) \$ 42.37 Base Charge (22.9 MCF x 1.85000) \$

185.40 Cost of Gas This Period (22.9 MCF x 8.09600) \$ 0.00 \$

Contract Principal 0.00 Contract Interest \$

Sales Tax (0.0825) for this Period \$

22.51

Total Bill Due Balance Forward 295.28

0.00

TOTAL AMOUNT DUE \$

295.28

Page 12 of 19



<u>Որդկատիրի</u> իլեսկիցանահարհոկակա

Mail this portion with payment
Account number:
Location number:
Service Address:
Date payment is due in our office
Amount Due if paid by:
03/22/2021

Amount Due if paid after:
03/22/2021

\$710.76
\$721.89

Regular

Amount Paid: L'
Customer Name

 Your account is PAST DUE. Please make arrangements to pay your bill to avoid an interuption in service.

Make check payable to: Gas Energy, LLC.

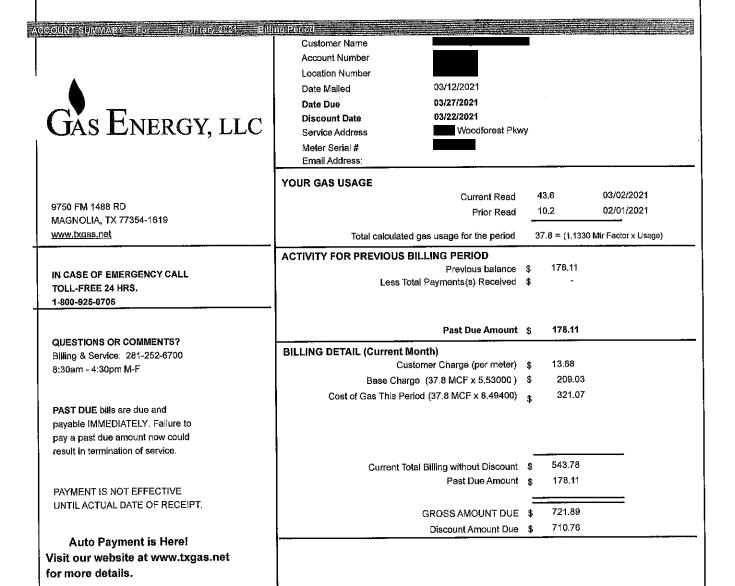
GAS ENERGY, LLC

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

Keep this portion of your bill for your records.

Westheimer Pkwy.



Page 13 of 19



Customer Bills

Mail this portion with payment

Account number:

Location number:

Service Address:

Date payment is due in our office

Amount Due

Windfair Loop

05/01/2021

\$111.16

Windfair Loop

 Make check payable to: Gas Energy, LLC.

GAS ENERGY, LLC 9750 FM 1488 RD MAGNOLIA, TX 77354-1619

---- TEAR HERE -----

Keep this portion of your bill for your records.

Customer Name Account Number Location Number 04/16/2021 Date Mailed 05/01/2021 Date Due Gas Energy, llc Service Address Windfair Loop Meter Serial # Email Address: YOUR GAS USAGE 66.5 03/30/2021 Current Read 9750 FM 1488 RD 62.4 03/02/2021 Prior Read MAGNOLIA, TX 77354-1619 5.6 = (1.3596 Mtr Factor x Usage) www.txgas.net Total calculated gas usage for the period **ACTIVITY FOR PREVIOUS BILLING PERIOD** \$ Previous balance IN CASE OF EMERGENCY CALL \$ Less Total Payments(s) Received TOLL-FREE 24 HRS. 1-800-925-0705 0.00 **Balance Forward** QUESTIONS OR COMMENTS? **BILLING DETAIL (Current Month)** Billing & Service: 281-252-6700 18.00 Customer Charge (per meter) \$ 8:30am - 4:30pm M-F 17.58 Base Charge (5.6 MCF x 3.14000) Cost of Gas This Period (5.6 MCF x 7.28900) 40.82 \$ 0.73 Rate Case Expense Rider (5.6 MCF x 0.13) PAST DUE bills are due and 33 04 payable IMMEDIATELY. Failure to Winter Storm Gas Cost Recovery Fee(5.6 MCF x 5.90) 0.99 pay a past due amount now could Pipeline Safety Fee PAYMENT IS NOT EFFECTIVE Balance Forward 0.00 UNTIL ACTUAL DATE OF RECEIPT. 111.16 AMOUNT DUE Auto Payment is Here! Visit our website at www.txgas.net for more details.

Page 14 of 19



Mail this portion with payment

Account number:

Location number:

Service Address:



Date payment is due in our office

03/22/2021

\$217.18

Amount Due if paid by: Amount Due if paid after:

03/22/2021 \$220.10

\$

Auto Payment - Do Not Pay

Amount Paid:

Regular

Customer Name



Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----Keep this portion of your bill for your records.

ACCOUNT SUMMARY For February 2021 Billing Period

Location Number

Date Mailed Date Due

Discount Date Service Address

Meter Serial # Email Address:

Customer Name Account Number

> 03/12/2021 03/27/2021 03/22/2021

> > Manor Drive

YOUR GAS USAGE

Current Read Prior Read 621.0 602.4

03/02/2021 02/01/2021

Total calculated gas usage for the period

19.2 = (1.0300 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

1-800-925-0705

9750 FM 1488 RD

www.txgas.net

MAGNOLIA, TX 77354-1619

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8;30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Herel Visit our website at www.txgas.net for more details.

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$ Less Total Payments(s) Received \$

Balance Forward \$

118.03

0.00

-118.03 Posted on 2/19/2021

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

12.00 46 46

Base Charge (19.2 MCF x 2.42000) \$ Cost of Gas This Period (19.2 MCF x 8.41900) \$

161.64

Current Total Billing without Discount \$

Balance Forward \$

220.10 0.00

GROSS AMOUNT DUE \$

220.10

Discount Amount Due \$

217.18

Page 15 of 19



Mail this portion with payment

Account number: Location number:

Service Address:

Date payment is due in our office

03/27/2021

Amount Due if paid by:

03/22/2021

\$865.35

Amount Due if paid after:

Regular

03/22/2021 \$875.43

\$ Amount Paid:

Customer Name

Magnolia, TX 77354-2757 <u>իդՈՈլի</u>ՈւկՈւոլըՆիկդույնպումըվը։[Ուինիգիվը Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS

9750 FM 1488 RD

MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

Keep this portion of your bill for your records.

NATURAL GAS

Customer Name Account Number

Location Number

Date Mailed

Date Due **Discount Date**

Service Address

Meter Serial #

Email Address:

YOUR GAS USAGE

Current Read Prior Read

Balance Forward \$

4,060.9

03/01/2021

3,993.4

01/30/2021

Total calculated gas usage for the period

73.0 = (1.0815 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS.

MAGNOLIA, TX 77354-1619

1-800-925-0705

9750 FM 1488 RD

www.txgas.net

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance \$ 744.97

Less Total Payments(s) Received \$

03/12/2021

03/27/2021

03/22/2021

0.00

176.66

-744.97 Posted on 2/25/2021

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$

25.00

Base Charge (73.0 MCF x 2.42000) \$ Cost of Gas This Period (73.0 MCF x 8.41900) \$

614.59

Sales Tax (0.725) for this Period \$

59.18

Current Total Billing without Discount \$

875.43

Balance Forward \$

0.00

GROSS AMOUNT DUE \$

875.43

Discount Amount Due \$

865.35

Page 16 of 19

Customer Bills



Mail this portion with payment

Account number: Location number:

Service Address:

Date payment is due in our office Amount Due



Spinnaker Run

05/01/2021 \$168.76

Regular

Amount Paid:

Customer Name

Spinnaker Run

Magnolia, TX

Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS 9750 FM 1488 RD MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

Keep this portion of your bill for your records.

1. 对允许价值等基本并统计的

UNIVERSAL NATURAL GAS Customer Name

Account Number
Location Number

Date Mailed

Date Due

04/16/2021

04/16/2021 05/01/2021

Service Address

Meter Serial# Email Address:

YOUR GAS USAGE

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

www.txgas.net

Current Read Prior Read

Spinnaker Run

190.4 03/31/2021 181.6 03/02/2021

Total calculated gas usage for the period

9.1 = (1.0300 Mtr Factor x Usage)

Total calculated gas usage for the period

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS. 1-800-925-0705 **ACTIVITY FOR PREVIOUS BILLING PERIOD**

Previous balance

\$

Less Total Payments(s) Received

\$

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details. Balance Forward \$ 0.00

BILLING DETAIL (Current Month)

Customer Charge (per meter)
Base Charge (9.1 MCF x 3.14000)

\$ 18.00 \$ 28.57

Cost of Gas This Period (9.1 MCF x 7.28900)

\$ 28.57 \$ 66.33

Rate Case Expense Rider (9.1 MCF x 0.13)

\$ 1.18

Winter Storm Gas Cost Recovery Fee(9.1 MCF x 5.90)
Pipeline Safety Fee

\$ 53.69 \$ 0.99

Balance Forward

\$ 0.00

AMOUNT DUE

168.76

Page 17 of 19

NIGAS UNIVERSAL NATURAL GAS

Mail this portion with payment

Account number: Location number: Service Address:

Date payment is due in our office **Amount Due**



FM 1488 Road

Customer Bills

05/01/2021 \$171.02

Auto Payment - Do Not Pay

Amount Paid:

\$

Regular

Customer Name

Odell

Magnolia, TX Blidlichthallhaadhaalaalladhlaadha Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS 9750 FM 1488 RD MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

and to be with the

Keep this portion of your bill for your records.

Billine Period **Customer Name**

Account Number **Location Number** Date Mailed

Date Due

04/16/2021

05/01/2021

Service Address

Meter Serial# Email Address: FM 1488 Road

YOUR GAS USAGE

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

www.txgas.net

216.9 **Current Read** 210.4 Prior Read

Total calculated gas usage for the period

7.0 = (1.0815 Mtr Factor x Usage)

03/29/2021

03/04/2021

IN CASE OF EMERGENCY CALL **TOLL-FREE 24 HRS.**

1-800-925-0705

ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance

Less Total Payments(s) Received

\$

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details.

Balance Forward 0.00

BILLING DETAIL (Current Month)

Customer Charge (per meter) \$ Base Charge (7.0 MCF x 2.91000)

Cost of Gas This Period (7.0 MCF x 7.28900)

20.37 \$ \$ 51.02

Rate Case Expense Rider (7.0 MCF x 0.13)

0.91 \$

45.00

Winter Storm Gas Cost Recovery Fee(7.0 MCF x 5.90) Pipeline Safety Fee

41.30 \$ 0.99 \$

Sales Tax (0.725) for this Period

11.43

Balance Forward

0.00

AMOUNT DUE

171.02

Page 18 of 19

UNIVERSAL NATURAL GAS

Mall this portion with payment

Account number: Location number:

Service Address:

Date payment is due in our office Amount Due



FM 1488 Road

Customer Bills

05/01/2021 \$16,806.25

Regular

Amount Paid: \$

Customer Name

PO Box San Antonio, TX

Make check payable to: Universal Natural Gas

UNIVERSAL NATURAL GAS 9750 FM 1488 RD MAGNOLIA, TX 77354-1619

----- TEAR HERE -----

医阿伯氏病 的复数第分指示器

Keep this portion of your bill for your records.

UNIGAS UNIVERSAL NATURAL GAS

AGGOUNT SUMMARY For Manch 2021 Billing Perlod Customer Name

Account Number

Location Number Date Mailed

Date Due

04/16/2021

05/01/2021

Service Address

Meter Serial#

FM 1488 Road

.....

Email Address: Please call 281-252-6700 to provide your email address for future r

YOUR GAS USAGE

9750 FM 1488 RD MAGNOLIA, TX 77354-1619

www.txgas.net

Current Read Prior Read 32,510.0 03/31/2021

31,808.0 03/02/2021

Total calculated gas usage for the period

954.4 = (1.3596 Mtr Factor x Usage)

IN CASE OF EMERGENCY CALL TOLL-FREE 24 HRS. 1-800-925-0705 ACTIVITY FOR PREVIOUS BILLING PERIOD

Previous balance

\$

Less Total Payments(s) Received

\$

Balance Forward \$

QUESTIONS OR COMMENTS?

Billing & Service: 281-252-6700 8:30am - 4:30pm M-F

PAST DUE bills are due and payable IMMEDIATELY. Failure to pay a past due amount now could result in termination of service.

PAYMENT IS NOT EFFECTIVE UNTIL ACTUAL DATE OF RECEIPT.

Auto Payment is Here! Visit our website at www.txgas.net for more details. BILLING DETAIL (Current Month)

Customer Charge (per meter)

\$ 45.00

0.00

Base Charge (954.4 MCF x 2.91000) Cost of Gas This Period (954.4 MCF x 7.28900) \$ 2,777.30

ost of Gas This Period (954.4 MCF x 7.28900)
Rate Case Expense Rider (954.4 MCF x 0.13)

\$ 6,956.62 \$ 124.07

Winter Storm Gas Cost Recovery Fee(954.4 MCF x 5.90)
Pipeline Safety Fee

\$ 5,630.96 \$ 0.99

Sales Tax (0.0825) for this Period

1,271.31

Balance Forward

\$ 0.00

AMOUNT DUE

\$ 16,806.25

Page 19 of 19

DIRECT TESTIMONY

OF

J. ROSS BUTTERMORE

ON BEHALF OF

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.

RAILROAD COMMISSION OF TEXAS – CASE NO. 00007153

JULY 30, 2021

TABLE OF CONTENTS

I. INTR	ODUCTION	T	1			
II. PURI	POSE OF TI	ESTIMONY	3			
III. REQ	UEST FOR	REGULATORY ASSET DETERMINATION AND RECOVERY	4			
IV. GAS	S SUPPLY		5			
V. FEBI	RUARY 202	1 GAS PROCUREMENT COSTS	7			
A. Extraordin		nary Costs Related to Winter Storm Uri	8			
1.	February 2	2021 Direct Gas Procurement Costs	9			
2.	Financing	and Other Similar Costs for February 2021 Gas Procurement Costs	10			
3.	February 2	2021 Costs Billed to and Recovered From Customers	10			
4.	-	2021 Gas Procurement Costs Using "Normalized Market Pricing" Def				
B.	Carrying (Costs	13			
C.	Estimated	Legal and Consulting Expenses Related to HB 1520 Securitization	14			
D.	Expected '	Tax Obligation Related to Securitization	16			
E.	Total Req	uested Regulatory Asset in This Proceeding	16			
VI. ACC	COUNTING	FOR EXTRAORDINARY GAS COSTS	17			
VII. BE	NEFITS OF	SECURITIZATION	19			
A.	Tangible a	and Quantifiable Benefits to Utility Customers	19			
B.	Affordabil	lity and Cost-Effectiveness	20			
C.	Public Interest					
VIII. MI	ISCELLANI	EOUS	23			
IX. SUN	MARY AN	ID CONCLUSION	24			
AFFIDA	AVIT					
		LIST OF TESTIMONY EXHIBITS				
Exhibit No.		Description				
Exhibit JRB-1		Commission Notice to Local Distribution Companies Relating to Extraordinary Gas Cost Regulatory Assets (February 13, 2021)				
Exhibit JRB-2		Commission Notice to Gas Utilities Relating to HB 1520 Securitization (June 17, 2021)				
Exhibit JRB-3		Commission Case No. 00006400: Approval Letter Modifying Rate Schedule COG (April 15, 2021)				

		DIRECT TESTIMONY OF J. ROSS BUTTERMORE
1		I. <u>INTRODUCTION</u>
2	Q.1	PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.
3	A.	My name is J. Ross Buttermore. I am the Chief Financial Officer ("CFO") for Texas Gas
4		Utility Services, Inc. ("TGUS"), which is located at 9750 FM 1488, Magnolia, Texas
5		77354.
6	Q.2	ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?
7	A.	I am testifying on behalf of Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc.
8		("UniGas").
9	Q.3	PLEASE BRIEFLY EXPLAIN UNIGAS AND ITS RELEVANT CURRENT AND
10		FORMER AFFILIATES.
11	A.	UniGas is a regulated natural gas distribution utility in the State of Texas, and it is affiliated
12		with TGUS. Both UniGas and TGUS are wholly-owned members of the Centric Gas
13		Services, LLC ("Centric") family of companies. TGUS is the centralized management and
14		operations company responsible for managing and operating Centric's regulated utility
15		companies, including UniGas. Formerly, TGUS also had responsibility for managing and
16		operating three other distribution utility companies with which it and UniGas were also
17		affiliated: Gas Energy, LLC ("Gas Energy"), EnerTex NB, LLC ("EnerTex"), and
18		Consumers Gas Company, LLC d/b/a Consumer Gas Company, Inc. ("Consumers").
19		Those three former sister companies were combined with and consolidated into UniGas in
20		April 2021 as described in their recently-completed consolidated gas utility rate case before
21		the Railroad Commission of Texas ("Commission") in Docket No. OS-20-00004865. That
22		consolidated rate case approved the consolidation of those utilities into UniGas as
23		consistent with the public interest. For simplicity, all references to UniGas throughout this
24		testimony will also include, where applicable, its three former sister distribution utilities
25		on a consolidated basis with UniGas, unless expressly stated otherwise or clearly intended
26		by context.
27		At all times relevant to this proceeding, UniGas received its gas supply and a
28		number of other services, detailed later, from Janix Energy Service, LLC ("JES"), an entity

in which Centric indirectly owns a minority, non-controlling interest. This gas supply

arrangement was reviewed in UniGas's recent rate case discussed above, and the

29

30

- 1 Commission found that associated test-year gas costs met the statutory affiliate transaction
- 2 standard.
- 3 Q.4 WHAT ARE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL
- 4 QUALIFICATIONS, AND PREVIOUS WORK EXPERIENCE?
- 5 A. I have worked in energy finance for over a decade. Following my graduation from
- 6 Southern Methodist University with a bachelor's degree in 2004, I worked at Legacy
- 7 Investments, Inc. for four years in a business development role, primarily evaluating
- 8 potential investments in energy assets. In 2011, I obtained a master's in business
- 9 administration from Southern Methodist University, with a concentration in finance. Upon
- graduation from business school, I worked as a senior financial analyst for Regency Energy
- Partners (now a part of Energy Transfer Partners) and subsequently for JP Energy Partners.
- In each role, I provided financial analyses, prepared financial reports, and supported
- various debt and equity issuances in the public markets. In 2013, I became the finance
- manager at JP Energy Partners, where I oversaw the strategic and corporate finance
- requirements for midstream assets in Texas. I joined TGUS in 2017 as Vice President of
- Finance, and I was promoted to CFO in 2020.
- 17 Q.5 WHAT ARE YOUR RESPONSIBILITIES AS CFO FOR TGUS?
- 18 A. As CFO for TGUS, I am responsible for the accounting and financial reporting of Centric,
- 19 its operating companies and regulated gas utility businesses, including financial
- accounting, regulatory accounting and reporting, property accounting, and gas cost
- accounting for these businesses. As such, I am responsible for ensuring that TGUS has
- adequate staff, processes and systems in place to meet its financial and regulatory
- 23 accounting and reporting requirements. In conjunction with the Chief Executive Officer,
- I also oversee corporate finance functions and manage relationships with banking and other
- 25 financial institutions to help ensure the TGUS operating companies, including UniGas,
- have sufficient access to capital to fund their operations and continued growth. I also help
- 27 manage UniGas's relationship with JES.
- 28 Q.6 HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?
- 29 A. Yes, I have previously presented testimony in Commission Docket Nos. OS-20-00004865
- and OS-20-00004866.

1 **Q**.7 WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT 2 SUPERVISION AND CONTROL? 3 A. Yes, this testimony was prepared by me or under my direct supervision and control. The 4 facts stated herein are true and correct to the best of my knowledge, and the opinions stated 5 herein are true and correct to the best of my knowledge and belief. 6 II. PURPOSE OF TESTIMONY 7 Q.8 WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS PROCEEDING? 8 A. The purpose of my direct testimony is to: 9 Support UniGas's request for a regulatory asset determination under the provisions of 10 House Bill 1520 ("HB 1520"), which passed during the recently-concluded 87th 11 Regular Session of the Texas Legislature and signed into law by Governor Greg Abbott 12 in June 2021; 13 Provide an overview of how UniGas's gas supply structure works; Describe and support the Extraordinary Costs (defined below) incurred by UniGas in 14 15 connection with the uninterrupted gas service it provided during the Winter Storm Uri 16 event in February 2021; 17 Describe and support UniGas's carrying costs, expected tax obligations, estimated legal 18 and consulting expenses, and other related costs associated with the aforementioned 19 extraordinary gas costs related to the Winter Storm Uri event; 20 Provide the recent history and underlying details comprising UniGas's purchased gas 21 costs incurred during February 2021, including: the Commission's approval of a rate 22 schedule relating to these costs in its recent rate case; the billings to and recovery from 23 customers of small portions of UniGas's extraordinary gas costs connected to the Winter Storm Uri event; and UniGas's billings to and recovery from customers of its 24 ordinary purchased gas costs during February 2021; 25 26 Recommend the regulatory asset recovery amount that the Commission should approve 27 for UniGas in this proceeding relating to its Extraordinary Costs; 28 Provide an overview of the accounting related to these Extraordinary Costs; and 29 Support a Commission determination that customer rate relief bonds would be in the 30 public interest as the most affordable and cost-effective method of providing recovery

- of UniGas's regulatory asset, including the tangible and quantifiable benefits that
- would accrue to UniGas customers compared to other reasonable ratemaking methods.
- 3 Q.9 PLEASE DESCRIBE THE APPLICATION MATERIALS THAT YOU SPONSOR.
- 4 A. I sponsor all of the schedules included as Attachment A to UniGas's application in this proceeding.

6 III. REQUEST FOR REGULATORY ASSET DETERMINATION AND RECOVERY

- 7 Q.10 WHY HAS UNIGAS FILED THIS REQUEST FOR A REGULATORY ASSET DETERMINATION AND SUBSEQUENT RECOVERY?
- 9 HB 1520 establishes a process, subject to the Commission's jurisdiction, through which A. 10 gas utilities that incurred extraordinary costs to secure gas supply and provide service 11 during Winter Storm Uri in February 2021 ("Extraordinary Costs") may seek to establish a regulatory asset that may be reimbursed through issuance of customer rate relief bonds 12 13 that are securitized through future trade receivables ("Relief Bonds"). If issued, these 14 Relief Bonds would facilitate UniGas's timely recovery of those Extraordinary Costs in a 15 manner that is more financially feasible for its customers. UniGas desires to participate in 16 the Relief Bond process because it strongly believes this is the most effective way to recover these Extraordinary Costs in a manner that benefits customers and maintains the 17 18 financial stability of gas utilities. Additionally, in its recent rate case, the Commission 19 ordered UniGas to participate in this securitization program if it became law, based on 20 UniGas's expressed intent to participate. Therefore, UniGas is filing this application with 21 the Commission for a regulatory asset determination and associated securitization recovery 22 under Section 104.365 of the Texas Utilities Code.
- Q.11 GENERALLY SPEAKING, WHY DID UNIGAS BOOK EXTRAORDINARY GAS
 COSTS AS A REGULATORY ASSET IN THE WAKE OF WINTER STORM URI?
- A. In response to Governor Abbott's natural disaster declaration due to Winter Storm Uri, the
 Commission issued a Notice to Local Distribution Companies on February 13, 2021,
 authorizing each natural gas distribution utility to record, in a regulatory asset account, the
 extraordinary expenses associated with the Winter Storm Uri event, including but not
 limited to gas cost and other costs related to the procurement and transportation of gas
 supply ("Regulatory Asset NTO"). The Regulatory Asset NTO is attached hereto as
 Exhibit JRB-1.

1 2 i 3 r

Relatedly, the Commission issued an emergency order on February 12, 2021, which it extended on February 17, 2021, that amended and clarified the general curtailment program for gas utilities to ensure that deliveries of gas by natural gas utilities to residences, hospitals, schools, churches, and other human needs customers—and deliveries to local distribution companies which serve human needs customers—had the highest priority.

A.

UniGas is clearly a Commission-regulated gas distribution utility, and over 98% of its customers are residential customers within this highest curtailment priority classification. UniGas safely provided continuous, uninterrupted service to all of its residential customers during the Winter Storm Uri event. During this event, it also experienced record gas demand from these customers. As a result of the State-wide limits on natural gas supply and record demand during this period, extraordinary measures became necessary to secure and deliver natural gas. Those extraordinary measures necessitated Extraordinary Costs. UniGas booked a regulatory asset to cover those Extraordinary Costs, consistent with the Commission's directives.

IV. GAS SUPPLY

Q.12 PLEASE PROVIDE AN OVERVIEW OF HOW UNIGAS OBTAINS ITS GAS SUPPLY.

