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Weather Normalization months = December, January, February

Report. Within 45 days from the last day in each Weather Normalization month, the company shall provide to the Commission, in spreadsheet format, one WNF Compliance Report per Weather Normalization month to demonstrate how the Company calculated the WNF for residential customers in each of the Conroe Area and New Braunfels/San Antonio Area, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1 AvgHDD
Lines 2-3 blank
Line 4 HDDs (for Conroe or San Antonio weather station, as applicable)
Lines 5-6 blank
Line 7 Bills
Line 8 blank
Line 9 Base Non-Heating Load (Ccf), which is Line 7 times applicable Base Non-Heating load factor by customer class
Line 10 blank
Line 11 Total Volumes Sold
Line 12 blank
Line 13 Heating Load (Ccf), which is Line 11 minus Line 9
Lines 14-15 blank
Line 16 HDD Factor, which is Line 4 divided by Line 1
Line 17 blank
Line 18 Adjusted Heating Load (Ccf), which is Line 13 divided by Line 16
Line 19 blank
Line 20 WNF, which is [(Line 18 plus Line 9) divided by Line 11]
Line 21-22 blank
Line 23 Volumetric Fee (\$ per Ccf)
Line 24 blank
Line 25 Adjusted Volumetric Fee (Line 23 times Line 20)
Line 26-27 blank
Line 28 Effect on revenue, which is [(Line 25 minus Line 23) x Line 11].

Each report shall have a column of data for each of the three Weather Normalization months, with fields populated for the latest and prior months in a winter season.

COMPLIANCE REPORT

The Company shall file with the Commission an annual report verifying the past year's WNA collections or refunds. The report shall show the amount collected or refunded by WNA month, total monthly volume, average WNA rate, average bill impact, percent bill impact and itemized by service area.

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The Company shall file the report with the Commission electronically at GUD_Compliance@rrc.texas.gov or at the following address:

WNA Tariff Filing
Director of Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
COST OF GAS (COG) ADJUSTMENT
RATE SCHEDULE COG

A. APPLICABILITY

This Cost of Gas Adjustment shall apply to all customer classes receiving natural gas service from Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. (hereinafter called "Company").

B. DEFINITIONS

1. **Cost of Gas** - The rate per billing unit or the total calculation under this adjustment, consisting of the Commodity Cost, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees and taxes.
2. **Commodity Cost** - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment for any known and quantifiable under or over collection prior to the end of the reconciliation period.
3. **Cost of Purchased Gas** - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The Cost of Purchased Gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The Cost of Purchased Gas shall not include the cost of financial instruments unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas, Gas Services Dept. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15.
4. **Reconciliation Component** - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.

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5. **Reconciliation Audit** - An annual review of the Company's books and records for each 12 month period ending with the production month of June to determine the amount of over or under collection occurring during such 12 month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on the approved use of natural gas financial instruments, (b) the revenues received from operation of the provisions of this Cost of Gas Adjustment reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Adjustment, (d) the total amount accrued for imbalances under the transportation rate schedule(s) net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of 5 percent of purchases.
6. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes purchased for general service customers during the 12 month period ending June 30 by the sum of the volumes sold to general service customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. $1/(1 - 0.05)$ unless expressly authorized by the applicable regulatory authority.
7. **Reconciliation Account** - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Adjustment. Entries shall be made monthly to reflect: (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of approved natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Adjustment, (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s), (e) total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of 5 percent of purchases.
8. **Uncollectible Cost of Gas** – the amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to the cost of gas adjustment. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting reconciliation component.

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C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill. The February 2021 Winter Event Installment Charge, as defined below, shall also be clearly identified on a separate line item on each customer bill while such charge is in effect.

D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the October billing cycle through the June billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a 9 month period beginning with the October billing cycle and continuing through the next June billing cycle at which time it will terminate.

E. INTEREST ON FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6 percent per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

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Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (g) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas. The Cost of Gas Statement shall also include the data and calculations set forth in Section I below with respect to the February 2021 Winter Event Regulatory Asset and the February 2021 Winter Event Installment Charge, as defined herein.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the 12 months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Adjustment revenues.
3. A tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Adjustment to date.
4. A description of the hedging activities conducted each month during the twelve months ending June 30, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly

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imbalances incurred, the monthly balances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.

6. A tabulation of uncollectible cost of gas during the period and its effect on the Cost of Gas Adjustment to date.

This report shall be filed concurrently with the Cost of Gas Statement for October. If the Regulatory Authority thereafter determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

I. FEBRUARY 2021 WINTER EVENT INSTALLMENT CHARGE

In recognition of the extraordinary gas costs necessary to provide service during the February 2021 winter storm event and the potential financial impact to its customers, the Company is authorized and directed to defer, as a regulatory asset, its principal costs of Cost of Gas *with respect to service provided during the month of February 2021 only* ("February 2021 Winter Event Regulatory Asset"). The Company shall be entitled to book a separate regulatory asset associated with its carrying costs based on its cost of long-term debt, as approved by the Commission in the Company's most recent base rate proceeding in Docket OS-20-00004865 (5.31 percent), associated with any unrecovered monthly balance of its principal or carrying costs related to the February 2021 Winter Event Regulatory Asset ("February 2021 Winter Event Carrying Costs"); however, the recovery mechanism for the February 2021 Winter Event Carrying Costs will be set in a subsequent proceeding. The February 2021 Winter Event Regulatory Asset, exclusive of the February 2021 Winter Event Carrying Costs, shall be amortized and recovered from customers in installments, separate from the other charges and adjustments authorized in this Rate Schedule COG, that shall be applied as follows ("February 2021 Winter Event Installment Charge");

- The February 2021 Winter Event Regulatory Asset shall be amortized in equal installments over a period of 18 months ("Fixed Monthly Recovery Installment"). The volumetric-based installment charge for each of these 18 months shall be computed by dividing the Fixed Monthly Recovery Installment to be recovered from customers in that calendar month by the Company's total volumes of gas sold to general service customers in the calendar month subject to that bill. The resulting amount per Mcf shall then be multiplied by the customer's actual gas usage in Mcf during that month to determine the customer's total installment charge amount owed for that month.

In the event that the Company elects to participate in a securitization of its February 2021 Winter Event Regulatory Asset, the February 2021 Winter Event Installment Charge

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shall terminate with respect to the portion of the February 2021 Winter Event Regulatory Asset so securitized.

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
PIPELINE SAFETY PROGRAM SURCHARGE
RATE SCHEDULE PSFUG

SURCHARGE

Once annually, UNIGAS shall remit to the Commission the fee required in 16 Tex. Admin. Code § 8.201.

During the next billing cycle following UNIGAS' remittance to the Commission of the fee, UNIGAS shall include on its customers' bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 Tex. Admin. Code § 8.201 ("Rule 8.201").

Formula. The Rule 8.201 surcharge is calculated in accordance with the following formula:

Rule 8.201(b) fee assessed by the Commission on UNIGAS

Divided by

Number of meters billed

Equals

Rule 8.201(b)(3) surcharge, applied per customer meter, once annually

In this formula, the number of meters billed refers to the number of meters billed during the billing month that precedes the month the Rule 8.201(b)(3) surcharge is included on customer bills.

The pipeline safety fee is a one-time fee, which is collected in April.

The Company will pass on the one-time customer charge for the Pipeline Safety Inspection Fee for each service line reported to be in service at the end of calendar year 2019, pursuant to Texas Utilities Code § 121.211 and the Commission's Rules and Regulations.

This Fee shall equal the Pipeline Safety Inspection Fee applicable to each service line in the territory previously served by the predecessor company prior to corporate consolidation, as follows: \$0.99 (Universal Natural Gas, LLC); \$0.99 (Consumers Gas Company, LLC); \$0.98 (Gas Energy, LLC); and \$0.72 (EnerTex NB, LLC).

The Pipeline Safety Inspection Fee is based on the amount of \$1.00 per service line, as specified by the Railroad Commission of Texas.

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COMPLIANCE REPORT

The Company shall file an annual pipeline safety fee (PSF) report no later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers. The Company shall file the report with the Railroad Commission of Texas addressed to the Director of Oversight and Safety Division, Gas Services Department, referencing Docket No. OS-20-00004865, and titling the report "Pipeline Safety Fee Recovery Report". The report shall include the following:

- a) the pipeline safety fee-amount paid to the Commission;
- b) the unit rate and total amount of the surcharge billed to each customer;
- c) the date or dates the surcharge was billed to customers; and
- d) the total amount collected from customers from the surcharge.

Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filing
Director of Oversight and Safety Division
Gas Services Dept.
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE M

APPLICATION

The service charges listed below are in addition to any other charges under the Company's Tariff for Gas Service and will be applied for the condition described. Normal business hours are Monday through Friday, 8:30 AM – 4:30 PM Central Time. After business hours are considered outside of normal business hours including weekends and holidays. For purposes of this Schedule M, "Actual Cost" means those costs that Company incurs to perform the miscellaneous services requested and shall include, but in no event be limited to, the cost of materials, cost of labor, allocated overhead costs, permit costs, right-of-way acquisition costs, and any other costs, including all applicable taxes, associated with the miscellaneous services provided by Company. Actual Cost also includes, where necessary, an allowance for inventory loss or consumed materials. Actual Cost specifically excludes Company profit. Company shall provide a breakdown of costs by category for any Miscellaneous Services provided in Customer's subsequent bill.

MISCELLANEOUS SERVICE CHARGES

M-1 Application for Service: \$35.00

A charge shall be made for new customer account set-up, and credit inquiry, including special meter reading

M-2 Reconnection Charge During Normal Business Hours: \$45.00

During normal business hours, for each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, subject to the following exceptions:

- (a) Whenever gas service has been temporarily interrupted because of System outage or service work done by Company; or
- (b) For any reason deemed necessary for Company operations.

NOTE: The charges will also apply in the event that the connection or reconnection cannot be made because there is an issue on the builder's or customer's premises, including, but

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not limited to inability to access the premises, failure of the appliances to meet required specifications, or failure of customer piping to pass a pressure test.

M-3 Reconnection Charge After Business Hours: \$60.00

After standard business hours, there shall be a charge for applicable services set forth in M-2.

NOTE: The charge will also apply in the event that the connection or reconnection cannot be made because there is an issue on the builder's or customer's premises, including, but not limited to inability to access the premises, failure of the appliances to meet required specifications, or failure of customer piping to pass a pressure test.

M-4 Field Read of Meter – Special: \$35.00

A charge shall be made for special meter readings requested by Customer such as termination of service, meter re-read, etc.

M-5 Charge for Temporary Discontinuance of Service, Residential: \$35.00

Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.

M-6 Charge for Temporary Discontinuance of Service, Commercial: \$60.00

Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.

M-7 Charge for Meter Testing: Actual Cost

The Company shall, upon request of a customer, make a test of the accuracy of the meter serving that customer. The Company shall inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. The customer must be properly informed of the result of any test on that customer's meter. If no such test has been performed within the previous four (4) years for the same customer at the same location, the test shall be performed without charge. If such test has been performed for the same customer at the same location within the previous four (4) years, the Company will charge the Meter Testing Fee if the meter is not more than 2% out of calibration.

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M-8 Change Regulator Pressure and Additional Regulators: \$50.00/Actual Cost

A \$50.00 charge shall be made to change the pressure of the regulator upstream of Customer's meter due to an increase in pressure required by Customer. Additional regulators required to reduce pressure downstream of Customer's meter, as may be required by customer's specific requirements, shall be charged at Actual Cost.

M-9 Change Meter Location: Actual Cost

A charge shall be made when Company personnel cannot gain unlimited access to its meter at all times due to actions taken by customer.

M-10 Collection Call or Missed Appointment: \$35.00

Collection Call, trip charge or Missed Appointment (Per Trip).

M-11 Returned Check Charges, Returned ACH, Declined Credit Card: \$35.00

A charge shall be made for returned check handling charges for each check returned unpaid, ACH returned unpaid or declined, or declined credit card for any reason.

M-12 New Construction Service Deposits – Residential: \$75.00

A Deposit may be required based on credit inquiry results and/or after disconnection for non-payment, subject to Railroad Commission of Texas rules. If a Deposit is required, then service may not be initiated or restored until the Deposit and other applicable fees have been paid.

M-13 Residential Customer Deposit: AFTER a history has been established

Customer Service Deposits shall not exceed one-sixth of the customer's annual billings where there is at least twelve months of billing history. If the customer has less than twelve months billing history then the amount of the Customer Service Deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required to be paid within five days. If such additional deposit is not made, the utility may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements. All applicants for residential service who are 65 years of age or older will be considered as having established credit if such applicant does not have an outstanding account balance with the utility or another utility for the same utility service which accrued within the last two years and no cash deposit shall be required of such applicant under these conditions.

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M-14 New Construction Small Commercial Deposit: \$250.00 (Small Commercial customer class only)

For purposes of these Miscellaneous Service Charges, "Small Commercial" customers are defined as commercial customers consuming less than 150 MCF per monthly billing period. A Deposit shall be required for all Small Commercial customers. The Deposit shall be held and regulatory interest shall be paid thereon during the continuation of service to the customer.

M-15 Small Commercial Customer Deposit: AFTER a history has been established

Customer Service Deposits shall not exceed one-sixth of the Small Commercial customer's annual billings where there is at least twelve months of billing history. If the customer has less than twelve months billing history then the amount of the Customer Service Deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. If such additional deposit is not made, the utility may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.

M-16 Large Commercial Customer Deposit: Variable (Large Commercial customer class only)

For purposes of these Miscellaneous Service Charges, a "Large Commercial Customer" is defined as any commercial customer consuming more than 150 MCF of gas in any monthly billing period. The initial Deposit shall be based on Company's estimate of the Customer's highest gas consumption month (based on type and size of business) and shall be equal to 2 times the net bill for such month. After 12 months' billing history has been accumulated, an additional or reduced Deposit equal to 2 times the net bill for the highest consumption month in the most recent 12 month period shall be required from the Customer. The Deposit shall be held and regulatory interest shall be paid thereon during the continuation of service to the customer.

M-17 Tampering Charge: \$175.00

A Tampering Charge shall be made for unauthorized connection, reconnection, restoration of gas service or other tampering with Company metering lines and/or facilities or a theft of gas service by a person on the customer's premises, including but not limited to altering

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the meter index reading and removing a Company lock (the "Tampering Offense Rule"). Service may not be restored until all charges related to violation of the Tampering Offense Rule, including stolen gas, have been paid in full.

A. The following additional charges shall be made by Company for violation of the Tampering Offense Rule:

1. First offense: Company shall collect an additional service deposit equal to twice the Customer's highest gas bill for the previous 12 months, or lesser period if the Customer has less than 12 months' history.
2. Second offense: If within 12 months following a first offense, Customer is found to have committed a second offense, then Company shall terminate gas service at Customer's service address.

M-18 Repair Damaged Meters & Regulators: Actual Cost

A. The following charges shall be paid by customer when the damage to a residential meter and related equipment is proximately caused by customer and requires replacement, repair and/or re-installation of the damaged item:

1. Damage to Cover and/or non-electronic Index: Actual Cost, plus
2. Damage to automated meter reading instruments: Actual Cost, plus
3. Additional damage to meter set (including, but not limited to: riser, regulator, fittings, locks, and meter): Actual Cost.

B. Damages to commercial meters, regulators, indexes, automated meter reading equipment and related facilities and equipment when the damage is caused by customer or customer's employee's agents or contractors shall be at Actual Cost.

M-19 Tap and Meter Setting Fee - Residential Customers: \$325.00 and Actual Cost

The Tap Fee to provide an initial tap into the Company's distribution system for the establishment of service at a Residential location includes up to 15 feet of ¾" service line under dry conditions and excludes bores, rocky ground, trees, other utilities, and other obstacles. Customer shall be charged an additional sum for the Actual Cost of making its tap and installing up to 15 feet of ¾" service line in the event that bores, rocky ground, trees, other utilities, and other obstacles are encountered. The charge also includes installation and setting of a standard residential meter (250 cfm @ 4 ounces or 2 PSIG outlet pressure at customer's election) together with regulator, riser, fittings, and pressure test of

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customer piping. Installation of required service line beyond the first 15 feet shall be at Actual Cost. All other capacity and delivery pressure requirements are at Actual Cost to be approved and paid by the Customer in advance of work, unless otherwise subject to a separate agreement.

M-20 Tap and Meter Setting Fee - Small and Large Commercial Customers: \$400.00 and Actual Cost

Fee to provide initial tap into the Company's distribution system for the establishment of service at a Commercial or other non-residential location. Customer shall be charged an additional sum for the Actual Cost of the service line, meter cost and setting the meter and required pressure regulation equipment, valves, fittings and materials. Customer shall approve and pay such Actual Costs in advance of work.

M-21 Line Extension and/or Re-Route Policy: Actual Cost

Gas main, service line, and yard line installations, re-routes, or extensions shall be made at Company's expense only where the probable use of all facilities necessary for such service will provide a reasonable and compensatory return to Company on the value of such facilities. In all other cases, Company may require, on a consistent and non-discriminatory basis, pre-payment, reimbursement, or adequate security for all Actual Cost of extending its existing pipeline system to serve a new customer. "Yard line" includes customer-owned gas lines installed on customer's side of the meter at customer request. Such gas line extensions shall be made only under the following conditions:

(A) Individual Residential – Company shall only be required to extend distribution mains up to fifty (50) feet for any individual residential customer if such customer, at a minimum, uses gas for unsupplemented space heating and water heating or an equivalent load. Tapping of Company main as well as any length of gas mains in excess of the first 50 feet, or service lines and meter set required for the establishment of service shall be charged to customer at Actual Cost.

(B) Developers of Residential and/or Business Subdivisions -- upon execution of Company's Natural Gas System Development and Distribution Agreement, or under special circumstances where, in Company's opinion, such form is not appropriate, upon execution of a special agreement providing for satisfactory conditions for reimbursement to Company for Company's Actual Cost of the

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necessary gas line extension and related facilities, including gas mains, service lines, meters and regulators.

(C) Other Commercial or other non-residential locations – Tapping of Company main and any length of gas mains, services lines, or yard lines required for the establishment of service shall be charged to customer at Actual Cost.

M-22 Law Enforcement Escort Fee or Animal Control Fee: \$200.00 or Actual Cost

The greater of \$200.00 or Actual Cost shall be charged if the Company determines that any visit to a customer's premises requires Company personnel to be accompanied by a law enforcement official or animal control official.

M-23 History Research Fee: \$20.00 Per Request

A fee shall be charged for services related to account history research and Customer accounting/billing history documentation for each calendar year or partial year.

M-24 Upgrading a Meter: Actual Cost

Customer shall pay the Actual Cost to upgrade a meter upon request of customer or a change in customer usage requirements.

M-25 Stand-By Generator Recovery of Connection Cost: Actual Cost

A charge shall be made so that the company can be reimbursed for the Actual Cost of installing and acquiring the regulator, service line, and meter required to provide natural gas to a stand-by gas generator.

