

BEFORE THE
RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION

RE: WEST TEXAS GAS, INC.	§	GAS UTILITIES DOCKET
STATEMENT OF INTENT TO	§	NO. <u>10118</u>
INCREASE GAS DISTRIBUTION	§	
RATES ON A STATE WIDE BASIS	§	
IN THE STATE OF TEXAS	§	

**STATEMENT OF INTENT TO INCREASE GAS DISTRIBUTION RATES,
ON A STATEWIDE BASIS IN THE STATE OF TEXAS**

TO THE HONORABLE RAILROAD COMMISSION OF TEXAS:

WEST TEXAS GAS, INC. ("WTG"), a natural gas public utility, files with the Railroad Commission of Texas ("Commission") this Statement of Intent to Increase Gas Distribution Rates on a statewide basis in the State of Texas pursuant to Tex. Utilities Code §§104.101-et. al. (Vernon 2007), In support of this filing, WTG states the following:

I.

STATEMENT OF FACTS

West Texas Gas, Inc. ("WTG" or "Company") submits this Statement of Intent to increase gas distribution rates on a statewide basis in the State of Texas. WTG serves approximately 16,919 domestic and non-domestic customers through its natural gas distribution systems in twenty-eight (28) Texas cities and their environs and the unincorporated, or rural, areas of sixty-eight (68) Texas counties. WTG's last rate increase was in 2004 pursuant to a Settlement Agreement entered into between WTG and its customers. The Commission approved the Settlement Agreement in consolidated proceedings in GUD Nos. 9488-9512, 9520, 9521 and 9526.

A. Municipal and Environs Rates

WTG currently serves customers inside the cities and environs of the incorporated Cities of Balmorhea, Cactus, Canadian, Canyon, Claude, Dalhart, Darrouzett, Devine, Eden, Farwell, Follett, Groom, Higgins, Junction, Kermit, Lubbock, Menard, Miami, Mobeetie, Natalia, Paint Rock, Shamrock, Somerset, Sonora, Stratford, Texhoma, Texline and Wheeler, and surrounding environs:

B. Special or Rural Rates

WTG currently serves customers (excluding City and Environs Rates) in the unincorporated towns or rural areas of Andrews, Armstrong *(Goodnight), Atascosa, Bailey, Bexar, Brewster, Briscoe, Brown, Carson, Castro, Cochran *(Bledsoe), Coleman, Collingsworth, Concho, Crosby, Culberson, Dallam *(Kerrick), Dawson, Deaf Smith, Dimmitt, Donley, Floyd, Frio, Gaines, Gray, Hale, Hall, Hansford, Hartley, Hemphill *(Glazier), Hockley, Hutchinson, Jeff Davis, Kimble, Kinney, La Salle, Lamb, Lipscomb, Lubbock, Lynn, McCulloch *(Lohn), Martin, Maverick, Medina, Menard, Moore *(Etter), Ochiltree *(Farnsworth, Waka), Oldham, Parmer, Pecos *(Coyanosa, Imperial), Potter, Presidio, Randall, Reeves (Saragosa), Roberts, Runnels, Sherman, Sutton, Swisher, Terry, Tom Green *(Christoval), Uvalde, Val Verde, Wheeler *(Allison, Briscoe), Wilson, Winkler, Yoakum and Zavala **(La Pryor) Counties, Texas.

The Commission approved uniform statewide rates for all customers and established gas cost zones for the Farwell, North, West and South Zones of WTG's service area. This Statement of Intent affects the incorporated areas of Texas cities and the environs of twenty-eight (28) Texas Cities and all filings are part of a single statewide

application to increase rates to all domestic and non-domestic customers served by WTG gas distribution systems.

II.
CUSTOMERS AFFECTED

The new rate change will affect all jurisdictional consumers served by WTG. Approximately 14,811, domestic and 2,108 non-domestic customers will be affected by the changes. The proposed change in rates is a “major change” as defined by Texas Utilities Code §104.101, because it will exceed 2.5% of WTG’s existing rates. These rates will not exceed 115% of the average of all rates for similar services of all municipalities served by WTG within the same county.

III.
PROPOSED EFFECTIVE DATE

WTG proposes to make all rate changes pursuant to this Statement of Intent, effective with billings rendered on or after November 5, 2011.