- As more fully set forth in the testimony filed by UniGas in its recent rate case in Commission Docket OS-20-00004865, JES procures and supplies all of UniGas's system requirements on a firm basis through a pricing structure that has been in place for many years. Generally, UniGas nominates anticipated daily baseload volumes for the upcoming calendar month a few days before the month begins, and JES then obtains any additional incremental volumes required by UniGas during that month on the spot market. JES is responsible for arranging transportation and delivery of the gas volumes to the various UniGas city gate locations. JES provides many additional services, including but not limited to:
 - managing the gas requirements of UniGas's system, including load profile, gas
 measurement practices and volume review, and balancing of natural gas;
 - managing daily natural gas nominations, purchases and deliveries to eliminate imbalance penalties;
 - auditing the purchase and sales meters of companies upstream of the delivery points;

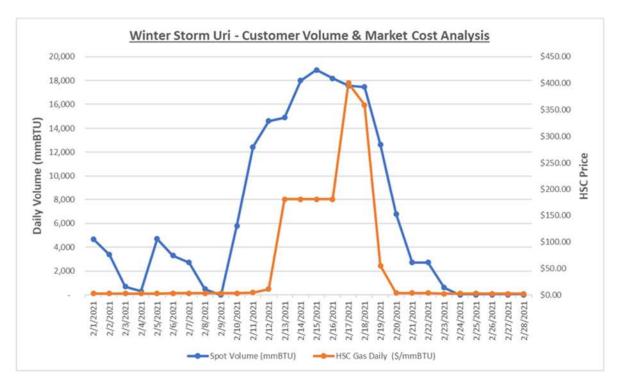
vetting and approving the measurement, authenticity, allocation and assignment of
 gas costs; and

3

4

- providing timely information to assist UniGas in calculating its gas cost adjustment and system lost and unaccounted for volumes.
- The relevant gas supply agreements between JES and UniGas are included in Appendix B to the Application Schedules.
- 7 Q.13 PLEASE DISCUSS THE GAS SUPPLY PRICING THAT WAS APPLICABLE TO UNIGAS DURING THE FIRST THREE CALENDAR MONTHS OF 2021.
- 9 A. Consistent with the governing gas supply agreements and longstanding UniGas practices, 10 JES procures UniGas's aggregate anticipated daily baseload volumes that are nominated 11 prior to the calendar month commencement based on the per MMBtu price listed as 12 "Market Center Spot-Gas Prices" for the East Texas/Houston Ship Channel Index, as 13 reported in the first publication each month of Platts Inside FERC Gas Market Report 14 ("FOM HSC"). To account for potential weather swings and to mitigate potential 15 imbalance penalties, JES typically nominates a large portion of the anticipated daily 16 volumes for the applicable month at FOM HSC. For any additional incremental daily 17 volumes procured during the calendar month, those volumes are based on the spot market MMBtu price listed under the Midpoint column of the Daily Price Survey for "East 18 Houston-Katy-Houston Ship Channel", as published in *Platts Gas Daily* for the applicable 19 20 day ("Spot HSC"). JES also passes through the transportation costs incurred to deliver the 21 gas to UniGas's city gate delivery points, and it receives a unit-based fee per MMBtu for 22 the gas it supplies. The Commission approved an updated fee for UniGas to pay to JES as 23 reasonable and necessary in UniGas's recent rate case.
- Q.14 PLEASE DISCUSS THE GAS SUPPLY ISSUES UNIGAS EXPERIENCED DURING
 WINTER STORM URI IN FEBRUARY 2021.
- A. Maintaining an uninterrupted gas supply was critical to the well-being of UniGas's customers during this unprecedented extreme cold weather event. Because many customers experienced power outages during this event, natural gas became the sole means for many families and individuals to warm their homes and cook their food. This caused a drastic increase in the demand for natural gas throughout Texas. Additionally, several major gas pipelines and upstream suppliers in Texas experienced operational interruptions

that exacerbated an already-constrained gas supply situation due to unprecedented demand. The confluence of these issues led to dramatically higher natural gas prices throughout the Winter Storm Uri event. To ensure safe and reliable natural gas service to customers throughout this extreme weather event, all Texas gas utilities, including UniGas, were required to continue purchasing gas on the spot market in unprecedented volumes at unprecedented prices, as illustrated in the table below:



UniGas provided continuous and uninterrupted service to its residential customers during this period, consistent with its basic obligations as a utility and the Commission's directives to prioritize human needs customers.

V. FEBRUARY 2021 GAS PROCUREMENT COSTS

13 Q.15

A.

Q.15 PLEASE DESCRIBE THE TOTAL PURCHASED GAS COSTS THAT UNIGAS INCURRED RELATED TO GAS SERVICE IN FEBRUARY 2021.

Consistent with the definition for Extraordinary Costs for gas procurement during February 2021 that are subject to the regulatory asset determination in this proceeding as discussed in the Commission's Notice to Gas Utilities dated June 2021 relating to HB 1520 ("HB 1520 NGU"), a copy of which is attached hereto as Exhibit JRB-2, UniGas incurred total gas procurement costs for service in February 2021 in the amount of \$31,404,057 as shown

Direct Testimony of J. Ross Buttermore Page 8 of 24

on Application Schedule B-1 and supported through the documentation included in Appendix A. This amount excludes any associated carrying costs, expected tax obligations, financing and other related costs that were necessary to secure and pay for natural gas volumes, as well as legal and consulting expenses relating to such gas procurement and this proceeding—those related costs are discussed below. This approximately \$31.4 million amount also excludes any items that are outside the scope of this regulatory asset determination proceeding under the Commission's HB 1520 NGU (*e.g.*, overtime, equipment charges, and similar non-fuel related expenses), which may be preserved in a separate regulatory asset that will be reviewed for reasonableness in a subsequent rate proceeding.

A. Extraordinary Costs Related to Winter Storm Uri

1

2

3

4

5

6

7

8

9

10

11

- Q.16 WHAT PRINCIPAL EXTRAORDINARY COSTS ARE BEING REQUESTED BY
 UNIGAS FOR INCLUSION IN THE REGULATORY ASSET DETERMINATION IN
 THIS PROCEEDING AND SUBSEQUENT RECOVERY THROUGH THE
 SECURITIZATION MECHANISMS IN HB 1520?
- 16 A. In this proceeding, UniGas only seeks a regulatory asset determination, and subsequent 17 recovery through customer rate relief bonds, for its reasonable and necessary costs related 18 to procurement of gas supply for service during Winter Storm Uri, including carrying costs 19 associated with those Extraordinary Costs, consistent with the definition of "extraordinary 20 costs" in Section 104.363 of the Texas Utilities Code and the Commission's HB 1520 21 NGU. Excluding carrying costs, expected tax obligations, and estimated legal and 22 consulting expenses, which I discuss below, and subtracting the Extraordinary Costs that 23 have been billed to and recovered from customers, the outstanding principal balance of 24 Extraordinary Costs to be recovered in this proceeding totals \$28,588,141 as shown in 25 Application Schedule B. Below I discuss the cost categories that comprise this principal 26 amount. Then, I discuss the applicable carrying costs should be applied to this principal 27 amount of Extraordinary Costs from the time the costs were incurred until UniGas recovers 28 these costs, as well as the estimated legal and consulting expenses and expected tax 29 obligations that may arise due to securitization of these costs.

1. February 2021 Direct Gas Procurement Costs

- Q.17 PLEASE DESCRIBE THE DIRECT GAS PROCUREMENT COSTS UNIGAS
 INCURRED FOR GAS VOLUMES DURING FEBRUARY 2021.
- 4 A. As previously mentioned, JES procures and supplies gas for UniGas, among other services.
- 5 UniGas incurred approximately \$31.4 million in gas procurement costs for February 2021
- 6 service, which was comprised of UniGas purchasing 268,481 Mcf and selling 271,266 Mcf
- 7 during February 2021.

1

8

9

10

11

12

13

The relevant journal entries from UniGas's general ledger are included in Appendix A to the Application Schedules. The relevant invoices, meter statements, and proofs of payment supporting these amounts are also included in Appendix A to the Application Schedules. Schedule B-1 of the Application details the gas costs, transportation/other non-indexed adder costs, and applicable volumes for UniGas and its three former sister companies for February 2021.

- Q.18 PLEASE DISCUSS THE REASONABLENESS, NECESSITY, AND PRUDENCE OF
 UNIGAS'S GAS PROCUREMENT COSTS DURING FEBRUARY 2021.
- UniGas applied the same gas supply processes and principles, with the same gas supply 16 A. 17 pricing structure under its governing contracts, during February 2021 that has enabled it to provide reliable, cost-effective natural gas service to its customers over many years. In 18 19 late January 2021, JES on behalf of UniGas nominated gas volumes based on FOM HSC 20 pricing. As it became clearer towards the middle of February that colder weather would 21 be present, JES on behalf of UniGas nominated and procured additional volumes of natural 22 gas on the spot market at Spot HSC pricing to ensure continuous and reliable natural gas 23 supplies to its customers, in accordance with the Commission's Regulatory Asset NTO and 24 its curtailment priority orders. JES provided reasonable and necessary gas supply services 25 in accordance with its agreements with UniGas at prices no higher than those charged by 26 JES to other parties subject to the same contractual terms. These actions, like those of 27 many other gas utilities, required exposure to the extraordinary spot market prices that 28 resulted from a sustained period of low gas supply coupled with extraordinary gas demand. As discussed above, however, the human needs of UniGas customers remained of 29 30 paramount importance throughout Winter Storm Uri, and as a result UniGas delivered 31 continuous and uninterrupted residential gas service during that time. Its actions and the

Direct Testimony of J. Ross Buttermore Page 10 of 24

1	resulting costs were reasonable, prudent and necessary to provide reliable gas service
2	during this unprecedented event.

Financing and Other Similar Costs for February 2021 Gas Procurement Costs

- Q.19 PLEASE DESCRIBE THE FINANCING AND OTHER SIMILAR COSTS UNIGAS
 INCURRED TO SECURE AND PAY FOR NATURAL GAS VOLUMES FOR
 FEBRUARY 2021.
- A. UniGas did not incur special financing or other similar costs specifically relating to the extraordinary gas costs experienced in February 2021. (See Application Schedule A-1 showing \$0 for special financing costs.) As discussed below with respect to carrying costs, UniGas financed these Extraordinary Costs through a combination of equity and debt similar in nature to its other business operations. Therefore, UniGas is seeking recovery of its carrying costs as set forth below and is not requesting the recovery of any specific financing instrument or other similar costs associated with a specialized financing.

3. February 2021 Costs Billed to and Recovered From Customers

Q.20 PLEASE DESCRIBE THE RELEVANT REGULATORY HISTORY OF UNIGAS'S
 GAS COSTS ARISING FROM WINTER STORM URI.

15

Winter Storm Uri occurred after UniGas and Commission Staff agreed in January 2021 to 18 A. 19 a settlement in principle of its then-pending rate case before the Commission in Docket 20 No. OS-20-00004865. In the course of Commission approval of that settlement, UniGas 21 negotiated further with Commission Staff and ultimately received an updated Rate 22 Schedule Cost of Gas ("COG") that provided for recovery of its February 2021 cost of gas 23 in separate installment charges over an 18-month period. UniGas's updated Rate Schedule 24 COG required that a "February 2021 Winter Event Installment Charge" be recovered on 25 its "February 2021 Winter Event Regulatory Asset" through a volumetric charge based on 26 total monthly gas volumes. (The Commission also allowed a separate regulatory asset to 27 be booked, but not yet charged to customers, associated with some of UniGas's carrying 28 costs for the February 2021 gas costs.) The Commission also required, however, that UniGas participate in any securitization program for these costs if such legislation was 29 30 ultimately enacted into law. HB 1520 provides this mechanism.

- 1 Q.21 WHAT AMOUNT OF ITS FEBRUARY 2021 GAS PROCUREMENT COSTS DID
 2 UNIGAS INCLUDE IN CUSTOMER BILLS RENDERED IN MARCH 2021?
- 3 A. UniGas rendered March 2021 bills for February 2021 usage that charged \$2,286,632
- 4 million in gas costs to customers, a small portion of its overall February 2021 gas costs, as
- 5 shown in Schedule B-2 of the Application.
- 6 Q.22 WHAT ACTIONS DID UNIGAS TAKE TO BEGIN RECOVERING ITS FEBRUARY
- 7 2021 COST OF GAS FOLLOWING COMMISSION APPROVAL OF ITS UPDATED
- 8 RATE SCHEDULE COG?
- 9 A. UniGas rendered April 2021 bills for March 2021 usage that included its updated rates
- from the approved rate case schedules, including the February 2021 Winter Event
- Installment Charge defined in its updated Rate Schedule COG. For these bills, the
- February 2021 Winter Event Regulatory Asset amount that UniGas sought to recover
- through that billing cycle was \$1,649,206, divided by total monthly volumes of 83,468
- Mcf, equating to a \$19.76 per Mcf February 2021 Winter Event Installment Charge to each
- UniGas customer for that month.
- 16 Customers, however, reacted swiftly and overwhelmingly opposed this charge due
- to its financial burden. To address its customers' concerns, UniGas sought and received
- 18 Commission authorization, in Case No. 00006400, to revise and reduce the February 2021
- Winter Event Installment Charge for that month from \$19.76/Mcf to \$5.90/Mcf, and to
- defer additional recovery of any other aspects of its February 2021 Winter Event
- 21 Regulatory Asset until further clarification on HB 1520 became available. The
- Commission's approval of these requests on April 15, 2021, is included as Exhibit JRB-3
- attached hereto. UniGas then credited the accounts of any customers who had already paid
- 24 the higher \$19.76/Mcf February 2021 Winter Event Installment Charge for the difference
- between the higher amount they paid and the \$5.90/Mcf that UniGas ultimately charged
- \$19.76 \$5.90 = \$13.86/Mcf credit). The total amount of February 2021 Winter Event
- 27 Installment Charges ultimately charged to customers in April 2021 billing—\$529,284— is
- shown in Schedule B-2.
- Based on the strong pushback from our customers regarding the February 2021
- Winter Event Installment Charge, the continued legislative progress of HB 1520, and the

- 1 Commission's swift actions, UniGas elected to exclude the February 2021 Winter Event
 2 Installment Charge from all customer bills rendered in May 2021 or thereafter.
- 3 Q.23 OF THE APPROXIMATELY \$31.4 MILLION IN FEBRUARY 2021 GAS
- 4 PROCUREMENT COSTS INCURRED BY UNIGAS, HOW MUCH HAS IT ALREADY
- 5 BILLED TO AND RECOVERED FROM CUSTOMERS?
- 6 A. Through June 30, 2021, UniGas has billed to customers approximately \$2,815,916 of these
- 7 extraordinary gas costs as shown on Application Schedule B-2—\$2,286,632 from
- 8 customers through March cost of gas billing, and \$529,284 through April billing of the first
- 9 and only February 2021 Winter Event Installment Charge.
- 4. February 2021 Gas Procurement Costs Using "Normalized Market
 Pricing" Definition in HB 1520
- 12 Q.24 PLEASE DISCUSS THE "NORMALIZED MARKET PRICING" APPLICABLE TO THE FEBRUARY 2021 GAS COSTS, AS DEFINED IN HB 1520.
- 14 A. HB 1520 defines "Normalized Market Pricing" as "the average monthly pricing at the
- 15 Henry Hub for the three months immediately preceding the month during which
- extraordinary costs were incurred, plus contractual adders to the index price and other non-
- indexed gas procurement costs." The average monthly pricing at the Henry Hub for the
- months of three months preceding the February 2021 Winter Storm Uri event—November
- 19 2020, December 2020, and January 2021—was \$2.7933 per MMBtu, or \$2.7223 per Mcf,
- as shown in Application Schedule B-3.
- When including contractual adders and the transportation pass-through charges (a
- 22 non-indexed gas procurement cost), UniGas's "normalized market pricing" for February
- 23 2021 gas costs would have been \$1,497,259 as shown on Schedule B of the Application.
- 24 Q.25 PLEASE COMPARE THE TOTAL AMOUNT OF UNIGAS'S GAS PROCUREMENT
- 25 COSTS FOR FEBRUARY 2021 THAT HAVE BEEN RECOVERED FROM
- 26 CUSTOMERS WITH UNIGAS'S TOTAL AMOUNT OF GAS PROCUREMENT
- 27 COSTS UNDER THE NORMALIZED MARKET PRICING DEFINITION IN HB 1520.
- 28 A. UniGas's gas procurement costs for that month under the "normalized market pricing"
- formula would have been less than the amounts UniGas has actually billed to and recovered
- from customers for its February 2021 gas procurement costs. Therefore, under the
- Commission's HB 1520 NGU issued in June 2021, the appropriate principal amount of

- extraordinary gas procurement costs to use in this proceeding is \$28,588,141, as shown on Schedule B of the Application.
- 3 **B.** <u>Carrying Costs</u>

11

12

13

14

15

16

17

18

19

20

21

- Q.26 PLEASE DESCRIBE THE CARRYING COSTS OF UNIGAS RELATED TO THE
 EXTRAORDINARY PURCHASED GAS COSTS ASSOCIATED WITH WINTER
 STORM URI.
- A. UniGas's recently completed its rate case in Docket No. OS-20-00004865. On April 13, 2021, the Commission issued a final order that approved the following capital structure, cost of equity, cost of debt, and weighted average cost of capital for UniGas:

	Capital Structure	Debt/Equity Cost	Weighted Cost of
			Capital
Long-Term Debt	37.24%	5.31%	1.98%
Common Equity	62.76%	9.50%	5.96%
Rate of Return	100.00%		7.94%

Consistent with the Commission's order in that case, UniGas incurred and seeks recovery of carrying costs on its principal "Extraordinary Costs" related to Winter Storm Uri at its authorized weighted average cost of capital ("WACC") of 7.94%. These carrying costs have been applied beginning in the calendar month following the date on which those costs were actually paid to the relevant service provider. The majority of UniGas's approximately \$31.4 million in gas costs during February 2021—\$18,228,691.02—were incurred and paid in February 2021. The remainder—\$13,175,366.16—were incurred in February 2021 and, by working with our banks and JES due to the extraordinary circumstances caused by Winter Storm Uri, paid in early July 2021. Therefore, after netting the amounts recovered from customers, carrying costs have been applied to unrecovered amounts following the relevant payment. These carrying cost calculations are presented in Schedules B-4 and B-4-1 of the Application.

- 22 Q.27 WHY IS UNIGAS REQUESTING CARRYING COSTS BASED ON ITS WACC?
- A. UniGas's Extraordinary Costs for February 2021 gas costs have been funded through a combination of equity and debt financing in a manner similar to how it funds its normal operations in the ordinary course of business. In other words, UniGas did not obtain any special financing targeted at these Extraordinary Costs.

Direct Testimony of J. Ross Buttermore Page 14 of 24

1		As a relatively small, privately-held utility company, UniGas (both directly and
2		through Centric) does not have access to the public debt and equity markets. Moreover,
3		UniGas's regulatory capital structure approved in April 2021 in its recent rate case aligns
4		with its actual and target capital structure ratios, which helps ensure that it has access to
5		debt and equity capital and adequate liquidity in adverse financial market environments.
6		Additionally, UniGas's bank loans have restrictive covenants and minimum financial ratios
7		that must be maintained in order to remain in compliance with bank requirements, which
8		our actual capital structure ratio achieves. UniGas also has access to a revolving line of
9		credit that is used to fund construction projects and seasonal working capital needs.
10		Although this revolving line of credit is available for five years, on at least an annual basis
11		it must be either paid down or converted to a term loan. Centric is also continuously
12		monitoring its credit metrics, including capital structure, and adjusts as necessary,
13		including equity calls from investors when appropriate to maintain our target capital
14		structure ratio.
15	Q.28	WHAT AMOUNT OF CARRYING COSTS IS UNIGAS REQUESTING IN THIS

- 15 Q.28 WHAT AMOUNT OF CARRYING COSTS IS UNIGAS REQUESTING IN THIS PROCEEDING?
- 17 A. Using a targeted reimbursement date from securitization proceeds of August 31, 2022,
 18 UniGas's WACC-based carrying costs on its principal regulatory asset of \$28,588,141
 19 would equate to \$3,097,853. Based on that expected reimbursement date, this is the
 20 carrying cost amount that UniGas requests to recover in this proceeding. UniGas presents
 21 the carrying cost calculations for this reimbursement timeline in Schedules B-4 and B-4-1
 22 of the Application.
- 23 C. <u>Estimated Legal and Consulting Expenses Related to HB 1520 Securitization</u>
- 24 Q.29 PLEASE DESCRIBE THE LEGAL AND CONSULTING EXPENSES UNIGAS
- 25 ESTIMATES IT WILL INCUR OR HAS ALREADY INCURRED RESULTING FROM
- 26 ITS ELECTION TO PARTICIPATE IN A SECURITIZATION PURSUANT TO HB 1520
- 27 AND ITS RELATED GAS PROCUREMENT EFFORTS RELATED TO WINTER
- 28 STORM URI.
- 29 A. Consistent with the HB 1520 NGU issued by the Commission, UniGas currently estimates
- legal expenses of approximately \$105,339 relating to this proceeding, with approximately
- 31 \$30,339 costs already incurred and invoiced for June 2021 legal work and an additional

1 \$75,000 in estimated legal fees for July 2021 legal work plus the remainder of this 2 proceeding. This estimate does not include any appeal of the Commission's regulatory 3 asset or financing order determinations that might occur, which would result in increased 4 legal fees. Additionally, UniGas incurred approximately \$18,000 in unrecovered legal fees related to Winter Storm Uri gas procurement issues during February and March 2021. 5 Legal invoices for these two months have been redacted for irrelevant entries, with relevant 6 7 time entries remaining; where applicable, good faith divisions of time entries were applied 8 for entries containing multiple topics. The June invoice contains redactions for privilege-9 related purposes. UniGas also estimates consulting expenses of approximately \$15,000 10 relating to this proceeding from its consultant, GDS Associates. Therefore, UniGas 11 requests that \$138,339 in actual and estimated legal and consulting expenses be included in its total regulatory asset in this proceeding. The calculation for this amount is shown in 12 13 Schedule A-1 of the Application. The supporting invoices upon which these costs are based and future costs estimated are contained in Appendix D of the Application 14 Schedules. 15

- 16 Q.30 PLEASE DESCRIBE WHY UNIGAS EXPECTS TO INCUR THESE LEVELS OF LEGAL AND CONSULTING EXPENSES.
- 18 A. UniGas closely works with its outside legal and consulting professionals to ensure the time 19 spent and rates charged by these professionals result in invoice amounts that fairly 20 represent the work performed and benefits provided by these professionals. The legal fees 21 incurred are based of invoices already received during February and March 2021 for legal 22 work related to Winter Storm Uri, and the estimate for the remaining legal fees represents 23 a moderate amount of attorney time spent in advising and processing this proceeding before 24 the Commission. The estimated consulting fees likewise represent a moderate amount of 25 time spent by experienced and qualified rate consultants in assisting with the preparation 26 of this Application and supporting materials, plus reasonably anticipated assistance during 27 the course of this proceeding. Of course, these estimates could prove low depending on 28 the level of activity in this docket and the related financing order determination, and any 29 potential appeals of either.

D. <u>Expected Tax Obligation Related to Securitization</u>

1

- Q.31 WHAT TAX OBLIGATION WOULD UNIGAS EXPECT TO INCUR IF
 SECURITIZATION FINANCING FOR ITS REQUESTED REGULATORY ASSET IS
 AUTHORIZED?
- 5 A. If its requested regulatory asset is granted and securitized under a Commission-approved 6 financing order, UniGas expects that it would have some federal income tax obligations 7 associated with the equity return portion of its requested carrying costs. (While UniGas also expects it may incur some Texas state franchise taxes for the same reasons, it has not 8 9 included that estimated amount in its request in this proceeding.) While the exact amount 10 is unknown at this time because the exact date of reimbursement has not yet been 11 determined, UniGas estimates federal income tax obligations of \$618,384 if its regulatory 12 asset costs are reimbursed on August 31, 2022. This estimate applies a tax factor based on 13 the current 21% federal corporate income tax to the estimated equity return component of 14 UniGas's requested carrying costs. This calculation and the resulting amount are shown 15 on Schedule B-5 of the Application.