M-26 Excess Flow Valve: \$15.00

A charge shall be made for the installation of an excess flow valve. The excess flow valve will be installed on the service line on the upstream side of the customer's meter.

M-27 Light Customer's Appliance Pilot Lights at Customer's Request: \$40.00

If requested by Customer, a charge shall be made for Company to light pilot lights in one or more of Customer's appliances (excluding re-lighting due to gas outage caused by Company).

-END OF SCHEDULE M-

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
RATE CASE EXPENSE (RCE)
RATE SCHEDULE RCE

APPLICABILITY

All jurisdictional customers in the unincorporated areas receiving natural gas service from UNIGAS (hereinafter called "UNIGAS" or "Company").

RCE SURCHARGE

Pursuant to the Final Order in Case No. OS-20-00004865, UNIGAS is authorized to recover a total of \$671,285.46 in rate case expenses from Case No. OS-20-00004865 jurisdictional customers identified above by surcharge at the rate of \$0.130/Mcf for a period of approximately sixty (60) months commencing for bills rendered on or after the date the Commission approves this rate schedule.

COMPLIANCE REPORT

The Company shall file an annual rate case expense reconciliation report within 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered. The Company shall file the report with the Railroad Commission of Texas addressed to the Director of Oversight and Safety Division, Gas Services Department and referencing OS-20-00004865 Rate Case Expense Recovery Report.

The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filing
Director of Oversight and Safety Division
Gas Services Dept.
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967.

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
TAX ADJUSTMENT
RATE SCHEDULE TAXES

TAXES

If applicable, in addition to the monthly charges above, each customer's bill will include a charge for an amount equivalent to the customer's proportional part of any governmental levies payable by the Company, exclusive of federal income taxes. The tax adjustment is calculated in accordance with the following formula: tax amount divided by volume (Mcf) billed that month equals tax adjustment, applied per Mcf. From time to time, any tax factor may be adjusted, if required, to account for any over- or under-recovery by the Company and to include an amount equivalent to the proportionate part of any new tax or any other governmental imposition, rental fee, or charge levied, assessed or imposed subsequent to the effective date of this tariff by any governmental authority, including districts, created under the laws of the State of Texas. The Company will also collect sales taxes where applicable. Additional Gross Receipts Taxes and/or Franchise Fees applicable within municipalities shall only be charged to customers within the incorporated areas.

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
RATE SCHEDULE - LINE EXTENSION POLICY

Line Extension and/or Re-Route Policy: Actual Cost

Gas main, service line, and yard line installations, re-routes, or extensions shall be made at Company's expense only where the probable use of all facilities necessary for such service will provide a reasonable and compensatory return to Company on the value of such facilities. In all other cases, Company may require, on a consistent and non-discriminatory basis, pre-payment, reimbursement, or adequate security for all Actual Cost of extending its existing pipeline system to serve a new customer. "Yard line" includes customer-owned gas lines installed on customer's side of the meter at customer request. Such gas line extensions shall be made only under the following conditions:

- A. Individual Residential – Company shall only be required to extend distribution mains up to fifty (50) feet for any individual residential customer if such customer, at a minimum, uses gas for unsupplemented space heating and water heating or an equivalent load. Tapping of Company main and any length of gas mains in excess of the first 50 feet, or service lines, yard lines, and meter set required for the establishment of service, shall be charged to customer at Actual Cost.
- B. Developers of Residential and/or Business Subdivisions -- upon execution of Company's Natural Gas System Development and Distribution Agreement, or under special circumstances where, in Company's opinion, such form is not appropriate, upon execution of a special agreement providing for satisfactory conditions for reimbursement to Company for Company's Actual Cost of the necessary gas line extension(s) and related facilities, including gas mains, service lines, meters and regulators.
- C. Other Commercial or other non-residential locations – Tapping of Company main and any length of gas mains, services lines, or yard lines required for the establishment of service shall be charged to customer at Actual Cost.

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UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
RATE SCHEDULE QSR - QUALITY OF SERVICE

RULE Section 7.45 Quality of Service (as supplemented herein);

For gas utility service to residential and small commercial customers, the following minimum service standards shall be applicable in unincorporated areas. In addition, each gas distribution utility is ordered to amend its service rules to include said minimum service standards within the utility service rules applicable to residential and small commercial customers within incorporated areas, but only to the extent that said minimum service standards do not conflict with standards lawfully established within a particular municipality for a gas distribution utility. Said gas distribution utility shall file service rules incorporating said minimum service standards with the Railroad Commission and with the municipalities in the manner prescribed by law.

(1) Continuity of service.

(A) Service interruptions.

(i) Every gas utility shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the utility shall reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of customers are affected.

(ii) Each utility shall make reasonable provisions to meet emergencies resulting from failure of service, and each utility shall issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.

(iii) In the event of national emergency or local disaster resulting in disruption of normal service, the utility may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

(B) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, each utility shall keep a complete record of all interruptions, both

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emergency and scheduled. This record shall show the cause of interruptions, date, time duration, location, approximate number of customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence.

(C) Report to commission. The commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the cause of such interruptions. If any service interruption is reported to the commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.

(2) Customer relations.

(A) Information to customers. Each utility shall:

- (i) maintain a current set of maps showing the physical locations of its facilities. All distribution facilities shall be labeled to indicate the size or any pertinent information which will accurately describe the utility's facilities. These maps, or such other maps as may be required by the regulatory authority, shall be kept by the utility in a central location and will be available for inspection by the regulatory authority during normal working hours. Each business office or service center shall have available up-to-date maps, plans, or records of its immediate area, with such other information as may be necessary to enable the utility to advise applicants and others entitled to the information as to the facilities available for serving that locality;
- (ii) assist the customer or applicant in selecting the most economical rate schedule;
- (iii) in compliance with applicable law or regulations, notify customers affected by a change in rates or schedule or classification;
- (iv) post a notice in a conspicuous place in each business office of the utility where applications for service are received informing the public that copies of the rate schedules and rules relating to the service of the utility as filed with the commission are available for inspection;

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(v) upon request inform its customers as to the method of reading meters;

(vi) provide to new customers, at the time service is initiated or as an insert in the first billing, a pamphlet or information packet containing the following information. This information shall be provided in English and Spanish as necessary to adequately inform the customers; provided, however, the regulatory authority upon application and a showing of good cause may exempt the utility from the requirement that the information be provided in Spanish:

(I) the customer's right to information concerning rates and services and the customer's right to inspect or obtain at reproduction cost a copy of the applicable tariffs and service rules;

(II) the customer's right to have his or her meter checked without charge under paragraph (7) of this section, if applicable;

(III) the time allowed to pay outstanding bills;

(IV) grounds for termination of service;

(V) the steps the utility must take before terminating service;

(VI) how the customer can resolve billing disputes with the utility and how disputes and health emergencies may affect termination of service;

(VII) information on alternative payment plans offered by the utility;

(VIII) the steps necessary to have service reconnected after involuntary termination;

(IX) the appropriate regulatory authority with whom to register a complaint and how to contact such authority;

(X) the hours, addresses, and telephone numbers of utility offices where bills may be paid and information may be obtained; and

(XI) the customer's right to be instructed by the utility how to read his or her meter;

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(vii) at least once each calendar year, notify customers that information is available upon request, at no charge to the customer, concerning the items listed in clause (vi)(I) - (XI) of this subparagraph. This notice may be accomplished by use of a billing insert or a printed statement upon the bill itself.

(B) Customer complaints. Upon complaint to the utility by residential or small commercial customers either at its office, by letter, or by telephone, the utility shall promptly make a suitable investigation and advise the complainant of the results thereof. It shall keep a record of all complaints which shall show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint.

(C) Utility response. Upon receipt of a complaint, either by letter or by telephone, from the regulatory authority on behalf of a customer, the utility shall make a suitable investigation and advise the regulatory authority and complainant of the results thereof. An initial response must be made by the next working day. The utility must make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15-day period. The commission encourages all customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of each utility; however, telephone communications will be acceptable.

(D) Deferred payment plan. The utility is encouraged to offer a deferred payment plan for delinquent residential accounts. If such a plan is offered, it shall conform to the following guidelines:

(i) Every deferred payment plan entered into due to the customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.

(ii) For purposes of determining reasonableness under these rules, the following shall be considered: size of delinquent account; customer's ability to pay; customer's payment history; time that the debt has been outstanding; reasons why

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debt has been outstanding; and other relevant factors concerning the circumstances of the customer.

(iii) A deferred payment plan, if reduced to writing, offered by a utility shall state, immediately preceding the space provided for the customer's signature and in bold-face print at least two sizes larger than any other used, that: If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the utility's failure or refusal to comply with the terms of this agreement.

(iv) A deferred payment plan may include a one-time 5.0% penalty for late payment on the original amount of the outstanding bill with no prompt payment discount allowed except in cases where the outstanding bill is unusually high as a result of the utility's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan shall not include a finance charge.

(v) If a customer for utility service has not fulfilled terms of a deferred payment agreement or refuses to sign the same if it is reduced to writing, the utility shall have the right to disconnect pursuant to disconnection rules herein and, under such circumstances, it shall not be required to offer a subsequent negotiation of a deferred payment agreement prior to disconnection.

(vi) Any utility which institutes a deferred payment plan shall not refuse a customer participation in such a program on the basis of race, color, creed, sex, marital status, age, or any other form of discrimination prohibited by law.

(E) Delayed payment of bills by elderly persons.

(i) Applicability. This subparagraph applies only to:

(I) a utility that assesses late payment charges on residential customers and that suspends service before the 26th day after the date of the bill for which collection action is taken;

(II) utility bills issued on or after August 30, 1993; and

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(III) an elderly person, as defined in clause (ii) of this subparagraph, who is a residential customer and who occupies the entire premises for which a delay is requested.

(ii) Definitions.

(I) Elderly person--A person who is 60 years of age or older.

(II) Utility - A gas utility or municipally owned utility, as defined in Texas Utilities Code, Sections 101.003(7), 101.003(8), and 121.001 - 121.006.

(iii) An elderly person may request that the utility implement the delay for either the most recent utility bill or for the most recent utility bill and each subsequent utility bill.

(iv) On request of an elderly person, a utility shall delay without penalty the payment date of a bill for providing utility services to that person until the 25th day after the date on which the bill is issued.

(v) The utility may require the requesting person to present reasonable proof that the person is 60 years of age or older.

(vi) Every utility shall notify its customers of this delayed payment option no less often than yearly. A utility may include this notice with other information provided pursuant to subparagraph (A) of this paragraph.

(3) Refusal of service.

(A) Compliance by applicant. Any utility may decline to serve an applicant for whom service is available from previously installed facilities until such applicant has complied with the state and municipal regulations and approved rules and regulations of the utility on file with the commission governing the service applied for or for the following reasons.

(i) Applicant's facilities inadequate. If the applicant's installation or equipment is known to be hazardous or of such character that satisfactory service cannot be given.

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(ii) For indebtedness. If the applicant is indebted to any utility for the same kind of service as that applied for; provided, however, that in the event the indebtedness of the applicant for service is in dispute, the applicant shall be served upon complying with the applicable deposit requirement.

(iii) Refusal to make deposit. For refusal to make a deposit if applicant is required to make a deposit under these rules.

(B) Applicant's recourse. In the event that the utility shall refuse to serve an applicant under the provisions of these rules, the utility must inform the applicant of the basis of its refusal and that the applicant may file a complaint with the municipal regulatory authority or commission, whichever is appropriate.

(C) Insufficient grounds for refusal to serve. The following shall not constitute sufficient cause for refusal of service to a present customer or applicant:

(i) delinquency in payment for service by a previous occupant of the premises to be served;

(ii) failure to pay for merchandise or charges for nonutility service purchased from the utility;

(iii) failure to pay a bill to correct previous underbilling due to misapplication of rates more than six months prior to the date of application;

(iv) violation of the utility's rules pertaining to operation of nonstandard equipment or unauthorized attachments which interfere with the service of others unless the customer has first been notified and been afforded reasonable opportunity to comply with these rules;

(v) failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the utility as a condition precedent to service; and

(vi) failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

(4) Discontinuance of service.

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(A) The due date of the bill for utility service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

(B) A utility may offer an inducement for prompt payment of bills by allowing a discount in the amount of 5.0% for payment of bills within 10 days after their issuance. This provision shall not apply where it conflicts with existing orders or ordinances of the appropriate regulatory authority.

(C) A customer's utility service may be disconnected if the bill has not been paid or a deferred payment plan pursuant to paragraph (2)(D) of this section has not been entered into within five working days after the bill has become delinquent and proper notice has been given. Proper notice consists of a deposit of the disconnect notice in the United States mail, postage prepaid or hand delivery of the disconnect notice to the customer at least five working days prior to the stated date of disconnection, with the words Termination Notice or similar language prominently displayed on the notice. Emailed disconnect notices may be provided in addition to deposit of the disconnect notice in the United States mail, postage prepaid or hand delivery to the customer. The notice shall be provided in English and Spanish as necessary to adequately inform the customer, and shall include the date of termination, the hours, address, and telephone number where payment may be made, and a statement that if a health or other emergency exists, the utility may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency.

(D) Utility service may be disconnected for any of the following reasons:

- (i) failure to pay a delinquent account or failure to comply with the terms of a deferred payment plan for installment payment of a delinquent account;
- (ii) violation of the utility's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment, if a reasonable attempt has been made to notify the customer and the customer is provided with a reasonable opportunity to remedy the situation;

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(iii) failure to comply with deposit or guarantee arrangements where required by paragraph (5) of this section;

(iv) without notice where a known dangerous condition exists for as long as the condition exists;

(v) tampering with the utility company's meter or equipment or bypassing the same.

(E) Utility service may not be disconnected for any of the following reasons:

(i) delinquency in payment for service by a previous occupant of the premises;

(ii) failure to pay for merchandise or charges for nonutility service by the utility;

(iii) failure to pay for a different type or class of utility service unless fee for such service is included on the same bill;

(iv) failure to pay the account of another customer as guarantor thereof, unless the utility has in writing the guarantee as a condition precedent to service;

(v) failure to pay charges arising from an underbilling occurring due to any misapplication of rates more than six months prior to the current billings;

(vi) failure to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due;

(vii) failure to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the utility is unable to read the meter due to circumstances beyond its control.

(F) Unless a dangerous condition exists, or unless the customer requests disconnection, service shall not be disconnected on a day, or on a day immediately preceding a day, when personnel of the utility are not available to the public for the purpose of making collections and reconnecting service.

(G) No utility may abandon a customer without written approval from the regulatory authority.

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(H) No utility may discontinue service to a delinquent residential customer permanently residing in an individually metered dwelling unit when that customer establishes that discontinuance of service will result in some person residing at that residence becoming seriously ill or more seriously ill if the service is discontinued. Any customer seeking to avoid termination of service under this section must make a written request supported by a written statement from a licensed physician. Both the request and the statement must be received by the utility not more than five working days after the date of delinquency of the bill. The prohibition against service termination provided by this section shall last 20 days from the date of receipt by the utility of the request and statement or such lesser period as may be agreed upon by the utility and the customer. The customer who makes such request shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

(5) Applicant deposit.

(A) Establishment of credit for residential applicants. Each utility may require a residential applicant for service to satisfactorily establish credit but such establishment of credit shall not relieve the customer from complying with rules for prompt payment of bills. Subject to these rules, a residential applicant shall not be required to pay a deposit:

(i) if the residential applicant has been a customer of any utility for the same kind of service within the last two years and is not delinquent in payment of any such utility service account and during the last 12 consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment;

(ii) if the residential applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required; or

(iii) if the residential applicant furnishes in writing a satisfactory credit rating by appropriate means, including, but not limited to, the production of generally acceptable credit cards, letters of credit reference, the names of credit references which may be quickly and inexpensively contacted by the utility, or ownership of substantial equity.

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(B) Reestablishment of credit. Every applicant who has previously been a customer of the utility and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all his amounts due the utility or execute a written deferred payment agreement, if offered, and reestablish credit as provided in subparagraph (A) of this paragraph.

(C) Amount of deposit and interest for residential service, and exemption from deposit.

(i) Each gas utility shall waive any deposit requirement for residential service for an applicant who has been determined to be a victim of family violence as defined in Texas Family Code, 71.004, by a family violence center, by treating medical personnel, by law enforcement agency personnel, or by a designee of the Attorney General in the Crime Victim Services Division of the Office of the Attorney General. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site.

(ii) The required deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. If such additional deposit is not made, the utility may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.

(iii) All applicants for residential service who are 65 years of age or older will be considered as having established credit if such applicant does not have an outstanding account balance with the utility or another utility for the same utility service which accrued within the last two years. No cash deposit shall be required of such applicant under these conditions.

(iv) Each utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits according to the rate as established by law. If refund of deposit is made within 30 days of receipt of deposit, no interest payment

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is required. If the utility retains the deposit more than 30 days, payment of interest shall be made retroactive to the date of deposit.

(I) Payment of interest to the customer shall be annually or at the time the deposit is returned or credited to the customer's account.

(II) The deposit shall cease to draw interest on the date it is returned or credited to the customer's account.

(D) Deposits for temporary or seasonal service and for weekend or seasonal residences. The utility may require a deposit sufficient to reasonably protect it against the assumed risk, provided such a policy is applied in a uniform and nondiscriminatory manner.

(E) Records of deposits.

(i) The utility shall keep records to show:

(I) the name and address of each depositor;

(II) the amount and date of the deposit; and

(III) each transaction concerning the deposit.

(ii) The utility shall issue a receipt of deposit to each applicant from whom a deposit is received and shall provide means whereby a depositor may establish claim if the receipt is lost.

(iii) A record of each unclaimed deposit must be maintained for at least four years, during which time the utility shall make a reasonable effort to return the deposit.

(F) Refund of deposit.

(i) If service is not connected or after disconnection of service, the utility shall promptly and automatically refund the customer's deposit plus accrued interest on the balance, if any, in excess of the unpaid bills for service furnished. The transfer of service from one premise to another within the service area of the utility shall not be deemed a disconnection within the meaning of these rules, and no additional deposit may be demanded unless permitted by these rules.

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(ii) When the customer has paid bills for service for 12 consecutive residential bills without having service disconnected for nonpayment of bill and without having more than two occasions in which a bill was delinquent and when the customer is not delinquent in the payment of the current bills, the utility shall promptly and automatically refund the deposit plus accrued interest to the customer in the form of cash or credit to a customer's account.

(G) Upon sale or transfer of utility or company. Upon the sale or transfer of any public utility or operating units thereof, the seller shall file with the commission under oath, in addition to other information, a list showing the names and addresses of all customers served by such utility or unit who have to their credit a deposit, the date such deposit was made, the amount thereof, and the unpaid interest thereon.

(H) Complaint by applicant or customer. Each utility shall direct its personnel engaged in initial contact with an applicant or customer for service seeking to establish or reestablish credit under the provisions of these rules to inform the customer, if dissatisfaction is expressed with the utility's decision, of the customer's right to file a complaint with the regulatory authority thereon.

