CASE NO. 00007064

APPLICATION OF CENTERPOINT ENERGY RESOURCES CORP., D/B/A CENTERPOINT ENERGY ENTEX, CENTERPOINT ENERGY ARKLA, AND CENTERPOINT ENERGY TEXAS GAS FOR CUSTOMER RATE RELIEF AND RELATED REGULATORY ASSET DETERMINATION	**§**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

BRUCE H. FAIRCHILD

ON BEHALF OF

GAS UTILITIES PARTICIPATING IN THE REGULATORY ASSET DETERMINATION AND RELATED SECURITIZATION

July 30, 2021

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DIRECT TESTIMONY OF BRUCE H. FAIRCHILD

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Bruce H. Fairchild, 3907 Red River, Austin, Texas 78751.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?

A. I am a principal in Financial Concepts and Applications, Inc. ("FINCAP"), a firm engaged in financial, economic, and policy consulting to business and government.

Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A. I am providing testimony on behalf of the gas utilities participating in this proceeding -- AgriTexGas, LP, Atmos Energy Corporation on behalf of its Mid-Tex Division and West Texas Division, Bluebonnet Natural Gas, LLC, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex, CenterPoint Energy Arkla, and CenterPoint Energy Texas Gas, Corix Utilities (Texas) Inc., CoServ Gas, Ltd., EPCOR Gas Texas Inc., NatGas, Inc., SiEnergy, LP, Texas Gas Service Company, a Division of ONE Gas, Inc., and Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. (collectively, "participating gas utilities").

A. Qualifications

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PRIOR EXPERIENCE.

A. I hold a BBA degree from Southern Methodist University and MBA and Ph.D. degrees from the University of Texas at Austin. I am also a Certified Public Accountant. My previous employment includes working in the Controller's Department at Sears, Roebuck and Company and serving as Assistant Director of

Economic Research at the Public Utility Commission of Texas ("PUCT"). I have also been on the business school faculties at the University of Colorado at Boulder and the University of Texas at Austin, where I taught undergraduate and graduate courses in finance and accounting.

Q. BRIEFLY DESCRIBE YOUR EXPERIENCE IN UTILITY-RELATED MATTERS.

A. While at the PUCT, I assisted in managing a division comprised of approximately twenty-five professionals responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems. I testified on behalf of the PUCT staff in numerous cases involving most major investor-owned and cooperative electric, telephone, and water/sewer utilities in the state regarding a variety of financial, accounting, and economic issues. Since forming FINCAP in 1979, I have participated in a wide range of analytical assignments involving utility-related matters on behalf of utilities, industrial consumers, municipalities, and regulatory commissions. I have also prepared and presented expert testimony before a number of regulatory authorities addressing revenue requirements, cost allocation, and rate design issues for gas, electric, telephone, and water/sewer utilities. I have been a frequent speaker at regulatory conferences and seminars and have published research concerning various regulatory issues. A resume that contains the details of my experience and qualifications is attached as Appendix A, with Appendix B listing my prior testimony before regulatory agencies since leaving the PUCT.

B. Purpose of Testimony

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is four-fold. The first purpose is to describe generally how the extraordinary costs related to the winter weather event in February 2021 ("Winter Storm Uri") recorded as regulatory assets by participating gas utilities would be financed through customer rate relief ("CRR") bonds issued through the Texas Public Finance Authority ("TPFA"). The second purpose is to determine whether it would be more cost-effective to recover these regulatory assets through CRR bonds versus alternative recovery methods. The third purpose is to determine whether the use of CRR bonds would result in more affordable estimated monthly costs to customers than conventional recovery methods. Finally, I explain why the use of CRR bonds to finance and recover the extraordinary costs related to the February 2021 Winter Weather Event would provide tangible and quantifiable benefits to customers greater than other recovery methods and would serve the public interest.

C. Summary of Conclusions

Q. BRIEFLY SUMMARIZE THE CONCLUSIONS OF YOUR TESTIMONY.

A. For the reasons explained below, I conclude:

- Issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers;
- The issuance of CRR bonds to reimburse gas utilities for the regulatory assets has the least immediate impact on customers' monthly bills compared to conventional recovery methods; and

- Using CRR bonds to reimburse the participating gas utilities for their regulatory assets would enable the gas utilities to maintain their financial integrity, ensure their ability to raise debt and equity capital on reasonable terms to finance normal, ongoing expenditures as well as manage another crisis, should it arise.

II. BACKGROUND

Q. PLEASE DESCRIBE THE EVENTS LEADING TO THE PRESENT CASE.

A. Beginning on February 11, 2021, an unprecedented cold winter weather event hit Texas. On February 12, Governor Abbott issued a State of Disaster in Texas for all Texas counties, and the Railroad Commission of Texas ("Commission") issued an Emergency Order temporarily modifying natural gas utility curtailment priorities to ensure the protection of human needs customers throughout the storm. Natural gas usage by homes, businesses, and electric generating facilities surged while natural gas supply fell as production, processing, treating, and pipeline facilities froze or otherwise became inoperable. This prolonged winter storm resulted in a dramatic increase in natural gas prices as demand greatly exceeded supply. At the same time, gas utilities experienced major gas supply interruptions, including *force majeure* declarations from suppliers. To continue to supply customers and maintain system operations, gas utilities were required to purchase additional gas to meet demand and replace interrupted supplies at extremely high market prices. The combination of greater customer usage and increased gas prices resulted in gas utilities incurring extraordinary gas supply costs.

Q. DID THE COMMISSION TAKE ANY ACTION TO RECOGNIZE THAT GAS UTILITIES WERE INCURRING EXTRAORDINARY COSTS AS A RESULT OF WINTER STORM URI?

A. Yes. On February 13, 2021, the Commission issued a Notice to Local Distribution Companies ("Regulatory Asset NTO") stating that, to provide customers safe and reliable service, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices for natural gas and incur other extraordinary expenses responding Winter Storm Uri. The Regulatory Asset NTO authorized Texas LDCs to record the extraordinary costs in a regulatory asset account to defer and reduce their impact on customers. A copy of the Regulatory Asset NTO is attached to my testimony as Appendix C.

Q. DID THE LEGISLATURE TAKE ANY ACTION TO ADDRESS THE EXTRAORDINARY COSTS GAS UTILITIES INCURRED AS A RESULT OF WINTER STORM URI?

A. Yes. During the 87th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after the event. To this end, H.B. 1520 authorizes securitization financing that would provide rate relief by extending the period over which the extraordinary costs are recovered from customers and support the financial strength and stability of gas utilities. Before the CRR bonds may be

issued, however, H.B. 1520 requires the Commission to ensure that the securitization financing provides tangible and quantifiable benefits to customers greater than would have been achieved absent the issuance of CRR bonds. It also requires the Commission to determine that CRR bonds are the most cost-effective method of funding regulatory asset reimbursements, consider customer affordability, and find that the securitization financing mechanism is in the public interest.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE SECURITIZATION PROCESS CONTEMPLATED UNDER H.B. 1520 WILL BE CONSIDERED BY THE COMMISSION.

A. On June 17, 2021, the Commission issued a Notice to Gas Utilities ("NGU") directing those desiring to participate in the CRR bond program to file an Application for Regulatory Asset Determination ("Application"). This NGU is attached to my testimony as Appendix E. Each gas utility's Application must contain extensive data and documentation to support the regulatory asset recorded on its books. The NGU also requires that gas utilities demonstrate the CRR bonds would provide customers tangible and quantifiable benefits greater than would be achieved otherwise, would benefit customers through affordability, and would be in the public interest and consistent with the purposes of subchapter 1, chapter 104 of the Texas Utilities Code. After the Commission has issued its regulatory asset determinations, if it finds that the CRR bonds are most cost-effective, provide affordability benefits, and are in the public interest, it will issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the CRR bonds.

III. CUSTOMER RATE RELIEF BONDS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I provide an overview of the CRR bonds contemplated by H.B. 1520 to reimburse gas utilities for their regulatory assets and provide customers rate relief by allowing the extraordinary winter storm costs to be recovered differently than would be available through conventional recovery methods.

A. Securitized Financing

Q. WHAT IS SECURITIZED FINANCING?

A. Securitization is a financing technique used by many companies whereby certain assets are legally isolated in a special purpose entity ("SPE"). Generally, the SPE's primary asset is a revenue stream produced by financial assets such as loans, leases, or receivables, with its activities being carried out through a servicing agreement by another party. The SPE is also generally financed by selling debt and/or equity to investors, which are typically institutional investors such as banks, pension funds, and insurance companies. Bonds issued by an SPE are typically self-amortizing through payment of principal over time, and there is customarily a broad and diverse pool of underlying obligors that will make the payments to service the bonds. Securitizations are generally non-recourse and bankruptcy-remote from the underlying company.

Q. HAVE UTILITIES IN TEXAS USED SECURITIZATION AS A FORM OF FINANCING?

A. Yes. Securitization is a unique form of financing that has typically been used pursuant to specific statutory provisions by electric utilities in Texas to finance and

recover costs from customers over longer periods of time. The securitizations by Texas utilities have involved the recovery of costs that are not incurred in the normal course of utility business. For example, securitization was used by electric utilities to recover "stranded costs" resulting from the transition from a regulated to competitive wholesale market for electricity in the early 2000s. Securitization has also been used to reimburse utilities for the extensive damage to facilities caused by hurricanes along the Gulf Coast. In utility securitizations, an SPE typically issues bonds backed primarily by the specific statutory and regulatory right to receive a charge paid to a utility by its customers, which in turn is remitted to the SPE. While it is common for the SPE to be managed by the utility pursuant to a service and administration agreement, care is taken to maintain the SPE as a separate entity and isolate its assets from the utility and its creditors.

Q. WHAT BENEFITS ARE DERIVED FROM SECURITIZATION FINANCING?

A. When authorized by the Legislature for use in the recovery of these types of extraordinary, non-typical costs, securitizations involve a unique, particularly high-quality stream of revenues, which the SPE has statutory and regulatory rights to receive, and that can be kept separate from a utility's other assets and activities. The SPE can then sell bonds secured by this revenue stream that are less risky than the utility itself. Because the bonds issued by SPEs are less risky, they typically have a higher credit rating than the debt of the utility. As a result, the bonds issued by the SPE carry a lower interest rate and, because the bonds are secured with a high-quality revenue stream, the SPE can be heavily debt financed, both of which

reduce the carrying cost of the underlying asset. In the case of H.B. 1520, because the securitized bonds are a liability of a state agency-created SPE and not the utility, they are not carried on the utility's balance sheet. Accordingly, the securitized bonds should not increase the gas utility's debt load, which supports its financial strength and stability, nor should they reduce the utility's borrowing capacity, which should maintain the utility's ability to attract capital to finance property, plant, and equipment on reasonable terms.

Q. DESCRIBE THE SPE CONTEMPLATED UNDER H.B. 1520.

A. If securitization is approved by the Commission, H.B. 1520 authorizes the TPFA to create an issuing financing entity (the SPE) to issue CRR bonds. The issuing financing entity would be a self-funding, non-profit, public authority of Texas governed by a three-member board. The CRR bonds sold by the issuing financing entity would not be a liability of Texas, the Commission, or the participating gas utilities; rather, they would be securitized and repaid from customer rate relief charges assessed to all customers of the participating gas utilities. The customer rate relief charges would be sufficient to cover the SPE's costs, including initial financing costs, CRR bond principal and interest, and other financing, administrative, and operating expenses authorized by the Financing Order.

B. Structure of Customer Rate Relief Bonds

Q. WOULD THE CRR BONDS BE STRUCTURED LIKE TYPICAL UTILITY DEBT?

A. No. The long-term bonds issued by most large gas utilities are outstanding for a specified number of years. A fixed interest rate is usually paid on the original face

amount periodically, with the entire principal balance being due at maturity. While this "balloon payment" debt structure is generally satisfactory for financing a large utility's permanent property, plant, and equipment, it is not well-suited to an entity having just a single, self-liquidating asset.

Q. HOW WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge applicable to all existing and future customers of participating gas utilities. Although the resulting revenue stream could be used to pay annual principal and interest payments on a single issue of CRR bonds (like a home mortgage), this is not the structure normally used. Because of differing portfolio and reinvestment considerations, large investors do not want all bonds having the same life. To amortize the CRR bonds while still allowing investors to select their preferred maturities, the bonds are anticipated to be split among several series or tranches, each with a different scheduled maturity and corresponding interest rate. In this way, on any given payment date, interest is paid on all the bond series, but principal is repaid only on the series that is maturing. This structuring into series or tranches enhances marketing of the bonds because it enables both shorter-term investors (e.g., banks) and longer-term investors (e.g., pension funds) to participate in the same securitization issue but offers each a maturity most suitable for its investment objectives. The actual structure of the CRR bonds would depend on the Commission's Financing Order, input from TPFA and investment bankers, and capital market conditions at the time the CRR bonds were issued.