16 E. <u>Total Requested Regulatory Asset in This Proceeding</u>

- Q.32 WHAT IS THE TOTAL REGULATORY ASSET FOR WINTER STORM URI
 EXTRAORDINARY COSTS THAT UNIGAS IS SEEKING A DETERMINATION
 FOR, AND SUBSEQUENT SECURITIZATION THROUGH CUSTOMER RATE
 RELIEF BONDS, IN THIS PROCEEDING?
- A. The components comprising this total requested regulatory asset amount are shown in Schedule A of UniGas's Application and are re-produced below:

Component	Amount
Principal Unrecovered Extraordinary Gas	\$28,588,141
Procurement Costs for February 2021	
Carrying Costs (assuming 8/31/22	\$3,097,853
recovery)	
Estimated Legal and Consulting Expenses	\$138,339
Expected Tax Obligation (assuming	\$618,384
8/31/22 recovery)	
TOTAL	\$32,442,717

1		While the number of variables applicable to a potential securitization makes it
2		impossible to project exactly when UniGas might receive securitization proceeds, based on
3		a projected Relief Bonds proceeds receipt date of August 31, 2022, UniGas requests a
4		regulatory asset determination in this proceeding in the total amount of \$32,442,717.
5		VI. ACCOUNTING FOR EXTRAORDINARY GAS COSTS
6	Q.33	IN PORTIONS OF YOUR TESTIMONY, YOU REFER TO VARIOUS "FERC
7		ACCOUNTS" AND THE "UNIFORM SYSTEM OF ACCOUNTS." PLEASE EXPLAIN
8		THESE TERMS.
9	A.	The Uniform System of Accounts ("USOA") for natural gas companies is prescribed by
10		the Federal Energy Regulatory Commission ("FERC"). FERC prescribes accounting
11		classifications and guidance by which public utilities achieve uniform accounting records
12		for use in financial reporting, ratemaking, and other regulatory filings. Commission Rule
13		§7.310 generally requires that a gas utility keep its books in accordance with the FERC
14		USOA.
15	Q.34	HAS UNIGAS MAINTAINED ITS BOOKS AND ACCOUNTING RECORDS
16		RELATED TO THE REGULATORY ASSET SOUGHT HEREIN IN ACCORDANCE
17		WITH THE FERC USOA?
18	A.	Yes, UniGas has kept its books and accounting records related to the regulatory asset
19		sought herein in accordance with the FERC USOA and Commission rules.
20	Q.35	HOW HAS UNIGAS ENSURED THAT ITS BOOKS AND RECORDS ARE KEPT IN
21		ACCORDANCE WITH THE FERC USOA?
22	A.	I directly oversee the accounting and finance functions within the TGUS operating
23		companies, including UniGas. As I previously mentioned, TGUS's operating
24		companies—including UniGas and, where relevant, its former sister companies—maintain
25		their books and records in accordance with the FERC USOA. TGUS's accounting and
26		billing department utilizes computerized systems, with the proper FERC accounts already
27		established, to efficiently process, record and maintain transactions in the regular course of
28		business. Transactions are entered into our systems promptly by persons having personal
29		knowledge of the transactions, as well as the applicable accounting requirements. TGUS's
30		accounting and billing department is overseen by a qualified Controller who reports
31		directly to me. The accounting and billing department currently employees a qualified staff

- of eight. Additionally, TGUS has established and maintained controls that ensure the
- 2 accuracy of these entities' books and records. For example, TGUS and UniGas books and
- 3 records are reviewed by an independent, third party accounting firm on monthly and
- 4 quarterly bases in additional to an annual audit. Together, these policies help ensure that
- 5 UniGas properly follows the FERC USOA.
- 6 Q.36 PLEASE PROVIDE AN OVERVIEW OF HOW UNIGAS ACCOUNTED FOR THESE
- 7 EXTRAORDINARY GAS COSTS UNDER THE FERC USOA.
- 8 A. UniGas uses the accrual accounting method. UniGas's gas purchases relating to February
- 9 2021 were generally put into one of two FERC Accounts: either FERC Account 806 Gas
- 10 Purchases or FERC Account 186 Regulatory Asset. The portions of its gas purchases
- placed into FERC Account 806 were billed to and recovered from customers through the
- ordinary cost of gas mechanism, with those amounts comprising a small portion of costs
- actually incurred that month in order to avoid customer rate shock. The remaining portions
- of its gas purchases for that month were placed into FERC Account 186 based on the
- Regulatory Asset NTO issued by the Commission in February 2021 as Winter Storm Uri
- approached. The relevant general ledger journal entries relating to these accounts for the
- months of January, February and March of 2021 are included in Appendix A of the
- Application Schedules. (This discussion omits UniGas sales to Gas Energy for resale,
- which are shown in the general ledger entries produced in Appendix A but are not relevant
- 20 to the Commission's regulatory asset determination because they are revenue-neutral to
- UniGas due to Gas Energy's consolidation into UniGas shortly after Winter Storm Uri, as
- approved by the Commission in Docket OS-20-00004865.)
- 23 Q.37 DOES THE INFORMATION CONTAINED WITHIN UNIGAS'S BOOKS,
- 24 ACCOUNTS AND RECORDS, AS WELL AS THE SUMMARIES AND EXCERPTS
- 25 THEREFROM, QUALIFY FOR THE PRESUMPTION SET FORTH IN COMMISSION
- 26 RULE §7.503?
- 27 A. Yes. UniGas, including each of its former sister companies, keeps and during all relevant
- times has kept its books, accounts and records in accordance with the FERC USOA in
- compliance with Commission Rule §7.503. Accordingly, UniGas is entitled to the
- presumption that costs contained within those books, records and accounts have been
- reasonably and necessarily incurred.

Direct Testimony of J. Ross Buttermore Page 19 of 24

- Q.38 PLEASE DISCUSS THE UNIGAS BUSINESS RECORDS THAT ARE INCLUDED IN
 ITS APPLICATION FILING.
- 3 A. As discussed above, UniGas (including its three former sister companies) kept and keep 4 their books, records and accounts in accordance with the FERC USOA. I am also a custodian of financial and accounting records for UniGas, and those records or summaries, 5 portions or excerpts thereof are included in the schedules and supporting documents 6 7 contained in the appendices thereto. Those items are kept by UniGas in the regular course 8 of business, and it was the regular course of business of UniGas for an employee or 9 representative of UniGas, with knowledge of the act, event, condition or opinion, recorded 10 to make the record or to transmit information thereof to be included in such record; and 11 such records were made at or near the time or reasonably soon thereafter. Such records are included in the Schedule Appendices as duplicates or summaries of original records. 12

VII. BENEFITS OF SECURITIZATION

Q.39 PLEASE GENERALLY DISCUSS HOW UNIGAS VIEWS THE BENEFITS OF
 SECURITIZATION.

13

23

16 A. UniGas urges the Commission to issue a financing order for the regulatory asset amount
17 requested by UniGas and other similarly-situated gas utility applicants based on the many
18 benefits securitizing their extraordinary gas costs would provide relative to the other
19 options. UniGas adopts in full the direct testimony of Dr. Bruce Fairchild on these issues.
20 Additionally, UniGas offers the following testimony to supplement Dr. Fairchild's analysis
21 of these issues based on its unique experiences with its customers and their reaction to
22 traditional recovery mechanisms.

A. <u>Tangible and Quantifiable Benefits to Utility Customers</u>

- Q.40 WHAT TANGIBLE AND QUANTIFIABLE BENEFITS WOULD SECURITIZING
 THESE EXTRAORDINARY COSTS BRING TO UTILITY CUSTOMERS?
- A. Unless these Extraordinary Costs are securitized through the mechanism provided in HB 1520, utility customers will be asked to bear these costs in a much shorter timeframe, and at materially higher carrying rates (albeit over a shorter recovery timeline), than securitization would provide. As evidenced from the substantial customer feedback UniGas received in response to its April 2021 billing, UniGas has first-hand knowledge that collecting these Extraordinary Costs more rapidly than securitization would provide is

financially untenable for a large number of customers. As explained in the following sections, the increased affordability and cost-effectiveness that securitization offers provides numerous tangible and quantifiable benefits to customers.

B. Affordability and Cost-Effectiveness

4

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

- 5 BASED ON THE ANTICIPATED STRUCTURE, EXPECTED PRICING, AND 0.41 PROPOSED FINANCING COSTS OF CUSTOMER RATE RELIEF BONDS, WOULD 6 7 SUCH SECURITIZATION BE REASONABLY EXPECTED TO PROVIDE BENEFITS 8 TO CUSTOMERS **BASED** ON CONSIDERATIONS OF **CUSTOMER** 9 AFFORDABILITY AND A COMPARISON OF MONTHLY COSTS RESULTING 10 FROM CUSTOMER RATE RELIEF BONDS VERSUS CONVENTIONAL 11 RECOVERY METHODS?
 - A. Yes. As discussed above, UniGas attempted to collect Extraordinary Costs pursuant to the 18-month recovery methodology of its principal extraordinary gas costs, as approved by the Commission in its rate case. The first February 2021 Winter Event Installment Charge that UniGas initially was authorized to charge through its Rate Schedule COG amounted to \$19.76 per Mcf, as discussed above and in Exhibit JRB-3. With approval from the Commission following the swift and negative customer feedback received, the Commission authorized UniGas to reduce this amount to \$5.90 per Mcf as set forth in Exhibit JRB-3 and discussed above. Based on the overwhelmingly negative response UniGas received from its customers, it is clear that the Extraordinary Costs incurred from Winter Storm Uri need to be recovered over a much longer period of time than traditional recovery methods would imply. The Relief Bonds would accomplish this in allowing for a more extended recovery and collection timeline, all without compromising the liquidity, solvency, and/or growth and maintenance capital needs of Texas gas utilities.

By comparison, Dr. Fairchild's testimony and supporting materials show that the monthly volumetric securitization charge would be around \$1.26 per Mcf if applied universally to all participating gas utility customers (using a targeted 10-year securitization amortization at current interest rates), depending on a number of assumptions. While sensitivity analyses or different assumptions might slightly raise or lower that volumetric amount depending on potential interest rate changes, different securitization amortization periods, higher or lower principal regulatory asset amounts, or a number of other factors,

1	the monthly volumetric charge under the securitization scenario would almost certainly
2	remain much less than either \$19.76 per Mcf or \$5.90 per Mcf—the two volumetric charges
3	that UniGas was initially authorized to charge to its customers under its Rate Schedule
4	COG. Therefore, UniGas customers would benefit from securitization through increased
5	customer affordability and a lower monthly volumetric charge for these costs compared to
6	convention recovery methods.

Q.42 WHAT OTHER ANALYSES SHOW THAT SECURITIZATION OF THESE EXTRAORDINARY GAS COSTS WOULD PROVE MORE AFFORDABLE AND COST-EFFECTIVE FOR UTILITY CUSTOMERS COMPARED TO CONVENTIONAL RECOVERY METHODS?

A.

As both Dr. Fairchild's analysis and UniGas's experience show, the monthly volumetric securitization charge contemplated through issuance of Relief Bonds will be lower, more affordable, and more financially feasible for most UniGas customers than any other feasible recovery alternatives, including both the 18-month amortization period initially contemplated through UniGas's February 2021 Winter Event Installment Charge and its subsequent revision approved by the Commission as shown in Exhibit JRB-3. In UniGas's case, conventional recovery methods have already been attempted and shown to be unaffordable and not as cost effective as securitization.

To further illustrate this reality, UniGas includes Schedules H, H-1, H-1-1, H-2, and H-3 to its Application. These schedules show the alternative, conventional recovery methods that might come into play should the Commission decline to issue a financing order to securitize gas utilities' extraordinary costs, with such conventional recovery methods assumed to begin on January 1, 2022 (approximately 150 days following the filing of this Application).

As stated above, the Commission approved a \$5.90/Mcf recovery of UniGas's principal extraordinary gas costs in its recently-updated Rate Schedule COG. (See Exhibit JRB-3.) If this method of recovery resumed on January 1, 2022, and carrying costs at UniGas's long-term cost of debt of 5.31% were applied as authorized in UniGas's Rate Schedule COG, it would take nearly 5 years (58.45 months) to recover these costs, at a rate of \$6.74/Mcf (with \$0.84/Mcf of that amount covering the carrying costs and estimated legal and consulting expenses), as more fully shown in Schedules H, H-1, H-1-1 and H-2.

The total amount needed for recovery under this scenario would be \$33,845,180 as shown in Schedule H, column (b). (UniGas would, however, request its WACC in this situation for the reasons stated above, as that is the actual carrying cost it has incurred to finance these extraordinary costs.)

A.

The other alternative recovery method would be a 3-year amortization of UniGas's extraordinary costs, with recovery also projected to begin on January 1, 2022. In addition to its extraordinary gas costs, UniGas would need to recover carrying costs, expected tax obligations, and estimated legal and consulting expenses, as more fully shown in Schedules H, H-1, H-1-1, H-2, and H-3 to its Application. The total amount needed for recovery under this scenario would be \$35,218,515, representing a recovery rate of \$11.38/Mcf over that period, as shown in Schedule H, column (c).

Both of these hypothetical, alternative recovery scenarios would be less affordable and less cost-effective than the estimated customer monthly securitization charges set forth in Dr. Fairchild's testimony.

Q.43 WOULD INCLUSION OF UNIGAS'S PROPOSED REGULATORY ASSET IN ITS BASE RATES BE AS AFFORDABLE OR COST-EFFECTIVE AS SECURITIZATION?

I do not think so. UniGas just completed a base rate proceeding in April 2021. To have another base rate proceeding so soon thereafter, which would likely be necessary to incorporate this regulatory asset into UniGas's base rates, would essentially render superfluous the recently-completed rate case. Moreover, it would add another layer of rate case expenses to customers' bills. Rate base treatment would also require UniGas to continue funding these extraordinary costs over a longer period of time, which would strain its financial integrity, seriously alter its debt-to-equity ratio, and threaten its bank covenants. Additional, longer-term financing measures that would likely drive up special financing costs could become necessary, and these types of costs would have an outsized financial impact on customers of a smaller utility like UniGas. Finally, rate base treatment of these costs would undoubtedly require higher carrying cost rates during the recovery period than securitization financing would provide, while rate base recovery would involve higher legal and consulting costs (as I mentioned above, it would require another rate case filing) and similar expected tax obligations for the equity return component of the carrying costs. One of the goals of HB 1520 was to "support the financial strength and stability of

gas utility companies." For UniGas, this recovery option would do the opposite, while still being less affordable and cost-effective for customers.

Dr. Fairchild's testimony also analyzes securitization compared to rate base recovery based on representative utility numbers reflecting weighted-equity costs and an overall weighted average cost of capital that are slightly lower than UniGas's.

C. Public Interest

3

4

5

6

22

- Q.44 WOULD ISSUANCE OF A FINANCING ORDER TO SECURITIZE THE POOLED REGULATORY ASSETS OF APPLICANT GAS UTILITIES BE IN THE PUBLIC INTEREST?
- 10 A. Yes, I believe so. As stated above, securitizing gas utilities' regulatory assets through 11 Relief Bonds pursuant to a financing order from the Commission would be more cost effective than the status quo and provide tangible and quantifiable benefits to utility 12 13 customers. UniGas's February 2021 Winter Event Installment Charge effectively served 14 as a pilot program for recovering extraordinary gas costs from customers under an 18-15 month period, and then an even more prolonged period once UniGas, with Commission 16 approval, reduced the requested volumetric charge in response to the overwhelming 17 customer feedback on this issue. The public interest strongly favors both a lengthier customer recovery time period to minimize financial burdens as well as a speedier gas 18 19 utility cost reimbursement timeline to promote utilities' financial integrity. That 20 combination is best achieved through securitization. Dr. Fairchild more fully discusses 21 this and related issues in his testimony and supporting materials.

VIII. MISCELLANEOUS

- Q.45 FOR THE YEAR ENDING DECEMBER 31, 2020, PLEASE PROVIDE UNIGAS'S
 CUSTOMER COUNT AND NORMALIZED VOLUMES BY CUSTOMER CLASS.
- A. The Commission's recent rate case order for UniGas in Docket No. OS-20-00004865 contains UniGas's customer count as of December 31, 2020, and its normalized gas volumes for the year ending December 31, 2020. That information comes from Finding of Fact No. 38 of the order, as shown in Schedule C of the Application and re-produced in the table below:

Customer Class	Customer Count	Volumes (Mcf)
Residential	17,959	893,452
Small Commercial	255	69,011

Large Commercial	16	69,011
Total	18,230	1,031,474

- 1 Q.46 HAS UNIGAS PROVIDED EXAMPLES OF RESIDENTIAL AND COMMERCIAL
- 2 CUSTOMER BILLS FOR THE MONTHS OF JANUARY-MARCH 2021?
- 3 Q.47 Yes, example bills actually sent to customers of UniGas (and for January and February
- 4 2021, its three former sister companies) are provided in redacted form in Appendix C to
- 5 the Application Schedules.
- 6 Q.48 IF UNIGAS RECEIVES PROCEEDS FROM A SECURITIZATION BASED ON A
- 7 FINANCING ORDER ISSUED BY THE COMMISSION UNDER HB 1520, DOES
- 8 UNIGAS AGREE THAT SUCH RECOVERY WOULD BE IN LIEU OF RECOVERY
- 9 OF THOSE SAME COSTS THROUGH THE REGULAR RATEMAKING PROCESS
- 10 OR OTHER MECHANISM?
- 11 A. Yes, to the extent UniGas's Extraordinary Costs, including its relevant carrying costs,
- expected tax obligations, and legal and consulting expenses, are recovered through
- proceeds it receives from a securitization under HB 1520, UniGas agrees that such
- securitization recovery would replace any other recovery method regarding those same
- 15 costs, whether through the normal ratemaking process or otherwise. In other words,
- UniGas acknowledges it would not be entitled, nor would it attempt, to receive a double
- 17 recovery of the costs that would be reimbursed to it through Relief Bond proceeds. Of
- course, to the extent UniGas's costs are not fully recovered through the Relief Bond
- proceeds or do not receive a regulatory asset determination in this proceeding, UniGas
- 20 reserves the right to seek recovery for those non-reimbursed costs in another proceeding.

IX. SUMMARY AND CONCLUSION

- 22 Q.49 PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.
- A. Based on the testimony, supporting exhibits, and evidence presented in this application,
- 24 the Commission should approve the \$32,442,717 regulatory asset requested by UniGas for
- inclusion in Relief Bonds under HB 1520. The Commission should also issue a financing
- order to allow securitization of the applicant gas utilities' combined regulatory assets, plus
- other allowed costs, on terms consistent with HB 1520's requirements.
- 28 Q.50 DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?
- 29 A. Yes, it does.

21

AFFIDAVIT

STATE OF TEXAS

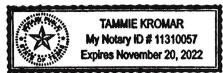
COUNTY OF Montgomery

Before me, the undersigned authority, on this day personally appeared J. Ross Buttermore, who, being by me first duly sworn, stated on his oath that he has read the foregoing instrument, "Direct Testimony of J. Ross Buttermore on behalf of Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc.", and that it is true and correct to the best of his knowledge.

J. Ross Buttermore

Sworn to and subscribed before me on this the <u>28</u> day of July, 2021, by J. Ross Buttermore, to certify which witness my hand and seal of office.

Notary Public, State of Texas



RAILROAD COMMISSION OF TEXAS Oversight and Safety Division Gas Services Department



NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies

Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code § 102.101(a), (b) and (d). The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at MOS@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

RAILROAD COMMISSION OF TEXAS Oversight and Safety Division Gas Services Department



NOTICE TO GAS UTILITIES

Procedure for Gas Utilities to File an Application for Regulatory Asset Determination
Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in
Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter
Weather Event

Background

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 ("February 2021 Winter Weather Event" or "Winter Storm Uri").

On February 13, 2021, the Commission issued a <u>Notice to Local Distribution Companies</u> (the "Regulatory Asset NTO") authorizing each natural gas utility local distribution company "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." The Regulatory Asset NTO only authorized the ability to record extraordinary expenses related to the February 2021 Winter Weather Event and deferred the Commission's determination regarding the reasonableness, necessity, and accuracy of the extraordinary expenses recorded in the regulatory asset account.

H.B. 1520

On June 16, 2021, H.B. 1520 (87th Regular Session), relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments, became effective. H.B. 1520 authorizes the Commission to issue a Financing Order directing the Texas Public Finance Authority ("TFPA") to issue bonds for the purposes of reducing the costs that customers would otherwise experience due to extraordinary costs that gas utilities incurred to secure gas supply and to provide service during Winter Storm Uri. The new law provides securitization financing ("customer rate relief bonds") for gas utilities that choose to participate to recover those extraordinary costs, thereby (1) providing rate relief to customers by extending the period during which these extraordinary costs would otherwise be recovered; and (2) supporting the financial strength and stability of gas utility companies.

H.B. 1520 requires that the Commission undertake two specific actions. First, Texas Utilities Code section 104.365, as added by H.B. 1520, requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the gas utility within 150 days after the date of the application. Second, section 104.366 authorizes the Commission, after it has issued all of the regulatory asset determinations and determined that customer rate relief bonds are the most cost-

effective method of funding regulatory asset reimbursements, to issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the customer rate relief bonds.

Procedure for Filing Applications for Regulatory Asset Determination

The Commission expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met.

Gas utilities as defined in Tex. Util. Code § 104.362(12) desiring to participate in securitization pursuant to H.B. 1520 are encouraged to file an *Application for Regulatory Asset Determination* **on Friday, July 30, 2021** in accordance with Tex. Util. Code § 104.365(b). Before a gas utility may file its application, the company must be set up to file its documents through the Commission's Case Administration Service Electronic System ("CASES"). The company must contact Gas Services at (512) 463-7167 or MOS@rrc.texas.gov before filing its application to be fully authorized to file its application through CASES and be assigned a case number for this filing.

After each Application for Regulatory Asset Determination has been received, the Commission's Hearings Division may consolidate the cases into one or multiple proceeding(s). An Administrative Law Judge will be assigned and will make pre-hearing rulings, issue a procedural schedule, issue a protective order, if applicable, and issue any other necessary rulings as may arise. The procedural schedule deadlines will be expedited as the Commission expects to complete the regulatory asset determinations within the deadline set forth in H.B. 1520.

Information to be Included in an Application for Regulatory Asset Determination

Due to the expedited nature of the regulatory asset review and determination, the Commission directs each applicant to propose for recovery only extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event in its application. Such costs may include taxes, any financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, and the gas utility's legal and consulting expenses relating to its gas procurement costs and this proceeding. Other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable.

The Commission requires each gas utility to include in its application pre-filed testimony, supporting documentation, and evidence of, at a minimum, the following information:

- 1. The gas utility's total gas costs incurred for February 2021.
- 2. The gas utility's total gas costs recovered for February 2021.
- 3. The gas utility's total volumes (Mcf) for February 2021.
- 4. The gas utility's total gas costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15).
- 5. The total extraordinary costs proposed by the gas utility to be approved in a regulatory asset determination, including the following:
 - a. The gas utility's proposed extraordinary gas procurement costs for February 2021, calculated as the lesser of: 1) the difference between the gas utility's total gas

procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or 2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15);

- b. The gas utility's financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;
- c. The gas utility's estimate of its legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520;
- d. Carrying costs included in the proposed regulatory asset, including the basis for the carrying costs and the calculation of the carrying costs; and
- e. The gas utility's expected tax obligation if securitization financing is authorized.
- 6. Support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset, including:
 - a. General ledger entries (by FERC account) associated with the regulatory asset and supporting documentation for each entry, including but not limited to:

i. Invoices

- Gas Purchases (FERC accounts 800-804);
- 2. Transportation (FERC account 858);
- Other Gas Supply Expenses (FERC accounts 805-813);
- 4. Imbalances or other penalties and fees incurred;
- 5. Adjustments;
- 6. Meter Statements:
- Proof of Payment/Payment Arrangements;
- 8. Gas Withdrawn from Storage (FERC account 808.1); and
- 9. Gas Delivered to Storage (FERC account 808.2).

ii. Contracts

- 1. Gas Purchase (including penalties, if applicable);
- 2. Spot Purchases (Confirmation Agreements); and
- 3. Transportation.

iii. Customer Bills

- 1. One or more residential bill(s); and
- 2. One or more commercial bill(s).
- b. Invoices and supporting documentation of the gas utility's legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520. Include a summary spreadsheet that ties to supporting documentation.
- 7. The information required in Paragraph 6(a)(i)-(iii) above for January, February, and March 2021.

- 8. Evidence as to how securitization would provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds.
- 9. Evidence that customer rate relief bond financing for extraordinary costs is the most costeffective method of funding regulatory asset reimbursements to the gas utility including:
 - a. Evidence that proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds are reasonably expected to provide benefits to customers by considering customer affordability and comparing:
 - i. The estimated monthly costs to customers resulting from issuance of customer rate relief bonds; and
 - ii. The estimated monthly costs to customers that would result from the application of conventional recovery methods.
 - b. Include an Excel worksheet that models this comparison and provides for sensitivity analysis using key variables.
- 10. Evidence of how a securitization financing mechanism would be in the public interest and is consistent with the purposes of subchapter I, chapter 104, Texas Utilities Code.
- 11. Evidence and detail of any expected tax obligation arising or resulting from receipt of customer rate relief bond proceeds; or collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the Commission may determine as reasonable.
- 12. Normalized volumes by customer class for the year ending December 31, 2020 and total customer count by customer class as of December 31, 2020.
- 13. A statement of commitment that if the gas utility receives proceeds pursuant to a securitization, those proceeds are in lieu of recovery of costs through the regular ratemaking process or other mechanism.
- 14. Any other information the gas utility deems pertinent to its application.

Additionally, gas utilities are encouraged to file proposed procedural schedules with their applications that anticipate expedited timelines. Gas utilities are likewise encouraged to file proposed protective orders to the extent the gas utility will be filing information it deems confidential and/or proprietary. Gas utilities should not upload any documents through the CASES Online Portal that are considered confidential. Any files containing potentially confidential information should be delivered to the RRC using previously established processes in accordance with RRC rules. To the extent applicable, gas utilities shall disclose the terms of the contracts and related transaction confirmations related to gas procurement costs to be securitized pursuant to the terms of the governing protective order. Gas utilities may adopt portions of other gas utilities' testimony, as necessary.

Please Forward to the Appropriate Section of Your Company

April 15, 2021

Robert S. Barnwell, IV President & Chief Executive Officer Universal Natural Gas, Inc. 9750 FM 1488 Magnolia, Texas 77354

Re: Case No. 00006400 - Request of Universal Natural Gas, Inc. to Reduce its February 2021 Winter Event Installment Charge.

Dear Mr. Barnwell:

On April 14, 2021, the Oversight and Safety Division of the Railroad Commission of Texas ("Commission") received Universal Natural Gas, Inc.'s ("UniGas" or the "Company") attached e-mails providing information regarding its gas pricing concerns due to the February 2021 Winter Weather Event. Commission Staff is aware that UniGas has current authorization to charge the February 2021 Winter Installment Charge of \$19.76 per Mcf but proposes to reduce the first month's installment charge and forego the remaining installment charges. Specifically, in its e-mails, UniGas proposes: 1) to modify its February 2021 Winter Event Installment Charge mechanism approved in the final order for Docket No. OS-20-000004865; 2) to send revised customer bills dated April 14, 2021, which include a February 2021 Winter Event Installment Charge of \$5.90 per Mcf (reduced from \$19.76 per Mcf); and 3) defer any further winter cost recovery until there is further clarification on high gas cost securitization.

