

**PUBLIC UTILITIES REGULATION BOARD
(PURB Board)
2nd Floor, City Council Chambers
Wednesday, March 10, 2010
9:00 AM**

BOARD MINUTES

The Public Utilities Regulation Board met at the above place and date. The meeting was called to order at 9:05 a.m. The following board members were present:

Les Parker
Lisa Turner
Moises Rodriguez, Jr.
Stafford Thurmond
Tom Brown
Robert Schulz
Brian Burds
Blanca Estela Enriquez
Jimmy W. Janacek

The following board member was not present:
N/A

1. Call to Order

The meeting was called to order at 9:05 a.m.

2. Public Comment

Public comment was taken at this time. Two members of the public signed up to speak, Mr. Tony Ponce and Mr. Marcelino Delgado.

3. Approval of Minutes of February 04, 2010.

An amendment to the minutes was added as per request of Chairman Stafford Thurmond.

Motion made by Les Parker, seconded by Brian Burds to approve the Minutes of February 04, 2010.

AYES:	Mr. Parker, Mr. Rodriguez, Mr. Schulz, Mr. Brown, Mr. Thurmond, Mr. Burds, Mr. Janacek & Mrs. Enriquez
NAYS:	Ms. Turner
ABSTAIN:	none
ABSENT:	none
NOT PRESENT:	none

4. Open Meetings Act issues

Bertha Ontiveros, Assistant City Attorney, discussed the language from the Open Meetings Act regarding the exception for executive session as well as answered questions from the PURB and informed the PURB that City Council had made a motion during the City Council Meeting that testimony from the PURB should occur in public and for the PURB meetings to be conducted as if it were subject to the Opens Meeting Act.

There was no motion taken for this item.

5. Communications between PURB members and City Council members
Bertha Ontiveros, Assistant City Attorney, advised the board that as per request of City Council, the PURB may have communications with the Council Member that appointed them at any time during this process.

There was no motion taken for this item.

6. Public Hearing on Application of Texas Gas Service Intent to Increase Rates

Norman Gordon gave a brief introduction and explanation on the hearing process. Mr. Alan Holman, Attorney representing Texas Gas Service, also gave a brief introduction and explanation on the hearing process as well as addressed changes by the Texas Gas Service.

Witnesses delivered their testimonies and presentations to the PURB Members and were then cross-examined by legal representatives from both the City of El Paso and Texas Gas Services and addressed questions from the PURB Members. The following witnesses were examined:

Krystal Parker, Vice President
Dr. Bruce H. Fairchild
Basil Copeland, Economist

Motion was made Chairman Stafford Thurmond and seconded by Lisa Turner and unanimously carried out to break for lunch at 1:40pm and return at 2:30p.m.

AYES: Mr. Parker, Ms. Turner, Mr. Rodriguez, Mr. Schulz, Mr. Brown, Mr. Thurmond, Mr. Burds, Mr. Janacek & Mrs. Enriquez
NAYS: none
ABSTAIN: none
ABSENT: none
NOT PRESENT: none

Meeting was reconvened at 2:30pm. Motion was made Robert Schulz and seconded by Brian Burds to reconvene PURB Meeting.

AYES: Ms. Turner, Mr. Rodriguez, Mr. Schulz, Mr. Brown, Mr. Thurmond, Mr. Burds & Mrs. Enriquez
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker
NOT PRESENT: Mr. Janacek

Testimonies and cross-examination resumed from the following witnesses.

Alejandro Limon, Director of Operations
Stacey McTaggart, Rates and Regulatory Manager
Stacey Borgstadt, Manager of Rates and Regulation Analysis
Janet Simpson, Partner, Dively & Associates, PLLC
Dr. Ronald E. White, Foster Associates
Dr. Jay Cummings, Ruhter & Reynolds, Inc.
Jacob Pous, Diversified Utility Consultant
Dr. David Dismukes, Consulting Economist

There was no motion taken for this item.