Q. OVER WHAT PERIOD WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 caps the maximum scheduled maturity of the CRR bonds to 30 years, with the Commission ultimately deciding in its Financing Order the period over which the bonds are to be repaid by customers. Because the CRR bonds would be secured only by customer rate relief charges and not physical assets, it is believed that investors would prefer the bonds to have a maximum term of between 10 and 15 years. I understand that in the securitizations approved by the PUCT for electric utilities, the scheduled maturity of the bonds has typically been less than 15 years.

C. Interest Rates on Customer Rate Relief Bonds

Q. WHAT INTEREST RATES WILL THE CRR BONDS BEAR?

A. The actual interest rates on the CRR bonds will depend on capital market conditions at the time they are issued, the maturity structure of the various series, and the rating assigned to the CRR bonds by rating agencies.

Q. WHAT BOND RATING WOULD LIKELY BE ASSIGNED TO THE CRR BONDS?

A. To achieve the lowest interest rate, the CRR bonds would need to be rated triple-A by the major bond rating agencies (i.e., Moody's, Standard & Poor's, and Fitch). Most of the characteristics and features required for the CRR bonds to be rated triple-A are provided for in H.B. 1520 and would also need to be included in the Financing Order.

Q. WHAT ARE CURRENT INTEREST RATES ON BONDS RATED TRIPLE-A?

A. The table below shows average interest rates between mid-June and mid-July 2021 on triple-A rated taxable bonds issued by government entities having different maturities over the next 15 years. These range from 0.19% to 2.07%, with the interest rate increasing with the length of the bond term:

Maturity (Years)	Interest Rate	(Years)	Interest Rate	(Years)	Interest Rate
1	0.19%	6	1.18%	11	1.77%
2	0.32%	7	1.36%	12	1.85%
3	0.50%	8	1.50%	13	1.92%
4	0.74%	9	1.62%	14	2.00%
5	0.96%	10	1.69%	15	2.07%

Q. COULD THE CRR BONDS HAVE A VARIABLE INTEREST RATE INSTEAD OF A FIXED INTEREST RATE?

A. Although floating-rate bonds could be issued, fixed interest rates allow the likely costs and benefits to be better evaluated in advance and would facilitate developing and maintaining a uniform monthly volumetric charge over time. Additionally, current interest rates are at historical lows, which are not expected to persist indefinitely. I understand that all the securitized bonds issued by Texas electric utilities have had fixed interest rates.

IV. COST-EFFECTIVENESS

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. H.B. 1520 requires that, before issuing a Financing Order, the Commission must determine that CRR bonds are the most cost-effective method of funding

reimbursements to gas utilities of the regulatory asset associated with the extraordinary costs incurred in connection with Winter Storm Uri. The purpose of this section is to compare the expected costs associated with CRR bonds and the costs of other methods that might be used to finance the regulatory assets.

A. Alternative Methods

Q. WHAT ALTERNATIVE METHODS ARE AVAILABLE TO FUND THE EXTRAORDINARY COSTS INCURRED BY THE PARTICIPATING GAS UTILITIES ATTRIBUTABLE TO WINTER STORM URI?

A. There are basically three alternative methods. The first would be to include the extraordinary costs related to Winter Storm Uri in the gas utility's purchased gas cost ("PGC") recovery mechanism (sometimes referred to as a "purchased gas adjustment" (PGA), "gas cost recovery" (GCR) mechanism, "cost of gas clause" (COG), or "purchased gas factor" (PGF), depending on the utility). The second would be to treat the regulatory assets similar to rate case expenses, where they would be amortized over a relatively short period and recovered through an established rate or a specific surcharge added to customers' bills until the total amount is received. The third method would be to include the regulatory assets in rate base, amortize them over a longer time period (e.g., 10 to 15 years), and include the additional costs in the gas utilities' base service rates.

Q. PLEASE DISCUSS THE FIRST ALTERNATIVE, INCLUDING THE EXTRAORDINARY COSTS IN THE PGC RECOVERY MECHANISM.

A. Under this method, the regulatory asset would be included as a cost of gas and recovered from customers over a period of approximately up to a year through each

participating gas utility's PGC recovery mechanism. The effect of this method would be to fund the extraordinary Winter Storm Uri costs from current customers. While this method may be the least expensive because carrying costs and administrative expenses would be minimized, as will be addressed later in my testimony, it would have the greatest immediate impact on current bills and be the least affordable method for customers.

Q. PLEASE DISCUSS THE SECOND ALTERNATIVE THAT WOULD ADJUST AN EXISTING RATE OR ADD A SURCHARGE TO CUSTOMER BILLS UNTIL THE EXTRAORDINARY COSTS ARE FULLY RECOVERED.

A. Similar to how rate case expenses are recovered, this method would amortize the regulatory asset over a relatively short period, such as three years, with an adjustment to existing rates or a surcharge being added to each customer's monthly bill until the regulatory asset is fully recovered. While this alternative would have a smaller monthly or annual impact than recovering the regulatory asset pursuant to the terms of the existing PGC recovery mechanism, it would still have a significant impact on customers' bills in the near-term and their affordability. Additionally, this method could adversely impact the financial integrity of certain gas utilities and their ability to attract capital. Specifically, many of the participating gas utilities financed the extraordinary costs of Winter Storm Uri, in whole or in part, with short-term debt, which has adversely impacted their borrowing capacity. As a result, the ability to raise additional debt to finance ordinary capital requirements would be impaired or potentially non-existent for

certain utilities, as would their ability to manage another crisis. Additionally, this short-term debt matures prior to when the regulatory assets would be fully recovered approximately three years following the completion of this proceeding. Rolling over maturing short-term debt would continue to leave the gas utilities with limited or exhausted borrowing capacity, while refinancing it with permanent capital would not only increase the cost of capital but would strain their ability to raise additional debt and equity to finance normal, ongoing capital expenditures and withstand extraordinary events. Similarly, the ability to attract additional capital by those utilities that financed the extraordinary gas costs with permanent capital may already be significantly reduced.

Q. PLEASE DISCUSS THE THIRD ALTERNATIVE THAT WOULD INCLUDE THE REGULATORY ASSET IN RATE BASE AND RECOVER THE EXTRAORDINARY COSTS IN BASE SERVICE RATES.

A. Under the third method, the regulatory assets associated with Winter Storm Uri would remain on the gas utilities' books and be financed by the utility. For ratemaking purposes, the regulatory asset would be included in rate base along with property, plant, and equipment, and amortized over a longer period, such as 10 to 15 years. The capital carrying costs, income taxes, and amortization expense associated with the regulatory asset would then be included in the gas utilities' base service rates.

Q. HOW WOULD THE REGULATORY ASSET BE FUNDED UNDER THIS THIRD METHOD?

A. Because the regulatory asset is essentially treated like the gas utilities' other permanent assets, it would have to be correspondingly financed. Short-term debt currently being used to finance the regulatory assets by certain utilities would have to be replaced with long-term debt and common equity. As under the three-year amortization method, financing the regulatory asset with new long-term debt and equity could strain the utility's ability to raise additional capital to finance normal, ongoing expenditures and withstand extraordinary events. Additionally, the proportions and costs of new long-term debt and equity financing could be adversely affected by the fact that the assets being financed are not physical assets being used to provide service to customers, with the higher capital costs being reflected in rates.

B. Analysis of Cost-Effectiveness

Q. DESCRIBE YOUR ANALYSIS AND COMPARISON OF THE RELATIVE COST-EFFECTIVENESS OF FUNDING THE REGULATORY ASSETS WITH CRR BONDS VERSUS THE ALTERNATIVES IDENTIFIED ABOVE.

A. Because different time periods are involved in evaluating the costs of CRR bonds against the costs of alternative methods to fund reimbursements of the extraordinary costs incurred in connection with Winter Storm Uri, it is necessary to use analyses that take into account the time value of money and measure costs in comparable dollars. For efficiency and consistency with the aggregated nature of securitization

cost recovery in H.B. 1520, I have not performed an analysis for each participating gas utility, but have used combined amounts for all of the gas utilities, which are developed in Schedule BHF-1, or representative values for gas utilities.

Q. HOW HAVE YOU TAKEN INTO ACCOUNT THE TIME VALUE OF MONEY IN YOUR ANALYSIS?

A. It is standard practice to analyze costs and benefits that occur over varying time periods using "present value," which accounts for the fact that a dollar received or paid in the future is worth less than one received or paid today. Present value analysis combines future nominal dollars into a single amount normally expressed in current dollars, so that the comparison is on an "apples to apples" basis. Nominal dollar benefits or costs in future years are converted to present value dollars using a "discount" rate, which is effectively an interest rate reflecting the time value, or opportunity cost, of money.

Q. WHAT WOULD BE THE ANNUAL COSTS OF CRR BONDS?

A. The estimated annual costs of the CRR bonds, including principal and interest and ongoing annual operating and administrative expenses, are developed in Schedule BHF-2.

Q. WHAT IS THE ESTIMATED TOTAL AMOUNT OF BONDS THAT WOULD BE ISSUED UNDER SECURITIZATION?

A. In the upper portion of Schedule BHF-2, an initial CRR bond issuance of $3,830 million is calculated. This amount is the sum of the total regulatory assets of $3,607 million contained in the participating gas utilities' Applications summarized on Schedule BHF-1, projected underwriting and issuance expenses, and amounts

required to fund a debt service reserve. Underwriting and issuance costs are estimated to be 0.40% and 0.30%, respectively, of the CRR bonds issued. The 0.40% underwriting expense is consistent with the percentage in Texas electric securitizations, average and median percentages for other bond issuances by Texas government entities over the last year, and data from investment banks. The 0.30% issuance expense is in-line with recent percentages for other bond issuances by Texas government entities. It may be conservative (i.e., overstated) because the large size of the CRR bond issuance would involve economies of scale, but this allows for other reimbursable costs provided for in H.B. 1520 (e.g., costs incurred by the Commission and TPFA). The debt service reserve fund is equal to one-half of the average annual bond costs. This amount is based on discussions with utility Treasury departments, investment bankers, and the level required by other bonds issued by Texas government entities. It also reflects that H.B. 1520 allows the customer rate relief charge to be revised annually and trued-up as necessary.

Q. WHAT ARE THE ESTIMATED ANNUAL COSTS OF THE CRR BONDS?

A. In this analysis, the CRR bonds are assumed to have a maximum maturity of 10 years, with ten series being sized to result in approximately equal annual principal and interest payments, except for the final principal payment being partially met with funds from the debt service reserve. The bond payments are based on the interest rates between mid-June and mid-July 2021 presented earlier for triple-A rated, taxable bonds issued by government entities. To the bond payments, annual operating and administrative expenses equal to 0.60% of the initial bond issuance, or approximately $23 million, are added. Although electric utilities in Texas have

been providing this service for between 0.05% and 0.125% plus projected outside expenses of less than $500,000 per year, the 0.60% is the maximum service fee allowed by the PUCT in recent electric securitizations. As with issuance expenses, the assumed 0.60% servicing fee may be overstated, but this again allows for other reimbursable costs provided for in H.B. 1520. As shown in the last column of the lower portion of Schedule BHF-2, the estimated costs on the CRR bonds are between approximately $411 million and $419 million in each of the ten years.

Q. WHAT WOULD BE THE COSTS IF THE EXTRAORDINARY STORM COSTS WERE RECOVERED THROUGH THE PARTICIPATING UTILITIES' PGC RECOVERY MECHANISMS?

A. Schedule BHF-1 lists the amounts that the participating gas utilities have calculated in their respective Applications that they would be entitled to recover through their respective PGC recovery mechanisms if this method were used. As shown there, this totals $3,604 million and would all be recovered through their PGC recovery mechanisms during the first year.

Q. WHAT WOULD BE THE ANNUAL COSTS IF THE REGULATORY ASSETS WERE AMORTIZED OVER THREE YEARS AND RECOVERED THROUGH A SURCHARGE TO CUSTOMERS?

A. Schedule BHF-1 also shows the total amount that each of the participating gas utilities has calculated in its Application that it would be entitled to recover if the regulatory asset associated with the extraordinary costs were amortized over three years and surcharged to customers. Dividing the total of $4,079 million by three

would result in approximately $1,360 million being recovered in each of the three years.