Commission Staff has reviewed UniGas' requests, considers them revenue neutral, and finds it permissible to reduce the February 2021 Winter Event Installment Charge and send customers a revised customer bill modifying the installment charge and defer any further winter cost recovery until there is further clarification on high gas cost securitization.

The Company shall file a cost of gas report no later than June 1, 2021, addressed to the Director of the Oversight and Safety Division and referencing Case No. 00006400. The report shall include:

- a) the total gas cost recovery collected through the February 2021 Winter Event Installment Charge billed to customers in April of 2021;
- b) the beginning balance of the cost of gas purchased due to the February 2021 Winter Weather Event; and
- c) the outstanding balance at the end of the month of the cost of gas purchased due to the February 2021 Winter Weather Event through May 31, 2021.

The Company shall file the cost of gas report electronically at GUD_Compliance@rrc.texas.gov.

Thank you for continuing to work with Commission Staff during these challenging times.

Sincerely,

DocuSigned by:

Kari L. French

Director, Oversight and Safety Division

c: Mark Evarts Claudia Godoy

Natalie Dubiel

Attachments

ATTACHMENT B Exhibit JRB-3 to Buttermore Direct

From: Robert S. Barnwell IV

Sent: Wednesday, April 14, 2021 6:33 PM

To: Mark Evarts; Ross Buttermore; 'Barry Smitherman'

Cc: Kari French; Natalie Dubiel; Claudia Godoy; Sarah Montoya-Foglesong

Subject: RE: Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.) - Request to REDUCE Winter Gas

Cost Recovery

CAUTION: This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Mark -

Thank you very much for the prompt approval and delivery of the attached.

We just wrapped up a call with our partners, and we would like to make one modification – we would like to FURTHER REDUCE the Winter Event Installment Charge (Winter Storm Gas Cost Recovery) from its original amount of \$19.76 to \$5.90/Mcf.

All else will remain the same.

Best Regards, and thanks again for all of the hard work and responsiveness.

Robert Barnwell

From: Robert S. Barnwell IV

Sent: Wednesday, April 14, 2021 4:45 PM

To: Natalie Dubiel
Cc: Ross Buttermore

Subject: Universal Natural Gas, LLC (d/b/a Universal Natural Gas, Inc.) - Request to REDUCE Winter Gas Cost

Recovery

CAUTION: This email originated from outside of the Railroad Commission of Texas. Do NOT click links or open attachments from unknown sources without first confirming the message is legitimate. If you believe this to be a malicious and/or phishing email, please contact the ITS Help Desk at 512-463-7229. Do not respond to or forward the email, click on any links or open any attachments without guidance from the Help Desk

Natalie –

Universal Natural Gas, LLC ("UniGas") distributed gas bills on April 13th in accordance with the TRC Final Order. Pursuant to that Final Order, UniGas included a line item "Winter Weather

Installment" to recover 1/18th of its outstanding purchased gas costs incurred as a result of the Winter Storm Uri. The amount charged for extraordinary gas cost recovery was ~\$19.76 ("Winter Cost Recovery").

In response to the overwhelming response from our customers that the Winter Cost Recovery is too financially burdensome, we are requesting that the TRC provide Administrative approval for UniGas to:

- (1) Reduce the current month's billing based on a recovery of outstanding extraordinary gas costs over a 36-month period (~\$9.88/Mcf),
- (2) Send out revised bills based on the above adjustment dated April 14, 2021, and
- (3) Defer any further Winter Cost Recovery until there is further clarification on House Bill 1520 ("HB 1520"), at which point in time UniGas shall participate in that program and the finalized cost recovery methodology set forth in HB 1520.

Please let us know as soon as you can on these matters, and we will move forward on our end as soon as practicable.

Best Regards,

Robert Barnwell

Robert S. Barnwell, IV President & Chief Executive Officer Centric Gas Services, LLC



ATTACHMENT B

DIRECT TESTIMONY

OF

BRUCE H. FAIRCHILD

ON BEHALF OF

GAS UTILITIES PARTICIPATING IN THE REGULATORY ASSET DETERMINATION AND RELATED SECURITIZATION

ATTACHMENT B

TABLE OF CONTENTS

I.	INTRODUCTION	N
	B. Purpose of	ons
II.	BACKGROUND	4
III.	CUSTOMER RA	ΓE RELIEF BONDS7
	B. Structure of	d Financing
IV.	COST-EFFECTIV	/ENESS12
		e Methods
V.	CUSTOMER AFI	FORDABILITY23
VI.	PUBLIC INTERE	ST
		LIST OF SCHEDULES
	Schedule BHF-1 -	Data for Participating Gas Utilities
	Schedule BHF-2 -	Estimated Annual Costs of Customer Rate Relief Bonds
	Schedule BHF-3 -	Estimated Annual Costs of Rate Base Inclusion
	Schedule BHF-4 -	Cost-Effectiveness of 10-year CRR Bonds Versus Alternative Methods
	Schedule BHF-5 -	Cost-Effectiveness of 15-year CRR Bonds Versus Alternative Methods
	Schedule BHF-6 -	Affordability of CRR Bonds versus Conventional Methods
		LIST OF APPENDICES
	Appendix A –	Qualifications
	Appendix B -	Prior Testimony
	Appendix C –	Notice to Local Distribution Companies (February 13, 2021)
	Appendix D –	House Bill 1520
	Appendix E –	Notice to Gas Utilities (June 17, 2021)

1		DIRECT TESTIMONY OF BRUCE H. FAIRCHILD
2		I. <u>INTRODUCTION</u>
3	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
4	A.	Bruce H. Fairchild, 3907 Red River, Austin, Texas 78751.
5	Q.	BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?
6	A.	I am a principal in Financial Concepts and Applications, Inc. ("FINCAP"), a firm
7		engaged in financial, economic, and policy consulting to business and government.
8	Q.	ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?
9	A.	I am providing testimony on behalf of the gas utilities participating in this
10		proceeding AgriTexGas, LP, Atmos Energy Corporation on behalf of its Mid-
11		Tex Division and West Texas Division, Bluebonnet Natural Gas, LLC, CenterPoint
12		Energy Resources Corp., d/b/a CenterPoint Energy Entex, CenterPoint Energy
13		Arkla, and CenterPoint Energy Texas Gas, Corix Utilities (Texas) Inc., CoServ
14		Gas, Ltd., EPCOR Gas Texas Inc., NatGas, Inc., SiEnergy, LP, Texas Gas Service
15		Company, a Division of ONE Gas, Inc., and Universal Natural Gas, LLC d/b/a
16		Universal Natural Gas, Inc. (collectively, "participating gas utilities").
17		A. Qualifications
18	Q.	DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL
19		QUALIFICATIONS, AND PRIOR EXPERIENCE.
20	A.	I hold a BBA degree from Southern Methodist University and MBA and Ph.D.
21		degrees from the University of Texas at Austin. I am also a Certified Public
22		Accountant. My previous employment includes working in the Controller's
23		Department at Sears, Roebuck and Company and serving as Assistant Director of

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

MATTERS.

1	Economic Research at the Public Utility Commission of Texas ("PUCT"). I have
2	also been on the business school faculties at the University of Colorado at Boulder
3	and the University of Texas at Austin, where I taught undergraduate and graduate
4	courses in finance and accounting.

5 BRIEFLY DESCRIBE YOUR EXPERIENCE IN UTILITY-RELATED Q.

A. While at the PUCT, I assisted in managing a division comprised of approximately twenty-five professionals responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems. I testified on behalf of the PUCT staff in numerous cases involving most major investorowned and cooperative electric, telephone, and water/sewer utilities in the state regarding a variety of financial, accounting, and economic issues. Since forming FINCAP in 1979, I have participated in a wide range of analytical assignments involving utility-related matters on behalf of utilities, industrial consumers, municipalities, and regulatory commissions. I have also prepared and presented expert testimony before a number of regulatory authorities addressing revenue requirements, cost allocation, and rate design issues for gas, electric, telephone, and water/sewer utilities. I have been a frequent speaker at regulatory conferences and seminars and have published research concerning various regulatory issues. A resume that contains the details of my experience and qualifications is attached as Appendix A, with Appendix B listing my prior testimony before regulatory

agencies since leaving the PUCT.

B. Purpose of Testimony

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

O. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is four-fold. The first purpose is to describe generally how the extraordinary costs related to the winter weather event in February 2021 ("Winter Storm Uri") recorded as regulatory assets by participating gas utilities would be financed through customer rate relief ("CRR") bonds issued through the Texas Public Finance Authority ("TPFA"). The second purpose is to determine whether it would be more cost-effective to recover these regulatory assets through CRR bonds versus alternative recovery methods. The third purpose is to determine whether the use of CRR bonds would result in more affordable estimated monthly costs to customers than conventional recovery methods. Finally, I explain why the use of CRR bonds to finance and recover the extraordinary costs related to the February 2021 Winter Weather Event would provide tangible and quantifiable benefits to customers greater than other recovery methods and would serve the public interest.

C. Summary of Conclusions

17 Q. BRIEFLY SUMMARIZE THE CONCLUSIONS OF YOUR TESTIMONY.

- 18 A. For the reasons explained below, I conclude:
- Issuing CRR bonds is the most cost-effective method to recover the extraordinary
 Winter Storm Uri costs from customers;
- The issuance of CRR bonds to reimburse gas utilities for the regulatory assets has
 the least immediate impact on customers' monthly bills compared to conventional
 recovery methods; and

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

A.

Using CRR bonds to reimburse the participating gas utilities for their regulatory
assets would enable the gas utilities to maintain their financial integrity, ensure their
ability to raise debt and equity capital on reasonable terms to finance normal,
ongoing expenditures as well as manage another crisis, should it arise.

II. BACKGROUND

Q. PLEASE DESCRIBE THE EVENTS LEADING TO THE PRESENT CASE.

Beginning on February 11, 2021, an unprecedented cold winter weather event hit Texas. On February 12, Governor Abbott issued a State of Disaster in Texas for all Texas counties, and the Railroad Commission of Texas ("Commission") issued an Emergency Order temporarily modifying natural gas utility curtailment priorities to ensure the protection of human needs customers throughout the storm. Natural gas usage by homes, businesses, and electric generating facilities surged while natural gas supply fell as production, processing, treating, and pipeline facilities froze or otherwise became inoperable. This prolonged winter storm resulted in a dramatic increase in natural gas prices as demand greatly exceeded supply. At the same time, gas utilities experienced major gas supply interruptions, including force majeure declarations from suppliers. To continue to supply customers and maintain system operations, gas utilities were required to purchase additional gas to meet demand and replace interrupted supplies at extremely high market prices. The combination of greater customer usage and increased gas prices resulted in gas utilities incurring extraordinary gas supply costs.

1	Ų.	DID THE COMMISSION TAKE ANY ACTION TO RECOGNIZE THAT
2		GAS UTILITIES WERE INCURRING EXTRAORDINARY COSTS AS A
3		RESULT OF WINTER STORM URI?
4	A.	Yes. On February 13, 2021, the Commission issued a Notice to Local Distribution
5		Companies ("Regulatory Asset NTO") stating that, to provide customers safe and
6		reliable service, natural gas utility local distribution companies ("LDCs") may be
7		required to pay extraordinarily high prices for natural gas and incur other
8		extraordinary expenses responding Winter Storm Uri. The Regulatory Asset NTO
9		authorized Texas LDCs to record the extraordinary costs in a regulatory asset
10		account to defer and reduce their impact on customers. A copy of the Regulatory
11		Asset NTO is attached to my testimony as Appendix C.
12	Q.	DID THE LEGISLATURE TAKE ANY ACTION TO ADDRESS THE
13		EXTRAORDINARY COSTS GAS UTILITIES INCURRED AS A RESULT
1 /		
14		OF WINTER STORM URI?
15	A.	OF WINTER STORM URI? Yes. During the 87 th Regular Session, the Texas Legislature passed, and on
	A.	
15	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on
15 16	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my
15 16 17	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that
15 16 17 18	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas
15 16 17 18 19	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri.
15 16 17 18 19 20	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after the event. To this end, H.B. 1520 authorizes
15 16 17 18 19 20 21	A.	Yes. During the 87 th Regular Session, the Texas Legislature passed, and or June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri and to restore gas utility systems after the event. To this end, H.B. 1520 authorizes securitization financing that would provide rate relief by extending the period over

A.

issued, however, H.B. 1520 requires the Commission to ensure that the
securitization financing provides tangible and quantifiable benefits to customers
greater than would have been achieved absent the issuance of CRR bonds. It also
requires the Commission to determine that CRR bonds are the most cost-effective
method of funding regulatory asset reimbursements, consider customer
affordability, and find that the securitization financing mechanism is in the public
interest.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE
 SECURITIZATION PROCESS CONTEMPLATED UNDER H.B. 1520
 WILL BE CONSIDERED BY THE COMMISSION.

On June 17, 2021, the Commission issued a Notice to Gas Utilities ("NGU") directing those desiring to participate in the CRR bond program to file an Application for Regulatory Asset Determination ("Application"). This NGU is attached to my testimony as Appendix E. Each gas utility's Application must contain extensive data and documentation to support the regulatory asset recorded on its books. The NGU also requires that gas utilities demonstrate the CRR bonds would provide customers tangible and quantifiable benefits greater than would be achieved otherwise, would benefit customers through affordability, and would be in the public interest and consistent with the purposes of subchapter 1, chapter 104 of the Texas Utilities Code. After the Commission has issued its regulatory asset determinations, if it finds that the CRR bonds are most cost-effective, provide affordability benefits, and are in the public interest, it will issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the CRR bonds.

III. CUSTOMER RATE RELIEF BONDS

2 O. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I provide an overview of the CRR bonds contemplated by H.B. 1520 to reimburse gas utilities for their regulatory assets and provide customers rate relief by allowing the extraordinary winter storm costs to be recovered differently than would be available through conventional recovery methods.

A. Securitized Financing

Q. WHAT IS SECURITIZED FINANCING?

Securitization is a financing technique used by many companies whereby certain assets are legally isolated in a special purpose entity ("SPE"). Generally, the SPE's primary asset is a revenue stream produced by financial assets such as loans, leases, or receivables, with its activities being carried out through a servicing agreement by another party. The SPE is also generally financed by selling debt and/or equity to investors, which are typically institutional investors such as banks, pension funds, and insurance companies. Bonds issued by an SPE are typically self-amortizing through payment of principal over time, and there is customarily a broad and diverse pool of underlying obligors that will make the payments to service the bonds. Securitizations are generally non-recourse and bankruptcy-remote from the underlying company.

20 Q. HAVE UTILITIES IN TEXAS USED SECURITIZATION AS A FORM OF

21 **FINANCING?**

1

7

8

9

10

11

12

13

14

15

16

17

18

19

A.

A. Yes. Securitization is a unique form of financing that has typically been used pursuant to specific statutory provisions by electric utilities in Texas to finance and

A.

recover costs from customers over longer periods of time. The securitizations by
Texas utilities have involved the recovery of costs that are not incurred in the
normal course of utility business. For example, securitization was used by electric
utilities to recover "stranded costs" resulting from the transition from a regulated
to competitive wholesale market for electricity in the early 2000s. Securitization
has also been used to reimburse utilities for the extensive damage to facilities
caused by hurricanes along the Gulf Coast. In utility securitizations, an SPE
typically issues bonds backed primarily by the specific statutory and regulatory
right to receive a charge paid to a utility by its customers, which in turn is remitted
to the SPE. While it is common for the SPE to be managed by the utility pursuant
to a service and administration agreement, care is taken to maintain the SPE as a
separate entity and isolate its assets from the utility and its creditors.

Q. WHAT BENEFITS ARE DERIVED FROM SECURITIZATION FINANCING?

When authorized by the Legislature for use in the recovery of these types of extraordinary, non-typical costs, securitizations involve a unique, particularly high-quality stream of revenues, which the SPE has statutory and regulatory rights to receive, and that can be kept separate from a utility's other assets and activities. The SPE can then sell bonds secured by this revenue stream that are less risky than the utility itself. Because the bonds issued by SPEs are less risky, they typically have a higher credit rating than the debt of the utility. As a result, the bonds issued by the SPE carry a lower interest rate and, because the bonds are secured with a high-quality revenue stream, the SPE can be heavily debt financed, both of which

reduce the carrying cost of the underlying asset. In the case of H.B. 1520, because the securitized bonds are a liability of a state agency-created SPE and not the utility, they are not carried on the utility's balance sheet. Accordingly, the securitized bonds should not increase the gas utility's debt load, which supports its financial strength and stability, nor should they reduce the utility's borrowing capacity, which should maintain the utility's ability to attract capital to finance property, plant, and equipment on reasonable terms.

8 Q. DESCRIBE THE SPE CONTEMPLATED UNDER H.B. 1520.

If securitization is approved by the Commission, H.B. 1520 authorizes the TPFA to create an issuing financing entity (the SPE) to issue CRR bonds. The issuing financing entity would be a self-funding, non-profit, public authority of Texas governed by a three-member board. The CRR bonds sold by the issuing financing entity would not be a liability of Texas, the Commission, or the participating gas utilities; rather, they would be securitized and repaid from customer rate relief charges assessed to all customers of the participating gas utilities. The customer rate relief charges would be sufficient to cover the SPE's costs, including initial financing costs, CRR bond principal and interest, and other financing, administrative, and operating expenses authorized by the Financing Order.

B. Structure of Customer Rate Relief Bonds

- 20 Q. WOULD THE CRR BONDS BE STRUCTURED LIKE TYPICAL UTILITY
- **DEBT?**

A.

A. No. The long-term bonds issued by most large gas utilities are outstanding for a specified number of years. A fixed interest rate is usually paid on the original face

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

A.

amount periodically, with the entire principal balance being due at maturity. While this "balloon payment" debt structure is generally satisfactory for financing a large utility's permanent property, plant, and equipment, it is not well-suited to an entity having just a single, self-liquidating asset.

Q. HOW WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge applicable to all existing and future customers of participating gas utilities. Although the resulting revenue stream could be used to pay annual principal and interest payments on a single issue of CRR bonds (like a home mortgage), this is not the structure normally used. Because of differing portfolio and reinvestment considerations, large investors do not want all bonds having the same life. To amortize the CRR bonds while still allowing investors to select their preferred maturities, the bonds are anticipated to be split among several series or tranches, each with a different scheduled maturity and corresponding interest rate. In this way, on any given payment date, interest is paid on all the bond series, but principal is repaid only on the series that is maturing. This structuring into series or tranches enhances marketing of the bonds because it enables both shorter-term investors (e.g., banks) and longer-term investors (e.g., pension funds) to participate in the same securitization issue but offers each a maturity most suitable for its investment objectives. The actual structure of the CRR bonds would depend on the Commission's Financing Order, input from TPFA and investment bankers, and capital market conditions at the time the CRR bonds were issued.

1	Q.	OVER WHAT PERIOD WOULD THE CRR BONDS MOST LIKELY BE
2		STRUCTURED?
3	A.	H.B. 1520 caps the maximum scheduled maturity of the CRR bonds to 30 years,
4		with the Commission ultimately deciding in its Financing Order the period over
5		which the bonds are to be repaid by customers. Because the CRR bonds would be
6		secured only by customer rate relief charges and not physical assets, it is believed
7		that investors would prefer the bonds to have a maximum term of between 10 and
8		15 years. I understand that in the securitizations approved by the PUCT for electric
9		utilities, the scheduled maturity of the bonds has typically been less than 15 years.
10		C. Interest Rates on Customer Rate Relief Bonds
11	Q.	WHAT INTEREST RATES WILL THE CRR BONDS BEAR?
12	A.	The actual interest rates on the CRR bonds will depend on capital market conditions
13		at the time they are issued, the maturity structure of the various series, and the rating
14		assigned to the CRR bonds by rating agencies.
15	Q.	WHAT BOND RATING WOULD LIKELY BE ASSIGNED TO THE CRR
16		BONDS?
17	A.	To achieve the lowest interest rate, the CRR bonds would need to be rated triple-A
18		by the major bond rating agencies (i.e., Moody's, Standard & Poor's, and Fitch).
19		Most of the characteristics and features required for the CRR bonds to be rated
20		triple-A are provided for in H.B. 1520 and would also need to be included in the
21		Financing Order.

1 Q. WHAT ARE CURRENT INTEREST RATES ON BONDS RATED TRIPLE-

2 **A?**

8

9

10

11

12

13

14

15

Α.

A. The table below shows average interest rates between mid-June and mid-July 2021 on triple-A rated taxable bonds issued by government entities having different maturities over the next 15 years. These range from 0.19% to 2.07%, with the interest rate increasing with the length of the bond term:

Maturity	Interest		Interest		Interest
(Years)	Rate	(Years)	Rate	(Years)	Rate
1	0.19%	6	1.18%	11	1.77%
2	0.32%	7	1.36%	12	1.85%
3	0.50%	8	1.50%	13	1.92%
4	0.74%	9	1.62%	14	2.00%
5	0.96%	10	1.69%	15	2.07%

7 Q. COULD THE CRR BONDS HAVE A VARIABLE INTEREST RATE

INSTEAD OF A FIXED INTEREST RATE?

Although floating-rate bonds could be issued, fixed interest rates allow the likely costs and benefits to be better evaluated in advance and would facilitate developing and maintaining a uniform monthly volumetric charge over time. Additionally, current interest rates are at historical lows, which are not expected to persist indefinitely. I understand that all the securitized bonds issued by Texas electric utilities have had fixed interest rates.

IV. COST-EFFECTIVENESS

16 Q. WHAT IS THE PURPOSE OF THIS SECTION?

17 A. H.B. 1520 requires that, before issuing a Financing Order, the Commission must determine that CRR bonds are the most cost-effective method of funding

reimbursements to gas utilities of the regulatory asset associated with the
extraordinary costs incurred in connection with Winter Storm Uri. The purpose of
this section is to compare the expected costs associated with CRR bonds and the
costs of other methods that might be used to finance the regulatory assets.

A. Alternative Methods

1

2

3

4

5

7

8

9

10

11

12

13

14

15

16

17

18

19

A.

6 Q. WHAT ALTERNATIVE METHODS ARE AVAILABLE TO FUND THE

EXTRAORDINARY COSTS INCURRED BY THE PARTICIPATING GAS

UTILITIES ATTRIBUTABLE TO WINTER STORM URI?

- There are basically three alternative methods. The first would be to include the extraordinary costs related to Winter Storm Uri in the gas utility's purchased gas cost ("PGC") recovery mechanism (sometimes referred to as a "purchased gas adjustment" (PGA), "gas cost recovery" (GCR) mechanism, "cost of gas clause" (COG), or "purchased gas factor" (PGF), depending on the utility). The second would be to treat the regulatory assets similar to rate case expenses, where they would be amortized over a relatively short period and recovered through an established rate or a specific surcharge added to customers' bills until the total amount is received. The third method would be to include the regulatory assets in rate base, amortize them over a longer time period (e.g., 10 to 15 years), and include the additional costs in the gas utilities' base service rates.
- 20 Q. PLEASE DISCUSS THE FIRST ALTERNATIVE, INCLUDING THE
 21 EXTRAORDINARY COSTS IN THE PGC RECOVERY MECHANISM.
- 22 A. Under this method, the regulatory asset would be included as a cost of gas and recovered from customers over a period of approximately up to a year through each

A.

participating gas utility's PGC recovery mechanism. The effect of this method
would be to fund the extraordinary Winter Storm Uri costs from current customers
While this method may be the least expensive because carrying costs and
administrative expenses would be minimized, as will be addressed later in my
testimony, it would have the greatest immediate impact on current bills and be the
least affordable method for customers.

- Q. PLEASE DISCUSS THE SECOND ALTERNATIVE THAT WOULD
 ADJUST AN EXISTING RATE OR ADD A SURCHARGE TO CUSTOMER
 BILLS UNTIL THE EXTRAORDINARY COSTS ARE FULLY
 RECOVERED.
 - Similar to how rate case expenses are recovered, this method would amortize the regulatory asset over a relatively short period, such as three years, with an adjustment to existing rates or a surcharge being added to each customer's monthly bill until the regulatory asset is fully recovered. While this alternative would have a smaller monthly or annual impact than recovering the regulatory asset pursuant to the terms of the existing PGC recovery mechanism, it would still have a significant impact on customers' bills in the near-term and their affordability. Additionally, this method could adversely impact the financial integrity of certain gas utilities and their ability to attract capital. Specifically, many of the participating gas utilities financed the extraordinary costs of Winter Storm Uri, in whole or in part, with short-term debt, which has adversely impacted their borrowing capacity. As a result, the ability to raise additional debt to finance ordinary capital requirements would be impaired or potentially non-existent for

certain utilities, as would their ability to manage another crisis. Additionally, this
short-term debt matures prior to when the regulatory assets would be fully
recovered approximately three years following the completion of this proceeding.
Rolling over maturing short-term debt would continue to leave the gas utilities with
limited or exhausted borrowing capacity, while refinancing it with permanent
capital would not only increase the cost of capital but would strain their ability to
raise additional debt and equity to finance normal, ongoing capital expenditures and
withstand extraordinary events. Similarly, the ability to attract additional capital
by those utilities that financed the extraordinary gas costs with permanent capital
may already be significantly reduced.

