

APPENDIX

Exhibits to Main Document

APPLICANT'S FEASIBILITY REPORT

1. Existing Facility. Briefly describe what facilities you currently have or how service is currently provided.

See Attached Supplemental Document

2. Proposed Facility. Describe what you want to purchase or construct. Indicate what the facility will be used for, approximate size, and expected method of procurement. For buildings indicate location, basic materials or type of construction, and attach a sketch or working drawings. For items of major equipment, indicate new or used, existing or custom-built, and any special features.

See Attached Supplemental Document

3. Need for the Facility. Indicate why the proposed facility is needed.

See Attached Supplemental Document

4. Service Area. Indicate what area the proposed facility will serve and, if known, the population or number of families served.

The City of West Wendover, Nevada, Population 2010 Census: 4,470

The City of Wendover, Utah, Population 2010 Census: 1,400

Total community population per 2010 Census: 5,870

Public reporting burden for this collection of information is estimated to average 3 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to U.S. Department of Agriculture, Clearance Officer, OIRM, AG Box 7630, Washington, D. C. 20250; and to the Office Management and Budget, Paperwork Reduction Project (OMB No. 0575-0120), Washington, D. C. 20503. Please DO NOT RETURN this form to this address. Forward to the local USDA office only.

5. Cost Estimate.

Development and construction.....	\$ _____
Land and rights.....	_____
Legal fees.....	_____
Architect and Engineer.....	See Attached Supplemental Document
Equipment.....	_____
Refinancing.....	_____
Other (describe)	_____
Total.....	_____

6. Income. List the sources and estimate the amount of expected revenue for a typical year.

Revenue is derived from the existing customer base within the community which includes West Wendover, Nevada and Wendover, Utah. These revenues are generated in the form of the two separate companies: Wendover Gas and Propane of Wendover. The estimates are based on Calendar Years 2010 and 2011.

Total Customers Wendover Gas	2010: 394	2011:393
Total Customers Propane of Wendover	2010: 385	2011:377

Gross Revenues:

Wendover Gas	2010:\$985,000.00	2011:\$965,000.00
Propane of Wendover	2010:\$886,000.00	2011:\$868,000.00
Total Gross Revenues	2010:\$1,871,000.00	2011:\$1,833,000.00

The City in conjunction with Wendover Gas/Propane of Wendover is completing an appraisal of the systems and equipment and real property at this time. This is expected to be complete by mid-May 2012. Additionally as part of any approved intent to purchase and tied with USDA application for funding, a complete Financial Feasibility will be conducted for Phase 1 and then Phase 2 of the project.

7. Other Funds. List the sources and amount of funds that may be available other than from USDA, to fund part of the project (such as applicant's contributions, commercial loans, or loans or grants from other government agencies).

The City would be relying on funding from USDA in order to complete both Phase 1 and Phase 2 of the project. This is due to the limited availability of market funds and reasonable interest rates which would be used to acquire the existing companies under Phase 1 and construct the Natural Gas Pipeline in Phase 2. Without USDA funding, the project phases are not viable.

Once acquisition is completed, the City of West Wendover would operate the "system" which would include both the utility component and the tank component as a Gas Utility operating as an Enterprise (Business) Fund. This would be similar to other business funds which the City operates including Water, Waste Water, ReUse, Compost, Garbage and Landfill. Thus, the City has strong and reliable experience in providing services to the public through the operation of such systems and their related financial structures.

8. Operating History. If you have operated a similar facility, attach audits, financial statements, or lists of income and expenses for the past five years.

9. Signature and Title of Applicant Official 	Date 4-20-12
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**SUPPLEMENTAL DOCUMENT
CITY OF WEST WENDOVER
WENDOVER GAS PROJECT**

FORM RD 1942-54

1. Existing Facility. Briefly describe what facilities you currently have or how service is currently provided.

Currently service is in the form of Liquefied Petroleum Gas(LP) which is provided by Wendover Gas Company and Propane of Wendover (both owned by Mrs. Nancy Green). The two companies provide LP in the form of a utility (Wendover Gas) through utility pipeline and related systems and a tank provider (Propane of Wendover) which provides LP in tanks which are placed on individual properties. Both companies are part of the "Wendover Gas Project" and service the community of West Wendover, Nevada and, Wendover, Utah. Today, there is no availability of Natural Gas in the community.