(6) Billing.

(A) Bills for gas service shall be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

(B) The customer's bill must show all the following information whether it is issued through the United States mail or electronic methods. The information must be arranged and displayed in such a manner as to allow the customer to compute his bill with the applicable rate schedule. The applicable rate schedule must be mailed to the customer on request of the customer. A utility may exhaust its present stock of nonconforming bill forms before compliance is required by this section:

(i) if the meter is read by the utility, the date and reading of the meter at the beginning and end of the period for which rendered;

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- (ii) the number and kind of units billed;
- (iii) the applicable rate schedule title or code;
- (iv) the total base bill;
- (v) the total of any adjustments to the base bill and the amount of adjustments per billing unit;
- (vi) the date by which the customer must pay the bill to get prompt payment discount;
- (vii) the total amount due before and after any discount for prompt payment within a designated period;
- (viii) a distinct marking to identify an estimated bill.

(C) Where there is good reason for doing so, estimated bills may be submitted, provided that an actual meter reading is taken at least every six months. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, the utility must provide the customer with a postcard and request that the customer read the meter and return the card to the utility if the meter is of a type that can be read by the customer without significant inconvenience or special tools or equipment. If such a postcard is not received by the utility in time for billing, the utility may estimate the meter reading and render the bill accordingly.

(D) Disputed bills.

- (i) In the event of a dispute between the customer and the utility regarding the bill, the utility must forthwith make such investigation as is required by the particular case and report the results thereof to the customer. If the customer wishes to obtain the benefits of clause (ii) of this subparagraph, notification of the dispute must be given to the utility prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the utility shall inform the customer of the complaint procedures of the appropriate regulatory authority.

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(ii) Notwithstanding any other subsection of this section, the customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60-day period beginning on the day the disputed bill is issued. For purposes of this section only, the customer's average usage for the billing period shall be the average of the customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar customers and under similar conditions.

(7) Meters.

(A) Meter requirements.

(i) Use of meter. All gas sold by a utility must be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the regulatory authority, or tariff.

(ii) Installation by utility. Unless otherwise authorized by the regulatory authority, each utility must provide and install and will continue to own and maintain all meters necessary for measurement of gas delivered to its customers.

(iii) Standard type. No utility may furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.

(B) Meter records. Each utility must keep the following records:

(i) Meter equipment records. Each utility must keep a record of all its meters, showing the customer's address and date of the last test.

(ii) Records of meter tests. All meter tests must be properly referenced to the meter record provided for therein. The record of each test made on request of a customer must show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made,

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the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.

(iii) Meter readings--meter unit location. In general, each meter must indicate clearly the units of service for which charge is made to the customer.

(iv) Meter tests on request of customer.

(I) Each utility must, upon request of a customer, make a test of the accuracy of the meter serving that customer. The utility must inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. If no such test has been performed within the previous four years for the same customer at the same location, the test is to be performed without charge. If such a test has been performed for the same customer at the same location within the previous four years, the utility is entitled to charge a fee for the test not to exceed \$15 or such other fee for the testing of meters as may be set forth in the utility's tariff properly on file with the regulatory authority. The customer must be properly informed of the result of any test on a meter that serves him.

(II) Notwithstanding subclause (I) of this clause, if the meter is found to be more than nominally defective, to either the customer's or the utility's disadvantage, any fee charged for a meter test must be refunded to the customer. More than nominally defective means a deviation of more than 2.0% from accurate registration.

(v) Bill adjustments due to meter error.

(I) If any meter test reveals a meter to be more than nominally defective, the utility must correct previous readings consistent with the inaccuracy found in the meter for the period of either:

(-a-) the last six months; or

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(-b-) the last test of the meter, whichever is shorter. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be foregone by the utility if the error is to the utility's disadvantage.

(II) If a meter is found not to register for any period of time, the utility may make a charge for units used but not metered for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated customers, when not available.

(8) New construction.

(A) Standards of construction. Each utility is to construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with the provisions of such codes and standards as are generally accepted by the industry, as modified by rule or regulation of the regulatory authority or otherwise by law, and in such manner to best accommodate the public and to prevent interference with service furnished by other public utilities insofar as practical.

(B) Line extension and construction charges. Every utility must file its extension policy. The policy must be consistent, nondiscriminatory, and is subject to the approval of the regulatory authority. No contribution in aid of construction may be required of any customer except as provided for in extension policy.

(C) Response to request for service. Every gas utility must serve each qualified applicant for service within its service area as rapidly as practical. As a general policy, those applications not involving line extensions or new facilities should be filled within seven working days. Those applications for individual residential service requiring line extensions should be filled within 90 days unless unavailability of materials or other causes beyond the control of the utility result in

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unavoidable delays. In the event that residential service is delayed in excess of 90 days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report must be made to the regulatory authority listing the name of the applicant, location, and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the utility, a delay in excess of 90 days may be found to constitute a refusal to serve.

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OS-20-00004865

Final Order

Attachment 2

(Depreciation Rates and Net Plant in Service)

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Universal Natural Gas, LLC Statement of Intent
 OS-20-00004865 Consolidated UniGas
 Settlement Exhibit C - Net Plant and Depreciation Rate by Account

Line No.	Description	FERC Account	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e)	(f)
1	Consolidated UniGas					
2	Organization	301.00	\$ -	\$ -	\$ -	
3	Franchises and Consents	302.00	76,315	23,327	52,988	1.08%
4	Misc. Intangible Plant	303.00	205,311	90,426	114,885	2.90%
5	Subtotal: Intangible Plant		281,626	113,753	167,873	
6	Land and Land Rights	374.00	754,711	41,576	713,136	2.90%
7	Mains	376.00	17,782,759	2,980,268	14,802,491	2.23%
8	Measure & Reg. Station - General	378.00	1,662,341	438,370	1,223,971	2.48%
9	Services	380.00	2,388,313	809,243	1,579,070	2.36%
10	Meters	381.00	4,350,716	1,267,979	3,082,737	3.31%
11	Meters - AMR	381.00				6.60%
12	House Regulators	383.00	774,948	237,299	537,649	2.72%
13	Subtotal: Distribution Plant		27,713,789	5,774,735	21,939,054	
14	Land and Land Rights	389.00	-	-	-	
15	Structures and Improvements	390.00	165,839	70,503	95,336	14.29%
16	Office Furniture & Equipment	391.00	648,828	309,293	339,535	5.00%
17	Computer Equipment	391.10				33.33%
18	Transportation Equipment	392.00	572,231	243,272	328,959	14.29%
19	Tools, Shop and Garage	394.00	147,977	62,909	85,068	14.29%
20	Power Operated Equipment	396.00	49,859	49,859	-	12.50%
21	Communication Equipment	397.00	-	-	-	6.67%
22	Misc. Equip	398.00	153,502	153,502	-	4.00%
23	Subtotal: General Plant		1,738,236	889,338	848,898	
24	Total Consolidated UniGas		29,733,651	6,777,826	22,955,825	

March 31, 2021

TO: All Parties of Record

RE: **OS-20-00004865:** *Statement of Intent Filed by Universal Natural Gas, Inc., to Increase and Consolidate Rates In the Unincorporated Areas Served by Universal Natural Gas, LLC, d/b/a Universal Natural Gas, Inc., Consumers Gas Company, LLC d/b/a Consumers Gas Company Inc., Enertex NB, LLC, and Gas Energy, LLC*

HEARINGS LETTER NO. 31
Proposal for Decision

The Proposal for Decision ("PFD") is issued today, along with a Proposed Final Order. Pursuant to Commission Rule § 1.121 (Proposals for Decision), these documents are being circulated to each party or its authorized representative. The PFD is only a proposal and should not be interpreted as a final decision by the Commission.

This docket will be placed on the agenda for consideration by the Commissioners at the scheduled April 13, 2021 open meeting.

Under Commission Rule § 1.122 (Filing of Exceptions and Replies), each party has the right to file written exceptions and replies. Consistent with this docket's Scheduling Order but taking into consideration internal deadlines for the April 13 open meeting, exceptions are due at noon on April 6, 2021, and replies are due by noon on April 8, 2020. Because these deadlines are shortened, parties may file these documents electronically.¹

Sincerely,



Dee Marlo chico
Administrative Law Judge

cc: Service List

¹ Motions for rehearing or replies to motions for rehearing, if any, also may be filed electronically.

Service List

OS-20-00004865

Statement of Intent Filed by Universal Natural Gas, Inc., to Increase and Consolidate Rates In the Unincorporated Areas Served by Universal Natural Gas, LLC, d/b/a Universal Natural Gas, Inc., Consumers Gas Company, LLC d/b/a Consumers Gas Company Inc., Enertex NB, LLC, and Gas Energy, LLC

Administrative Law Judge: Dec Marlo Chico
Technical Examiners: Rose Ruiz and James Currier

**Universal Natural Gas, LLC d/b/a
Universal Natural Gas, Inc.;
Consumers Gas Company, LLC
d/b/a Consumers Gas Company,
Inc.;
EnerTex NB, LLC; and
Gas Energy, LLC
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Via Mail

Oscar Hudnall (Protestant)
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Via Email


Via Mail

**Gary and Rosemary White
(Protestant)**
9835 Azure Lake Drive
Magnolia, TX 77354
Via Mail

cc: Kari French, RRC Austin – Director, Oversight & Safety Division
Mark Evarts, RRC Austin – Director, Marketing Oversight Section

16 TEX. ADMIN. CODE § 1.7 (Ex Parte Communications):

- (a) *Ex parte communications are prohibited in contested cases as provided in the APA and other applicable rules including the Texas Disciplinary Rules of Professional Conduct.*
- (b) *Each party shall provide all other parties with a copy of all documents submitted to an examiner.*
 - (1) *The attachment of a certificate of service stating that a document was served on a party creates a rebuttable presumption that the named party was provided a copy.*
 - (2) *Failure to provide a copy to all other parties may result in rejection and return of the document without consideration.*

**OS-20-00004865
Proposal for Decision**

**STATEMENT OF INTENT FILED BY UNIVERSAL NATURAL GAS, INC., TO INCREASE AND CONSOLIDATE
RATES IN THE UNINCORPORATED AREAS SERVED BY UNIVERSAL NATURAL GAS, LLC, D/B/A
UNIVERSAL NATURAL GAS, INC., CONSUMERS GAS COMPANY, LLC D/B/A CONSUMERS GAS COMPANY
INC., ENERTEX NB, LLC, AND GAS ENERGY, LLC**

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

PARTIES

**APPLICANT: Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc.;
Consumers Gas Company, LLC d/b/a Consumers Gas Company, Inc.;
EnerTex NB, LLC; and Gas Energy, LLC (Applicants)**

Michael J. Tomsu
Damien Lyster
Winston Skinner
Taylor Holcomb
Vinson & Elkins LLP
Counsel for Applicants

INTERVENOR: Staff of the Railroad Commission of Texas (Staff)

Natalie Dubiel
Patrick Shelton
Office of General Counsel
Railroad Commission of Texas
Counsel for Staff

STATEMENT OF THE CASE

This is a gas utility rate case that resulted in a settlement. Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc., Consumers Gas Company, LLC d/b/a Consumers Gas Company, Inc., EnerTex NB, LLC, and Gas Energy, LLC (“Applicants”) are affiliated gas distribution companies that provide regulated natural gas to approximately 18,000 residential, commercial, and industrial customers in the unincorporated areas they serve in Texas—Comal, Grimes, Harris, Montgomery, and Walker Counties. Applicants seek to simultaneously increase and consolidate the rates they provide to their environs customers into a single system-wide rate, as well as other related relief.

The parties in this proceeding are the four applicants and one intervenor—Commission Staff (“Staff”). There are also the following protestants: Mr. Steve Alton, Mr. Oscar Hudnall, Mr. and [REDACTED], and Mr. and Mrs. Gary and Rosemary White. Applicants and Staff ultimately reached a settlement resolving all issues. The entirety of the evidentiary record consists of evidence prepared either solely or jointly by Applicants and Staff in support of Applicants’ requested relief under the settlement. Applicants, therefore, met their burden on all settled issues. Among the agreed relief under the settlement are the consolidation of the four Applicants with Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc., as the surviving entity, recovery of extraordinary expenses associated with the February 2021 Winter Weather Event over an 18-month period, and an annual revenue increase for Applicants totaling \$995,000—a reduced settled amount that is less than the \$1,643,634 increase initially requested by Applicants.

RECOMMENDATION

The Administrative Law Judge and Technical Examiners recommend the Commission approve the parties’ settlement.

The deadline for Commission action is April 13, 2021.

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PROPOSAL FOR DECISION

I. INTRODUCTION

On October 9, 2020, Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. ("UniGas"), Consumers Gas Company, LLC d/b/a Consumers Gas Company, Inc. ("Consumers"), EnerTex NB, LLC ("EnerTex"), and Gas Energy, LLC ("Gas Energy") jointly filed with the Railroad Commission of Texas ("Commission") a statement of intent to increase and consolidate their gas utility rates within the unincorporated areas in Texas that they serve (the "SOI"). UniGas, Consumers, EnerTex, and Gas Energy filed the SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility).

Staff of the Railroad Commission ("Staff") intervened. Mr. Steve Alton, Mr. Oscar Hudnall, [REDACTED], and Mr. and Mrs. Gary and Rosemary White are protestants.

UniGas, Consumers, EnerTex, Gas Energy, and Staff ultimately reached a Settlement Agreement ("Settlement") resolving all issues. In the Settlement, the parties agreed to the following:

- an annual revenue increase totaling \$995,000—a reduction from the \$1,643,634 initially requested by Applicants;
- a rate of return of 7.94 percent based on a 9.50 percent return on equity, a 5.31 percent cost of debt, and a capital structure of 62.76 percent equity and 37.24 percent debt;
- capital investment booked to plant through June 30, 2020, totaling \$22,955,825, is prudent;
- consolidation of UniGas, Consumers, EnerTex, and Gas Energy, with UniGas as the surviving entity;
- establishment of new Interim Rate Adjustment factors and depreciation rates;
- approval for recovery for the February 2021 cost of gas bill of approximately \$32 million relating to the February 2021 Winter Weather Event, of which Consolidated UniGas will bill \$2,314,294 and book the remaining \$29,685,706 to its regulatory asset to be amortized over 18 months;
- approval for its hydrostatic testing expenses;
- rate case expenses for Applicants that do not exceed \$671,285.46.

The Commission has original jurisdiction only—over environs rates—in this docket. There are no municipal appeals.

The Administrative Law Judge ("ALJ") and Technical Examiners (together, the Examiners") recommend the Commission approve the Settlement.

II. PARTIES

The parties in this proceeding are Applicants UniGas, Consumers, EnerTex, and Gas Energy and Intervenor Staff.

A. Applicants UniGas, Consumers, EnerTex, and Gas Energy

UniGas, Consumers, EnerTex, and Gas Energy are each a “gas utility” under GURA Section 101.003 (Definitions).¹ These four natural gas distribution utilities serve, in aggregate, approximately 18,000 residential, commercial, and industrial customers across Texas.² UniGas serves the FM 1488 corridor in southwest Montgomery and Walker Counties.³ EnerTex serves residential and commercial locations in Comal and Montgomery Counties.⁴ Gas Energy serves The Woodlands and Woodforest Development—two master planned communities in Montgomery and Harris Counties.⁵ Consumers Gas serves the FM 1486 corridor north of the City of Magnolia in Montgomery and Grimes Counties.⁶ UniGas, Consumers, EnerTex, and Gas Energy (together, “Applicants”) jointly filed this application.

Applicants seek to consolidate their corporate and regulatory structures—including all their assets and liabilities—into one entity under the name Universal Natural Gas, LLC (“Consolidated UniGas”) with base rates that reflect the Applicants’ growth and consolidation.⁷

B. Intervenor Staff

Intervenor Staff participated in this docket “to assert its interest in assuring that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed.”⁸

III. PUBLIC COMMENTS

The Commission received several communications from the public relating to Applicants’ requested relief in this docket. Applicants properly provided notice to the public of their proposed increase by direct mail to their customers.⁹ The Commission received 138 comment letters from the public, each voicing opposition to Applicants’ proposed rate increase. All but two public commenters, who submitted late filed correspondence, were provided the Complaint and Statement of Intent to Participate Form in accordance with Commission Rule 7.240 (Statement of Intent to Participate).¹⁰

Mr. Steve Alton, Mr. Oscar Hudnall, [REDACTED], and Mr. and Mrs. Gary and Rosemary White timely protested.¹¹ These individuals are utility customers

¹ Tex. Util. Code § 101.003(7) (Definitions) (defining “gas utility” as “a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.”).

² The parties agreed to 18,230 customers. Applicants’ Ex. 13 (Settlement) at ¶ 8; see id. at Exhibit B (Proof of Revenues). Applicants testified to 17,500 customers. Applicants’ Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p.5, 6; see Applicants’ Ex. 13 (Affidavit of Notice) p.1-3 of Public Notice.

³ Applicants’ Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p. 6.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ Applicants’ Ex. 1 (SOI) at 2, Exhibit D (Loy Test.) p. 5.

⁸ Staff’s Motion to Intervene, filed October 13, 2020, at ¶¶ 1.

⁹ Notice was completed by November 25, 2020. Applicants’ Ex. 12 (Affidavit of Notice).

¹⁰ The Complaint and Statement of Intent to Participate Form was not forwarded to two commenters, because their statements were filed after the deadline for filing public comments had passed. However, their communications were placed in the case file along with the other public comments. Hearings Letter No. 22 (Sixth Compilation of Comments from the Public), issued January 28, 2021 (attaching comment protesting Applicants’ rate increase); Hearings Letter No. 29 (Late Filed Comment from the Public), issued March 10, 2021 (attaching comment protesting Applicants’ rate increase).

