

GAS SERVICES DIVISION
GSD - 1 TARIFF REPORT

RRC COID: 5181 COMPANY NAME: HUGHES NATURAL GAS, INC.

TARIFF CODE: DS RRC TARIFF NO: 18176

DESCRIPTION: Distribution Sales STATUS: A
 EFFECTIVE DATE: 07/01/2014 ORIGINAL CONTRACT DATE: RECEIVED DATE: 08/05/2014
 GAS CONSUMED: N AMENDMENT DATE: 07/01/2014 OPERATOR NO: 412075
 BILLS RENDERED: Y INACTIVE DATE:

RATE SCHEDULE

SCHEDULE ID	DESCRIPTION
Maginc Rate Case Sur	<p>5.0 Rate Case Expense Surcharge.</p> <p>5.1 The Rate case Expense Surcharge shall be in effect beginning on or after the date of the Commissions Final Order in Gas Utilities Docket No. 10190 and will continue for approximately six years until all of the rate case expense recovery approved in the Final Order is fully recovered.</p> <p>5.2 The surcharge rate shall be \$0.57 per Mcf.</p> <p>5.3 Formula: Fee Approved by the City of Magnolia of \$0.57 per Mcf Multiplied by Volume (Mcf) billed that month Equals the Rate Case Expense Surcharge on that bill</p> <p>5.4 This surcharge is in addition to other rates and surcharges set forth in this tariff. 5.5 Report. Hughes shall file an annual Reconciliation of the Rate Case Expense Surcharge collected during the previous calendar year with the City of Magnolia. The Report shall be filed when the RRC Annual Report is filed with the Commission.</p>
Maginc Weather	<p>2.0 Weather Normalization Tariff</p> <p>2.1 WNF. The Weather Normalization Factor (WNF) is a factor that adjusts the Volumetric Fee for each 1,000 cubic feet (Mcf) 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 five-month period beginning with November and ending with March.</p> <p>2.2 Formula. The WNF is calculated, as follows: [Adjusted Heating Load plus Base Non-Heating Load] divided by Total Volumes Sold</p> <p>Where:</p> <p>Adjusted Heating Load (Mcf) = Heating Load divided by HDD Factor</p> <p>AvgHDD = Average heating degree-days for a calendar month as measured by the National Oceanic and Atmospheric Administration (NOAA) for the period 1980 through 2010 at their weather station in Conroe, Texas. The AvgHDD values used to calculate the WNF are: November 191, December 428, January 453, February 320, March 172.</p> <p>Base Non-Heating Load (Mcf) = 2.00 times the number of bills issued</p> <p>Bills = Number of bills issued to customers for gas sold that month</p> <p>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</p>

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as measured by the NOAA at their weather station located in Conroe, Texas.

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

Heating Load (Mcf) = Total Volumes Sold minus Base Non-Heating Load Weather
Normalization months = November, December, January, February, March

2.3 Report. Within 45 days from the last day in each Weather Normalization month, the company shall provide to the City of Magnolia, in spreadsheet format, one WNF Compliance Report per month to demonstrate how the company calculated the WNF, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1 AvgHDD

Lines 2-3 blank

Line 4 HDDs (for Conroe weather station)

Lines 5-6 blank

Line 7 Bills

Line 8 blank

Line 9 Base Non-heating load (Met), which is Line 7 times 2.19

Line 10 blank

Line 11 Total Volumes Sold

Line 12 blank

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

Lines 14-15 blank

Line 16 HDD Factor, which is Line 4 divided by Line 2

Line 17 blank

Line 18 Adjusted Heating Load (Mcf), 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 Mcf)

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 five Weather Normalization months, with fields populated for the latest and prior months in a winter season.

Maginiv General

1.0 General Tariff

1.1 Application of tariffs. The tariffs of Hughes Natural Gas, Inc. (Hughes) apply only to areas served by Hughes in the incorporated City of Magnolia.

1.2 Rates. The following rates are effective for bills rendered on or after July 1, 2014.

1.2.1 Monthly Customer Charge, residential and commercial customers: \$17.64*, applies per meter, per month;

1.2.2 Volumetric Fee, residential and commercial customers: \$7.7726*, applies per thousand cubic feet (Mcf);

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These rates are subject to annual adjustment per the terms of the Cost of Service Adjustment (COSA) provision in Section 11 of this tariff.

1.2.3 Monthly Customer Charge COSA History.

Original December 2013 charge \$16.80;

June 2014 COSA adjustment \$0.84;

Total July 2014 Monthly Customer Charge \$17.64;

1.2.4 Volumetric Fee COSA History.

Original December 2013 charge \$7.4025;

June 2014 COSA adjustment \$0.3701;

Total July 2014 Volumetric Fee \$7.7726.