- 11 Q. PLEASE DISCUSS THE THIRD ALTERNATIVE THAT WOULD
 12 INCLUDE THE REGULATORY ASSET IN RATE BASE AND RECOVER
 13 THE EXTRAORDINARY COSTS IN BASE SERVICE RATES.
 - A. Under the third method, the regulatory assets associated with Winter Storm Uri would remain on the gas utilities' books and be financed by the utility. For ratemaking purposes, the regulatory asset would be included in rate base along with property, plant, and equipment, and amortized over a longer period, such as 10 to 15 years. The capital carrying costs, income taxes, and amortization expense associated with the regulatory asset would then be included in the gas utilities' base service rates.

1	Q.	HOW	WOULD	THE	REGUL	ATORY	ASSET	BE	FUNDED	UNDER	THIS

THIRD METHOD?

A.

Because the regulatory asset is essentially treated like the gas utilities' other permanent assets, it would have to be correspondingly financed. Short-term debt currently being used to finance the regulatory assets by certain utilities would have to be replaced with long-term debt and common equity. As under the three-year amortization method, financing the regulatory asset with new long-term debt and equity could strain the utility's ability to raise additional capital to finance normal, ongoing expenditures and withstand extraordinary events. Additionally, the proportions and costs of new long-term debt and equity financing could be adversely affected by the fact that the assets being financed are not physical assets being used to provide service to customers, with the higher capital costs being reflected in rates.

B. Analysis of Cost-Effectiveness

- Q. DESCRIBE YOUR ANALYSIS AND COMPARISON OF THE RELATIVE
 COST-EFFECTIVENESS OF FUNDING THE REGULATORY ASSETS
 WITH CRR BONDS VERSUS THE ALTERNATIVES IDENTIFIED
 ABOVE.
- A. Because different time periods are involved in evaluating the costs of CRR bonds
 against the costs of alternative methods to fund reimbursements of the extraordinary
 costs incurred in connection with Winter Storm Uri, it is necessary to use analyses
 that take into account the time value of money and measure costs in comparable
 dollars. For efficiency and consistency with the aggregated nature of securitization

1		cost recovery in H.B. 1520, I have not performed an analysis for each participating
2		gas utility, but have used combined amounts for all of the gas utilities, which are
3		developed in Schedule BHF-1, or representative values for gas utilities.
4	Q.	HOW HAVE YOU TAKEN INTO ACCOUNT THE TIME VALUE OF
5		MONEY IN YOUR ANALYSIS?
6	A.	It is standard practice to analyze costs and benefits that occur over varying time
7		periods using "present value," which accounts for the fact that a dollar received or
8		paid in the future is worth less than one received or paid today. Present value
9		analysis combines future nominal dollars into a single amount normally expressed
10		in current dollars, so that the comparison is on an "apples to apples" basis. Nominal
11		dollar benefits or costs in future years are converted to present value dollars using
12		a "discount" rate, which is effectively an interest rate reflecting the time value, or
13		opportunity cost, of money.
14	Q.	WHAT WOULD BE THE ANNUAL COSTS OF CRR BONDS?
15	A.	The estimated annual costs of the CRR bonds, including principal and interest and
16		ongoing annual operating and administrative expenses, are developed in Schedule
17		BHF-2.
18	Q.	WHAT IS THE ESTIMATED TOTAL AMOUNT OF BONDS THAT
19		WOULD BE ISSUED UNDER SECURITIZATION?
20	A.	In the upper portion of Schedule BHF-2, an initial CRR bond issuance of \$3,830
21		million is calculated. This amount is the sum of the total regulatory assets of \$3,607
22		million contained in the participating gas utilities' Applications summarized on
23		Schedule BHF-1, projected underwriting and issuance expenses, and amounts

A.

required to fund a debt service reserve. Underwriting and issuance costs are
estimated to be 0.40% and 0.30%, respectively, of the CRR bonds issued. The
0.40% underwriting expense is consistent with the percentage in Texas electric
securitizations, average and median percentages for other bond issuances by Texas
government entities over the last year, and data from investment banks. The 0.30%
issuance expense is in-line with recent percentages for other bond issuances by
Texas government entities. It may be conservative (i.e., overstated) because the
large size of the CRR bond issuance would involve economies of scale, but this
allows for other reimbursable costs provided for in H.B. 1520 (e.g., costs incurred
by the Commission and TPFA). The debt service reserve fund is equal to one-half
of the average annual bond costs. This amount is based on discussions with utility
Treasury departments, investment bankers, and the level required by other bonds
issued by Texas government entities. It also reflects that H.B. 1520 allows the
customer rate relief charge to be revised annually and trued-up as necessary.

Q. WHAT ARE THE ESTIMATED ANNUAL COSTS OF THE CRR BONDS?

In this analysis, the CRR bonds are assumed to have a maximum maturity of 10 years, with ten series being sized to result in approximately equal annual principal and interest payments, except for the final principal payment being partially met with funds from the debt service reserve. The bond payments are based on the interest rates between mid-June and mid-July 2021 presented earlier for triple-A rated, taxable bonds issued by government entities. To the bond payments, annual operating and administrative expenses equal to 0.60% of the initial bond issuance, or approximately \$23 million, are added. Although electric utilities in Texas have

1		been providing this service for between 0.05% and 0.125% plus projected outside
2		expenses of less than \$500,000 per year, the 0.60% is the maximum service fee
3		allowed by the PUCT in recent electric securitizations. As with issuance expenses,
4		the assumed 0.60% servicing fee may be overstated, but this again allows for other
5		reimbursable costs provided for in H.B. 1520. As shown in the last column of the
6		lower portion of Schedule BHF-2, the estimated costs on the CRR bonds are
7		between approximately \$411 million and \$419 million in each of the ten years.
8	Q.	WHAT WOULD BE THE COSTS IF THE EXTRAORDINARY STORM
9		COSTS WERE RECOVERED THROUGH THE PARTICIPATING
10		UTILITIES' PGC RECOVERY MECHANISMS?
11	A.	Schedule BHF-1 lists the amounts that the participating gas utilities have calculated
12		in their respective Applications that they would be entitled to recover through their
13		respective PGC recovery mechanisms if this method were used. As shown there,
14		this totals \$3,604 million and would all be recovered through their PGC recovery
15		mechanisms during the first year.
16	Q.	WHAT WOULD BE THE ANNUAL COSTS IF THE REGULATORY
17		ASSETS WERE AMORTIZED OVER THREE YEARS AND RECOVERED
18		THROUGH A SURCHARGE TO CUSTOMERS?
19	A.	Schedule BHF-1 also shows the total amount that each of the participating gas
20		utilities has calculated in its Application that it would be entitled to recover if the
21		regulatory asset associated with the extraordinary costs were amortized over three
22		years and surcharged to customers. Dividing the total of \$4,079 million by three

1		would result in approximately \$1,360 million being recovered in each of the three
2		years.
3	Q.	WHAT WOULD BE THE ANNUAL COST IF THE REGULATORY
4		ASSETS WERE INCLUDED IN RATE BASE, AMORTIZED OVER A
5		LONGER PERIOD, AND INCLUDED IN BASE RATES?
6	A.	Schedule BHF-3 develops the annual costs if the regulatory assets of the
7		participating utilities were included in rate base along with property, plant, and
8		equipment and amortized over 10 years. As noted earlier, the regulatory assets
9		contained in the participating gas utilities' Applications total \$3,607 million. An
10		annual carrying cost for the regulatory assets is based on capital structure ratios of
11		41% debt and 59% equity, a cost of debt of 4.75%, and a return on common equity
12		("ROE") of 9.5%. These representative values reflect those allowed in recent rate
13		cases before the Commission. As shown in the upper portion of Schedule BHF-3,
14		combining these capital structure ratios, cost of debt, and ROE, grossed up for
15		associated federal income taxes at 21%, produces a capital carrying cost of 9.04%.
16		Applying this percentage to the average unamortized balance of the regulatory asset
17		in each year and adding annual amortization expense results in the declining total
18		annual costs in each of the ten years shown on Schedule BHF-3.
19	Q.	WHAT WAS THE NEXT STEP IN YOUR COST-EFFECTIVENESS
20		ANALYSIS?
21	A.	The annual costs to customers under the CRR bonds and the three methods
22		described above to reimburse utilities for the extraordinary costs are summarized
23		on Schedule BHF-4. The next step is to calculate the present value of the annual

costs under the CRR bonds and each alternative method. There is not a single discount rate applicable to all customers. For those customers that have money to invest, their opportunity cost may currently be relatively low, while for those customers carrying balances on their credit cards, their time value of money may be in excess of 20%. Accordingly, I used a range of interest rates -- 5%, 10%, 15%, and 20% -- to discount the annual costs of the CRR bonds and each alternative method to calculate their present values, which are shown in the middle of Schedule BHF-4.

Q. WHAT ARE THE RESULTS OF THIS ANALYSIS?

A.

At the bottom of Schedule BHF-4, the present values of the cost of the CRR bonds is subtracted from the present values of the costs of the alternative methods to calculate the saving under securitized financing. As summarized in the table below, the CRR bonds are the most cost-effective method to fund the regulatory assets of the participating gas utilities, with the savings ranging between \$229 million and \$1,384 million, depending on the method and discount rate used (millions of present value dollars):

Savings from CRR Bonds vs. Alternative Methods						
	PGC	3-year	Rate Base			
Discount Rate	Recovery	Amortization	Inclusion			
5%	\$229	\$506	\$959			
10%	\$759	\$869	\$860			
15%	\$1,126	\$1,094	\$779			
20%	\$1,384	\$1,231	\$712			

1	Q.	HAVE	YOU	PERFORMED	ANY	SENSITIVITY	ANALYSES	OF	THESE

2 **RESULTS?**

12

13

14

15

16

17

18

19

20

A.

3 A. Yes. For the CRR bond financing and method that includes the regulatory assets 4 in rate base, I also calculated the present value using a maximum maturity of the 5 bonds of 15 years and amortizing the regulatory asset over 15 years. As shown on 6 Schedule BHF-5, using 15 years versus ten years does not change the conclusion. 7 Again, the CRR bonds are the most cost-effective method to fund the extraordinary 8 storm costs incurred by the participating gas utilities, with the savings from 9 securitization ranging between \$316 million and \$1,744 million, depending on the 10 method and discount rate used.

11 Q. WHAT IF A DISCOUNT RATE LOWER THAN 5%, SAY 3%, IS USED TO

CALCULATE PRESENT VALUE?

If a time value of money of only 3% is used to discount the annual costs of CRR bond financing and the alternative methods, then recovery of the extraordinary gas costs currently through the PGC mechanism becomes slightly more cost-effective, but CRR bond securitization continues to be more cost-effective than both the 3-year amortization or inclusion in rate base methods. However, as will be discussed in the next section, recovery through the PGC mechanism is the least affordable method, and it is doubtful that 3% is representative of the time value of money to the majority of customers.

Q. WHAT HAPPENS IF INTEREST RATES WERE TO CHANGE BETWEEN

NOW AND WHEN THE CRR BONDS ARE ISSUED?

A.

A.

I also performed a sensitivity analysis assuming that interest rates on the CRR bonds increase 50% over those used in the analyses on Schedules BHF-4 and BHF-5. When these higher interest rates are substituted into the 10-year analyses on Schedule BHF-4, the CRR bonds remain the most cost-effective except for where costs are recovered through the PGC mechanism and discounted at 5%. Substituting the higher interest rates into the 15-year sensitivity analysis on Schedule BHF-5 shows the CRR bonds to be the most cost-effective in all cases. Of course, if interest rates were to increase, so too would the cost of money to customers, with higher discount rates applying to more customers and the 5% discount rate becoming less applicable. A rise in interest rates would also likely increase the cost of capital to utilities and result in the annual costs of the alternative recovery methods being greater, which would improve the relative cost-effectiveness of the CRR bonds.

V. <u>CUSTOMER AFFORDABILITY</u>

Q. WHAT IS THE PURPOSE OF THIS SECTION?

In addition to cost-effectiveness, H.B. 1520 requires that the Commission must find that CRR bonds are reasonably expected to provide benefits to customers in the way of affordability. The purpose of this section is to perform an analysis that compares the estimated impact on customers' monthly bills resulting from the issuance of CRR bonds versus the estimated impact on customers' monthly bills that would result under conventional recovery methods. My analysis of customer

	affordability considers only the residential and small commercial classes because
	the customers comprising gas utilities' larger classes often have vastly dissimilar
	gas usage, which causes bill impact calculations based on averages for these other
	classes to have limited meaning.
Q.	WHAT CONVENTIONAL RECOVERY METHODS DID YOU COMPARE
	SECURITIZATION AGAINST TO EVALUATE CUSTOMER
	AFFORDABILITY?
A.	My analysis of customer affordability compares the cost of financing the regulatory
	asset using CRR bonds with the same three methods used in the analysis of cost-
	effectiveness described above. These are: 1) to include the extraordinary expenses
	in the gas utility's PGC recovery mechanism, 2) to amortize the regulatory assets
	over a relatively short period and recover them through a surcharge added to
	customers' bills, and 3) to include the regulatory assets in rate base, amortize them
	over a longer time period, and recover them through base rates.
Q.	HOW DID YOU COMPARE THE RELATIVE AFFORDABILITY OF THE
	CRR BONDS AGAINST THE OTHER CONVENTIONAL RECOVERY
	METHODS?
A.	Whereas the cost-effectiveness analysis above evaluates the costs of the CRR bonds
	versus the alternative methods over time, the affordability analysis focuses on the
	immediate impact of each method on residential and commercial customers' bills.
	Therefore, I use the first-year costs of each method shown on Schedule BHF-4 to
	estimate the respective impacts on customer's monthly bills.
	A. Q.

1	Q.	WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF FINANCING THE
2		REIMBURSEMENT OF THE REGULATORY ASSETS USING CRR
3		BONDS?
4	A.	As noted earlier, H.B. 1520 calls for the customer rate relief charge to be a uniform
5		monthly volumetric charge. As developed on Schedule BHF-6, dividing the first
6		year cost of the CRR bonds of \$411 million shown on Schedule BHF-4 by total
7		2020 volumes of 325,102,345 Mcf reported by the participating gas utilities in their
8		Applications produces a customer rate relief charge of \$1.26 per Mcf. As
9		developed on Schedule BHF-1, the average monthly usages for residential and
10		commercial customers are 4.04 Mcf and 26.87 Mcf, respectively, again using data
11		from the participating utilities' Applications. Multiplying these average monthly
12		usages by the customer rate relief charge of \$1.26 produces an estimated monthly
13		cost under the CRR bonds of \$5.10 to a residential customer and \$33.94 to a
14		commercial customer (Schedule BHF-6).
15	Q.	WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF EACH OF THE
16		THREE CONVENTIONAL METHODS OF COST RECOVERY?
17	A.	The estimated monthly costs to customers under each of the three conventional
18		recovery methods are also developed in Schedule BHF-6. Again, a volumetric
19		customer rate relief charge under each method is calculated by dividing the first-
20		year costs from Schedule BHF-4 by the total 2020 volumes of the participating gas
21		utilities. The resulting uniform monthly customer rate relief charges are then
22		multiplied by the average monthly usage of a residential and commercial customer

from Schedule BHF-1 to calculate the estimated monthly cost under each

23

the average
CRR bond
recovered
mortization
the average
112.36, and
STOMERS
COVERY
ce of CRR
that would
able below.
sts incurred
customers'
n \$3.23 and
\$21.47 and
otal savings
\$38.73 and

\$476.03, and for commercial customers between \$257.65 and \$3,167.08:

20

Comparison of First-year Savings of CRR Bonds vs. Conventional Methods					
	CRR Securitization	PGC Mechanism	3-year Amortization	Inclusion in Rate Base	
Residential:					
Monthly Cost	\$5.10	\$44.77	\$16.89	\$8.33	
Monthly Savings		\$39.67	\$11.79	\$3.23	
Annual Savings		\$476.03	\$141.458	\$38.73	
Commercial:					
Monthly Cost	\$33.94	\$297.86	\$112.36	\$55.41	
Monthly Savings		\$263.92	\$78.42	\$21.47	
Annual Savings		\$3,167.08	\$941.07	\$257.65	

1 Q. HOW IS AFFORDABILITY AFFECTED UNDER THE SENSITIVITY

ANALYSES DESCRIBED EARLIER?

2

3

4

5

6

7

8

9

10

11

12

13

A.

Lengthening the maximum maturity of the CRR bonds and the amortization of the regulatory asset if included in rate base from 10 to 15 years lowers the first-year monthly cost under these methods from those shown in the table above, with there being no change in the costs under the PGC recovery and 3-year amortization methods. The average cost to a residential customer under securitization drops from \$5.10 to \$3.72 per month and from \$33.94 to \$24.77 per month for a commercial customer. For the rate base inclusion method, the cost to a residential customer drops from \$8.33 to \$6.90 and for a commercial customer from \$55.41 to \$45.92. The \$3.72 and \$24.77 per month costs to the average residential and commercial customer, respectively, continue to be lower under securitization than those under the three conventional recovery methods.

Meanwhile, a 50% increase in the interest rate on CRR bonds with 10- and
15-year maximum maturities produces first-year costs for a residential customer of
\$5.63 and \$3.87 a month, respectively, and \$37.43 and \$25.75 a month,
respectively, for a commercial customer. These are still below the monthly first-
year costs of the three conventional recovery methods, so that even if interest rates
rise 50%, CRR bond securitization remains the most affordable.

VI. PUBLIC INTEREST

Q. DOES CRR BOND SECURITIZATION ACCOMPLISH THE

OBJECTIVES OF H.B. 1520?

A.

Yes. The purpose of H.B. 1520 is to provide rate relief to customers by extending the period over which the extraordinary costs of Winter Storm Uri are recovered and support the financial strength and stability of gas utilities. As described earlier in my testimony, the issuance of CRR bonds to reimburse gas utilities for the regulatory assets authorized by the Commission in the Regulatory Asset NTO would defer these costs over the life of the CRR bonds and substantially reduce the immediate impact on customers' bills compared to conventional recovery methods. As also described earlier, using CRR bonds to reimburse the participating gas utilities for their regulatory assets would eliminate the need for them to finance these substantial assets with short-term debt or permanent capital. This would, in turn, enable the gas utilities to maintain their financial integrity and ensure their ability to raise debt and equity capital on reasonable terms. Additionally, it would preserve their borrowing power so that the gas utilities could access capital to

1		finance normal, ongoing expenditures as well as manage another crisis, should it
2		arise.
3	Q.	IS CRR BOND SECURITIZATION THE MOST COST-EFFECTIVE
4		METHOD OF FUNDING REGULATORY ASSET REIMBURSEMENT TO
5		BE MADE TO GAS UTILITIES?
6	A.	Yes. As shown earlier, issuing CRR bonds is the most cost-effective method to
7		recover the extraordinary Winter Storm Uri costs from customers. Using various
8		discount rates between 5% and 20%, the savings from issuing CRR bonds versus
9		other alternative methods of cost recovery are expected to range between \$229
10		million and \$1,384 million in present value dollars. Sensitivity analyses
11		lengthening the maximum maturity of the CRR bonds, using a lower discount rate,
12		and assuming a significant increase in interest rates does not affect this conclusion,
13		with securitization being more cost-effective than the other methods in virtually
14		every case.
15	Q.	DOES CRR BOND SECURITIZATION PROVIDE AFFORDABILITY
16		BENEFITS TO CUSTOMERS COMPARED TO CONVENTIONAL
17		RECOVERY METHODS?
18	A.	Yes. A comparison of the estimated monthly costs to the average residential and
19		commercial customer in the first year resulting from the issuance of CRR bonds
20		versus recovery of the regulatory assets through conventional recovery methods
21		shows that the CRR bonds have the least immediate impact on customers' estimated
22		monthly bills. Therefore, recovering the extraordinary costs associated with Winter

1		Storm Uri through CRR bonds provides customers more near-term affordability
2		than other conventional methods.
3	Q.	DOES THE SECURITIZATION OF THE EXTRAORDINARY COSTS
4		ASSOCIATED WITH WINTER STORM URI USING CRR BONDS
5		PROVIDE CUSTOMERS TANGIBLE AND QUANTIFIABLE BENEFITS?
6	A.	Yes. As described above, using CRR bonds to finance the participating gas
7		utilities' regulatory assets is expected to save customers hundreds of millions of
8		present value dollars versus recovering the extraordinary storm costs through other
9		methods. Additionally, both residential and commercial customers benefit
10		immediately through lower estimated monthly costs under CRR bond financing
11		when compared to conventional recovery methods. Both of these are tangible and
12		quantifiable benefits to customers from securitization greater than would have been
13		achieved absent the issuance of CRR bonds.
14	Q.	IS IT YOUR OPINION THAT USING CRR BONDS TO FINANCE THE
15		EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI
16		IS IN THE PUBLIC INTEREST?
17	A.	Yes. For the reasons developed and described above, I believe using CRR bonds
18		to reimburse participating gas utilities for their regulatory assets is consistent with
19		the purposes of H.B. 1520 and in the public interest.
20	Q.	DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?
21	A.	Yes, it does.

ATTACHMENT B

STATE OF TEXAS

SOLUTION OF TRAVIS

AFFIDAVIT OF BRUCE H. FAIRCHILD

BEFORE ME, the undersigned authority, on this day personally appeared Bruce H. Fairchild who having been placed under oath by me did depose as follows:

- 1. "My name is Bruce H. Fairchild. I am over the age of eighteen (18) and fully competent to make this affidavit. I am a principal in Financial Concepts and Applications, Inc.

 The facts stated herein are true and correct based upon my personal knowledge.
- 2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Bruce H. Fairchild

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bruce H. Fairchild on this

 $\frac{Q_{1}}{Q_{2}}$ day of July 2021.

Further affiant sayeth not.

Notary Public in and for the State of Texas



DATA FOR PARTICIPATING GAS UTILITIES

Amount to be Recovered			overed		Customer Count and Usage Information			
	Regulatory	Purchased	3-year	Residential	Customers	Commercial	Customers	
Gas Utility	Asset	Gas Costs	Amortization	Count	Annual Mcf	Count	Annual Mcf	Total Mcf
	(000s)	(000s)	(000s)					
Atmos Energy	2,038,998	2,026,592	2,345,177	1,885,414	105,174,336	149,107	60,487,264	172,953,731
CenterPoint Energy								
Entex	1,131,471	1,132,892	1,251,066	1,688,270	68,498,910	94,829	18,413,319	94,547,960
Arkla	9,808	9,880	10,903	12,887	931,741	1,635	134,996	1,066,737
Texas Gas Service	290,104	302,560	329,909	628,837	26,024,086	34,276	10,587,407	40,271,506
CoServe Gas, Ltd.	69,045	63,428	69,560	134,758	10,100,382	2,911	1,478,698	11,860,868
Universal Natural Gas, LLC	32,443	33,845	35,219	17,959	893,452	271	138,022	1,031,474
SiEnergy, LP	18,742	19,421	20,935	31,531	1,475,688	183	68,989	1,557,021
EPCOR Gas Texas	11,360	11,360	11,360	4,708	243,716	125	46,700	292,203
Bluebonnet Natural Gas	1,980	1,927	2,277	587	17,428	12	1,580	62,433
AgriTexGas, LP	1,326	1,291	1,291	2,468	216,435	73	27,272	1,369,496
Natgas Inc.	971	971	971	997	44,724	101	24,888	78,456
Corix Utilities (Texas) Inc.	285	216	236	240	7,508	23	2,952	10,460
Totals	3,606,534	3,604,383	4,078,905	4,408,656	213,628,406	283,546	91,412,087	325,102,345
Average Use per Month (Mcf))				4.04		26.87	

Source: Schedules A and H of Participating Gas Utilities' Applications.

