

MAY 27 1994

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	DOCKET NO. UG-931405
)	
v.)	
)	
WASHINGTON NATURAL GAS COMPANY,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Application)	
of)	
)	
WASHINGTON NATURAL GAS COMPANY,)	DOCKET NO. UG-931442
)	
for an Order Approving an)	FOURTH SUPPLEMENTAL ORDER
Affiliated Arrangement with)	ACCEPTING SETTLEMENT
Mercer Insurance Company,)	AGREEMENT
Limited.)	
.....)	

PROCEEDINGS: This proceeding involves two matters. First is a general rate filing by Washington Natural Gas Company (WNG or company) for a general rate increase of approximately \$24.5 million. The company also requested approval of an arrangement with an affiliate, Mercer Insurance Company, Limited. The matters were consolidated for hearing and decision. On May 19, 1994, the parties filed a Stipulation that the company requires an additional \$19 million in revenues and that the affiliated interest arrangement should be approved.

HEARINGS: The Commission held hearings on January 11, February 22 and 25, and May 23, 24, and 25, 1994. The hearings were held before Chairman Sharon L. Nelson, Commissioner Richard D. Casad, Commissioner Richard Hemstad, and Administrative Law Judge Lisa A. Anderl of the Office of Administrative Hearings.

APPEARANCES: David Scott Johnson, attorney, Seattle, represented Washington Natural Gas Company. Robert D. Cedarbaum and Anne Egeler, assistant attorneys general, Olympia, represented the Staff of the Washington Utilities and Transportation Commission. Donald T. Trotter, assistant attorney general, public counsel section, Seattle, represented the public. Paula E. Pyron and Edward A. Finklea, attorneys, Portland, Oregon, represented intervenor Northwest Industrial Gas Users (NWIGU). Carol S. Arnold, attorney, Seattle, represented intervenor Partnership for Equitable Rates for Commercial Customers (PERCC). Frederick O. Frederickson, attorney, Seattle, represented intervenor Seattle Steam Company.

SUMMARY: The Commission accepts the settlement agreement as presented, allowing the company to file rates to produce a revenue increase of \$19 million and approving the company's use of an affiliated company as its insurer.

MEMORANDUM

Background

This is a general rate filing by Washington Natural Gas Company (WNG or company). On November 19, 1993, WNG filed tariff sheets to produce a general rate increase of approximately \$24.5 million. The Commission suspended the tariff revisions pending hearings on the justness and reasonableness of the rates requested in the filing. On November 29, 1993, the company filed a request for approval of an affiliated arrangement with Mercer Insurance Company, Limited. The Commission consolidated the matters for hearing and decision.

Commission Staff subsequently filed its direct case recommending a rate increase of \$19.2 million. Commission Staff also recommended that the affiliated transaction with Mercer Insurance Company, Limited, be approved.¹ Public Counsel filed testimony recommending various accounting adjustments totaling \$3 million, which did not overlap Staff's recommendations. The intervenors did not file testimony or exhibits in either docket. On April 27, 1994, the company filed rebuttal testimony. Hearings were set for May 23, 1994, for the cross-examination of the Staff and Public Counsel direct evidence and the company's rebuttal presentation.

Settlement Proposal

On May 19, 1994, the parties submitted for approval a Stipulation for Submission and Decision (Settlement Agreement).² A summary of the Settlement Agreement is as follows:

* The parties agree to an increased revenue requirement of \$19,000,000.

¹ See the Commission's Fourth Supplemental Order in Docket UG-920840 for additional background information on this issue.

²The version submitted originally lacked the signature of one participant. The parties submitted a final version of that document at the hearing on May 23, 1994, which all parties have signed. The final version also contained one minor change, described on the record.

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- * Rate spread will be accomplished by applying a uniform percentage to each rate schedule's current margin. Rate design will be as shown in Exhibit "A" attached to the Settlement Agreement. Residential customers will experience an average increase of approximately 5.4%; schedule 87 (large-volume interruptible customers) approximately 2.1%; and transportation approximately 13.3%.
 - * The parties agree that the affiliated arrangement with Mercer Insurance Company, Limited, should be approved. This does not commit the parties to accepting charges from Mercer as appropriate for ratemaking purposes.
 - * The parties request the Commission to enter an expedited order so the company can place rates into effect by June 10, 1994.
 - * The company agrees that it will not file for general rate relief prior to March 1, 1995. This restriction does not apply to tracker filings, several other miscellaneous filings, or emergency interim relief.
 - * The company agrees to record prospectively on its books a royalty from WESCO, its affiliate Washington Energy Service Company, in an annual amount between \$150,000 and \$240,000 depending on the level of profit at WESCO. This royalty will be booked on a monthly basis. The parties will not contest the basis for or formula for determining the royalty imputation unless there is substantial change in circumstances.
 - * The company agrees that contributions to certain clubs, including chamber of commerce organizations, will be booked below the line and not contested in future rate proceedings. Dues to certain trade organizations will be treated as 50% lobbying.
 - * The company agrees that expenses incurred associated with influencing state and federal legislation shall be treated as lobbying and booked below the line. The company commits to the use of its enhanced payroll system to track these costs.
 - * The company agrees to submit a formal customer service policy (tariff or rules) to the Commission within 120 days after the date of this order. The company also agrees to file revised Rules No. 6 & 7, service and main extensions, within 120 days after entry of the order. Other parties reserve the right to comment on these filings. At the May 25, 1994 hearing, the parties agreed to provide an interim report on their discussions regarding the customer service policy and to allow the Commission to comment on the report.