Wendover Gas operates a storage and distribution system. This system consists of:

- An approximate 10,000 gallon storage tank and related appurtenances.
- Approximately 8 miles of pipeline of various sizes within the community (*See attached community service map, Exhibit 1*).

Propane of Wendover operates 2 small 500 gallon storage facility tanks and has additional assets including: 2 delivery trucks and approximately 420 various sized LP tanks and related service equipment.

Both company plant assets and related facilities are co-located on real property located at 430 and 460 Mesa Street. This property also includes office and shop related facilities. (*See Exhibit 3 for property map*).

2. Proposed Facility. Describe what you want to purchase or construct. Indicate what the facility will be used for, approximate size, and expected method of procurement. For buildings indicate location, basic materials or type of construction, and attach a sketch or working drawings. For items of major equipment, indicate new or used, existing or custom-built, and any special features.

The City of West Wendover would like to purchase the physical plant assets and equipment of Wendover Gas and Propane of Wendover as well as the real property and related office/shop facilities owned individually by Mrs. Nancy Green which are leased to Wendover Gas and Propane of Wendover.

The facilities and equipment will continue to be used in current form to provide LP Gas to the residents/customers of the community. With the completion of the acquisition, the City will pursue viable options to reduce the cost of current LP gas to the community as well as pursue viable options to convert the system to Natural Gas providing further savings and reliability of heating fuels to the community.

The facilities and equipment will be provided on an "Asset List" as *Exhibit 2*, which is in process. The real property is located on Mesa Street in West Wendover, Nevada and is shown on *Exhibit 3*.

Procurement of the facilities and real property would be accomplished through a purchase agreement between the City of West Wendover and Wendover Gas/Propane of Wendover; Nancy J. Green, Owner.

The facilities/equipment described on the Asset List of future *Exhibit 2* will continue to be used to provide service to the utility and tank customers in the community. Additionally the City as part of the acquisition, would intend to complete the construction and connection of additional residential/commercial areas within the community which are not capable of receiving service under the utility due to the lack of installed facilities. The cost associated with these facility additions is part of the total loan request.

Additionally, there are funds identified which would be used once acquisition of the companies are made, to begin the planning, environmental work and construction of a Natural Gas lateral pipe line from the community north to a point of connection with the Ruby Natural Gas Pipeline, located approximately 55 miles north of West Wendover.

With this connection medium and long-term stability for heating fuel in the community can be obtained wherein the Natural Gas would replace existing LP Gas in the utility system and, the tank system would be gradually discontinued as existing tank customers are connected to Natural Gas through the utility system. This could be accomplished with appropriate funding mechanisms within two years of the initial acquisition of the companies.

In the initial purchase of the companies, consumer costs would be reduced given the inability of the existing business to adequately control costs associated with the wholesale purchase of LP on the market. As of March 2013, the commodity cost for LP to Wendover Gas is calculated at \$1.741 per Therm. This high commodity cost is due to in large part to restricted credit access with wholesalers as a result of the company's exacerbated financial condition in addition to the company's overall financial pictures, which has only worsened since being placed into receivership by the Court in 2009. Alternatively, the City of West Wendover would have the financial capability to adequately address the wholesale cost issue and provide for stability in the supply of LP for the system, thus reducing not only the current commodity costs but also the likelihood to address a reduction in the General Rate as well.

With the initial purchase complete, the City would then be able to concentrate on the medium and long-term needs of bringing Natural Gas to the community. With a Natural Gas connection achieved to the community, cost to the consumer including businesses and residents would then dramatically be reduced from the current LP scenario given the comparison of heating values and cost structures between LP and Natural Gas.

As an example:

Based on analysis by the Nevada Bureau of Consumer Protection in their Amicus Curiae Brief with the Fourth Judicial District Court in December 2011 (See Exhibit 5; Section II Background, page 2 and Section III Rate Increase Requested, page 3) and an analysis of Wendover Gas' current billing invoices for the month of March 2012 (See Exhibit 6) we can determine that the current cost as of March 13, 2012 for residential customers is \$2.741 per Therm (General Rate: \$0.89 per Therm; Commodity Rate: \$1.741 per Therm).