Q. WHAT WOULD BE THE ANNUAL COST IF THE REGULATORY ASSETS WERE INCLUDED IN RATE BASE, AMORTIZED OVER A LONGER PERIOD, AND INCLUDED IN BASE RATES?

A. Schedule BHF-3 develops the annual costs if the regulatory assets of the participating utilities were included in rate base along with property, plant, and equipment and amortized over 10 years. As noted earlier, the regulatory assets contained in the participating gas utilities' Applications total $3,607 million. An annual carrying cost for the regulatory assets is based on capital structure ratios of 41% debt and 59% equity, a cost of debt of 4.75%, and a return on common equity ("ROE") of 9.5%. These representative values reflect those allowed in recent rate cases before the Commission. As shown in the upper portion of Schedule BHF-3, combining these capital structure ratios, cost of debt, and ROE, grossed up for associated federal income taxes at 21%, produces a capital carrying cost of 9.04%. Applying this percentage to the average unamortized balance of the regulatory asset in each year and adding annual amortization expense results in the declining total annual costs in each of the ten years shown on Schedule BHF-3.

Q. WHAT WAS THE NEXT STEP IN YOUR COST-EFFECTIVENESS ANALYSIS?

A. The annual costs to customers under the CRR bonds and the three methods described above to reimburse utilities for the extraordinary costs are summarized on Schedule BHF-4. The next step is to calculate the present value of the annual

costs under the CRR bonds and each alternative method. There is not a single discount rate applicable to all customers. For those customers that have money to invest, their opportunity cost may currently be relatively low, while for those customers carrying balances on their credit cards, their time value of money may be in excess of 20%. Accordingly, I used a range of interest rates -- 5%, 10%, 15%, and 20% -- to discount the annual costs of the CRR bonds and each alternative method to calculate their present values, which are shown in the middle of Schedule BHF-4.

Q. WHAT ARE THE RESULTS OF THIS ANALYSIS?

A. At the bottom of Schedule BHF-4, the present values of the cost of the CRR bonds is subtracted from the present values of the costs of the alternative methods to calculate the saving under securitized financing. As summarized in the table below, the CRR bonds are the most cost-effective method to fund the regulatory assets of the participating gas utilities, with the savings ranging between $229 million and $1,384 million, depending on the method and discount rate used (millions of present value dollars):

Savings from CRR Bonds vs. Alternative Methods			
	PGC	**3-year**	**Rate Base**
Discount Rate	**Recovery**	**Amortization**	**Inclusion**
5%	$229	$506	$959
10%	$759	$869	$860
15%	$1,126	$1,094	$779
20%	$1,384	$1,231	$712

Q. HAVE YOU PERFORMED ANY SENSITIVITY ANALYSES OF THESE RESULTS?

A. Yes. For the CRR bond financing and method that includes the regulatory assets in rate base, I also calculated the present value using a maximum maturity of the bonds of 15 years and amortizing the regulatory asset over 15 years. As shown on Schedule BHF-5, using 15 years versus ten years does not change the conclusion. Again, the CRR bonds are the most cost-effective method to fund the extraordinary storm costs incurred by the participating gas utilities, with the savings from securitization ranging between $316 million and $1,744 million, depending on the method and discount rate used.

Q. WHAT IF A DISCOUNT RATE LOWER THAN 5%, SAY 3%, IS USED TO CALCULATE PRESENT VALUE?

A. If a time value of money of only 3% is used to discount the annual costs of CRR bond financing and the alternative methods, then recovery of the extraordinary gas costs currently through the PGC mechanism becomes slightly more cost-effective, but CRR bond securitization continues to be more cost-effective than both the 3-year amortization or inclusion in rate base methods. However, as will be discussed in the next section, recovery through the PGC mechanism is the least affordable method, and it is doubtful that 3% is representative of the time value of money to the majority of customers.

Q. WHAT HAPPENS IF INTEREST RATES WERE TO CHANGE BETWEEN NOW AND WHEN THE CRR BONDS ARE ISSUED?

A. I also performed a sensitivity analysis assuming that interest rates on the CRR bonds increase 50% over those used in the analyses on Schedules BHF-4 and BHF-5. When these higher interest rates are substituted into the 10-year analyses on Schedule BHF-4, the CRR bonds remain the most cost-effective except for where costs are recovered through the PGC mechanism and discounted at 5%. Substituting the higher interest rates into the 15-year sensitivity analysis on Schedule BHF-5 shows the CRR bonds to be the most cost-effective in all cases. Of course, if interest rates were to increase, so too would the cost of money to customers, with higher discount rates applying to more customers and the 5% discount rate becoming less applicable. A rise in interest rates would also likely increase the cost of capital to utilities and result in the annual costs of the alternative recovery methods being greater, which would improve the relative cost-effectiveness of the CRR bonds.

V. CUSTOMER AFFORDABILITY

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. In addition to cost-effectiveness, H.B. 1520 requires that the Commission must find that CRR bonds are reasonably expected to provide benefits to customers in the way of affordability. The purpose of this section is to perform an analysis that compares the estimated impact on customers' monthly bills resulting from the issuance of CRR bonds versus the estimated impact on customers' monthly bills that would result under conventional recovery methods. My analysis of customer

affordability considers only the residential and small commercial classes because the customers comprising gas utilities' larger classes often have vastly dissimilar gas usage, which causes bill impact calculations based on averages for these other classes to have limited meaning.

Q. WHAT CONVENTIONAL RECOVERY METHODS DID YOU COMPARE SECURITIZATION AGAINST TO EVALUATE CUSTOMER AFFORDABILITY?

A. My analysis of customer affordability compares the cost of financing the regulatory asset using CRR bonds with the same three methods used in the analysis of cost-effectiveness described above. These are: 1) to include the extraordinary expenses in the gas utility's PGC recovery mechanism, 2) to amortize the regulatory assets over a relatively short period and recover them through a surcharge added to customers' bills, and 3) to include the regulatory assets in rate base, amortize them over a longer time period, and recover them through base rates.

Q. HOW DID YOU COMPARE THE RELATIVE AFFORDABILITY OF THE CRR BONDS AGAINST THE OTHER CONVENTIONAL RECOVERY METHODS?

A. Whereas the cost-effectiveness analysis above evaluates the costs of the CRR bonds versus the alternative methods over time, the affordability analysis focuses on the immediate impact of each method on residential and commercial customers' bills. Therefore, I use the first-year costs of each method shown on Schedule BHF-4 to estimate the respective impacts on customer's monthly bills.

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF FINANCING THE REIMBURSEMENT OF THE REGULATORY ASSETS USING CRR BONDS?

A. As noted earlier, H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge. As developed on Schedule BHF-6, dividing the first year cost of the CRR bonds of $411 million shown on Schedule BHF-4 by total 2020 volumes of 325,102,345 Mcf reported by the participating gas utilities in their Applications produces a customer rate relief charge of $1.26 per Mcf. As developed on Schedule BHF-1, the average monthly usages for residential and commercial customers are 4.04 Mcf and 26.87 Mcf, respectively, again using data from the participating utilities' Applications. Multiplying these average monthly usages by the customer rate relief charge of $1.26 produces an estimated monthly cost under the CRR bonds of $5.10 to a residential customer and $33.94 to a commercial customer (Schedule BHF-6).

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF EACH OF THE THREE CONVENTIONAL METHODS OF COST RECOVERY?

A. The estimated monthly costs to customers under each of the three conventional recovery methods are also developed in Schedule BHF-6. Again, a volumetric customer rate relief charge under each method is calculated by dividing the first-year costs from Schedule BHF-4 by the total 2020 volumes of the participating gas utilities. The resulting uniform monthly customer rate relief charges are then multiplied by the average monthly usage of a residential and commercial customer from Schedule BHF-1 to calculate the estimated monthly cost under each

conventional recovery method. As summarized in the table below, the average monthly cost for residential customers of $5.10 in the first year under CRR bond securitization compares with $44.77 if the extraordinary costs are recovered through the PGC mechanism; $16.89 if recovered through a 3-year amortization charge; and $8.33 if included in rate base. For commercial customers, the average first-year CRR charge of $33.94 per month compares with $297.86, $112.36, and $55.41, respectively, under the three conventional recovery methods.

Q. WHAT ARE THE ESTIMATED MONTHLY SAVINGS TO CUSTOMERS UNDER SECURITIZATION VERSUS CONVENTIONAL RECOVERY METHODS?

A. The estimated monthly costs to customers resulting from the issuance of CRR bonds are compared with the estimated monthly costs to customers that would result from the application of conventional recovery methods in the table below. As can be seen, the use of the CRR bonds to finance the extraordinary costs incurred in connection with Winter Storm Uri has the least immediate impact on customers' estimated monthly bills, with annual first-year savings ranging between $3.23 and $39.67 per month for the average residential customer and between $21.47 and $263.92 per month for the average commercial customer. First year total savings for residential customers from CRR bond securitization range between $38.73 and $476.03, and for commercial customers between $257.65 and $3,167.08:

Comparison of First-year Savings of CRR Bonds vs. Conventional Methods				
	CRR Securitization	**PGC Mechanism**	**3-year Amortization**	**Inclusion in Rate Base**
Residential:				
Monthly Cost	$5.10	$44.77	$16.89	$8.33
Monthly Savings		$39.67	$11.79	$3.23
Annual Savings		$476.03	$141.458	$38.73
Commercial:				
Monthly Cost	$33.94	$297.86	$112.36	$55.41
Monthly Savings		$263.92	$78.42	$21.47
Annual Savings		$3,167.08	$941.07	$257.65

Q. HOW IS AFFORDABILITY AFFECTED UNDER THE SENSITIVITY ANALYSES DESCRIBED EARLIER?

A. Lengthening the maximum maturity of the CRR bonds and the amortization of the regulatory asset if included in rate base from 10 to 15 years lowers the first-year monthly cost under these methods from those shown in the table above, with there being no change in the costs under the PGC recovery and 3-year amortization methods. The average cost to a residential customer under securitization drops from $5.10 to $3.72 per month and from $33.94 to $24.77 per month for a commercial customer. For the rate base inclusion method, the cost to a residential customer drops from $8.33 to $6.90 and for a commercial customer from $55.41 to $45.92. The $3.72 and $24.77 per month costs to the average residential and commercial customer, respectively, continue to be lower under securitization than those under the three conventional recovery methods.

Meanwhile, a 50% increase in the interest rate on CRR bonds with 10- and 15-year maximum maturities produces first-year costs for a residential customer of $5.63 and $3.87 a month, respectively, and $37.43 and $25.75 a month, respectively, for a commercial customer. These are still below the monthly first-year costs of the three conventional recovery methods, so that even if interest rates rise 50%, CRR bond securitization remains the most affordable.

VI. PUBLIC INTEREST

Q. DOES CRR BOND SECURITIZATION ACCOMPLISH THE OBJECTIVES OF H.B. 1520?

A. Yes. The purpose of H.B. 1520 is to provide rate relief to customers by extending the period over which the extraordinary costs of Winter Storm Uri are recovered and support the financial strength and stability of gas utilities. As described earlier in my testimony, the issuance of CRR bonds to reimburse gas utilities for the regulatory assets authorized by the Commission in the Regulatory Asset NTO would defer these costs over the life of the CRR bonds and substantially reduce the immediate impact on customers' bills compared to conventional recovery methods. As also described earlier, using CRR bonds to reimburse the participating gas utilities for their regulatory assets would eliminate the need for them to finance these substantial assets with short-term debt or permanent capital. This would, in turn, enable the gas utilities to maintain their financial integrity and ensure their ability to raise debt and equity capital on reasonable terms. Additionally, it would preserve their borrowing power so that the gas utilities could access capital to

finance normal, ongoing expenditures as well as manage another crisis, should it arise.

Q. IS CRR BOND SECURITIZATION THE MOST COST-EFFECTIVE METHOD OF FUNDING REGULATORY ASSET REIMBURSEMENT TO BE MADE TO GAS UTILITIES?

A. Yes. As shown earlier, issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers. Using various discount rates between 5% and 20%, the savings from issuing CRR bonds versus other alternative methods of cost recovery are expected to range between $229 million and $1,384 million in present value dollars. Sensitivity analyses lengthening the maximum maturity of the CRR bonds, using a lower discount rate, and assuming a significant increase in interest rates does not affect this conclusion, with securitization being more cost-effective than the other methods in virtually every case.