1.3 Customer Bills. Hughes' bills are rendered monthly to customers. Each bill shall include the following:

- Monthly Customer Charge,
- Volumetric Fee, as adjusted by the Weather Normalization Factor, if applicable,
- Cost of Gas, - City Franchise Fee,
- Tax Adjustment, if applicable,
- Rate Case Expense Surcharge,
- Miscellaneous Service fees, if applicable,
- Deposit fees or credits, if applicable,
- Line Extension charges, if applicable, and
- Pipeline Safety and Regulatory Program Surcharge, once annually.

The Monthly Customer Charge is the minimum amount included on a customer bill.

Hughes may, at its option, bill the Volumetric Fee in thousands of cubic feet (Mcf) or in hundreds of cubic feet (Ccf). The Volumetric Fee per Ccf is 1/10th of the Volumetric Fee per Mcf.

The due date for remittance of a payment to Hughes shall be not less than 15 days after the date the bill is issued, in accordance with 16 TEX. ADMIN. CODE Section 7.45(4)(A). Hughes late payment fee applicable to bill payments received after the due date is zero (\$0.00).

1.4 Tax Adjustment. Any applicable ad Valorem Taxes and State Franchise Taxes affecting the Cost of Service affecting the Cost of Service shall be reflected as separate line items specifically identifying the tax on Customer invoices, and shall be reported to the City of Magnolia. The tax adjustment shall be an amount equivalent to the proportionate part of an existing tax or new tax or any governmental imposition, rental fee, or charge levies, assessed or imposed subsequent to the effective date of this tariff.

1.4.1 Formula. The tax adjustment is calculated in accordance with the following formula:

Tax Amount
Divided by
Volume (Mcf) billed that month

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Equals Tax adjustment, applied per Mcf.

In this formula, the Volume (Mcf) billed refers to the volume of gas sold during the usage month that the adjustment is included on customer bills.

1.4.2 Reconciliation. Within 45 days after applying a tax adjustment and collecting the adjustment, the Company shall provide the City of Magnolia a reconciliation detailing the calculation of the adjustment and reconciling the amounts collected. If the reconciliation reflects either an over-recovery or an under-recovery of revenues of more than \$0.50 per customer, such amount shall be carried forward and applied in the next billing cycle. If the over-recovery or an under-recovery of revenues is less than \$0.50 per customer, the Company shall carry-forward the amount until the next application of the tax adjustment.

1.5 City Franchise Fee. The City Franchise Tax consists of a 5% surcharge applied to the Cost of Gas and the Volumetric Fee of each bill. In accordance with the Franchise Agreement between Hughes and the City of Magnolia, all City Franchise taxes collected over the course of a calendar year shall be paid to the City of Magnolia no later than the following April 1st.

1.5.1 Formula. The Franchise Tax Fee is calculated in accordance with the following formula:

Cost of Gas plus the Volumetric Fee
 Multiplied by
 5%
 Equals
 City Franchise Fee.

1.5.2 Reconciliation. Hughes shall provide a reconciliation detailing the fees collected during the previous year along with the payment of fees collected no later than April 1st of each calendar year.

Maginc Pipeline Safe 4.0 Pipeline Safety and Regulatory Program Tariff

4.1 Fee. Once annually, Hughes shall remit to the Commission the fee required in 16 TEX. ADMIN. CODE Section 8.201.

4.2 Surcharge. During the next billing cycle following Hughes remittance to the Commission of the fee, Hughes shall include on its customers bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 TEX. ADMIN. CODE Section 8.201.

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

Rule 8.201(b) fee assessed by the Commission on Hughes
 Divided by
 Number of meters billed
 Equals

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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.

Maginc Cost of Srv

3.0 Cost of Gas Tariff

3.1 Identification on bills. Hughes shall include on each customer bill the reasonable and necessary cost of gas purchased by Hughes.

3.2 Definitions. The following definitions apply to this Cost of Gas Tariff:

3.2.1 Cost of Gas. The total calculation, under this Cost of Gas Tariff, consisting of the commodity cost, a reconciliation component, and related fees and taxes.

3.2.2 Cost of purchased gas. The weighted average cost of gas purchased by Hughes from all sources, calculated by summing the cost of gas purchased and applicable third party charges, then, dividing that sum by total volumes purchased.

3.2.3 Purchases / Sales ratio. A ratio determined by dividing the total volumes purchased for customers during the twelve month period ending June 30 by the sum of volumes sold to customers. For the purpose of this computation, all volumes shall be stated at 1.465 pound-force per square inch absolute (psia). Such ratio shall in no event exceed 1.0526 i.e. $1/(1-0.05)$ unless expressly authorized by the applicable regulatory authority.

