

Maya Sanchez  
Mayor

Leticia Miranda  
Alderson Pl. 1

David Cantu  
Alderson Pl. 2



Miguel Najera Jr.  
Alderson Pl. 3

Rebecca Martinez-Juarez  
Alderson Pl. 4

George Almanzar  
Alderson Pl. 5

## City of San Elizario

### RESOLUTION NO. 1511R.03

#### **A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF SAN ELIZARIO APPROVING THE EL PASO AREA ANNUAL RATE REVIEW TARIFF FOR THE CITY OF SAN ELIZARIO**

- WHEREAS, the City of San Elizario, Texas, is a Type A, general law municipality operating pursuant to the laws of the State of Texas; and
- WHEREAS, pursuant to Texas Utilities Code Sections 103.001, the City of San Elizario is a regulatory authority having exclusive original jurisdiction over the rates, operations, and services of a gas distribution utility in the City limits of the City of San Elizario; and
- WHEREAS, Texas Gas Service company, a division of ONE Gas, Inc., an Oklahoma corporation, is a gas distribution utility operating within the City of San Elizario, Texas, pursuant to a franchise agreement; and
- WHEREAS, the current base rates being charged for gas distribution within the City limits of the City of San Elizario were established by an order of the Railroad Commission of Texas dated December 14, 2010; and
- WHEREAS, pursuant to Interim Rate Filings by Texas Gas Service Company pursuant to the "GRIP" statute, Texas Utilities Code Sec. 104.301, Texas Gas Service Company has increased the rates charged within the City limits of the City of San Elizario; and
- WHEREAS, pursuant to Texas Utilities Code Sec. 104.003, the City as Regulatory Authority has an obligation to ensure that each rate a gas utility demands or receives is just and reasonable; and
- WHEREAS, the City of El Paso and Texas Gas Service company, joined herein by the City, have collaboratively developed the El Paso Area Annual Rate Review Tariff ("EPARR"), attached hereto as Attachment "A", in order to facilitate an expedited rate review process as a substitute for the GRIP process; and
- WHEREAS, the EPARR process permits City review of requested rate increases and provides an expedited process; and

WHEREAS, the EPARR reflects the ratemaking standards and methodologies authorized by the Railroad Commission in the most recent Texas Gas Service Company rate case, G.U.D. No. 9988; and

WHEREAS, Texas Gas Service Company agrees to the terms and process detailed in the EPARR; and

WHEREAS, Texas Gas Service Company, by agreeing to Rate Schedule EPARR, agrees that it will make no filings to change rates within the City of San Elizario pursuant to the "GRIP" statute so long as Rate Schedule EPARR is in effect; and

WHEREAS, Texas Gas Service Company by agreeing to Rate Schedule EPARR, agrees that it will make no filings pursuant to Texas Utilities Code Sec. 104.102 to change rates within the City of San Elizario except under the provisions of Rate Schedule EPARR so long as Rate Schedule EPARR is in effect; and

WHEREAS, adoption of the EPARR is in the public interest.

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ELIZARIO, TEXAS THAT:**

Section 1. Rate schedule EPARR – El Paso Area Annual Rate Review, attached hereto as Attachment "A", for Texas Gas Service Company, a division of ONE Gas, Inc., an Oklahoma corporation, is reasonable and in the public interest, and is hereby in force and effect in the City of San Elizario. The City Clerk shall deliver or mail a copy of this resolution to Texas Gas Service Company, a division of ONE Gas, Inc., an Oklahoma Corporation.

Section 2. Texas Gas Service Company is ordered to reimburse the City of San Elizario's reasonable expenses incurred in connection with the investigation of its rates and the negotiation of Rate Schedule EPARR within 30 days of invoice by the City.

PASSED AND APPROVED this, the 10 day of February, 2015, by a vote of 5 (ayes) to 0 (nays) to 0 (abstentions) of the City Council of San Elizario, Texas.

