

ORDINANCE NO. 3265

AN ORDINANCE FIXING AND DETERMINING THE GENERAL SERVICE RATE TO BE CHARGED FOR SALES OF NATURAL GAS TO RESIDENTIAL AND COMMERCIAL CONSUMERS IN THE CITY OF MESQUITE, DALLAS COUNTY, TEXAS: PROVIDING FOR THE MANNER IN WHICH SUCH RATE MAY BE CHANGED, ADJUSTED, AND AMENDED; PROVIDING FOR A WEATHER NORMALIZATION CLAUSE; PROVIDING FOR THE RECOVERY OF ANY CURRENT RATE CASE EXPENSE; PROVIDING FOR A SCHEDULE OF SERVICE CHARGES; PROVIDING FOR A COST OF SERVICE ADJUSTMENT FACTOR; PROVIDING FOR A PLANT INVESTMENT COST ADJUSTMENT FACTOR; AND PROVIDING FOR A MAIN LINE EXTENSION RATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS:

SECTION 1. Subject to the following provisos and the various provisions set forth in this ordinance, the maximum general service rate for sales of natural gas rendered to residential and commercial consumers within the city limits of Mesquite, Texas by Lone Star Gas Company, a division of ENSERCH Corporation, a Texas corporation, its successors and assigns, is hereby fixed and determined as set forth in Item A in the Attachment hereto which is incorporated herein.

PROVISO NO. (1): If this ordinance is finally passed and approved before the effective date stated in the Statement of Intent, the new rates shall be effective with gas bills rendered on and after thirty (30) days from the final date of passage of this ordinance for the good cause of reducing regulatory lag.

PROVISO NO. (2): If this ordinance is finally passed and approved on the effective date stated in the Statement of Intent or after a period of suspension, the new rates shall be billable immediately in order to reduce regulatory lag. This provision is an exercise of the regulatory authority's discretion to establish the effective date of rates at any time after jurisdiction attaches, and its authority pursuant to state law to establish rates for any period of suspension.

SECTION 2. The residential and commercial rates set forth above shall be adjusted upward or downward from a base of \$2.7535 per Mcf by a Gas Cost Adjustment Factor expressed as an amount per thousand cubic feet (Mcf) of natural gas for changes in the intercompany city gate rate charge as authorized by the Railroad Commission of Texas or other regulatory body having jurisdiction for gas delivered to the Mesquite distribution system, according to Item B, in the Attachment hereto which is incorporated herein.

SECTION 3. The residential and commercial rates set forth above shall be adjusted upward or downward by a Cost of Service Adjustment Factor, expressed as an amount per customer, for changes in the cost of service over a twelve month period ending December

31, according to Item C, in the Attachment hereto which is incorporated herein.

SECTION 4. Company shall also receive plant investment cost adjustments according to Item D, in the Attachment hereto which is incorporation herein.

SECTION 5. Company shall also receive weather normalization adjustments according to Item E, in the Attachment hereto which is incorporated, herein.

SECTION 6. The residential and commercial rates set forth above shall be adjusted upward or downward for changes in taxes and other governmental impositions, rental fees or charges according to Item F, in the Attachment hereto which is incorporated herein.

SECTION 7. In addition to the aforesaid rates, Company shall have the right to collect such reasonable charges as are necessary to conduct its business and to carry out its reasonable rules and regulations. The charges set forth in Items G and H in the Attachment hereto which is incorporated herein, are approved. Services for which no charge is set out may be performed and charged for by Company at a level established by the normal forces of competition.

SECTION 8. In addition to the aforesaid rates, Company is authorized to recover the current rate case expense through a surcharge designed for a six-month nominal recovery period. The surcharge per Mcf will be calculated by dividing the rate case expense to be recovered by one-half of the adjusted annual sales volume to residential and commercial customers. The Company will provide monthly status reports to the City to account for the collection of rate case expense.

SECTION 9. The rates set forth in this ordinance may be changed and amended by either the City or Company in the manner provided by law. Service hereunder is subject to the orders of regulatory bodies having jurisdiction, and to the Company's Rules and Regulations currently on file in the Company's office.

SECTION 10. Unless otherwise noted herein, other than Lone Star Gas Company (a named party), no person or entity has been admitted as a party to this rate proceeding.

SECTION 11. It is hereby found and determined that said meeting at which this ordinance was passed was open to the public, as required by Texas law, and that advance public notice of the time, place and purpose of said meeting was given.

DULY PASSED AND APPROVED on the first reading by the City Council of the City of Mesquite, Texas, on this the 5th day of October, 1998.