3.2.4 Reconciliation account. The account maintained by Hughes to ensure that, over time, Hughes will neither over-collect nor under-collect revenues as a result of the operation of this Cost of Gas Tariff. Entries shall be made monthly to reflect:

- the total amounts paid to Hughes` suppliers for natural gas applicable to general service customers, as recorded in the company`s books and records,

- revenues produced by the operation of this Cost of Gas Tariff, - refunds, payments, or charges provided for herein or as approved by the regulatory authority.

3.2.5 Reconciliation audit. An annual review by Hughes of its books and records for each twelve month period ending with the June accounting month to determine the amount of over-collection or under-collection occurring during that twelve month period. The reconciliation audit conducted by Hughes shall determine:

- the total amount paid for gas purchased by Hughes to provide service to its general service customers during the period,

- the revenues received from operation of the provision of this Cost of Gas Tariff, reduced by the amount of revenue-associated fees and taxes paid on those revenues,

- the total amount of refunds made to customers during the period and any other

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revenues or credits received by Hughes as a result of relevant gas purchases or operation of this Cost of Gas Tariff,

- an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

3.2.6 Reconciliation component. The amount to be returned to or recovered from customers each month on customer bills covering usage for September through May, as a result of Hughes` reconciliation audit.

3.3 Determination and application of the reconciliation component.

If the reconciliation audit reflects either an over-recovery or an under-recovery of revenues, such amount shall be divided by the general service customer sales volumes, for the period beginning with the preceding October billing cycle through the June billing cycle. The reconciliation component, so determined to collect any revenue shortfall or to return any excess revenue, shall be applied for a nine (9) month period beginning with the next October billing cycle and continuing through the next June billing cycle at which time it will terminate until a new reconciliation component is determined.

3.4 Surcharge or refund procedures. In the event that the rates and charges of Hughes` suppliers are retroactively reduced, and a refund of any previous payment is made to Hughes, Hughes shall make a similar refund to its general service customers. Similarly, Hughes may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. If the payment or refund related to gas purchased by Hughes is for a period of twelve consecutive months or longer, the total amount recovered or refunded shall be divided by the general services sales made to general service customers during this applicable period. With regard to amounts received or paid that are applicable to periods less than twelve consecutive months, Hughes shall refund or collect such amounts using one of the following three methods:

3.4.1 over the same period of time as the over-charge or under-charge occurred,

3.4.2 over the same number of units sold during the period of the over-charge or undercharge, or

3.4.3 include the entire amount in the reconciliation account. Refunds or charges shall be entered into the reconciliation account as they are collected from or returned to customers. For the purpose of Sec. 3.5, 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 Sec. 3.4, above.

3.5 Report. By August 31 of each year, Hughes shall file with the City of Magnolia, an annual Cost of Gas Reconciliation Report. The annual reconciliation report shall include, but not necessarily be limited to:

3.6.1 a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source, by month, for the twelve months ending June 30;

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3.6.2 a tabulation of gas volumes sold to general service customers and the related Cost of Gas Tariff revenues;

3.6.3 a summary of all other costs and refunds made during the year and the status of the reconciliation account.

Pipe Safety Fee 4.4

4.4 The pipeline safety fee for 2013 was a one time fee of \$0.60 per bill for each bill issued in March 2013; and the pipeline safety fee for 2014 was a one time fee of \$0.80 per bill for each bill issued in April 2014.

Maginc COSA

11.0 Cost of Service Adjustment (COSA)

11.1. Filing Dates. The Company shall make its annual filing no later than June 1, with adjusted rates to be effective for bills issued 90 days after the filing date. The filing shall include a completed filing schedule as approved by the City and a copy of the Railroad Commission Annual Report for the current year and a copy of the Railroad Commission Annual Report used in the previous annual COSA calculation. If the City takes exception to any part of the filing, the Company shall be provided a detailed description of the exception no later than 45 days after the filing date of a complete application and the parties agree to work together in good faith to resolve the difference.

11.2. Effective Date and Termination Date. This COSA Clause shall be effective on the date of its passage by City Ordinance and acceptance by Company and expire on December 31, 2016 unless the parties mutually agree to extend.

11.3 Components of Rate Adjustment. Calculation of the Cost of Service Adjustment will be based on calendar year operating expenses and return on investment. The Railroad Commission Annual Report for the current year and the previous year's COSA filing for previous year values shall be used as the basis for these calculations. For the initial filing in 2014, the Company shall use the annual report filed with the Railroad Commission in 2013 and executed on May 30, 2013, for the previous year's values.

