

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF HUGHES NATURAL GAS, INC. FOR TEST YEAR 2013 ANNUAL INTERIM RATE ADJUSTMENT PROGRAM FOR THE ENVIRONS AREA.	§ § § § §	GAS UTILITIES DOCKET NO. 10367
---	-----------------------	---

ORDER REJECTING APPLICATION AND DISMISSAL

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 Chapter 551. The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Hughes Natural Gas, Inc. (HNG) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. On July 3, 2014, HNG filed an application for an annual interim rate adjustment (IRA) applicable to customers located in its environs areas.
3. HNG requested that the interim rate adjustments for all customer classes become effective on January 1, 2015.
4. HNG's most recent rate case for the area in which an interim rate adjustment can be implemented is GUD No. 10190, *Statement of Intent of Hughes Natural Gas, Inc. To Change Gas Distribution Rates in the Unincorporated Towns and Rural Areas of Austin, Colorado, Grimes, Harris, Montgomery and Waller Counties, Texas*.
5. GUD No. 10190 was filed on July 6, 2012.
6. In that proceeding, the Examiners identified deficiencies in the Statement of Intent as originally filed.
7. HNG subsequently filed a motion for Abatement, which was granted on September 14, 2012.

8. HNG re-filed its Statement of Intent on November 2, 2012 in GUD No. 10190.
9. The data used in the re-filed Statement of Intent in GUD No. 10190 was based on a test-year ending September 30, 2012.
10. It is reasonable to regard November 2, 2012 as the filing date of HNG's Statement of Intent in GUD No. 10190.
11. A hearing in GUD No. 10190 was held from February 6, 2013 through February 8, 2013. On February 19, 2013 a Settlement Agreement was filed in the case.
12. HNG, Commission Staff, and the City of Magnolia are signatories to the Settlement Agreement.
13. The Commission signed the GUD No. 10190 Final Order on March 26, 2013, adopting the provisions of the Settlement Agreement.
14. Under Section H of the Settlement Agreement, "HNG agrees that it will not file an IRA for the environs in calendar year 2013, and that its first IRA filing will occur no sooner than October 1, 2014 for the time period September 30, 2012 to December 31, 2013."
15. Finding of Fact No. 46 in the Final Order in GUD 10190 specifies that "It is reasonable that HNG not file an interim rate adjustment proceeding for the environs in calendar year 2013 and that its first interim rate adjustment filing occur no sooner than October 1, 2014 as set out in the attached Settlement Agreement".
16. The base rates currently charged by HNG were set by the Commission in GUD No. 10190.

CONCLUSIONS OF LAW

1. Hughes Natural Gas, Inc. (HNG) is a "gas utility" as defined in TEX. UTIL. CODE § 101.003(7) and § 121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over HNG, HNG's applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §102.001, §104.001, §104.002, and §104.301.
3. Under TEX. UTIL. CODE ANN. §102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits,

transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.

4. Under the provisions of the TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE § 7.7101, HNG is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. The Commission may reject applications for interim rate adjustments in accordance with the provisions of 16 TEX. ADMIN. CODE § 7.7101(g).
6. The Final Order in GUD No. 10190 requires HNG to file an application for an interim rate adjustment no sooner than October 1, 2014.
7. HNG's filing of an application for an interim rate adjustment on July 3, 2014 renders the application non-compliant with the Final Order in GUD No. 10190 and the terms of the Settlement Agreement as executed by the parties in that docket.
8. The Commission or the appropriate director may dismiss, with or without prejudice, any proceeding under such conditions as are found just and reasonable if necessary in the interest of justice. 16 TEX. ADMIN. CODE § 1.126 (6).

IT IS THEREFORE ORDERED that HNG's interim rate adjustment filing is rejected and the filing is not considered to be properly filed until it is compliant with the provisions as adopted in the Final Order in GUD No. 10190.

IT IS FURTHER ORDERED that this proceeding be dismissed without prejudice to re-file in compliance with this order and the order issued in GUD No. 10190 with the Commission no sooner than October 1, 2014.

IT IS FURTHER ORDERED that HNG's proposed schedule of rates under its interim rate adjustment is hereby **DENIED**.

Any portion of HNG's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 12th day of August 2014.

RAILROAD COMMISSION OF TEXAS



BARRY T. SMITHERMAN
CHAIRMAN

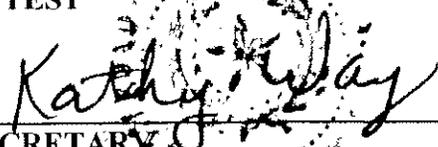


DAVID PORTER
COMMISSIONER



CHRISTI CRADDICK
COMMISSIONER

ATTEST



KATHY KELLY
SECRETARY