Q. DOES CRR BOND SECURITIZATION PROVIDE AFFORDABILITY BENEFITS TO CUSTOMERS COMPARED TO CONVENTIONAL RECOVERY METHODS?

A. Yes. A comparison of the estimated monthly costs to the average residential and commercial customer in the first year resulting from the issuance of CRR bonds versus recovery of the regulatory assets through conventional recovery methods shows that the CRR bonds have the least immediate impact on customers' estimated monthly bills. Therefore, recovering the extraordinary costs associated with Winter

Storm Uri through CRR bonds provides customers more near-term affordability than other conventional methods.

Q. DOES THE SECURITIZATION OF THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI USING CRR BONDS PROVIDE CUSTOMERS TANGIBLE AND QUANTIFIABLE BENEFITS?

A. Yes. As described above, using CRR bonds to finance the participating gas utilities' regulatory assets is expected to save customers hundreds of millions of present value dollars versus recovering the extraordinary storm costs through other methods. Additionally, both residential and commercial customers benefit immediately through lower estimated monthly costs under CRR bond financing when compared to conventional recovery methods. Both of these are tangible and quantifiable benefits to customers from securitization greater than would have been achieved absent the issuance of CRR bonds.

Q. IS IT YOUR OPINION THAT USING CRR BONDS TO FINANCE THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI IS IN THE PUBLIC INTEREST?

A. Yes. For the reasons developed and described above, I believe using CRR bonds to reimburse participating gas utilities for their regulatory assets is consistent with the purposes of H.B. 1520 and in the public interest.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes, it does.

APPENDIX A

BRUCE H. FAIRCHILD

FINCAP, INC.
Financial Concepts and Applications
Economic and Financial Counsel

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Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

Employment

Principal, FINCAP, Inc. (Sep. 1979 to present)	Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.
Adjunct Assistant Professor, University of Texas at Austin (Sep. 1979 to May. 1981)	Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.
Assistant Director, Economic Research Division, Public Utility Commission of Texas (Sep. 1976 to Aug. 1979)	Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.

Assistant Professor, College of Business Administration, University of Colorado at Boulder (Jan. 1977 to Dec. 1978)	Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.
Teaching Assistant, University of Texas at Austin (Jan. 1973 to Dec. 1976)	Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.
Internal Auditor, Sears, Roebuck and Company, Dallas, Texas (Nov. 1970 to Aug 1972)	Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands.
Accounts Payable Clerk, Transcontinental Gas Pipeline Corp., Houston, Texas (May. 1969 to Aug. 1969)	Processed documentation and authorized payments to suppliers and creditors.

Education

Ph.D., Finance, Accounting, and Economics, University of Texas at Austin (Sep. 1974 to May 1980)	Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award. Dissertation: *Estimating the Cost of Equity to Texas Public Utility Companies*
M.B.A., Finance and Accounting, University of Texas at Austin, (Sep. 1972 to Aug. 1974)	Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues. Professional Report: *Planning a Small Business Enterprise in Austin, Texas*
B.B.A., Accounting and Finance, Southern Methodist University, Dallas, Texas (Sep. 1967 to Dec. 1971)	Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

Other Professional Activities

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants (Honorary).

Participated as session chairman, moderator, and paper discussant at annual meetings of Financial Management Association, Southwestern Finance Association, American Finance Association, and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

Associate Editor of *Austin Financial Digest*, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

Military

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

Bibliography

Monographs

"On the Use of Security Analysts' Growth Projections in the DCF Model," with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).

"An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies", with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).

"The Spring Thing (A) and (B)" and "Teaching Notes", with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).

"Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, *Governor's Office of Energy Resources* and *Department of Energy* (1977-1978).

"Linear Algebra," "Calculus," "Sets and Functions," and "Simulation Techniques," contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

Articles and Notes

"How to Value Personal Service Practices," with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).

"The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test," with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).

"North Arctic Industries, Limited," with Keith Wm. Fairchild, *Case Research Journal* (Spring 1988).

"Regulatory Effects on Electric Utilities' Cost of Capital Reexamined," with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).

"Capital Needs for Electric Utility Companies in Texas: 1976-1985", *Texas Business Review* (January-February 1979), reprinted in "The Energy Picture: Problems and Prospects", J. E. Pluta, ed., *Bureau of Business Research* (1980).

"Some Thoughts on the Rate of Return to Public Utility Companies," with William E. Avera, *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978).

"Regulatory Problems of EFTS," with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).

"Regulation of EFTS as a Public Utility," with Robert McLeod, *Proceedings of the Conference on Bank Structure and Competition* (1978).

"Equity Management of REA Cooperatives," with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).

"Capital Costs Within a Firm," *Proceedings of the Southwestern Finance Association* (1977).

"The Cost of Capital to a Wholly-Owned Public Utility Subsidiary," *Proceedings of the Southwestern Finance Association* (1977).

Selected Papers and Presentations

"Federal Energy Regulatory Commission Audits of Common Carriers (Procedures for Audit Compliance)", Energy Transfer Accounting Employee Education, Dallas and Houston, Texas (December 2018).

"Perspectives on Texas Utility Regulation", TSCPA 2016 Energy Conference, Austin, Texas (May 16, 2016).

"Legislative Changes Affecting Texas Utilities," Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).

"Rate of Return," "Origins of Information," Economics," and "Deferred Taxes and ITC's," New Mexico State University and National Association of Regulatory Utility Commissioners Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).

"Developing a Cost-of-Service Study," 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).

"Financial Aspects of Cost of Capital and Common Cost Considerations," Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).

"Cost-of-Service Studies and Rate Design," General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).

"Rate Base and Revenue Requirements," The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).

"Determining the Cost of Capital in Today's Diversified Companies," New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).

"Estimating the Cost of Equity," Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).

"Impact of Regulations," Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).

"Accounting and Finance Workshop" and "Divisional Cost of Capital," New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).

"Divisional Cost of Equity by Risk Comparability and DCF Analyses," NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).

"Revenue Requirements," Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).

"Rate Filing – Basic Ratemaking," Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).

"The Effects of Regulation on Fair Market Value: P.H. Robinson – A Case Study," Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).

"How to Value Closely-held Businesses," TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).

"Revenue Requirements" and "Determining the Rate of Return", New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).

"How to Evaluate Personal Service Practices," TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).

"How to Start a Small Business – Accounting and Record Keeping," University of Texas Management Development Program, Austin, Texas (October 1984).

"Project Financing of Public Utility Facilities", TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).

"Valuation of Closely-Held Businesses," Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).

"Rating Regulatory Performance and Its Impact on the Cost of Capital," New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).

"Effect of Inflation on Rate of Return," Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).

"Original Cost Versus Current Cost Regulation: A Re-examination," Financial Management Association, New Orleans, Louisiana (October 1980).

"Capital Investment Analysis for Electric Utilities," The University of Texas at Dallas, Richardson, Texas (June 1980).

"The Determinants of Capital Costs to the Electric Utility Industry," with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).

"The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).

"Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).

"Issues in Regulated Industries – Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).

"Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).

"Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies," Financial Management Association, Minneapolis, Minnesota (October 1978).

"The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries," with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).

"PUC Retrofitting Program," Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).

"The Economics of Regulated Industries," Consumer Economics Forum, Houston, Texas (November 1977).

"Public Utilities as Consumer Targets – Is the Pressure Justified?" University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

APPENDIX B

BRUCE H. FAIRCHILD
SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES

.	Utility Case	Agency	Docket	Date	Nature of Testimony
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin	--	Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission	--	Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787	Nov-85 Jan-86 Jul-86	Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC-023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2	Nov-86 May-87 May-87	Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87 Sep-87 Sep-87	Cost Allocation, Rate Design, and Contracts
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB	--	Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	-- 7878	Feb-91 Feb-91	Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	-- 8033	Mar-91 Aug-91 Oct-91	Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity
45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return
46.	Southern Union Gas Company	El Paso PURB	--	Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Mar-92 Aug-92 Dec-92 Oct-94 Nov-94	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.	--	Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR-92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR-93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities	--	May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
64.	Entergy Services, Inc.	FERC	ER95-112-000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements
66.	System Energy Resources, Inc.	FERC	ER95-1042-000	May-95 Dec-95 Jan-96	Rate of Return on Equity
67.	Minnegasco	Minnesota PUC	G-008/GR-95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582-95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements
87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB	--	Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler	--	Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582-00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
110	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582-01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214-000	Mar-02	Rate of Return on Equity
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB	--	Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04 Nov-04	Revenue Requirements
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG-280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity
164.	Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165.	ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166.	EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167.	Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168.	Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170.	ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171.	Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172.	Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173.	ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174.	Texas Gas Service Company	El Paso PURB	--	Dec-09	Rate of Return
175.	Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return
176.	Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177.	Trans-Alaska Pipeline System	FERC	ISO9-348-000	Apr 10 Oct 10	Rate of Return
178.	Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179.	SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182.	CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183.	ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184.	Unocal Pipeline Company	Alaska RCA	TL132-312	Feb 11	Rate of Return
185.	New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
186.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
187.	Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
188.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-___	Jul 11	Rate of Return
189.	Unocal Pipeline Company	Alaska RCA	TL126-___	Dec 11	Rate of Return
190.	Kansas Gas Service	Kansas CC	12-KGSC-835-RTS	May 12 Oct 12	Rate of Return
191.	ExxonMobil Pipeline Co.	Alaska RCA	TL-157-304	Jun 12	Rate of Return
192.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-149-301	Jul 12	Rate of Return
193.	Seaway Crude Pipeline Company	FERC	IS12-226-000	Aug 12 Feb 13	Rate of Return
194.	Cross Texas Transmission, LLC	Texas PUC	40604	Aug 12 Oct 12 Nov 12	Revenue Requirements
195.	Wind Energy Transmission Texas	Texas PUC	40606	Aug 12 Nov 12	Revenue Requirements
196.	Lone Star Transmission LLC	Texas PUC	40798	Nov 12	Revenue Requirements
197.	West Texas Gas Company	Texas RRC	10235	Jan 13	Rate of Return
198.	Cross Texas Transmission, LLC	Texas PUC	41190	Feb 13	Revenue Requirements
199.	ExxonMobil Pipeline Co.	Alaska RCA	TL-162-304	Apr 13	Rate of Return
200.	EasTrans,LLC	Texas RRC	10276	Jul 13	Rate of Return
201.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-152-301	Jul 13	Rate of Return
202.	BP Pipelines (Alaska) Inc.	Alaska RCA	TL-143-311	Sep 13	Rate of Return
203.	Wind Energy Transmission Texas	Texas PUC	41923	Oct 13	Revenue Requirements
204.	Oliktok Pipeline Company	Alaska RCA	P-13-013	Nov 13	Rate of Return
205.	Aqua Texas Southeast Region-Gray	Texas CEQ	2013-2007-UCR	Apr 14	Revenue Requirements
206.	Entergy Mississippi	Mississippi PSC	EC-123-0082	Jun 14	Rate of Return on Equity
207.	Westlake Ethylene Pipeline	Texas RRC	10358	Jul 14 Aug 15	Rates
208.	ExxonMobil Pipeline Co.	Alaska RCA	TL-164-304	Jul 14	Rate of Return
209.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-154-301	Aug 14	Rate of Return
210.	Enstar Natural Gas Company	Alaska RCA	TA-262-4	Sep 14 Jun 15	Revenue Requirements, Cost Allocation, and Rate Design