11.3.1 Operating Expenses Formula. The Operating Expenses are calculated In accordance with the following formula:

Sum of Depreciation and Amortization Expense from FERC Account 403-405*, plus Taxes other than Federal Income Tax from FERC Account 408**, plus Distribution Expenses from FERC Accounts 870-894, plus Customer Related Expenses from FERC Account 901-916, plus Administrative & General Expenses from FERC Accounts 920-932, except 928, plus Interest on Customer Deposits from FERC Account 431 ***

Equals Operating Expenses

* Based on depreciation methods, lives and rates approved in GUD 10190

** Excluding City Franchise Tax, Gross Receipts Tax and any other revenue based taxes.

*** Excluding any other interest expense that may be posted in FERC Account 431.

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11.3.2 After Tax Return on Investment. The Rate of Return will remain constant at 9%, the level authorized in GUD 10190. The after tax return on investment is the Rate of Return multiplied by the Rate Base Balance for the applicable calendar year as reported in the Annual Report filed with the Railroad Commission.

11.3.2.1 Rate Base Balance Formula. The Rate Base Balance is calculated in accordance with the following formula:

Original Cost from FERC Account 101

Less the Accumulated Depreciation from FERC Account 108

Plus the Prepayments from FERC Accounts 132-134 and 166-176

Less the Customer Deposits from FERC Account 235

Less the Customer Advances from FERC Account 252

Less the Deferred Federal Income Taxes (Section 11.3.2.3)

Equals the Rate Base Balance

11.3.2.2 After Tax Return on Investment Formula. The After Tax Return on Investment is calculated in accordance with the following formula: Rate Base Balance (Section 11.3.2.1)

Multiplied by

9%, the Rate of Return approved in GUD 10190

Equals the After Tax Return on Investment

11.3.2.3 Deferred Federal Income Tax Formula. Deferred Federal Income Taxes are calculated in accordance with the following formula:

Accumulated Depreciation for federal income tax purposes

less the Accumulated Depreciation from FERC Accounts 108

Multiplied by

35%, the Federal Income Tax rate approved in OUD 10190

Equals Deferred Federal Income Taxes

11.3.3 Federal Income Tax Adjustment Formula. The federal income tax adjustment adjusts the after tax return on investment to a before tax return on investment. The Federal Income Tax Adjustment is calculated in accordance with the following formula:

After Tax Return on Investment (Section 11.3.2.2)

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Less Interest on Long Term Debt (Section 11.3.3.1)

Less Investment tax credit taken for that calendar year

Equals the taxable component of after tax return on investment

Multiplied by 35%, the Federal Income Tax rate approved in GUD 10190

Less Investment tax credit taken for that calendar year

Multiplied by

1.538462, the Gross Up-Factor approved in GUD 10190

Equals the Federal Income Tax Adjustment

11.3.3.1 Interest on Long Term Debt Formula. Interest on Long Term Debt is calculated in accordance with the following formula:

3.115%, the Debt Cost Component of Return approved in GUD 10190

Multiplied by

the Rate Base Balance{Section 11.3.2.1)

Equals the Interest on Long Term Debt

11.3.4 Rate Adjustment Factor. The Cost of Service Adjustment is calculated based on the Cost of Service for each year.

11.3.4.1 Cost of Service Formula. Cost of Service is calculated in accordance of the following formula:

Sum

Operating Expenses from Section 11.3.1 above, plus

After Tax Return on Investment from Section 11.3.2.2 above, plus

Federal Income Tax Adjustment from Section 11.3.3 above

Equals Cost of Service for a particular year

11.3.4.2 Cost of Service Adjustment Formula. The first Cost of Service Adjustment under this tariff will be calculated in 2014. The Cost of Service Adjustment is calculated in accordance with the following formula:

Cost of Service for the current year (Section 11.3.4.1), plus

Accrued Outstanding Cost of Service (Section 11.3.4.4)

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Less

Cost of Service (Section 11.3.4.1) for the prior year Equals Cost of Service Adjustment

11.3.4.3 Rate Adjustment Factor Formula. The first Rate Adjustment Factor under this tariff will be calculated in 2014. The Rate Adjustment Factor is expressed as a percentage and is calculated in accordance with the following formula:

Cost of Service (Section 11.3.4.1) for the prior year, plus

Cost of Service Adjustment (Section 11.3.4.2),

Divided by

Cost of Service (Section 11.3.4.1) for the prior year

Equals the Rate Adjustment Factor

The Rate Adjustment Factor may not exceed 105%, the Maximum Rate Adjustment Factor. Any portion of the Cost of Service Adjustment that exceeds the 105% limitation shall become the Outstanding Cost of Service Carry-Forward for the current year and accrued to the following year's COSA calculation.