¹¹ Mr. Joseph S. Kowalczyk was admitted as a protestant on January 7, 2021 after having timely filed a Complaint and Statement of Intent to Participate Form pursuant to Commission Rule 7.240. Hearings Letter No. 16 (Second Admission of Protestant), issued January 7, 2021. However, Mr. Kowalczyk filed a motion to withdraw his complaint and to be removed as a party protestant in this docket on February 2, 2021. His motion was granted on February 4, 2021. Hearings Letter No. 23 (Ruling on Mr. Kowalczyk’s Motion to Withdraw), issued February 4, 2021 (attaching ruling that granted Mr. Kowalczyk’s motion to withdraw his complaint and be removed as a party protestant).

affected by Applicants' proposed rate increase that timely filed a Complaint and Statement of Intent to Participate Form in accordance with Commission Rule 7.240.¹² Mr. Alton and Mr. Hudnall were admitted as protestants on December 30, 2020.¹³ The [REDACTED] and the Whites were admitted as protestants on January 12, 2021.¹⁴

Only Mr. Hudnall appeared at the hearing on the merits, but he chose not to participate as a litigant, and instead gave unsworn, non-testimonial public comment opposing Applicants' proposed rate increase.¹⁵ Mr. Hudnall wanted to provide public comment and "hear the logic behind the increases."¹⁶ Mr. Hudnall, a residential customer who has lived in the Magnolia, Texas area for 20 years, stated he "never really had any complaints" about his natural gas, which he claimed has "always been reasonable."¹⁷ However, Mr. Hudnall explained he became involved in this proceeding because the Applicants provided no explanation for the requested increases, such as the monthly service charge, which increased from \$12 to \$22.50 per month, and the consumption charge, which was increasing from \$2.42 to \$3.07.¹⁸

IV. PROCEDURAL BACKGROUND

On October 12, 2020, UniGas, Consumers, EnerTex, and Gas Energy jointly filed with the Commission their SOI.¹⁹ Subsequently, Intervenors Staff timely intervened.²⁰ On November 4, 2020, the Commission timely suspended the effective date of Applicants' proposed rate for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).²¹ On October 21, 2020, Applicants filed certain errata to their original filing.²²

By November 25, 2020, Applicants timely provided notice of their SOI to each affected customer by direct mail.²³

On January 8, 2021, Staff notified the ALJ that the parties reached a settlement in principle that resolves all issues.²⁴ On January 12, 2021, the parties' motion to abate all pending procedural deadlines was granted.²⁵

On January 13, 2021, the Notice of Hearing was issued, setting the hearing on the merits to commence on February 16, 2021 ("Notice of Hearing").²⁶ On January 15, 2021, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1147*.²⁷ On January 22, 2021, the Notice of Hearing was provided to the governing bodies of all affected counties and municipalities.²⁸

¹² 16 Tex. Admin. Code § 7.240 (Statement of Intent to Participate).

¹³ Hearings Letter No. 11 (Admission of Protestants), issued December 30, 2020 (admitting Steve Alton and Oscar Hudnall as protestants).

¹⁴ Hearings Letter No. 17 (Second Admission of Protestant Fifth Compilation of Comments from the Public), issued January 12, 2021 (admitting the [REDACTED] and Whites as protestants).

¹⁵ Transcript (O. Hudnall) at 10-11 (February 18, 2021).

¹⁶ *Id.* at 10-11, 15.

¹⁷ *Id.* at 13-14.

¹⁸ *Id.*

¹⁹ Applicants' Ex. 1 (SOI).

²⁰ Hearings Letter No. 01 (Staff's Motion to Intervene), issued October 13, 2020 (attaching order granting Staff's intervention).

²¹ See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

²² Applicants' Ex. 10 (Loy Errata).

²³ Applicants' Ex. 12 (Affidavit of Notice).

²⁴ Letter to ALJ, from counsel for Staff, filed January 8, 2021 (informing ALJ that Staff and Applicants have reached an agreement in principle).

²⁵ Hearings Letter No. 18 (Abatement of Procedural Deadlines), issued January 12, 2021.

²⁶ Hearings Letter No. 21 (Notice of Hearing), issued January 22, 2021.

²⁷ See *Gas Utilities Information Bulletin No. 1147*, published by the Railroad Commission of Texas Oversight and Safety Division on January 15, 2021 ("Bulletin"), pp. 4-5.

²⁸ Hearings Letter No. 21 (Notice of Hearing Provided to Governing Bodies), issued January 22, 2021.

The hearing on the merits commenced on February 18, 2021 and concluded on February 19, 2021 (the "Hearing"). After the Hearing, the ALJ took official notice of Applicants' response filings to Examiner Request for Information ("RFI") requests 1-1, 1-2, 1-3, 1-4, 2-1, 2-2, 2-3, 2-4, 2-5, 2-6, and 2-7.²⁹ The evidentiary exhibit list is appended as PFD **Attachment 1**.³⁰ A portion of the evidentiary record contains highly sensitive confidential financial information related to specific compensation and benefits as well as commercially sensitive financial information.³¹ These exhibits were sealed by the ALJ.³²

On March 16, 2021, the evidentiary record closed.³³

V. JURISDICTION, BURDEN OF PROOF, AND NOTICE

A. Jurisdiction

The Commission has jurisdiction over Applicants, who are each a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates Applicants request for their customers located within the unincorporated areas they serve.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities) and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

B. Burden of Proof

As gas utilities proposing new rates, Applicants have the burden of proving their proposed rates are just and reasonable.³⁴

C. Notice

By November 25, 2020, Applicants timely provided notice of their SOI to each affected customer by direct mail.³⁵ On January 13, 2021, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On January 15, 2021, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1147*, in compliance with Commission Rule §

²⁹ See Hearing Letter No. 30 (Applicants' Exhibit 13A; Close of Evidentiary Record), issued March 16, 2021 (taking official notice of Applicants' and Staff's response filings to Examiners' RFIs).

³⁰ The evidentiary record also included an additional exhibit—Applicants' Exhibit 13A—that Applicants and Staff filed on March 8, 2021 and March 15, 2021, and which the ALJ admitted on March 9, 2021 and March 16, 2021, respectively. Hearings Letter No. 27 (Applicants' Exhibit 13A), issued March 9, 2021 (admitting the parties' Amended Settlement Agreement and an updated Rate Schedule Cost of Gas ("COG")), Hearings Letter No. 30 (Applicants' Exhibit 13A; Close of Evidentiary Record), issued March 16, 2021 (admitting parties' Second Amended Settlement Agreement, which included a second updated Rate Schedule COG that replaces the Rate Schedule COG admitted on March 9, 2021). The contents of Applicants' Exhibit 13A are appended to this PFD as **Attachment 3**.

³¹ Explanatory Statement of Confidentiality and Motion to Seal, from Applicants, filed February 12, 2021.

³² Hearings Letter No. 26 (Applicants' Motion to Seal), issued February 24, 2021 (permanently sealing Applicants' Exhibits Nos. 2, 3, 4, 5, 6, 7, 8, and 9). Staff did not object to their sealing. Transcript (N. Dubiel) at 8 (February 19, 2021).

³³ See Hearing Letter No. 30 (Applicants' Exhibit 13A; Close of Evidentiary Record), issued March 16, 2021.

³⁴ Tex. Util. Code § 104.008 (Burden of Proof) ("In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.").

³⁵ Applicants' Ex. 12 (Affidavit of Notice) (attaching a copy of the Public Notice); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

7.235 (Publication and Service of Notice).³⁶ On January 22, 2021, the Notice of Hearing was provided to the governing body of each affected county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).³⁷

On March 8, 2021, Applicants filed an updated version of its Rate Schedule Cost of Gas ("COG"), which added a February 2021 Winter Event Surcharge that contained a carrying cost.³⁸ However, the updated Rate Schedule COG was not revenue neutral because of the addition of carrying costs at Consolidated UniGas' cost of long-term debt.³⁹ The parties, therefore, amended the Rate Schedule COG by removing the addition of the carrying costs from the installment charges sought from customers.⁴⁰ This amendment rendered the Rate Schedule COG revenue neutral and did not, therefore, require additional notice.⁴¹

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

VI. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

Applicants presented evidence they maintain their books and records in accordance with Commission requirements.⁴² Applicants maintained their books and records in accordance with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to "utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USOA) for all operating and reporting purposes."⁴³ The information contained within Applicants' books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).⁴⁴ No party offered contrary evidence that Applicants maintain their books and records in accordance with these requirements.

Considering the evidence, the Examiners find that Applicants have established they complied with applicable Commission rules. Accordingly, Applicants are entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in their books and records are presumed to have been reasonably and necessarily incurred.⁴⁵

³⁶ See Bulletin, pp. 4-5 (containing the full Notice of Hearing); see also Commission Rule § 7.235(a)(1)(A) (Publication and Service of Notice) ("The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.").

³⁷ See letters from ALJ to affected county judges and mayors, each dated January 22, 2021 (attaching the Notice of Hearing); see also Tex. Util. Code § 104.105(c) ("The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.").

³⁸ Applicants' Exhibit 13A (Amendments to Settlement).

³⁹ Staff's response to Examiners' RFI 2-1(b), filed March 12, 2021 (official notice taken by the ALJ on March 16, 2021).

⁴⁰ *Id.*; see also Applicants' Ex. 13A (Amendments to Settlement).

⁴¹ See also Staff's response to Examiners' RFI 2-1(b); Applicants' Ex. 13A (Amendments to Settlement).

⁴² See Applicants' Ex. 1 (SOI) at Exhibit D (Buttermore Test.) pp. 7-8.

⁴³ *Id.*; see Commission Rule § 7.310(a) (System of Accounts).

⁴⁴ Applicants' Ex. 1 (SOI) at Exhibit D (Buttermore Test.) p. 8; see Commission Rule § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

⁴⁵ See Commission Rule § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) ("In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered *prima facie* evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.").

VII. COST ALLOCATION MANUAL: EXHIBIT JRB-3

At the Hearing, Applicants requested approval of the amendments to the Cost Allocation Manual presented with Texas Gas Utility Services, Inc., Chief Financial Officer's direct testimony—Exhibit JRB-3.⁴⁶ Staff offered no objections.⁴⁷ As this request was uncontested and no contravening evidence was offered, Applicants met their burden in establishing that approval of this revised Cost Allocation Manual is just and reasonable. Accordingly, the Examiners recommend approval.

VIII. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in OS-20-00004865. The parties—UniGas, Consumers, EnerTex, Gas Energy, and Staff—have engaged in significant discovery regarding the disputed issues and agree that resolving this docket by settlement will significantly reduce the amount of reimbursable rate case expenses associated with this docket.⁴⁸ These parties agree that the rates, terms, and conditions reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).⁴⁹ A copy of the Settlement is appended to this PFD as **Attachment 2** and **Attachment 3**.⁵⁰

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

A. Public Interest Determination: Consolidation

GURA Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) requires a gas utility to report to the Commission a merger or consolidation with another gas utility operating in this state.⁵¹ In their SOI, Applicants proposed to consolidate the corporate and regulatory structures—including all the assets, liabilities, and equity—of UniGas, Consumers, EnerTex, and Gas Energy into one surviving entity—UniGas (“Consolidated UniGas”)—with base rates reflecting the Applicants’ growth and their consolidation.⁵²

UniGas, Consumers, EnerTex, and Gas Energy are affiliated companies that each provide regulated natural gas distribution service in unincorporated areas of Texas.⁵³ Applicants testified they distribute and sell natural gas under Commission tariffs to approximately 17,500 residential, commercial, and industrial customers in the environs of Texas municipalities.⁵⁴ As previously mentioned: UniGas serves the FM 1488 corridor in southwest Montgomery and Walker Counties; Consumers Gas serves the FM 1486 corridor north of the City of Magnolia in Montgomery and Grimes Counties; EnerTex serves residential and commercial locations in Comal and

⁴⁶ Transcript (W. Skinner) at 10-11 (February 19, 2021) (asking that the PFD and the Commission's order “reflect that the amended cost allocation manual that was attached and described in Mr. Buttermore's direct testimony be approved”); Applicants' Ex. 1 at Exhibit D (Buttermore Test.) p. Exhibit JRB-3; Applicants' response to Examiners' RFI 1-1, filed March 2, 2021 (official notice taken by the ALJ on March 16, 2021).

⁴⁷ Transcript (N. Dubiel) at 11 (February 19, 2021).

⁴⁸ Applicants' Ex. 13 (Settlement) at 1-2.

⁴⁹ *Id.* at ¶ 2.

⁵⁰ **Attachment 2** is a copy of Applicants' Exhibit 13—the Settlement Agreement and its accompanying documents. However, **Attachment 2** excludes voluminous receipts and invoices related to Applicants' incurred rate case expenses, treated later in the PFD. **Attachment 3** is a copy of Applicants' Exhibit 13A—the Amended Settlement Agreement, Second Amended Settlement Agreement, and updated Rate Schedule COG.

⁵¹ Tex. Util. Code § 102.051(a)(2).

⁵² Applicants' Ex. 1 (SOI) at 1-2, Exhibit D (Barnwell Test.) p. 11-12, Exhibit D (Loy Test.) p. 5.

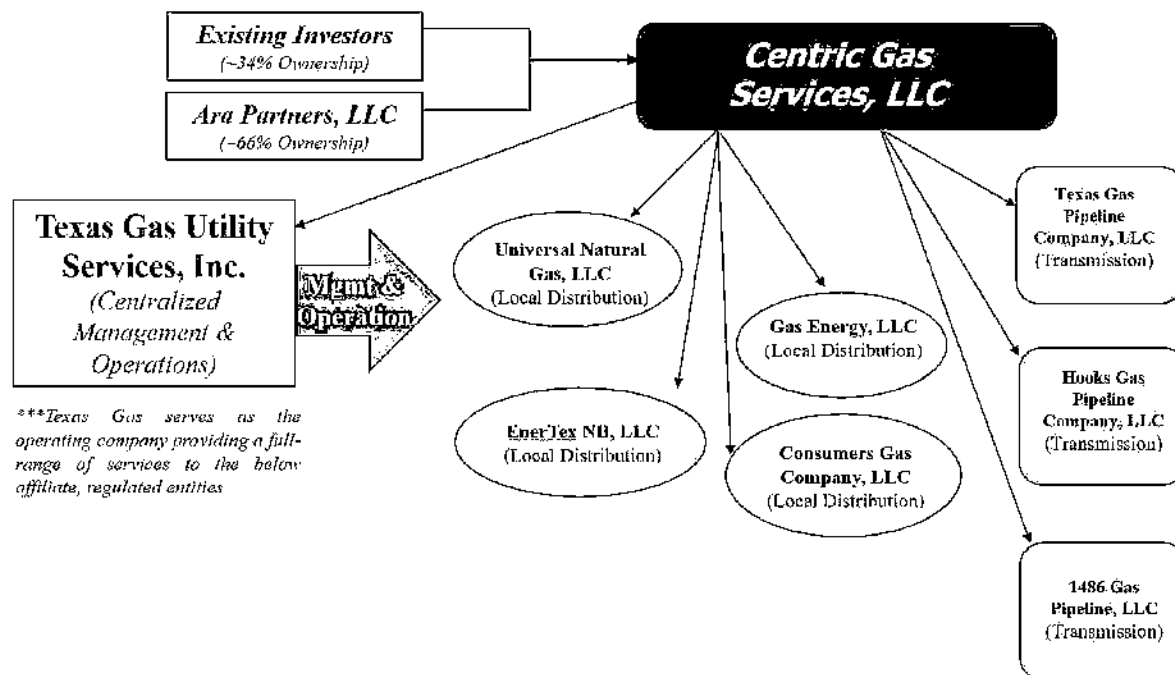
⁵³ Applicants' Ex. 1 (SOI) at 1. UniGas, Gas Energy, Consumers, and EnerTex are natural gas distribution utilities formed in 1993, 2005, 2005, and 2017, respectively. *Id.* at Exhibit D (Barnwell Test.) at 5.

⁵⁴ *Id.* at Exhibit D (Barnwell Test.) p. 6; *contra* Applicants' Ex. 13 (Settlement) at ¶ 8 (parties agreed to 18,230 customers).

Montgomery Counties; and Gas Energy serves The Woodlands and Woodforest Development, which are two master planned communities in Montgomery and Harris Counties.⁵⁵

UniGas, Consumers, EnerTex, and Gas Energy are also affiliates of Texas Gas Utilities Services, Inc. ("Texas Gas"), which is a separate entity that provides centralized management and operations services to each Applicant.⁵⁶ Applicants and Texas Gas are members of the Centric Gas Services, LLC ("Centric") family of companies.⁵⁷

Diagram 1. Pre-Consolidation Organization and Ownership Overview⁵⁸



After consolidation, Centric will remain the ultimate owner of Consolidated UniGas, and Texas Gas would remain responsible for direct management and operation of Consolidated UniGas.⁵⁹

⁵⁵ Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p. 6.

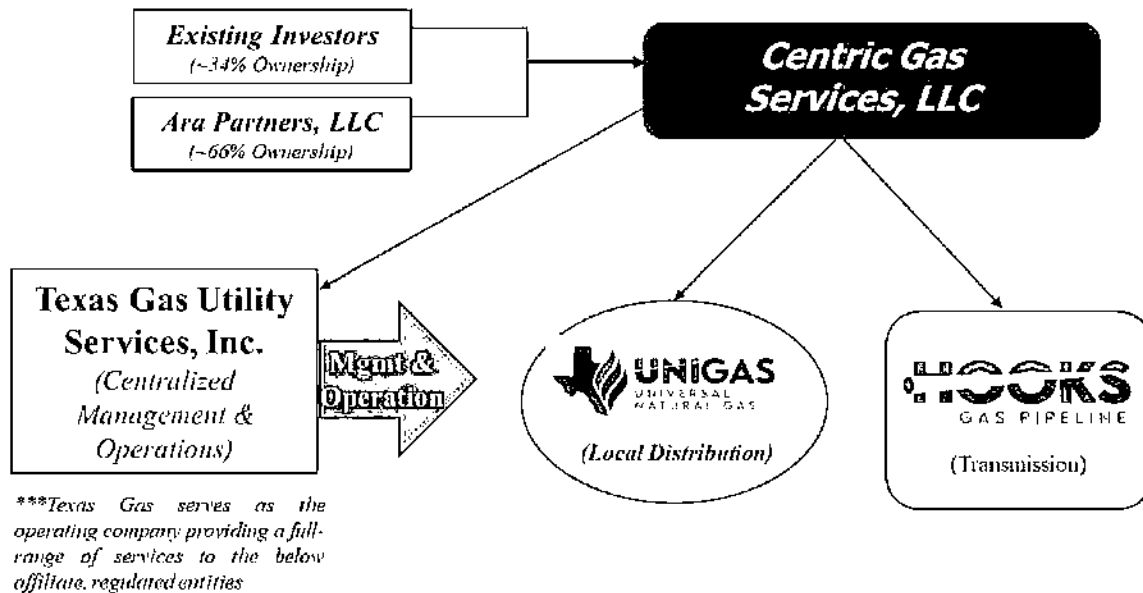
⁵⁶ Applicants' Ex. 1 (SOI) at 1.

⁵⁷ *Id.*

⁵⁸ *Id.* p. 4.

