LINDIL C. FOWLER, JR., GENERAL COUNSEL
GAS SERVICES SECTION

RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

December 1, 1997

ALL PARTIES OF RECORD

Re: **Gas Utilities Docket No. 8664**
Statement of Intent Filed by Lone Star Gas Company and Lone Star Pipeline Company, Divisions of Enserch Corporation, and ENSAT Pipeline Company to Increase the Intracompany City Gate Rate Established in GUD 3543.

Please find attached a copy of the signed Second Order on Rehearing, Nunc Pro Tunc, signed in Open Conference on Tuesday, November 25, 1997, in the above-referenced docket.

Very truly yours,

James Z. Brazell
Hearings Examiner
Gas Services Section
Office of General Counsel

Karen J. Cox
Hearings Examiner
Gas Services Section
Office of General Counsel

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RAILROAD COMMISSION OF TEXAS
OFFICE OF GENERAL COUNSEL

GAS UTILITIES DOCKET NO. 8664

STATEMENT OF INTENT OF LONE STAR GAS COMPANY AND LONE STAR PIPELINE COMPANY, DIVISIONS OF ENSERCH CORPORATION, AND ENSAT PIPELINE COMPANY TO INCREASE THE INTRACOMPANY CITY GATE RATE

SECOND ORDER ON REHEARING
NUNC PRO TUNC

Notice of Open Meeting to consider this order was duly posted with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Ann. §551, *et seq*.

Between August 29 and September 4, 1997, the parties filed motions for rehearing of the Commission's August 18, 1997, Order on Rehearing in this docket. Between September 12 and 15, 1997, the parties filed responses to motions for rehearing of the other parties. On September 23, 1997, the Commission extended the time for ruling on motions for rehearing until November 13, 1997. The Commission has considered the motions for rehearing, the responses, and argument of the parties, the recommendations of Staff, the recommendations of the examiners, and the entire record.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS that the parties' motions for rehearing are hereby **GRANTED IN PART** and **DENIED IN PART**, as more particularly described in the following sections and in the attached findings of fact, conclusions of law, ordering paragraphs, and schedules:

I. Issues Upon Which Rehearing is Granted

IT IS ORDERED BY THE RAILROAD COMMISSION OF TEXAS that rehearing is **GRANTED** on the following specific issues included in the parties' motions for rehearing:

A. Motion for Rehearing of Lone Star Gas Company, *et al.*

Point of Error No.	Specific Issue/Item	Correction, Change, or Revision
7	Finding of Fact Nos 17 and 18	Change language of Finding of Fact No. 17 to read: "Total allocated plant in service for LSP-Excluding Storage is $149,191,618." Change language of Finding of Fact No. 18 to read: "Total allocated plant in service for LSP-Storage is $45,005,317."

7	Finding of Fact Nos. 22 and 23	Delete the text of Finding of Fact Nos. 22 and 23.
8	Finding of Fact No. 116,	Removing the word "advertising" from Finding of Fact No. 116.
12	Finding of Fact No. 138, R-8	Add term "affiliates" to the list of entities that now contains the terms "divisions" and "third parties" in R-8 in Finding of Fact No. 138. Include language "same class of purchased gas" in R-8 applies to one item, namely purchased gas in R-8 in Finding of Fact No. 138.
12	Ordering Paragraph No. 6, R-8	Add term "affiliates" to the list of entities that now contains the terms "divisions" and "third parties" in R-8 in Ordering Paragraph No. 6. Include language "same class of purchased gas" in R-8 applies to one item, namely purchased gas in R-8 in Ordering Paragraph No. 6.
14	Finding of Fact No. 5	Correct Finding of Fact No. 5 to reflect that only two unincorporated divisions of Enserch Corporation, Lone Star Pipeline Company and Lone Star Gas Company - Transmission, were the subject of this proceeding.
14	Finding of Fact No. 127	Include language to the effect that Lone Star's gas cost varies substantially from month to month.

II. Issues Upon Which Rehearing is Denied

IT IS FURTHER ORDERED that rehearing of all other issues, including all points of error, specific or general issues, requests for relief, or any other matters raised, proposed, or requested in the parties' motions for rehearing and not specifically listed, described, and approved for rehearing in the preceding section, is **DENIED**.

III. Revised Findings of Fact, Conclusions of Law Ordering Paragraphs, and Schedules

IT IS FURTHER ORDERED that the revised findings of fact, conclusions of law, ordering paragraphs, and schedules showing detail of the Commission-approved amounts for investments, revenues, and expenses attached to this Second Order on Rehearing are hereby **APPROVED** and incorporated herein for all purposes.

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

SIGNED this 25th day of November 1997.

RAILROAD COMMISSION OF TEXAS

Carole Keeton Rylander

Carole Keeton Rylander

I disagree with the use of Lone Star's proposed service lives and salvage values and would have adopted the recommendation in the Proposal for Decision on these issues.

Barry Williamson

Barry A. Williamson

I disagree with the treatment of gain on the sale of the Oklahoma property.

Charles R. Matthews

ATTEST:

Kim Williamson

Secretary

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ATTACHMENT A

FINDINGS OF FACT
(As Revised on Rehearing)

1. On October 25, 1996, Lone Star Gas Company and Lone Star Pipeline Company, Divisions of Enserch Corporation, and ENSAT Pipeline Company (Lone Star or the Company) filed with the Railroad Commission of Texas (Commission) a statement of intent to increase the intracompany city gate rate. Lone Star's original effective date was November 29, 1996.

2. Lone Star Gas Company-Transmission (LSG-T) is the operating unit of Lone Star Gas Company that purchases gas supplies for customers served by Lone Star Gas Company-Distribution (LSG-D), the operating unit of Lone Star Gas Company that distributes gas downstream of the city gates, primarily within cities. Lone Star Pipeline Company (LSP) transports the gas purchased by LSG-T to the city gates of the approximately 550 communities served by LSG-D, and also stores gas purchased by LSG-T for future delivery to LSG-D's city gates.

3. On November 12, 1996, the Commission suspended the rates for 150 days from the date on which the rates would otherwise go into effect.

4. On January 22, 1997, Lone Star extended its effective date for one week, from November 29, 1996, to December 6, 1996. During the hearing, Lone Star extended its effective date to December 21, 1996; consequently, the last day for the Commission to act is May 20, 1997.

5. Two unincorporated divisions of Enserch are involved in this rate case; (1) Lone Star Pipeline, including LSP-Excluding Storage and LSP-Storage; and (2) Lone Star Gas - Transmission.

6. One incorporated subsidiary of Enserch, ENSAT Pipeline, was a party to the hearing. That entity's revenues and expenses were included in the revenues and expenses of LSP - Excluding Storage.

7. On October 25, 1996, Lone Star mailed by certified mail, return receipt requested, notice of the Statement of Intent to each incorporated city affected by the filing.

8. From October 29, 1996, through January 5, 1997, Lone Star published notice once each week for four consecutive weeks in a newspaper of general circulation in each county containing territory affected by the proposed increase.

9. Lone Star used a test year from July 1, 1995 through June 30, 1996.

10. Lone Star's system of accounts is consistent with the NARUC system of accounts. Lone Star has different account numbers for 25 of its accounts, seven percent of the total. The difference between systems of accounts did not unduly prejudice the parties in this hearing. Therefore, Lone Star's account entries are probative.

11. DELETED

12. DELETED

13. DELETED

14. Denying the Aligned Cities' request to order Lone Star to provide quarterly tracking reports on the merger savings in GUD No. 8647 is reasonable because any merger - related savings will be analyzed when the Company returns to file a city gate rate case three years after the effective date of the merger.

15. Approval of Aligned Cities' proposal that Lone Star be required to file a study analyzing the potential for pipeline open access in GUD No. 8647 is reasonable.

16. Ordering Lone Star to file a statement of intent three years after the effective date of the merger for consideration of the changes in the cost of service established in this case is reasonable because that will allow Lone Star to prepare a statement of intent using a full test year of post-merger data.

17. Total allocated plant in service for LSP-Excluding Storage is $149,191,618.

18. Total allocated plant in service for LSP-Storage is $45,005,317.

19. Adjustments of ($376,000) to the original cost of LSP-Storage stated in Finding of Fact No. 18 and of $253,000 to the accumulated depreciation of LSP-Storage stated in Finding of Fact No. 23 for a net adjustment to LSP-Storage plant in service of ($102,000) shown on Lines 1 and 3 of Schedule I-B are reasonable to remove the investment in the Leeray storage facility. The adjustment to the original cost is the sum of ($355,000) adjustment for the storage facility and ($21,000) for the cushion gas.

20. The Company is closing this facility and removing all the gas that can be removed from it. It will no longer be used and useful in providing utility service to city gate customers during the rate year.

21. An adjustment to the requested amount of completed construction not closed of

($86,754), based on the disallowance from rate base of the value of investment in this category which is now producing revenue, is reasonable.

22. DELETED

23. DELETED

24. It is reasonable not to adjust rate base for LSP-Excluding Storage to account for gains on the sale of plant because no evidence was presented to support such an adjustment.

25. It is not reasonable to apply an allocation factor of 69 percent that was designed to recognize city gate class retention, because there was no evidence introduced to compare the accumulated depreciation city gate customers could claim with and without the retention of industrial and electric generation customers on the system.

26. A calculation of accumulated depreciation using the same overall allocation factor used to allocate original cost is reasonable.

27. Allowing $80,395 CWIP for LSP-Excluding Storage, before allocation to the city gate, and $32,717 after allocation to the city gate, is reasonable.

28. Allowing $10,386 for CWIP for LSP-Storage before allocation to the city gate and $9,891 after allocation to the city gate is reasonable.

29. An adjustment of ($255,484) to the Company's requested CWIP for LSP-Excluding Storage, before allocation to the city gate, is reasonable because this is the amount of CWIP investment completed subsequent to the test year but prior to the order that is currently being used to provide city gate service.

30. An adjustment of ($33,004) to the Company's requested CWIP for LSP-Storage, before allocation to the city gate, is reasonable this is the amount of CWIP investment completed subsequent to the test year but prior to the order that is currently being used to provide city gate service.

31. RWIP for LSP-Excluding Storage of ($156,822) before allocation to the city gate and ($63,819) after allocation is reasonable.

32. RWIP for LSP-Storage of ($20,259) before allocation to the city gate and ($19,293) after allocation is reasonable.

33. Cash working capital of zero for LSP-Excluding Storage is reasonable.

34. Cash working capital of zero for LSP-Storage is reasonable.

35. Cash working capital of zero for LSG-T is reasonable.

36. In the absence of a reliable lead-lag study which the Company had the ability and wherewithal to perform (particularly since the divisions of the Company participating in the rate case each have only one customer), it is reasonable to deny the Company's requested cash working capital component of rate base for LSP-Excluding Storage, LSP-Storage, and LSG-T which was derived using the one-eighth rule.

37. Lone Star disclosed its actual procedure for paying its bills for the first time in filed rebuttal testimony, despite having been asked to do so by the Aligned Cities during discovery. Therefore, admonishing Lone Star for failing to disclose its actual settlement practices in a timely manner is appropriate.

38. DELETED

39. DELETED

40. DELETED

41. Inventory of $579,662 and prepayments of $342,081 for LSP-Excluding Storage, after allocation, are reasonable.

42. Inventory of $175,239 and prepayments of $103,415 for LSP-Storage, after allocation, are reasonable.

43. Unrestored ITC's of ($3,712,752) for LSP-Excluding Storage and ($1,122,413) for LSP-Storage allocated to the city gate are reasonable.