DULY PASSED AND APPROVED on the second and final reading by the City Council of the City of Mesquite, Texas, on this the 19th day of October, 1998.



Mike Anderson
Mayor

ATTEST:



Ellen Williams
City Secretary

APPROVED:



B.J. Smith
City Attorney

ATTACHMENT TO ORDINANCE NO. 3265
CITY OF MESQUITE, TEXAS

LONE STAR GAS COMPANY
TARIFFS & SCHEDULES

ITEM A. RATES

Subject to applicable adjustments, the following rates are the maximum applicable to residential and commercial consumers per meter per month or for any part of a month for which gas service is available at the same location.

Residential:

Customer Charge		\$	8.0000	
All Consumption	@		3.8495	Per Mcf

If the service period is less than 28 days in a month the customer charge is \$.2857 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Commercial

Customer Charge		\$	14.0000	
First 20 Mcf	@		3.9808	Per Mcf
Next 30 Mcf	@		3.6808	Per Mcf
Over 50 Mcf	@		3.5308	Per Mcf

If the service period is less than 28 days in a month the customer charge is \$.5000 times the number of days service. If the consumption contains a portion of an Mcf, a prorata portion of the per Mcf charge will be made.

Bills are due and payable when rendered and must be paid within fifteen days from monthly billing date.

Residential Off-Peak Sales Discount:

An off-peak sales discount of \$.25 per Mcf will apply to residential customers' volume purchased in excess of 8 Mcf for each of the billing months May through October.

ITEM B. GAS COST ADJUSTMENT

Each monthly bill at the above rates shall be adjusted for gas cost as follows:

- (1) The city gate rate increase or decrease applicable to current billing month residential and commercial sales shall be estimated to the nearest \$0.0001 per Mcf based upon:
 - (a) The city gate rate estimated to be applicable to volumes purchased during the current calendar month, expressed to the nearest \$0.0001 per Mcf (shown below as "Re"), less
 - (b) The base city gate rate of \$2.7535 per Mcf, multiplied by
 - (c) A volume factor of 1.0228 determined in establishing the above rates for the distribution system as the ratio of adjusted purchased volumes divided by adjusted sales volumes.

- (2) Correction of the estimated adjustment determined by Item B (1) above for the second preceding billing month shall be included as part of the adjustment . The correcting factor (shown below as "C") shall be expressed to the nearest \$0.0001 per Mcf based upon:
 - (a) The corrected adjustment amount based upon the actual city gate rate, less
 - (b) The estimated adjustment amount billed under Item B (1) above, divided by
 - (c) Distribution system residential and commercial sales Mcf recorded on the Company's books during the prior year for the month that the correction is included as part of the adjustment.

- (3) The adjustment determined by Item B (1) and Item B (2) above shall be multiplied by a tax factor of 1.06209 to include street and alley rental and state occupation tax due to the change in Company revenues under this gas cost adjustment provision.

In summary, the gas cost adjustment (GCA) shall be determined to the nearest \$0.0001 per Mcf by Item B (1), Item B (2) and Item B (3) as follows:

$$\text{GCA} = [\text{Item B (1)} + \text{Item B (2)}] \times \text{Item B (3)}$$

$$\text{GCA} = [(1.0228) (\text{Re} - \$2.7535) + \text{C}] \times 1.06209$$

ITEM C. COST OF SERVICE ADJUSTMENT

- (1) Effective with bills rendered for the month of May 1999 and annually

effective each May thereafter, the residential and commercial monthly rate shall be adjusted for increases or decreases in the cost per customer of providing gas service (including depreciation but excluding cost of gas, gross receipts taxes, income taxes, and return) for the previous year ended December 31 above or below such cost incurred in the second prior calendar year. These annual adjustments shall be cumulative. The operating expenses used in calculating the adjustments shall be for the applicable distribution system as reported to the Railroad Commission of Texas in the annual report of Lone Star Gas Company, a Division of ENSERCH Corporation. Should the percentage change in cost of service per customer of providing gas service plus or minus the effect of a carry forward from the prior year exceed the rate of change in the Implicit Price Deflator of the Gross Domestic Product over the same period of time, the adjustment will be limited to a maximum change computed by multiplying the cost of service per customer of providing gas service in the second prior calendar year ended December 31 by the rate of change in the Implicit Price Deflator of the Gross Domestic Product. Any change in the cost of service per customer of providing gas service subject to the above limitation shall be included in the determination of the cost of service adjustment to be effective in the succeeding May billing month, however the maximum percentage change for the succeeding year will continue to be limited to the percentage change in the Implicit Price Deflator of the Gross Domestic Product. The adjustment per bill shall be rounded to the nearest whole cent.