According to the Lawrence Berkley National Laboratory report (See Exhibit 7, Page 2) the annual energy use in Therms for an average residential household in Nevada is 44 Therms per month or 526 Therms annually.

Based on the U.S. Energy Information Administration Report for 2010 (See Exhibit 8) the maximum average cost per Therm (Mcf) for Natural Gas in Nevada is \$1.317 (\$13.53 per MMcf).

Given the data above a basic cost savings analysis can be performed for a residence in West Wendover.

Current LP

526 Therms (x) \$2.741 per Therm = \$1,441.76 annual cost per residential household

Natural Gas

526 Therms (x) \$1.317 per Therm = \$692.74 annual cost per residential household

Current LP (\$1,441.76) (-) Natural Gas (\$692.74) = \$749.02 savings.

Thus a savings of \$749.02 annually per residence could be achieved as of today if, the community was being serviced by Natural Gas. However, given the status quo, without an acquisition by the City, the community will continue to suffer under the burden of higher energy costs and reliability issues in addition to the peril to the community and its residents which is on the horizon with a high potential for the company to fail in the coming 2012-2013 winter (See Exhibit 9, Receivers Status Report and Exhibit 10, Nevada Public Utilities Commission Status Report).

3. Need for the Facility. Indicate why the proposed facility is needed.

The acquisition of Wendover Gas and Propane of Wendover is necessary due to its inability to operate with financial stability and as a result its inability to provide reliability to the public as a utility. History of this condition dates back several years beginning in 2008 in which the general public of the city was placed at risk due to the potential

failure of Wendover Gas to provide reliable service to its customers. As a result, Wendover Gas was evaluated and audited by the Nevada Public Utilities Commission and the Fourth Judicial District Court of Nevada; and as a result of that evaluation and audit the company was placed into Receivership in February 5, 2009 (*See Exhibit 11, Fourth Judicial District Court Order*). The Receivership's mission and what are considered the most viable of options for solving this important community issue are provided for in *Exhibit 12, Fourth Judicial District Court Order of February 22, 2012, Sections 5, 11, 13, 20, 25, 26*. Notably in Section 13, the Court made particular reference to the purpose of the Receivership established in the original Court Order for Receivership February 5, 2009 and that such conditions had not been met.

5. Cost Estimate

Development and construction (Phase 1, additional service lines).....	\$225,000.00
Development and construction (Phase 2)	\$7,150,000.00
<i>Phase 2 construction is for the Natural Gas lateral line from West Wendover to the connection with the Ruby Gas Pipe Line located 55 miles north of West Wendover.</i>	
Land and rights (Phase 2)	\$50,000.00
Legal Fees (Phase 1).....	\$25,000.00
Legal Fees (Phase 2).....	\$80,000.00
Architect and Engineer (Phase 1)	\$25,000.00
Architect and Engineer (Phase 2)	\$260,000.00
Equipment (Phase 1).....	\$20,000.00
Equipment (Phase 2).....	\$120,000.00
Refinancing.....	\$0.00
Other (Acquisition of Wendover Gas Company and Propane of Wendover, Inc.).....	\$1,350,000.00
Total (Phase 1)	\$1,645,000.00
Total (Phase 2)	\$7,660,000.00
Total Both Phases	\$9,305,000.00

EXHIBIT 1

EXHIBIT 2

EXHIBIT 3

EXHIBIT 3

To see all the details that are visible on the screen, use the "Print" link next to the map.



EXHIBIT 4

1 CASE NO. CV-C-08-849

2 DEPARTMENT NO. 1

3
4
5
6 IN THE FOURTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
7 IN AND FOR THE COUNTY OF ELKO

8 IN THE MATTER OF WENDOVER GAS)
9 COMPANY.)
10)
11)

12 ATTORNEY GENERAL'S BUREAU OF CONSUMER PROTECTION
13 AMICUS CURIAE BRIEF

14 COMES NOW, THE ATTORNEY GENERAL'S BUREAU OF CONSUMER
15 PROTECTION ("BCP"), and files this *Amicus Curiae* Brief pursuant to the Court's December 7,
16 2011 Order and Notice of Order Setting Hearing on Motion in the above-captioned matter.