7. Discussion and Action on recommendations to City Council for action on Texas Gas Service Intent to Increase Rates
I. Rate of Return

Motion made by Brian Burds and seconded by Chairman Stafford Thurmond to accept a Rate of Return at 8.25%. Motion tied. Mr. Moises Rodriguez and Ms. Blanca Enriquez submitted their decision before their departure. Mr. Parker decided on a 7.46% on the Rate of Return and Ms. Enriquez agreed with the City Consultant recommendation for the entire Matrix. Mr. Les Parker agreed with the 10.00% on Return on Common Equity and agreed with TGS on items III. A and B.

AYES: Mr. Thurmond, Mr. Shulz and Mr. Burds
NAYS: Mr. Brown, Mr. Janacek & Ms. Turner
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Jimmy Janacek and seconded by Lisa Turner to accept a Rate of Return at 7.46%. Motion tied.

AYES: Mr. Brown, Mr. Janacek & Ms. Turner
NAYS: Mr. Thurmond, Mr. Shulz and Mr. Burds
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Brian Burds and seconded by Chairman Stafford to accept a Rate of Return at 8.00%. Motion tied.

AYES: Mr. Thurmond, Mr. Shulz and Mr. Burds
NAYS: Mr. Brown, Mr. Janacek & Ms. Turner
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

A. Return on Common Equity

Motion made by Brian Burds and seconded by Robert Shulz to accept a return on common equity at 10.5%. Motion fails.

AYES: Mr. Shulz & Mr. Burds
NAYS: Mr. Janacek, Mr. Thurmond, Mr. Brown & Ms. Turner
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Lisa Turner and seconded by Jimmy Janacek to accept a return on common equity at City Consultant's Rate of 10.00%. Motion passes.

AYES: Mr. Janacek, Mr. Shulz, Mr. Thurmond, Mr. Brown & Ms. Turner
NAYS: Mr. Burds
ABSTAIN: none

ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

B. Capital Structure

Motion made by Lisa Turner and seconded by Jimmy Janacek to accept the Capital Structure at the City Consultant's Rate of 33.31% Equity. Motion Tied.

AYES: Ms. Turner, Mr. Burds & Mr. Janacek
NAYS: Mr. Brown, Mr. Thurmond & Mr. Shulz
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Chairman Stafford and seconded by Tom Brown to accept the Capital Structure at a rate of 42.5% Equity. Motion Passes.

AYES: Mr. Thurmond, Mr. Brown, Mr. Shulz, Mr. Burds & Mr. Janacek
NAYS: Ms. Turner
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

II. Rate Base

A. Cash Working Capital

Motion made by Brian Burds and seconded by Jimmy Janacek to accept the City Consultant's Cash Working Capital at (\$2,378,482). Motion passes unanimously.

AYES: Ms. Turner, Mr. Burds, Mr. Janacek, Mr. Brown, Mr. Thurmond & Mr. Shulz
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

B. Plant in Service Date

Motion made by Brian Burds and seconded by Tom Brown to accept the City Consultant's Recommendation for the Service Date of 6/30/2009 Motion passes.

AYES: Ms. Turner, Mr. Burds, Mr. Janacek, Mr. Brown & Mr. Shulz
NAYS: Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

III. A. February 19, 2010 Letter – Accumulated Deferred Income Tax

There was no motion taken for this item.

B. February 18, 2010 Letter – Pension Expense

There was no motion taken for this item.

IV. Expenses

A. Vacant Positions

Motion made by Tom Brown and seconded by Jimmy Janacek to accept the City Consultant's Recommendation in Vacant Positions of \$0. Motion passes unanimously.

AYES: Ms. Turner, Mr. Burds, Mr. Janacek, Mr. Brown, Mr. Thurmond & Mr. Shulz
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

B. Merit Increases

Motion made by Chairman Stafford and seconded by Robert Shulz to accept TGS in Merit Increases of \$129,945. Motion passes.