44. ADFIT of ($17,808,651) for LSP-Excluding Storage after allocation to the city gate is reasonable.

45. ADFIT of ($5,383,786) for LSP-Storage after allocation to the city gate is reasonable.

46. ADFIT of $4,182,965 for LSG-T after allocation to the city gate is reasonable.

73. A (2,322,553) Mcf volume adjustment and a ($8,951,283) revenue adjustment for weather normalization for LSG-T, before allocation, are reasonable.

74. A (1,215,265) Mcf volume adjustment and a $622,773 revenue adjustment for revenues due to customer growth for LSP-Excluding Storage, before allocation, are reasonable.

75. A (1,215,265) Mcf volume adjustment and a $4,686,209 as a revenue adjustment to revenues for customer growth for LSG-T, before allocation, are reasonable.

76. A (595,436) Mcf volume adjustment and a ($1,204,699) revenue adjustment for LSP-Excluding Storage to reflect the transfer of gathering facilities, before allocation, are reasonable.

77. A ($3,478,157) adjustment before allocation to revenue for the restructuring of the affiliate transaction is reasonable. This adjustment is required to account for changes to the test year revenue figures that will be in place during the rate year. Severing into GUD No. 8647 any consideration of refunds of test year overcharges caused by the affiliate transaction is reasonable.

78. A $3,159,316 adjustment before allocation for LSP-Excluding Storage to other revenue to account for revenues from rent of gas property and other gas revenue and to exclude revenues due to the transfer of facilities to EPI is reasonable.

79. Approving Aligned Cities' proposed standby revenue credit to LSP-Storage of ($1,183,238), after allocation, is reasonable. This adjustment includes revenue the Company receives from its non-city gate storage customers. The costs to the Company of providing this service affect the costs borne by the city gate customers; therefore, it is reasonable to reduce LSP-Storage cost of service to account for them.

80. An adjustment of ($7,731,248) to LSG-T before allocation to recognize revenue differences due to changes in the Company's gas cost adjustment mechanism is reasonable.

81. DELETED

82. A ($7,040,764) adjustment to LSP-Excluding Storage expenses before allocation to reflect the transfer of gathering facilities to Enserch Processing, Inc. is reasonable.

83. Denying the Company's requested inflation adjustment to O&M expenses for LSP-Excluding Storage is reasonable. Revenue attrition due to inflation is one of the few incentives for regulated monopolies to cut costs. Allowing adjustments for inflation in regulated utilities

rate filings eliminates one of the few market forces to which such utilities are subject. The requested inflation adjustments should also be denied because the rate of inflation during the rate year cannot be known or measurable.

84. An adjustment to LSP-Excluding Storage O&M expenses of ($1,681,993) before allocation is reasonable to exclude the Company's requested inflation adjustment.

85. An adjustment to LSP-Storage O&M expenses of ($127,325) before allocation is reasonable to exclude the Company's requested inflation adjustment.

86. An adjustment to LSG-T O&M expenses of ($91,804) before allocation to exclude the Company's requested inflation adjustment.

87. It is reasonable include a special labor adjustment of only the amount actually awarded as salaries during the test year to specific employees. A generally-stated increase to labor expenses, without evidence indicating which employees' salaries will be increase by what amounts, is not a reasonable adjustment to labor expenses.

88. A ($530,467) adjustment before allocation to the Company's requested special labor adjustment for LSP-Excluding Storage is reasonable.

89. Total depreciation expense for LSP-Excluding Storage of $8,441,771 after allocation and total depreciation expense for LSP-Storage of $1,858,612 after allocation are reasonable.

90. DELETED

91. DELETED

92. Because it provides a more accurate estimate of the actual consumption of property, the ELG depreciation procedure requested by Lone Star is reasonable.

93. The service lives and salvage values proposed by Lone Star are reasonable.

94. Reimbursed retirements should be treated according to the procedure prescribed in the NARUC System of Accounts.

95. DELETED

96. The number of employees, level of overtime expenses, and severance payments

must be annualized and normalized to eliminate anomalous, unusual, or extraordinary events during the test year.

97. Because the Company capitalizes a portion of its labor expense, it is reasonable to apply a capitalization factor of 19.32 percent to the labor expenses to produce the adjustments.

98. The annualization and normalization adjustment for LSP-Excluding Storage labor expenses is ($1,433,957) before allocation to the city gate.

99. The annualization and normalization adjustment LSP - Storage is ($86,466) for before allocation to the city gate.

100. The normalization and annualization adjustment to labor expenses for LSG-T is ($112,165) before allocation to the city gate.

101. The number of employees of the Company declined from 663 at the end of the test year to 650 on November 1, 1996.

102. The Company's overtime factor fluctuated between 3.67 and 5.93 percent during the period of time from 1994 to the end of the test year.

103. The average overtime factor for the last thirty months is 5.079 percent.

104. The Company had severance expenses of $70,274 for 1993, $0 for 1994, $629,110 for 1995, and $116,193 for the first six months of 1996. $367,934 of the 1995 severance expenses were included in the test year.

105. The number of support employees declined from 636 at the beginning of the test year to 525 at the end of the test year.

106. An expense capitalization factor of 19.32 percent is reasonable.

107. It is reasonable to require the Company to externally fund other post employment benefits (OPEB) expenses.

108. Requiring the Company to place amounts recovered through rates for OPEBs in an irrevocable external trust fund is reasonable to ensure that:

a. the Company does not over-recover ratepayer supplied capital collected;

b. the funds will be available to pay benefits when required;

c. the costs of administering the program are kept low and the funds collected from ratepayers are kept separately so that they can be returned to ratepayers if the fund is ended or if the Commission orders the funds returned.

109. It is reasonable to impose the following requirements on the Company concerning the administration of the fund:

a. the fund shall be established within six months of the date of the order;

b. the fund shall be dedicated strictly to the payment of OPEB expenses;

c. the fund shall receive deposits monthly and the plan should, to the extent permissible by federal tax laws, provide for the deduction of contributions and allow earnings to accumulate free from taxes.

110. Approving the Company's requested conversion from pay-as-you-go accounting to accrual accounting under Financial Accounting Standards No. 106 is reasonable. Accrual accounting provides a more appropriate matching between incurring of costs, recovery of revenue, and the provision of service by employees.

111. Allowing the Company to recover the transition obligation for LSP-Excluding Storage, LSP-Storage, and LSG-T over time is reasonable because this procedure:

a. recognizes that the accounting change was imposed on the Company by the Financial Accounting Standards and the Company had no notice that pay-as-you-go would be insufficient after the change;

b. insures the financial integrity of the Company is not diminished by the change in accounting practice;

c. gives due consideration to the change caused by FAS 106;

d. spreads the impact of the change over an extended period, reducing the effect on ratepayers.

112. DELETED

113. Denying Aligned Cities' proposed 1.5 percent and ($6,039) medical cost trend adjustment is reasonable because there was no evidence to support a conclusion that the Company's medical cost trends assessment was incorrect.

114. Adopting the Aligned Cities proposed reduction of $0.32 per dollar reduced from payroll for LSP-Excluding Storage, LSP-Storage, and LSG-T, to account for a decrease in employees since the end of the test year is reasonable.

115. Approving payroll expense for LSP-Excluding Storage, LSP-Storage, and LSG-T in the amounts detailed in the attached schedules is reasonable.

116. A ($743,660) adjustment before allocation and ($302,632) after allocation for LSP-Excluding Storage is necessary to remove customer accounting expenses and sales expenses that are not associated with city gate customers.

117. An adjustment of ($178,703) to Account No. 93003, Industry Association Dues, is necessary in order to exclude dues that are used in part to support lobbying activities.

118. DELETED

119. DELETED

120. It is necessary to make the ($743,660) adjustment before allocation to the city gate stated in Finding of Fact No. 116 to remove costs of the Company's Marketing Group, which works exclusively with the Company's distribution system industrial customers, from the expenses to be recovered from the city gate residential and commercial customers. The Marketing Group does not provide services useful to the city gate, and therefore its exclusion from the cost of service on which return is permitted is reasonable.

121. DELETED

121A. The O & M expenses for LSP-Excluding Storage, LSP-Storage, and LSG-T shown in attached Schedules 1-A, 1-B, and 1-C are reasonable.

122. The federal income tax expense for LSP-Excluding Storage is $3,823,939 as demonstrated in Schedule 1-A; federal income tax expense for LSP-Storage is $1,651,921, as demonstrated in Schedule 1-B; federal income tax expense for LSG-T is $3,116,940, as demonstrated in Schedule 1-C. These amounts are reasonable.

123. Taxes other than income for LSP-Excluding Storage are $3,359,568, as demonstrated in Schedule 1-A; taxes other than income for LSP-Storage are $763,132, as demonstrated in Schedule 1-B; taxes other than income for LSG-T are $928,295, as demonstrated in Schedule 1-C. These amounts are reasonable.

124. An adjustment of $622,773 to expenses for LSP-Excluding Storage is necessary to account for increased costs due to customer growth.

125. An adjustment of $4,686,209 for LSG-T is necessary to account for increased expenses due to customer growth.

126. The city gate revenue requirement for LSP-Excluding Storage as demonstrated in Schedule 1-A; city gate revenue requirement for LSP - Storage as demonstrated in Schedule 1-B; and city gate revenue requirement for LSG-T as demonstrated in Schedule 1-C are reasonable.

127. Gas cost is the most significant expense of a gas utility. Lone Star's gas cost varies substantially from month to month. It is permissible to set gas cost at a level that becomes a part of the cost of service. To simply set a base price of gas in this order would not be reasonable, because that would allow overrecovery from ratepayers if the price of gas fell below that level and would result in underrecovery if the market price rose above the set level for a sustained period of time.

128. Modifying the existing Gas Cost Adjustment Clause from GUD No. 3543 to add a periodic reconciliation procedure conducted at 36 month intervals is reasonable.

129. Reviewing and applying in this docket only those standards that are required to determine the appropriate prospective gas cost recovery mechanism is reasonable.

130. Severing all issues related to refunds for gas cost recovered in past periods and through the date this order is signed from this docket and reserving such issues for consideration in GUD No. 8647 is reasonable.

131. Severing all issues related to purchasing and contracting practices through the date this order is signed and reserving them for consideration in GUD No. 8647 is reasonable. Periodic reconciliation is reasonable.

132. In accordance with the Company's projected WACOG from 1997 through 2003, a base rate cost of gas component of $2.20 per Mcf is reasonable.

133. DELETED

134. DELETED

135. DELETED

136. The Company buys some gas from affiliates. It is reasonable to impose restrictions on the Company that force it to comply with the statutory standard for affiliate transactions.

137. DELETED

138. Imposing the following pricing restrictions on the GCAC is reasonable:

R-1 DELETED

R-2. DELETED

R-3. DELETED

R-4. DELETED

R-5. DELETED

R-6. DELETED

R-7. DELETED

R-8. affiliate purchases may be included at the lowest price charged by the affiliated supplier to other divisions, affiliates, or third parties for the same class of purchased gas;

R-9. spot purchases made to cover imbalances to transportation customers may not be included;

R-10. the duplicative approximately $0.58 per Mcf NGPA §311 transport fee component for LSGCOT/ONEOK purchases may not be included;

R-11. any other similar double charges for transportation due to an NGPA §311 rate charged for service that is implicitly contained in the city gate rate, or any other cause, may not be included;

R-12. charges under the LSGCOT/ONEOK contract may be included at LSGCOT's actual cost;

R-13. charges by affiliates of any margin above the affiliate's cost of gas may not be included;

R-14. take-or-pay payments to affiliated companies may not be included unless Lone Star obtains the approval of the Director of the Gas Services Section in writing prior to inclusion, *i.e.*, Contract No. 3708, Enserch Exploration, Inc.; and

R-15 DELETED

139. It is reasonable to require Lone Star to file a reconciliation application with the Commission every 36 months to seek a Commission determination of the reasonableness and necessity of its gas purchases during the prior 36-month period. The Commission may order surcharge or refund, as appropriate. The first such proceeding shall be initiated 36 months from the date this order is signed.