* The company agrees to work with Staff to develop multiple weather station billing data for consideration in future proceedings.

Public Comment

The Commission held two hearings for the purposes of allowing public comment on the issues raised in these dockets. The first was held in Seattle on May 24, 1994; the second in Olympia on May 25, 1994. Three witnesses appeared in Seattle. One spoke in favor of the rate increase, another spoke against it and suggested that a smaller increase might be appropriate. The third witness had concerns about rate design issues, particularly as they relate to transportation customers. In Olympia, no members of the public presented testimony.

Commission Discussion and Decision

The Commission appreciates the time and effort that went into accomplishing this Settlement. Settlements are encouraged in matters before the Commission, as they eliminate the need for continued litigation and save both time and money. In this case, for example, the parties have waived cross-examination of the 13 remaining witnesses, will not have to brief the issues, and will not have to seek clarification or reconsideration.

The Commission has had the an opportunity to examine the agreement and to ask questions of counsel and the witnesses. In addition, the Commission has recently had a thorough look at the company's operations, in Docket UG-920840. The Commission is fully informed and, on the basis of its information, believes that the Settlement Agreement is consistent with the public interest, that it meets the statutory test for rate approval, and that it should be accepted.³

³The Commission's acceptance of the agreement does not necessarily constitute the adoption of the principles inherent in the agreement for purposes of future proceedings. The settlement agreement and its contents are "precedential" only for the proposition that the Commission encourages settlement, that it will consider proposed settlements carefully, and that it will adopt those agreements that it considers, after knowing consideration, to be consistent with the public interest and to meet the specific legal tests required for Commission action.

FINDINGS OF FACT

1. The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with authority to regulate rates, services, facilities, practices, rules, accounts, securities, and transfers of public service companies, including natural gas distribution companies.
2. Respondent Washington Natural Gas Company is engaged in the business of furnishing natural gas to customers in the state of Washington as a public service company.
3. On November 19, 1993, respondent filed revisions to its tariff WN U-2 which were designed to effect an increase in the rates and charges made by the respondent for natural gas service. On November 24, 1993, the Commission suspended the operation of the tariff revisions pending an investigation into and hearings upon the justness and reasonableness of the proposed rates.
4. On November 29, 1993, the company filed an application for approval of an affiliated arrangement with Mercer Insurance Company, Limited. On January 5, 1994, the Commission consolidated this application with the earlier-filed general rate case.
5. At the hearing on May 23, 1994, the parties submitted to the Commission for approval a finalized Stipulation for Submission and Decision (Settlement Agreement). All of the parties have agreed to the settlement of the case as set forth in the Stipulation. A copy of the Settlement Agreement is attached to this order as Appendix A.
6. The agreement proposes an increase in annual revenue of \$19 million, to be spread among the rate schedules on an equal percent of margin basis, more specifically set forth in rate schedules attached to the agreement. The parties request expedited treatment, in order that the company may place rates in effect not later than June 10, 1994.
7. The parties agree that the affiliated transaction with Mercer Insurance Company, Limited should be approved.
8. The Settlement Agreement as presented to the Commission on May 23, 1994, is consistent with the public interest and is acceptable to the Commission.
9. The tariff revisions authorized in this order will result in rates and charges that are fair, just, reasonable, and sufficient.

10. The tariff revisions filed on November 19, 1993, are rejected. The company will be authorized to file revisions which produce an annual revenue increase of \$19 million, consistent with the terms of the Settlement Agreement proposed by the parties and approved in this order.

From the foregoing findings of fact, the Commission enters the following conclusions of law.

CONCLUSIONS OF LAW

1. The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of and the parties to this proceeding.

2. The tariff revisions now under suspension should be rejected. The company should be authorized to refile tariff revisions prepared in accordance with this order. Tariff revisions prepared in accordance with the Settlement Agreement and this order will result in rates that are fair, just, reasonable and sufficient.

On the basis of the foregoing findings of fact and conclusions of law, the Commission hereby makes and enters the following order.

ORDER

THE COMMISSION ORDERS:

1. The tariff revisions filed by Washington Natural Gas Company on November 19, 1993, now under suspension in Docket No. UG-931405, are rejected in their entirety.

2. The Settlement Agreement submitted by the parties is approved and adopted on the condition that the parties provide an interim report, not later than 60 days after the date of this order, regarding a proposed customer service tariff or rule filing. The affiliated arrangement with Mercer Insurance Company, Limited, is approved. Respondent is authorized to file tariff revisions as set forth in the Agreement, which is attached to this order as Appendix A and incorporated herein by this reference.

3. The filing authorized herein is strictly limited in scope to effectuate only the terms of the Commission's Order. The filing shall bear an effective date which allows the Commission at least three complete working days following the date of the Commission's receipt to consider it. The tariff revisions shall bear the notation on each sheet, "By Authority of the Washington Utilities and Transportation Commission's Fourth Supplemental Order in Docket No. UG-931405".

4. Notice of the filing authorized in this order shall be posted at each of Respondent's business offices on or before the date of filing with the Commission. The notice shall state the effective date of the filing and advise that a copy of the filing is available for public inspection at each such office. This notice shall remain posted until the Commission has acted on the filing.

5. The Commission retains jurisdiction to effectuate the provisions of this order and the Settlement Agreement on which it is based.

DATED at Olympia, Washington, and effective this 27th day of May 1994.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION



SHARON L. NELSON, Chairman



RICHARD HEMSTAD, Commissioner

NOTICE TO PARTIES:

This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).