AYES: Ms. Turner, Mr. Burds, Mr. Thurmond & Mr. Shulz
NAYS: Mr. Janacek & Mr. Brown
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

C. Incentive Compensation

Motion made by Brian Burds and seconded by Tom Brown to accept the City Consultant's recommendation in Incentive Compensation of \$0. Motion passes unanimously.

AYES: Ms. Turner, Mr. Burds, Mr. Thurmond, Mr. Janacek, Mr. Brown & Mr. Shulz
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

E. Depreciative Expense

1. Depreciative Expense-Mains (Acc.376)

Motion made by Tom Brown and seconded by Brian Burds to accept Depreciative Expense with Mains (376) of negative salvage = \$10%. Motion passes.

AYES: Ms. Turner, Mr. Burds, Mr. Thurmond, Mr. Brown & Mr. Shulz
NAYS: Mr. Janacek
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

2. Depreciative Expense-Services (380)

Motion made by Tom Brown and seconded by Chairman Thurmond to accept Depreciative Expense with Services (380) of negative salvage = \$22%. Motion passes.

AYES: Mr. Thurmond, Mr. Brown, Mr. Shulz & Mr. Janacek
NAYS: Ms. Turner
ABSTAIN: Mr. Burds

ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

3. Depreciative Expense-Amortization of Excess Reserve
Motion made by Jimmy Janacek and seconded by Lisa Turner to accept the City Consultant's recommendation in Amortization of Excess Reserve of (\$1,166,961). Motion passes.

AYES: Ms. Turner, Mr. Brown & Mr. Janacek
NAYS: Mr. Thurmond & Mr. Shulz
ABSTAIN: Mr. Burds
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

F. Downtown Move

Motion made by Tom Brown and seconded by Brian Burds to accept the City Consultant's recommendation in regards to the Downtown Move of \$0. Motion passes unanimously.

AYES: Mr. Burds, Mr. Thurmond, Mr. Shulz, Ms. Turner, Mr. Brown & Mr. Janacek
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Lisa Turner and seconded by Jimmy Janacek to make a recommendation that if there is a Downtown Move the TGS Rate Payers will not be charged. Motion passes.

AYES: Mr. Thurmond, Mr. Burds, Mr. Shulz, Ms. Turner & Mr. Janacek
NAYS: Mr. Brown
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

G. Contractor Expense

Motion made by Lisa Turner and seconded by Brian Burds to accept TGS recommendation in regards to the Contractor Expense of \$1,724,270. Motion passes.

AYES: Mr. Burds, Mr. Thurmond, Mr. Shulz, & Ms. Turner
NAYS: Mr. Brown & Mr. Janacek
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

H. Advertising Expense

Motion made by Tom Brown seconded by Jimmy Janacek to accept City Consultant's recommendation in regards to the Advertising Expense of \$89,121. Motion passes.

AYES: Mr. Thurmond, Mr. Shulz, Mr. Brown & Mr. Janacek
NAYS: Ms. Turner & Mr. Burds
ABSTAIN: none

ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

I. Pipeline Integrity costs

Motion made by Chairman Thurmond seconded by Robert Shulz to accept TGS recommendation in regards to Pipeline Integrity cost of \$404,375 with a rider to segregate into pipeline safety and testing. Motion passes.

AYES: Mr. Thurmond, Mr. Shulz, Ms. Turner, Mr. Burds & Mr. Janacek
NAYS: Mr. Brown
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

J. Injuries and Damages

Motion made by Brian Burds seconded by Tom Brown to accept City Consultant's recommendation in regards to Injuries and Damages of \$41,241. Motion passes.

AYES: Mr. Brown, Mr. Shulz, Ms. Turner, Mr. Burds & Mr. Janacek
NAYS: Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

K. Corporate Costs

1. Allocation Factors
2. Direct Insurance Increase
3. Tax Center

Motion made by Brian Burds seconded by Lisa Turner to accept City Consultant's recommendation in regards to all Corporate Costs. Motion passes.