17 I. INTRODUCTION

18 The BCP appreciates the urgency involved in assuring an adequate supply of fuel for
19 the customers of Wendover Gas Company ("Wendover Gas" or "Company"), especially at this
20 time of year. The stipulation entered into in 2008 by the City of West Wendover, Wendover
21 Gas, and the Regulatory Operations Staff of the Public Utilities Commission of Nevada
22 ("Commission") provided that rate adjustments could be implemented upon request of the
23 Receiver to the Court without the typical time lag associated with the regulatory investigative
24 and hearing process. Accordingly, the BCP has not fully investigated the proposed rates.

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Attorney General's Office
BUREAU OF CONSUMER PROTECTION
100 N. Carson Street
Carson City, Nevada 89701-4717

1 Therefore, the BCP is not in a position to fully support or oppose the Receiver's Motion for an
2 increase. However, the BCP does have observations and suggestions for the Court to
3 consider.

4 If the Court is inclined to grant the rate increase or some portion of it, the BCP
5 recommends that the increase be for only a six-month period and the Receiver be required to
6 provide additional information within three months of the date of the Court's Order granting
7 such rate increase, in addition to any reports that the Company is already required to provide
8 on a periodic basis. Second, the Court should consider granting only half of the request as
9 discussed below.

11 II. BACKGROUND

12 Wendover Gas has two rates: a commodity rate and a general rate. The commodity
13 rate is adjusted on a monthly basis to track the cost of propane purchased on behalf of
14 customers and delivered to them. *See Motion, pg. 2, In. 25-26.* The price increases in
15 propane are or should be reflected in the monthly commodity adjustment.

16 The Receiver's Motion correctly describes the general rate as separate and apart from
17 the commodity cost and includes the costs associated with operating and maintenance
18 expenses, taxes, depreciation and a rate of return on the assets. *Motion, p. 2, In. 28-30.* The
19 Motion requests a general rate increase on an expedited basis that nearly doubles the current
20 general rate. However, nothing in the Motion explains any increase in the cost of the
21 components of the general rate. There is some mention of uncollectible accounts, shortage
22 of cash and casino customers who do not take service from Wendover Gas. However, it is
23 unclear when the casino customers left and whether the general rates have been reset to
24 allocate the general costs among the remaining customers. The Motion does state that the
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1 general rates were last set by the Public Utilities Commission of Nevada in 2006. *Motion, pg.*
2 *2, ln. 38-39.* Subsequently, the general rates were raised again in January 2009 in response
3 to a prior motion filed by the Receiver. *Motion, pg. 2, ln. 41-42.*

4 **III. RATE INCREASE REQUESTED**

5 The general rate increase request set forth in the Motion nearly doubles the general
6 rate, as shown below:

	Existing General Rate	Requested General Rate
9 Residential	.65 per therm	1.00 per them
10 Commercial	.54 per therm	.89 per therm

11 The requested increase is a 54 percent increase for residential customers and a 64 percent
12 increase for commercial customers. To give some idea of the bill impact of the rate increase,
13 according to Southwest Gas Company, its Northern Division residential customer's average
14 monthly usage during November through April is 102 therms. *See Attachment A, Declaration*
15 *of Gary A. Robinson, CPA, and Supporting Materials.* Thus, applying this typical usage
16 pattern to Wendover Gas, the general rate portion of the bill would be $\$0.65 \times 102$ therms, or
17 $\$66.30$. Under the proposed rate increase, the new cost to the consumers would be $\$1.00 \times$
18 102 therms = $\$102$, or a $\$35.70$ monthly increase for the winter months of November through
19 April. The Receiver stated in his Motion, "A typical small customer will see an increase of
20 about $\$16.00$ per month." However, that statement appears to be based on a customer's
21 usage over a period of a full twelve months, which includes the summer months when usage is
22 quite low. The BCP wants the Court to be aware of the magnitude of the increase on
23 customers' winter bills and that any increase granted at this time would be *in addition to* the
24 cost of the propane commodity charge. *Motion, pg. 3, ln. 41-42.* Consequently, the Court
25 may want to consider or explore with the Receiver whether the rate increase should be half of
26 what has been requested. For example, if the general rate increase were cut in half ($\$1.00 -$
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Attorney General's Office
BUREAU OF CONSUMER PROTECTION
100 N. Carson Street
Carson City, Nevada 89701-4717