Schedule BHF-2 Page 1 of 1

ANNUAL COST OF CUSTOMER RATE RELIEF BONDS

Bond Principal (000s):

Bond Principal		3,829,707
Debt Service Reserve Funding	50.0%	196,366
Issuance Expenses @	0.30%	11,489
Underwriting Expenses @	0.40%	15,319
Total Regulatory Asset		3,606,534

Year	Interest Rate	Principal Payment	Interest Expense	Bond Costs	Operation & Admin. @ 0.60%	Annual Costs
1	0.19%	347,300	40,370	387,670	22,978	410,649
2	0.32%	350,773	39,723	390,496	22,978	413,475
3	0.50%	354,281	38,585	392,865	22,978	415,844
4	0.74%	357,824	36,819	394,643	22,978	417,621
5	0.96%	361,402	34,165	395,567	22,978	418,545
6	1.18%	365,016	30,713	395,729	22,978	418,707
7	1.36%	368,666	26,420	395,086	22,978	418,065
8	1.50%	372,353	21,407	393,760	22,978	416,738
9	1.62%	376,076	15,840	391,916	22,978	414,894
10	1.69%	576,203	9,742	389,579	22,978	412,558
Total		3,829,892				

ANNUAL COST OF RATE BASE INCLUSION

Rate of Return:

		Component	Weighted	Tax	Weighted
Source	% of Total	Cost	Cost	Factor	Cost
Debt	41.0%	4.75%	1.95%	1.0000	1.95%
Equity	59.0%	9.50%	5.61%	1.2658	7.09%
Total	100.0%			-	9.04%

Year	Regulatory Asset	Average Accumulated Amortization	Average Unamortized Balance	Return and Income Taxes	Amortization Expense	Annual Costs
1	3,606,534	180,327	3,426,207	309,813	360,653	670,466
2	3,606,534	540,980	3,065,554	277,201	360,653	637,854
3	3,606,534	901,633	2,704,900	244,589	360,653	605,242
4	3,606,534	1,262,287	2,344,247	211,977	360,653	572,630
5	3,606,534	1,622,940	1,983,594	179,365	360,653	540,019
6	3,606,534	1,983,594	1,622,940	146,753	360,653	507,407
7	3,606,534	2,344,247	1,262,287	114,141	360,653	474,795
8	3,606,534	2,704,900	901,633	81,530	360,653	442,183
9	3,606,534	3,065,554	540,980	48,918	360,653	409,571
10	3,606,534	3,426,207	180,327	16,306	360,653	376,959

Schedule BHF-4 Page 1 of 1

COST-EFFECTIVENESS OF CRR BONDS VERSUS ALTERNATIVE METHODS

			Alternative Methods	
	Securitized	Purchased	3-Year	
	Customer Rate	Gas Cost	Amortization	Inclusion in
Year	Relief Bonds	Recovery	Charge	Rate Base
1	410,649	3,604,383	1,359,635	670,466
2	413,475	-	1,359,635	637,854
3	415,844	-	1,359,635	605,242
4	417,621	-	-	572,630
5	418,545	-	-	540,019
6	418,707	-	-	507,407
7	418,065	-	-	474,795
8	416,738	-	-	442,183
9	414,894	-	-	409,571
10	412,558	-	-	376,959
Present Va	lue (000s):			
5%	3,288,460	3,517,517	3,794,060	4,247,288
10%	2,677,498	3,436,644	3,546,244	3,537,836
15%	2,235,224	3,361,104	3,329,047	3,014,656
20%	1,906,571	3,290,336	3,137,405	2,618,813
Savings fro	om Securitized CRR Bond	ds (000s):		
5%		229,058	505,600	958,828
10%		759,147	868,746	860,338
15%		1,125,881	1,093,824	779,433
20%		1,383,765	1,230,834	712,242

Schedule BHF-5 Page 1 of 1

COST-EFFECTIVENESS OF 15-YEAR CRR BONDS VERSUS ALTERNATIVE METHODS

			Alternative Methods	
	Securitized	Purchased	3-Year	
	Customer Rate	Gas Cost	Amortization	Inclusion in
Year	Relief Bonds	Recovery	Charge	Rate Base
1	299,731	3,604,383	1,359,635	555,684
2	301,568	-	1,359,635	533,942
3	303,107	-	1,359,635	512,201
4	304,262	-	-	490,460
5	304,863	-	-	468,719
6	304,968	-	-	446,977
7	304,551	-	-	425,236
8	303,688	-	-	403,495
9	302,490	-	-	381,754
10	300,972	-	-	360,012
11	299,267	-	-	338,271
12	297,347	-	-	316,530
13	295,210	-	-	294,789
14	292,878	-	-	273,047
15	290,322	-	-	251,306
Present Va	lue (000s):			
5%	3,201,153	3,517,517	3,794,060	4,500,302
10%	2,404,656	3,436,644	3,546,244	3,517,305
15%	1,892,157	3,361,104	3,329,047	2,862,128
20%	1,546,461	3,290,336	3,137,405	2,405,230
Savings fro	om Securitized CRR Bon	ds:		
5%		316,365	592,907	1,299,149
10%		1,031,988	1,141,588	1,112,650
15%		1,468,948	1,436,891	969,971
20%		1,743,876	1,590,944	858,770

Schedule BHF-6 Page 1 of 1

AFFORDABILITY OF CRR BONDS VERSUS CONVENTIONAL METHODS

						ional Methods		
	Securitized Customer Rate		Purchased Gas Cost		3-Year Amortization		Inc	lusion in
		ef Bonds		Recovery Charge		Rate Base		
Extraordinary Winter Storm Ur	i Costs:							
1st-year Costs (a)	\$ 41	0,648,713	\$3,6	604,382,693	\$1,3	59,634,943	\$ 6	70,466,009
Total Mcf (b)	32	5,102,345	325,102,345		325,102,345		325,102,345	
Cost per Mcf	\$	1.26	\$	11.09	\$	4.18	\$	2.06
Residential Customers:								
Average Mcf Use per Month (b)		4.04		4.04		4.04		4.04
Monthly Cost Residential	\$	5.10	\$	44.77	\$	16.89	\$	8.33
Savings from CRR Bonds:								
Per Month			\$	39.67	\$	11.79	\$	3.23
First Year			\$	476.03	\$	141.45	\$	38.73
Commercial Customers:								
Average Mcf Use per Month (b)		26.87		26.87		26.87		26.87
Monthly Cost Commercial	\$	33.94	\$	297.86	\$	112.36	\$	55.41
Savings from CRR Bonds:								
Per Month			\$	263.92	\$	78.42	\$	21.47
First Year			\$	3,167.08	\$	941.07	\$	257.65

⁽a) Schedule BHF-4.(b) Schedule BHF-1.

ATTACHMENT BA

BRUCE H. FAIRCHILD

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

3907 Red River Austin, Texas 78751 (512) 458-4644 FAX (512) 458-4768 fincap2@texas.net

Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

Employment

Principal, FINCAP, Inc. (Sep. 1979 to present)

Adjunct Assistant Professor, University of Texas at Austin (Sep. 1979 to May. 1981)

Assistant Director, Economic Research Division, Public Utility Commission of Texas (Sep. 1976 to Aug. 1979) Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.

Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.

Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.

BRUCE H. FAIRCHILD ATTACHMENT B Page 2 of 5

Assistant Professor, College of Business Administration, University of Colorado at Boulder (Jan. 1977 to Dec. 1978)

Teaching Assistant, University of Texas at Austin (Jan. 1973 to Dec. 1976)

Internal Auditor,
Sears, Roebuck and Company, Dallas,
Texas
(Nov. 1970 to Aug 1972)

Accounts Payable Clerk,
Transcontinental Gas Pipeline Corp.,
Houston, Texas
(May. 1969 to Aug. 1969)

Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.

Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.

Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands.

Processed documentation and authorized payments to suppliers and creditors.

Education

Ph.D., Finance, Accounting, and Economics, University of Texas at Austin (Sep. 1974 to May 1980)

M.B.A., Finance and Accounting, University of Texas at Austin, (Sep. 1972 to Aug. 1974)

B.B.A., Accounting and Finance,
Southern Methodist University, Dallas,
Texas

(Sep. 1967 to Dec. 1971)

Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award.

Dissertation: Estimating the Cost of Equity to Texas Public Utility Companies

Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues.

Professional Report: Planning a Small Business Enterprise in Austin, Texas

Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

Other Professional Activities

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants (Honorary).

Participated as session chairman, moderator, and paper discussant at annual meetings of Financial Management Association, Southwestern Finance Association, American Finance Association, and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

Associate Editor of Austin Financial Digest, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

Military

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

Bibliography

Monographs

- "On the Use of Security Analysts' Growth Projections in the DCF Model," with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).
- "An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies", with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).
- "The Spring Thing (A) and (B)" and "Teaching Notes", with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).
- "Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, Governor's Office of Energy Resources and Department of Energy (1977-1978).
- "Linear Algebra," "Calculus," "Sets and Functions," and "Simulation Techniques," contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

Articles and Notes

- "How to Value Personal Service Practices," with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).
- "The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).
- "North Arctic Industries, Limited," with Keith Wm. Fairchild, Case Research Journal (Spring 1988).
- "Regulatory Effects on Electric Utilities' Cost of Capital Reexamined," with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).
- "Capital Needs for Electric Utility Companies in Texas: 1976-1985", *Texas Business Review* (January-February 1979), reprinted in "The Energy Picture: Problems and Prospects", J. E. Pluta, ed., *Bureau of Business Research* (1980).
- "Some Thoughts on the Rate of Return to Public Utility Companies," with William E. Avera, *Proceedings* of the NARUC Biennial Regulatory Information Conference (1978).
- "Regulatory Problems of EFTS," with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).
- "Regulation of EFTS as a Public Utility," with Robert McLeod, Proceedings of the Conference on Bank Structure and Competition (1978).
- "Equity Management of REA Cooperatives," with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).
- "Capital Costs Within a Firm," Proceedings of the Southwestern Finance Association (1977).
- "The Cost of Capital to a Wholly-Owned Public Utility Subsidiary," *Proceedings of the Southwestern Finance Association* (1977).

Selected Papers and Presentations

- "Federal Energy Regulatory Commission Audits of Common Carriers (Procedures for Audit Compliance)", Energy Transfer Accounting Employee Education, Dallas and Houston, Texas (December 2018).
- "Perspectives on Texas Utility Regulation", TSCPA 2016 Energy Conference, Austin, Texas (May 16, 2016).
- "Legislative Changes Affecting Texas Utilities," Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).
- "Rate of Return," "Origins of Information," Economics," and "Deferred Taxes and ITC's," New Mexico State University and National Association of Regulatory Utility Commissioners Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).
- "Developing a Cost-of-Service Study," 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).
- "Financial Aspects of Cost of Capital and Common Cost Considerations," Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).
- "Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).
- "Rate Base and Revenue Requirements," The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).
- "Determining the Cost of Capital in Today's Diversified Companies," New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).
- "Estimating the Cost of Equity," Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).
- "Impact of Regulations," Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).
- "Accounting and Finance Workshop" and "Divisional Cost of Capital," New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).
- "Divisional Cost of Equity by Risk Comparability and DCF Analyses," NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).
- "Revenue Requirements," Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).
- "Rate Filing Basic Ratemaking," Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).
- "The Effects of Regulation on Fair Market Value: P.H. Robinson A Case Study," Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).
- "How to Value Closely-held Businesses," TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).
- "Revenue Requirements" and "Determining the Rate of Return", New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).
- "How to Evaluate Personal Service Practices," TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).
- "How to Start a Small Business Accounting and Record Keeping," University of Texas Management Development Program, Austin, Texas (October 1984).

- "Project Financing of Public Utility Facilities", TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).
- "Valuation of Closely-Held Businesses," Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).
- "Rating Regulatory Performance and Its Impact on the Cost of Capital," New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).
- "Effect of Inflation on Rate of Return," Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).
- "Original Cost Versus Current Cost Regulation: A Re-examination," Financial Management Association, New Orleans, Louisiana (October 1980).
- "Capital Investment Analysis for Electric Utilities," The University of Texas at Dallas, Richardson, Texas (June 1980).
- "The Determinants of Capital Costs to the Electric Utility Industry," with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).
- "The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).
- "Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).
- "Issues in Regulated Industries Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).
- "Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).
- "Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies," Financial Management Association, Minneapolis, Minnesota (October 1978).
- "The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries," with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).
- "PUC Retrofitting Program," Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).
- "The Economics of Regulated Industries," Consumer Economics Forum, Houston, Texas (November 1977).
- "Public Utilities as Consumer Targets Is the Pressure Justified?" University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

ATTACHMENT B APPENDIX B

BRUCE H. FAIRCHILD SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES

•	Utility Case	Agency	Docket	Date	Nature of Testimony
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin		Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission		Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787		Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC- 023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2		Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87	Cost Allocation, Rate Design, and Contracts
				Sep-87	
				Sep-87	
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB		Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	 7878		Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	8033		Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity
45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return
46.	Southern Union Gas Company	El Paso PURB		Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Aug-92	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.		Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR- 92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR- 93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities		May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
64.	Entergy Services, Inc.	FERC	ER95-112- 000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements
66.	System Energy Resources, Inc.	FERC	ER95-1042- 000	May-95 Dec-95 Jan-96	Rate of Return on Equity
67.	Minnegasco	Minnesota PUC	G-008/GR- 95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582- 95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements
87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB		Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler		Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582- 00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
110	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582- 01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214- 000	Mar-02	Rate of Return on Equity
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB		Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04	Revenue Requirements
				Nov-04	
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG- 280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity
164.	Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165.	ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166.	EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167.	Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168.	Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170.	ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171.	Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172.	Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173.	ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174.	Texas Gas Service Company	El Paso PURB		Dec-09	Rate of Return
175.	Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return
176.	Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177.	Trans-Alaska Pipeline System	FERC	ISO9-348- 000	Apr 10 Oct 10	Rate of Return
178.	Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179.	SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182.	CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183.	ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184.	Unocal Pipeline Company	Alaska RCA	TL132-312	Feb 11	Rate of Return
185.	New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
186.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
187.	Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
188.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138	Jul 11	Rate of Return
189.	Unocal Pipeline Company	Alaska RCA	TL126	Dec 11	Rate of Return
190.	Kansas Gas Service	Kansas CC	12-KGSC- 835-RTS	May 12 Oct 12	Rate of Return
191.	ExxonMobil Pipeline Co.	Alaska RCA	TL-157-304	Jun 12	Rate of Return
192.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-149-301	Jul 12	Rate of Return
193.	Seaway Crude Pipeline Company	FERC	IS12-226-000	Aug 12 Feb 13	Rate of Return
194.	Cross Texas Transmission, LLC	Texas PUC	40604	Aug 12 Oct 12 Nov 12	Revenue Requirements
195.	Wind Energy Transmission Texas	Texas PUC	40606	Aug 12 Nov 12	Revenue Requirements
196.	Lone Star Transmission LLC	Texas PUC	40798	Nov 12	Revenue Requirements
197.	West Texas Gas Company	Texas RRC	10235	Jan 13	Rate of Return
198.	Cross Texas Transmission, LLC	Texas PUC	41190	Feb 13	Revenue Requirements
199.	ExxonMobil Pipeline Co.	Alaska RCA	TL-162-304	Apr 13	Rate of Return
200.	EasTrans,LLC	Texas RRC	10276	Jul 13	Rate of Return
201.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-152-301	Jul 13	Rate of Return
202.	BP Pipelines (Alaska) Inc.	Alaska RCA	TL-143-311	Sep 13	Rate of Return
203.	Wind Energy Transmission Texas	Texas PUC	41923	Oct 13	Revenue Requirements
204.	Oliktok Pipeline Company	Alaska RCA	P-13-013	Nov 13	Rate of Return
205.	Aqua Texas Southeast Region-Gray	Texas CEQ	2013-2007- UCR	Apr 14	Revenue Requirements
206.	Entergy Mississippi	Mississippi PSC	EC-123-0082	Jun 14	Rate of Return on Equity
207.	Westlake Ethylene Pipeline	Texas RRC	10358	Jul 14 Aug 15	Rates
208.	ExxonMobil Pipeline Co.	Alaska RCA	TL-164-304	Jul 14	Rate of Return
209.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-154-301	Aug 14	Rate of Return
210.	Enstar Natural Gas Company	Alaska RCA	TA-262-4		Revenue Requirements, Cost Allocation, and Rate Design

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
211.	Oliktok Pipeline Company	Alaska RCA	TL-44-334	Mar 15	Rate of Return
212.	Entergy Arkansas, Inc.	Arkansas PSC	15-0150U	Apr 15 Oct 15 Dec 15	Rate of Return on Equity
213.	Wind Energy Transmission Texas	Texas PUC	44746	Jun 15	Revenue Requirements
214.	Texas City	Texas RRC	10408	Jun 15 Nov 15	Pipeline Annual Assessment
215.	Oklahoma Natural Gas	Oklahoma CC	201500213	Jul 15 Nov 15	Rate of Return
216.	PTE Pipeline LLC	Alaska RCA	P-12-015	Sep 15	Rate of Return
217.	Northeast Transmission Development, LLC	FERC	ER16-453	Dec 15	Formula Rates
218.	Oncor Electric Delivery	Texas PUC	45188	Dec 15	Public Interest of Acquisition
219.	Corix Utilities (Texas)	Texas PUC	45418	Dec 15 Oct 16	Rate of Return
220.	Texas Gas Service	Texas RRC	10488	Dec 15	Rate of Return
221.	Texas Gas Service	Texas RRC	10506	Mar 16 Jun 16	Rate of Return
222.	Kansas Gas Service	Kansas CC	16-KGSG- 491-RTS	May 16 Sep 16	Rate of Return on Equity
223.	Enstar Natural Gas Company	Alaska RCA	TA-285-4		Revenue Requirements, Cost Allocation, and Rate Design
224.	Texas Gas Service	Texas RRC	10526	Jun 16	Rate of Return
225.	West Texas LPG Pipeline	Texas RRC	10455	Aug 16 Jan 17	Rates and Rate of Return
226.	Liberty Utilities	Texas PUC	46356		Revenue Requirements and Rate of Return
227.	DesertLink LLC	FERC	ER17-135	Oct 16	Formula Rates
228.	Houston Pipe Line Co.	Texas RRC	10559	Nov 16	Revenue Requirements
229.	Texas Gas Service	Texas RRC	10656	Jun 17	Rate of Return
230.	Trans-Pecos Pipeline	Texas RRC	10646	Sep 17 Feb 18	Revenue Requirements
231.	Comanche Trail Pipeline	Texas RRC	10647	Sep 17 Feb 18	Revenue Requirements
232.	Alpine High Pipeline	Texas RRC	10665	Oct 17 Feb 18	Revenue Requirements

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
233.	SiEnergy, LP	Texas RRC	10679	Jan 18	Rate of Return
234.	Targa Midland Gas Pipeline LLC	Texas RRC	10690	Jan 18	Revenue Requirements
235.	ET Fuel, LP	Texas RRC	10706	Apr 18	Revenue Requirements
236.	Texas Gas Service	Texas RRC	10739	Jun 18	Rate of Return
237.	Kansas Gas Service	Kansas CC	18-KGSG- 560-RTS	Jun 18 Nov 18	Rate of Return on Equity
238.	Oliktok Pipeline Company	Alaska RCA	TL46-334	Jul 18	Rate of Return
239.	Red Bluff Express, LLC	Texas RRC	10752	Jul 18	Revenue Requirements
240.	PTE Pipeline LLC	Alaska RCA	P-18-0	Jul 18	Rate of Return
241.	Agua Blanca, LLC	Texas RRC	10761	Aug 18	Revenue Requirements
242.	Texas Gas Service	Texas RRC	10766	Aug 18	Rate of Return
243.	Republic Transmission LLC	FERC	ER19	Dec 18	Formula Rates
244.	Gulf Coast Express Pipeline LLC	Texas RRC	10825	Feb 19	Revenue Requirements
245.	Cook Inlet Natural Gas Storage Alaska, LLC	Alaska RCA	U-18-043		Accumulated Deferred Income Taxes and Working Capital
246.	Impulsora Pipeline LLC	Texas RRC	10829	Mar 19	Revenue Requirements
247.	SEMCO Energy Gas Co.	Michigan PSC	U-20479	May 19 Oct 19	Revenue Requirements
248.	Liberty Utilities (Fox River) LLC	AAA	01-18-0002- 2510	Jul 19 Oct 19	Revenue Requirements
249.	AMP Intrastate Pipeline LLC	Texas RRC	10887	Aug 19	Revenue Requirements
250.	Corix Utilities (Texas) Inc.	Texas PUC	49923	Aug 19 Jul 20 Aug 20	TCJA Tax Expense Reduction
251.	Colonial Pipeline Company	FERC	OR18-7-002	Nov 19 Feb 20 May 20 Jul 20	Rate of Return
252.	Texas Gas Service	Texas RRC	10928	Dec 19 Apr 20	Rate of Return
253.	Mississippi Power Company	Mississippi PSC	2019-UN-219	Feb 20	Rate of Return on Equity
254.	Corix Utilities (Texas)	Texas PUC	50557		Rate of Return and Excess ADFIT
255.	SouthCross CCNG Transmission	Texas RRC	10967	May 20	Revenue Requirements
256.	Kinder Morgan Border Pipeline LLC	Texas RRC	10980	Jun 20	Revenue Requirements

257. Monarch Utilities I LP	Texas PUC	50944	Jul 20 Nov 20	Rate of Return
258. West Texas Gas, Inc.	Texas RRC	10998	Aug 20	Revenue Requirements, Rate of Return, and Cost of Service Study
259. Centric Gas Services, LLC	Texas RRC		Oct 20	Rate of Return
260. CoServ Gas, Ltd	Texas RRC	00005136	Nov 20	Rate of Return
261. Permian Highway Pipeline LLC	Texas RRC	00005306	Dec 20	Revenue Requirements
262. Whistler Pipeline LLC	Texas RRC	00005675	Feb 21	Revenue Requirements
263. Oklahoma Natural Gas	Oklahoma CC	202100063	May 21	Rate of Return
264. Oliktok Pipeline Company	Alaska RCA	TL47-334	Jul 21	Rate of Return

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department



NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies
Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code § 102.101(a), (b) and (d). The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at mark.evarts@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

Austin, Texas February 2021

2	relating to certain extraordinary costs incurred by certain gas
3	utilities relating to Winter Storm Uri and a study of measures to
4	mitigate similar future costs; providing authority to issue bonds
5	and impose fees and assessments.
6	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
7	SECTION 1. Section 1232.002, Government Code, is amended to
8	read as follows:
9	Sec. 1232.002. PURPOSE. The purpose of this chapter is to
10	provide a method of financing for:
11	(1) the acquisition or construction of buildings;
12	[and]
13	(2) the purchase or lease of equipment by executive or
14	judicial branch state agencies; and
15	(3) customer rate relief bonds authorized by the
16	Railroad Commission of Texas in accordance with Subchapter I,
17	Chapter 104, Utilities Code.
18	SECTION 2. Section 1232.066(a), Government Code, is amended
19	to read as follows:
20	(a) The board's authority under this chapter is limited to
21	the financing of:
22	(1) the acquisition or construction of a building;
23	(2) the purchase or lease of equipment; [or]
24	(3) stranded costs of a municipal power agency; or

AN ACT

1

- 1 (4) customer rate relief bonds approved by the
- 2 Railroad Commission of Texas in accordance with Subchapter I,
- 3 Chapter 104, Utilities Code.
- 4 SECTION 3. Subchapter C, Chapter 1232, Government Code, is
- 5 amended by adding Section 1232.1072 to read as follows:
- 6 Sec. 1232.1072. ISSUANCE OF OBLIGATIONS FOR FINANCING
- 7 CUSTOMER RATE RELIEF PROPERTY. (a) The definitions in Section
- 8 104.362, Utilities Code, apply to terms used in this section.
- 9 (b) The authority may create an issuing financing entity for
- 10 the purpose of issuing customer rate relief bonds approved by the
- 11 Railroad Commission of Texas in a financing order, as provided by
- 12 Subchapter I, Chapter 104, Utilities Code.
- 13 (c) An issuing financing entity created under this section
- 14 is a duly constituted public authority and instrumentality of the
- 15 state and is authorized to issue customer rate relief bonds on
- 16 behalf of the state for the purposes of Section 103, Internal
- 17 Revenue Code of 1986 (26 U.S.C. Section 103).
- 18 (d) The issuing financing entity must be governed by a
- 19 governing board of three members appointed by the authority. A
- 20 member of the governing board may be a current or former director of
- 21 the authority. A member of the governing board serves without
- 22 <u>compensation but is entitled to reimbursement for travel expenses</u>
- 23 incurred in attending board meetings.
- 24 (e) The issuing financing entity must be formed in
- 25 accordance with, be governed by, and have the powers, rights, and
- 26 privileges provided for a nonprofit corporation organized under the
- 27 Business Organizations Code, including Chapter 22 of that code,

- 1 <u>subject to the express exceptions and limitations provided</u> by this
- 2 section and Subchapter I, Chapter 104, Utilities Code. A single
- 3 organizer selected by the executive director of the authority shall
- 4 prepare the certificate of formation of the issuing financing
- 5 entity under Chapters 3 and 22, Business Organizations Code. The
- 6 certificate of formation must be consistent with the provisions of
- 7 this section.
- 8 (f) The authority shall establish the issuing financing
- 9 entity to act on behalf of the state as its duly constituted
- 10 authority and instrumentality to issue customer rate relief bonds
- 11 approved under Subchapter I, Chapter 104, Utilities Code.
- 12 (g) On a request to the authority from the Railroad
- 13 Commission of Texas, the authority shall direct an issuing
- 14 financing entity to issue customer rate relief bonds in accordance
- 15 with a financing order issued by the railroad commission as
- 16 provided in Subchapter I, Chapter 104, Utilities Code.
- (h) Before the issuance of any customer rate relief bonds,
- 18 the authority and the Railroad Commission of Texas shall ensure
- 19 that adequate provision is made in any financing order for the
- 20 recovery of all issuance costs and all other fees, costs, and
- 21 expenses of the authority, the issuing financing entity, and any
- 22 advisors or counsel hired by the authority or the entity for the
- 23 purposes of this section during the life of the customer rate relief
- 24 bonds.
- (i) Customer rate relief bonds are limited obligations of
- 26 the issuing financing entity payable solely from customer rate
- 27 relief property and any other money pledged by the issuing

- 1 financing entity to the payment of the bonds and are not a debt of
- 2 this state, the Railroad Commission of Texas, the authority, or a
- 3 gas utility.
- 4 (j) The Railroad Commission of Texas shall ensure that
- 5 customer rate relief charges are imposed, collected, and enforced
- 6 in an amount sufficient to pay on a timely basis all bond
- 7 obligations, financing costs, and bond administrative expenses
- 8 associated with any issuance of customer rate relief bonds.
- 9 (k) The authority and the Railroad Commission of Texas have
- 10 all the powers necessary to perform the duties and responsibilities
- 11 described by this section. This section shall be interpreted
- 12 broadly in a manner consistent with the most cost-effective
- 13 financing of customer rate relief property, including regulatory
- 14 assets, extraordinary costs, and related financing costs approved
- 15 by the Railroad Commission of Texas in accordance with Subchapter
- 16 <u>I, Chapter 104</u>, <u>Utilities Code</u>.
- 17 (1) Any interest on the customer rate relief bonds is not
- 18 subject to taxation by and may not be included as part of the
- 19 measurement of a tax by this state or a political subdivision of
- 20 this state.
- 21 (m) The authority shall make periodic reports to the
- 22 Railroad Commission of Texas and the public regarding each
- 23 <u>financing made in accordance with Section 104.373(b)</u>, Utilities
- 24 Code, and if required by the applicable financing order.
- 25 (n) The issuing financing entity shall issue customer rate
- 26 relief bonds in accordance with and subject to other provisions of
- 27 Title 9 applicable to the authority.