APPENDIX A

WUTC
Cause No. <u>UG-931405</u>
Exhibit # <u>62</u>
Witness _____
Date <u>5/23/94</u>

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Washington Utilities and Transportation Commission,)
)
 Complainant,)
)
 vs.)
)
 Washington Natural Gas Company,)
)
 Respondent.)

DOCKET NOS. UG-931405/
931442 (CONSOLIDATED)

STIPULATION FOR SUBMISSION AND DECISION

Washington Natural Gas Company ("the Company"), Public Counsel, Commission Staff, Seattle Steam Company, Partnership for Equitable Rates for Commercial Customers, and Northwest Industrial Gas Users, which shall collectively be referred to herein as "the Parties", do hereby stipulate and agree as follows:

Recitals

1. On November 19, 1993, the Company filed certain revisions to its WN U-2 tariff. The revisions sought to increase the Company's annual revenues by \$24,555,000. This filing was assigned Docket No. UG-931405 ("the Rate Case").

2. On November 24, 1993, the Washington Utilities and Transportation Commission ("the Commission") suspended the Company's tariff revisions in the Rate Case and ordered hearings

thereon. The Commission further ordered an investigation into the books, accounts, practices, and activities of the Company, and a valuation and appraisal of the Company's property and operations.

3. On November 29, 1993, the Company filed an application for approval of an affiliated arrangement with Mercer Insurance Company, Limited ("Mercer"). This filing was assigned Docket No. UG-931442 ("the Mercer Case").

4. On January 5, 1994, the Commission entered an Order of Consolidation which consolidated the proceedings in Docket Nos. UG-931405 and UG-931442 for hearing and disposition.

5. On January 11, 1994, the Commission held a prehearing conference in the consolidated proceedings. On February 22 and 25, 1994, the Commission received the direct evidence of the Company and cross-examination of that evidence.

6. Commission Staff has completed its investigation of the Company in the consolidated proceedings. On April 6, 1994, Commission Staff filed testimony and exhibits in Docket No. UG-931405 recommending that the Company's annual revenues be increased by \$19,036,000. Commission Staff filed testimony and exhibits in Docket No. UG-931442 recommending that the Commission approve the Company's affiliated arrangement with Mercer.

7. On April 6, 1994, Public Counsel filed testimony and exhibits which recommended that various expense adjustments be made. The adjustments were independent of, and in addition to, the adjustments recommended by Commission Staff. Public Counsel did not file testimony or exhibits in Docket No. UG-931442 regarding the Company's affiliated arrangement with Mercer.

8. On April 21, 1994, Commission Staff revised its testimony and exhibits in Docket No. UG-931405, which resulted in a change to its revenue recommendation from \$19,036,000 to \$19,150,000.

9. On April 27, 1994, the Company filed rebuttal testimony and exhibits in Docket No. UG-931405. The Company reaffirmed its request for an annual revenue increase of \$24,555,000.

10. Other parties have intervened in the consolidated proceedings, including Seattle Steam Company, Northwest Industrial Gas Users, and Partnership for Equitable Rates for Commercial Customers. None of these parties filed testimony and exhibits in either proceeding.

11. The parties have reviewed and evaluated their positions. The parties believe that a settlement on the terms presented herein is preferable to a fully litigated resolution of the consolidated proceedings.

12. In consideration for the terms presented herein, the parties desire to settle the consolidated proceedings. The parties submit the Rate Case and the Mercer Case for decision by the Commission on the basis of this settlement.

Stipulation

1. The Rate Case is submitted to the Commission for decision based upon a stipulated annual revenue increase in the amount of \$19,000,000 ("Stipulated Increase"). The parties submit the Rate Case for decision based upon the total amount of the Stipulated Increase.

2. The Stipulated Increase shall be spread among the Company's rate schedules on a uniform percentage of current margin

basis, as more specifically described in the attached Exhibit "A" (which is incorporated into this stipulation by reference). The parties stipulate to the rate spread described herein and in Exhibit "A" for purposes of Docket No. UG-931405 only. Each party reserves the right in any other proceeding to advocate different methods or approaches for allocating any rate increases or decreases which may be proposed.

3. The parties agree that the affiliated arrangement with Mercer should be approved on the basis of the record in Docket No. UG-931442, and that the affiliated arrangement with Mercer satisfies the applicable standards which govern Commission approval of such arrangements. The parties understand that approval of the affiliated arrangement does not bar any party from contesting any impact of the affiliated arrangement with Mercer on rates in future rate proceedings.

4. The Rate Case and the Mercer Case are submitted for Commission consideration based on the record created through and including the hearings scheduled for May 23-27, 1994. The parties stipulate to admission of the testimony and exhibits filed by Commission Staff, Public Counsel, and the Company in rebuttal, and all parties agree to waive further cross-examination. Hearings for purposes of taking testimony from members of the public shall proceed as scheduled or on an earlier schedule.

5. The parties agree to submit the Rate Case and the Mercer Case directly for Commission consideration and decision, and specifically waive any right to a proposed Order, Findings of Fact, or Conclusions of Law from the Administrative Law Judge.

6. The parties request the Commission to expedite its decision and the issuance of its final order in the consolidated proceedings, so that the Company may place into effect rates pursuant to such order not later than June 10, 1994.