140. It is not necessary in this case to rule on the prudence of past gas purchase practices in order to set a going forward gas cost recovery mechanism. Therefore, it is not necessary to find that the Company requested "no hindsight" standard is a necessary standard for determining the prospective gas cost and gas cost recovery mechanism. The appropriate standard for determining the reasonableness and necessity of historic gas cost is an issue which will be considered on an expedited basis in GUD No. 8647.

140A. The current GCAC should be modified to include a LUG/CUG factor of .9890.

141. DELETED

142. DELETED

143. DELETED

144. DELETED

145. DELETED

146. DELETED

147. Comparison to other LDCs is a proper standard for determining the appropriate gas cost to be included in the Company's GCAC, particularly in determining the reasonableness of the examiners proposed $2.20 base cost of gas and restructured GCAC.

148. Lone Star failed to present evidence that the prices charged by its affiliate suppliers were no higher than the prices the supplying affiliate charged to other affiliates or to unaffiliated third parties.

149. Approving Restriction R-8 which permits the Company to include affiliate purchases at the lowest price charged by the affiliated supplier to other divisions or third parties is necessary to ensure the Company complies with the affiliate transaction standard.

150. Lone Star's current GCAC formula, limited by the restrictions stated in Finding of Fact No. 138 and modified to include a requirement that Lone Star seek reconciliation of its gas costs passed through its GCAC in a periodic docketed reconciliation proceeding before the Commission, is reasonable.

151. Application of any other standards for gas cost recovery should be considered in GUD No. 8647.

152. Lone Star's average three day peak volume for the city gate is 1,654,508 Mcf.

153. The use of the three consecutive weekday average peak occurring on January 31 through February 2, 1996 is reasonable because use by transportation, industrial, and electric generation customers drops on weekends. Using a weekday peak period gives a more accurate picture of the use of pipeline capacity.

154. Excluding intra-hub and short-term transactions in determining the three-day peak volumes results in an average gross peak day volume of 3,081,017 Mcf.

155. The city gate total annual throughput is 136,097,803 Mcf.

156. DELETED

157. Residential and commercial customers of LSP-Excluding Storage consume 27.69 percent of the volumes transported by the pipeline.

158. DELETED

159. DELETED

160. DELETED

161. DELETED

162. Cushion gas is required for both seasonal use of storage and high deliverability withdrawals on peak days.

163. The Company's classification of storage expenses to either fixed or variable components is reasonable.

164. Equal division of LSP-Storage investment and expenses to deliverability and seasonal components is reasonable.

165. The Staff's proposed allocation methodologies for LSP-Excluding Storage, LSP-Storage, and LSG-T appropriately ascribe costs to the class of customer for whose benefit those costs are incurred.

165A. Approving Aligned Cities' proposed revenue credit to LSP-Excluding Storage City Gate Residential and Commercial customer class of a portion of Lone Star's short-term and intrahub revenues, allocated using Staff's proposed allocation factors, will insure that neither LSP nor any class of customers is advantaged or disadvantaged by the provision of short-term and intrahub service and is consistent with the exclusion of short-term and intrahub transactions in the calculation of Staff's allocation factors for LSP-Excluding Storage.

166. DELETED

167. It is reasonable to allocate "other investment", except cash working capital, between LSP-Excluding Storage and LSP-Storage using general plant allocation factors of 88.56 percent for LSP-Excluding Storage and 11.44 percent for LSP-Storage.

168. DELETED

169. The present design capacity of Lone Star Pipeline was not placed in the record in this proceeding.

170. The Company does not maintain records of customer interruptions.

171. DELETED

172. DELETED

173. DELETED

174. DELETED

175. DELETED

176. DELETED

177. DELETED

178. DELETED

179. The Company's proposed rate design provides for guaranteed recovery of a substantial portion of its revenue requirement.

180. The Company's proposed rate design contains eight pages of text and nine pages of calculations. Only after performing all nine pages of calculations could a customer determine the city gate rate.

181. The Company's proposed rate design contains 44 separate acronyms for the numbers being calculated.

182. The Company's Fuel and Lost Adjustment Tracker, the FLAT, and Storage Fuel Adjustment Tracker, the SFAT, contain 27 separate acronyms.

183. The Company's proposed rate design does not consistently use the same term to describe the same item throughout its text and schedules.

184. The text describing the Company's rate design and the schedules showing the calculation do not use consistent terms for the various elements.

185. The protest procedure in the Company's proposed rate design allows only ten days after the filing of the monthly tariff in which to protest. The monthly tariff is filed in the month preceding the month in which it will be in effect. Therefore, a customer would not know the effect the tariff had on her bill until substantially after the expiration of the protest period.

186. The Company's proposed FLAT and SFAT formulas contain flaws that render any calculation using them erroneous and are so complex that the Company's own experts cannot

perform them.

187. DELETED

188. DELETED

189. DELETED

190. Extending the protest deadline to 60 days and provide for reconciliation of gas costs every 36 months is reasonable.

191. The Company failed to present evidence that its proposed MMBtu/Mcf conversion was reasonable.

192. DELETED

193. Approving a rate design composed of a base rate margin of $0.3227 for LSP-Excluding Storage, $0.0878 for LSP-Storage, and $0.1185 for LSG-T and a PGA composed of Lone Star's current GCAC as modified by the 8 Restrictions and the LUG/CUG expansion factor of .9890 is reasonable, because it permits a predictable recovery of revenue plus mechanism for preventing over-recovery of gas costs.

194. Rate case expenses as demonstrated on Schedules VIII and VIII.A. are reasonable and necessary.

195. DELETED

195A. DELETED

196. DELETED

197. It is reasonable to sever for consideration in GUD No. 8647 the following:

A. consideration of the reasonableness and necessity of all Lone Star's gas costs and gas purchase practices and the application of its PGA (GCAC) from the date of the final order in GUD No. 3543 through the date the Order is signed in this case;

B. all issues related to refunds due to ratepayers from any

Lone Star overrecoveries from any source from the date of the final order in GUD No. 3543 through the date the order is signed in this case;

C. consideration of all issues related to refunds related to the double assessment of transportation charges to city gate customers for gas purchased by Lone Star Gas Company of Texas from ONEOK between July 1, 1991, and the date the Order is signed in this case;

D. DELETED

E. DELETED

F. All other reconciliation and refund issues;

G. All rate case expenses estimated for the conclusion of this case as of April 14, 1997;

H. Whether Lone Star should be required to convert immediately to using the NARUC System of Accounts numbering system; and

I. Lone Star's study regarding the potential for open access and unbundling.

198. DELETED

<u>CONCLUSIONS OF LAW</u>
(As Revised On Rehearing)

1. Enserch Corporation, including its unincorporated division, Lone Star Pipeline Company, and Lone Star Gas Company-Transmission, an operating unit of its unincorporated division Lone Star Gas Company, and ENSAT Pipeline Company are gas utilities, as defined in §1.03(3) of Gas Utility Regulatory Act, TEX. REV. CIV. STAT. ANN. art. 1446e (GURA) (Vernon Supp. 1997) and are therefore subject to the jurisdiction of this Commission.

2. The Commission has jurisdiction over Lone Star's application, pursuant to GURA §§2.01 and 5.08.

3. Lone Star's filing and its customer and public notice comply with the requirements

of §5.08 of GURA.

4. Recognizing the presumption that Lone Star's expenses and investments as recorded on its books and records were reasonably and necessarily incurred complies with 16 TEX. ADMIN. CODE §7.58.

5. DELETED

6. As reflected in the findings of fact, Lone Star failed to meet its burden of proof to justify its proposed rate increase as required by GURA §5.04.

7. The recommended treatment of investment tax credits in rate base, described in the findings of fact, complies with the requirements of §4.01(e) of GURA.

8. The advertising expense described in the findings of fact meets the requirements of 16 T.A.C. §7.56 and GURA §4.04.

9. The uncontroverted components of the Company's cost of service are reasonable and necessarily incurred, pursuant to 16 TEX. ADMIN. CODE §7.58.

10. DELETED

11. The operations and maintenance expense, depreciation and amortization expense, taxes other than income taxes expense, federal income tax expense, interest on customer deposit expense, and return set out in the findings of fact and reflected in the attached Commission schedules are reasonable and necessary, in compliance with GURA §5.06.

12. The Company's Gas Cost Adjustment formula, as modified in the findings of fact, meets the criteria of 16 TEX. ADMIN. CODE §7.55.

13. The lost and unaccounted for gas factor described in the findings of fact, complies with the definitions, procedures, and limitations of 16 TEX. ADMIN. CODE §7.52.

14. The depreciation expense recommended in the findings of fact complies with 16 TEX . ADMIN. CODE §7.51(a) and GURA §4.01(b).

15. The shared or common plant, revenues, expenses, taxes, and reserves shown in Schedules 1-A, 1-B, and 1-C are apportioned fairly and justly, in compliance with 16 TEX. ADMIN. CODE §7.51(b) and (c).

16. The amount of CWIP recommended for inclusion in invested capital rate base in Findings of Fact Nos. 27 and 28 represent investment already placed in service and do not properly come within the definition of CWIP in 16 Tex. Admin. Code §7.48 and GURA §5.05(b). The remaining portion of the Company's request for inclusion of CWIP in rate base does not comply with 16 TEX. ADMIN. CODE §7.48 and §5.05(b) of GURA.

17. The Company met the filing requirements of 16 TEX. ADMIN. CODE §7.50.

18. The Commission's approved transfer of Enserch Administrative and General expenses to the City Gate, as described in the findings of fact, complied with 16 Tex. Admin. Code §7.51(b) and (c).

18A. Lone Star failed to meet its burden of proof that its affiliate gas purchases met the standard for affiliate transactions of GURA §5.06(c).

19. The rates and rate design reflected in the findings of fact and in the attached Commission schedules and attachments are just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of consumers, in compliance with GURA §5.02(a).

20. The overall revenues reflected in the findings of fact and in the attached Commission schedules will permit Lone Star a reasonable opportunity to earn a reasonable return on its invested capital used and useful in rendering service to the public over and above its reasonable and necessary operating expenses, as required by GURA §5.03.

21. The rate case expenses recommended in the findings of fact are reasonable and comply with 16 TEX. ADMIN. CODE §7.57.

ORDERING PARAGRAPHS
(As Revised on Rehearing)

IT IS THEREFORE ORDERED that Lone Star's requested revenue increase and rate design are **DENIED.**

IT IS FURTHER ORDERED that the rates and rate design reflected in the findings of fact and conclusions of law and in the Examiners' Schedules are **APPROVED**.

IT IS FURTHER ORDERED that Lone Star's city gate rate shall be set at base rate margins of $0.3227 for LSP-Excluding Storage, $0.0878 for LSP-Storage, and $0.1185 for

LSG-T; a base rate gas cost component of $2.20 per Mcf; and the current GCAC, as modified in the findings of fact.

