

ORDINANCE 2011-14

AN ORDINANCE OF THE CITY COMMISSION OF LA FERIA, TEXAS (“CITY”) APPROVING A NEGOTIATED RESOLUTION BETWEEN THE CITIES SERVED BY TEXAS GAS SERVICE (“CITIES”) AND TEXAS GAS SERVICE (“TGS” OR “THE COMPANY”) REGARDING THE COMPANY’S APRIL 28, 2011 COST OF SERVICE ADJUSTMENTS (“COSA”) FILING; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; PROVIDING FOR THE RECOVERY OF THE CITIES’ AND TGS’ REASONABLE AND NECESSARY RATE CASE EXPENSES; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; REPEALING ANY PRIOR ORDINANCES INCONSISTENT WITH THIS ORDINANCE AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND CITIES’ LEGAL COUNSEL.

WHEREAS, the City of La Feria, Texas (“City”) is a gas utility customer of Texas Gas Service (“TGS” or “the Company”), and a regulatory authority with an interest in the rates and charges of TGS; and

WHEREAS, the City is a member of the Cities served by Texas Gas Service (“Cities”), a coalition of similarly situated cities served by TGS that have joined together to facilitate the review and response to natural gas issues affecting rates charged in TGS’ service area; and

WHEREAS, pursuant to the terms of the agreement settling TGS’ 2009 Statement of Intent to increase rates, Cities and TGS worked collaboratively to develop the COSA tariff that allows for an expedited comprehensive rate review process controlled in a three-year experiment; and

WHEREAS, the City took action in 2009 to approve a Settlement Agreement with TGS resolving the Company’s 2009 rate case and authorizing the COSA tariff; and

WHEREAS, the 2009 Settlement Agreement contemplates reimbursement of Cities’ reasonable expenses associated with COSA applications; and

WHEREAS, on or about April 28, 2011, TGS filed with the City a COSA tariff seeking to increase natural gas rates to all customers residing in the City; and

WHEREAS, Cities coordinated their review of TGS' COSA filing and designated attorneys and consultants to resolve issues in the Company's COSA filing; and

WHEREAS, the Company has filed evidence that existing rates are unreasonable and should be changed; and

WHEREAS, independent analysis by Cities' rate expert concluded that TGS is able to justify a slight increase over current rates; and

WHEREAS, TGS agreed to reduce its request by \$72,000 in addition to the \$293,572 reduction associated with the application of rate caps; and

WHEREAS, the Cities' attorneys and consultant recommend that Cities' members approve the attached rate tariffs ("Attachment A" to this Ordinance); and

WHEREAS, the attached tariffs implementing new rates are consistent with the negotiated resolution reached by Cities and are just, reasonable, and in the public interest; and

WHEREAS, the negotiated resolution of the Company's COSA filing and the resulting rates are, as a whole, in the public interest; and

WHEREAS, the effective date of new COSA rates is to be August 1, 2011 pursuant to the COSA tariff previously adopted by the Cities.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LA FERIA, TEXAS THAT:

Section 1. That the City Commission finds that the existing rates for natural gas service provided by TGS are unreasonable and the new tariffs, which are attached hereto and incorporated herein as Attachment A, are just and reasonable and are hereby adopted.

Section 2. That TGS shall reimburse the reasonable ratemaking expenses of the Cities in processing the Company's rate application.

Section 3. That to the extent any resolution or ordinance previously adopted by the city Commission is inconsistent with this Ordinance, it is hereby repealed.

Section 4. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

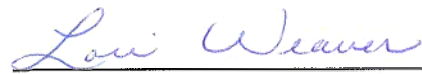
Section 5. That if any one or more sections or clauses of this Ordinance is adjusted to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the

remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 6. That this Ordinance shall become effective from and after its passage.

Section 7. That a copy of this Ordinance shall be sent to TGS, care of Dean LaFever, Director, at 5602 East Grimes Road, Harlingen, Texas 78550-1783, and to Geoffrey Gay, General Counsel to Cities, at Lloyd Gosselink Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

PASSED AND APPROVED THIS THE 13th DAY OF SEPTEMBER 2011



Lori Weaver, Mayor Pro-Tem

ATTEST:


Olga Oberwetter, City Secretary

APPROVED AS TO FORM:


Richard S. Talbert, City Attorney

TRANSPORTATION SERVICE RATEAPPLICABILITY

Service under this rate schedule is available to any customer of Texas Gas Service Company ("Company") and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions) for the transportation of customer-owned natural gas through the Company's Rio Grande Valley distribution system for use by customers within the Company's Rio Grande Valley's Service Area or delivered to connecting pipelines. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

Prior to the execution of a Gas Transportation Service Agreement, customer must represent and certify that its usage shall average five hundred (500) Mcf of gas per month or six thousand (6,000) Mcf annually. The Company shall have the right at all reasonable times, upon prior notice to Customer, to enter onto Customer's premises and inspect Customer's facilities and operations to verify such capability. Customer must agree to notify the Company within a reasonable time if there is any change in Customer's usage. Should Customer's usage capability average less than five hundred (500) Mcf per month or six thousand (6,000) Mcf annually, Customer must so notify the Company and the Company may discontinue service hereunder except as provided in the Gas Transportation Service Agreement.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below.

Part A: A customer charge of \$127.82 per meter per month.

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0.13177 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions).

CONDITIONS

See the "Special Provisions" and "Conditions" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions)

Supersedes Same Sheet Dated
July 29, 2010 (Incorporated only)

Meters Read On and After
July 29, 2011(Incorporated only)

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer of Texas Gas Service Company ("Company") and to Qualified Suppliers or Producers supplying natural gas to be transported, pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions) for the transportation of customer-owned natural gas through the Company's Rio Grande Valley distribution system for use by customers within the Company's Rio Grande Valley's Service Area or delivered to connecting pipelines. This rate schedule requires a one-year commitment for transportation service. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

TERRITORY

All areas served by the Company in its Rio Grande Valley Service Area.

RATE

This rate shall be the sum of Part A, Part B, and Part C as described below.

Part A: A customer charge of \$327.82 per meter per month.

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at the following Ccf charge:

All Ccf @ \$0.04545 per Ccf

Part C: "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions).

Minimum Monthly Bill of \$1,500 (from the sum of Part A and Part B)

CONDITIONS

See the "Special Provisions" and "Conditions" pursuant to Rate Schedule T-GEN (General Charges, Provisions and Conditions)

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, or nursing homes, for domestic purposes.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$11.25 plus -
All Ccf @ \$ 0.30529 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

Subject in all respects to applicable laws, rules, and regulations from time to time in effect.

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$31.25 plus (For Commercial Service)

A Customer Charge per meter per month of \$18.75 plus (For Church Service)

All Ccf @ \$ 0.22434 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of Gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

INDUSTRIAL SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- | | |
|-------------------|--|
| Division B | - Mining - all Major Groups |
| Division D | - Manufacturing - all Major Groups |
| Divisions E and J | - Utility and Government - facilities generating power for resale only |

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

- A Customer Charge per meter per month of \$66.85 plus -
All Ccf @ \$ 0.25369 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts.

TERRITORY

All customers in the incorporated areas served by the Company in its Rio Grande Valley Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of \$35.71 plus -
All Ccf @ \$ 0.26134 per Ccf

OTHER ADJUSTMENTS

In addition to the Cost of Service set forth above, each customer's bill shall include the following adjustments:

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Taxes: Plus applicable taxes and fees (including franchises fees) related to above, see Rate Schedule 1B.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residences, hospitals, schools, churches, and other human needs customers as prioritized in the Company's approved Curtailment Program.