7. If this stipulation is accepted by the Commission, the Company agrees that it shall not, prior to March 1, 1995, make a tariff filing for an increase in total revenues. The test year for any filing on or after March 1, 1995 shall be no earlier than the Company's fiscal year 1994 (October 1, 1993 - September 30, 1994). This paragraph shall not apply to 1) tracking filings caused by changes in the level of the Company's purchased gas and pipeline cost; 2) filings which the Company is required to make by Commission order or as otherwise required by law or rule (including, without limitation, the cost of service/rate design filing which the Commission has ordered be made by May 31, 1994); and 3) filings which the Company may make or will make through March 1, 1995, involving line extensions, customer service, natural gas vehicles, propane, special contracts for service, and demand side management (DSM) services. Notwithstanding the provisions of this paragraph, the Company may file for increased revenues prior to March 1, 1995, but only if the Company in good faith asserts those conditions necessary for interim/emergency rate relief as adopted by the Commission. Operating results at or better than indicated in the attached Exhibit "B" (which is incorporated into this stipulation by reference) would not cause the Company to file for interim/emergency rate relief. The

Company may, however, file for such relief if conditions occur which prevent the Company from financing with unsecured debt.

8. A royalty imputation shall be recorded prospectively on the Company's books as follows: The total imputation during the Company's fiscal year (October 1 - September 30) shall be calculated as the lesser of 1) 1.5% of the gross revenues of Washington Energy Services Company ("WESCO") over the same period, or 2) 15% of WESCO's annual pre-tax operating income prior to consideration of the royalty imputation; provided, however, that the imputed amount as so calculated shall be no less than \$150,000. Notwithstanding the above, if the annual calculation generates an imputed amount greater than \$240,000, then the amount imputed for purposes of this paragraph shall be \$240,000. The imputed amount shall be recorded monthly on the Company's books, beginning the first day of the next month after acceptance of this stipulation by the Commission.

9. The parties agree that the royalty imputation described in Paragraph 8, above, is based on certain connections between, and conditions regarding, the Company and WESCO (including earnings through March 1994) that 1) are articulated in the record in Docket No. UG-931405; and/or 2) exist as of May 10, 1994; and 3) have not previously been allocated between the respective companies for ratemaking purposes. Absent a substantial change in circumstances, the parties agree that, in future proceedings, they will not contest the basis for, or the formula for determining, the royalty imputation as described in Paragraph 8.

Notwithstanding the above, the parties may contest the royalty

imputation in the future because of applicable statutory or regulatory changes. Unless expressly provided herein, the parties do not waive their right to argue that a royalty imputation is or is not appropriate, under circumstances different from those articulated in Docket No. UG-931405.

10. The Company agrees that, beginning the first day of the next month after acceptance of this stipulation by the Commission, dues and other contributions paid to Rotary Clubs, Kiwanis Clubs, and Chamber of Commerce organizations shall be booked below-the-line and shall not be recoverable in rates in future general rate proceedings. Dues and other contributions paid to Olympia Master Builders, Seattle Master Builders, Snohomish Master Builders, and the Building Industry Association of Tacoma/Pierce County shall be considered lobbying expenses in part, and shall be allocated 50% above-the-line and 50% below-the-line to achieve a surrogate for an itemized allocation.

11. The Company agrees that expenses incurred for activities associated with influencing state and federal legislation, including local functions which relate to such legislation, shall be considered lobbying expenses and shall be booked below-the-line. The costs subject to this paragraph shall include labor costs of all Company personnel who participate in these efforts. The Company commits to utilize enhancements to its payroll system which it expects to have in place by October 1, 1994, to track the labor costs subject to this paragraph.

12. The agreement in Paragraph 11, above, shall not apply to expenses and activities associated with 1) influencing federal,

state, and local governments and agencies on matters unrelated to federal and state legislation; or 2) influencing or participating in rule-makings or code review at any level of government. The parties agree that the issue of whether the aforementioned costs are recoverable in rates, may be presented to and decided by the Commission in future general rate proceedings. The Company agrees to facilitate the review and consideration of this issue by tracking labor costs associated with these activities, through the use of the enhanced payroll system to be implemented by October 1, 1994. The Company understands it may be required to produce evidence on the nature of the specific activities related to such labor costs. If, in a future general rate case, the Company uses a test year which overlaps the implementation date of the system, the parties agree that the data compiled by the system may be extrapolated as if the system had been in place throughout the entire test year.

13. The Company agrees to prepare a formal customer service policy (tariff or rule), which will be submitted to the Commission within 120 days from the date of acceptance by the Commission of this stipulation. The parties reserve the right to comment or take a position on the policy.

14. The Company agrees to file a revised Rule No. 6 (Service Extensions) and a revised Rule No. 7 (Main Extensions) to the Company's tariff within 120 days from the date of acceptance by the Commission of this stipulation. The parties reserve the right to comment or take a position on either or both of the revised Rules.

15. The Company and Commission Staff agree to work together to develop multiple weather station billing data for consideration by the parties in future proceedings.

16. The parties agree that this stipulation represents a negotiated settlement in the public interest with respect to the matters as agreed to in this stipulation for the sole purpose of settlement of the matters agreed to in this stipulation. Except as expressly provided in this stipulation, the parties individually and collectively do not waive any right to assert any position in this or any other proceeding before the Commission and agree that this stipulation and the Commission's acceptance thereof shall not be cited by any party as constituting an approval of, or precedent regarding, any concept, theory, method, principle or issue in this or any other proceeding before the Commission.

17. The parties request that, if the Commission wishes to modify any matter agreed to in this stipulation, the Commission so notify the parties in writing of the modification. If all parties do not agree with the modification within three business days from receipt thereof, the matter shall be sent back for further proceedings and the record reopened for the purpose of receiving the direct testimony of Commission Staff and Public Counsel with cross-examination thereon, and the rebuttal testimony of the Company with cross-examination thereon. If the record is reopened accordingly, no party shall be bound by the provisions of this stipulation.