IT IS FURTHER ORDERED that LSP-Excluding Storage, LSP-Storage, and LSG-T **SHALL** each file with the Gas Services Division of the Commission within 20 days of the date this Order is signed three copies of a tariff complying with the requirements of this Order. The Gas Services Division Staff **SHALL** review the tariff and, no later than the tenth day after the tariff is filed, **SHALL** forward one copy of the tariff to the examiners with a statement whether the tariff complies with this Order and should be approved or does not comply with this order and should be rejected. No later than the twentieth day after the tariff is filed, the examiners shall notify Lone Star in writing whether the tariff is approved or rejected. If the examiners reject the tariff, the written notice shall include the reasons for rejection. Within ten days of the date of the notice of rejection, LSP-Excluding Storage, LSP-Storage, and LSG-T each **SHALL** file three copies of a tariff correcting the deficiencies noted by the examiners, with the same procedures and deadlines for response and notice to apply to the corrected tariff.

IT IS FURTHER ORDERED that the Staff of the Regulatory Analysis and Policy Section of the Gas Services Division of the Railroad Commission is hereby authorized to approve the reporting format for the MGCA filing filed by Lone Star.

IT IS FURTHER ORDERED that Lone Star shall continue to recover gas costs under its existing GCAC approved in GUD No. 3543, limited by the following restrictions:

R-1 DELETED

R-2. DELETED

R-3. DELETED

R-4. DELETED

R-5. DELETED

R-6. DELETED

R-7. DELETED

R-8. affiliate purchases may be included at the lowest price charged by the affiliated supplier to other divisions, affiliates, or third parties for the same class of purchased gas;

R-9. spot purchases made to cover imbalances to transportation customers may not be included;

R-10. the duplicative approximately $0.58 per Mcf NGPA §311 transport fee component for LSGCOT/ONEOK purchases may not be included;

R-11. any other similar double charges for transportation due to an NGPA §311 rate charged for service that is implicitly contained in the city gate rate, or any other cause, may not be included;

R-12 charges under the LSGCOT/ONEOK contract may be included at LSGCOT's actual cost;

R-13. charges by affiliates of any margin above the affiliate's cost of gas may not be included;

R-14. take-or-pay payments to affiliated companies may not be included, unless Lone Star obtains the approval of the Director of the Gas Services Section in writing prior to inclusion, *i.e.*, Contract No. 3708, Enserch Exploration, Inc. (WTU Ex. 44, p. 001; AC Ex. 151, p. 1); and

R-15 DELETED

IT IS FURTHER ORDERED that Lone Star shall collect rate case expenses as detailed in the attached Schedules VIII and VIII.A, through a surcharge to ratepayers and such rate case expenses shall be amortized over a 24-month period.

IT IS FURTHER ORDERED the Lone Star shall establish an external trust for OPEB expenses within six months of the date of this Order. This external fund **SHALL** be dedicated strictly to the payment of OPEB expenses. This fund **SHALL** receive deposits monthly. The plan **SHALL** to the extent permitted by federal tax laws provide for the deduction of contributions and **SHALL** allow earnings to accumulate free from taxes.

IT IS FURTHER ORDERED that Lone Star shall convert from pay-as-you-go accounting to accrual accounting under Financial Accounting Standards No. 106.

IT IS FURTHER ORDERED that Lone Star shall recover the transition obligation over a 20-year amortization period.

DELETED

IT IS FURTHER ORDERED that Lone Star is admonished for failing to disclose its actual settlement practices in a timely manner.

IT FURTHER ORDERED that the following issues be severed and considered in GUD No. 8647:

1. consideration of the reasonableness and necessity of all Lone Star's gas costs and gas purchase practices and the application of its PGA (GCAC) from the date of the final order in GUD No. 3543 through the date the Order is signed in this case;

2. all issues related to refunds due to ratepayers from any Lone Star overrecoveries from any source from the date of the final order in GUD No. 3543 through the date the order is signed in this case;

3. consideration of all issues related to refunds related to the double assessment of transportation charges to city gate customers for gas purchased by Lone Star Gas Company of Texas from ONEOK between July 1, 1991, and the date the Order is signed in this case;

4. DELETED

5. DELETED

6. All other reconciliation and refund issues;

7. All rate case expenses estimated for the conclusion of this case as of April 14, 1997;

8. Whether Lone Star should be required to convert immediately to using the NARUC System of Accounts numbering system; and

9. Lone Star's study of the feasibility of extending open access and unbundled services.

IT IS FURTHER ORDERED that Lone Star shall file a statement of intent three years after the effective date of the merger for consideration of the changes in the cost of service established in this case. Lone Star's filing **SHALL** include full and complete documentation of all merger savings.

IT IS FURTHER ORDERED that Lone Star shall file with the Commission every thirty-six months beginning from the date this Order is signed for an application for a reconciliation proceeding to demonstrate that its gas costs are reasonable and necessary. The Commission may order surcharge or refund, as appropriate.

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

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SCHEDULE 1-A – SECOND ORDER ON REHEARING NUNC PRO TUNC

GAS UTILITIES DOCKET NO. 8664
LONE STAR GAS COMPANY STATEMENT OF INTENT
REVENUE REQUIREMENT CALCULATON

LSP-EXCLUDING STORAGE

		TOTAL SYSTEM COSTS					ALLOCATION METHODOLOGIES		ALLOCATION PERCENTAGES		CITY GATE RATES	
		COMPANY PER BOOKS	COMPANY ADJUSTMENTS	COMPANY PROPOSED	COMMISSION ADJUSTMENTS	COMMISSION APPROVED	COMPANY METHOD	COMMISSION METHOD	COMPANY %	COMMISSIO %	COMPANY PROPOSED	COMMISSION APPROVED
A B C	D	E	F	G	H	I	J	K	L	M	N	O
	SECTION II – RATE BASE											
	Allocated Rate Base											
	Plant in Service											
1	Total Other Than General	$342,640,803	$0	$342,640,803	$0	$342 640,803	DEMAND	COMPOSITE	58 28%	40 70%	$199 691 060	$139 437 675
2	Total General Plant	$23,968,407	$0	$23,968,407	$0	$23 968 407	DEMAND	COMPOSITE	58 28%	40 70%	$13 968,788	$9,753 943
3	Total Plant in Service	$366,609,210	$0	$366,609,210	$0	$366 609,210					$213 659 848	$149,191 618
	Other Investment											
4	Construction Work in Process	$335,879	$0	$335,879	($255,484)	$80,395	DEMAND	COMPOSITE	58 28%	40 70%	$195,750	$32,717
5	Retirement Work in Progress	($156,822)	$0	($156,822)	$0	($156,822)	DEMAND	COMPOSITE	58 28%	40 70%	($91,396)	($63 819)
5A	Construction Completed Not Classified Adjustment	$0	$0	$0	($86,754)	($86,754)	DEMAND	COMPOSITE	58 28%	40 70%	$0	($35,305)
	Cash Working Capital											
6	Cash Requirement for O&M	$7,135,870	$0	$7,135,870	($7,135,870)	$0	1/8th O&M	DIRECT	58 28%	100 00%	$4,158 843	$0
7	Materials & Supplies Inventory	$1,424,405	$0	$1,424,405	$0	$1,424,405	DEMAND	COMPOSITE	58 28%	40 70%	$830,143	$579,662
8	Prepayments	$840,596	$0	$840,596	$0	$840,596	DEMAND	COMPOSITE	58 28%	40 70%	$489 899	$342 081
9	Unrestored Investment Tax Credits	($5,745,388)	$0	($5,745,388)	($3,377,973)	($9,123,361)	DEMAND	COMPOSITE	58 28%	40 70%	($3,348,417)	($3,712,752)
10	Gains and Losses from Sales	$0	$0	$0	$0	$0		COMPOSITE	58 28%	40 70%	$0	$0
11	Transition Obligation	$0	$0	$0	$0	$0		COMPOSITE	58 28%	40 70%	$0	$0
12	Insurance Reserves	$0	$0	$0	($3,945,514)	($3,945,514)		COMPOSITE	58 28%	40 70%	$0	($1 605 827)
13	Accumulated Deferred FIT	($43,761,275)	$0	($43,761,275)	$0	($43,761,275)	DEMAND	COMPOSITE	58 28%	40 70%	($25 504 071)	($17,808,651)
14	Total Other Investment	($39,926,635)	$0	($39,926,635)	($14 801,695)	($54,728,330)					($23 269,244)	($22,271,694)
15	Total Invested Capital	$326,682,575	$0	$326,682,575	($14 801,695)	$311,880 880					$190 390,604	$126 919 924
16	Adjusted Value Increment	$226,911,341	$0	$226,911,341	$0	$226 911,341			58 28%		$132 243 930	
17	Total Adjusted Value Rate Base	$553,593,916	$0	$553,593,916	$0	$553,593 916			58 28%		$322,634 533	$322 634 533
	SECTION III – RATE OF RETURN											
	Summary of Net Operating Income/Return											
18	Long Term Debt	$11,364,307	$0	$11,364,307	$252,632	$11,616,939			58 28%	40 70%	$6 623,118	$4,727,513
19	Preferred Stock	$496,558	$0	$496,558	($97,350)	$399,208			58 28%	40 70%	$289,394	$162,458
20	Common Equity	$23,357,804	$0	$23,357,804	($6,297,920)	$17,059 884			58 28%	40 70%	$13 612 928	$6 942,520
21	Total Return on Invested Capital	$35,218,669	$0	$35,218,669	($6,142,638)	$29 076,031					$20,525 440	$11 832,491
	Summary of Rate Base by Kind of Invested Capital											
22	Long Term Debt	$140,473,507	$0	$140,473,507	$9,229,315	$149,702,822	48 00%	48 00%	58 28%		$81 867,960	$60,921,564
23	Preferred Stock	$6,533,652	$0	$6,533,652	($296,034)	$6,237,618	2 00%	2 00%	58 28%		$3 807,812	$2 538 398
24	Common Equity	$179,675,416	$0	$179,675,416	($23,734,976)	$155,940,440	50 00%	50 00%	58 28%		$104,714 832	$63,459 962
25	Total Invested Capital	$326,682,575	$0	$326,682,575	($14,801,695)	$311,880,880	100 00%	100 00%			$190 390 605	$126,919 924