1 .65 = \$.35/2 = \$.175 * 102 therms = \$17.85), the average monthly winter bill would increase
2 approximately \$17.85. This increase would be more in line with the Receiver's own statement
3 that the increase would be \$16.00 per month for a typical customer, as described in the
4 Motion.

5 IV. RATE INCREASE UNTIL JULY 1, 2012

6 If the Court grants the rate increase or some portion thereof effective January 1, 2012,
7 the Court should only place the rates into effect until July 1, 2012. Further, within three
8 months of the commencement of the rate increase (April 1, 2012), the Receiver should be
9 required to provide to the Court, the Commission and the BCP: (1) an income statement of
10 amounts received and receivable from customers; (2) a statement of liabilities incurred by the
11 Company; (3) a statement of cash flows; (4) a balance sheet; (5) a statement of the
12 transactions undertaken to procure commodity gas or supplies, including date, volume, price,
13 parties and any special terms; (6) a statement concerning any work done by employees or
14 physical repairs or extensions to the system, including the cost of the repair or extension, or
15 the wages paid to the employee, and the names or names of persons or entities performing
16 the work; and (7) a statement of and justification for the Receiver's fees. Consequently, after
17 receiving the information, the Commission and BCP could submit recommendations to the
18 Court as to whether the rate increase granted should continue past July 1, 2012.

19 V. QUESTIONS PRESENTED

20 The Court directed the parties to four issues raised by the Receiver's Motion, which are
21 addressed as follows:

- 22 **A. Possible provisions in any Order of the Court granting the requested rate**
23 **increase which would allow for exemption(s) to a rate increase with respect**
24 **to impoverished or fixed income residents of West Wendover**

25 Any order approving Receiver Steven Shute's requested general rate increase should
26 permit residential customers to participate in recognized low income programs, such as the
27
28

1 federal Low Income Home Energy Assistance Program ("LIHEAP"), which provides a subsidy
2 to residents who earn less annually than 110% of the federal poverty guidelines. In Nevada,
3 LIHEAP is administered by the Nevada State Department of Health and Human Services,
4 Division of Welfare. To the extent possible, LIHEAP should be made available to West
5 Wendover residents just as it is made available to Nevadans statewide.

6
7 **B. Alternatives to the remedies sought in Receiver's Motion**

8 First, as discussed above, the Court should consider as an alternative granting only half
9 of the requested increase, because half of the requested increase is more in line with the
10 magnitude of the monthly increase for customers described in the Motion.

11 **C. A contingency plan to deal with the possibility that the proposed rate
12 increase will not solve the problems identified in Receiver's Motion**

13 Second, the Company has been in receivership for three years. The risk to residents
14 of West Wendover dependent on the Company for gas service during the winter is a great risk
15 of being without gas service during the harsh winter months. The history of the Company
16 shows that serious steps have been taken to place a Band-Aid on the situation to get it through
17 the winter, but the problems persist nonetheless. A more robust and stable option needs to be
18 taken to avoid repeating the problems or making them worse. Consequently, the Court should
19 consider alternatives and clarify and resolve issues.

20 One issue that needs some attention is the issue of an exclusive franchise. It appears
21 that over time, there has been some dispute as to whether Wendover Gas has an exclusive
22 franchise and whether the Company or the City of West Wendover could have required all
23 customers in the franchise area to take service from the Company. As the history shows,
24 some large customers have left the system, arguably detrimentally impacting the Company.
25 The Court may want to delve into this issue.