- (2) The adjustment determined by (1) above shall be multiplied by the same tax factor used in calculating the gas cost adjustment contained herein to include street and alley rental and state occupation tax due to the increasing or decreasing Company revenues under this cost of service adjustment provision.

ITEM D. PLANT INVESTMENT COST ADJUSTMENT:

- (1) An adjustment shall be calculated annually to determine the increase or decrease in authorized return to provide for return on changes in distribution plant investment less accumulated provision for depreciation. Effective with bills rendered for the month of May, 1999, and annually effective each May thereafter, the residential and commercial customer charge shall be adjusted to provide such increase or decrease. A comparison of net distribution plant investment for December 31 of the previous year ended compared to

December 31 net investment in the second prior calendar year will produce the change in net distribution plant investment. An allocation factor will be applied to the change in net distribution plant investment to reflect the change related to serving the residential and commercial classes of customers. The increase or decrease in return will be calculated by multiplying the allocated change in net distribution plant investment by the authorized rate of return on invested capital.

- (2) The annual increase or decrease in authorized return will be multiplied by an income tax factor of 1.358893 as based on a 35% federal income tax rate, and then by a revenue tax factor of 1.06209. The result of these calculations will be divided by the total number of residential and commercial bills to determine the adjustment to each residential and commercial bill on an annual basis. These annual adjustments will be cumulative.

ITEM E. Weather Normalization Adjustment:

Effective with bills rendered during the October 1998 through May 1999 billing months, and annually thereafter for the October through May billing months, the above residential and commercial consumption rates for gas service, as adjusted, shall be subject to a weather normalization adjustment each billing cycle to reflect the impact of variations in the actual heating degree days during the period included in the billing cycle from the normal level of heating degree days during the period included in the billing cycle. The weather normalization adjustment will be implemented on a per Mcf basis and will be applicable to the heating load of each customer during the period included in the billing cycle. It will be determined separately for residential and commercial customers based on heating degree data recorded by the D/FW Airport weather station. The adjustment to be made for each billing cycle will be calculated according to the following formula:

$$WNA = \frac{NDD - ADD}{ADD} \times M \times AHL$$

Where: WNA = Weather normalization adjustment
 NDD = Normal heating degree days during the period covered by the billing cycle
 ADD = Actual heating degree days during the period covered by the billing cycle
 M = Weighted average margin per Mcf

included in the commodity portion of the rates effective during the October through May billing months

AHL = Actual heating load per customer

The heating load to which the weather normalization adjustment is to be applied for residential and commercial customers is determined by subtracting the base load for the customer from the total volume being billed to the customer. The base load of a customer is the average level of nonheating consumption.

The weather normalization adjustment is subject to a 50% limitation factor based on temperatures being fifty percent warmer or colder than normal. The weather normalization adjustment will be calculated to the nearest \$.0001 per Mcf.

ITEM F. TAX ADJUSTMENT

Each monthly bill, as adjusted above, shall be adjusted by, an amount equivalent to the proportionate part of any new tax, or any tax increase or decrease, or any increase or decrease of any other governmental imposition, rental fee or charge (except state, county, city and special district ad valorem taxes and taxes on net income) levied, assessed or imposed subsequent to January 1, 1998 upon or allocable to the Company's distribution operations, by any new or amended law, ordinance or contract.

ITEM G. SCHEDULE OF SERVICE CHARGES

(1) Connection Charge

In addition to the charges and rates set out above, the Company shall charge and collect the sum of:

<u>Schedule</u>	<u>Charge</u>
Business Hours	\$ 35.00
After Hours	52.50

For each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, with the following exceptions:

- (a) For a builder who uses gas temporarily during construction or

for display purposes.

(b) Whenever gas service has been temporarily interrupted because of system outage or service work done by Company;
or

(c) For any reason deemed necessary for company operations.

(2) Read For Change Charge

A read for change charge of \$12.00 is made when it is necessary for a company employee to read the meter at a currently served location because of a change in the billable party.

(3) Returned Check Charges

A returned check handling charge of \$16.25 is made for each check returned to the Company for any reason.

(4) Delinquent Notification Charge

A charge of \$4.75 shall be made for each trip by a Company employee to a customer's residence or place of business when there is an amount owed to the Company that is past due. This charge shall not be made when the trip is required for safety investigations or when gas service has been temporarily interrupted because of system outage or service work done by Company.

ITEM H. MAIN LINE EXTENSION RATE

The charge for extending mains beyond the free limit established by Franchise for residential, commercial, and industrial customers shall be based on the actual cost per foot of the extension.