26	Adjusted Value Increment	$226,911,341	$0	$226,911,341	$0	$226,911,341			58 28%		$132,243,930	
27	Total Adjusted Value Rate Base	$553,593,916	$0	$553,593,916	$0	$516,077,136					$322,634,534	$322,634,534
	Return Required (Stored Gas and CWC)											
28	Long Term Debt @	8 09%		8 09%	-0 33%	7 76%					8 09%	7 76%
29	Preferred Stock @	7 60%		7 60%	-1 20%	6 40%					7 60%	6 40%
30	Common Equity @	13 00%		13 00%	-2 06%	10 94%					13 00%	10 94%
31	Total Rate on Invested Capital	10 78%		10 78%	-1 46%	9 32%					10 78%	9 32%
	SECTION IV.A – REVENUES											
	Operating Revenues											
32	City Gate Deliveries	$71,343,343	($1,598,816)	$69,744,527	($25,825,193)	$43,919,334			100 00%	100 00%	$72,231,119	$43,919,334
33	Indust. Pub. Auth. & Other	$17,270,839	($18,408)	$17,252,431	$0	$17,252,431			0 00%	0 00%	$0	$0
34	Other Transportation Deliveries	$45,727,207	($3,478,157)	$42,249,050	$0	$42,249,050			0 00%	0 00%	$0	$0
35	Other Transportation Deliveries for CGD Credit	$6,402,605	$0	$6,402,605	$0	$6,402,605			58 28%	0 00%	$3,731,438	$0
36	Other Transportation Deliveries for CGD Credit	$130,665	$0	$130,665	$0	$130,665			27 69%	27 69%	$36,181	$36,181
37	Gas Liquids (Accounts 491 & 492)	$2,594,448	($1,204,699)	$1,389,749	$0	$1,389,749			27 69%	27 69%	$384,821	$384,821
38	ENSAT & Other (Accts 493 & 495)	$3,159,316	$0	$3,159,316	$0	$3,159,316			0 00%	29 92%	$0	$945,287
39	Total Revenues	$146,828,423	($6,300,060)	$140,328,343	($25,825,193)	$114,503,150					$76,383,660	$45,285,604
	SECTION IV.B – EXPENSES											
	Other O & M Expenses											
40	Labor - Fixed	$26,698,893	$636,797	$27,335,690	($4,092,220)	$23,243,470	DEMAND	COMPOSITE	58 28%	40 70%	$15,931,240	$9,458,930
41	Supplies & Expenses - Fixed	$26,098,872	($2,878,893)	$23,219,979	($784,891)	$22,435,088	DEMAND	COMPOSITE	58 28%	40 70%	$13,532,604	$9,129,958
42	Supplies & Expenses - Variable	$6,306,348	$189,190	$6,495,538	($119,695)	$6,375,843	VOLUME	VOLUME	27 69%	27 69%	$1,798,614	$1,765,471
43	Uncollected Accounts	$36,549	$0	$36,549	$0	$36,549			0 00%		$0	$0
44	Unaccounted For Gas	$9,573,998	($81,870)	$9,492,128	$0	$9,492,128			0 00%	0 00%	$0	$0
45	Company Used Gas	$4,929,645	($1,325,738)	$3,603,907	$0	$3,603,907			0 00%	0 00%	$0	$0
	Taxes Other Than Income Taxes											
46	Property Related and Other Taxes	$6,337,289	($236,000)	$6,101,289	$0	$6,101,289	DEMAND	COMPOSITE	58 28%	40 70%	$3,555,831	$2,482,920
47	Payroll Related Taxes	$1,730,355	$126,961	$1,857,316	($290,527)	$1,566,789	DEMAND	COMPOSITE	58 28%	40 70%	$1,082,444	$637,605
48	Revenue Related Taxes	$733,142	($31,500)	$701,642			DEMAND		58 28%		$381,918	$239,043
49	Provision for Depreciation	$18,176,191	$2,567,810	$20,744,001	$0	$20,744,001	DEMAND	COMPOSITE	58 28%	40 70%	$12,089,604	$8,441,771
50	Total Operating Expenses Before FIT	$100,821,282	($1,033,243)	$99,588,039	($5,287,333)	$93,599,064					$48,372,255	$32,155,698
51	Net Operating Income Before FIT	$46,007,141	($5,266,837)	$40,740,304	($20,537,859)	$20,904,087					$28,011,305	$13,129,906
52	Federal Income Taxes										$7,485,865	$3,823,939
53	Invested Capital	$326,682,575	$0	$326,682,575	($14,801,695)	$311,880,880			58 28%		$190,390,604	$126,919,974
54	Percent Return on Invested Capital	10 78%	0 00%	10 78%	-1 46%	9 32%					10 78%	9 32%
55	Net Operating Income/Return	$35,218,669	$0	$35,218,669	($7,475,446)	$27,712,948			58 28%	40 70%	$20,525,440	$11,828,937
55A	Total Revenue Requirement	$135,839,951		$134,606,708		$121,312,011					$76,383,560	$47,808,574
55B	Revenue Credits	($9,127,718)	$1,204,699	($7,923,019)							($4,152,440)	($3,889,240)
55C	Margin Requirement										$72,231,120	$43,919,334

SECTION VII – THROUGHPUT & RATE DESIGN

	Volumes Delivered - Mcf							
56	City Gate Deliveries	139,217,695	(3,119,892)	136,097,803	(362,064)	135,735,739	136,097,803	136,097,803
57	Other	473,535,989	(5,875,594)	467,660,395	362,064	468,022,459		
58	Total Volume Delivered	612,753,684	(8,995,486)	603,758,198	0	603,758,198		
	Rate Design							
59	City Gate Margin Requirement						$72,231,120	$43,919,334
60	City Gate Deliveries						136,097,803	136,097,803
61	Margin Requirement per Mcf						$0.5307	$0.3227

SCHEDULE 1-B – SECOND ORDER ON REHEARING NUNC PRO TUNC

GAS UTILITIES DOCKET NO. 8664
STATEMENT OF INTENT OF LONE STAR
REVENUE REQUIREMENT CALCULATON

LSP-STORAGE

No.	Item	TOTAL SYSTEM COSTS					ALLOCATION METHODOLOGIES		ALLOCATION PERCENTAGES		CITY GATE RATES	
		COMPANY PER BOOKS	COMPANY ADJUSTMENTS	COMPANY PROPOSED	COMMISSION ADJUSTMENTS	COMMISSION APPROVED	COMPANY METHOD	COMMISSION METHOD	COMPANY %	COMMISSION %	COMPANY PROPOSED	COMMISSION APPROVED
	SECTION II – RATE BASE											
	Allocated Rate Base											
	Plant In Service											
1	Total Other Than General	$44,262,838	$0	$44,262,838	($102 000)	$44,160 838	SEABOARD	SEABOARD	95 24%	95 24%	$42,153 714	$42 056 574
2	Total General Plant	$3,096,281	$0	$3,096,281	$0	$3 096 281	SEABOARD	SEABOARD	95 24%	95 24%	$2,948 743	$2 948,743
3	Total Plant In Service	$47,359,119	$0	$47,359,119	($102,000)	$47,257,119	SEABOARD	SEABOARD			$45,102,457	$45 005,317
	Gas Stored Underground											
4	Cushion Gas	$17,394,593	$0	$17,394,593	($21,000)	$17,373,593	SEABOARD	SEABOARD	95 24%	95 24%	$16 565,741	$16,545,742
	Other Investment											
5	Construction Work In Process	$43,390	$0	$43,390	($33,004)	$10,386	SEABOARD	SEABOARD	95 24%	95 24%	$41,322	$9 891
6	Retirement Work in Progress	($20,259)	$0	($20,259)	$0	($20,259)	SEABOARD	SEABOARD	95 24%	95 24%	($19 294)	($19,293)
	Cash Working Capital											
7	Cash Requirement for O&M	$531,176	$0	$531,176	($531,176)	$0	SEABOARD	SEABOARD	95 24%	95 24%	$505 865	$0
8	Materials & Supplies Inventory	$184,007	$0	$184,007	$0	$184 007	SEABOARD	SEABOARD	95 24%	95 24%	$175 239	$175,239
9	Prepayments	$108,590	$0	$108,590	($0)	$108,590	SEABOARD	SEABOARD	95 24%	95 24%	$103,416	$103 415
10	Unrestored Investment Tax Credits	($742,199)	$0	($742,199)	($436,373)	($1,178,572)	SEABOARD	SEABOARD	95 24%	95 24%	($708 833)	($1,122 413)
11	Gains and Losses from Sales	$0	$0	$0	$0	$0	SEABOARD	SEABOARD	95 24%	95 24%	$0	$0
12	Transition Obligation	$0	$0	$0	$0	$0	SEABOARD	SEABOARD	95 24%	95 24%	$0	$0
13	Insurance Reserves	$0	$0	$0	($509,689)	($509,689)	SEABOARD	SEABOARD	95 24%	95 24%	$0	($485,402)
14	Accumulated Deferred FIT	($5,653,159)	$0	($5,653,159)	$0	($5 653,159)	SEABOARD	SEABOARD	95 24%	95 24%	($5 383,786)	($5 383,786)
15	Total Other Investment	($5,548,454)	$0	($5,548,454)	($1,510,242)	($7,058 696)	SEABOARD	SEABOARD			($5,284 070)	($6 722,349)
16	Total Invested Capital	$59,205,258	$0	$59,205,258	($1,633,242)	$57,572,016			95 25%	95 25%	$56 384,128	$54,828,710
17	Adjusted Value Increment	$44,505,452	$0	$44,505,452					95 24%	95 24%	$42,384,767	
18	Total Adjusted Value Rate Base	$103,710,710	$0	$103,710,710	$0	$103,710,710					$98,768,895	$98,768,895
	SECTION III – RATE OF RETURN											
	Summary of Net Operating Income/Return											
19	Long Term Debt	$2,059,573	40 92%	$2,059,573	$84,869	$2,144,442			95 24%	95 24%	$1,961,435	$2,042,260
20	Preferred Stock	$89,992	1.41%	$89,992	($16,300)	$73 692			95 24%	95 24%	$85,704	$70,181
21	Common Equity	$4,233,176	57 67%	$4,233,176	($1,083,987)	$3,149,189			95 24%	95 24%	$4 031,465	$2,999,130
22	Total Return on Invested Capital	$6,382,741	100 00%	$6,382,741	($1,015,417)	$5,367,324					$6 078 604	$5,111,571
	Summary of Rate Base by Kind of Invested Capital											
23	Long Term Debt	$25,458,261	48 00%	$25,458,261	$2,176,307	$27,634,568			95 24%	95 24%	$24,245,175	$26,317,781
24	Preferred Stock	$1,184,105	2 00%	$1,184,105	($32,665)	$1,151,440			95 24%	95 24%	$1,127,683	$1,096,574
25	Common Equity	$32,562,892	50 00%	$32,562,892	($3,776,884)	$28,786,008			95 24%	95 24%	$31,011,270	$27,414,355