18. This stipulation and the attached exhibits represent an integrated agreement among the parties with respect to the settlement of the consolidated proceedings. There are no other agreements or understandings (written or oral) which modify any part of the settlement of the consolidated proceedings, as expressed herein.

19. This stipulation may be executed in multiple counterparts and, if so executed, shall have the same force and effect as if executed in one document. This stipulation may be filed with facsimile signatures, provided that original signatures are filed thereafter.

DATED: 5-23-94

WASHINGTON NATURAL GAS COMPANY

By David S. Johnson
David S. Johnson
Attorney

DATED: 5/23/94

PUBLIC COUNSEL

By Donald T. Trotter
Donald T. Trotter
Assistant Attorney General


DATED: 5-23-94

COMMISSION STAFF

By Robert D. Cedarbaum
Robert D. Cedarbaum
Assistant Attorney General

DATED: May 23, 1994

SEATTLE STEAM COMPANY

By 
Frederick D. Frederickson
Attorney

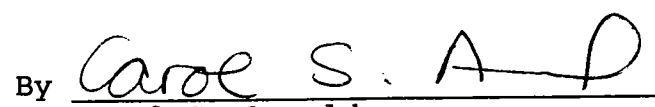
DATED: May 23, 1994

NORTHWEST INDUSTRIAL GAS USERS

By 
Paula E. Pyron
Attorney

DATED: May 23, 1994

PARTNERSHIP FOR EQUITABLE RATES
FOR COMMERCIAL CUSTOMERS

By 
Carol S. Arnold
Attorney

WASHINGTON NATURAL GAS
RATE SPREAD UG-931405

Current
Gas Costs
Commodity 0.18398
Demand Non-97 0.11380
Demand 87 0.04892
Rev Adj Fact 1.04676

Current
Gas Costs
Commodity 0.18398
Demand Non-97 0.11380
Demand 87 0.04892
Rev Adj Fact 1.04676

	(a)	(b)	(c)	Current Gas Costs		(f)	(g)	Total		(i)	(j)
				Commodity 0.18398	Demand 87 0.04892			Proposed Marginal Revenues	Required Revenue		
Residential											
Rate 11	513,638.2		\$341,482	\$160,103	\$181,379	13.3377%	\$24,182	\$205,571	\$385,674		\$385,674
Rate 16	56,240.0		\$24,793	\$17,530	\$7,263	13.3377%	\$969	\$8,232	\$25,762		\$25,762
Rate 23	80,192,079.5		\$43,087,358	\$24,998,207	\$18,091,151	13.3377%	\$2,412,949	\$20,504,100	\$45,500,307		\$45,500,307
Rate 24	293,486,054.6		\$153,294,780	\$91,480,834	\$61,813,948	13.3377%	\$8,244,516	\$70,058,462	\$181,539,296		\$181,539,296
Rate 55	4,311,742.2		\$2,247,948	\$1,343,988	\$903,960	13.3377%	\$120,588	\$1,024,528	\$2,368,516		\$2,368,516
Rate 61	0.0		\$250	\$0	\$250	13.3377%	\$33	\$283	\$283		\$283
Total Residential	378,559,754.5		\$198,998,611	\$117,998,662	\$80,997,948	13.3377%	\$10,803,227	\$91,801,176	\$209,799,836		\$209,799,836
Commercial & Industrial											
Rate 11 *	0.0		\$0	\$0	\$0	13.3377%	\$0	\$0	\$0		\$0
Rate 16 *	0.0		\$0	\$0	\$0	13.3377%	\$0	\$0	\$0		\$0
Rate 31	134,131,764.3		\$68,027,237	\$41,809,433	\$28,217,804	13.3377%	\$3,498,860	\$29,714,664	\$71,524,087		\$71,524,087
Rate 36	38,892,720.0		\$17,588,309	\$11,499,818	\$6,086,893	13.3377%	\$812,093	\$6,900,786	\$18,400,402		\$18,400,402
Rate 41	21,865,014.0		\$9,945,879	\$6,815,417	\$3,130,462	13.3377%	\$2,374	\$20,174	\$52,044		\$52,044
Rate 43	102,243.6		\$49,670	\$31,870	\$17,800	13.3377%	\$10,827	\$92,002	\$212,351		\$212,351
Rate 61	386,100.0		\$201,524	\$120,349	\$81,175	13.3377%	\$5,016	\$42,823	\$42,823		\$42,823
Rate 61	0.0		\$37,607	\$0	\$37,607	13.3377%	\$0	\$0	\$0		\$0
Total C&I	183,377,841.9		\$95,850,226	\$60,276,685	\$35,573,541	13.3377%	\$4,744,703	\$40,318,244	\$100,594,829		\$100,594,829
Large Volume Sales											
Rate 86	36,616,259.4		\$14,922,675	\$11,413,442	\$3,509,233	13.3377%	\$468,052	\$3,977,285	\$15,390,727		\$15,390,727
Rate 86	39,804,281.7		\$16,522,432	\$12,407,161	\$4,115,271	13.3377%	\$548,894	\$4,664,155	\$17,071,316		\$17,071,316
Rate 87	90,209,509.4		\$25,987,036	\$21,803,357	\$4,183,681	13.3377%	\$555,341	\$4,719,022	\$28,522,379		\$28,522,379
Total Large Volume Sales	166,630,050.5		\$57,412,145	\$45,623,860	\$11,788,185	13.3377%	\$1,572,277	\$13,360,462	\$58,984,422		\$58,984,422
Transportation											
Rate 67	151,733,506.2		\$8,157,438	NA	\$8,157,438	13.3377%	\$1,088,017	\$9,245,453	\$9,245,453		\$9,245,453
Rate 68	7,843,664.1		\$1,257,416	NA	\$1,257,416	13.3377%	\$167,711	\$1,425,127	\$1,425,127		\$1,425,127
Rate 99	2,115,540.0		\$109,426	NA	\$109,426	0.0000%	\$0	\$109,426	\$109,426		\$109,426
Total Transportation	161,692,710.3		\$9,524,278	NA	\$9,524,278	13.1845%	\$1,255,728	\$10,780,006	\$10,780,006		\$10,780,006
Total Gas & Time Revenue											
	900,260,357.2		\$361,783,260	\$223,899,307	\$137,883,953	13.3271%	\$18,375,935	\$156,259,896	\$380,159,185		\$380,159,185
Rentals	0.0		\$8,940,040	NA	\$8,940,040	0.0000%	\$0	\$8,940,040	\$8,940,040		\$8,940,040
Other Revenue	0.0		\$976,155	NA	\$976,155	0.0000%	\$0	\$976,155	\$976,155		\$976,155
M & J Revenue Adjustment	0.0		\$711,000	NA	\$711,000	0.0000%	\$0	\$711,000	\$711,000		\$711,000
Totals	900,260,357.2		\$372,410,455	\$223,899,307	\$148,511,148	12.3734%	\$18,375,935	\$166,887,083	\$390,766,360		\$390,766,360