AYES: Mr. Brown, Ms. Turner, Mr. Burds & Mr. Janacek
NAYS: Mr. Shulz & Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

L. Transportation and Work Equipment

1. TWE-Transportation Depreciation and Work Equipment Depreciation
2. Fleet Mileage Adjustment
3. Fleet Maintenance Cost Adjustment

Item L was removed from the table as per request by the City Consultants. There was no motion taken for this item.

M. Weather Normalization of Revenues

Motion made by Lisa Turner seconded by Jimmy Janacek to accept City Consultant's recommendation in regards to Weather Normalization of Revenues of (\$63,154). Motion passes.

AYES: Ms. Turner, Mr. Burds & Mr. Janacek

NAYS: Mr. Shulz & Mr. Thurmond
ABSTAIN: Mr. Brown
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

N. Rate Case Expense

Motion made by Chairman Thurmond seconded by Tom Brown to pass information to City Council for the decision once rate is determined in regards to Rate Case Expense. Motion passes.

AYES: Mr. Shulz, Mr. Thurmond, Mr. Brown, Ms. Turner & Mr. Janacek
NAYS: Mr. Burds
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

V. Cost Allocation & Rate Design Issues

A. Cost Allocation Issues

Motion made by Lisa Turner seconded by Jimmy Janacek to accept City Consultant's recommendation of Per Dismuke's Study. Motion tied.

AYES: Ms. Turner & Mr. Janacek
NAYS: Mr. Shulz & Mr. Thurmond
ABSTAIN: Mr. Burds & Mr. Brown
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

Motion made by Lisa Turner seconded by Jimmy Janacek to accept City Consultant's recommendation of Per Dismuke's Study. Motion passes.

AYES: Ms. Turner, Mr. Janacek, Mr. Burds & Mr. Brown
NAYS: Mr. Shulz & Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

B. Class Rate Design

Motion made by Robert Shulz seconded by Lisa Turner to accept City Consultant's recommendation of Change Current Design. Motion passes.

AYES: Mr. Shulz, Ms. Turner, Mr. Janacek & Mr. Burds
NAYS: Mr. Brown & Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

C. Revenue Distribution

Motion made by Lisa Turner seconded by Tom Brown to make no recommendation on this item. Motion passes.

AYES: Mr. Shulz, Ms. Turner, Mr. Janacek & Mr. Burds
NAYS: Mr. Brown & Mr. Thurmond
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

D. Residential Customer Charge

There was no motion taken for this item.

E. Cost of Service Adjustment Clause

Motion made by Brian Burds seconded by Jimmy Janacek to accept City Consultant's recommendation of Cost of Service Adjustment Clause to Lesser increase Do Not Approve. Motion passes.

AYES: Mr. Shulz, Ms. Turner, Mr. Janacek, Mr. Burds, Mr. Brown & Mr. Thurmond
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

F. Conservation Program Rider

Motion made by Tom Brown seconded by Lisa Turner to accept City Consultant's recommendation of Conservation Program Rider Do Not Approve. Motion passes.

AYES: Mr. Shulz, Ms. Turner, Mr. Janacek, Mr. Burds, Mr. Brown & Mr. Thurmond
NAYS: none
ABSTAIN: none
ABSENT: Mr. Parker, Mr. Rodriguez & Mrs. Enriquez
NOT PRESENT: none

8. Discussion and action regarding next meeting.

There was no motion taken for this item.

Motion made to adjourn at 10.17 p.m. by Lisa Turner, seconded by Jimmy Janacek and unanimously carried.

PLEASE NOTE: AUDIO OR VIDEO RECORDINGS OF THE MEETING AND ATTACHMENTS ARE ON FILE WITH THE ORIGINAL AGENDA/MINUTES AT THE CITY CLERK'S OFFICE.

Approved as to Content:



Tom Brown