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
211.	Oliktok Pipeline Company	Alaska RCA	TL-44-334	Mar 15	Rate of Return
212.	Entergy Arkansas, Inc.	Arkansas PSC	15-0150U	Apr 15 Oct 15 Dec 15	Rate of Return on Equity
213.	Wind Energy Transmission Texas	Texas PUC	44746	Jun 15	Revenue Requirements
214.	Texas City	Texas RRC	10408	Jun 15 Nov 15	Pipeline Annual Assessment
215.	Oklahoma Natural Gas	Oklahoma CC	201500213	Jul 15 Nov 15	Rate of Return
216.	PTE Pipeline LLC	Alaska RCA	P-12-015	Sep 15	Rate of Return
217.	Northeast Transmission Development, LLC	FERC	ER16-453	Dec 15	Formula Rates
218.	Oncor Electric Delivery	Texas PUC	45188	Dec 15	Public Interest of Acquisition
219.	Corix Utilities (Texas)	Texas PUC	45418	Dec 15 Oct 16	Rate of Return
220.	Texas Gas Service	Texas RRC	10488	Dec 15	Rate of Return
221.	Texas Gas Service	Texas RRC	10506	Mar 16 Jun 16	Rate of Return
222.	Kansas Gas Service	Kansas CC	16-KGSG-491-RTS	May 16 Sep 16	Rate of Return on Equity
223.	Enstar Natural Gas Company	Alaska RCA	TA-285-4	Jun 16 Apr 17	Revenue Requirements, Cost Allocation, and Rate Design
224.	Texas Gas Service	Texas RRC	10526	Jun 16	Rate of Return
225.	West Texas LPG Pipeline	Texas RRC	10455	Aug 16 Jan 17	Rates and Rate of Return
226.	Liberty Utilities	Texas PUC	46356	Sep 16 Feb 17 Jun 17	Revenue Requirements and Rate of Return
227.	DesertLink LLC	FERC	ER17-135	Oct 16	Formula Rates
228.	Houston Pipe Line Co.	Texas RRC	10559	Nov 16	Revenue Requirements
229.	Texas Gas Service	Texas RRC	10656	Jun 17	Rate of Return
230.	Trans-Pecos Pipeline	Texas RRC	10646	Sep 17 Feb 18	Revenue Requirements
231.	Comanche Trail Pipeline	Texas RRC	10647	Sep 17 Feb 18	Revenue Requirements
232.	Alpine High Pipeline	Texas RRC	10665	Oct 17 Feb 18	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
233.	SiEnergy, LP	Texas RRC	10679	Jan 18	Rate of Return
234.	Targa Midland Gas Pipeline LLC	Texas RRC	10690	Jan 18	Revenue Requirements
235.	ET Fuel, LP	Texas RRC	10706	Apr 18	Revenue Requirements
236.	Texas Gas Service	Texas RRC	10739	Jun 18	Rate of Return
237.	Kansas Gas Service	Kansas CC	18-KGSG-560-RTS	Jun 18 Nov 18	Rate of Return on Equity
238.	Oliktok Pipeline Company	Alaska RCA	TL46-334	Jul 18	Rate of Return
239.	Red Bluff Express, LLC	Texas RRC	10752	Jul 18	Revenue Requirements
240.	PTE Pipeline LLC	Alaska RCA	P-18-0__	Jul 18	Rate of Return
241.	Agua Blanca, LLC	Texas RRC	10761	Aug 18	Revenue Requirements
242.	Texas Gas Service	Texas RRC	10766	Aug 18	Rate of Return
243.	Republic Transmission LLC	FERC	ER19-___	Dec 18	Formula Rates
244.	Gulf Coast Express Pipeline LLC	Texas RRC	10825	Feb 19	Revenue Requirements
245.	Cook Inlet Natural Gas Storage Alaska, LLC	Alaska RCA	U-18-043	Mar 19 Apr 19	Accumulated Deferred Income Taxes and Working Capital
246.	Impulsora Pipeline LLC	Texas RRC	10829	Mar 19	Revenue Requirements
247.	SEMCO Energy Gas Co.	Michigan PSC	U-20479	May 19 Oct 19	Revenue Requirements
248.	Liberty Utilities (Fox River) LLC	AAA	01-18-0002-2510	Jul 19 Oct 19	Revenue Requirements
249.	AMP Intrastate Pipeline LLC	Texas RRC	10887	Aug 19	Revenue Requirements
250.	Corix Utilities (Texas) Inc.	Texas PUC	49923	Aug 19 Jul 20 Aug 20	TCJA Tax Expense Reduction
251.	Colonial Pipeline Company	FERC	OR18-7-002	Nov 19 Feb 20 May 20 Jul 20	Rate of Return
252.	Texas Gas Service	Texas RRC	10928	Dec 19 Apr 20	Rate of Return
253.	Mississippi Power Company	Mississippi PSC	2019-UN-219	Feb 20	Rate of Return on Equity
254.	Corix Utilities (Texas)	Texas PUC	50557	Mar 20 Mar 21	Rate of Return and Excess ADFIT
255.	SouthCross CCNG Transmission	Texas RRC	10967	May 20	Revenue Requirements
256.	Kinder Morgan Border Pipeline LLC	Texas RRC	10980	Jun 20	Revenue Requirements

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

257.	Monarch Utilities I LP	Texas PUC	50944	Jul 20 Nov 20	Rate of Return
258.	West Texas Gas, Inc.	Texas RRC	10998	Aug 20	Revenue Requirements, Rate of Return, and Cost of Service Study
259.	Centric Gas Services, LLC	Texas RRC		Oct 20	Rate of Return
260.	CoServ Gas, Ltd	Texas RRC	00005136	Nov 20	Rate of Return
261.	Permian Highway Pipeline LLC	Texas RRC	00005306	Dec 20	Revenue Requirements
262.	Whistler Pipeline LLC	Texas RRC	00005675	Feb 21	Revenue Requirements
263.	Oklahoma Natural Gas	Oklahoma CC	202100063	May 21	Rate of Return
264.	Oliktok Pipeline Company	Alaska RCA	TL47-334	Jul 21	Rate of Return

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code § 102.101(a), (b) and (d). **The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.**

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at mark.evarts@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

Austin, Texas **February 2021**

H.B. No. 1520

AN ACT

relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1232.002, Government Code, is amended to read as follows:

Sec. 1232.002. PURPOSE. The purpose of this chapter is to provide a method of financing for:

(1) the acquisition or construction of buildings; [~~and~~]

(2) the purchase or lease of equipment by executive or judicial branch state agencies; and

(3) customer rate relief bonds authorized by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 2. Section 1232.066(a), Government Code, is amended to read as follows:

(a) The board's authority under this chapter is limited to the financing of:

(1) the acquisition or construction of a building;

(2) the purchase or lease of equipment; [~~or~~]

(3) stranded costs of a municipal power agency; or

(4) customer rate relief bonds approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 3. Subchapter C, Chapter 1232, Government Code, is amended by adding Section 1232.1072 to read as follows:

Sec. 1232.1072. ISSUANCE OF OBLIGATIONS FOR FINANCING CUSTOMER RATE RELIEF PROPERTY. (a) The definitions in Section 104.362, Utilities Code, apply to terms used in this section.

(b) The authority may create an issuing financing entity for the purpose of issuing customer rate relief bonds approved by the Railroad Commission of Texas in a financing order, as provided by Subchapter I, Chapter 104, Utilities Code.

(c) An issuing financing entity created under this section is a duly constituted public authority and instrumentality of the state and is authorized to issue customer rate relief bonds on behalf of the state for the purposes of Section 103, Internal Revenue Code of 1986 (26 U.S.C. Section 103).

(d) The issuing financing entity must be governed by a governing board of three members appointed by the authority. A member of the governing board may be a current or former director of the authority. A member of the governing board serves without compensation but is entitled to reimbursement for travel expenses incurred in attending board meetings.

(e) The issuing financing entity must be formed in accordance with, be governed by, and have the powers, rights, and privileges provided for a nonprofit corporation organized under the Business Organizations Code, including Chapter 22 of that code,

subject to the express exceptions and limitations provided by this section and Subchapter I, Chapter 104, Utilities Code. A single organizer selected by the executive director of the authority shall prepare the certificate of formation of the issuing financing entity under Chapters 3 and 22, Business Organizations Code. The certificate of formation must be consistent with the provisions of this section.

(f) The authority shall establish the issuing financing entity to act on behalf of the state as its duly constituted authority and instrumentality to issue customer rate relief bonds approved under Subchapter I, Chapter 104, Utilities Code.

(g) On a request to the authority from the Railroad Commission of Texas, the authority shall direct an issuing financing entity to issue customer rate relief bonds in accordance with a financing order issued by the railroad commission as provided in Subchapter I, Chapter 104, Utilities Code.

(h) Before the issuance of any customer rate relief bonds, the authority and the Railroad Commission of Texas shall ensure that adequate provision is made in any financing order for the recovery of all issuance costs and all other fees, costs, and expenses of the authority, the issuing financing entity, and any advisors or counsel hired by the authority or the entity for the purposes of this section during the life of the customer rate relief bonds.

(i) Customer rate relief bonds are limited obligations of the issuing financing entity payable solely from customer rate relief property and any other money pledged by the issuing

financing entity to the payment of the bonds and are not a debt of this state, the Railroad Commission of Texas, the authority, or a gas utility.

(j) The Railroad Commission of Texas shall ensure that customer rate relief charges are imposed, collected, and enforced in an amount sufficient to pay on a timely basis all bond obligations, financing costs, and bond administrative expenses associated with any issuance of customer rate relief bonds.

(k) The authority and the Railroad Commission of Texas have all the powers necessary to perform the duties and responsibilities described by this section. This section shall be interpreted broadly in a manner consistent with the most cost-effective financing of customer rate relief property, including regulatory assets, extraordinary costs, and related financing costs approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

(l) Any interest on the customer rate relief bonds is not subject to taxation by and may not be included as part of the measurement of a tax by this state or a political subdivision of this state.

(m) The authority shall make periodic reports to the Railroad Commission of Texas and the public regarding each financing made in accordance with Section 104.373(b), Utilities Code, and if required by the applicable financing order.

(n) The issuing financing entity shall issue customer rate relief bonds in accordance with and subject to other provisions of Title 9 applicable to the authority.

(o) The issuing financing entity may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371. A purpose for which bonds, obligations, or other evidences of indebtedness are issued under this section and Subchapter I, Chapter 104, Utilities Code, constitutes an eligible project for purposes of Chapter 1371 of this code.

(p) Assets of an issuing financing entity may not be considered part of any state fund and must be held outside the state treasury. The liabilities of the issuing financing entity may not be considered to be a debt of the state or a pledge of the state's credit. An issuing financing entity must be self-funded from customer rate relief property and established in accordance with Subchapter I, Chapter 104, Utilities Code. A state agency may provide money appropriated for the purpose to the issuing financing entity to provide for initial operational expenses of the issuing financing entity.

SECTION 4. Section 1232.108, Government Code, is amended to read as follows:

Sec. 1232.108. LEGISLATIVE AUTHORIZATION REQUIRED. Except as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453, before the board may issue and sell bonds, the legislature by the General Appropriations Act or other law must have authorized:

(1) the specific project for which the bonds are to be issued and sold; and

(2) the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance

and sale of bonds for the project.

SECTION 5. Chapter 104, Utilities Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS

Sec. 104.361. PURPOSE; RAILROAD COMMISSION DUTY. (a) The purpose of this subchapter is to reduce the cost that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after that event, by providing securitization financing for gas utilities to recover those costs. The securitization financing mechanism authorized by this subchapter will:

(1) provide rate relief to customers by extending the period during which the costs described by this subsection are recovered from customers; and

(2) support the financial strength and stability of gas utility companies.

(b) The railroad commission shall ensure that securitization provides tangible and quantifiable benefits to customers, greater than would have been achieved absent the issuance of customer rate relief bonds.

Sec. 104.362. DEFINITIONS. In this subchapter:

(1) "Ancillary agreement" means a financial arrangement entered into in connection with the issuance or payment of customer rate relief bonds that enhances the marketability, security, or creditworthiness of customer rate relief bonds, including a bond, insurance policy, letter of credit, reserve

account, surety bond, interest rate or currency swap arrangement, interest rate lock agreement, forward payment conversion agreement, credit agreement, other hedging arrangement, or liquidity or credit support arrangement.

(2) "Authority" means the Texas Public Finance Authority.

(3) "Bond administrative expenses" means all costs and expenses incurred by the railroad commission, the authority, or any issuing financing entity to evaluate, issue, and administer customer rate relief bonds issued under this subchapter, including fees and expenses of the authority, any bond administrator, and the issuing financing entity, fees for paying agents, trustees, and attorneys, and fees for paying for other consulting and professional services necessary to ensure compliance with this subchapter, applicable state or federal law, and the terms of the financing order.

(4) "Bond obligations" means the principal of a customer rate relief bond and any premium and interest on a customer rate relief bond issued under this subchapter, together with any amount owed under a related ancillary agreement or credit agreement.

(5) "Credit agreement" has the meaning assigned by Section 1371.001, Government Code.

(6) "Customer rate relief bonds" means bonds, notes, certificates, or other evidence of indebtedness or ownership the proceeds of which are used directly or indirectly to recover, finance, or refinance regulatory assets approved by the railroad

commission, including extraordinary costs and related financing costs, and that are:

(A) issued by an issuing financing entity under a financing order; and

(B) payable from and secured by customer rate relief property and amounts on deposit in any trust accounts established for the benefit of the customer rate relief bondholders as approved by the applicable financing order.