The Rate Adjustment Factor may not be less than 100% unless the Company's approved rates, if applied system wide, would generate earnings in excess of the cost of service as determined under the COSA in the current year as calculated in Section 11.3.5.

11.3.4.4 Outstanding Cost of Service Carry-Forward Formula. The Outstanding Cost of Service Carry-Forward is calculated in accordance with the following formula if the Rate Adjustment Factor from Section 11.2.3.2 exceeds 105%:

Cost of Service Adjustment (11.3.4.2)

Less 5% multiplied by the prior year Cost of Service (Section 11.3.4.1)

Equals the Outstanding Cost of Service Carry-Forward to be added to the subsequent year's Accrued Outstanding Cost of Service

The Outstanding Cost of Service Carry-Forward is only applicable to the formula in this tariff and shall not be considered as approval for a deferred accounting or for the creation of a regulatory asset.

11.3.4.5 New Monthly Customer Charge Formula. The new Monthly Customer Charge is calculated in accordance with the following formula:

Rate Adjustment Factor (Section 11.3.4.3)

Multiplied by the Current Monthly Customer Charge

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Equals

New Monthly Customer Charge

11.3.4.6 New Volumetric Fee. The new Volumetric Fee IS calculated In accordance with the following formula: Rate Adjustment Factor (Section 11.3.4.3)

Multiplied by the Current Volumetric Fee Equals New Volumetric Fee 11.3.5

Earnings Verification Formula. Each filing will include a comparison of the Cost of Service for the current year to a proxy of the system wide revenues of Company had Company been authorized to charge the City approved rates system wide in the annual period covered by the annual report of the Company for the current year to determine if the Company's rates would produce excess earnings if charged system wide and is calculated in accordance with the following formula:

System wide customer bills multiplied by the customer charge approved by the City at the time of filing the COSA

Plus System wide volumes of sales multiplied by the volumetric charge approved by the City at the time of filing the COSA

Equals System Wide Revenue Proxy

If the System Wide Revenue Proxy for the current year exceeds the Cost of Service (Section 11.304.1) for the current year, a negative rate adjustment factor as calculated in Section 11.304.3 may be applied.

11.4 Regulatory Review of Annual Rate Adjustment. This Cost of Service Adjustment Clause does not limit the legal rights and duties of the City to regulate the rates and services of Company.

The annual Rate Adjustment shall take effect for bills issued 90 days after the filing date. During this ninety (90) day period, the Company will provide additional information and supporting documents as requested within ten (10) working days of the original request. If no action is taken by the City to approve, modify, or deny the proposed Rate Adjustment before the expiration of 90 days after the date a complete filing is made then the proposed Rate Adjustment shall be deemed approved.

11.5 Changed Circumstances. In the event the Company has a substantial increase in its Cost of Service in any given year or in the event the Accrued Outstanding Cost of Service exceeds 7% of the Cost of Service for the current year or in the event of a substantial change in the operations of the Company, the parties agree to negotiate in good faith to modify the Cost of Service Adjustment Clause to allow for a further increase in the Rate Adjustment. To the extent the parties cannot agree to any such increase in the Rate Adjustment in any particular year, the Company shall have the right to file a full statement of intent rate proceeding to change rates within the City. In the event the City denies a Rate Adjustment that is fully compliant with the provisions in this Cost of Service Adjustment Clause, the Company may file a full statement of intent proceeding to change rates within

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	the City.
	11.6 Rate Case Proceedings. Nothing herein prohibits the Company from filing for approval of a surcharge to recover relocation costs under Tex. Util. Code Section 104.112 for relocation projects completed after May 1, 2012. Relocation projects on the Company System completed on or before May 1, 2012 are allocated system wide and subsumed within the invested capital used to set the tariff rates approved by the City and the annual COSA adjustments. The Company shall present any future relocation filing on a system-wide basis, subject to approval of the Railroad Commission of Texas.
	11.8 Rate Case Related Expenses. Any legal and consulting expenses incurred by the City in the development, filing and review required by this COSA Clause (including any appeal proceeding) may be reimbursed by the Company. If the City seeks reimbursement under this provision, all invoices approved for reimbursement will be provided to the Company no later than thirty days after the conclusion of the proceeding and the Company shall make payment to the City no later than the sixty days after the conclusion of the proceeding.
	Any legal and consulting expenses incurred by the Company in the development, filing and review required by this COSA Clause (including any appeal proceeding) shall be reviewed by the City to determine if they are reasonable and whether and to what extent the expenses should be recovered from customers. A total with supporting documents and a proposed tariff shall be provided to the City for review and approval no later than twenty days after the conclusion of a proceeding.
	The City's expenses to be reimbursed by the Company shall not exceed the Company's expenses approved for reimbursement and the Company's expenses to be recovered shall not exceed the City's expenses approved for reimbursement. The total of both the City's expenses and the Company's approved expenses shall not exceed 20% of the increase in revenues attributable to the City's customers. If approved by the City for recovery from customers, the total of the City's and the Company's expenses approved for recovery shall be recovered by the Company over a twelve month period from customers located in the City through a monthly volumetric (per Met) surcharge beginning with bills issued after the City approves a surcharge tariff and the Company pays the City and ending when the Company has fully recovered both the amounts reimbursed by the City and amounts incurred by the Company and approved by the City.