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1 An alternative that the Court may want to consider is a path that has been followed in
2 other cases involving utilities that fall into receivership. Under this scenario, a local
3 government exercises its powers of eminent domain and requests that the Court determine a
4 fair market value for the utility. As an example, in Douglas County, Sheridan Acres Water
5 Company was functionally insolvent and incapable of supplying an adequate supply of water to
6 its customer base. Douglas County exercised eminent domain over the entity. See
7 *Attachment B, Order for Occupancy Pending Judgment, Case No. 05-CV-0003 (January 25,*
8 *2005).*

10 An eminent domain procedure exercised by the City of West Wendover over Wendover
11 Gas may be the appropriate action to take. Such a procedure would allow the Court to
12 determine the issues surrounding Wendover Gas, including a fair market value, claimed
13 arrearages in franchise fees, and past due liabilities to suppliers.

14 **D. The disparity between the rates Wendover Gas Company charges its**
15 **commercial customers versus its residential customers**

16 The Receiver should provide a justification for the rate design which justifies the rate
17 differential between commercial and residential customers.

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VI. CONCLUSION

The BCP is not in a position to fully support or oppose the Receiver's Motion for an increase. If the Court is inclined to grant the rate increase request or some portion of it, the BCP recommends that the increase be for only a six-month period and the Receiver be required to provide additional information within three months of the commencement of the rate increase. Further, the Court should consider granting only half of the request, and should require reports as described in Section IV in addition to any reports that the Company is already required to provide on a periodic basis.

Respectfully submitted December 14, 2011.

CATHERINE CORTEZ MASTO
Attorney General



ERIC WITKOSKI
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Phone: (702) 486-3490
Attorneys for the State of Nevada

ATTACHMENT A

**DECLARATION
IN THE MATTER OF WENDOVER GAS COMPANY**

My name is Gary L Robinson, I was asked to estimate what the approximate bill impact would be on residential customers' monthly bill if the full rate increase was granted as requested in the Motion for Expedited Approval for General Rate Increase ("Motion").

The Motion requests that the residential rate be increased from .65 per therm to \$1.00 per therm, an increase of \$0.35. The Motion goes on to state that, "A typical small customer will see an increase of about \$16.00 per month." (*Motion, pg. 3, ln. 41-42*) The Motion does not provide detail on the calculation of the amount of \$16.00 per month, nor does it specify if that increase is for an annual average usage, winter average usage, or some other period.

I don't have available to me the average monthly usage of Wendover Gas customers on an annual basis or for the winter heating season, November through April. However, I do have the average residential usage information for customers of Southwest Gas Company's Northern Division that also operates in northern Nevada. This information is taken from the *Southwest Gas Company Application to Update General Revenue Adjustment (GRA) Rates, Docket No. 11-12003*.

Attachment 1 to this affidavit is an exhibit from the Southwest Gas filing, labeled Exhibit No. FJM-2. As can be seen from this exhibit, the average summer residential usage (defined as the period from May 1 to

Oct. 31) is 29 therms per month, the average winter residential usage (defined as the period from Nov. 1 to April 30) is 102 therms per month, and the average annual residential usage is 66 therms per month. These average residential usage amounts can be used as a proxy for the Wendover Gas customers, since that data is not available to us. The following table calculates the average monthly impact to the residential customers on an annual basis and for the winter and summer months.

	A	B	C	D
Impact on Average Residential Customer's Bill				
Line No.	Season	Monthly Usage Therms	Proposed Increase Per Therm	\$ Impact On Average Bill (B x C)
1	Annual	66	\$0.35	\$23.10
2	Winter	102	\$0.35	\$35.70
3	Summer	29	\$0.35	\$10.15

Using the Southwest Gas residential customer usage values, the increase of \$35.70 to the average residential Wendover Gas customer in the winter is over double the \$16.00 represented in the Motion. Even on an annual basis, the increase of \$23.10 impact is 44% higher.

I declare under penalty of perjury under the law of the State of Nevada that the foregoing is true and correct.