(7) "Customer rate relief charges" means the amounts authorized by the railroad commission as nonbypassable charges to repay, finance, or refinance regulatory assets, including extraordinary costs, financing costs, bond administrative expenses, and other costs authorized by the financing order:

(A) imposed on and included in customer bills of a gas utility that has received a regulatory asset determination under Section 104.365;

(B) collected in full by a gas utility that has received a regulatory asset determination under Section 104.365, or its successors or assignees, or a collection agent, as servicer, separate and apart from the gas utility's base rates; and

(C) paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or its successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier.

(8) "Customer rate relief property" means:

(A) all rights and interests of an issuing

financing entity or any successor under a financing order, including the right to impose, bill, collect, and receive customer rate relief charges authorized in the financing order and to obtain periodic adjustments to those customer rate relief charges as provided in the financing order and in accordance with Section 104.370; and

(B) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified by Paragraph (A), regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds.

(9) "Financing costs" means any of the following:

(A) interest and acquisition, defeasance, or redemption premiums that are payable on customer rate relief bonds;

(B) a payment required under an ancillary agreement or credit agreement or an amount required to fund or replenish reserve or other accounts established under the terms of an indenture, ancillary agreement, or other financing document pertaining to customer rate relief bonds;

(C) issuance costs or ongoing costs related to supporting, repaying, servicing, or refunding customer rate relief bonds, including servicing fees, accounting or auditing fees, trustee fees, legal fees or expenses, consulting fees, administrative fees, printing fees, financial advisor fees or expenses, Securities and Exchange Commission registration fees,

issuer fees, bond administrative expenses, placement and underwriting fees, capitalized interest, overcollateralization funding requirements including amounts to fund or replenish any reserve established for a series of customer rate relief bonds, rating agency fees, stock exchange listing and compliance fees, filing fees, and any other bond administrative expenses; and

(D) the costs to the railroad commission of acquiring professional or consulting services for the purpose of evaluating extraordinary costs under this subchapter.

(10) "Financing order" means an order adopted under Section 104.366 approving the issuance of customer rate relief bonds and the creation of customer rate relief property and associated customer rate relief charges for the recovery of regulatory assets, including extraordinary costs, related financing costs, and other costs authorized by the financing order.

(11) "Financing party" means a holder of customer rate relief bonds, including a trustee, a pledgee, a collateral agent, any party under an ancillary agreement, or other person acting for the holder's benefit.

(12) "Gas utility" means:

(A) an operator of natural gas distribution pipelines that delivers and sells natural gas to the public and that is subject to the railroad commission's jurisdiction under Section 102.001; or

(B) an operator that transmits, transports, delivers, or sells natural gas or synthetic natural gas to operators of natural gas distribution pipelines and whose rates for

those services are established by the railroad commission in a rate proceeding filed under this chapter.

(13) "Issuing financing entity" means a special purpose nonmember, nonstock, nonprofit public corporation established by the authority under Section 1232.1072, Government Code.

(14) "Nonbypassable" means a charge that:

(A) must be paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier; and

(B) may not be offset by any credit.

(15) "Normalized market pricing" means the average monthly pricing at the Henry Hub for the three months immediately preceding the month during which extraordinary costs were incurred, plus contractual adders to the index price and other non-indexed gas procurement costs.

(16) "Regulatory asset" includes extraordinary costs:

(A) recorded by a gas utility in the utility's books and records in accordance with the uniform system of accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal Energy Regulatory Commission and generally accepted accounting principles; or

(B) classified as a receivable or financial asset under international financial reporting standards under the

railroad commission's authorization in the Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event issued February 13, 2021.

(17) "Servicer" means, with respect to each issuance of customer rate relief bonds, the entity identified by the railroad commission in the financing order as servicer responsible for collecting customer rate relief charges from participating gas utilities, remitting all collected funds to the applicable issuing financing entity or the bond trustee, calculating true-up adjustments, and performing any other duties as specified in the financing order.

(18) "Winter Storm Uri" means the North American winter storm that occurred in February 2021.

Sec. 104.363. EXTRAORDINARY COSTS. For the purposes of this subchapter, extraordinary costs are the reasonable and necessary costs related to Winter Storm Uri, including carrying costs, placed in a regulatory asset and approved by the railroad commission in a regulatory asset determination under Section 104.365.

Sec. 104.364. JURISDICTION AND POWERS OF RAILROAD COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad commission may authorize the issuance of customer rate relief bonds if the requirements of Section 104.366 are met.

(b) The railroad commission may assess to a gas utility costs associated with administering this subchapter. Assessments must be recovered from rate-regulated customers as part of gas

cost.

(c) The railroad commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property. Customer rate relief property must be created and vested in an issuing financing entity and does not constitute property of the railroad commission or any gas utility.

(d) Except as provided by Subsection (c), this subchapter does not limit or impair a regulatory authority's plenary jurisdiction over the rates, charges, and services rendered by gas utilities in this state under Chapter 102.

Sec. 104.365. REGULATORY ASSET DETERMINATION. (a) The railroad commission, on application of a gas utility to recover a regulatory asset, shall determine the regulatory asset amount to be recovered by the gas utility. A gas utility may request recovery of a regulatory asset under this subchapter only if the regulatory asset is related to Winter Storm Uri.

(b) A gas utility desiring to participate in the customer rate relief bond process under a financing order by requesting recovery of a regulatory asset must file an application with the railroad commission on or before the 60th day after the effective date of the Act enacting this subchapter.

(c) If the railroad commission does not make a final determination regarding the regulatory asset amount to be recovered by a gas utility before the 151st day after the gas utility files the application, the railroad commission is considered to have approved the regulatory asset amount requested by the gas utility.

(d) The regulatory asset determination is not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as authorized by Section 104.370.

(e) The regulatory asset determination is not subject to rehearing by the railroad commission and may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the order is signed by the railroad commission.

(f) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(g) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(h) The railroad commission shall establish a schedule, filing requirements, and a procedure for determining the prudence of the costs included in a gas utility's regulatory asset.

(i) To the extent a gas utility subject to this subchapter receives insurance proceeds, governmental grants, or other sources

of funding that compensate or otherwise reimburse or indemnify the gas utility for extraordinary costs following the issuance of customer rate relief bonds, the gas utility may record the amount in a regulatory liability account and that amount shall be reviewed in a future proceeding. If an audit conducted under a valid gas purchase agreement identifies a change of greater than five percent to the total amount of the gas supply costs incurred during the event for which regulatory asset recovery was approved, the gas utility may record the amount in a regulatory asset or regulatory liability account and that amount shall be reviewed for recovery in a future proceeding.

Sec. 104.366. FINANCING ORDERS AND ISSUANCE OF CUSTOMER RATE RELIEF BONDS. (a) If the railroad commission determines that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to be made to gas utilities, the railroad commission, after the final resolution of all applications filed under Section 104.365, may request the authority to direct an issuing financing entity to issue customer rate relief bonds. Before making the request, the railroad commission must issue a financing order that complies with this section.

(b) To make the determination described by Subsection (a), the railroad commission must find that the proposed structuring, expected pricing, and proposed financing costs of the customer rate relief bonds are reasonably expected to provide benefits to customers by:

(1) considering customer affordability; and

(2) comparing:

(A) the estimated monthly costs to customers resulting from the issuance of customer rate relief bonds; and

(B) the estimated monthly costs to customers that would result from the application of conventional recovery methods.

(c) The financing order must:

(1) include a finding that the use of the securitization financing mechanism is in the public interest and consistent with the purposes of this subchapter;

(2) detail the total amount of the regulatory asset determinations to be included in the customer rate relief bond issuance;

(3) authorize the recovery of any tax obligation of the gas utilities arising or resulting from:

(A) receipt of customer rate relief bond proceeds; or

(B) collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the railroad commission determines reasonable;

(4) authorize the issuance of customer rate relief bonds through an issuing financing entity;

(5) include a statement of:

(A) the aggregated regulatory asset determination to be included in the principal amount of the customer rate relief bonds, not to exceed $10 billion for any separate bond issue;

(B) the maximum scheduled final maturity of the customer rate relief bonds, not to exceed 30 years, except that the legal final maturity may be longer based on rating agency and market considerations; and

(C) the maximum interest rate that the customer rate relief bonds may bear, not to exceed the maximum net effective interest rate allowed by law;

(6) provide for the imposition, collection, and mandatory periodic formulaic adjustment of customer rate relief charges in accordance with Section 104.370 by all gas utilities and successors of gas utilities for which a regulatory asset determination has been made under Section 104.365 to ensure that the customer rate relief bonds and all related financing costs will be paid in full and on a timely basis by customer rate relief charges;

(7) authorize the creation of customer rate relief property in favor of the issuing financing entity and pledge of customer rate relief property to the payment of the customer rate relief bonds;

(8) direct the issuing financing entity to disperse the proceeds of customer rate relief bonds, net of bond issuance costs, reserves, and any capitalized interest, to gas utilities for which a regulatory asset determination has been made under Section 104.365 and include the amounts to be distributed to each participating gas utility;

(9) provide that customer rate relief charges be collected and allocated among customers of each gas utility for

which a regulatory determination has been made under Section 104.365 through uniform monthly volumetric charges to be paid by customers as a component of the gas utility's gas cost or in another manner that the railroad commission determines reasonable; and

(10) reflect the commitment made by a gas utility receiving proceeds that the proceeds are in lieu of recovery of those costs through the regular ratemaking process or other mechanism to the extent the costs are reimbursed to the gas utility by customer rate relief bond financing proceeds.

(d) The financing order may provide for a centralized servicer to coordinate with participating gas utilities who bill and collect customer rate relief charges and to provide certain collection and forecast data required for calculating true-up adjustments. The financing order may not provide for the railroad commission, the authority, the issuing financing entity, or a participating utility to act as servicer.

(e) The principal amount determined by the railroad commission must be increased to include an amount sufficient to:

(1) pay the financing costs associated with the issuance, including all bond administrative expenses to be paid from the proceeds of the bonds;

(2) reimburse the authority and the railroad commission for any costs incurred for the issuance of the customer rate relief bonds and related bond administrative expenses;

(3) provide for any applicable bond reserve fund; and

(4) capitalize interest for the period determined necessary by the railroad commission.

(f) The authority, consistent with this subchapter and the terms of the financing order, shall:

(1) direct an issuing financing entity to issue customer rate relief bonds at the railroad commission's request, in accordance with the requirements of Chapter 1232, Government Code, and other provisions of Title 9, Government Code, that apply to bond issuance by a state agency;

(2) determine the methods of sale, types of bonds, bond forms, interest rates, principal amortization, amount of reserves or capitalized interest, and other terms of the customer rate relief bonds that in the authority's judgment best achieve the economic goals of the financing order and effect the financing at the lowest practicable cost; and

(3) reimburse the railroad commission, the authority, or any issuing financing entity for bond administrative expenses and other costs authorized under this subchapter.

(g) To the extent authorized in the applicable financing order, an issuing financing entity may enter into credit agreements or ancillary agreements in connection with the issuance of customer rate relief bonds.

(h) The financing order becomes effective in accordance with its terms. The financing order, together with the customer rate relief property and the customer rate relief charges authorized by the financing order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as provided under Subsection (j) and authorized by Section 104.370.

(i) The railroad commission shall issue a financing order under this section not later than the 90th day following the date of the conclusion of all proceedings filed under Section 104.365.

(j) A financing order is not subject to rehearing by the railroad commission. A financing order may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the financing order is signed by the railroad commission.

(k) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(l) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and is limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(m) The railroad commission shall transmit a financing order to the authority after all appeals under this section have been exhausted.

(n) The authority shall direct an issuing financing entity to issue customer rate relief bonds as soon as practicable and not

later than the 180th day after receipt of a financing order issued under this section, except that the authority may cause the issuance after the 180th day if necessary based on bond market conditions, the receipt of necessary approvals, and the timely receipt of necessary financial disclosure information from each participating gas utility.

(o) The issuing financing entity shall deliver customer rate relief bond proceeds net of upfront financing costs in accordance with the applicable financing order.

(p) For the benefit of the authority, the issuing financing entity, holders of customer rate relief bonds, and all other financing parties, the railroad commission shall guarantee in a financing order that the railroad commission will take all actions in the railroad commission's powers to enforce the provisions of the financing order to ensure that customer rate relief charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the customer rate relief bonds and all related financing costs and bond administrative expenses.

(q) The railroad commission shall make periodic reports to the public regarding each financing.

Sec. 104.367. PROPERTY RIGHTS. (a) Customer rate relief bonds are the limited obligation solely of the issuing financing entity and are not a debt of a gas utility or a debt or a pledge of the faith and credit of this state or any political subdivision of this state.