RATE ADJUSTMENT PROVISIONS

None

CUSTOMERS

<u>RRC CUSTOMER NO</u>	<u>CONFIDENTIAL?</u>	<u>BILLING UNIT</u>	<u>PGA CURRENT CHARGE</u>	<u>PGA EFFECTIVE DATE</u>
27024	N	ccf	\$.8540	08/01/2014
<u>CUSTOMER NAME</u>	Magnolia Incorporated			
27024	N	ccf	\$.9006	10/01/2014
<u>CUSTOMER NAME</u>	Magnolia Incorporated			

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REASONS FOR FILING

NEW?: N RRC DOCKET NO: CITY ORDINANCE NO: 2013-034

AMENDMENT(EXPLAIN)GOSA Rate Adjustment

OTHER(EXPLAIN):

SERVICES

<u>TYPE OF SERVICE</u>	<u>SERVICE DESCRIPTION</u>
B	Commercial Sales
<u>OTHER TYPE DESCRIPTION</u>	
A	Residential Sales
<u>OTHER TYPE DESCRIPTION</u>	

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RRC COID: 5181 COMPANY NAME: HUGHES NATURAL GAS, INC.

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MAGENV Cost of Gas	<p>3.0 Cost of Gas Tariff</p> <p>3.1 Identification on bills. Hughes shall include on each customer bill the reasonable and necessary cost of gas purchased by Hughes.</p> <p>3.2 Definitions. The following definitions apply to this Cost of Gas Tariff:</p> <p>3.2.1 Cost of Gas. The total calculation, under this Cost of Gas Tariff, consisting of the commodity cost, a reconciliation component, and related fees and taxes.</p> <p>3.2.2 Cost of purchased gas. The weighted average cost of gas purchased by Hughes from all sources, calculated by summing the cost of gas purchased and applicable third party charges, then, dividing that sum by total volumes purchased.</p> <p>3.2.3 Purchases / Sales ratio. A ratio determined by dividing the total volumes purchased for customers during the twelve month period ending June 30 by the sum of volumes sold to customers. For the purpose of this computation, all volumes shall be stated at 1.465 pound-force per square inch absolute (psia). Such ratio shall in no event exceed 1.0526 i.e. 1/(1- 0.05) unless expressly authorized by the applicable regulatory authority.</p> <p>3.2.4 Reconciliation account. The account maintained by Hughes to ensure that, over time, Hughes will neither over-collect nor under-collect revenues as a result of the operation of this Cost of Gas Tariff. Entries shall be made monthly to reflect:</p> <ul style="list-style-type: none"> - the total amounts paid to Hughes` suppliers for natural gas applicable to general service customers, as recorded in the company`s books and records, - revenues produced by the operation of this Cost of Gas Tariff, - refunds, payments, or charges provided for herein or as approved by the regulatory authority. <p>3.2.5 Reconciliation audit. An annual review by Hughes of its books and records for each twelve month period ending with the June accounting month to determine the amount of over-collection or under-collection occurring during that twelve month period. The reconciliation audit conducted by Hughes shall determine:</p> <ul style="list-style-type: none"> - the total amount paid for gas purchased by Hughes to provide service to its general service customers during the period, - the revenues received from operation of the provision of this Cost of Gas Tariff, reduced by the amount of revenue-associated fees and taxes paid on those revenues,

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- the total amount of refunds made to customers during the period and any other revenues or credits received by Hughes as a result of relevant gas purchases or operation of this Cost of Gas Tariff,

- an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

3.2.6 Reconciliation component. The amount to be returned to or recovered from customers each month on customer bills covering usage for September through May, as a result of Hughes` reconciliation audit.

