



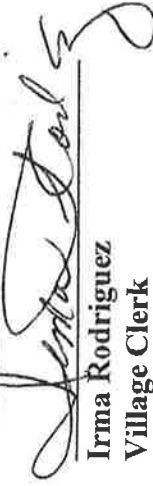
RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE VILLAGE OF VINTON:

THAT Southern Union Gas is authorized to implement the attached Cost of Gas Clause for its El Paso Service Area for meters read on and after May 15, 2001.

ADOPTED this 5th day of June, 2001.

ATTEST:


Irma Rodriguez
Village Clerk

THE VILLAGE OF VINTON


Mayor

click for service



Southern Union Gas

Date: May 23, 2001

GAS FAX

To: Irma Rodriguez

Company/Region: Village of Vinton

FAX No.: 886-4120 Phone No.: 886-5104

From: Valerie Pugh

Message: Good afternoon Irma, attached is a letter to Mayor Monrreal from Richard Fleager and a copy of the Cost of Gas Clause. This is the item we would like to have placed on the agenda for your June 5th Council meeting. If this meets your requirements, please call me at 680-7208 to confirm our attendance.

This facsimile consists of 7 pages including this form letter. If you do not receive all pages of this transmission, PLEASE CONTACT VALERIE PUGH AT 915/680-7208 IMMEDIATELY.

**Southern Union Gas
West Texas Region
4600 Pollard
El Paso, Texas 79930
Phone: (915) 680-7200
Fax: (915) 680-7292**



Southern Union Gas

Richard G. Fleager
Regional Vice President, West Texas
(915) 680-8201

May 23, 2001

The Honorable Sam Montreal
Mayor of the Village of Vinton
436 Vinton Road
Canutillo, Texas 79835

Dear Mayor Montreal:

On May 15, 2001, the City of El Paso approved Southern Union Gas Company's proposed revisions to its Cost of Gas Clause with the City of El Paso. We have attached a copy of the approved Cost of Gas Clause for your records.

The revisions allow Southern Union to include gains and losses from the use of financial instruments in its cost of purchased gas with these conditions:

- The instruments may be used for the purpose of mitigating high prices and price volatility.
- No costs of financial instruments with an affiliate of SUG can be included.
- Only costs that have been 'prudently incurred' may be included.

Currently Southern Union Gas Company is required to credit customers with interest on over-collections at 9 percent per annum. This revision allows Southern Union Gas Company to collect 6% interest on under-collections.

Additionally, Southern Union Gas Company will begin filing quarterly Cost of Gas filings, rather than monthly filings. To allow a smooth transition, we will file a two-month Cost of Gas filing for June and July, then begin the quarterly filing effective August 1, 2001. This is being done to comply with Section G of the Cost of Gas Clause.

We are asking the Village of Vinton to review and approve the Cost of Gas Clause at your next council meeting.

Sincerely,

RGF:vp
Attachment

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EL

PASO:

THAT Southern Union Gas is authorized to implement the attached Cost of Gas Clause for its El Paso Service Area for meters read on and after May 15, 2001

ADOPTED this 15th day of May, 2001.

ATTEST:



**Carole Hunter
City Clerk**

THE CITY OF EL PASO

Mayor

APPROVED AS TO FORM:



**Nanette G. Williams
Assistant City Attorney**

APPROVED AS TO CONTENT:



**William A. Chapman
Chief Financial Officer**

SOUTHERN UNION GAS COMPANY
El Paso Service Area - West Texas Region

RATE SCHEDULE NO. 1-1
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COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all General Service rate schedules of Southern Union Gas Company ("The Company") in its El Paso, Texas Service Area.