⁵⁹ Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p. 12. The three affiliated transmission pipeline companies—Hooks Gas Pipeline, LLC, Texas Gas Pipeline Company, LLC, and 1486 Gas Pipeline, LLC—have concurrently filed a separate Statement of Intent with the Commission to increase and consolidate their rates in unincorporated areas of Texas, which has been docketed as OS-20-00004866. These three gas transmission pipeline companies seek to also consolidate their corporate and regulatory structures into one entity under Hooks Gas Pipeline, LLC ("Consolidated Hooks"). After consolidation, Centric will also remain the ultimate owner of Consolidated Hooks, and Texas Gas will also remain responsible for direct management and operation of Consolidated Hooks. *Id.*

Diagram 2. Post-Consolidation Organization and Ownership Overview⁶⁰



Applicants explained that consolidation will reduce regulatory and administrative complexity, simplify operations, establish a system-wide rate and tariff for all customers of Consolidated UniGas, and reduce the number of regulated entities under the Commission's original jurisdiction from four to one.⁶¹

Applicants testified consolidation would yield efficiencies such as simplifying the corporate, regulatory, and capital structures of the businesses, which will lower costs and ensure transparency; avoiding the need to initiate and prosecute four individual rate cases, which will save consumers money with the reduced number of regulatory filings and lowered rate case expenses; and savings to administrative cost related to intercompany accounting, which includes streamlined book- and record-keeping functions.⁶²

Applicants and Staff agree in the Settlement that consolidation of UniGas, Consumers, EnerTex, and Gas Energy, with UniGas as the surviving entity ("Consolidated UniGas") is just, reasonable, and consistent with the public interest under Section 102.051 of the Texas Utilities Code.⁶³

Having considered GURA Section 102.051, Applicants' supporting evidence, and the Settlement, the Examiners recommend that the Commission determine the consolidation of UniGas, Consumers, EnerTex, and Gas Energy into a single entity—Consolidated UniGas—is in, and consistent with, the public interest and satisfies all requirements of Section 102.051 of the Texas Utilities Code.

⁶⁰ *Id.*

⁶¹ Applicants' Ex. 1 (SOI) at 2, Exhibit D (Barnwell Test.) p. 13.

⁶² Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p.13, (Buttermore Test.) pp. 12-13.

⁶³ Applicants' Ex. 13 (Settlement) at ¶1.

B. Cost of Gas ("COG")

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 February 11, 2021 (the "2021 Winter Weather Event").⁶⁴ The Commission, aware of the demand for natural gas during the 2021 Winter Weather Event, realized that natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subject to other extraordinary expenses when responding to the 2021 Winter Weather Event.⁶⁵ The Commission, therefore, authorized 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 supplies."⁶⁶ In response to the Commission's notice, Applicants proposed to revise its Cost of Gas Tariff ("COG") to include an installment charge, titled "February 2021 Winter Event Installment Charge" to account for the extraordinary high costs of natural gas caused by the 2021 Winter Weather Event that they incurred from February 13-19, 2021.⁶⁷

Applicants estimate Consolidated UniGas' February 2021 cost of gas bill to be \$32 million, of which Consolidated UniGas will bill \$2,314,294 and book the remaining \$29,685,706 to its regulatory asset to be amortized over 18 months.⁶⁸

Consolidated UniGas anticipates charging the February 2021 Winter Event Installment Charge in the first bills rendered after Commission approval of Rate Schedule COG.⁶⁹ Consolidated UniGas intends to provide a description of the February 2021 Winter Event Installment Charge in this first bill sent to customers containing it.⁷⁰

In support of the COG revision, Applicants explain that absent approval of the February 2021 Winter Event Installment Charge in Rate Schedule COG, Applicants would theoretically be able to charge customers the full amount of the extraordinary costs of gas incurred in a single monthly billing; however, Applicants want to avoid sending their customers one bill reflecting the full scope of the extraordinary costs incurred.⁷¹ Thus, to reduce this impact, Rate Schedule COG proposes to spread the cost recovery over an 18-month period.⁷²

Staff concurs with Applicants' aforementioned position. Staff explains the revised rate schedule COG is beneficial to customers relative to the current COG rate schedule, because it spreads the extraordinarily high gas costs due to the February 2021 winter weather event over an 18-month period.⁷³ In the absence of the revised Rate Schedule COG, Staff indicates that

⁶⁴ Disaster Declaration in Response to Severe Winter Weather in Texas, issued February 12, 2021 (issuing a disaster declaration because the severe weather poses an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide).

⁶⁵ Notice to Local Distribution Companies: Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event, from the Oversight and Safety Division and Gas Services Department of the Railroad Commission of Texas, published February 2021.

⁶⁶ *Id.* The notice did not authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account.
Id.

⁶⁷ Applicants' response to Examiners' RFI 2-4(e), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021); Applicants' Ex. 13A (Amendments to Settlement) p.5 of Second Updated Rate Schedule COG. "In recognition of the extraordinary gas costs necessary to provide service during the February 2021 winter storm event and the potential financial impact to its customers, [Consolidated UniGas] is authorized and directed to defer, as a regulatory asset, its principal costs of Cost of Gas with respect to service provided during the month of February 2021 only ('February 2021 Winter Event Regulatory Asset')." *Id.*

⁶⁸ Applicants' response to Examiners' RFI 2-4(a), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

⁶⁹ *Id.*

⁷⁰ Applicants' response to Examiners' RFI 2-1(a), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

⁷¹ Applicants' response to Examiners' RFI 2-4(a).

⁷² *Id.*

⁷³ Staff response to Examiners' RFI 2-1 b. Applicants' response to Examiners' RFI 2-1(b), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

Consolidated UniGas would be able to pass through its extraordinarily high gas costs at one time during the March/April billing cycle.⁷⁴

The installment charge recovers the regulatory asset of approximately \$29,685,706 over 18 months.⁷⁵ The parties agree that Consolidated UniGas may book a separate regulatory asset associated with its carrying costs based on its cost of long-term debt in this proceeding—5.31 percent—associated with any unrecovered monthly balance of its principal or carrying costs related to the February 2021 Winter Event Regulatory Asset; however, the recovery mechanism for the carrying costs will be set in a subsequent proceeding.⁷⁶

After numerous discussions, Staff and Applicants agreed that an 18-month recovery period is a reasonable compromise of the interests involved.⁷⁷ Applicants explain that the 18 month period reasonably balances (1) customer interests in spreading the extraordinary February 2021 Winter Event gas costs over a long enough period of time to avoid imposing the extraordinary costs on customers in a single month or over a short period of time, which may impose financial hardship on the customers while materially increasing non-payment risk, with (2) Applicants' need to recover the extraordinary costs in a timely manner to maintain their financial integrity, as Applicants' lenders would not be willing to extend credit to Applicants indefinitely without a reasonable procedure for recovery of the amounts lent.⁷⁸

The average cost of the monthly charge is estimated to be \$21 per Mcf.⁷⁹ The table below illustrates how the surcharge amount is calculated.

Table 1. Average February 2021 Weather Event Installment Charge Calculation – \$21.00 per Mcf

Description	Value	Line/Calc
Total Feb. Gas Cost	\$ 32,000,000	a
Feb. Recovery	\$ 2,314,294	b
Gas Cost to Reg Asset	\$ 29,685,706	c = a - b
Months to Recover	18	d
Levelized Recovery	\$ 1,649,206	e = c / d
Total Mcf	1,413,606	f
Average Monthly Mcf	78,534	g = f / d
Average \$/Mcf	\$ 21.00	h = e / g

However, the actual cost will vary by month and is calculated by dividing the fixed monthly recovery installment to be recovered from customers in that calendar month by Consolidated UniGas' total volumes of gas sold to general service customers in the calendar month subject to that bill.⁸⁰ The resulting amount per Mcf will then be multiplied by the customer's actual gas usage in Mcf during that month to determine the customer's total installment charge amount owed for that month.⁸¹

Again, the \$21 is an average over the 18-month period. The Cost of Gas Installment charge is volumetric. Thus, the actual surcharge amount will vary each month based on volumes.

⁷⁴ *Id.*

⁷⁵ Applicants' response to Examiners' RFI 2-4(b), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

⁷⁶ Applicants' Ex. 13A at p.5 of Second Updated Rate Schedule COG.

⁷⁷ Applicants' response to Examiners' RFI 2-4(f), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

⁷⁸ *Id.*

⁷⁹ Applicants' response to Examiners' RFI 2-4(c), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021) at Attachment 2.

⁸⁰ Applicants' Ex. 13A at p.5 of Second Updated Rate Schedule COG

⁸¹ *Id.*

The surcharge rate will be lower during the months with more consumption and higher during the months with less consumption. Applicants provided estimates for each of the 18 months.⁸² They project the monthly charge to range from a low of \$6.90 per Mcf in January of 2022 to a high of \$49.80 per Mcf in August of 2021. The table below shows how the surcharge is calculated for each of these months.

Table 2. Surcharge Range Calculation Example⁸³

Description	Aug 2021	Jan 2022
Monthly Cost to Recover	\$ 1,649,206	\$1,649,206
Projected Volumes (Mcf)	33,119	238,939
Charge, \$/Mcf	\$ 49.80	\$ 6.90

The parties indicated that if the revision to the Rate Schedule COG is not adopted, then Consolidated UniGas can pass through the extraordinary February gas costs to customers in a single bill.⁸⁴ While the parties did not provide an estimate of what this alternative scenario would cost, the Examiners used data provided by Applicants to estimate a cost of \$297.97 per Mcf, which, compared to the estimated average monthly cost of \$21.00 per Mcf under the revised Rate Schedule COG, is significantly higher.⁸⁵ By multiplying the \$297.97 per Mcf cost by the average residential usage of 4.20 Mcf, the single bill would result in a charge of \$1,251.

Applicants provided a bill impact showing the costs to average-usage customers during this 18-month period. Residential customers could expect to pay about \$88 per month, as illustrated in the below table.

Table 3. Impact of the Winter Event Installment Charge

Customer Class	Average Monthly Usage (Mcf)	Bill w/ 18-month surcharge	Bill after surcharge recovery	Surcharge Impact
Residential	4.20	\$ 131.17	\$ 42.97	\$ 88.20
Small Commercial	22.00	\$ 632.75	\$ 170.75	\$ 462.00
Large Commercial	186.30	\$5,152.17	\$1,239.87	\$3,912.30

As this is an average, Applicants did provide its projected installment charges per Mcf and average usage for its customer classes over the next 18 months, which is appended to this PFD as **Attachment 4**.⁸⁶ The below table shows the projected average usage, projected surcharge per Mcf, and the bill impact for residential customers. Over the 18-month period, an average usage residential customer can expect to pay nearly \$1,200.

⁸² Applicants' response to Examiners' RFI 2-4(d), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

⁸³ Created from data supplied in Applicant's response to Examiners' RFI 2-4(d).

⁸⁴ Applicants' response to Examiners' RFI 2-4(a); Staff response to Examiners' RFI 2-1(b).

⁸⁵ Compare Applicants' response to Examiners' RFI 2-4(d) at Attachment 1 (providing the values to calculate \$297.97 per Mcf) with Applicants' response to Examiners' RFI 2-4(c) at Attachment 2 (providing the values to calculate \$21 per Mcf). \$297.97 per Mcf is calculated by dividing \$29,685,706 by the March Mcf volumes of 99,628. Applicants' response to Examiners' RFI 2-4(d) at Attachment 1.

⁸⁶ Applicants' response to Examiners' RFI 2-4(d).

Table 4. Projected 18-Months Average Usage By Residential Customers

Month	Mcf	Cost per Mcf	Monthly Surcharge Impact
21-Mar	4.92	\$ 16.55	\$ 81.43
21-Apr	3.28	\$ 23.51	\$ 77.11
21-May	2.09	\$ 34.12	\$ 71.31
21-Jun	1.65	\$ 40.69	\$ 67.14
21-Jul	1.49	\$ 43.65	\$ 65.04
21-Aug	1.23	\$ 49.80	\$ 61.25
21-Sep	1.31	\$ 46.74	\$ 61.23
21-Oct	1.97	\$ 33.46	\$ 65.92
21-Nov	5.44	\$ 13.39	\$ 72.84
21-Dec	9.12	\$ 8.04	\$ 73.32
22-Jan	10.42	\$ 6.90	\$ 71.90
22-Feb	7.65	\$ 9.06	\$ 69.31
22-Mar	4.92	\$ 13.42	\$ 66.03
22-Apr	3.28	\$ 19.01	\$ 62.35
22-May	2.09	\$ 27.66	\$ 57.81
22-Jun	1.65	\$ 33.01	\$ 54.47
22-Jul	1.49	\$ 35.32	\$ 52.63
22-Aug	1.23	\$ 40.46	\$ 49.77
Total			\$ 1,180.85

Applicants provided evidence supporting the higher costs for natural gas for February 2021 versus February 2020.⁸⁷ As the below table shows, Applicants paid more than 33 times for gas.

Table 5. Natural Gas Cost Comparison

Item	February 2020	February 2021	Multiple
Gas Cost	\$ 962,798	\$32,000,000	33
Mcf	156,090	274,500	1.8
Customers	16,606	18,533	1.1
Cost / Mcf	\$ 6.17	\$ 116.58	19
Mcf / Customer	9.40	14.81	1.6

UniGas provided evidence of the high cost of gas by providing the Houston Ship Channel Spot Prices for February of 2021.⁸⁸ Prices ranged from a low of \$2.43 per MMBtu on the final three days of the month to a high of \$400 per MMBtu on February 17. For the month of February, prices averaged at \$57.47 per MMBtu. The average price during the seven-day event from February 13 to February 19 was \$219.53 per MMBtu. The average price for February excluding the winter event was \$3.45. per MMBtu.⁸⁹ The cost of gas during the winter event was nearly 64 times the average cost of gas excluding the winter event.

⁸⁷ Applicants' response to Examiners' RFI 2-4(b) at Attachment 1.

⁸⁸ Applicants' response to Examiners' RFI 2-4(d).

⁸⁹ Applicants' response to Examiners' RFI 2-4.

Applicants are willing to participate in alternative measures to reduce costs on customers. Applicants state they will closely monitor ongoing legislative efforts to pass legislation that would allow some form of securitization of these extraordinary costs to provide for a longer-term recovery of these costs from customers in smaller monthly amounts, and Applicants intend to participate in such a program if passed.⁹⁰ Applicants strongly prefer to use the potential securitization method if feasible, but they also need to show some progress to their lenders in the near term in order to maintain financial stability, and approval of Rate Schedule COG would provide a reasonable regulatory method for recovering these costs.⁹¹ Applicants concede that if Consolidated UniGas "elects to participate in a securitization of its February 2021 Winter Event Regulatory Asset, the February 2021 Winter Event Installment Charge shall terminate with respect to the portion of the February 2021 Winter Event Regulatory Asset so securitized."⁹²

Considering the evidence in this case, the Examiners recommend the Commission approve Consolidated UniGas' revised Cost of Gas Tariff that includes an 18 month-surcharge to amortize the regulatory asset and participate in a potential securitization method, if feasible.

C. Revenue Requirement

Under the Settlement, Consolidated UniGas requests rates increasing annual revenues by \$995,000 for a total revenue requirement of \$7,628,369, which includes a base revenue requirement of \$7,253,596, and the balance coming from miscellaneous service charge revenues.⁹³ Initially, UniGas requested an increase of \$1,643,634.⁹⁴ The parties agree to the rates, terms, and conditions reflected in the rate schedules attached as Exhibit A to the Settlement.⁹⁵ The parties further agree that except as specifically stated in the Settlement, the revenue increase amount is not tied to any specific expense or methodology in Consolidated UniGas' underlying cost of service.⁹⁶ The revenue requirement includes \$6,596,833 of affiliate expenses, treated separately below.⁹⁷ The revenue requirement also includes an amortization expense of \$40,580 to reflect the five-year amortization of an agreed upon regulatory asset where Consolidated UniGas may book \$202,900 of expenses related to its hydrostatic testing incurred in August of 2020.⁹⁸

The parties agree the rates, terms, and conditions reflected in Exhibit A to the Settlement and **Attachment 3** comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).⁹⁹ The Texas Utilities Code requires that "the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses."¹⁰⁰

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

⁹⁰ Applicants' response to Examiners' RFI 2-4(a).

⁹¹ *Id.*

⁹² Applicants Ex. 13A at p.5 of Second Updated Rate Schedule COG.

⁹³ Applicants' Ex. 13 (Settlement) at ¶ 2, Exhibit B (Proof of Revenues).

⁹⁴ Applicants' Ex. 12 (Affidavit of Notice) at 1 of Public Notice.

⁹⁵ Applicants' Ex. 13 (Settlement) at ¶ 2.

⁹⁶ *Id.*

⁹⁷ *Id.* at ¶ 9.

⁹⁸ *Id.* at ¶ 22.

⁹⁹ *Id.* at ¶ 2.

¹⁰⁰ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

D. Rates

With Applicants' rates not having been increased in over a decade, new higher rates are needed to account for the growth and continued funding of their systems. Since their last rate case approximately 12 years ago, Applicants' service area growth has grown substantially and their existing rates do not accurately reflect Applicants' current net plant in service and operating expenses.¹⁰¹ The new higher rates will not only account for the growth and continued funding of Consolidated UniGas' systems but also factors in the substantial growth of its utility systems and operating costs, the effects of the warm winter in 2019-2020, the market dislocation caused by the COVID-19 pandemic, and the time taken to reach a position to finally be able to formalize their long-term objective to consolidate the four Applicants into one entity.¹⁰²

The Settlement rates are designed for Consolidated UniGas to recover annual base rate revenues of \$7,257,527 from its residential and commercial customers, which is 16 percent more than the current amount of \$6,258,597.¹⁰³ The parties agree to the below monthly customer charges and Mcf consumption charges.¹⁰⁴

Table 6. Monthly Customer and Consumption Charges

Customer Class	Customer Charge (per month)	Consumption Charge (per Mcf)
Residential	\$18.00	\$3.14
Small Commercial	\$45.00	\$2.91
Large Commercial	\$175.00	\$2.91

In addition to the above rates, the parties also agree to the following customer class allocation, customer counts and volumes for base rates.¹⁰⁵

Table 7. Customer Class Allocation, Customer Counts, and Volumes

Customer Class	Revenue Allocation	Customer Count	Volumes (Mcf)	Customer Ratio	Volume Ratio
Residential	92.11%	17,959	893,452	98.5 %	86.6%
Small Commercial	4.66%	255	69,011	1.40 %	6.69%
Large Commercial	3.23%	16	69,011	0.09%	6.69%
Total	100%	18,230	1,031,474	100%	100%

A review of the customer counts and Mcf ratio show that the revenue allocation for each of the three customer classes is within the billing determinant ratios for each class. Residential customers are allocated 92 percent of the revenue requirement, which is within its ratio of usage and customers of 86.6 percent and 98.5 percent, respectively.

The tables below compare the proposed residential customer charges and consumption charges to the current rates. Currently, not all customers pay the same rate. All customers are being consolidated into Consolidated UniGas.

¹⁰¹ Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) pp.14-17. UniGas was formed in 1993, Gas Energy in 2005, Consumers Gas in 2005, and EnerTex in 2017. *Id.* p. 5. Applicants' last rate case (GUD 9797) and open inquiry (GUD Nos. 9844 and 9845) were in 2009. *See id.* p. 15.

¹⁰² *Id.* pp. 14-17, (Loy Test.) p. 5 (testifying that the existing rates "do not accurately reflect the current net plant in service and operating expenses").

¹⁰³ Applicants' Ex. 13 (Settlement) at Exhibit B; Applicants' Ex. 1 (SOI) at Exhibit G (Cost of Service Schedules and Class Cost of Service Study) p. A-2-13.