3.3 Determination and application of the reconciliation component. If the reconciliation audit reflects either an over-recovery or an under-recovery of revenues, such amount shall be divided by the general service customer sales volumes, for the period beginning with the preceding October billing cycle through the June billing cycle. The reconciliation component, so determined to collect any revenue shortfall or to return any excess revenue, shall be applied for a nine (9) month period beginning with the next October billing cycle and continuing through the next June billing cycle at which time it will terminate until a new reconciliation component is determined.

3.4 Surcharge or refund procedures. In the event that the rates and charges of Hughes` suppliers are retroactively reduced, and a refund of any previous payment is made to Hughes, Hughes shall make a similar refund to its general service customers. Similarly, Hughes may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. If the payment or refund related to gas purchased by Hughes is for a period of twelve consecutive months or longer, the total amount recovered or refunded shall be divided by the general services sales made to general service customers during this applicable period. With regard to amounts received or paid that are applicable to periods less than twelve consecutive months, Hughes shall refund or collect such amounts using one of the following three methods:

3.4.1 over the same period of time as the over-charge or under-charge occurred,

3.4.2 over the same number of units sold during the period of the over-charge or undercharge, or

3.4.3 include the entire amount in the reconciliation account. Refunds or charges shall be entered into the reconciliation account as they are collected from or returned to customers. For the purpose of Sec. 3.5, 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 Sec. 3.4, above.

3.5 Report. By August 31 of each year, Hughes shall file with the Commission, an annual Cost of Gas Reconciliation Report. The annual reconciliation report shall include, but not necessarily be limited to:

3.6.1 a tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source, by month, for the twelve months ending June 30;

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3.6.2 a tabulation of gas volumes sold to general service customers and the related Cost of Gas Tariff revenues;

3.6.3 a summary of all other costs and refunds made during the year and the status of the reconciliation account.

MagEnv General

1.0 General Tariff 1.1

Application of tariffs.

The tariffs of Hughes Natural Gas, Inc. (Hughes) apply only to areas served by Hughes in the following named unincorporated areas:

Bellville environs, Brenham environs, Columbus environs, Conroe environs, Hempstead environs, Magnolia environs, Montgomery environs, Navasota environs, Prairie View environs, Stagecoach environs, Todd Mission environs, Tomball environs, Waller environs.

1.2 (A) Rates. The following rates are effective for bills rendered on and after the date of the Commission's Final Order in Gas Utilities Docket 10190:

1.2.1 Monthly Customer Charge, residential and commercial customers: \$17.10, applies per meter, per month;

1.2.2 Volumetric Fee, residential and commercial customers: \$7.05, applies per thousand cubic feet (Mcf);

(B) Rates. The following rates are effective for bills rendered one year after the date of the Commission's Final Order in Gas Utilities Docket 10190:

1.2.3 Monthly Customer Charge, residential and commercial customers: \$18.35, applies per meter, per month;

1.2.4 Volumetric Fee, residential and commercial customers: \$7.05, applies per thousand cubic feet (Mcf);

1.3 Customer Bills. Hughes' bills are rendered monthly to customers. Each bill shall include the following:

- Monthly Customer Charge,
- Volumetric Fee, as adjusted by the Weather Normalization Factor, if applicable,
- Cost of Gas, - Tax Adjustment, if applicable, - Rate Case Expense Surcharge,
- Miscellaneous Service fees, if applicable,
- Deposit fees or credits, if applicable,
- Line Extension charges, if applicable, and
- Pipeline Safety and Regulatory Program Surcharge, once annually.

The Monthly Customer Charge is the minimum amount included on a customer bill.

Hughes may, at its option, bill the Volumetric Fee in thousands of cubic feet (Mcf) or in hundreds of cubic feet (Ccf). The Volumetric Fee per Ccf is 1/10th of the

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Volumetric Fee per Mcf.

The due date for remittance of a payment to Hughes shall be not less than 15 days after the date the bill is issued, in accordance with 16 TEX. ADMIN. CODE Section7.45(4)(A). Hughes late payment fee applicable to bill payments received after the due date is zero (\$0.00).

1.4 Tax Adjustment. Any applicable Taxes including ad Valorem Taxes and State Franchise Taxes affecting the Cost of Service shall be reflected as separate line items specifically identifying the tax on Customer invoices, and shall be reported to the Commission. The tax adjustment shall be an amount equivalent to the proportionate part of an existing tax or new tax or any governmental imposition, rental fee, or charge levies, assessed or imposed subsequent to the effective date of this tariff.

1.4.1 Formula. 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.

In this formula, the Volume (Mcf) billed refers to the volume of gas sold during the usage month that the adjustment is included on customer bills.