(o) The issuing financing entity may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371. A purpose for which bonds, obligations, or other evidences of indebtedness are issued under this section and Subchapter I, Chapter 104, Utilities Code, constitutes an eligible

project for purposes of Chapter 1371 of this code.

7

- (p) Assets of an issuing financing entity may not be 8 considered part of any state fund and must be held outside the state 9 treasury. The liabilities of the issuing financing entity may not 10 be considered to be a debt of the state or a pledge of the state's 11 12 credit. An issuing financing entity must be self-funded from customer rate relief property and established in accordance with 13 Subchapter I, Chapter 104, Utilities Code. A state agency may 14 15 provide money appropriated for the purpose to the issuing financing entity to provide for initial operational expenses of the issuing 16 17 financing entity.
- 18 SECTION 4. Section 1232.108, Government Code, is amended to 19 read as follows:
- Sec. 1232.108. LEGISLATIVE AUTHORIZATION REQUIRED. Except as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453, before the board may issue and sell bonds, the legislature by the General Appropriations Act or other law must have authorized:
- 24 (1) the specific project for which the bonds are to be 25 issued and sold; and
- 26 (2) the estimated cost of the project or the maximum 27 amount of bonded indebtedness that may be incurred by the issuance

- 1 and sale of bonds for the project.
- 2 SECTION 5. Chapter 104, Utilities Code, is amended by
- 3 adding Subchapter I to read as follows:
- 4 SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS
- 5 Sec. 104.361. PURPOSE; RAILROAD COMMISSION DUTY. (a) The
- 6 purpose of this subchapter is to reduce the cost that customers
- 7 would otherwise experience because of extraordinary costs that gas
- 8 utilities incurred to secure gas supply and provide service during
- 9 Winter Storm Uri, and to restore gas utility systems after that
- 10 event, by providing securitization financing for gas utilities to
- 11 recover those costs. The securitization financing mechanism
- 12 authorized by this subchapter will:
- 13 (1) provide rate relief to customers by extending the
- 14 period during which the costs described by this subsection are
- 15 recovered from customers; and
- 16 (2) support the financial strength and stability of
- 17 gas utility companies.
- 18 (b) The railroad commission shall ensure that
- 19 securitization provides tangible and quantifiable benefits to
- 20 <u>customers</u>, greater than would have been achieved absent the
- 21 <u>issuance of customer rate relief bonds.</u>
- 22 <u>Sec. 104.362. DEFINITIONS. In this subchapter:</u>
- 23 (1) "Ancillary agreement" means a financial
- 24 arrangement entered into in connection with the issuance or payment
- 25 of customer rate relief bonds that enhances the marketability,
- 26 security, or creditworthiness of customer rate relief bonds,
- 27 including a bond, insurance policy, letter of credit, reserve

- 1 account, surety bond, interest rate or currency swap arrangement,
- 2 interest rate lock agreement, forward payment conversion
- 3 agreement, credit agreement, other hedging arrangement, or
- 4 liquidity or credit support arrangement.
- 5 (2) "Authority" means the Texas Public Finance
- 6 Authority.
- 7 (3) "Bond administrative expenses" means all costs and
- 8 expenses incurred by the railroad commission, the authority, or any
- 9 <u>issuing financing entity to evaluate, issue, and administer</u>
- 10 customer rate relief bonds issued under this subchapter, including
- 11 fees and expenses of the authority, any bond administrator, and the
- 12 issuing financing entity, fees for paying agents, trustees, and
- 13 attorneys, and fees for paying for other consulting and
- 14 professional services necessary to ensure compliance with this
- 15 <u>subchapter</u>, applicable state or federal law, and the terms of the
- 16 <u>financing order</u>.
- 17 (4) "Bond obligations" means the principal of a
- 18 customer rate relief bond and any premium and interest on a customer
- 19 rate relief bond issued under this subchapter, together with any
- 20 amount owed under a related ancillary agreement or credit
- 21 agreement.
- 22 (5) "Credit agreement" has the meaning assigned by
- 23 <u>Section 1371.001</u>, <u>Government Code</u>.
- 24 (6) "Customer rate relief bonds" means bonds, notes,
- 25 certificates, or other evidence of indebtedness or ownership the
- 26 proceeds of which are used directly or indirectly to recover,
- 27 finance, or refinance regulatory assets approved by the railroad

issuing

1 commission, including extraordinary costs and related financing costs, and that are: 2 3 (A) issued by an issuing financing entity under a 4 financing order; and 5 (B) payable from and secured by customer rate relief property and amounts on deposit in any trust accounts 6 7 established for the benefit of the customer rate relief bondholders 8 as approved by the applicable financing order. 9 "Customer rate relief charges" means the amounts authorized by the railroad commission as nonbypassable charges to 10 repay, finance, or refinance regulatory assets, including 11 12 extraordinary costs, financing costs, bond administrative expenses, and other costs authorized by the financing order: 13 14 (A) imposed on and included in customer bills of 15 a gas utility that has received a regulatory asset determination 16 under Section 104.365; (B) collected in full by a gas utility that has 17 received a regulatory asset determination under Section 104.365, or 18 19 its successors or assignees, or a collection agent, as servicer, separate and apart from the gas utility's base rates; and 20 21 (C) paid by all existing or future customers 22 receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or its successors or 23 24 assignees, even if a customer elects to purchase gas from an 25 alternative gas supplier. 26 (8) "Customer rate relief property" means:

all rights and interests of an

27

- 1 financing entity or any successor under a financing order, 2 including the right to impose, bill, collect, and receive customer rate relief charges authorized in the financing order and to obtain 3 periodic adjustments to those customer rate relief charges as 4 5 provided in the financing order and in accordance with Section 104.370; and 6 7 (B) all revenues, collections, claims, rights to 8 payments, payments, money, or proceeds arising from the rights and interests specified by Paragraph (A), regardless of whether the 9 10 revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or 11 maintained together with or commingled with other revenues, 12 collections, rights to payments, payments, money, or proceeds. 13 14 "Financing costs" means any of the following: 15 interest and acquisition, defeasance, (A) redemption premiums that are payable on customer rate relief bonds; 16 17 (B) a payment required under an ancillary agreement or credit agreement or an amount required to fund or 18 19 replenish reserve or other accounts established under the terms of an indenture, ancillary agreement, or other financing document 20 pertaining to customer rate relief bonds; 21
- (C) issuance costs or ongoing costs related to
 supporting, repaying, servicing, or refunding customer rate relief
 bonds, including servicing fees, accounting or auditing fees,
 trustee fees, legal fees or expenses, consulting fees,
 administrative fees, printing fees, financial advisor fees or

27

expenses, Securities and Exchange Commission registration fees,

- 1 issuer fees, bond administrative expenses, placement and
- 2 underwriting fees, capitalized interest, overcollateralization
- 3 funding requirements including amounts to fund or replenish any
- 4 reserve established for a series of customer rate relief bonds,
- 5 rating agency fees, stock exchange listing and compliance fees,
- 6 filing fees, and any other bond administrative expenses; and
- 7 (D) the costs to the railroad commission of
- 8 acquiring professional or consulting services for the purpose of
- 9 evaluating extraordinary costs under this subchapter.
- 10 (10) "Financing order" means an order adopted under
- 11 Section 104.366 approving the issuance of customer rate relief
- 12 bonds and the creation of customer rate relief property and
- 13 associated customer rate relief charges for the recovery of
- 14 regulatory assets, including extraordinary costs, related
- 15 financing costs, and other costs authorized by the financing order.
- 16 (11) "Financing party" means a holder of customer rate
- 17 relief bonds, including a trustee, a pledgee, a collateral agent,
- 18 any party under an ancillary agreement, or other person acting for
- 19 the holder's benefit.
- 20 (12) "Gas utility" means:
- 21 (A) an operator of natural gas distribution
- 22 pipelines that delivers and sells natural gas to the public and that
- 23 <u>is subject to the railroad commission's jurisdiction under Section</u>
- 24 102.001; or
- 25 (B) an operator that transmits, transports,
- 26 delivers, or sells natural gas or synthetic natural gas to
- 27 operators of natural gas distribution pipelines and whose rates for

- 1 those services are established by the railroad commission in a rate
- 2 proceeding filed under this chapter.
- 3 (13) "Issuing financing entity" means a special
- 4 purpose nonmember, nonstock, nonprofit public corporation
- 5 established by the authority under Section 1232.1072, Government
- 6 Code.
- 7 (14) "Nonbypassable" means a charge that:
- 8 (A) must be paid by all existing or future
- 9 customers receiving service from a gas utility that has received a
- 10 regulatory asset determination under Section 104.365 or the gas
- 11 utility's successors or assignees, even if a customer elects to
- 12 purchase gas from an alternative gas supplier; and
- 13 (B) may not be offset by any credit.
- 14 (15) "Normalized market pricing" means the average
- 15 monthly pricing at the Henry Hub for the three months immediately
- 16 preceding the month during which extraordinary costs were incurred,
- 17 plus contractual adders to the index price and other non-indexed
- 18 gas procurement costs.
- 19 (16) "Regulatory asset" includes extraordinary costs:
- 20 (A) recorded by a gas utility in the utility's
- 21 books and records in accordance with the uniform system of accounts
- 22 prescribed for natural gas companies subject to the provisions of
- 23 the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal
- 24 Energy Regulatory Commission and generally accepted accounting
- 25 principles; or
- 26 (B) classified as a receivable or financial asset
- 27 under international financial reporting standards under the

- 1 railroad commission's authorization in the Notice of Authorization
- 2 for Regulatory Asset Accounting for Local Distribution Companies
- 3 Affected by the February 2021 Winter Weather Event issued February
- 4 13, 2021.
- 5 (17) "Servicer" means, with respect to each issuance
- 6 of customer rate relief bonds, the entity identified by the
- 7 railroad commission in the financing order as servicer responsible
- 8 for collecting customer rate relief charges from participating gas
- 9 utilities, remitting all collected funds to the applicable issuing
- 10 financing entity or the bond trustee, calculating true-up
- 11 adjustments, and performing any other duties as specified in the
- 12 financing order.
- 13 (18) "Winter Storm Uri" means the North American
- 14 winter storm that occurred in February 2021.
- 15 Sec. 104.363. EXTRAORDINARY COSTS. For the purposes of
- 16 this subchapter, extraordinary costs are the reasonable and
- 17 necessary costs related to Winter Storm Uri, including carrying
- 18 costs, placed in a regulatory asset and approved by the railroad
- 19 commission in a regulatory asset determination under Section
- 20 104.365.
- Sec. 104.364. JURISDICTION AND POWERS OF RAILROAD
- 22 COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad
- 23 commission may authorize the issuance of customer rate relief bonds
- 24 if the requirements of Section 104.366 are met.
- 25 (b) The railroad commission may assess to a gas utility
- 26 costs associated with administering this subchapter. Assessments
- 27 must be recovered from rate-regulated customers as part of gas

- 1 cost.
- 2 (c) The railroad commission has exclusive, original
- 3 jurisdiction to issue financing orders that authorize the creation
- 4 of customer rate relief property. Customer rate relief property
- 5 must be created and vested in an issuing financing entity and does
- 6 not constitute property of the railroad commission or any gas
- 7 utility.
- 8 (d) Except as provided by Subsection (c), this subchapter
- 9 does not limit or impair a regulatory authority's plenary
- 10 jurisdiction over the rates, charges, and services rendered by gas
- 11 utilities in this state under Chapter 102.
- 12 <u>Sec. 104.365. REGULATORY ASSET DETERMINATION.</u> (a) The
- 13 railroad commission, on application of a gas utility to recover a
- 14 regulatory asset, shall determine the regulatory asset amount to be
- 15 recovered by the gas utility. A gas utility may request recovery of
- 16 <u>a regulatory asset under this subchapter only if the regulatory</u>
- 17 asset is related to Winter Storm Uri.
- 18 (b) A gas utility desiring to participate in the customer
- 19 rate relief bond process under a financing order by requesting
- 20 recovery of a regulatory asset must file an application with the
- 21 railroad commission on or before the 60th day after the effective
- 22 date of the Act enacting this subchapter.
- 23 (c) If the railroad commission does not make a final
- 24 determination regarding the regulatory asset amount to be recovered
- 25 by a gas utility before the 151st day after the gas utility files
- 26 the application, the railroad commission is considered to have
- 27 approved the regulatory asset amount requested by the gas utility.

- 1 (d) The regulatory asset determination is not subject to
- 2 reduction, impairment, or adjustment by further action of the
- 3 railroad commission, except as authorized by Section 104.370.
- 4 (e) The regulatory asset determination is not subject to
- 5 rehearing by the railroad commission and may be appealed only to a
- 6 Travis County district court by a party to the proceeding. The
- 7 appeal must be filed not later than the 15th day after the date the
- 8 order is signed by the railroad commission.
- 9 (f) The judgment of the district court may be reviewed only
- 10 by direct appeal to the Supreme Court of Texas. The appeal must be
- 11 filed not later than the 15th day after the date of entry of
- 12 judgment.
- 13 (g) All appeals shall be heard and determined by the
- 14 district court and the Supreme Court of Texas as expeditiously as
- 15 possible with lawful precedence over other matters. Review on
- 16 appeal shall be based solely on the record before the railroad
- 17 commission and briefs to the court and limited to whether the
- 18 financing order:
- 19 (1) complies with the constitution and laws of this
- 20 state and the United States; and
- 21 (2) is within the authority of the railroad commission
- 22 <u>to issue under this subchapter.</u>
- 23 (h) The railroad commission shall establish a schedule,
- 24 filing requirements, and a procedure for determining the prudence
- 25 of the costs included in a gas utility's regulatory asset.
- 26 (i) To the extent a gas utility subject to this subchapter
- 27 receives insurance proceeds, governmental grants, or other sources

- H.B. No. 1520 1 of funding that compensate or otherwise reimburse or indemnify the gas utility for extraordinary costs following the issuance of 2 customer rate relief bonds, the gas utility may record the amount in 3 a regulatory liability account and that amount shall be reviewed in 4 5 a future proceeding. If an audit conducted under a valid gas purchase agreement identifies a change of greater than five percent 6 7 to the total amount of the gas supply costs incurred during the event for which regulatory asset recovery was approved, the gas 8 utility may record the amount in a regulatory asset or regulatory 9 10 liability account and that amount shall be reviewed for recovery in 11 a future proceeding. Sec. 104.366. FINANCING ORDERS AND ISSUANCE OF CUSTOMER 12
- RATE RELIEF BONDS. (a) If the railroad commission determines that 13 14 customer rate relief bond financing for extraordinary costs is the 15 cost-effective method of funding regulatory reimbursements to be made to gas utilities, the railroad 16 17 commission, after the final resolution of all applications filed under Section 104.365, may request the authority to direct an 18 19 issuing financing entity to issue customer rate relief bonds. Before making the request, the railroad commission must issue a 20 financing order that complies with this section. 21
- 22 To make the determination described by Subsection (a), (b) the railroad commission must find that the proposed structuring, 23 24 expected pricing, and proposed financing costs of the customer rate relief bonds are reasonably expected to provide benefits to 25 26 customers by:
 - (1) considering customer affordability; and

27

1	(2) comparing:
2	(A) the estimated monthly costs to customers
3	resulting from the issuance of customer rate relief bonds; and
4	(B) the estimated monthly costs to customers that
5	would result from the application of conventional recovery methods.
6	(c) The financing order must:
7	(1) include a finding that the use of the
8	securitization financing mechanism is in the public interest and
9	consistent with the purposes of this subchapter;
10	(2) detail the total amount of the regulatory asset
11	determinations to be included in the customer rate relief bond
12	<u>issuance;</u>
13	(3) authorize the recovery of any tax obligation of
14	the gas utilities arising or resulting from:
15	(A) receipt of customer rate relief bond
16	proceeds; or
17	(B) collection or remittance of customer rate
18	relief charges through the gas utilities' gas cost recovery
19	mechanism or other means that the railroad commission determines
20	reasonable;
21	(4) authorize the issuance of customer rate relief
22	bonds through an issuing financing entity;
23	(5) include a statement of:
24	(A) the aggregated regulatory asset
25	determination to be included in the principal amount of the
26	customer rate relief bonds, not to exceed \$10 billion for any
27	separate bond issue;

1 (B) the maximum scheduled final maturity of the customer rate relief bonds, not to exceed 30 years, except that the 2 3 legal final maturity may be longer based on rating agency and market considerations; and 4 5 (C) the maximum interest rate that the customer 6 rate relief bonds may bear, not to exceed the maximum net effective 7 interest rate allowed by law; 8 (6) provide for the imposition, collection, mandatory periodic formulaic adjustment of customer rate relief 9 10 charges in accordance with Section 104.370 by all gas utilities and successors of gas utilities for which a regulatory asset 11 12 determination has been made under Section 104.365 to ensure that the customer rate relief bonds and all related financing costs will 13 14 be paid in full and on a timely basis by customer rate relief 15 charges; (7) authorize the creation of customer rate relief 16 property in favor of the issuing financing entity and pledge of 17 customer rate relief property to the payment of the customer rate 18 19 relief bonds; (8) direct the issuing financing entity to disperse 20 21 the proceeds of customer rate relief bonds, net of bond issuance 22 costs, reserves, and any capitalized interest, to gas utilities for which a regulatory asset determination has been made under Section 23 24 104.365 and include the amounts to be distributed to each 25 participating gas utility; 26 (9) provide that customer rate relief charges be 27 collected and allocated among customers of each gas utility for

- 1 which a regulatory determination has been made under Section
- 2 104.365 through uniform monthly volumetric charges to be paid by
- 3 customers as a component of the gas utility's gas cost or in another
- 4 manner that the railroad commission determines reasonable; and
- 5 (10) reflect the commitment made by a gas utility
- 6 receiving proceeds that the proceeds are in lieu of recovery of
- 7 those costs through the regular ratemaking process or other
- 8 mechanism to the extent the costs are reimbursed to the gas utility
- 9 by customer rate relief bond financing proceeds.
- 10 (d) The financing order may provide for a centralized
- 11 servicer to coordinate with participating gas utilities who bill
- 12 and collect customer rate relief charges and to provide certain
- 13 collection and forecast data required for calculating true-up
- 14 adjustments. The financing order may not provide for the railroad
- 15 commission, the authority, the issuing financing entity, or a
- 16 participating utility to act as servicer.
- 17 (e) The principal amount determined by the railroad
- 18 commission must be increased to include an amount sufficient to:
- 19 (1) pay the financing costs associated with the
- 20 issuance, including all bond administrative expenses to be paid
- 21 from the proceeds of the bonds;
- 22 (2) reimburse the authority and the railroad
- 23 commission for any costs incurred for the issuance of the customer
- 24 rate relief bonds and related bond administrative expenses;
- 25 (3) provide for any applicable bond reserve fund; and
- 26 (4) capitalize interest for the period determined
- 27 necessary by the railroad commission.

- 1 <u>(f)</u> The authority, consistent with this subchapter and the 2 terms of the financing order, shall:
- 3 (1) direct an issuing financing entity to issue
- 4 customer rate relief bonds at the railroad commission's request, in
- 5 accordance with the requirements of Chapter 1232, Government Code,
- 6 and other provisions of Title 9, Government Code, that apply to bond
- 7 issuance by a state agency;
- 8 (2) determine the methods of sale, types of bonds,
- 9 bond forms, interest rates, principal amortization, amount of
- 10 <u>reserves or capitalized interest, and other terms of the</u> customer
- 11 rate relief bonds that in the authority's judgment best achieve the
- 12 economic goals of the financing order and effect the financing at
- 13 the lowest practicable cost; and
- 14 (3) reimburse the railroad commission, the authority,
- 15 or any issuing financing entity for bond administrative expenses
- 16 and other costs authorized under this subchapter.
- 17 (g) To the extent authorized in the applicable financing
- 18 order, an issuing financing entity may enter into credit agreements
- 19 or ancillary agreements in connection with the issuance of customer
- 20 rate relief bonds.
- 21 (h) The financing order becomes effective in accordance
- 22 with its terms. The financing order, together with the customer
- 23 rate relief property and the customer rate relief charges
- 24 <u>authorized by the fina</u>ncing order, is irrevocable and not subject
- 25 to reduction, impairment, or adjustment by further action of the
- 26 railroad commission, except as provided under Subsection (j) and
- 27 authorized by Section 104.370.

- 1 <u>(i)</u> The railroad commission shall issue a financing order
- 2 under this section not later than the 90th day following the date of
- 3 the conclusion of all proceedings filed under Section 104.365.
- 4 (j) A financing order is not subject to rehearing by the
- 5 railroad commission. A financing order may be appealed only to a
- 6 Travis County district court by a party to the proceeding. The
- 7 appeal must be filed not later than the 15th day after the date the
- 8 financing order is signed by the railroad commission.
- 9 (k) The judgment of the district court may be reviewed only
- 10 by direct appeal to the Supreme Court of Texas. The appeal must be
- 11 filed not later than the 15th day after the date of entry of
- 12 judgment.
- (1) All appeals shall be heard and determined by the
- 14 district court and the Supreme Court of Texas as expeditiously as
- 15 possible with lawful precedence over other matters. Review on
- 16 appeal shall be based solely on the record before the railroad
- 17 commission and briefs to the court and is limited to whether the
- 18 financing order:
- 19 (1) complies with the constitution and laws of this
- 20 state and the United States; and
- 21 (2) is within the authority of the railroad commission
- 22 <u>to issue under this subchapter.</u>
- 23 (m) The railroad commission shall transmit a financing
- 24 order to the authority after all appeals under this section have
- 25 been exhausted.
- 26 <u>(n) The authority shall direct an</u> issuing financing entity
- 27 to issue customer rate relief bonds as soon as practicable and not

- 1 later than the 180th day after receipt of a financing order issued
- 2 under this section, except that the authority may cause the
- 3 issuance after the 180th day if necessary based on bond market
- 4 conditions, the receipt of necessary approvals, and the timely
- 5 receipt of necessary financial disclosure information from each
- 6 participating gas utility.
- 7 (o) The issuing financing entity shall deliver customer
- 8 rate relief bond proceeds net of upfront financing costs in
- 9 accordance with the applicable financing order.
- 10 (p) For the benefit of the authority, the issuing financing
- 11 entity, holders of customer rate relief bonds, and all other
- 12 financing parties, the railroad commission shall guarantee in a
- 13 financing order that the railroad commission will take all actions
- 14 in the railroad commission's powers to enforce the provisions of
- 15 the financing order to ensure that customer rate relief charge
- 16 revenues are sufficient to pay on a timely basis scheduled
- 17 principal and interest on the customer rate relief bonds and all
- 18 related financing costs and bond administrative expenses.
- 19 (q) The railroad commission shall make periodic reports to
- 20 the public regarding each financing.
- Sec. 104.367. PROPERTY RIGHTS. (a) Customer rate relief
- 22 bonds are the limited obligation solely of the issuing financing
- 23 entity and are not a debt of a gas utility or a debt or a pledge of
- 24 the faith and credit of this state or any political subdivision of
- 25 this state.
- 26 (b) Customer rate relief bonds are nonrecourse to the credit
- 27 or any assets of this state or the authority. A trust fund created

- 1 in connection with the issuance of customer rate relief bonds is not
- 2 subject to Subtitle B, Title 9, Property Code.
- 3 (c) The rights and interests of an issuing financing entity
- 4 or the successor under a financing order, including the right to
- 5 receive customer rate relief charges authorized in the financing
- 6 order, are only contract rights until pledged in connection with
- 7 the issuance of the customer rate relief bonds, at which time the
- 8 rights and interests become customer rate relief property.
- 9 (d) Customer rate relief property created under a financing
- 10 order is vested ab initio in the issuing financing entity. Customer
- 11 rate relief property constitutes a present property right for
- 12 purposes of contracts concerning the sale or pledge of property,
- 13 notwithstanding that the imposition and collection of customer rate
- 14 relief charges depends on further acts of the gas utility or others
- 15 that have not yet occurred. The financing order remains in effect,
- 16 and the customer rate relief property continues to exist, for the
- 17 same period as the pledge of the state described by Section 104.374.
- 18 (e) All revenue and collections resulting from customer
- 19 rate relief charges constitute proceeds only of a property right
- 20 arising from the financing order.
- 21 (f) An amount owed by an issuing financing entity under an
- 22 ancillary agreement or a credit agreement is payable from and
- 23 secured by a pledge and interest in the customer rate relief
- 24 property to the extent provided in the documents evidencing the
- 25 ancillary agreement or credit agreement.
- Sec. 104.368. PROPERTY INTEREST NOT SUBJECT TO SETOFF,
- 27 COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an issuing

- 1 financing entity or pledgee in customer rate relief property,
- 2 including the revenue and collections arising from customer rate
- 3 relief charges, is not subject to setoff, counterclaim, surcharge,
- 4 or defense by the gas utility or any other person or in connection
- 5 with the bankruptcy of the gas utility, the authority, or any other
- 6 entity. A financing order remains in effect and unabated
- 7 notwithstanding the bankruptcy of the gas utility, the authority,
- 8 an issuing financing entity, or any successor or assignee of the gas
- 9 utility, authority, or issuing financing entity.
- 10 Sec. 104.369. CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE.
- 11 A financing order must include terms ensuring that the imposition
- 12 and collection of the customer rate relief charges authorized in
- 13 the order are nonbypassable.
- Sec. 104.370. TRUE-UP MECHANISM. (a) A financing order
- 15 must include a formulaic true-up charge adjustment mechanism that
- 16 requires that the customer rate relief charges be reviewed and
- 17 adjusted at least annually by the servicer or replacement servicer,
- 18 including a subservicer or replacement subservicer, at time periods
- 19 and frequencies provided in the financing order, to:
- 20 (1) correct any overcollections or undercollections
- of the preceding 12 months; and
- 22 (2) ensure the expected recovery of amounts sufficient
- 23 to provide for the timely payment of customer rate relief bond
- 24 principal and interest payments and other financing costs.
- 25 (b) True-up charge adjustments must become effective not
- 26 later than the 30th day after the date the railroad commission
- 27 receives a true-up charge adjustment letter from the servicer or

- 1 replacement servicer notifying the railroad commission of the
- 2 pending adjustment.
- 3 (c) Any administrative review of true-up charge adjustments
- 4 <u>must be limited to notifying the servicer</u> of mathematical or
- 5 clerical errors in the calculation. The servicer may correct the
- 6 error and refile a true-up charge adjustment letter, with the
- 7 adjustment becoming effective as soon as practicable but not later
- 8 than the 30th day after the date the railroad commission receives
- 9 the refiled letter.
- 10 Sec. 104.371. SECURITY INTERESTS; ASSIGNMENT; COMMINGLING;
- 11 DEFAULT. (a) Customer rate relief property does not constitute an
- 12 account or general intangible under Section 9.106, Business &
- 13 Commerce Code. The creation, granting, perfection, and enforcement
- 14 of liens and security interests in customer rate relief property
- 15 that secures customer rate relief bonds are governed by Chapter
- 16 <u>1208</u>, Government Code.
- 17 (b) The priority of a lien and security interest perfected
- 18 under this section is not impaired by any later adjustment of
- 19 customer rate relief charges under a mechanism adopted under
- 20 Section 104.370 or by the commingling of funds arising from
- 21 customer rate relief charges with other funds. Any other security
- 22 interest that may apply to those funds is terminated when the funds
- 23 are transferred to a segregated account for the issuing financing
- 24 entity or a financing party. If customer rate relief property has
- 25 been transferred to a trustee or another pledgee of the issuing
- 26 financing entity, any proceeds of that property must be held in
- 27 trust for the financing party.