¹⁰⁴ Applicants' Ex. 13 (Settlement) at ¶ 3.

¹⁰⁵ *Id.* at ¶ 8.

Table 8. Residential Customer Charge¹⁰⁶

LDC	Current Rate	Proposed Rate
UniGas	\$12.00	\$18.00
Consumers	\$13.00	
EnerTex	\$22.50	
Gas Energy	\$13.68	

Table 9. Residential Usage Charge (Mcf)¹⁰⁷

LDC	Current Rate	Proposed Rate
UniGas	\$2.42	\$3.14
Consumers	\$3.55	
EnerTex	\$4.75	
Gas Energy	\$5.53	

Rates under the Settlement affect bills differently, depending on a customer's current LDC¹⁰⁸ and rates throughout the service area. The below table shows the bill impact of the settled rates for the different residential customer classes, assuming an average monthly use of 4.20 per Mcf. The bill impacts also account for the reduction in the cost of gas from \$2.92 per Mcf to \$2.81 per Mcf. Appended to the PFD in **Attachment 5** is the bill impact for all customer classes.¹⁰⁹ The bill impact does not include the cost of gas surcharge related to high gas costs in February of 2021.

Table 10. Residential Bill Impact – Average Usage¹¹⁰

LDC	Current Bill	Proposed Bill	Proposed Increase	Change w/ Gas Cost	Change w/o Gas Cost
UniGas	\$34.43	\$42.97	\$ 8.54	25%	41%
Consumers	\$40.18	\$42.97	\$ 2.79	7%	12%
EnerTex	\$54.72	\$42.97	(\$11.75)	- 21%	- 27%
Gas Energy	\$49.18	\$42.97	(\$ 6.21)	- 13%	-15%

The proposed cost of gas surcharge will increase an average usage residential customer's bill by \$88.20. The table below incorporates the impact of the February cost of gas surcharge for all customer classes.¹¹¹

Table 11. Impact of the Winter Event Installment Charge

Customer Class	Average Monthly Usage (Mcf)	Bill w/ 18-month surcharge	Bill after surcharge recovery	Surcharge Impact
Residential	4.20	\$ 131.17	\$ 42.97	\$ 88.20
Small Commercial	22.00	\$ 632.75	\$ 170.75	\$ 462.00
Large Commercial	186.30	\$5,152.17	\$1,239.87	\$3,912.30

¹⁰⁶ *Id.* at ¶ 3, Exhibit B; Applicants' Ex. 12 (Affidavit of Notice) at 1-3 of Public Notice.

¹⁰⁷ Applicants' Ex. 13 (Settlement) at ¶ 3, Exhibit B; Applicants' Ex. 12 (Affidavit of Notice) at 1-3 of Public Notice.

¹⁰⁸ In other words, rates under the settlement will affect customers differently depending on whether a customer's utility is UniGas, Consumers, EnerTex, or Gas Energy.

¹⁰⁹ Applicants' response to Examiners' RFI 1-4, filed March 2, 2021 (official notice taken by the ALJ on March 16, 2021).

¹¹⁰ *Id.*

¹¹¹ Applicants' response to Examiners' RFI 2-4(c), filed March 15, 2021 (official notice taken by the ALJ on March 16, 2021).

In addition to base rates, the parties agreed to a rate case expense surcharge of \$0.130 per Mcf for an approximate 60-month period, applicable to all customers.¹¹² An average usage residential customer consuming 4.20 Mcf per month can expect to pay \$0.55 a month. Rate case expenses are discussed in further detail below.

Considering the evidence, the Examiners find that the Settlement rates comply with GURA Sections 104.003 (Just and Reasonable Rates) and 104.006 (Rates for Area not in Municipality). Specifically, the rates are not unreasonably preferential, prejudicial, or discriminatory but are sufficient, equitable, and consistent in application to each class of customer.¹¹³ The evidence also shows the rates for environs customers in Montgomery County may exceed 115 percent of the average of all rates for similar services in municipalities within Montgomery County served by Consolidated UniGas in the same counties.¹¹⁴ Furthermore, Settlement rates are just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited), because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service.¹¹⁵

E. Regulatory Asset: Hydrostatic Testing Expense Amortization

Under the Settlement, the parties agree Consolidated UniGas may book, as a regulatory asset, \$202,900 of expenses related to its hydrostatic testing incurred in August 2020, to be amortized over a five-year period.¹¹⁶ Pursuant to the Settlement, the amortization expense of \$40,580 is included in the cost of service.¹¹⁷

Applicants testified that the highest priority for Consolidated UniGas is to operate its system in “a manner safe for the community, its customers,” and its employees.¹¹⁸ Applicants admit they are required to satisfy state and federal law relating to their systems.¹¹⁹ They explained state and federal regulations require them to implement and maintain a Transmission Integrity Management Program (“TIMP”) and a Distribution Integrity Management Program (“DIMP”), respectively.¹²⁰ Not only is hydrostatic testing a common tool used in the industry to ensure pipeline integrity, but Applicants assert it is also an important element of Centric’s TIMP and DIMP that will help Consolidated UniGas and the Commission’s Pipeline Safety Department identify potential integrity issues before becoming a serious safety problems.¹²¹

According to Applicants, one of the Applicants in August 2020 conducted a hydrostatic test on a 6” high-pressure steel pipeline at a cost of approximately \$239,000.¹²² Applicants indicated Consolidated UniGas will continue to conduct periodic hydrostatic testing as part of its integrity management programs.¹²³ Specifically, hydrostatic testing of Consolidated UniGas’ distribution assets is expected to recur approximately every five years in accordance with Applicants’ DIMP.¹²⁴ Applicants did acknowledge that future hydrostatic testing costs will be subject to review in a subsequent base rate proceeding.¹²⁵ Therefore, Applicants request approval

¹¹² Applicants’ Ex. 13 (Settlement) at ¶ 15.

¹¹³ Tex. Util. Code § 104.003 (Just and Reasonable Rates).

¹¹⁴ Tex. Util. Code § 104.006 (Rates for Area not in Municipality).

¹¹⁵ Tex. Util. Code § 104.004 (Unreasonable Preference or Prejudice Prohibited).

¹¹⁶ Applicants’ Exhibit 13 (Settlement) at ¶ 22.

¹¹⁷ *Id.*

¹¹⁸ Applicants’ Ex. 1 (SOI) at Exhibit D (Buttermore Test.) p. 16.

¹¹⁹ *Id.*

¹²⁰ *Id.* p. 17.

¹²¹ *Id.* pp. 16-17.

¹²² *Id.* p. 17.

¹²³ *Id.* (Loy Test.) p. 27.

¹²⁴ Applicants’ response to Examiners’ RFI 1-2, filed March 2, 2020 (Official notice taken by ALJ on March 16, 2021); Applicants’ Ex. 1 (SOI) at Exhibit D (Loy Test.) at 27.

¹²⁵ Applicants’ response to Examiners’ RFI 1-2.

to create regulatory assets to recover these hydrostatic testing costs over a 5-year amortization period.¹²⁶

Considering the evidence, the Examiners find that this regulatory asset to be just and reasonable and recommend approval.

F. GUD No. 10695 Compliance

On February 27, 2018, the Commission issued an accounting order in GUD No. 10695 (the "Accounting Order") reflecting the Commission's directives regarding changes to utility rates to account for the change in the federal corporate income tax rate because the Federal Tax Cut and Jobs Act of 2017. The parties agree that UniGas, Consumers, EnerTex, and Gas Energy have complied with the requirements in the Accounting Order and that their related filings were reasonable and accurate.¹²⁷

Considering the evidence, the Examiners find UniGas, Consumers, EnerTex, and Gas Energy have complied with the requirements set forth in the GUD No. 10695 Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (March 20, 2018).

G. Capital Investment Prudency

Applicants request a prudency determination for all capital projects placed into service through June 30, 2020.¹²⁸ The parties agree Consolidated UniGas' capital investment booked to plant through June 30, 2020, in the net amount of \$22,955,825 as shown in Exhibit C to the Settlement is reasonable and prudent.¹²⁹

Applicants provided evidence to support the reasonableness, necessity, and usefulness of the agreed upon capital investments made through June 30, 2020.¹³⁰ According to Applicants, capital is invested only to extend service to customers in need and capital is deployed on real projects with real customers in the near-term.¹³¹

The parties also stipulate that any capital investment items not in service by June 30, 2020, are not included in the \$22,955,825 net plant amount, and are preserved for future prudency review and potential rate recovery once Consolidated UniGas files a rate-setting mechanism after those items have been placed into service and have become used and useful.¹³²

As part of the Settlement, Applicants agree Consolidated UniGas shall classify new capital investment using project numbers and project descriptions accurately reflecting the new capital investment activity contained in each project.¹³³

Consistent with the Settlement, the Examiners find Consolidated UniGas' capital investment through June 30, 2020, to be prudent, used and useful, and just and reasonable.

H. Cost of Capital

Prior to settling, Applicants requested a rate of return ("ROR") of 9.51 percent based on a 12 percent return on equity ("ROE"), a 5.31 percent cost of debt, and a capital structure of 62.76 percent equity and 37.24 percent debt.¹³⁴ In the Settlement, the parties agree to a 7.94 percent

¹²⁶ Applicants' Ex. 1 (SOI) at Exhibit D (Buttermore Test.) p. 17; Applicants' Ex. 13 (Settlement) at ¶ 22.

¹²⁷ *Id.* at ¶ 10.

¹²⁸ Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p. 29.

¹²⁹ Applicants' Ex. 13 (Settlement) at ¶ 5.

¹³⁰ See Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) pp. 21-30.

¹³¹ *Id.* at pp. 26-27.

¹³² Applicants' Ex. 13 (Settlement) at ¶ 5.

¹³³ *Id.* at ¶ 12.

¹³⁴ Applicants' Ex. 1 (SOI) at Exhibit D (Fairchild Test.) p. 4.

ROR by reducing the ROE request by 250 basis points to 9.50 percent.¹³⁵ The settled capital structure and weighted cost of capital, including the pre-tax return, is shown below.¹³⁶

Table 12. Cost of Capital

Class of Capital	Capital Structure	Cost	Weighted Cost of Capital	Pre-tax Return
Long-Term Debt	37.24%	5.31%	1.98%	1.98%
Common Equity	62.76%	9.50%	5.96%	7.55%
Rate of Return	100.00%		7.94%	9.53%

Considering the evidence, the Examiners find the rate of return, including the capital structure, cost of debt, and return on equity in the Settlement to be just and reasonable and consistent with GURA Section 104.052 (Establishing Fair Rate of Return).

I. Depreciation Rates

The Parties agree that the depreciation rates as shown on Exhibit C to the Settlement for plant, including intangible plant, distribution plant, and general plant, are proper, adequate, and reasonable.¹³⁷

Considering the evidence, the Examiners find the depreciation rates reflected in the Settlement are proper and adequate, just and reasonable, supported by the evidence, and are consistent with the requirements in GURA Section 104.054 (Depreciation, Amortization, and Depletion). Accordingly, the Examiners recommend their approval.

J. Future Interim Rate Adjustment (IRA) Factors

The parties agree that any IRA filing for Consolidated UniGas pursuant to GURA Section 104.301 shall use the following factors until changed by a subsequent general rate proceeding.¹³⁸

- The capital structure and related components as reflected in Table 12;
- For any initial IRA filing and for all subsequent IRA filings, the depreciation rate for each account shall be as shown in Exhibit C to the Settlement;
- For the initial IRA filing, the beginning balance of net plant in service amount shall be \$22,955,825 as shown in Exhibit C to the Settlement;
- For any initial IRA filing, the customer and consumption charges as discussed earlier will be the starting rate to which any IRA adjustment is applied;
- Federal income taxes will be calculated using a 21 percent rate, unless the federal corporate income tax rate is changed, in which case the new rate will be applied;
- The base rate revenue allocation factor to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	92.11 %
Small Commercial	4.66 %
Large Commercial	3.23 %

¹³⁵ Applicants' Ex. 13 (Settlement) at ¶ 6.

¹³⁶ *Id.*

¹³⁷ *Id.* at ¶ 4, Exhibit C.

¹³⁸ *Id.* at ¶ 7.

The Examiners find Applicants met their burden in establishing these factors are just and reasonable. Accordingly, the Examiners recommend approval of these factors.

K. Tariffs

The parties agree that the rates, terms, and conditions reflected in Exhibit A to the Settlement and in **Attachment 3** are just, reasonable, and comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code and shall be effective for bills rendered on or after the date the Commission issues an order approving them.¹³⁹ The parties agree that the rate schedules attached as Exhibit A to the Settlement and in **Attachment 3** replace and supersede all of the UniGas, Consumers, EnerTex, and Gas Energy rate schedules currently in effect for customers.¹⁴⁰ The parties further agree that within 30 days of the Final Order, Consolidated UniGas shall electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A of the Settlement and in **Attachment 3**.¹⁴¹ The parties also agree that Consolidated UniGas collect the Pipeline safety and Regulatory Program Fee surcharge as an annual fee.¹⁴²

Table 13. Consolidated UniGas Tariffs¹⁴³

Rate Schedule	Purpose
RES	Residential Service
COMM	Commercial Service
WNA	Weather Normalization Adjustment
COG	Cost of Gas Adjustment
PSFUG	Pipeline Safety Program Surcharge
M	Miscellaneous Service Charges
RCE	Rate Case Expense
TAXES	Tax Adjustment
LINE EXTENSION POLICY	Line Extension Policy
QSR	Quality of Service

Considering the evidence, the Examiners find Applicants met their burden in proving that these tariffs are reasonable and consistent with GURA Chapter 104 (Rates and Services).

L. Services Provided by Affiliates

Applicants seek recovery of certain expenses that are related to services provided by affiliates of Applicants. With respect to affiliate transactions, the Commission is required to make specific findings before rates may be adopted.¹⁴⁴ Those findings include: (1) a specific finding of the reasonableness and necessity of each item or class of items allowed and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.¹⁴⁵

Here, Applicants request recovery of affiliate expenses provided by Texas Gas in the amount of \$6,596,833 for the revenue requirement.¹⁴⁶ Applicants also request recovery of affiliate expenses in the amount of \$5,832,419 for the cost of gas provided by the affiliates listed in the

¹³⁹ *Id.* at ¶ 2; Applicants' Ex. 13A (Amendments to Settlement).

¹⁴⁰ Applicants' Ex. 13 (Settlement) at ¶ 2; Applicants' Ex. 13A (Amendments to Settlement).

¹⁴¹ Applicants' Ex. 13 (Settlement) at ¶ 17; Applicants' Ex. 13A (Amendments to Settlement).

¹⁴² Applicants' Ex. 13 (Settlement) at ¶ 18.

¹⁴³ *Id.* at Exhibit; Applicants' Ex. 13A (Amendments to Settlement).

¹⁴⁴ See Tex. Util. Code § 104.055 (Net Income; Allowable Expenses).

¹⁴⁵ *Id.*

¹⁴⁶ Applicants' response to Examiners' RFI 1-3, filed March 2, 2021 (official notice taken by the ALJ on March 16, 2021).

below table.¹⁴⁷ The parties agree that this amount, which is included in the revenue requirement, is reasonable and necessary and recoverable consistent with the provisions in Texas Utilities Code § 104.055.¹⁴⁸ Applicants provided evidence that Consolidated UniGas' affiliate expenses meet the standards of GURA Section 104.055.¹⁴⁹ According to Applicants, costs allocated are pursuant to the Cost Allocation Manual well recognized and accepted methodologies for rate making purposes that complies with industry standard and the fees paid comes directly from the price stated in the affiliates' Commission filed tariffs.¹⁵⁰

Table 14. Affiliate Expenses

	Affiliate	Expense
	Janix Energy Services, Inc.	\$ 391,501
	BCX Energy Management, LLC	\$ 4,418,720
	UniGas/Gas Energy	\$ 1,022,198
Totaled Related to Cost of Gas		\$ 5,832,419
Total Related to Revenue Requirement	Texas Gas Utilities Services, Inc.	\$ 6,596,833
Total Affiliated Expenses		\$12,429,252

As part of the Settlement, Consolidated UniGas agrees to retain all original invoices for purchases by Texas Gas that are allocated in whole or in part to Consolidated UniGas.¹⁵¹ As discussed earlier, Consolidated UniGas also agrees to decrease its recovery of the fee paid to its affiliate, Janix Energy Services, Inc., for marketing, balancing, and optimization services, from \$1.25 per MMBtu to \$1.14 per MMBtu, through its cost of gas adjusted mechanism.¹⁵²

Considering the evidence, the Examiners find that Applicants have established that the services provided to them by their affiliates are reasonable and necessary. The affiliate expenses included in the Settlement are reasonable and necessary costs of providing gas utility service, and the prices charged to Consolidated UniGas are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of Consolidated UniGas or to a non-affiliated person for the same item or class of items. Accordingly, the Examiners find that Applicants met their burden in establishing that these affiliate costs are reasonable, necessary, and recoverable consistent with the provisions of GURA Section 104.055 (Net Income; Allowable Expenses).

M. Miscellaneous Settlement Terms

Under the Settlement, the parties agree that Consolidated UniGas will create a Meals and Travel Policy in accordance with current Commission policy of \$25 per person per meal and \$175 per room per night in maximum recoverable expenses and submit the policy to Commission Staff in a compliance filing within 45 days of the date of the Final Order in this case.¹⁵³

Also, under the Settlement, Consolidated UniGas agrees to file a lead-lag study in its next SOI filed with the Commission under its original jurisdiction.¹⁵⁴

The Examiners recommend approval that Consolidated UniGas submit a Meals and Travel Policy to Commission Staff in a compliance filing within 45 days of the date of the Final Order in this case. The Examiners also recommend that the Commission compel Consolidated

¹⁴⁷ *Id.*

¹⁴⁸ Applicants' Ex. 13 (Settlement) at ¶ 9.

¹⁴⁹ See Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) pp. 30-38, (Loy Test.) pp. 7-14.

¹⁵⁰ Applicants' Ex. 1 (SOI) at Exhibit D (Barnwell Test.) p.38, (Loy Test.) p. 14.

¹⁵¹ Applicants' Ex. 13 (Settlement) at ¶ 11.

¹⁵² *Id.* at ¶ 20.

¹⁵³ *Id.* at ¶ 13.

¹⁵⁴ *Id.* at ¶ 21.

UniGas to file a lead-lag study in its next SOI filed with the Commission under its original jurisdiction.

N. Rate Case Expenses

In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.¹⁵⁵ Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.¹⁵⁶ Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.¹⁵⁷

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase that may be granted.¹⁵⁸

Here, Applicants seek recovery of their rate case expenses incurred in this proceeding. The amounts and agreed allocation under the Settlement are treated separately below.