26	Total Invested Capital	$59,205,258	100 00%	$59 205,258	($1,633,242)	$57,572 016					$56 384,127	$54 828,710
27	Adjusted Value Increment	$44,505,452	100 00%	$44,505,452					95 24%	95 24%	$42,384,767	
28	Total Adjusted Value Rate Base	$103,710,710	0 00%	$103,710,710	$0	$103 710,710					$98 768 895	$98,768 895
	Return Required (Stored Gas and CWC)											
29	Long Term Debt @	8 09%	0 00%	8 09%	-0 33%	7 76%					8 09%	7 76%
30	Preferred Stock @	7 60%	8 00%	7 60%	-1 20%	6 40%					7 60%	6 40%
31	Common Equity @	13 00%	0 00%	13 00%	-2 06%	10 94%					13 00%	10 94%
32	Total Rate on Invested Capital	10 78%	0 00%	10 78%	-1 46%	9 32%					10 78%	9 32%
	SECTION IV.A — REVENUES											
	Operating Revenues											
33	City Gate Deliveries	$0	$15,655,583	$15,655,583	($3,046,300)	$12 609 283			95 24%	95 24%	$14 909 594	$12 008,450
34	Others	$0	$0	$0	$0	$0					$0	$0
35	Stand by Fee Revenue	$0	$0	$0	$1,183,238	$1,183,238			95 24%	95 24%	$0	$1,126 857
36	Total Revenues	$0	$15,655,583	$15,655,583	($1,863,062)	$13,792,521					$14 909 594	$13,135,307
37	Gas Used in Transportation Operations	$1,182,170	($1,182,170)	$0	$0	$0			100 00%	100 00%	$0	$0
	SECTION IV.B — EXPENSES											
	Other O & M Expenses											
38	Labor - Fixed	$1,842,710	$56,281	$1,897,991	($169,416)	$1,728,575	SEABOARD	SEABOARD	95 24%	95 24%	$1 807,552	$1,646 208
39	Supplies & Expenses - Fixed	$840,150	$25,205	$865,355	($25,209)	$840,146	SEABOARD	SEABOARD	95 24%	95 24%	$824,121	$800,113
40	Supplies & Expenses - Variable	$1,442,782	$43,283	$1,486,065	($43,283)	$1,442,782	SEASONAL	SEASONAL	90 47%	90 47%	$1,344 443	$1,305,285
	Taxes Other Than Income Taxes											
41	Property Related and Other Taxes	$616,422	$0	$616,422	$0	$616,422	SEABOARD	SEABOARD	95 24%	95 24%	$587,049	$587,049
42	Payroll Related Taxes	$118,523	$9,435	$127,958	($12,028)	$115,930	SEABOARD	SEABOARD	95 24%	95 24%	$121,861	$110,406
43	Revenue Related Taxes	$0	$0	$0	$0	$0	SEABOARD	SEABOARD			$74,569	$65 677
44	Provision for Depreciation	$2,221,446	($269,840)	$1,951,606	$0	$1,951,606	SEABOARD	SEABOARD	95 24%	95 24%	$1,858 612	$1,858 612
45	Total Operating Expenses Before FIT	$7,082,033	($136,636)	$6,945,397	($249,936)	$6,695,461					$6 618 207	$6,373,351
46	Net Operating Income Before FIT	($7,082,033)	$15,792,219	$8,710,186	($1,613,127)	$7,097,059					$8 291,388	$6,761,956
47	Federal Income Taxes										$2 216 937	$1 651,921
48	Invested Capital	$59,205,258	$0	$59,205,258	($1,633,242)	$57,572,016					$56,384,128	$54,828,710
49	Percent Return on Invested Capital	10 78%	0 00%	10 78%	-1 46%	9 32%					10 78%	9 32%
50	Net Operating Income/Return	$6,382,327		$6,382,327		$5,365,712					$6 078 209	$5,110 036
51	Total Revenue Requirement	$13,464,360	$0	$13,327,724		$12,061,173					$14,913 353	$13,135,307
51A	Standby Revenue Credit	$0	$0	$0	($1,183,238)	($1,183,238)					$0	($1,183,238)
51B	Total Margin Requirement										$14 913,353	$11,952 069
	SECTION VII — THROUGHPUT & RATE DESIGN											
	Volumes Delivered - Mcf											
52	City Gate Deliveries	139,217,695	(3,119,892)	136,097,803	(362,064)	135,735,739	DELIVERABILITY	DELIVERABILITY	100 00%	100 00%	136,097,803	136,097,803
53	Others	473,535,969	(5,875,584)	467,660,395	362,064	468,022,459			0 00%	0 00%	0	0

54	Total Volume Delivered	612,753,684	(8,995,466)	603,758,198	0	603,758,198	100.00%	100.00%	136,097,803	136,097,803
	Rate Design									
55	City Gate Revenue Requirement								$14,913,353	$11,952,069
56	City Gate Deliveries								136,097,803	136,097,803
57	Margin Requirement per Mcf								$0.1096	$0.0878

SCHEDULE 1-C -- SECOND ORDER ON REHEARING NUNC PRO TUNC

GAS UTILITIES DOCKET NO. 8664
STATEMENT OF INTENT OF LONE STAR
REVENUE REQUIREMENT CALCULATON

LSG-T

		TOTAL SYSTEM COSTS					ALLOCATION METHODOLOGIES		ALLOCATION PERCENTAGES		CITY GATE RATES	
		COMPANY PER BOOKS	COMPANY ADJUSTMENTS	COMPANY PROPOSED	COMMISSION ADJUSTMENTS	COMMISSION APPROVED	COMPANY METHOD	COMMISSION METHOD	COMPANY %	COMMISSION %	COMPANY PROPOSED	COMMISSION APPROVED
A B C	D	E	F	G	H	I	J	K	L	M	N	O
	SECTION II -- RATE BASE											
	Allocated Rate Base											
	Gas Stored Underground											
1	Working Gas			$102,110,692	($2,872,784)	$99,237,908			100.00%	100.00%	$102,110,692	$99,237,908
2	Total Gas Stored Underground			$102,110,692	($2,872,784)	$99,237,908					$102,110,692	$99,237,908
	Other Investment											
3	Cash Requirement for O&M			$380,734	($380,734)	$0			86.52%	86.52%	$329,411	$0
4	Accumulated Deferred FIT (Per Book)			$4,182,965	$0	$4,182,965			100.00%	100.00%	$4,182,965	$4,182,965
5	Total Other Investment			$4,563,699	($380,734)	$4,182,965					$4,512,376	$4,182,965
6	Total Invested Capital			$106,674,391	($3,253,518)	$103,420,873			100.00%	100.00%	$106,623,068	$103,420,873
7	Adjusted Value Increment			$619,459					100.00%	100.00%	$619,459	
8	Total Adjusted Value Rate Base			$107,293,850	$0	$107,293,850					$107,242,527	$107,242,527
	SECTION III -- RATE OF RETURN											
	Summary of Net Operating Income/Return											
9	Long Term Debt		48.00%	$3,973,408	($121,187)	$3,852,221			99.95%	99.95%	$3,971,496	$3,850,367
10	Preferred Stock		2.00%	$136,543	($4,164)	$132,379			99.95%	99.95%	$136,478	$132,318
11	Common Equity		50.00%	$6,400,464	($743,342)	$5,657,122			99.95%	99.95%	$6,397,384	$5,654,399
12	Total Return on Invested Capital		100.00%	$10,510,415	($868,694)	$9,641,721			99.95%	99.95%	$10,505,358	$9,637,062
	Summary of Rate Base by Kind of Invested Capital											
13	Long Term Debt		48.00%	$51,203,707	($1,561,688)	$49,642,019			99.95%	99.95%	$51,179,072	$49,618,136
14	Preferred Stock		2.00%	$2,133,488	($65,071)	$2,068,417			99.95%	99.95%	$2,132,461	$2,067,422
15	Common Equity		50.00%	$53,337,196	($1,626,759)	$51,710,437			99.95%	99.95%	$53,311,534	$51,685,557
16	Total Invested Capital		100.00%	$106,674,391	($3,253,518)	$103,420,873					$106,623,067	$103,371,115
17	Adjusted Value Increment			$619,459					100.00%	100.00%	$619,459	
18	Total Adjusted Value Rate Base			$107,293,850	$0	$107,293,850					$107,242,526	$107,293,850
	Return Required (Stored Gas and CWC)											
19	Long Term Debt @			7.76%	0.00%	7.76%					7.76%	7.76%
20	Preferred Stock @			8.40%	0.00%	8.40%					8.40%	8.40%
21	Common Equity @			12.00%	-1.06%	10.94%					12.00%	10.94%
22	Total Invested Capital			9.85%	-0.53%	9.32%					9.85%	9.32%

SECTION IV.A -- REVENUES

Operating Revenues

	City Gate Deliveries											
23	Residential & Commercial	$519,094,018	($25,171,739)	$493,926,279	($140,824,097)	$353,102,182					$517,981,546	$353,102,182
24	Company Used	$422,333	($23,294)	$399 039	($153,709)	$245,330					$418,473	$245,330
25	Unaccounted For	$16,347,881	($7,179,377)	$9,168,504	($3,531,672)	$5 636,832					$9 615,030	$5 636 832
26	All Others	$86,829,091	($2,171,068)	$84,658,023	$0	$84 658,023			0 00%	0 00%	$0	$0
27	Total Revenue	$622,697,323	($34,545,478)	$588,151,845	($144,509,478)	$443 642,367					$528 015 049	$358,984,344
	SECTION IV.B – EXPENSES											
	Cost of Volumes Delivered											
28	City Gate Deliveries @	$3 21	$0 00	$3 11							$3 11	
29	Residential & Commercial	$431,574,792	($16,353,621)	$415,221,171	($100 614,364)	$314 606 807			100 00%	100 00%	$415 221,171	$314 606 807
30	Company Used	$345,798	($10,344)	$335,454	($116 870)	$218 584			100 00%	100 00%	$335,454	$218,584
31	Unaccounted For	$14,397,418	($6,689 877)	$7,707,541	($2,885,140)	$4 822,401			100 00%	100 00%	$7,707,541	$4 822 401
32	All Others	$69,558,252	($2,152,660)	$67,405,592	$0	$67,405,592			0 00%	0 00%	$0	$0
33	Total City Gate Deliveries	$515,878,260	($25,208,502)	$490,669,758	($103 616,374)	$387 053,384					$423 264,166	$319 647,792
34	Gas Cost Over Recovery Offset			$0	$0	$0	ALL VOLUMETRIC	ALL VOLUMETRIC	0 00%	0 00%	$0	$0
35	Other O & M Expenses											
36	Labor - Fixed	$1,621,064	$48,632	$1,669,696	($186,114)	$1,483 582			86 52%	86 52%	$1,444 621	$1,283,595
37	Supplies & Expenses - Fixed	$1,336,091	$40,083	$1,376,174	($40,083)	$1,336 091			86 52%	86 52%	$1,190 066	$1,155,986
38	Supplies & Expenses - Variable	$0	$0	$0	$0	$0					$0	$0
39	Fee to LSP for CGS Deliveries	$71,343,343	($1,598,816)	$69,744,527	($69,744,527)	$0			100 00%	100 00%	$72,231,119	$0
40	Fee to LSP for CGS Storage	$17,270,839	($18,408)	$17,252,431	($17,252,431)	$0			86 44%	86 44%	$14 913,747	$0
	Taxes Other Than Income Taxes											
41	Property Related and Other Taxes	$881,736	$0	$881,736	$0	$881,736			86 52%	86 52%	$762,878	$762 878
42	Payroll Related Taxes	$102,963	$8,261	$111,224	($13,213)	$98,011			86 52%	86 52%	$96 231	$84,799
43	Revenue Related Taxes	$91,034	($38,609)	$52,425							$88 030	$80 618
44	Total Operating Expenses Before FIT	$608,523,330	($26,765,359)	$581,757,971	($190,852,742)	$390,852,804					$513 991,458	$323 015 668
45	Net Operating Income Before FIT	$14,173,993	($7,780,119)	$6,393,874	$46,343,264	$52,789,563					$14 023,591	$35,968 678
46	Federal Income Taxes										$3 518,233	$3,116 940
47	Invested Capital		$106,674,391	$106,674,391	($3,253,518)	$103,420,873			100 00%	100 00%	$106 623 068	$103,420 873
48	Percent Return on Invested Capital			9 85%	-0 53%	9 32%					9 85%	9 32%
49	Net Operating Income/Return			$10,507,428	$17,244	$9 638 825					$10 505,358	$9 638 825
50	Revenue Requirement (excluding gas costs & fees)			$18,901,302	$46,360,508	$62,478,389					$17 606 017	$16,123 642
	SECTION VII – THROUGHPUT & RATE DESIGN											
	Volumes Delivered - Mcf											
	City Gate Deliveries											
51	Residential & Commercial	134,618,919	(1,107,288)	$133,511,631	0	133,511,631			100 00%	100 00%	$133 511 631	$133,511 631
52	Company Used	107,863	0	$107,863	(15,101)	92,762			100 00%	100 00%	$107,863	$92,762
53	Unaccounted For	4,490,913	(2,012,604)	$2,478,309	(346,964)	2,131,345			100 00%	100 00%	$2,478,309	$2,131,345
54	All Others	21,696,950	(23,126)	$21,673,824	362,065	22,035,889			0 00%	0 00%	$0	$0
55	Total Volume Delivered	160,914,645	(3,143,018)	157,771,827	0	157,771,627					136,097,803	136,097,803