B. DEFINITIONS

1. **Cost of Purchased Gas** - The cost for gas purchased by the Company from its supplier or the weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation and storage and associated services. The Cost of Purchased Gas shall also include gains or losses from the utilization of natural gas financial instruments that are executed by the Company for the purpose of mitigating high prices and price volatility. No costs of natural gas financial instruments with companies affiliated with Southern Union shall be included.
2. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes purchased by the Company during the twelve (12) month period ending June 30 by the sum of the volumes sold to customers and the known volumes of gas that may be otherwise accounted for, including but not limited to Company used gas, liquid extraction, meter errors due to inaccurate calibration or temperature fluctuations and accidental discharges of gas from the Company's system during the same period. For the purpose of this computation, all volumes shall be stated at 14.73 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. $1/(1 - .05)$ unless expressly authorized by the applicable regulatory authority.
3. **Commodity Cost** - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio.
4. **Cost of Gas** - The rate per billing unit or the total calculation under this Cost of Gas Clause, consisting of the commodity cost, a reconciliation component and taxes and fees, including franchise fees. The Cost of Gas applicable to the Company's General Service customers in the City of El Paso includes the full amount of franchise fees the Company is required to pay the City of El Paso attributable to gas sold and consumed in the city limits of El Paso pursuant to applicable franchise ordinances.
5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the accounting month of July to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for gas purchased by the Company to provide service to its customers during the period, including prudently incurred gains or losses on natural gas financial instruments, (b) the revenues received from operation of the provisions of this cost of gas clause reduced by the amount of fees (including franchise fees) and taxes, (c) the actual amount of gas delivered to customers during the period and any other revenue or credits received by the Company.

DUPLICATE

FILE

SOUTHERN UNION GAS COMPANY
El Paso Service Area - West Texas Region

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COST OF GAS CLAUSE

(Continued)

6. **Reconciliation Component** – The amount to be returned to or recovered from customers each month from November through July as a result of the Reconciliation Audit.
7. **Reconciliation Account** - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Clause. Entries shall be made monthly to reflect (a) the total amounts paid to the Company's supplier(s) for gas as recorded on the Company's books and records, including prudently incurred gains or losses incurred on natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Clause, and (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority.

C. COST OF GAS

In addition to the cost of service as provided under its rate schedule(s), the Company shall bill each customer for the cost of gas incurred during the billing period. The cost of gas shall be clearly identified on each customer bill.

D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

If the Reconciliation Audit reflects either an over recovery or under recovery of revenues, such amount, plus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the general service sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the November billing cycle last preceding through the July billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following November billing cycle and continuing through the next following July billing cycle at which time it will terminate until a new Reconciliation Component is determined.

E. PAYMENT FOR FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the cost of gas was over or under collected for each month within the period of audit. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account during October an amount equal to the average balance multiplied by nine percent (9%). If, on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account during October an amount equal to the average balance multiplied by six percent (6%).

Supersedes Same Sheet Dated
 November 1, 2000

Meters Read On and After
 May 15, 2001

SOUTHERN UNION GAS COMPANY
EI Paso Service Area - West Texas Region

RATE SCHEDULE NO. 1-1
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COST OF GAS CLAUSE
 (Continued)

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. If the payment or refund related to gas purchased by the Company for a period of twelve (12) consecutive months or longer, the total amount recovered or refunded shall be divided by the general service sales, adjusted for known changes including the effects of weather, growth, and conservation, made to general service customers during the applicable period. With regard to amounts received or paid that are applicable to periods less than twelve (12) consecutive months, the Company may at its option refund or collect such amounts (1) over the same period of time as the over or under charge occurred, (2) over the same number of units sold during the period of the over or under charge, or (3) include the entire amount in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority for each three month period beginning on or about November 1, February 1, May 1, and August 1. (The Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth (a) the Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; (e) the fees (including franchise fees) and taxes; and (f) the Cost of Gas which is the total of items (b) through (e). The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority.

Supersedes Same Sheet Dated
 November 1, 2000

Meters Read On and After
 May 15, 2001

SOUTHERN UNION GAS COMPANY
El Paso Service Area - West Texas Region

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COST OF GAS CLAUSE

(Continued)

H. ANNUAL RECONCILIATION REPORT

The Company shall file an annual report with the Regulatory Authority which shall include but not necessarily limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending July 31.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues.
3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account.

This report shall be filed concurrently with the Cost of Gas Statement for November .

I. SUPPORTING MATERIAL ACCOMPANYING ANNUAL RECONCILIATION REPORT

The Company shall file supporting materials with its Annual Reconciliation Report to demonstrate that gas costs was acquired during ordinary and atypical periods at the lowest prudently incurred price and necessary to provide reliable service to retail customers.

J. TRANSITION ADJUSTMENTS

Prior to the beginning of the month of November next succeeding the "effective month of this clause" the Company shall determine the appropriate adjustments to be made to assure that no over or under collection of the cost of purchased gas results from the transition to this clause. The details of these adjustments, if any, shall be filed with the Regulatory Authority concurrently with the first annual Reconciliation Report.

Supersedes Same Sheet Dated
 November 1, 2000

Meters Read On and After
 May 15, 2001