(b) Customer rate relief bonds are nonrecourse to the credit or any assets of this state or the authority. A trust fund created

in connection with the issuance of customer rate relief bonds is not subject to Subtitle B, Title 9, Property Code.

(c) The rights and interests of an issuing financing entity or the successor under a financing order, including the right to receive customer rate relief charges authorized in the financing order, are only contract rights until pledged in connection with the issuance of the customer rate relief bonds, at which time the rights and interests become customer rate relief property.

(d) Customer rate relief property created under a financing order is vested ab initio in the issuing financing entity. Customer rate relief property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of customer rate relief charges depends on further acts of the gas utility or others that have not yet occurred. The financing order remains in effect, and the customer rate relief property continues to exist, for the same period as the pledge of the state described by Section 104.374.

(e) All revenue and collections resulting from customer rate relief charges constitute proceeds only of a property right arising from the financing order.

(f) An amount owed by an issuing financing entity under an ancillary agreement or a credit agreement is payable from and secured by a pledge and interest in the customer rate relief property to the extent provided in the documents evidencing the ancillary agreement or credit agreement.

Sec. 104.368. PROPERTY INTEREST NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an issuing

financing entity or pledgee in customer rate relief property, including the revenue and collections arising from customer rate relief charges, is not subject to setoff, counterclaim, surcharge, or defense by the gas utility or any other person or in connection with the bankruptcy of the gas utility, the authority, or any other entity. A financing order remains in effect and unabated notwithstanding the bankruptcy of the gas utility, the authority, an issuing financing entity, or any successor or assignee of the gas utility, authority, or issuing financing entity.

Sec. 104.369. CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE. A financing order must include terms ensuring that the imposition and collection of the customer rate relief charges authorized in the order are nonbypassable.

Sec. 104.370. TRUE-UP MECHANISM. (a) A financing order must include a formulaic true-up charge adjustment mechanism that requires that the customer rate relief charges be reviewed and adjusted at least annually by the servicer or replacement servicer, including a subservicer or replacement subservicer, at time periods and frequencies provided in the financing order, to:

(1) correct any overcollections or undercollections of the preceding 12 months; and

(2) ensure the expected recovery of amounts sufficient to provide for the timely payment of customer rate relief bond principal and interest payments and other financing costs.

(b) True-up charge adjustments must become effective not later than the 30th day after the date the railroad commission receives a true-up charge adjustment letter from the servicer or

replacement servicer notifying the railroad commission of the pending adjustment.

(c) Any administrative review of true-up charge adjustments must be limited to notifying the servicer of mathematical or clerical errors in the calculation. The servicer may correct the error and refile a true-up charge adjustment letter, with the adjustment becoming effective as soon as practicable but not later than the 30th day after the date the railroad commission receives the refiled letter.

Sec. 104.371. SECURITY INTERESTS; ASSIGNMENT; COMMINGLING; DEFAULT. (a) Customer rate relief property does not constitute an account or general intangible under Section 9.106, Business & Commerce Code. The creation, granting, perfection, and enforcement of liens and security interests in customer rate relief property that secures customer rate relief bonds are governed by Chapter 1208, Government Code.

(b) The priority of a lien and security interest perfected under this section is not impaired by any later adjustment of customer rate relief charges under a mechanism adopted under Section 104.370 or by the commingling of funds arising from customer rate relief charges with other funds. Any other security interest that may apply to those funds is terminated when the funds are transferred to a segregated account for the issuing financing entity or a financing party. If customer rate relief property has been transferred to a trustee or another pledgee of the issuing financing entity, any proceeds of that property must be held in trust for the financing party.

(c) If a default or termination occurs under the customer rate relief bonds, a district court of Travis County, on application by or on behalf of the financing parties, shall order the sequestration and payment to the financing parties of revenue arising from the customer rate relief charges.

Sec. 104.372. BOND PROCEEDS IN TRUST. (a) The issuing financing entity may deposit proceeds of customer rate relief bonds issued by the issuing financing entity under this subchapter with a trustee selected by the issuing financing entity or the proceeds may be held by the comptroller in a dedicated trust fund outside the state treasury in the custody of the comptroller.

(b) Bond proceeds, net of the financing costs and reserves described by Subdivisions (2) and (3), including investment income, must be held in trust for the exclusive benefit of the railroad commission's policy of reimbursing gas utility costs and applied in accordance with the financing order. The issuing financing entity shall deliver the net proceeds, as provided in the applicable financing order, to:

(1) reimburse each gas utility the regulatory asset amount determined to be reasonable for that gas utility in the financing order;

(2) pay the financing costs of issuing the bonds; and

(3) provide bond reserves or fund any capitalized interest, as applicable.

(c) On full payment of the customer rate relief bonds and any related financing costs, any customer rate relief charges or other amounts held as security for the bonds shall be used to

provide credits to gas utility customers as provided in the financing order.

Sec. 104.373. REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a) As long as any customer rate relief bonds or related financing costs remain outstanding, uniform monthly volumetric customer rate relief charges must be paid by all current and future customers that receive service from a gas utility for which a regulatory asset determination has been made under Section 104.365. A gas utility and its successors, assignees, or replacements shall continue to bill and collect customer rate relief charges from the gas utility's current and future customers until all customer rate relief bonds and financing costs are paid in full.

(b) The authority shall report to the railroad commission the amount of the outstanding customer rate relief bonds issued by the issuing financing entity under this subchapter and the estimated amount of annual bond administrative expenses.

(c) All revenue collected from the customer rate relief charges shall be remitted promptly by the applicable servicers to the issuing financing entity or the bond trustee for the customer rate relief bonds to pay bond obligations and ongoing financing costs, including bond administrative expenses, to ensure timely payment of bond obligations and financing costs.

(d) Customer rate relief property, including customer rate relief charges, may be applied only as provided by this subchapter.

(e) Bond obligations are payable only from sources provided for payment by this subchapter.

Sec. 104.374. PLEDGE OF STATE. (a) Customer rate relief

bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.

(b) Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. Each issuing financing entity shall include this pledge in any documentation relating to customer rate relief bonds.

(c) Before the date that is two years and one day after the date that an issuing financing entity no longer has any payment obligation with respect to customer rate relief bonds, the issuing financing entity may not wind up or dissolve the financing entity's operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the issuing financing entity nor any public official nor any organization, entity, or other person may authorize the issuing financing entity to be or to become a debtor under federal bankruptcy law during that period.

The state covenants that it will not limit or alter the denial of authority under this subsection, and the provisions of this subsection are hereby made a part of the contractual obligation that is subject to the state pledge made in this section.

Sec. 104.375. TAX EXEMPTION. (a) The sale or purchase of or revenue derived from services performed in the issuance or transfer of customer rate relief bonds issued under this subchapter is exempt from taxation by this state or a political subdivision of this state.

(b) A gas utility's receipt of customer rate relief charges is exempt from state and local sales and use taxes and utility gross receipts taxes and assessments, and is excluded from revenue for purposes of franchise tax under Section 171.1011, Tax Code.

Sec. 104.376. RECOVERABLE TAX EXPENSE. A tax obligation of the gas utility arising from receipt of customer rate relief bond proceeds or from the collection or remittance of customer rate relief charges is an allowable expense under Section 104.055.

Sec. 104.377. ISSUING FINANCING ENTITY OR FINANCING PARTY NOT PUBLIC UTILITY. An issuing financing entity or financing party may not be considered to be a public utility or person providing natural gas service solely by virtue of the transactions described by this subchapter.

Sec. 104.378. NO PERSONAL LIABILITY. A commissioner of the railroad commission, a railroad commission employee, a member of the board of directors of the authority, an employee of the authority, or a director, officer, or employee of any issuing financing entity is not personally liable for a result of an

exercise of a duty or responsibility established under this subchapter.

Sec. 104.379. CATASTROPHIC WEATHER EVENT STUDY. (a) The railroad commission shall conduct a study on measures to mitigate catastrophic weather events, including measures to:

(1) establish natural gas storage capacity to ensure a reliable gas supply, including location, ownership, and other pertinent factors regarding gas storage capacity;

(2) assess the advantages and disadvantages of requiring local distribution companies to use hedging tactics to avoid volatile customer rates; and

(3) assess the advantages and disadvantages of prohibiting spot market purchases during a catastrophic weather event that contribute to volatile customer rates.

(b) Not later than December 1, 2022, the railroad commission shall report the railroad commission's findings to the governor, the lieutenant governor, and the speaker of the house of representatives.

(c) This section expires August 31, 2023.

Sec. 104.380. SEVERABILITY. After the date customer rate relief bonds are issued under this subchapter, if any provision in this title or portion of this title or related provisions in Title 9, Government Code, are held to be invalid or are invalidated, superseded, replaced, repealed, or expire for any reason, that occurrence does not affect the validity or continuation of this subchapter or any other provision of this title or related provisions in Title 9, Government Code, that are relevant to the

issuance, administration, payment, retirement, or refunding of customer rate relief bonds or to any actions of a gas utility, its successors, an assignee, a collection agent, or a financing party, which shall remain in full force and effect.

SECTION 6. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.

President of the Senate

Speaker of the House

I certify that H.B. No. 1520 was passed by the House on April 20, 2021, by the following vote: Yeas 139, Nays 5, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1520 on May 28, 2021, by the following vote: Yeas 130, Nays 12, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1520 was passed by the Senate, with amendments, on May 26, 2021, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: _____

Date

_____

Governor

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO GAS UTILITIES

Procedure for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event

Background

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 ("February 2021 Winter Weather Event" or "Winter Storm Uri").

On February 13, 2021, the Commission issued a *Notice to Local Distribution Companies* (the "Regulatory Asset NTO") authorizing each natural gas utility local distribution company "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." The Regulatory Asset NTO only authorized the ability to record extraordinary expenses related to the February 2021 Winter Weather Event and deferred the Commission's determination regarding the reasonableness, necessity, and accuracy of the extraordinary expenses recorded in the regulatory asset account.

H.B. 1520

On June 16, 2021, H.B. 1520 (87th Regular Session), *relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments*, became effective. H.B. 1520 authorizes the Commission to issue a Financing Order directing the Texas Public Finance Authority ("TFPA") to issue bonds for the purposes of reducing the costs that customers would otherwise experience due to extraordinary costs that gas utilities incurred to secure gas supply and to provide service during Winter Storm Uri. The new law provides securitization financing ("customer rate relief bonds") for gas utilities that choose to participate to recover those extraordinary costs, thereby (1) providing rate relief to customers by extending the period during which these extraordinary costs would otherwise be recovered; and (2) supporting the financial strength and stability of gas utility companies.

H.B. 1520 requires that the Commission undertake two specific actions. First, Texas Utilities Code section 104.365, as added by H.B. 1520, requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the gas utility within 150 days after the date of the application. Second, section 104.366 authorizes the Commission, after it has issued all of the regulatory asset determinations and determined that customer rate relief bonds are the most cost-

effective method of funding regulatory asset reimbursements, to issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the customer rate relief bonds.

Procedure for Filing Applications for Regulatory Asset Determination

The Commission expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met.

Gas utilities as defined in Tex. Util. Code § 104.362(12) desiring to participate in securitization pursuant to H.B. 1520 are encouraged to file an *Application for Regulatory Asset Determination* **on Friday, July 30, 2021** in accordance with Tex. Util. Code § 104.365(b). Before a gas utility may file its application, the company must be set up to file its documents through the Commission's Case Administration Service Electronic System ("CASES"). The company must contact Gas Services at (512) 463-7167 or MOS@rrc.texas.gov before filing its application to be fully authorized to file its application through CASES and be assigned a case number for this filing.

After each *Application for Regulatory Asset Determination* has been received, the Commission's Hearings Division may consolidate the cases into one or multiple proceeding(s). An Administrative Law Judge will be assigned and will make pre-hearing rulings, issue a procedural schedule, issue a protective order, if applicable, and issue any other necessary rulings as may arise. The procedural schedule deadlines will be expedited as the Commission expects to complete the regulatory asset determinations within the deadline set forth in H.B. 1520.

Information to be Included in an Application for Regulatory Asset Determination

Due to the expedited nature of the regulatory asset review and determination, the Commission directs each applicant to propose for recovery only extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event in its application. Such costs may include taxes, any financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, and the gas utility's legal and consulting expenses relating to its gas procurement costs and this proceeding. Other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable.