AVG. MONTH. ADJ. RATE 12.3734%
1.033981
\$18,375,935

DESIGN STIPULATED \$19mm INCREASE
REVENUE CALCULATIONS

CURRENT RATES

PROPOSED RATES

	CONSUMPTION	UG-920840 RATES	REVENUE	CONSUMPTION	UG-931406 RATES	REVENUE
RATE 23						
BILLS	1,199,712	\$4.00	\$4,798,848.00	1,199,712	\$4.00	\$4,798,848.00
All Therms	80,192,080	\$0.47746	\$38,288,510.28	80,192,080	\$0.50597	\$40,574,786.46
Calculated Total			\$43,087,358.28	80,192,080		\$45,373,634.46
Total Revenue			\$43,087,358.00			\$45,500,307.00
Adjustment Factor			1.0			1.0
RATE 24						
BILLS	3,291,732	\$4.00	\$13,166,928.00	3,291,732	\$4.00	\$13,166,928.00
All Therms	293,486,055	\$0.47746	\$140,127,851.63	293,486,055	\$0.50597	\$148,495,139.05
Calculated Total			\$153,294,779.63	293,486,055		\$161,662,067.05
Total Revenue			\$153,294,780.00			\$161,539,296.00
Adjustment Factor			1.0			1.0
FORMER RATE 55						
BILLS	47,316	\$4.00	\$189,264.00	47,316	\$4.00	\$189,264.00
All Therms	4,311,742	\$0.47746	\$2,058,684.43	4,311,742	\$0.50597	\$2,181,612.20
Calculated Total	4,311,742		\$2,247,948.43	4,311,742		\$2,370,876.20
Total Revenue			\$2,247,948.00			\$2,368,516.00
Adjustment Factor			1.0			1.0
TOTAL RESIDENTIAL			\$209,406,577.71			\$209,406,577.71

TARGET
\$209,408,119.00
DIFFERENCE
\$1,541

RATE 11						
BILLS	55,620	\$1.32966	\$73,955.69	55,620	\$1.42386	\$79,195.09
First 2 Therms	(2 times 55,620)			402,398	\$0.71193	\$286,479.35
All over	402,398	\$0.66483	\$267,526.40			
Calculated Total	513,638		\$341,482.09	513,638		\$365,674.44
Total Revenue			\$341,482.00			\$365,674.00
Adjustment Factor			1.0			1.0

TARGET
\$365,674.00
DIFFERENCE
(\$0)

RATE 16						
	Mantles			Mantles		
First 4 Therms @	1,807	\$8.65000	\$15,630.55	1,807	\$9.15000	\$16,534.05
5 through 9 Therms	562	\$8.40000	\$4,720.80	562	\$8.80000	\$4,945.60
All over	545	\$8.15000	\$4,441.75	545	\$8.55000	\$4,659.75
	2,914			2,914		
Calculated Total	56,240	Therms	\$24,793.10	56,240	Therms	\$26,139.40
Total Revenue			\$24,793.00			\$25,762.00
Adjustment Factor			1.0			1.0

TARGET
\$25,762.00
DIFFERENCE
(\$377)

TOTAL THERMS
378,559,755

TOTAL REVENUE
\$209,799,555
TOTAL DIFFERENCE
\$1,163

REVENUE CALCULATIONS

CURRENT RATES

PROPOSED RATES

	CONSUMPTION	UG-920840		CONSUMPTION	UG-931405	
		RATES	REVENUE		RATES	REVENUE
RATE 31						
BILLS	406,188	\$4.50	\$1,827,846.00	406,188	\$4.50	\$1,827,846.00
All Therms	134,131,764	\$0.49354	\$66,199,390.95	134,131,764	\$0.51961	\$69,696,206.05
Calculated Total			\$68,027,236.95	134,131,764		\$71,524,052.05
Total Revenue			\$68,027,237.00			\$71,524,097.00
Adjustment Factor			1.0			1.0