Rate Design

56	City Gate Revenue Requirement (less gas revenue)	$17,606,017	$16,123,842
57	City Gate Deliveries	136,097,803	136,097,803
58	Margin Requirement per Mcf	$0.1294	$0.1185

1 ALL GAS COSTS RECOVERED AS PROVIDED IN THE FINDINGS OF FACT/CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS

SCHEDULE VIII. – SECOND ORDER ON REHEARING NUNC PRO TUNC

GUD 8664
LONE STAR GAS COMPANY STATEMENT OF INTENT
RATE CASE EXPENSES

ALIGNED CITIES' EXPENSES

LINE NO	ITEM	REQUESTED RATE	THROUGH JAN 31 REQUESTED HOURS	THROUGH JAN 31 REQUESTED TOTAL	THROUGH MAR 31 REQUESTED HOURS	THROUGH MAR 31 REQUESTED TOTAL	REQUESTED ESTIMATED	REQUESTED TOTAL	COMMISSION APPROVED RATE	COMMISSION APPROVED ACTUAL HOURS	COMMISSION APPROVED ACTUAL TOTAL	COMMISSION APPROVED ESTIMATED EXPENSE	COMMISSION APPROVED TOTAL	SOURCE/NOTES
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
	ATTORNEYS													
	LAW OFFICES OF JIM BOYLE													
	ATTORNEYS' FEES													
1	JIM BOYLE	$170.00	175.50	$29,835.00	78.20	$13,294.00			$170.00	253.70	$43,129.00			
2	JIM HALEY	$120.00	200.41	$24,049.20	213.57	$25,628.40			$120.00	413.98	$49,677.60			
3	TOTAL ATTORNEYS' FEES			$53,884.20		$38,922.40	$7,613.20	$100,418.80			$92,806.60	N/A		ESTIMATED COSTS SEVERED 8647
4	EXPENSES			$4,944.26		$4,611.18	($1,111.26)	$8,444.18			$9,555.41	N/A		ESTIMATED COSTS SEVERED 8647
5	TOTAL			$58,828.46		$43,533.58	$6,501.94	$108,862.98			$102,362.01	N/A	$102,362.01	ESTIMATED COSTS SEVERED 8647
	BUTLER, PORTER, GAY & DAY													
	ATTORNEYS' FEES													
6	GEOFFREY GAY	$175.00	203.50	$35,612.50	231.20	$40,460.00			$175.00	434.70	$76,072.50			
7	STEVE PORTER	$175.00	41.05	$7,183.75	12.20	$2,135.00			$175.00	53.25	$9,318.75			
8	LEGAL ASSISTANT	$40.00	1.50	$60.00	1.00	$40.00			$40.00	2.50	$100.00			
9	TOTAL ATTORNEYS' FEES			$42,856.25		$42,635.00	$15,315.00	$100,806.26			$85,491.25	N/A		ESTIMATED COSTS SEVERED 8647
10	EXPENSES			$6,790.16		$2,218.16	$761.00	$9,577.32			$9,006.32	N/A		ESTIMATED COSTS SEVERED 8647
11	TOTAL			$49,646.41		$44,853.16	$16,076.00	$110,383.57			$94,497.57	N/A	$94,497.57	ESTIMATED COSTS SEVERED 8647
	LLOYD, GOSSELINK, FOWLER, BLEVINS & MATHEWS, P.C.													
	ATTORNEYS' FEES													
12	LAMBETH TOWNSEND	$180.00	322.40	$58,032.00	334.90	$60,282.00			$180.00	657.30	$118,314.00			ESTIMATED COSTS SEVERED 8647
13	CHESLEY N. BLEVINS	$175.00	58.70	$10,272.50	34.50	$6,037.50			$175.00	93.20	$16,310.00			
14	GEORGIA N. CRUMP	$150.00	369.40	$55,410.00	220.50	$33,075.00			$150.00	589.90	$88,485.00			
15	RICHARD L. HAMALA	$0.00	1.20	$0.00	0.00	$0.00			$0.00	1.20	$0.00			
16	C. JOE FREELAND	$150.00	2.10	$315.00	16.00	$2,400.00			$150.00	18.10	$2,715.00			
17	ERICH M. BIRCH	$0.00	0.30	$0.00	0.00	$0.00			$0.00	0.30	$0.00			
18	LRK	$40.00	1.60	$64.00	0.00	$0.00			$40.00	1.60	$64.00			
19	PLS	$60.00	291.65	$17,499.00	271.60	$16,296.00			$60.00	563.25	$33,795.00			
20	ALI	$60.00	115.85	$6,951.00	65.60	$3,936.00			$60.00	181.45	$10,887.00			
21	MFC	$0.00	0.50	$0.00	0.10	$0.00			$0.00	0.60	$0.00			
22	CLW	$25.00	145.60	$3,640.00	42.10	$1,052.50			$25.00	187.70	$4,692.50			
23	CAB	$25.00	1.70	$42.50	0.00	$0.00			$25.00	1.70	$42.50			
24	TOTAL ATTORNEYS' FEES			$152,508.00		$123,079.00	$51,921.00	$327,508.00			$275,587.00	N/A		ESTIMATED COSTS SEVERED 8647
25	EXPENSES			$12,012.40		$5,230.82	($4,230.82)	$13,012.40			$17,252.40	N/A		ESTIMATED COSTS SEVERED 8647
26	TOTAL			$164,520.40		$128,309.82	$47,690.18	$340,520.40			$292,839.40	N/A	$292,839.40	ESTIMATED COSTS SEVERED 8647
27	TOTAL ATTORNEYS			$272,993.34		$216,706.64	$68,679.06	$566,778.04			$489,698.98	N/A	$489,698.98	ESTIMATED COSTS SEVERED 8647
	CONSULTANTS													
	DIVERSIFIED UTILITY CONSULTANTS													
	CONSULTANTS' FEES													
28	JACK POUS	$125.00	256.50	$32,062.50	89.50	$11,187.50			$125.00	346.00	$43,250.00			
29	DAN LAWTON	$125.00	149.50	$18,687.50	42.00	$5,250.00			$125.00	191.50	$23,937.50			
30	KEN MARTIN	$45.00	134.50	$6,052.50	1.50	$67.50			$45.00	136.00	$6,120.00			
31	SARA COLEMAN	$100.00	21.50	$2,150.00	0.00	$0.00			$100.00	21.50	$2,150.00			
32	TOTAL CONSULTANTS' FEES			$58,952.50		$16,505.00	$4,375.00	$79,832.50			$75,457.50	N/A		ESTIMATED COSTS SEVERED 8647

33	EXPENSES			$3,474.67		$432.76	$334.83	$3,942.57			$3,307.75	N/A		ESTIMATED COSTS SEVERED 8647
34	TOTAL			$44,827.47		$10,837.70	$4,808.82	$63,375.87			$78,765.25	N/A	$78,765.25	ESTIMATED COSTS SEVERED 8647
	EXETER ASSOCIATES, INC													
	CONSULTANTS' FEES													
35	RICHARD GALLIGAN	$140.00	196.50	$27,510.00	53.50	$7,490.00			$140.00	250.00	$36,000.00			
36	JEROME B MIERZWA	$140.00	227.50	$31,850.00	11.00	$1,540.00			$140.00	238.50	$33,390.00			
37	THOMAS S. CATLIN	$140.00	4.50	$630.00	0.00	$0.00			$140.00	4.50	$630.00			
38	MARTIN B. PULLENBAUM	$100.00	0.50	$50.00	0.00	$0.00			$100.00	0.50	$50.00			
39	MARY C. SANDERS	$56.00	0.50	$27.50	0.00	$0.00			$56.00	0.50	$27.50			
40	TOTAL CONSULTANTS' FEES			$60,067.50		$9,030.00	$0.00	$68,087.50			$68,067.50	N/A		ESTIMATED COSTS SEVERED 8647
41	EXPENSES			$6,680.98		$1,275.22	$0.00	$8,136.16			$8,136.16	N/A		ESTIMATED COSTS SEVERED 8647
42	COST OVERRUN			($1,928.46)		$0.00	$0.00				($1,928.46)	N/A		ESTIMATED COSTS SEVERED 8647
43	TOTAL			$66,808.60		$10,306.22	$0.00	$75,306.22			$75,306.22	N/A	$75,306.22	ESTIMATED COSTS SEVERED 8647
	JOHN WILSON & ASSOCIATES, INC.													
	CONSULTANTS' FEES													
44	JOHN WILSON	$250.00	123.00	$30,750.00	0.00	$0.00			$250.00	123.00	$30,750.00			
45	ROBERT SINCLAIR	$150.00	101.00	$15,150.00	0.00	$0.00			$150.00	101.00	$15,150.00			
46	ROGER RODRIGUEZ	$150.00	10.00	$1,500.00	0.00	$0.00			$150.00	10.00	$1,500.00			
47	TOTAL CONSULTANTS' FEES			$47,400.00		$5,554.70	$0.00	$52,954.70			$52,954.70	N/A		ESTIMATED COSTS SEVERED 8647
48	EXPENSES			$1,213.40		$0.00	$0.00	$1,213.40			$1,213.40	N/A		ESTIMATED COSTS SEVERED 8647
49	TOTAL			$48,613.40		$5,554.70	$0.00	$54,170.10			$54,170.10	N/A	$54,170.10	ESTIMATED COSTS SEVERED 8647
	NON-TESTIFYING CONSULTANT													
	CONSULTANTS' FEES													
50	BILL MCMORRIES	$100.00	60.25	$6,025.00	13.75	$1,375.00			$100.00	74.00	$7,400.00			
51	TOTAL CONSULTANTS' FEES			$6,025.00		$1,375.00	$1,125.00	$8,525.00			$7,400.00	N/A		ESTIMATED COSTS SEVERED 8647
52	EXPENSES			$207.86		$8.90	($8.90)	$207.86			$218.65	N/A		ESTIMATED COSTS SEVERED 8647
53	TOTAL			$6,232.86		$1,383.90	$1,116.10	$8,732.86			$7,618.65	N/A	$7,618.65	ESTIMATED COSTS SEVERED 8647
	REED-STONE & CO.													
	CONSULTANTS' FEES													
54	JACK STOWE	$185.00	418.00	$81,708.00	242.50	$47,287.50			$185.00	661.50	$128,992.50			
55	CONNIE CANNADY	$135.00	115.75	$15,626.25	0.00	$0.00			$135.00	115.75	$15,626.25			
56	YVETTE THOMPSON	$125.00	261.00	$32,625.00	84.00	$10,500.00			$125.00	345.00	$43,125.00			
57	D. YANKE	$135.00	7.00	$945.00	0.00	$0.00			$135.00	7.00	$945.00			
58	G. BODLE	$50.00	74.50	$3,725.00	0.00	$0.00			$50.00	74.50	$3,725.00			
59	M. ISRAELSON	$50.00	5.00	$250.00	4.00	$200.00			$50.00	9.00	$450.00			
60	CLERICAL ASSISTANT	$28.00	137.50	$3,850.00	19.00	$532.00			$28.00	156.50	$4,382.00			
61	TOTAL CONSULTANTS' FEES			$138,729.25		$58,519.50	$18,980.50	$216,229.25			$197,245.75	N/A		ESTIMATED COSTS SEVERED 8647
62	EXPENSES			$6,076.52		$5,982.26	($5,982.26)	$6,076.52			$12,038.80	N/A		ESTIMATED COSTS SEVERED 8647
63	TOTAL			$144,802.77		$64,481.76	$13,018.22	$222,302.77			$209,284.55	N/A	$209,284.55	ESTIMATED COSTS SEVERED 8647
	DIAMOND RASH GORDON & JACKSON, P.C.													
	CONSULTANTS' FEES													
64	NORMAN GORDON	$200.00	72.60	$14,520.00	28.80	$5,760.00			$200.00	101.40	$20,280.00			
65	TOTAL CONSULTANTS' FEES			$14,520.00		$5,760.00	$1,600.00	$21,880.00			$20,280.00	N/A		ESTIMATED COSTS SEVERED 8647
66	EXPENSES			$182.31		$57.49	$0.00	$238.80			$238.80	N/A		ESTIMATED COSTS SEVERED 8647
67	TOTAL			$14,702.31		$5,817.49	$1,600.00	$22,118.80			$20,518.80	N/A	$20,518.80	ESTIMATED COSTS SEVERED 8647
68	TOTAL CONSULTANTS			$341,179.88		$104,482.87	$20,344.14	$466,006.91			$445,841.77	N/A	$445,841.77	ESTIMATED COSTS SEVERED 8647
69	TOTAL ATTORNEYS AND CONSULTANTS			$814,872.24		$321,186.51	$88,423.30	$1,024,783.86			$935,360.75	N/A	$935,360.75	ESTIMATED COSTS SEVERED 8647