1. Amounts

Applicants represent that their reasonable rate case expenses incurred through December 31, 2020, which excludes estimated expenses incurred through completion of this proceeding, are as follows:¹⁵⁹

¹⁵⁵ See Commission Rule § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

¹⁵⁶ Commission Rule § 7.5530(a) (Allowable Rate Case Expenses).

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ Applicants' Ex. 13 (Settlement) at ¶ 14. Applicants agree to waive recovery of estimated rate case expenses, which they expect to total an additional \$45,000 in this docket. *Id.* at ¶ 15.

Table 15. Applicants' Rate Case Expenses

Actual Regulatory Expenses	Actual Litigation Expenses	Total Recoverable Expenses
\$525,968.84	\$244,605.51 (actual) \$145,316.62 (requested for recovery)	\$671,285.46

Staff agrees that the above amounts are reasonable and recoverable.

A review of the invoices revealed the incurred regulatory expenses reflect the assimilation of the discrete data from four gas transmission pipeline companies and the consolidation of their information into a single rate request from Applicants in their filing of their statement of intent.¹⁶⁰

Future estimated expenses have been waived by Applicants as part of the Settlement. Applicants agree that Consolidated UniGas—along with its affiliates in another pending proceeding before the Commission in Docket No. OS-20-00004866—should recover an amount not to exceed an aggregate total of \$1,250,000 in rate case expenses between the two cases.¹⁶¹ Therefore, on the condition that the Commission approves the rate case expenses sought herein and in Docket No. OS-20-00004866 such that the applicant utilities together recover an aggregate total of \$1,250,000 in rate case expenses, Applicants agree to waive recovery of estimated rate case expenses associated with this docket.¹⁶²

Applicants' actual litigation expenses totaled \$244,605.51.¹⁶³ Pursuant to the Settlement, Applicants request only \$145,316.62 to recover in litigation expenses.¹⁶⁴ Furthermore, Applicants claimed they incurred and expected to continue to incur rate case expenses for the period beginning January 1, 2021 and ending at the conclusion of this proceeding an additional \$45,000 in rate case expenses.¹⁶⁵ However, as previously stated, Applicants did not seek recovery of these estimated rate case expenses under the terms of the Settlement.¹⁶⁶

Attorney hourly rates ranged from \$401.70 to \$877.50.¹⁶⁷ The principal consultant hourly fees ranged from \$250 through \$450.¹⁶⁸ Applicants attested the number of attorneys working on this docket was commensurate with the complexity of the rate cases and the attorneys performed work in an efficient manner.¹⁶⁹ Applicants also confirmed that the consultant services were aligned with the difficulty of the work performed and the complexity of the issues in this docket.¹⁷⁰

Applicants provided evidence supporting reimbursement of the above amounts under Commission Rule § 7.5530 (Allowable Rate Case Expenses), including: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty

¹⁶⁰ See *id.* at Exhibit D (GDS Associates, Inc., invoices).

¹⁶¹ Applicants' Ex. 13 (Settlement) at ¶ 15.

¹⁶² *Id.*

¹⁶³ *Id.* ¶ 14.

¹⁶⁴ *Id.*

¹⁶⁵ *Id.* at Exhibit D (Affidavit of Michael J. Tomsu, counsel for Applicants) p. 3 ¶ 11.

¹⁶⁶ Applicants' Ex. 13 (Settlement) at ¶ 15.

¹⁶⁷ *Id.* Attorney rates include a 22 percent discount from their standard billable rate typically charged. *Id.* at Exhibit D (Tomsu Affidavit) ¶ 8. Only 14 percent of the attorney fees were attributed to the \$877.50 rate; the bulk of the work was done at \$647.40. See *id.* (Vinson & Elkins, LLP's invoices from May 2020 through January 2021). *Id.*

¹⁶⁸ *Id.* at Exhibit D (Tomsu Affidavit and supporting materials).

¹⁶⁹ *Id.* at Exhibit D (Tomsu Affidavit) ¶ 8.

¹⁷⁰ *Id.* ¶ 9.

of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation.¹⁷¹

Considering the evidence and above factors, the Examiners find that Applicants met their respective burdens in proving that the above rate case expense amounts are reasonable and recoverable consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

2. Allocation and Surcharge

Under the Settlement, the parties agree that the recovery period for the applicable surcharge to recover rate case expenses shall be a period of approximately 60 months and that the surcharge be volume based in the amount of \$0.130 per Mcf.¹⁷²

Considering the evidence, the Examiners find that Applicants met their burden in proving that the allocation and surcharge provisions of the Settlement are reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

3. Compliance

Applicants and Staff agree to the below compliance terms.¹⁷³

- Consolidated UniGas shall file annually, due on or before April 1 (with the first such filing due on or before April 1, 2022), a rate case expense recovery compliance filing with the Commission's Oversight and Safety Division, referencing OS-20-00004865, within 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
- In no case shall the total actual expenses exceed \$671,285.46.
- Consolidated UniGas' annual rate case expense compliance filing shall include the volumes used by month by customer class during the applicable period, the amount of rate case expenses recovered by month, and the outstanding balance by month.

Considering the evidence, the Examiners find the Settlement's compliance terms relating to rate case expenses to be reasonable and recommend their approval.

IX. CONCLUSION

Applicants' request for consolidation of UniGas, Consumers, EnerTex, and Gas Energy into Consolidated UniGas and for a rate increase pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend the Commission approve the Settlement.

¹⁷¹ *Id.* at Exhibit D (Tomsu Affidavit and supporting materials).

¹⁷² Applicants Ex. 13 (Settlement) at ¶ 15. *See id.* at Exhibit A – Rate Schedule RCE.

¹⁷³ Applicants Ex. 13 (Settlement) at ¶ 16; *see id.* at Exhibit A – Rate Schedule RCE.

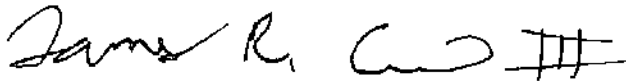
X. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, attached as PFD **Attachment 6**, are incorporated herein by reference.

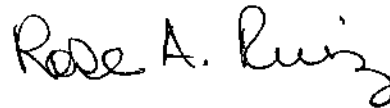
Signed on March 31, 2021.



Dee Marlo Chico
Administrative Law Judge



James Currier
Technical Examiner



Rose Ruiz
Technical Examiner

OS-20-00004865
Proposal for Decision
Attachment 1
(Exhibit List)

DOCKET NO. OS-20-00004865

**STATEMENT OF INTENT TO §
INCREASE AND CONSOLIDATE §
GAS UTILITY RATES WITHIN §
THE UNINCORPORATED AREAS §
SERVED BY UNIVERSAL §
NATURAL GAS, LLC d/b/a §
UNIVERSAL NATURAL GAS, INC., §
CONSUMERS GAS COMPANY, §
LLC d/b/a/ CONSUMERS GAS §
COMPANY, INC., ENERTEX NB, §
LLC, AND GAS ENERGY, LLC §**

BEFORE THE

RAILROAD COMMISSION

OF TEXAS

APPLICANTS' EXHIBIT LIST

Exhibit No.	Description	Offered	Admitted	Withdrawn
1	Statement of Intent of Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc., Consumers Gas Company, LLC d/b/a Consumers Gas Company, Inc., EnerTex NB, LLC, and Gas Energy, LLC (10.9.20) <ul style="list-style-type: none"> • SOI Exhibit A – Proposed Rate Schedules and Tariffs • SOI Exhibit B – Proposed Revenue Increase by Class • SOI Exhibit C – Average Bill Impact by Class • SOI Exhibit D – Applicants' Direct Testimony • SOI Exhibit E – Proposed Notice to Applicants' Customers • SOI Exhibit F – Proposed Protective Order • SOI Exhibit G – Cost of Service Schedules and Class Cost of Service Study • SOI Exhibit H – Workpapers 	2/19/21	2/19/21	
2	HIGHLY SENSITIVE PROTECTED MATERIAL - CONFIDENTIAL Exhibit MJV-2 to Direct Testimony of Morey J. Villareal	✓	2/23/21	
3	HIGHLY SENSITIVE PROTECTED MATERIAL - CONFIDENTIAL Exhibit MJV-3 to Direct Testimony of Morey J.	✓	2/23/21	

Exhibit No.	Description	Offered	Admitted	Withdrawn
	Villareal			
4	HIGHLY-SENSITIVE PROTECTED MATERIAL – CONFIDENTIAL Workpaper of Charles E. Loy - Shared Services WP	✓	2/23/21	
5	PROTECTED MATERIAL - CONFIDENTIAL Exhibit JRB-1 to Direct Testimony of J. Ross Buttermore	✓	2/23/21	
6	PROTECTED MATERIAL - CONFIDENTIAL Exhibit RSB-4 to Direct Testimony of Robert S. Barnwell IV	2/19/21	2/23/21	
7	PROTECTED MATERIAL - CONFIDENTIAL Workpaper 1 to Direct Testimony of Bruce Fairchild	✓	2/23/21	
8	PROTECTED MATERIAL - CONFIDENTIAL Workpaper 2 to Direct Testimony of Bruce Fairchild	✓	2/23/21	
9	PROTECTED MATERIAL - CONFIDENTIAL Workpaper to Direct Testimony of Charles E. Loy	✓	2/23/21	
10	Errata to Direct Testimony of Charles E. Loy (10.21.20)	✓	2/19/21	
11	Additional Workpaper of Direct Testimony of Charles E. Loy (10.27.20)	✓	2/19/21	
12	Affidavit of Notice of Ronda Wilcher with Revised Public Notice (12.09.20)	✓	2/19/21	
13	Settlement Agreement and Exhibits (2.12.21) <ul style="list-style-type: none"> • Exhibit A – Proposed Tariff Rate Schedules • Exhibit B – Proof of Revenues • Exhibit C – Net Plant Balances and Depreciation Rates by FERC Account • Exhibit D – Rate Case Expense Affidavit and Supporting Materials 	✓	2/19/21	
13A	Amended Settlement Agreement	3/8/21	3/9/21	3/15/21 ¹
13A ²	Second Amended Settlement Agreement	3/15/21	3/16/21	

¹ Only the Rate Schedule COG in Applicants' Exhibit 13A was withdrawn.

² Applicants' Exhibit 13A consists of the Amended Settlement Agreement, Second Amended Settlement Agreement, and the updated Rate Schedule COG labeled "Attachment 1 – Response to ALJ RFI 2-1 – Second Amended Agreement."

OS-20-00004865
Proposal for Decision
Attachment 2
(Settlement Agreement)

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

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms:

Settlement Terms

1. The Signatories agree that the consolidation of Consumers, EnerTex, Gas Energy and UniGas, with UniGas as the surviving entity ("Consolidated UniGas"), is just, reasonable, and consistent with the public interest under Section 102.051 of the Texas Utilities Code.
2. The Signatories agree to the rates, terms and conditions reflected in the rate schedules attached to this Settlement Agreement as Exhibit A: Rate Schedule RES; Rate Schedule COMM; Rate Schedule WNA; Rate Schedule COG; Rate Schedule PSFUG; Rate Schedule M; Rate Schedule RCE; Rate Schedule TAXES; Rate Schedule Line Extension Policy; and Rate Schedule Quality of Service. The rate schedules attached as Exhibit A replace and supersede the UniGas, Consumers, EnerTex and Gas Energy rate schedules currently in effect for customers. These rate schedules represent an increase of an additional \$995,000 in annual revenues and are premised on a total revenue requirement of \$7,628,369 and a base revenue requirement of \$7,253,596 as illustrated in the proof of revenues attached as Exhibit B to this Settlement Agreement. Except as specifically provided herein, the Signatories agree that the revenue increase amount is not tied to any specific expense or methodology in Consolidated UniGas' underlying cost of service. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement are just, reasonable, and comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall, subject to approval of the Commission, be effective for bills rendered on or after the date the Commission issues an order approving them.
3. The Signatories agree to the following customer and consumption charges, which are reflected in the rate schedules attached as Exhibit A.

	Customer Charge (per month)	Consumption Charge (per Mcf)
Residential	\$18.00	\$3.14
Small Commercial	\$45.00	\$2.91
Large Commercial	\$175.00	\$2.91

4. The Signatories agree that the depreciation rates as shown on Exhibit C are proper, adequate, and reasonable.
5. The Signatories agree that the Companies' capital investment booked to plant through June 30, 2020, in the net amount of \$22,955,825 as shown in Exhibit C is reasonable and prudent.

- Any capital investment items not in service by June 30, 2020, are not included in the above-referenced net plant amount and are preserved for future prudence review and potential rate recovery once Consolidated UniGas files a rate-setting mechanism after those items have been placed into service and have become used and useful.

6. The Signatories agree to the following capital structure and cost of capital components, including the pre-tax return, as shown below:

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	37.24%	5.31%	1.98%	1.98%
Common Equity	62.76%	9.50%	5.96%	7.55%
Rate of Return	100.00%		7.94%	9.53%

7. The Signatories agree that any Interim Rate Adjustment (“IRA”) filing Consolidated UniGas makes pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:

- The capital structure and related components shall be as shown above in Paragraph 6.
- For the initial IRA filing and for all subsequent IRA filings, the depreciation rate for each account shall be as shown in Exhibit C.
- For the initial IRA filing, the beginning balance of net plant in service amount shall be \$22,955,825 as shown in Exhibit C.
- For the initial IRA filing, the customer and consumption charges as noted in Paragraph 3 above will be the starting rates to which any IRA adjustment is applied.
- Federal income taxes will be calculated using a 21% rate, unless the federal corporate income tax rate is changed, in which case the new rate will be applied.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

	Allocation
Residential	92.11%
Small Commercial	4.66%
Large Commercial	3.23%
Total Allocation	100.00%

8. The Signatories agree that the following customer class allocation, customer counts and volumes for base rates are reasonable and should be approved:

	Allocation	Customer Count	Volumes (Mcf)
Residential	92.11%	17,959	893,452
Small Commercial	4.66%	255	69,011

Large Commercial	3.23%	16	69,011
Total	100.00%	18,230	1,031,474

9. The Signatories agree that \$6,596,833 in expenses related to test year services provided by affiliates to Consolidated UniGas that are included in the revenue requirement, and \$5,832,419 in expenses related to test year services provided by affiliates to Consolidated UniGas that are related to its cost of gas, are reasonable and necessary and recoverable consistent with the provisions in Texas Utilities Code § 104.055.
10. On February 27, 2018, the Commission issued an Accounting Order in GUD No. 10695 that reflects the Commission’s directives regarding changes to utility rates to account for the change in the federal corporate income tax rate due to the Federal Tax Cut and Jobs Act of 2017 (“Act”). The Signatories agree that UniGas, Consumers, EnerTex and Gas Energy have complied with the requirements in the Accounting Order and that their related filings were reasonable and accurate.
11. The Signatories agree it is reasonable for Consolidated UniGas to retain all original invoices for purchases by Texas Gas Utility Services, Inc. that are allocated in whole or in part to Consolidated UniGas. The Signatories further agree to and propose the inclusion of the following Finding of Fact and Ordering Paragraph in the Final Order in this case:
 - Finding of Fact: It is reasonable that Consolidated UniGas retain all original invoices for purchases by Texas Gas Utility Services, Inc. that are allocated in whole or in part to Consolidated UniGas.
 - Ordering Paragraph: **IT IS FURTHER ORDERED** that Consolidated UniGas retain all original invoices for purchases by Texas Gas Utility Services, Inc. that are allocated in whole or in part to Consolidated UniGas.
12. The Signatories agree that Consolidated UniGas shall classify new capital investment utilizing project numbers and shall utilize project descriptions that accurately reflect the new capital investment activity contained in each project.
13. The Signatories agree it is reasonable for Consolidated UniGas to create a Meals and Travel Policy in accordance with current Commission policy of \$25 per person per meal and \$175 per room per night in maximum recoverable expenses and submit the policy to Commission Staff in a compliance filing within 45 days of the date of the Final Order in this case. The Signatories further agree to and propose the inclusion of the following Finding of Fact and Ordering Paragraph in the Final Order in this case:
 - Finding of Fact: It is reasonable that Consolidated UniGas create a Meals and Travel Policy and submit the policy to Commission Staff in a Meals and Travel Policy Compliance Filing within forty-five (45) days of the date of the Final Order in this case.
 - Ordering Paragraph: **IT IS FURTHER ORDERED** that Consolidated UniGas, within forty-five (45) days of the date of this Order, shall create and submit a Meals and Travel Policy Compliance Filing to Commission Staff.

14. Consolidated UniGas represents that its reasonable rate case expenses incurred for work performed through December 31, 2020, which excludes estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Regulatory Expenses	Actual Litigation Expenses	Total Recoverable Expenses Requested for Recovery
Consolidated UniGas	\$525,968.84	\$244,605.51 (actual); \$145,316.62 (requested for recovery)	\$671,285.46

15. Consolidated UniGas attaches, as Exhibit D, affidavits and invoices in support of the rate case expense amounts. Signatories agree that the amounts requested for recovery as represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. Signatories agree that the recovery period for the applicable surcharge to recover rate case expenses shall be a period of approximately 60 months and that the surcharge shall be volume based in an amount of \$0.130/Mcf. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Settlement Agreement. Further, the Signatories agree that Consolidated UniGas—along with its affiliates in another pending proceeding before the Commission in Docket No. OS-20-00004866—should recover an amount not to exceed an aggregate total of \$1,250,000 in rate case expenses between the two cases. Therefore, on the condition that the Commission approves the rate case expenses sought herein and in Docket No. OS-20-00004866 such that the applicant utilities together recover an aggregate total of \$1,250,000 in rate case expenses, Consolidated UniGas agrees to reduce its requested recovery of actual litigation expenses as set forth above and to waive recovery of estimated rate case expenses, expected to total an additional \$45,000, associated with this docket.
16. Consolidated UniGas shall file annually, due on or before April 1 (with the first such filing due on or before April 1, 2022), a Rate Case Expense Compliance Filing with the Railroad Commission of Texas, Oversight and Safety Division, Market Oversight Section, referencing OS-20-00004865. The compliance filing shall include the volumes used by month by customer class during the applicable period, the amount of rate case expense recovered by month, and the outstanding balance by month as set out in the approved Rate Schedule RCE. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this case:
- Finding of Fact: It is reasonable that Consolidated UniGas file an annual Rate Case Expense Compliance Filing with Commission Staff detailing the balance of actual rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.