Gary L. Robinson

Gary L Robinson

Attachment 1

Southwest Gas Corporation

Northern Nevada

Single Family Residential Bill Comparison

Exhibit FJM-2

**SOUTHWEST GAS CORPORATION
 NORTHERN NEVADA
 SINGLE FAMILY RESIDENTIAL BILL COMPARISON**

Line No.	Monthly Usage Therms (a)	At Currently Effective Tariff Rates [1] (b)	At Proposed Rates (c)	Increase/ (Decrease) (d)	Percent (e)	Line No.
1	29	\$37.01	\$36.52	(\$0.49)	-1.32%	1
2	66	\$72.76	\$71.63	(\$1.13)	-1.55%	2
3	102	\$107.53	\$105.79	(\$1.74)	-1.62%	3

<u>Average Monthly Use [2]</u>	
Summer	29
Annual	66
Winter	102

	<u>Currently Effective Tariff Rate [1]</u>	<u>Proposed Rate</u>
Basic Service Charge	\$9.00	\$9.00
Commodity Charge All Usage	\$0.96601	\$0.94891

[1] Exhibit No. ___(FJM-4).

[2] Average seasonal usage per customer from the Twelve-Month Summary:

Qualifications of Gary L. Robinson

Professional Associations

I am a Certified Public Accountant (CPA) in the State of Utah and belong to the American Institute of Certified Public Accountants (AICPA) and the Utah Association of Certified Public Accountants (UACPA).

Educational Background

I received a Bachelor of Arts degree in finance from the University of Utah in 1976, a Bachelors of Science in Accounting from the University of Utah in 1984, and a Master of Business Administration from the George Washington University in 1977. I have participated in numerous seminars and conferences on rate and regulatory matters sponsored by the American Gas Association (AGA), the Institute of Gas Technology (IGT), the Pacific Coast Gas Association (PCGA), and others. I also regularly participate in various continuing education programs to maintain membership in the AICPA and the UACPA.

Appearances in Regulatory Proceedings

I have previously presented testimony before the Utah Public Service Commission, the Wyoming Public Service Commission and the Federal Energy Regulatory Commission.

Current Responsibilities

As President and Chief Regulatory Consultant for Gary Robinson and Associates Inc., a Nevada corporation, I am providing regulatory consulting for the Bureau of Consumer Protection with regard to the Wendover Gas Company request for a rate increase.

Prior Experience

I worked for 30 years with Mountain Fuel Supply / Questar Gas in various capacities. At the time of my retirement from Questar Gas on December 1, 2008, I held the position of Director of State Regulatory Affairs. I have worked on or supervised numerous rate filings in the areas of revenue requirement, cost of service, rate design, O&M expense forecasting, and rate base calculation. I also held the position of Director of Forecasting where I had supervisory responsibilities for the preparation of sales and customer forecasts which were used in budgets, tactical plans, and rate case filings for Questar Gas. I helped develop the temperature adjusting and forecasting methodologies and the revenue requirement, cost of service and rate design models which were used by Questar Gas in rate case proceedings.

ATTACHMENT B

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CASE NO. 05-CV-0003

DEPT. NO. II



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DOUGLAS COUNTY
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BARBARA REED
CLERK
B. PHENIX
DEPUTY

IN THE NINTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA

IN AND FOR THE COUNTY OF DOUGLAS

DOUGLAS COUNTY, a political
subdivision of the State of
Nevada,

Plaintiff,

vs.

NOTICE OF ENTRY OF ORDER


SHERIDAN ACRES WATER COMPANY,
SHERIDAN ACRES WATER COMPANY, INC.,
TIM HOLT, RECEIVER OF THE
SHERIDAN ACRES WATER COMPANY,
ESTATE OF EVA M. HEAROLD,
RANDY LOUIS HOHLMAN,
RUSSELL R. HEAROLD, DECEASED,
LINDA AMANTE, DOES 1-3,
A, B and C COMPANIES, ALL OTHER PERSONS
UNKNOWN CLAIMING ANY RIGHT TITLE,
ESTATE, LIEN OR INTEREST IN THE
PROPERTY HEREIN DESCRIBED,

Defendants.

YOU AND EACH OF YOU please take notice that an Order
for Occupancy Pending Judgment was entered in this matter on
January 25, 2004. A copy of the Order is attached hereto.

DATED this 27 day of January, 2005.

SCOTT W. DOYLE
DISTRICT ATTORNEY

By: 

THOMAS E. PERKINS
Deputy District Attorney

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CASE NO. 05-CV-0003

DEPT. NO. II

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BARBARA REED
CLERK

DOUGLAS COUNTY
DISTRICT COURT CLERK

BY B. PHENIX

IN THE NINTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA

IN AND FOR THE COUNTY OF DOUGLAS

DOUGLAS COUNTY, a political
subdivision of the State of
Nevada,

Plaintiff,

vs.