SCHEDULE VIII-A – SECOND ORDER ON REHEARING NUNC PRO TUNC

GUD 8664

LONE STAR GAS COMPANY STATEMENT OF INTENT

RATE CASE EXPENSES

LONE STAR GAS COMPANY EXPENSES

LINE NO	ITEM	REQUESTED RATE	REQUESTED ACTUAL HOURS	REQUESTED ACTUAL TOTAL	REQUESTED ESTIMATED EXPENSE	TOTAL ACTUAL & ESTIMATED	COMMISSION APPROVED RATE	COMMISSION APPROVED ACTUAL HOURS	COMMISSION APPROVED ACTUAL TOTAL	COMMISSION APPROVED ESTIMATED EXPENSE	COMMISSION APPROVED TOTAL	SOURCE/NOTES
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	ATTORNEYS											
	CLARK THOMAS & WINTERS											
	ATTORNEYS' FEES											
1	WALTER DEMOND	$240.00	50.10	$12,024.00			$240.00	50.10	$12,024.00			
2	JAMES MANN	$215.00	581.30	$124,979.50			$215.00	581.30	$124,979.50			
3	CASEY WREN	$215.00	202.00	$43,425.00			$215.00	202.00	$43,425.00			
4	DAVID DUGGINS	$200.00	16.50	$3,300.00			$200.00	16.50	$3,300.00			
5	DAN RENNER	$200.00	13.40	$2,680.00			$200.00	13.40	$2,680.00			
6	PHIL GAMBLE	$180.00	8.30	$1,494.00			$180.00	8.30	$1,494.00			
7	PAUL RUIZ	$175.00	5.30	$927.50			$175.00	5.30	$927.50			
8	JOHN WILLIAMS	$175.00	70.30	$12,302.50			$175.00	70.30	$12,302.50			
	SUPPORT STAFF											
9	BMC	$60.00	307.30	$18,467.00			$60.00	307.30	$18,467.00			
10	BPO	$75.00	210.00	$15,750.00			$75.00	210.00	$15,750.00			
11	CHO	$110.00	18.00	$1,980.00			$110.00	18.00	$1,980.00			
12	JDM	$135.00	288.20	$38,942.00			$135.00	288.20	$38,942.00			
13	MPS	$140.00	2.60	$364.00			$140.00	2.60	$364.00			
14	EAC	$20.00	18.90	$378.00			$20.00	18.90	$378.00			
15	MAM	$150.00	9.80	$1,470.00			$150.00	9.80	$1,470.00			
16	ALK	$125.00	20.90	$2,612.50			$125.00	20.90	$2,612.50			
17	CJC	$200.00	1.40	$280.00			$200.00	1.40	$280.00			
18	JGS	$160.00	231.30	$37,008.00			$160.00	231.30	$37,008.00			
19	JFM	$175.00	71.80	$12,562.50			$175.00	71.80	$12,562.50			
20	MBC	$150.00	19.18	$2,878.00			$150.00	19.18	$2,878.00			
21	JMC	$45.00	37.00	$1,665.00			$45.00	37.00	$1,665.00			
22	TOTAL ATTORNEYS' FEES			$364,316.50	$202,425.00				$364,316.50	N/A		ESTIMATED COSTS SEVERED 8647
23	EXPENSES			$22,102.17	$6,000.00				$22,102.17	N/A		ESTIMATED COSTS SEVERED 8647
24	TOTAL			$386,418.67	$208,425.00	$594,843.67			$386,418.67	N/A	$385,418.67	ESTIMATED COSTS SEVERED 8647
	CONSULTANTS											
	BROWN, WILLIAMS, SCARBROUGH & QUINN											
	CONSULTANTS' FEES											
25	RAYMOND BERNE	$185.00	206.25	$38,156.25			$185.00	206.25	$38,156.25			
26	TOTAL CONSULTANTS' FEES			$38,156.25	$5,000.00				$38,156.25	N/A		ESTIMATED COSTS SEVERED 8647
27	EXPENSES			$4,697.36	$0.00				$4,697.36	N/A		VIENNA AIRFARE
28	TOTAL			$42,854.36	$5,000.00	$47,854.36			$42,854.36	N/A	$42,854.36	ESTIMATED COSTS SEVERED 8647
	DELOITTE & TOUCHE, LLP											
	CONSULTANTS' FEES											
29	BERNARD UFFELMAN	$375.00	134.00	$50,250.00			$375.00	134.00	$50,250.00			
30	DON ROFF	$290.00	243.00	$70,470.00			$290.00	243.00	$70,470.00			
31	JOHN B. MCCLELLAN	$250.00	115.00	$28,750.00			$250.00	115.00	$28,750.00			
32	RHONDA WATTE	$185.00	64.50	$11,932.50			$185.00	64.50	$11,932.50			
33	SECRETARY	$42.00	2.00	$84.00			$42.00	2.00	$84.00			
34	SECRETARY	$40.00	7.00	$280.00			$40.00	7.00	$280.00			
35	TOTAL CONSULTANTS' FEES			$182,466.50	$5,000.00				$182,466.50	N/A		ESTIMATED COSTS SEVERED 8647

75	PIERCE NOBLE	$600.00	1.00	$600.00			$500.00	1.00	$500.00			
76	ROBIN HAGERTY	$280.00	8.96	$2,218.00			$280.00	8.30	$2,318.06			
77	ANGELA WILLIAMS	$46.00	0.00	$44.00			$46.00	0.80	$44.06			
78	TWILA MANNING	$46.00	3.00	$256.00			$85.00	3.00	$256.00			
79	TOTAL CONSULTANTS' FEES			$3,033.00					$3,033.00			
80	EXPENSES			$300.00					$300.00			
81	TOTAL			$3,336.00	$0.00	$3,336.00			$3,336.00	N/A	$3,336.00	ESTIMATED COSTS SEVERED 8647
82	TOTAL CONSULTANTS			$443,518.20	$25,000.00	$468,518.20			$443,518.20	N/A	$443,518.20	ESTIMATED COSTS SEVERED 8647
83	TOTAL ATTORNEYS AND CONSULTANTS			$828,836.87	$233,425.00	$1,062,261.87			$828,836.87	N/A	$828,836.87	ESTIMATED COSTS SEVERED 8647
	LONE STAR EXPENSES											
	LONE STAR SUPPORT GROUP EXPENSES											
84	DAVID BIEDLER			$154.34					$154.34			
85	BOB BUCKNER			$4,966.66					$4,966.66			
86	DALE BURTON			$415.67					$415.07			
87	JODY BUTLER			$244.66					$244.66			
88	DORINA DEMAY			$1,104.28					$1,104.28			
89	DICK ERSKINE			$2,067.41					$2,067.41			
90	MIKE FLORENCE			$4,300.17					$4,300.17			
91	DAVE HALLO			$109.48					$109.48			
92	RICK HOLDEN			$266.07					$266.07			
93	MICHAEL T HUNTER			$1,254.28					$1,254.28			
94	NANCY KEITH			$2,663.50					$2,663.50			
95	DANA LEE			$42.53					$42.53			
96	ED LIVELY			$747.67					$747.67			
97	TERI MACE			$738.80					$738.80			
98	D.K. MATHESON			$504.18					$504.19			
99	P T MCKENZIE			$1,361.91					$1,361.91			
100	R D MITCHAMORE			$1,322.16					$1,322.16			
101	DENISE MORRISON			$467.66					$467.66			
102	J E NEIMAN			$2,433.66					$2,433.66			
103	RONNIE RANDLE			$0.00					$0.00			
104	R T REIS			$4,783.80					$4,783.80			
105	CHRISTINE SIGMAN			$44.86					$44.86			
106	PAT SMITH			$179.11					$179.11			
107	DON STEVENSON			$183.02					$183.02			
108	MIKE SUTTON			$119.74					$119.74			
109	JIMMY TAYLOR			$362.46					$362.46			
110	ELLEN WEAVER			$2,231.36					$2,231.36			
111	BILL WEIDLER			$1,151.41					$1,151.41			
112	CURTIS WEST			$406.74					$406.74			
113	R B WILLIAMS			$0.00					$0.00			
114	LESLIE WYLIE			$16.70					$16.70			
115	CHARLES YARBROUGH			$5,665.50					$5,665.50			
116	WAR ROOM NO. 511			$3,227.11					$3,227.11			
117	TOTAL			$43,781.51	$10,000.00	$53,781.51	$0.00	$0.00	$43,781.51	N/A	$43,781.51	ESTIMATED COSTS SEVERED 8647
	TEMPORARY SERVICES EXPENSES											
118	TODAY'S TEMPORARY, INC.	$13.00	280.5	$3,646.50			$13.00	280.5	$3,646.50			
119	TEMPORARIES, INC	$10.42	301	$3,136.42			$10.42	301	$3,136.42			
120	TOTAL			$6,782.92	$0.00	$6,782.92			$6,782.92	N/A	$6,782.92	ESTIMATED COSTS SEVERED 8647
	COPYING AND SUPPLIES											
121	COPYING SERVICES			$7,746.97								
122	LEGAL SEARCH SERVICES			$3,386.26								
123	DAVE HOWARD & ASSOCIATES			$75,873.80								
124	RRC OF TEXAS			$624.15								
125	CITIES			$1,601.06								
126	TOTAL			$86,216.36			$0.00	0.00	$86,216.36	N/A	$86,216.36	ESTIMATED COSTS SEVERED 8647
127	PUBLIC NOTICES			$78,563.23			$0.00	0.00	$78,563.23	N/A	$78,563.23	ESTIMATED COSTS SEVERED 8647

120	MAILING & SHIPPING	$20,816.79			$20,816.79	N/A	$20,816.79	ESTIMATED COSTS SEVERED	8647
	TRANSCRIPTION								
120	DAVE HOWARD & ASSOCIATES	$75,734.50			$75,734.50	N/A	$75,734.50	ESTIMATED COSTS SEVERED	8647
130	TOTAL LONE STAR EXPENSES	$311,687.33	$18,000.00		$311,687.33	N/A	$311,687.33	ESTIMATED COSTS SEVERED	8647
131	TOTAL LONE STAR RATE CASE EXPENSES	$1,140,634.20	$243,425.00	$1,384,059.20	$1,140,634.20	N/A	$1,140,634.20	ESTIMATED COSTS SEVERED	8647