TARGET
\$71,524,097
DIFFERENCE
\$45

	CONSUMPTION	UG-920840		CONSUMPTION	UG-931405	
		RATES	REVENUE		RATES	REVENUE
RATE 36						
BILLS	52,404	\$4.50	\$235,818.00	52,404	\$4.50	\$235,818.00
All Therms	36,892,720	\$0.47035	\$17,352,490.85	36,892,720	\$0.49236	\$18,164,499.62
Calculated Total			\$17,588,308.85	36,892,720		\$18,400,317.62
Total Revenue			\$17,588,309.00			\$18,400,402.00
Adjustment Factor			1.0			1.0

TARGET
\$18,400,402
DIFFERENCE
\$84

	CONSUMPTION	UG-920840		CONSUMPTION	UG-931405	
		RATES	REVENUE		RATES	REVENUE
RATE 41						
BILLS	4,716	\$225.00	\$1,061,100.00	4,716	\$234.52	\$1,105,996.32
First 500 Therms	2,294,212		\$0.00	2,294,212		\$0.00
Next 4,500 therms	9,988,530	\$0.45000	\$4,494,838.50	9,988,530	\$0.46904	\$4,685,020.11
All over 5,000 therms	6,314,835	\$0.43000	\$2,715,379.05	6,314,835	\$0.44904	\$2,835,613.51
Heat Conservation Factor	3,267,437	\$0.51250	\$1,674,561.46	3,267,437	\$0.53154	\$1,736,773.46
Calculated Total	21,850,058		\$9,945,879.01	21,865,014		\$10,363,403.40
Total Revenue			\$9,945,879.00			\$10,363,412.00
Adjustment Factor			1.0			1.0

TARGET
\$10,363,412
DIFFERENCE
\$9

	CONSUMPTION	UG-920840		CONSUMPTION	UG-931405	
		RATES	REVENUE		RATES	REVENUE
RATE 43						
Bills	12	\$0.00	\$0.00	12	\$0.00	\$0.00
All Therms	102,244	\$0.48580	\$49,669.94	102,244	\$0.50901	\$52,043.01
Calculated Total			\$49,669.94	102,244		\$52,043.01
Total Revenue			\$49,670.00			\$52,044.00
Adjustment Factor			1.0			1.0

TARGET
\$52,044
DIFFERENCE
\$1

	CONSUMPTION	UG-920840		CONSUMPTION	UG-931405	
		RATES	REVENUE		RATES	REVENUE
RATE 61						
BILLS	4,500	\$4.50	\$20,250.00	4,500	\$4.50	\$20,250.00
All Therms	386,100	\$0.46950	\$181,273.95	386,100	\$0.49754	\$192,100.19
Calculated Total			\$201,523.95	386,100		\$212,350.19
Total Revenue			\$201,524.00			\$212,351.00
Adjustment Factor			1.0			1.0

TARGET
\$212,351
DIFFERENCE
\$1

TOTAL THERMS
193,377,842

TOTAL REVENUE
\$100,552,306
TOTAL DIFFERENCE
\$140

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EXHIBIT "A", p. 4

DESIGN STIPULATED \$19mm INCREASE
REVENUE CALCULATIONS

CURRENT RATES

PROPOSED RATES

	CONSUMPTION	UG-920840 RATES	REVENUE	CONSUMPTION	UG-931406 RATES	REVENUE
RATE 85						
BILLS	1,517	0.00000	\$0.00	1,517	0.00000	\$0.00
Demand Units	363,350	\$1.50	\$545,025.00	363,350	\$1.50	\$545,025.00
First 25,000 Therms	23,199,704	\$0.39750	\$9,221,882.34	23,199,704	\$0.40956	\$9,501,670.77
Next 25,000 Therms	9,626,718	\$0.38725	\$3,727,946.55	9,626,718	\$0.40156	\$3,865,704.88
All over 50,000 Therms	3,789,837	\$0.37675	\$1,427,821.24	3,789,837	\$0.39156	\$1,483,948.73
Calculated Total	36,616,259		\$14,922,675.13	36,616,259		\$15,396,349.38
Total Revenue			\$14,922,675.00			\$15,390,727.00

Adjustment Factor 1.0
Minimum Monthly Charge (Margin) \$0.09972

\$0.11178

TARGET
\$15,390,727
DIFFERENCE
(\$5,622)

RATE 86						
BILLS	17,853	0.00000	\$0.00	17,853	0.00000	\$0.00
Demand Units	193,500	\$1.50	\$290,250.00	193,500	\$1.50	\$290,250.00
First 1,000 therms	10,565,107	\$0.41970	\$4,434,175.41	10,565,107	\$0.42806	\$4,522,499.70
All over 1,000 therms	29,239,175	\$0.40350	\$11,798,006.99	29,239,175	\$0.41906	\$12,252,968.55
Calculated Total	39,804,282		\$16,522,432.40	39,804,282		\$17,065,718.25
Total Revenue			\$16,522,432.00			\$17,071,316.00

Adjustment Factor 1.0
Minimum Annual Charge (Margin) \$0.12192

\$0.13028

TARGET
\$17,071,316
DIFFERENCE
\$5,598

RATE 87						
BILLS	746	0.00000	\$0.00	746	0.00000	\$0.00
Demand Units	326,450	\$1.50	\$489,675.00	326,450	\$1.50	\$489,675.00
First 100,000 therms	45,979,192	\$0.27575	\$12,678,762.19	45,979,192	\$0.28436	\$13,074,643.04
All over 100,000 therms	44,230,317	\$0.23575	\$10,427,297.33	44,230,317	\$0.23936	\$10,586,968.77
Contract Volume Charge	94,852,142	\$0.02500	\$2,371,303.55	94,852,142	\$0.02500	\$2,371,303.55
Calculated Total	90,209,509		\$25,967,038.07	90,209,509		\$26,522,590.36
Total Revenue			\$25,967,038.00			\$26,522,379.00