- Ordering Paragraph: IT IS THEREFORE ORDERED that Consolidated UniGas file an annual Rate Case Expense Compliance Filing with Commission Staff detailing recovery of rate case expenses as described in Finding of Fact __ by April 1 after each calendar year end (with the first such filing due on or before April 1, 2022) until and including the calendar year end in which the rate case expenses are fully recovered.
17. The Signatories agree to and propose the inclusion of the following Ordering Paragraphs in the Final Order in this case:
- Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, Consolidated UniGas SHALL electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order.
 - Ordering Paragraph: IT IS FURTHER ORDERED that any incremental change in rates approved by this Final Order and implemented by Consolidated UniGas shall be subject to refund unless and until Consolidated UniGas' tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315.
18. The Signatories agree that Consolidated UniGas collect the Pipeline Safety and Regulatory Program Fee surcharge pursuant to 16 Tex. Admin. Code § 8.201 as an annual fee. The Signatories further agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this case:
- Finding of Fact: It is reasonable that Consolidated UniGas collect the Pipeline Safety and Regulatory Program Fee surcharge pursuant to 16 Tex. Admin. Code § 8.201 as an annual fee.
 - Finding of Fact: It is reasonable that Consolidated UniGas file an annual Pipeline Safety and Regulatory Program Compliance Filing with Commission Staff no later than ninety (90) days after the last billing cycle in which the Pipeline Safety and Regulatory Program Fee is billed to customers.
 - Ordering Paragraph: IT IS FURTHER ORDERED that Consolidated UniGas file an annual Pipeline Safety and Regulatory Program Compliance Filing with Commission Staff no later than ninety (90) days after the last billing cycle in which the Pipeline Safety and Regulatory Program Fee is billed to customers.
19. The Signatories agree that the Companies provided proper public notice of the Statement of Intent filing by mail to all affected customers consistent with the applicable provisions of the Texas Utilities Code, the Commission's rules, and the orders issued in this case.
20. The Signatories agree that it is reasonable that Consolidated UniGas decrease its recovery of the fee paid to its affiliate, Janix Energy Services, Inc. ("JES"), for marketing, balancing, and optimization services, from \$1.25 per MMBtu to \$1.14 per MMBtu, through its cost

of gas adjustment mechanism reflected in Rate Schedule COG included in Exhibit A, as a reasonable and necessary component of its cost of gas. The Commission should include a Finding of Fact and Ordering Paragraph to this effect.

21. The Signatories agree that Consolidated UniGas must file a lead-lag study in its next Statement of Intent filed with the Commission under its original jurisdiction, and the Commission should include an Ordering Paragraph to that effect.
22. The Signatories agree that Consolidated UniGas may book, as a regulatory asset, \$202,900 of expenses related to its hydrostatic testing incurred in August 2020, to be amortized over a five-year period. This amortization expense of \$40,580 is included in the agreed-upon cost of service as identified in Paragraph 2 of the Settlement Agreement.
23. The Signatories will coordinate in good faith to jointly draft and propose an order for the ALJ to include in a Proposal for Decision and the Commission to adopt that will implement the terms of this Settlement Agreement.
24. The Signatories agree that all negotiations, discussions, and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on October 9, 2020.
25. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made or documents exchanged or provided during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Settlement Agreement.
26. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
27. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purposes of settling the issues set forth herein and for no other purposes, and except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
28. No Signatory is under any obligation to take the same positions as set out in this Settlement Agreement in other cases, dockets or jurisdictions, regardless of whether other cases or dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Settlement Agreement. Agreement by the Signatories to any provision in this Settlement Agreement will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.
29. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 12th day of February, 2021.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
CONSUMERS GAS COMPANY, LLC D/B/A CONSUMERS GAS COMPANY, INC.
ENERTEX NB, LLC
GAS ENERGY, LLC

By: 
Robert S. Barnwell, IV
President and Chief Executive Officer

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

Agreed to this 12th day of February, 2021.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
CONSUMERS GAS COMPANY, LLC D/B/A CONSUMERS GAS COMPANY, INC.
ENERTEX NB, LLC
GAS ENERGY, LLC

By: _____
Robert S. Barnwell, IV
President and Chief Executive Officer

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

EXHIBIT A

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
RESIDENTIAL SERVICE
RATE SCHEDULE RES

AVAILABILITY

This schedule is available to residential consumers receiving natural gas service from UNIGAS (hereinafter called "Company").

APPLICATION OF SCHEDULE

The Company will provide distribution service for the delivery of gas supply through the Company's facilities to eligible residential customers residing in single family or multi-unit residential dwellings in which each unit requires a separate connection and meter. Gas supplied hereunder is for the individual use of the Consumer at one point of delivery and shall not be resold or shared with others. If the Consumer has a written contract with Company, the terms and provisions of such contract shall be controlling.

BASE MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly billing period rate for each customer receiving service under this rate schedule shall be the sum of the following:

Monthly Customer Charge:	\$18.00
All Gas Consumed at:	\$3.14 per Mcf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule COG.

Taxes: Plus applicable taxes and fees related to above in accordance with the provisions of Rate Schedule TAXES.

Pipeline Safety Inspection Fee: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety Inspection Fee, Rate Schedule PSFUG.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Case Expense Rider: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

Miscellaneous Service Charges: The billing shall reflect adjustments in accordance with provisions of the Miscellaneous Service Charges, Rate Schedule M.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
COMMERCIAL SERVICE
RATE SCHEDULE COMM

AVAILABILITY

This schedule is available to commercial and other non-residential (hereinafter called “Commercial”) customers receiving natural gas service from UNIGAS (hereinafter called “Company”).

APPLICATION OF SCHEDULE

The Company will provide distribution service for the delivery of gas supply through the Company's facilities to eligible Commercial customers in which each unit requires a separate connection and meter. Gas supplied hereunder is for the individual use of the Customer at one point of delivery and shall not be resold or shared with others. If the Customer has a written contract with Company, the terms and provisions of such contract shall be controlling.

BASE MONTHLY RATE

For bills rendered on and after the effective date of this rate schedule, the monthly billing period rate for each customer receiving service under this rate schedule shall be the sum of the following:

<u>UNIGAS – COMMERCIAL TARIFF MATRIX</u>				
<u>COMMERCIAL CUSTOMER DESCRIPTION</u>	<u>MONTHLY CONSUMPTION CRITERIA</u>		<u>BASE COMMERCIAL TARIFF RATES</u>	
	<u>Equal to or Greater Than:</u>	<u>Less Than or Equal to:</u>	<u>Monthly Meter Charge</u>	<u>Commodity Charge</u>
Small Commercial	0.0 Mcf/Mth.	150.0 Mcf/Mth.	\$45.00/Mth.	\$2.91/Mcf
Large Commercial	150.1 Mcf/Mth.	N/A	\$175.00/Mth.	\$2.91/Mcf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule COG.

Pipeline Safety Inspection Fee: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety Inspection Fee, Rate Schedule PSFUG.

Taxes: Plus applicable taxes and fees related to above in accordance with the provisions of Rate Schedule TAXES.

Rate Case Expense Rider: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

Miscellaneous Service Charges: The billing shall reflect adjustments in accordance with provisions of the Miscellaneous Service Charges, Rate Schedule M.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
WEATHER NORMALIZATION ADJUSTMENT (WNA)
RATE SCHEDULE WNA

The Weather Normalization Factor (WNF) is a factor that adjusts the Volumetric Fee for each 100 cubic feet (Ccf) of natural gas sold. The WNF is designed to refund over-collections and to surcharge for under-collections of revenue due to colder than normal or warmer than normal weather. In order to reflect weather variances in a timely and accurate manner, the WNF is calculated monthly and is based on monthly weather information for the three-month period beginning with December and ending with February. The Weather Normalization Factor shall apply only to residential customers, and for purposes of this WNF, the Company will designate residential customers into either the Conroe Area or New Braunfels/San Antonio Area, as applicable, based on meter location.

Formula. The WNF is calculated, as follows:

[Adjusted Heating Load plus Base Non-Heating Load] divided by Total Volumes Sold

Where: Adjusted Heating Load (Ccf) = Heating Load divided by HDD Factor

AvgHDD = Average heating degree-days for a calendar month as measured by the National Oceanic and Atmospheric Administration (NOAA) for the period 2009 through 2019 at their weather station in Conroe, Texas or San Antonio, Texas, as applicable. The AvgHDD values used to calculate the WNF are:

For the Conroe Weather Station: December 387, January 461.65, February 295.75

For the San Antonio Weather Station: December 321.9, January 373.99, February 237.05

Base Non-Heating Load (Ccf) = Base load factor x the number of bills issued for each class where base load factors are as follows:

Conroe Area Residential – 12.28 Ccf

New Braunfels/San Antonio Area Residential – 12.28 Ccf

Bills = Number of bills issued to customers for gas sold that month

HDD = A heating degree day is a measurement of demand for energy to heat houses and businesses. The WNF is based upon actual heating degree-days for a calendar month as measured by the NOAA at their weather station located in Conroe, Texas or San Antonio, Texas, as applicable.

HDD Factor (Heating Degree-Day Factor) = HDD divided by AvgHDD

Heating Load (Ccf) = Total Volumes Sold minus Base Non-Heating Load

Weather Normalization months = December, January, February

Report. Within 45 days from the last day in each Weather Normalization month, the company shall provide to the Commission, in spreadsheet format, one WNF Compliance Report per Weather Normalization month to demonstrate how the Company calculated the WNF for residential customers in each of the Conroe Area and New Braunfels/San Antonio Area, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1 AvgHDD

Lines 2-3 blank

Line 4 HDDs (for Conroe or San Antonio weather station, as applicable)

Lines 5-6 blank

Line 7 Bills

Line 8 blank

Line 9 Base Non-Heating Load (Ccf), which is Line 7 times applicable Base Non-Heating load factor by customer class

Line 10 blank

Line 11 Total Volumes Sold

Line 12 blank

Line 13 Heating Load (Ccf), which is Line 11 minus Line 9

Lines 14-15 blank

Line 16 HDD Factor, which is Line 4 divided by Line 1

Line 17 blank

Line 18 Adjusted Heating Load (Ccf), which is Line 13 divided by Line 16

Line 19 blank

Line 20 WNF, which is [(Line 18 plus Line 9) divided by Line 11]

Line 21-22 blank

Line 23 Volumetric Fee (\$ per Ccf)

Line 24 blank

Line 25 Adjusted Volumetric Fee (Line 23 times Line 20)

Line 26-27 blank

Line 28 Effect on revenue, which is [(Line 25 minus Line 23) x Line 11].

Each report shall have a column of data for each of the three Weather Normalization months, with fields populated for the latest and prior months in a winter season.

COMPLIANCE REPORT

The Company shall file with the Commission an annual report verifying the past year's WNA collections or refunds. The report shall show the amount collected or refunded by WNA month, total monthly volume, average WNA rate, average bill impact, percent bill impact and itemized by service area.

The Company shall file the report with the Commission electronically at GUD_Compliance@rrc.texas.gov or at the following address:

WNA Tariff Filing
Director of Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
COST OF GAS (COG) ADJUSTMENT
RATE SCHEDULE COG

A. APPLICABILITY

This Cost of Gas Adjustment shall apply to all customer classes receiving natural gas service from UNIGAS (hereinafter called "Company").

B. DEFINITIONS

1. Cost of Gas - The rate per billing unit or the total calculation under this adjustment, consisting of the Commodity Cost, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment for any known and quantifiable under or over collection prior to the end of the reconciliation period.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas, Gas Services Dept. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15.
4. Reconciliation Component - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.

5. **Reconciliation Audit** - An annual review of the Company's books and records for each 12 month period ending with the production month of June to determine the amount of over or under collection occurring during such 12 month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on the approved use of natural gas financial instruments, (b) the revenues received from operation of the provisions of this Cost of Gas Adjustment reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Adjustment, (d) the total amount accrued for imbalances under the transportation rate schedule(s) net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of 5 percent of purchases.
6. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes purchased for general service customers during the 12 month period ending June 30 by the sum of the volumes sold to general service customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. $1/(1 - 0.05)$ unless expressly authorized by the applicable regulatory authority.
7. **Reconciliation Account** - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Adjustment. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of approved natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Adjustment, (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s), (e) total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of 5 percent of purchases.
8. **Uncollectible Cost of Gas** – the amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to the cost of gas adjustment. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting reconciliation component.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the October billing cycle through the June billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a 9 month period beginning with the October billing cycle and continuing through the next June billing cycle at which time it will terminate.

E. INTEREST ON FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6 percent per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (g) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the 12 months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Adjustment revenues.
3. A tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Adjustment to date.
4. A description of the hedging activities conducted each month during the twelve months ending June 30, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly balances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and

imbalance amount for each supplier using the Company's distribution system during the reconciliation period.

6. A tabulation of uncollectible cost of gas during the period and its effect on the Cost of Gas Adjustment to date.

This report shall be filed concurrently with the Cost of Gas Statement for October. If the Regulatory Authority thereafter determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
PIPELINE SAFETY PROGRAM SURCHARGE
RATE SCHEDULE PSFUG

SURCHARGE

Once annually, UNIGAS shall remit to the Commission the fee required in 16 Tex. Admin. Code § 8.201.

During the next billing cycle following UNIGAS' remittance to the Commission of the fee, UNIGAS shall include on its customers' bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 Tex. Admin. Code § 8.201 ("Rule 8.201").

Formula. The Rule 8.201 surcharge is calculated in accordance with the following formula:

Rule 8.201(b) fee assessed by the Commission on UNIGAS

Divided by

Number of meters billed

Equals

Rule 8.201(b)(3) surcharge, applied per customer meter, once annually

In this formula, the number of meters billed refers to the number of meters billed during the billing month that precedes the month the Rule 8.201(b)(3) surcharge is included on customer bills.

The pipeline safety fee is a one-time fee, which is collected in April.

The Company will pass on the one-time customer charge for the Pipeline Safety Inspection Fee for each service line reported to be in service at the end of calendar year 2019, pursuant to Texas Utilities Code § 121.211 and the Commission's Rules and Regulations.

This Fee shall equal the Pipeline Safety Inspection Fee applicable to each service line in the territory previously served by the predecessor company prior to corporate consolidation, as follows: \$0.99 (Universal Natural Gas, LLC); \$0.99 (Consumers Gas Company, LLC); \$0.98 (Gas Energy, LLC); and \$0.72 (EnerTex NB, LLC).

The Pipeline Safety Inspection Fee is based on the amount of \$1.00 per service line, as specified by the Railroad Commission of Texas.

COMPLIANCE REPORT

The Company shall file an annual pipeline safety fee (PSF) report no later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers. The Company shall file the report with the Railroad Commission of Texas addressed to the Director of Oversight and Safety Division, Gas Services Department, referencing Docket No. OS-20-00004865, and titling the report "Pipeline Safety Fee Recovery Report". The report shall include the following:

- a) the pipeline safety fee-amount paid to the Commission;
- b) the unit rate and total amount of the surcharge billed to each customer;
- c) the date or dates the surcharge was billed to customers; and
- d) the total amount collected from customers from the surcharge.

Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filing
Director of Oversight and Safety Division
Gas Services Dept.
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

UNIVERSAL NATURAL GAS, LLC D/B/A UNIVERSAL NATURAL GAS, INC.
MISCELLANEOUS SERVICE CHARGES
RATE SCHEDULE M

APPLICATION

The service charges listed below are in addition to any other charges under the Company's Tariff for Gas Service and will be applied for the condition described. Normal business hours are Monday through Friday, 8:30 AM – 4:30 PM Central Time. After business hours are considered outside of normal business hours including weekends and holidays. For purposes of this Schedule M, “Actual Cost” means those costs that Company incurs to perform the miscellaneous services requested and shall include, but in no event be limited to, the cost of materials, cost of labor, allocated overhead costs, permit costs, right-of-way acquisition costs, and any other costs, including all applicable taxes, associated with the miscellaneous services provided by Company. Actual Cost also includes, where necessary, an allowance for inventory loss or consumed materials. Actual Cost specifically excludes Company profit. Company shall provide a breakdown of costs by category for any Miscellaneous Services provided in Customer’s subsequent bill.

MISCELLANEOUS SERVICE CHARGES

M-1 Application for Service: \$35.00

A charge shall be made for new customer account set-up, and credit inquiry, including special meter reading

M-2 Reconnection Charge During Normal Business Hours: \$45.00

During normal business hours, for each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, subject to the following exceptions:

- (a) Whenever gas service has been temporarily interrupted because of System outage or service work done by Company; or
- (b) For any reason deemed necessary for Company operations.

NOTE: The charges will also apply in the event that the connection or reconnection cannot be made because there is an issue on the builder’s or customer’s premises, including, but

not limited to inability to access the premises, failure of the appliances to meet required specifications, or failure of customer piping to pass a pressure test.

M-3 Reconnection Charge After Business Hours: \$60.00

After standard business hours, there shall be a charge for applicable services set forth in M-2.

NOTE: The charge will also apply in the event that the connection or reconnection cannot be made because there is an issue on the builder's or customer's premises, including, but not limited to inability to access the premises, failure of the appliances to meet required specifications, or failure of customer piping to pass a pressure test.

M-4 Field Read of Meter – Special: \$35.00

A charge shall be made for special meter readings requested by Customer such as termination of service, meter re-read, etc.

M-5 Charge for Temporary Discontinuance of Service, Residential: \$35.00

Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.

M-6 Charge for Temporary Discontinuance of Service, Commercial: \$60.00

Whenever service has been temporarily disconnected at the request of the customer, this charge plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.

M-7 Charge for Meter Testing: Actual Cost

The Company shall, upon request of a customer, make a test of the accuracy of the meter serving that customer. The Company shall inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. The customer must be properly informed of the result of any test on that customer's meter. If no such test has been performed within the previous four (4) years for the same customer at the same location, the test shall be performed without charge. If such test has been performed for the same customer at the same location within the previous four (4) years, the Company will charge the Meter Testing Fee if the meter is not more than 2% out of calibration.

M-8 Change Regulator Pressure and Additional Regulators: \$50.00/Actual Cost

A \$50.00 charge shall be made to change the pressure of the regulator upstream of Customer's meter due to an increase in pressure required by Customer. Additional regulators required to reduce pressure downstream of Customer's meter, as may be required by customer's specific requirements, shall be charged at Actual Cost.

M-9 Change Meter Location: Actual Cost

A charge shall be made when Company personnel cannot gain unlimited access to its meter at all times due to actions taken by customer.

M-10 Collection Call or Missed Appointment: \$35.00

Collection Call, trip charge or Missed Appointment (Per Trip).

M-11 Returned Check Charges, Returned ACH, Declined Credit Card: \$35.00

A charge shall be made for returned check handling charges for each check returned unpaid, ACH returned unpaid or declined, or declined credit card for any reason.

M-12 New Construction Service Deposits – Residential: \$75.00

A Deposit may be required based on credit inquiry results and/or after disconnection for non-payment, subject to Railroad Commission of Texas rules. If a Deposit is required, then service may not be initiated or restored until the Deposit and other applicable fees have been paid.

M-13 Residential Customer Deposit: AFTER a history has been established

Customer Service Deposits shall not exceed one-sixth of the customer's annual billings where there is at least twelve months of billing history. If the customer has less than twelve months billing history then the amount of the Customer Service Deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required to be paid within five days. If such additional deposit is not made, the utility may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements. All applicants for residential service who are 65 years of age or older will be considered as having established credit if such applicant does not have an outstanding account balance with the utility or another utility for the same utility service which accrued within the last two years and no cash deposit shall be required of such applicant under these conditions.