1.4.2 Reconciliation. Within 45 days after applying a tax adjustment and collecting the adjustment, the Company shall provide the Commission a reconciliation detailing the calculation of the adjustment and reconciling the amounts collected. If the reconciliation reflects either an over-recovery or an under-recovery of revenues of more than \$0.50 per customer, such amount shall be carried forward and applied in the next billing cycle. If the over-recovery or an under-recovery of revenues is less than \$0.50 per customer, the Company shall carry-forward the amount until the next application of the tax adjustment.

MAGENV Pipe Saf

4.0 Pipeline Safety and Regulatory Program Tariff

4.1 Fee. Once annually, Hughes shall remit to the Commission the fee required in 16 TEX. ADMIN. CODE Section8.201.

4.2 Surcharge. During the next billing cycle following Hughes remittance to the Commission of the fee, Hughes shall include on its customers bills a Pipeline Safety and Regulatory Program Surcharge, to the extent authorized in 16 TEX. ADMIN. CODE Section8.201.

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

Commission on Hughes
 by
 Rule 8.201(b) fee assessed by the
 Divided

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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.

MAGENV Rate Case Exp

5.0 Rate Case Expense Surcharge.

5.1 The Rate case Expense Surcharge shall be in effect beginning on or after the date of the Commissions Final Order in Gas Utilities Docket No. 10190 and will continue for approximately six years until all of the rate case expense recovery approved in the Final Order is fully recovered.

5.2 The surcharge rate shall be \$0.57 per Mcf.

5.3 Formula: Fee Approved by the Commission of \$0.57 per Mcf Multiplied by Volume (Mcf) billed that month Equals the Rate Case Expense Surcharge on that bill

5.4 This surcharge is in addition to other rates and surcharges set forth in this tariff.

5.5 Report. Hughes shall file an annual Reconciliation of the Rate Case Expense Surcharge collected during the previous calendar year with the Commission. The Report shall be filed when the RRC Annual Report is filed.

MAGENV Weather

2.0 Weather Normalization Tariff

2.1 WNF. The Weather Normalization Factor (WNF) is a factor that adjusts the Volumetric Fee for each 1,000 cubic feet (Mcf) 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 five-month period beginning with November and ending with March.

2.2 Formula. The WNF is calculated, as follows:

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

Where: Adjusted Heating Load (Mcf) = 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 1980 through 2010 at their weather station in Conroe, Texas. The AvgHDD values used to calculate the WNF are: November 191, December 428, January 453, February 320, March 172.

Base Non-Heating Load (Mcf) = 2.00 times the number of bills issued

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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.

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

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

Weather Normalization months = November, December, January, February, March

2.3 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 month to demonstrate how the company calculated the WNF, using the following format:

FORMAT FOR WNF COMPLIANCE REPORT

Line 1 AvgHDD

Lines 2-3 blank

Line 4 HDDs (for Conroe weather station)

Lines 5-6 blank

Line 7 Bills

Line 8 blank

Line 9 Base Non-heating load (Met), which is Line 7 times 2.19

Line 10 blank

Line 11 Total Volumes Sold

Line 12 blank

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

Lines 14-15 blank

Line 16 HDD Factor, which is Line 4 divided by Line 2

Line 17 blank

Line 18 Adjusted Heating Load (Mcf), 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 Mcf)

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 five Weather Normalization months, with fields populated for the latest and prior months in a winter season.

Pipe Safety Fee 4.4 4.4 The pipeline safety fee for 2013 was a one time fee of \$0.60 per bill for each bill issued in March 2013; and the pipeline safety fee for 2014 was a one time fee of \$0.80 per bill for each bill issued in April 2014.

RATE ADJUSTMENT PROVISIONS

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None

CUSTOMERS

<u>RRC CUSTOMER NO</u>	<u>CONFIDENTIAL?</u>	<u>BILLING UNIT</u>	<u>PGA CURRENT CHARGE</u>	<u>PGA EFFECTIVE DATE</u>
27025	N	ccf	\$1.0888	04/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			
27025	N	ccf	\$.9811	06/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			
27025	N	ccf	\$.9277	07/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			
27025	N	ccf	\$.9768	05/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			
27025	N	ccf	\$.9006	10/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			
27025	N	ccf	\$.8540	08/01/2014
<u>CUSTOMER NAME</u>	Magnolia Environs			

REASONS FOR FILING

NEW?: N RRC DOCKET NO: GUD 10190 CITY ORDINANCE NO:
 AMENDMENT(EXPLAIN) Pipeline Safety Fee
 OTHER(EXPLAIN):

SERVICES

<u>TYPE OF SERVICE</u>	<u>SERVICE DESCRIPTION</u>
A	Residential Sales
<u>OTHER TYPE DESCRIPTION</u>	
B	Commercial Sales
<u>OTHER TYPE DESCRIPTION</u>	