Adjustment Factor 1.0

TARGET
\$26,522,379
DIFFERENCE
(\$211)

TOTAL THERMS
166,630,051

TOTAL REVENUE
\$58,984,422
TOTAL DIFFERENCE
(\$236)

200

REVENUE CALCULATIONS

CURRENT RATES

PROPOSED RATES

	CURRENT RATES			PROPOSED RATES		
	CONSUMPTION	UG-920840 RATES	REVENUE	CONSUMPTION	UG-931405 RATES	REVENUE
RATE 58						
BILLS	260	\$200.00	\$52,000.00	260	\$100.00	\$26,000.00
Demand Units	56,330	\$1.00	\$56,330.00	56,330	\$1.00	\$56,330.00
First 25,000 Therms	5,330,766	\$0.15500	\$826,268.73	5,330,766	\$0.17822	\$950,049.12
Next 25,000 therms	2,319,912	\$0.13000	\$301,588.56	2,319,912	\$0.15822	\$367,056.48
All over 50,000 therms	192,986	\$0.11000	\$21,228.46	192,986	\$0.13322	\$25,709.59
Calculated Total	7,843,664		\$1,257,415.75	7,843,664		\$1,425,145.19
Total Revenue			\$1,257,416.00			\$1,425,127.00
Adjustment Factor			1.0			1.0
Minimum Bill	20,000		\$3,100.00	20,000		\$3,564.00

TARGET
\$1,425,127
DIFFERENCE
(\$18)

	CURRENT RATES			PROPOSED RATES		
	CONSUMPTION	UG-920840 RATES	REVENUE	CONSUMPTION	UG-931405 RATES	REVENUE
RATE 57						
BILLS	480	\$500.00	\$240,000.00	480	\$500.00	\$240,000.00
Demand Units	638,400	\$1.00	\$638,400.00	638,400	\$1.00	\$638,400.00
First 100,000 therms	25,794,696	\$0.07225	\$1,863,666.79	25,794,696	\$0.09982	\$2,574,826.56
All over 100,000 therms	125,938,810	\$0.04300	\$5,415,368.83	125,938,810	\$0.04600	\$5,793,185.26
Calculated Total	151,733,506		\$8,157,435.62	151,733,506		\$9,246,411.82
Total Revenue			\$8,157,436.00			\$9,245,453.00
Adjustment Factor			1.0			1.0
Minimum Bill	100,000		\$7,225.00	62,500		\$4,516.00
Deficiency Charge		\$0.035			\$0.099	

TARGET
\$9,245,453
DIFFERENCE
(\$959)

Def. Chg. Calculation: $\$0.17822 - \frac{\$4516.00 + \$400.00}{62,500} = \0.09900

TOTAL THERMS
159,577,170

TOTAL REVENUE
\$10,670,580
TOTAL DIFFERENCE
(\$977)

TOTAL DIFFERENCE
\$90

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EXHIBIT "B" TO
STIPULATION FOR
SUBMISSION AND DE-
CISION (DOCKET NOS.
UG-931405/931442)

Interest Coverage Reforecasted (\$19.0 million effective 6/10/94)

13-May-94

	12 Months Ended				
	Actual 9/93	Actual 3/94	9/94	3/95	9/95
Operating Revenues	367,853.2	396,377.7	407,905.8	430,554.4	438,900.0
Less:					
Purchased Natural Gas	181,157.4	215,441.7	225,009.5	227,738.1	228,900.0
O&M	68,045.2	68,062.9	66,502.7	68,305.5	70,100.0
Depreciation	27,782.1	28,778.7	30,016.0	30,961.4	31,900.0
General Taxes	38,364.1	41,001.5	42,030.4	44,029.0	44,250.0
Total Oper. Revenue Deductions	315,348.8	353,284.9	363,558.6	371,080.3	375,150.0
Net Operating Revenues	52,504.4	43,092.8	44,347.2	59,474.1	63,750.0
Other Inc. & Deductions					
M&J	4,484.2	1,091.7	(353.7)	0.0	0.0
Interest Income	166.4	91.0	31.5	35.0	50.0
Misc. Non-oper. Income	(129.0)	(281.5)	(113.4)	0.0	0.0
Interest Charged to Construction	250.0	443.7	446.3	200.0	300.0
Misc. Income Deductions	(1,485.5)	(1,263.7)	(590.6)	(200.0)	(300.0)
Add Back Taxes on Other Inc. & Ded.	1,150.2	28.4	(202.9)	12.3	17.5
Total Other Income & Deductions	4,436.4	109.7	(782.8)	47.3	67.5
Net Earnings Available for Interest	56,940.8	43,202.5	43,564.4	59,521.4	63,817.5
Long-term Debt Interest Charges	25,468.0	27,498.7	29,250.0	29,623.6	30,000.0
Interest Coverage - Long-term Debt	2.24	1.57	1.49	2.01	2.13

NOTES:

1. Rate relief is forecasted and included in the numbers above. (\$19.0 million effective 6/10/94).

Revenue impact is as follows:

12 Months Ended 9/30/94	\$2,685.7
12 Months Ended 3/31/95	\$15,415.7
12 Months Ended 9/30/95	\$19,000.0

2. Actual budget variances for 1st 6 months of fiscal 1994 have been incorporated.

**Standard & Poors' Ratings for Pre-tax Interest Coverage Ratios
For Gas Distributors**

AA	3.75-4.25
A	3.00-4.25
BBB	2.00-3.25
BB	1.50-2.25