IV.
CURRENT RATES

WTG’s current monthly rates for all customers in the environs areas of the twenty-eight (28) cities, and the unincorporated areas of sixty-eight (68) Texas counties is as follows:

	<u>Domestic</u>	<u>Non-Domestic</u>
Customer Charge	\$ 9.00	\$12.00
All Consumption @	\$ 2.42 per Mcf	\$ 2.27 per Mcf

Together with existing, currently-approved rate adjustment provisions (Gas cost adjustment, revenue-related tax adjustments, other surcharges and miscellaneous service charges), the above rates are the current maximum rates applicable to domestic and non-

domestic consumers per meter billing cycle or for any part of a billing cycle for which gas service is available at the same location.

V.
PROPOSED RATES

It has been seven (7) years since WTG last proposed to change its rates, and the Railroad Commission approved higher rates. WTG has recently completed a comprehensive rate study and has determined that it is not recovering its authorized cost of service or revenue requirements at existing rates. Accordingly, the company is proposing to increase its statewide rates in order to produce an incremental \$2,489,741 in annual revenues, which represents an increase of approximately 22.9% in total annual aggregate revenues (including all gas costs and non-gas costs). This rate study is attached to this Statement of Intent.

In order to mitigate the impact of this rate increase, the Company is proposing that its proposed rates be phased-in over a 2-year period. WTG's proposed phased-in rates for all customers in the environs areas of twenty-eight (28) cities and the unincorporated areas of sixty-eight (68) Texas counties is as follows:

Year 1 (Effective on or after November 5, 2011)

	<u>Domestic</u>	<u>Non-Domestic</u>
Customer Charge	\$11.27	\$15.03
All Consumption @	\$ 3.03 per Mcf	\$ 2.84 per Mcf

Year 2 (Effective on or after November 5, 2012)

	<u>Domestic</u>	<u>Non-Domestic</u>
Customer Charge	\$13.54	\$18.06
All Consumption @	\$ 3.64	\$ 3.42

The above rates will continue to be subject to various currently effective adjustment provisions contained in WTG's tariff. Except for the merging of the Farwell Gas Cost Zone into the West Gas Cost Zone, no changes are sought in the gas cost adjustment, revenue-related tax adjustment, other surcharges or miscellaneous service charges in WTG's currently approved tariffs. A "redline" copy of WTG's existing tariff showing all proposed changes is attached to this Statement of Intent.

WTG is proposing to continue to use generally applicable, statewide rates in Texas. Rates for customers in environs and unincorporated or rural areas would be the same as the other customers, except for minor variations in the regional cost of gas. The continuation of a uniform statewide rate structure for WTG customers will help ensure that all customers pay rates that closely reflect WTG's actual cost of serving them.

Since its last rate case in 2004, WTG has invested significant capital in improving, extending, and replacing WTG pipeline systems. In addition, operating costs have continued to increase because WTG is required to comply with new State and Federal pipeline safety regulations covering (i) operator qualification, (ii) public awareness, (iii) third party pipeline damage reporting, and (iv) distribution integrity management.

Another factor contributing to WTG's revenue deficiency is the continued improvement in building materials and natural gas appliances that provide consumer conservation savings while also reducing WTG's sales volumes. Because WTG's ability to collect its approved jurisdictional cost of service is based on its sales volumes, this means that the efficiency gains that are beneficial to consumers reduce WTG's revenues at the same time. The less gas that customers use due to efficiency gains, the harder it is

for WTG to recover its ongoing cost of service.

VI.

DETAILED STATEMENTS OF SETTLEMENT CHANGES

Like its existing rates, WTG's proposed base rates will consist of a customer charge and a volumetric charge designed to recover WTG's cost of service and provide a return on its investment. As set out in Section III above, the effect of the proposed rate change is to increase WTG's total annual revenues by \$2,489,741.

Based on the proposed rates indicated above, the average monthly bill (including gas costs) for Domestic customers using 6 Mcf of gas per month will be \$55.54 in Year 1, representing a 12.0% increase. In Year 2 the average monthly bill will increase to \$61.47, an additional 10.7% increase.

For Non-Domestic customers, the average monthly bill for customers (including gas costs) using 30 Mcf of gas per month will be \$230.67 in Year 1, representing a 9.6% increase. In Year 2 the average monthly bill will increase to \$251.10, representing an additional 8.9% increase. These new rates will have a different impact upon customers depending upon their actual monthly gas consumption. The proposed rate change resulting from this Statement of Intent is expected to increase WTG's revenue by \$1,242,673 in Year 1 then another \$1,247,068 in Year 2.