The Commission requires each gas utility to include in its application pre-filed testimony, supporting documentation, and evidence of, at a minimum, the following information:

1. The gas utility's total gas costs incurred for February 2021.

2. The gas utility's total gas costs recovered for February 2021.

3. The gas utility's total volumes (Mcf) for February 2021.

4. The gas utility's total gas costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15).

5. The total extraordinary costs proposed by the gas utility to be approved in a regulatory asset determination, including the following:

    a. The gas utility's proposed extraordinary gas procurement costs for February 2021, calculated as the lesser of: 1) the difference between the gas utility's total gas

procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or 2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15);

b. The gas utility's financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;
c. The gas utility's estimate of its legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520;
d. Carrying costs included in the proposed regulatory asset, including the basis for the carrying costs and the calculation of the carrying costs; and
e. The gas utility's expected tax obligation if securitization financing is authorized.

6. Support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset, including:

    a. General ledger entries (by FERC account) associated with the regulatory asset and supporting documentation for each entry, including but not limited to:

        i. Invoices

            1. Gas Purchases (FERC accounts 800-804);
            2. Transportation (FERC account 858);
            3. Other Gas Supply Expenses (FERC accounts 805-813);
            4. Imbalances or other penalties and fees incurred;
            5. Adjustments;
            6. Meter Statements;
            7. Proof of Payment/Payment Arrangements;
            8. Gas Withdrawn from Storage (FERC account 808.1); and
            9. Gas Delivered to Storage (FERC account 808.2).

        ii. Contracts

            1. Gas Purchase (including penalties, if applicable);
            2. Spot Purchases (Confirmation Agreements); and
            3. Transportation.

        iii. Customer Bills

            1. One or more residential bill(s); and
            2. One or more commercial bill(s).

    b. Invoices and supporting documentation of the gas utility's legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520. Include a summary spreadsheet that ties to supporting documentation.

7. The information required in Paragraph 6(a)(i)-(iii) above for January, February, and March 2021.

8. Evidence as to how securitization would provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds.

9. Evidence that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to the gas utility including:

    a. Evidence that proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds are reasonably expected to provide benefits to customers by considering customer affordability and comparing:

        i. The estimated monthly costs to customers resulting from issuance of customer rate relief bonds; and
        ii. The estimated monthly costs to customers that would result from the application of conventional recovery methods.

    b. Include an Excel worksheet that models this comparison and provides for sensitivity analysis using key variables.

10. Evidence of how a securitization financing mechanism would be in the public interest and is consistent with the purposes of subchapter I, chapter 104, Texas Utilities Code.

11. Evidence and detail of any expected tax obligation arising or resulting from receipt of customer rate relief bond proceeds; or collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the Commission may determine as reasonable.

12. Normalized volumes by customer class for the year ending December 31, 2020 and total customer count by customer class as of December 31, 2020.

13. A statement of commitment that if the gas utility receives proceeds pursuant to a securitization, those proceeds are in lieu of recovery of costs through the regular ratemaking process or other mechanism.

14. Any other information the gas utility deems pertinent to its application.

Additionally, gas utilities are encouraged to file proposed procedural schedules with their applications that anticipate expedited timelines. Gas utilities are likewise encouraged to file proposed protective orders to the extent the gas utility will be filing information it deems confidential and/or proprietary. Gas utilities should not upload any documents through the CASES Online Portal that are considered confidential. Any files containing potentially confidential information should be delivered to the RRC using previously established processes in accordance with RRC rules. To the extent applicable, gas utilities shall disclose the terms of the contracts and related transaction confirmations related to gas procurement costs to be securitized pursuant to the terms of the governing protective order. Gas utilities may adopt portions of other gas utilities' testimony, as necessary.

Please Forward to the Appropriate Section of Your Company

DATA FOR PARTICIPATING GAS UTILITIES

	Amount to be Recovered			Customer Count and Usage Information				
				Residential Customers		Commercial Customers		
Gas Utility	**Regulatory Asset**	**Purchased Gas Costs**	**3-year Amortization**	**Count**	**Annual Mcf**	**Count**	**Annual Mcf**	**Total Mcf**
	(000s)	(000s)	(000s)					
Atmos Energy	2,038,998	2,026,592	2,345,177	1,885,414	105,174,336	149,107	60,487,264	172,953,731
CenterPoint Energy								
Entex	1,131,471	1,132,892	1,251,066	1,688,270	68,498,910	94,829	18,413,319	94,547,960
Arkla	9,808	9,880	10,903	12,887	931,741	1,635	134,996	1,066,737
Texas Gas Service	290,104	302,560	329,909	628,837	26,024,086	34,276	10,587,407	40,271,506
CoServe Gas, Ltd.	69,045	63,428	69,560	134,758	10,100,382	2,911	1,478,698	11,860,868
Universal Natural Gas, LLC	32,443	33,845	35,219	17,959	893,452	271	138,022	1,031,474
SiEnergy, LP	18,742	19,421	20,935	31,531	1,475,688	183	68,989	1,557,021
EPCOR Gas Texas	11,360	11,360	11,360	4,708	243,716	125	46,700	292,203
Bluebonnet Natural Gas	1,980	1,927	2,277	587	17,428	12	1,580	62,433
AgriTexGas, LP	1,326	1,291	1,291	2,468	216,435	73	27,272	1,369,496
Natgas Inc.	971	971	971	997	44,724	101	24,888	78,456
Corix Utilities (Texas) Inc.	285	216	236	240	7,508	23	2,952	10,460
Totals	**3,606,534**	**3,604,383**	**4,078,905**	**4,408,656**	**213,628,406**	**283,546**	**91,412,087**	**325,102,345**
Average Use per Month (Mcf)					**4.04**		**26.87**	

Source: Schedules A and H of Participating Gas Utilities' Applications.

ANNUAL COST OF CUSTOMER RATE RELIEF BONDS

Bond Principal (000s):

Total Regulatory Asset		3,606,534
Underwriting Expenses @	0.40%	15,319
Issuance Expenses @	0.30%	11,489
Debt Service Reserve Funding	50.0%	196,366
Bond Principal		**3,829,707**

Annual Costs (000s):

Year	Interest Rate	Principal Payment	Interest Expense	Bond Costs	Operation & Admin. @ 0.60%	Annual Costs
1	0.19%	347,300	40,370	387,670	22,978	410,649
2	0.32%	350,773	39,723	390,496	22,978	413,475
3	0.50%	354,281	38,585	392,865	22,978	415,844
4	0.74%	357,824	36,819	394,643	22,978	417,621
5	0.96%	361,402	34,165	395,567	22,978	418,545
6	1.18%	365,016	30,713	395,729	22,978	418,707
7	1.36%	368,666	26,420	395,086	22,978	418,065
8	1.50%	372,353	21,407	393,760	22,978	416,738
9	1.62%	376,076	15,840	391,916	22,978	414,894
10	1.69%	576,203	9,742	389,579	22,978	412,558
Total		3,829,892				

ANNUAL COST OF RATE BASE INCLUSION

Rate of Return:

Source	% of Total	Component Cost	Weighted Cost	Tax Factor	Weighted Cost
Debt	41.0%	4.75%	1.95%	1.0000	1.95%
Equity	59.0%	9.50%	5.61%	1.2658	7.09%
Total	**100.0%**				**9.04%**

Annual Costs (000s):

Year	Regulatory Asset	Average Accumulated Amortization	Average Unamortized Balance	Return and Income Taxes	Amortization Expense	Annual Costs
1	3,606,534	180,327	3,426,207	309,813	360,653	670,466
2	3,606,534	540,980	3,065,554	277,201	360,653	637,854
3	3,606,534	901,633	2,704,900	244,589	360,653	605,242
4	3,606,534	1,262,287	2,344,247	211,977	360,653	572,630
5	3,606,534	1,622,940	1,983,594	179,365	360,653	540,019
6	3,606,534	1,983,594	1,622,940	146,753	360,653	507,407
7	3,606,534	2,344,247	1,262,287	114,141	360,653	474,795
8	3,606,534	2,704,900	901,633	81,530	360,653	442,183
9	3,606,534	3,065,554	540,980	48,918	360,653	409,571
10	3,606,534	3,426,207	180,327	16,306	360,653	376,959

COST-EFFECTIVENESS OF CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

Year	Securitized Customer Rate Relief Bonds	Alternative Methods: Purchased Gas Cost Recovery	Alternative Methods: 3-Year Amortization Charge	Alternative Methods: Inclusion in Rate Base
1	410,649	3,604,383	1,359,635	670,466
2	413,475	-	1,359,635	637,854
3	415,844	-	1,359,635	605,242
4	417,621	-	-	572,630
5	418,545	-	-	540,019
6	418,707	-	-	507,407
7	418,065	-	-	474,795
8	416,738	-	-	442,183
9	414,894	-	-	409,571
10	412,558	-	-	376,959
Present Value (000s):				
5%	3,288,460	3,517,517	3,794,060	4,247,288
10%	2,677,498	3,436,644	3,546,244	3,537,836
15%	2,235,224	3,361,104	3,329,047	3,014,656
20%	1,906,571	3,290,336	3,137,405	2,618,813
Savings from Securitized CRR Bonds (000s):				
5%		229,058	505,600	958,828
10%		759,147	868,746	860,338
15%		1,125,881	1,093,824	779,433
20%		1,383,765	1,230,834	712,242

COST-EFFECTIVENESS OF 15-YEAR CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

		Alternative Methods		
Year	Securitized Customer Rate Relief Bonds	Purchased Gas Cost Recovery	3-Year Amortization Charge	Inclusion in Rate Base
1	299,731	3,604,383	1,359,635	555,684
2	301,568	-	1,359,635	533,942
3	303,107	-	1,359,635	512,201
4	304,262	-	-	490,460
5	304,863	-	-	468,719
6	304,968	-	-	446,977
7	304,551	-	-	425,236
8	303,688	-	-	403,495
9	302,490	-	-	381,754
10	300,972	-	-	360,012
11	299,267	-	-	338,271
12	297,347	-	-	316,530
13	295,210	-	-	294,789
14	292,878	-	-	273,047
15	290,322	-	-	251,306

Present Value (000s):

5%	3,201,153	3,517,517	3,794,060	4,500,302
10%	2,404,656	3,436,644	3,546,244	3,517,305
15%	1,892,157	3,361,104	3,329,047	2,862,128
20%	1,546,461	3,290,336	3,137,405	2,405,230

Savings from Securitized CRR Bonds:

5%	316,365	592,907	1,299,149
10%	1,031,988	1,141,588	1,112,650
15%	1,468,948	1,436,891	969,971
20%	1,743,876	1,590,944	858,770

AFFORDABILITY OF CRR BONDS VERSUS CONVENTIONAL METHODS

		Conventional Methods		
	Securitized Customer Rate Relief Bonds	**Purchased Gas Cost Recovery**	**3-Year Amortization Charge**	**Inclusion in Rate Base**
Extraordinary Winter Storm Uri Costs:				
1st-year Costs (a)	$ 410,648,713	$ 3,604,382,693	$ 1,359,634,943	$ 670,466,009
Total Mcf (b)	325,102,345	325,102,345	325,102,345	325,102,345
Cost per Mcf	**$ 1.26**	**$ 11.09**	**$ 4.18**	**$ 2.06**
Residential Customers:				
Average Mcf Use per Month (b)	4.04	4.04	4.04	4.04
Monthly Cost -- Residential	**$ 5.10**	**$ 44.77**	**$ 16.89**	**$ 8.33**
Savings from CRR Bonds:				
Per Month		$ 39.67	$ 11.79	$ 3.23
First Year		$ 476.03	$ 141.45	$ 38.73
Commercial Customers:				
Average Mcf Use per Month (b)	26.87	26.87	26.87	26.87
Monthly Cost -- Commercial	**$ 33.94**	**$ 297.86**	**$ 112.36**	**$ 55.41**
Savings from CRR Bonds:				
Per Month		$ 263.92	$ 78.42	$ 21.47
First Year		$ 3,167.08	$ 941.07	$ 257.65

(a) Schedule BHF-4.
(b) Schedule BHF-1.

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

AFFIDAVIT OF BRUCE H. FAIRCHILD

BEFORE ME, the undersigned authority, on this day personally appeared Bruce H. Fairchild who having been placed under oath by me did depose as follows:

1. "My name is Bruce H. Fairchild. I am over the age of eighteen (18) and fully competent to make this affidavit. I am a principal in Financial Concepts and Applications, Inc. The facts stated herein are true and correct based upon my personal knowledge.

2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Bruce H. Fairchild

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bruce H. Fairchild on this 22nd day of July 2021.

Notary Public in and for the State of Texas

STEPHANIE TANNER
Notary Public, State of Texas
Notary ID 12852238-8
My Commission Exp. 02-09-2023