CITY OF SAN ELIZARIO, TEXAS

  
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Maya Sanchez, Mayor

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**ATTACHMENT A**

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**El Paso Area Annual Rate Review**

**I. Purpose**

This mechanism is designed to provide annual earnings transparency. All rate calculations under this tariff shall be made on an El Paso Service Area wide basis. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base. This Rider EPARR will be effective for the period commencing with the Company's first EPARR filing on or before March 31, 2015, and will remain in effect unless and until either the Company or the regulatory authority having original jurisdiction gives written notice to the contrary to the other by January 1 of the filing year. Upon receipt of such notice by either the Company or the regulatory authority having original jurisdiction, the Company shall prepare and file a Statement of Intent rate case with the regulatory authority within 180 days. Rates approved pursuant to this tariff shall remain in effect during the pendency of any Statement of Intent rate filing.

**II. Definitions**

- a) The "Filing Date" shall occur on or before March 31 of each year. The Annual Evaluation Date shall be the date the Company will make its annual filing under this mechanism. The Annual Evaluation Date shall be no earlier than March 1<sup>st</sup> nor later than March 31<sup>st</sup> of each year. This filing shall be made in electronic form where practicable.
- b) Audited Financial Data shall mean the Company's books and records related to the Company's El Paso Service Area and shared services operations. Audited Financial Data shall not require the schedules and information provided under this tariff to undergo a separate financial audit by an outside auditing firm similar to the Company's annual financial audit.
- c) The Company is defined as Texas Gas Service Company, a division of ONE Gas, Inc.
- d) The Test Period is defined as the twelve-month period ending December 31, of each preceding calendar year.
- e) The Rate Effective Period is defined as the twelve-month period commencing with the first billing cycle for August in each year and ending when subsequent rates are implemented under this tariff pursuant to a final order from a regulatory authority.
- f) Final Order is defined as the most recent general rate case final order establishing the Company's effective rates for customers within the incorporated areas of the El Paso Service area.
- g) El Paso Service Area means the incorporated areas of El Paso, Anthony, Clint, Horizon City, San Elizario, Socorro, and Vinton, as well as the surrounding unincorporated areas served by the Company.

**III. Rate Review Mechanism**

The Company shall file with the regulatory authority the schedules specified below for the Test Period, with the filing to be made by the Annual Evaluation Date following the end of the Test Period. The schedules will be based upon the Company's Audited Financial Data, as adjusted, and will include the following:

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- a) Test Period ending balances for actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, and other rate base components, with the exception of working capital, will be used for the calculation of rates for the Rate Effective Period. The ratemaking treatments, principles, findings and adjustments included in the Final Order will apply except when a departure from those treatments, principles, findings or adjustments is justified by changed circumstances. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. In addition:
- (i) Cash working capital to be included in rate base will be zero "0";
  - (ii) With respect to pension and other postemployment benefits, the Company will record a regulatory asset or liability for these costs until the amounts are included in the next annual rate adjustment implemented under this tariff. Each year, the Company's filing under this tariff will clearly state the level of pension and other postemployment benefits recovered in rates. In addition, the Company may maintain one or more reserve accounts as provided in Tex. Util. Code. Sec. 104.059, and treat any surplus or shortage in the reserve accounts in accordance with Tex. Util. Code. Sec. 104.059.
  - (iii) For rate making purposes, the calculation of Accumulated Deferred Income Taxes (ADIT) will be based on the original book basis and tax basis for assets placed in service under the ownership of Southern Union and the original book basis and tax basis for assets placed in service subsequent to the acquisition of Southern Union's assets. Company-generated net operating losses may be considered in calculating the ADIT balance, if appropriate.
- b) Depreciation rates booked in the period will be those approved in the Final Order, or the depreciation rates most recently approved for the El Paso Service Area and for the Shared Services Division by the Railroad Commission of Texas, as applicable, if and only if the regulatory authority has the right to participate in a subsequent Railroad Commission of Texas proceeding with a full right to have its reasonable expenses reimbursed. All calculation methodologies will be those approved in the Final Order except where noted or included in this tariff.
- c) Return on Equity (ROE) shall be maintained at 10.1%.
- d) The cost of long-term debt will be the weighted cost of long-term debt for ONE Gas, Inc. determined at the end of the Test Period. The capital structure will be the ratio of long-term debt and equity determined at the end of the Test Period.
- e) All applicable accounting adjustments along with all supporting work papers. Such adjustments may include:
- 1) Pro-forma adjustments to update and annualize costs and revenue billing determinants as of the end of the Test Period.
  - 2) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events recorded during the Test Period.
- f) Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order.