The impact of the proposed base rates described above are based on a gas cost of \$4.348 per Mcf, which represents WTG's average cost of gas during the test period. Applicable gas costs are calculated under procedures established in WTG's currently effective tariff, and no changes in the gas cost adjustment clause are requested, except for the elimination of the Farwell Gas Cost Zone and its merger into the West Gas Cost Zone.

The base rates described above will be further adjusted to recover revenue-related taxes and fees, i.e., franchise fees, gross receipt taxes and all other taxes and fees charged to or collected by WTG on behalf of city, county, state and federal government entities, will not be changed.

Miscellaneous fees, which include return check fees, connect/disconnect fees, deposit requirements and other charges are described in WTG's tariff will not be changed. WTG proposes no changes to its services rules and regulations applicable to the sale and delivery of natural gas and natural gas services which will be identical to the official rules of the Railroad Commission of Texas, Gas Services Division as found in Title 16 Texas Administrative Code, Part 1, as amended.

VII.

TEST YEAR

The details supporting the proposed changes are contained in the rate study attached hereto. The test year used in the study is the twelve months ending June 30, 2011, as adjusted for known and measurable changes.

VIII.

RATE CASE EXPENSES

Pursuant to Commission Rule 16 TAC §7.5530, WTG requests recovery of its reasonable rate case expenses through a rate case surcharge.

IX.

PUBLIC NOTICE

The public notice attached to this Statement of Intent will be (i) directly mailed to affected customers, or (ii) published in a newspaper of general circulation in the county encompassing the geographical area of WTG's properties serving the affected customer.

In accordance with Tex. Utilities Code §104.103, any newspaper notice will be published once a week for four successive weeks.

IX.
AUTHORIZED REPRESENTATIVES

WTG's business address and telephone numbers for the purposes of this filing are:

West Texas Gas, Inc.
211 N. Colorado
Midland, Midland County, Texas 79701
Telephone: (432) 682-4349
Facsimile: (432) 682-4024

WTG's authorized representatives are:

Richard D. Hatchett, Vice President
J.J. King, Gas Marketing Manager
West Texas Gas, Inc.
211 N. Colorado
Midland, Midland County, Texas 79701
Telephone: (432) 682-4349
Facsimile: (432) 682-4024
Email: rhatchett@westtexasgas.com
jking@westtexasgas.com

G. William Fowler
G. William Fowler, P.C.
3800 E. 42nd Street, Suite 600
Odessa, Texas 79762
Telephone: (432) 362-0366
Facsimile: (432) 362-0367
Email: gwf@texol.net

Sterling H. Smith
2900 Stratford Drive
Austin, Texas 78746-4629
Telephone: (512) 306-9487
Facsimile: (512) 306-9497
Email: shsmith@austin.rr.com

General inquiries concerning this Statement of Intent should be directed to Mr. Hatchett or Mr. King at the above-stated address and telephone number. All pleadings, discovery requests, motions, orders, and other documents filed in this proceeding should be served upon Mr. Fowler and Mr. Smith, at the above-stated addresses.

WHEREFORE, PREMISES CONSIDERED, WTG prays that the Commission issue an Order authorizing and permitting WTG to place into effect a schedule of statewide settlement rates for all domestic and non-domestic customers; recover rate case expenses; and for such further legal, equitable and necessary relief to which WTG may be justly entitled.

Respectfully submitted,

G. WILLIAM FOWLER, P.C.
3800 E. 42nd Street, Suite 600
Odessa, Texas 79762
Telephone: (432) 362-0366
Facsimile: (432) 362-0367
Email: gwf@texol.net

By: _____
G. WILLIAM FOWLER
State Bar No. 07321000

STERLING H. SMITH
State Bar No. 18685600
2900 Stratford Drive
Austin, Texas 78746-4629
Telephone: (512) 306-9487
Facsimile: (512) 306-9497
Email: shsmith@austin.rr.com


ATTORNEYS FOR WEST TEXAS GAS,
INC.

STATE OF TEXAS §
 §
COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, on this day personally appeared RICHARD D. HATCHETT, who, after being duly sworn by me, upon his oath stated as follows:


“I am RICHARD D. HATCHETT, Vice-President, Natural Gas Operations of West Texas Gas, Inc. I am personally knowledgeable about the everyday business operations of West Texas Gas, Inc. and hereby state that all the statements in the foregoing Amended Statement of Intent to Change Rates are true and correct.”

SIGNED this 26th day of September, 2011.



Richard D. Hatchett

SUBSCRIBED AND SWORN TO before me by the said RICHARD D. HATCHETT, on this the 26th day of September, 2011.



Notary Public in and for
State of Texas