- 1 <u>(c) If a default or termination occurs under the customer</u>
- 2 rate relief bonds, a district court of Travis County, on
- 3 application by or on behalf of the financing parties, shall order
- 4 the sequestration and payment to the financing parties of revenue
- 5 arising from the customer rate relief charges.
- 6 Sec. 104.372. BOND PROCEEDS IN TRUST. (a) The issuing
- 7 financing entity may deposit proceeds of customer rate relief bonds
- 8 issued by the issuing financing entity under this subchapter with a
- 9 trustee selected by the issuing financing entity or the proceeds
- 10 may be held by the comptroller in a dedicated trust fund outside the
- 11 state treasury in the custody of the comptroller.
- 12 (b) Bond proceeds, net of the financing costs and reserves
- 13 described by Subdivisions (2) and (3), including investment income,
- 14 must be held in trust for the exclusive benefit of the railroad
- 15 commission's policy of reimbursing gas utility costs and applied in
- 16 accordance with the financing order. The issuing financing entity
- 17 shall deliver the net proceeds, as provided in the applicable
- 18 financing order, to:
- 19 (1) reimburse each gas utility the regulatory asset
- 20 amount determined to be reasonable for that gas utility in the
- 21 <u>financing order;</u>
- 22 (2) pay the financing costs of issuing the bonds; and
- 23 (3) provide bond reserves or fund any capitalized
- 24 interest, as applicable.
- (c) On full payment of the customer rate relief bonds and
- 26 any related financing costs, any customer rate relief charges or
- 27 other amounts held as security for the bonds shall be used to

- 1 provide credits to gas utility customers as provided in the
- 2 financing order.
- 3 Sec. 104.373. REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a)
- 4 As long as any customer rate relief bonds or related financing costs
- 5 remain outstanding, uniform monthly volumetric customer rate
- 6 relief charges must be paid by all current and future customers that
- 7 receive service from a gas utility for which a regulatory asset
- 8 determination has been made under Section 104.365. A gas utility
- 9 and its successors, assignees, or replacements shall continue to
- 10 bill and collect customer rate relief charges from the gas
- 11 utility's current and future customers until all customer rate
- 12 relief bonds and financing costs are paid in full.
- 13 (b) The authority shall report to the railroad commission
- 14 the amount of the outstanding customer rate relief bonds issued by
- 15 the issuing financing entity under this subchapter and the
- 16 <u>estimated amount of annual bond administrative expenses.</u>
- 17 (c) All revenue collected from the customer rate relief
- 18 charges shall be remitted promptly by the applicable servicers to
- 19 the issuing financing entity or the bond trustee for the customer
- 20 rate relief bonds to pay bond obligations and ongoing financing
- 21 costs, including bond administrative expenses, to ensure timely
- 22 payment of bond obligations and financing costs.
- 23 (d) Customer rate relief property, including customer rate
- 24 relief charges, may be applied only as provided by this subchapter.
- (e) Bond obligations are payable only from sources provided
- 26 for payment by this subchapter.
- Sec. 104.374. PLEDGE OF STATE. (a) Customer rate relief

- 1 bonds issued under this subchapter and any related ancillary
- 2 agreements or credit agreements are not a debt or pledge of the
- 3 faith and credit of this state or a state agency or political
- 4 subdivision of this state. A customer rate relief bond, ancillary
- 5 agreement, or credit agreement is payable solely from customer rate
- 6 relief charges as provided by this subchapter.
- 7 (b) Notwithstanding Subsection (a), this state, including
- 8 the railroad commission and the authority, pledges for the benefit
- 9 and protection of the financing parties and the gas utility that
- 10 this state will not take or permit any action that would impair the
- 11 value of customer rate relief property, or, except as permitted by
- 12 Section 104.370, reduce, alter, or impair the customer rate relief
- 13 charges to be imposed, collected, and remitted to financing parties
- 14 until the principal, interest and premium, and contracts to be
- 15 performed in connection with the related customer rate relief bonds
- 16 and financing costs have been paid and performed in full. Each
- 17 issuing financing entity shall include this pledge in any
- 18 documentation relating to customer rate relief bonds.
- 19 (c) Before the date that is two years and one day after the
- 20 date that an issuing financing entity no longer has any payment
- 21 obligation with respect to customer rate relief bonds, the issuing
- 22 financing entity may not wind up or dissolve the financing entity's
- 23 operations, may not file a voluntary petition under federal
- 24 bankruptcy law, and neither the board of the issuing financing
- 25 entity nor any public official nor any organization, entity, or
- 26 other person may authorize the issuing financing entity to be or to
- 27 become a debtor under federal bankruptcy law during that period.

- 1 The state covenants that it will not limit or alter the denial of
- 2 authority under this subsection, and the provisions of this
- 3 subsection are hereby made a part of the contractual obligation
- 4 that is subject to the state pledge made in this section.
- 5 Sec. 104.375. TAX EXEMPTION. (a) The sale or purchase of
- 6 or revenue derived from services performed in the issuance or
- 7 transfer of customer rate relief bonds issued under this subchapter
- 8 is exempt from taxation by this state or a political subdivision of
- 9 this state.
- 10 (b) A gas utility's receipt of customer rate relief charges
- 11 is exempt from state and local sales and use taxes and utility gross
- 12 receipts taxes and assessments, and is excluded from revenue for
- 13 purposes of franchise tax under Section 171.1011, Tax Code.
- 14 Sec. 104.376. RECOVERABLE TAX EXPENSE. A tax obligation of
- 15 the gas utility arising from receipt of customer rate relief bond
- 16 proceeds or from the collection or remittance of customer rate
- 17 relief charges is an allowable expense under Section 104.055.
- 18 Sec. 104.377. ISSUING FINANCING ENTITY OR FINANCING PARTY
- 19 NOT PUBLIC UTILITY. An issuing financing entity or financing party
- 20 may not be considered to be a public utility or person providing
- 21 <u>natural gas service solely by virtue of the transactions described</u>
- 22 by this subchapter.
- Sec. 104.378. NO PERSONAL LIABILITY. A commissioner of the
- 24 railroad commission, a railroad commission employee, a member of
- 25 the board of directors of the authority, an employee of the
- 26 authority, or a director, officer, or employee of any issuing
- 27 financing entity is not personally liable for a result of an

- 1 exercise of a duty or responsibility established under this
- 2 subchapter.
- 3 Sec. 104.379. CATASTROPHIC WEATHER EVENT STUDY. (a) The
- 4 railroad commission shall conduct a study on measures to mitigate
- 5 catastrophic weather events, including measures to:
- 6 (1) establish natural gas storage capacity to ensure a
- 7 reliable gas supply, including location, ownership, and other
- 8 pertinent factors regarding gas storage capacity;
- 9 (2) assess the advantages and disadvantages of
- 10 requiring local distribution companies to use hedging tactics to
- 11 avoid volatile customer rates; and
- 12 (3) assess the advantages and disadvantages of
- 13 prohibiting spot market purchases during a catastrophic weather
- 14 event that contribute to volatile customer rates.
- 15 (b) Not later than December 1, 2022, the railroad commission
- 16 shall report the railroad commission's findings to the governor,
- 17 the lieutenant governor, and the speaker of the house of
- 18 representatives.
- 19 (c) This section expires August 31, 2023.
- Sec. 104.380. SEVERABILITY. After the date customer rate
- 21 relief bonds are issued under this subchapter, if any provision in
- 22 this title or portion of this title or related provisions in Title
- 23 9, Government Code, are held to be invalid or are invalidated,
- 24 superseded, replaced, repealed, or expire for any reason, that
- 25 occurrence does not affect the validity or continuation of this
- 26 subchapter or any other provision of this title or related
- 27 provisions in Title 9, Government Code, that are relevant to the

- 1 issuance, administration, payment, retirement, or refunding of
- 2 customer rate relief bonds or to any actions of a gas utility, its
- 3 successors, an assignee, a collection agent, or a financing party,
- 4 which shall remain in full force and effect.
- 5 SECTION 6. This Act takes effect immediately if it receives
- 6 a vote of two-thirds of all the members elected to each house, as
- 7 provided by Section 39, Article III, Texas Constitution. If this
- 8 Act does not receive the vote necessary for immediate effect, this
- 9 Act takes effect September 1, 2021.

President of the Senate	Speaker of the House
I certify that H.B. No. 1520 w	as passed by the House on April
20, 2021, by the following vote: Ye	eas 139, Nays 5, 1 present, not
voting; and that the House concurre	d in Senate amendments to H.B.
No. 1520 on May 28, 2021, by the foll	owing vote: Yeas 130, Nays 12,
1 present, not voting.	
	Chief Clerk of the House
I certify that H.B. No. 1520	was passed by the Senate, with
amendments, on May 26, 2021, by the	following vote: Yeas 29, Nays
2.	
	Secretary of the Senate
APPROVED:	
Date	

Governor

RAILROAD COMMISSION OF TEXAS Oversight and Safety Division Gas Services Department



NOTICE TO GAS UTILITIES

Procedure for Gas Utilities to File an Application for Regulatory Asset Determination
Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in
Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter
Weather Event

Background

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 ("February 2021 Winter Weather Event" or "Winter Storm Uri").

On February 13, 2021, the Commission issued a <u>Notice to Local Distribution Companies</u> (the "Regulatory Asset NTO") authorizing each natural gas utility local distribution company "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." The Regulatory Asset NTO only authorized the ability to record extraordinary expenses related to the February 2021 Winter Weather Event and deferred the Commission's determination regarding the reasonableness, necessity, and accuracy of the extraordinary expenses recorded in the regulatory asset account.

H.B. 1520

On June 16, 2021, H.B. 1520 (87th Regular Session), relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments, became effective. H.B. 1520 authorizes the Commission to issue a Financing Order directing the Texas Public Finance Authority ("TFPA") to issue bonds for the purposes of reducing the costs that customers would otherwise experience due to extraordinary costs that gas utilities incurred to secure gas supply and to provide service during Winter Storm Uri. The new law provides securitization financing ("customer rate relief bonds") for gas utilities that choose to participate to recover those extraordinary costs, thereby (1) providing rate relief to customers by extending the period during which these extraordinary costs would otherwise be recovered; and (2) supporting the financial strength and stability of gas utility companies.

H.B. 1520 requires that the Commission undertake two specific actions. First, Texas Utilities Code section 104.365, as added by H.B. 1520, requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the gas utility within 150 days after the date of the application. Second, section 104.366 authorizes the Commission, after it has issued all of the regulatory asset determinations and determined that customer rate relief bonds are the most cost-

effective method of funding regulatory asset reimbursements, to issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the customer rate relief bonds.

Procedure for Filing Applications for Regulatory Asset Determination

The Commission expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met.

Gas utilities as defined in Tex. Util. Code § 104.362(12) desiring to participate in securitization pursuant to H.B. 1520 are encouraged to file an *Application for Regulatory Asset Determination* **on Friday, July 30, 2021** in accordance with Tex. Util. Code § 104.365(b). Before a gas utility may file its application, the company must be set up to file its documents through the Commission's Case Administration Service Electronic System ("CASES"). The company must contact Gas Services at (512) 463-7167 or MOS@rrc.texas.gov before filing its application to be fully authorized to file its application through CASES and be assigned a case number for this filing.

After each Application for Regulatory Asset Determination has been received, the Commission's Hearings Division may consolidate the cases into one or multiple proceeding(s). An Administrative Law Judge will be assigned and will make pre-hearing rulings, issue a procedural schedule, issue a protective order, if applicable, and issue any other necessary rulings as may arise. The procedural schedule deadlines will be expedited as the Commission expects to complete the regulatory asset determinations within the deadline set forth in H.B. 1520.

Information to be Included in an Application for Regulatory Asset Determination

Due to the expedited nature of the regulatory asset review and determination, the Commission directs each applicant to propose for recovery only extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event in its application. Such costs may include taxes, any financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, and the gas utility's legal and consulting expenses relating to its gas procurement costs and this proceeding. Other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable.

The Commission requires each gas utility to include in its application pre-filed testimony, supporting documentation, and evidence of, at a minimum, the following information:

- 1. The gas utility's total gas costs incurred for February 2021.
- 2. The gas utility's total gas costs recovered for February 2021.
- 3. The gas utility's total volumes (Mcf) for February 2021.
- 4. The gas utility's total gas costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15).
- 5. The total extraordinary costs proposed by the gas utility to be approved in a regulatory asset determination, including the following:
 - a. The gas utility's proposed extraordinary gas procurement costs for February 2021, calculated as the lesser of: 1) the difference between the gas utility's total gas

procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or 2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15);

- b. The gas utility's financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;
- c. The gas utility's estimate of its legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520;
- d. Carrying costs included in the proposed regulatory asset, including the basis for the carrying costs and the calculation of the carrying costs; and
- e. The gas utility's expected tax obligation if securitization financing is authorized.
- 6. Support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset, including:
 - a. General ledger entries (by FERC account) associated with the regulatory asset and supporting documentation for each entry, including but not limited to:

i. Invoices

- 1. Gas Purchases (FERC accounts 800-804);
- 2. Transportation (FERC account 858);
- 3. Other Gas Supply Expenses (FERC accounts 805-813);
- 4. Imbalances or other penalties and fees incurred;
- 5. Adjustments;
- 6. Meter Statements:
- 7. Proof of Payment/Payment Arrangements;
- 8. Gas Withdrawn from Storage (FERC account 808.1); and
- 9. Gas Delivered to Storage (FERC account 808.2).

ii. Contracts

- Gas Purchase (including penalties, if applicable);
- 2. Spot Purchases (Confirmation Agreements); and
- 3. Transportation.

iii. Customer Bills

- One or more residential bill(s); and
- 2. One or more commercial bill(s).
- b. Invoices and supporting documentation of the gas utility's legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520. Include a summary spreadsheet that ties to supporting documentation.
- 7. The information required in Paragraph 6(a)(i)-(iii) above for January, February, and March 2021.

- 8. Evidence as to how securitization would provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds.
- 9. Evidence that customer rate relief bond financing for extraordinary costs is the most costeffective method of funding regulatory asset reimbursements to the gas utility including:
 - a. Evidence that proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds are reasonably expected to provide benefits to customers by considering customer affordability and comparing:
 - The estimated monthly costs to customers resulting from issuance of customer rate relief bonds; and
 - ii. The estimated monthly costs to customers that would result from the application of conventional recovery methods.
 - b. Include an Excel worksheet that models this comparison and provides for sensitivity analysis using key variables.
- 10. Evidence of how a securitization financing mechanism would be in the public interest and is consistent with the purposes of subchapter I, chapter 104, Texas Utilities Code.
- 11. Evidence and detail of any expected tax obligation arising or resulting from receipt of customer rate relief bond proceeds; or collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the Commission may determine as reasonable.
- 12. Normalized volumes by customer class for the year ending December 31, 2020 and total customer count by customer class as of December 31, 2020.
- 13. A statement of commitment that if the gas utility receives proceeds pursuant to a securitization, those proceeds are in lieu of recovery of costs through the regular ratemaking process or other mechanism.
- 14. Any other information the gas utility deems pertinent to its application.

Additionally, gas utilities are encouraged to file proposed procedural schedules with their applications that anticipate expedited timelines. Gas utilities are likewise encouraged to file proposed protective orders to the extent the gas utility will be filing information it deems confidential and/or proprietary. Gas utilities should not upload any documents through the CASES Online Portal that are considered confidential. Any files containing potentially confidential information should be delivered to the RRC using previously established processes in accordance with RRC rules. To the extent applicable, gas utilities shall disclose the terms of the contracts and related transaction confirmations related to gas procurement costs to be securitized pursuant to the terms of the governing protective order. Gas utilities may adopt portions of other gas utilities' testimony, as necessary.

Please Forward to the Appropriate Section of Your Company

CASE NO. 00007153

APPLICATION OF UNIVERSAL	§	BEFORE THE
NATURAL GAS, LLC D/B/A	§	
UNIVERSAL NATURAL GAS, INC.	§	RAILROAD COMMISSION
FOR CUSTOMER RATE RELIEF	§	
AND RELATED REGULATORY	§	OF TEXAS
ASSET DETERMINATION	8	

NOTICE OF APPLICATION FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION

On July 30, 2021, Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. ("UniGas") filed an Application for Customer Rate Relief and Related Regulatory Asset Determination ("Application") with the Railroad Commission of Texas ("Commission"). The Application was filed pursuant to the Commission's authority to provide customer rate relief based on the provisions of House Bill 1520, Texas Utilities Code Chapter 104, Subchapter I, and the Commission Notice to Gas Utilities issued on June 17, 2021.

UniGas's Application seeks a determination as to the reasonableness and necessity of the its extraordinary costs incurred to provide natural gas service during Winter Storm Uri, which occurred in February 2021. The Application also requests a Commission determination to utilize securitization financing to recover the extraordinary costs it incurred to provide service during Winter Storm Uri. The use of securitization financing is expected to provide the most cost effective and affordable method of recovering these costs and will thereby provide customers with rate relief. UniGas is also requesting that the Commission establish a financing order proceeding and, if securitization financing is not approved, to authorize recovery of the extraordinary costs through UniGas's approved Rate Schedule Cost of Gas ("COG").

The extraordinary costs UniGas seeks to recover include UniGas's gas procurement costs incurred during Winter Storm Uri, carrying costs to finance those extraordinary gas costs, anticipated tax obligations relating thereto, and legal and consulting expenses relating to that event and this proceeding. Other extraordinary costs associated with Winter Storm Uri have been recorded in a separate regulatory asset and UniGas will seek review of these costs for reasonableness in a subsequent rate proceeding, as applicable.

Recovery of the extraordinary costs UniGas incurred to provide service during Winter Storm Uri will affect all rate-regulated customers that UniGas serves in Texas. If securitization financing is approved, it is expected that customer bills will begin to reflect the recovery of Winter Storm Uri costs upon the issuance of customer rate relief bonds, which, if approved, are expected to be issued around September 2022. In the absence of securitization financing, gas procurement expenses are passed through to customers through UniGas's Rate Schedule COG. The estimated monthly impact to gas costs for the average residential customer if the Winter Storm Uri extraordinary costs were recovered pursuant to UniGas's currently approved Rate Schedule COG is estimated to be at least \$5.90/Mcf per month for an estimated period of at least 58 months. The estimated monthly customer rate relief charge to recover Winter Storm Uri's extraordinary costs pursuant to the securitization process is expected to be less than that amount.

Persons with specific questions or desiring additional information about this filing may contact UniGas at (281) 252-6700. A complete copy of UniGas's Application is available for inspection at UniGas's offices located at 9750 FM 1488, Magnolia, Texas 77354, and on our website at www.txgas.net/frequently-asked-questions under the tab labeled "What are some of the recent regulatory filings submitted to the Railroad Commission of Texas?" In addition, any affected person may file in writing comments or a protest concerning the application with Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 60 days following the receipt of this notice. Please reference Case No. 00007153.

Las personas con preguntas específicas o que deseen información adicional sobre esta presentación pueden comunicarse con UniGas al (281) 252-6700. Copias completas de la Solicitud de alivio de tarifas para clientes y determinaciones regulatorias de activos relacionados están disponibles para su inspección en las oficinas de UniGas ubicadas en 9750 FM 1488, Magnolia, Texas 77354, y en nuestro sitio web en www.txgas.net/frequently-asked-questions debajo de la pestaña titulada "What are some of the recent regulatory filings submitted to the Railroad Commission of Texas?" Además, cualquier persona afectada puede presentar comentarios por escrito o una protesta con respecto a la solicitud con la Sección de Servicios de Expediente de la Oficina de la División de Audiencias, Comisión de Ferrocarriles de Texas, P.O. Box 12967, Austin, Texas 78711-2967, en cualquier momento dentro de los 60 días después de recibir este aviso. Por favor haga referencia al Caso No. 00007153.

APPLICATION OF UNIVERSAL	§	BEFORE THE
NATURAL GAS, LLC D/B/A	§	
UNIVERSAL NATURAL GAS, INC.	§	RAILROAD COMMISSION
FOR CUSTOMER RATE RELIEF	§	
AND RELATED REGULATORY	§	OF TEXAS
ASSET DETERMINATION	8	

PROPOSED PROCEDURAL SCHEDULE OF UNIVERSAL NATURAL GAS ("UNIGAS")

Event	Deadline	
Application Filed	July 30, 2021	
Conference, if necessary	TBD	
Intervention Deadline	TBD	
Deadline for Propounding Discovery on UniGas' Direct Case	August 20	
Intervenor Direct Testimony	August 30	
Deadline for Propounding Discovery on Intervenor Direct Case	September 15	
Settlement Conference	September 9	
Staff Direct Testimony	September 21	
Deadline for Propounding Discovery on Staff Direct Case	September 24	
UniGas' Rebuttal Testimony	September 30	
Deadline for Propounding Discovery on UniGas' Rebuttal Case	October 4	
Trial Briefs due	October 5	
Prehearing Conference	October 6	
Hearing on the Merits	October 7-8	
Initial Briefs	October 14	
Reply Briefs	October 21	
Draft Order Issued	October 25	
Exceptions to Draft Order	October 28	
Replies to Exceptions to Draft Order	November 2	
RCT Conference - Regulatory Asset Determination	November 10	

RCT Conference – Financing Order Issuance	Proposed Procedural Schedule	
Statutory Deadline for Regulatory Asset Determination	December 28	

Condensed from the full 240-day timeline for the Commission in H.B. 1520 (150 days for Regulatory Asset determination, followed by 90 days for issuance of Financing Order). A cumulative 240-day statutory deadline would be March 28, 2022. Following the Commission's issuance of a Financing Order, the TPFA has approximately 180 days to cause the issuance of bonds.

- Discovery responses and objections due:
 - o within 7 working days for UniGas Direct
 - o within 3 working days for Intervenor Direct and Staff Direct
 - o within 3 working days for UniGas Rebuttal
- Discovery received after 1 p.m. on the last working day of a work week is deemed received on the first working day of the following work week.
- Discovery limitations:
 - o For aligned municipal parties, by UniGas: no more than 50 RFIs, including subparts, per week
 - o For any party that is not aligned, by UniGas: no more than 25 RFIs, including subparts, per week
 - o Not applicable to Commission Staff or Presiding Officers