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**IV. Calculation of Rate Adjustment**

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the class classification and allocation methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be applied to the minimum charge or customer charge if the rate class has no minimum charge.
- b) All reasonable and necessary operation and maintenance expenses from the Test Period will be used for the calculation of rates for the Rate Effective Period. Such amounts shall be prepared consistent with the rate making treatments approved in the Final Order subject to an allowance that authorizes the inclusion of (1) reasonable cost of meals and travel incurred during the Test Period (as limited by Sec IX) and (2) 25% of the Company's long-term and short-term incentive compensation costs incurred during the Test Period. The Company may include in its operations and maintenance expense reasonable costs of Pipeline Integrity testing conducted after completion of the 2010-2014 test cycle. The Company may also adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs. Known and measurable adjustments shall be limited to those changes that have occurred prior to the Filing Date.
- c) Effective with the Company's 2015 filing under this tariff, the Company may include in its rate base calculation all prudently incurred, direct, incremental investment and costs associated with Commission Rule 8.209.
- d) The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall be deemed prudent and not subject to further review. In determining whether investment was prudently incurred, the regulatory authority shall base its decision on a review that examines as fair, just and reasonable.
- e) The Company shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order except that any required increase or decrease shall be apportioned to the customer charge.

#### **V. Attestation**

A sworn statement shall be filed by an Officer of the Company affirming that the filed schedules are in compliance with the provisions of this mechanism and are true and correct to the best of his/her knowledge, information and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies or allocation of common costs.

#### **VI. Evaluation Procedures**

The regulatory authority shall have a minimum of 125 days to review and render a decision on the Company's filed schedules and work papers. The Company will be prepared to provide all supplemental information as may be requested to ensure adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information, with the exception of information claimed to be confidential, highly sensitive or proprietary, and such information shall be provided within ten (10) working days of the original request.

The regulatory authority may propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions. Information claimed to be confidential, highly sensitive or proprietary shall be furnished to representatives of the Regulatory Authority pursuant to a confidentiality agreement in accordance with Texas Law.

During the 125 day period, the Company and the regulatory authority will work collaboratively and seek agreement on the proposed adjustments to the Company's schedule and proposed rates. If agreement has been reached by the Company and the regulatory authority, the regulatory authority shall authorize an increase or decrease to the Company's rates so as to achieve the revenue levels indicated for the Rate Effective Period. If, at the end of the 125 day period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority's action or inaction to the Railroad Commission of Texas. Upon the filing of an appeal of a city's order relating to an annual EPARR filing with the Railroad Commission of Texas, the regulatory authority shall not oppose the implementation of rates subject to refund or advocate the imposition of a third party surety bond by the Company.

To defray the cost, if any, of regulatory authority review of the Company's annual filing, the Company shall reimburse the regulatory authority for its reasonable expenses incurred upon submission of invoices for such review. The Company shall further be allowed to recover its reasonable and necessary expenses it incurs for outside services above any amounts included in the Test Year provided in connection with the annual filing subject to the review of the regulatory authority. Costs contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made or the Company expense is incurred. A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company no later than September 1 of the year in which the annual filing is made and the Company shall reimburse the regulatory authority in accordance with this provision within 30 days of the submission.

#### **VII. Reconsideration and Appeal**

Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

#### **VIII. Notice**

Notice of this annual EPARR filing shall be provided by either: (1) including the notice, in conspicuous form, in the bill of each directly affected customer, or (2) sending the notice by email if the customer's bill is provided in this format no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rate adjustment would apply;
- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment may be obtained.

**IX. EPARR Schedules and Information**

The following types of employee reimbursed expenses and directly incurred costs are to be removed from all expense and rate base amounts included within Rider EPARR filings for the Test Period and for the Rate Effective Period:

- Amounts incurred for travel, meals or entertainment of employee spouses, domestic partners, significant others, children and pets.
  - Amounts for air travel that exceed published commercial coach air fares.
  - Amounts incurred for excessive rates for hotel rooms.
  - Amounts for alcoholic beverages.
  - Amounts paid for admission to entertainment, sports, art or cultural events, and all event sponsorship costs.
  - Amounts for social club dues or fees.
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