ORDER FOR OCCUPANCY
PENDING JUDGMENT

SHERIDAN ACRES WATER COMPANY,
SHERIDAN ACRES WATER COMPANY, INC.,
TIM HOLT, RECEIVER OF THE
SHERIDAN ACRES WATER COMPANY,
ESTATE OF EVA M. HEAROLD,
RANDY LOUIS HOHLMAN,
RUSSELL R. HEAROLD, DECEASED,
LINDA AMANTE, DOES 1-3,
A, B and C COMPANIES, ALL OTHER PERSONS
UNKNOWN CLAIMING ANY RIGHT TITLE,
ESTATE, LIEN OR INTEREST IN THE
PROPERTY HEREIN DESCRIBED,

Defendants.

THIS MATTER came before the Court on the Motion for
Occupancy Pending Judgment. The Court has considered all of the
pleadings, papers and exhibits on file, and, being otherwise
fully advised, finds and concludes that the appraised value of
the property hereinafter described is \$71,700, that no damages
are likely to accrue as a result of speedy occupation, and that

1 there are good and sufficient reasons for speedy occupation, in
2 that the water system is functionally insolvent and incapable of
3 providing an adequate supply of clean and safe water to the
4 persons served thereby; that Defendants, individually and
5 collectively, are incapable of capitalizing or otherwise raising
6 the revenue to provide the same, that the Plaintiff is in the
7 process of planning the construction and location of adequate
8 wells and storage facilities and capable of doing so; and that
9 control and ownership of the property at this time is necessary
10 to doing so in the ensuing year;

12 IT IS THEREFORE ORDERED that the Plaintiff deposit the
13 sum of \$71,700 with the Clerk, pursuant to NRS 37.100, Sec.4.
14 Upon such deposit, title and immediate occupancy of the
15 following property shall be, and hereby is, set over to the
16 Plaintiff, pending judgment:

17 A. A well consisting of 10-inch diameter steel casing
18 to a depth of 300 feet.

19 B. A water tank with the approximate capacity of
20 64,300 gallons.

21 C. Distribution water mains situated generally in the
22 Sheridan Acres subdivision and adjacent parcels, described on
23 Exhibit 1.

24 D. Distribution system water main valves, the
25 locations of which are depicted on Exhibit 1; an estimated
26 fifteen (15) 6-inch valves and seven (7) 8-inch valves.
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E. 13 Fire Hydrants, the locations of which are shown on Exhibit 1.

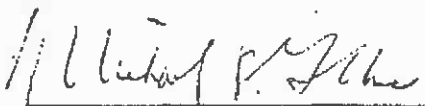
F. Water services and meters, the locations of which are shown on Exhibit 1, consisting of a total of 55 service connections at the water mains, 10 single meter pits, and 45 double meter pits.

G. Water rights, 122.12 acre-feet per year, held under Permit # 29402 and Permit # 24524/Certificate # 8688.

H. Easements for the foregoing described assets, including those conveyed and described by the Deed of Easement recorded December 21, 1979 in the official records of Douglas County, Nevada, File No. 40013, Book 1279, Pages 1501-1502 and the Parcel Map for Eva M. Hearold, Document 74308, recorded December 28, 1982, Book 1282, Page 1467. The other easements occupied by Defendants are dedicated public utility easements, established by the final subdivision maps, Sheridan Acres Unit One, Document #032486, recorded June 8, 1966, Sheridan Acres Unit Two, Document #042594, recorded October 14, 1986..

IT IS FURTHER ORDERED that there will be no withdrawal of the funds deposited in the absence of application, notice to all parties, and hearing, in the manner provided by law.

Dated the 25 day of January, 2005.


DISTRICT JUDGE

1 CERTIFICATE OF SERVICE

2 I certify that I am an employee of the Attorney General's Bureau of Consumer
3 Protection and that on this day I have served the foregoing document upon all parties of record
4 in this proceeding by mailing a true copy thereof, properly addressed with postage prepaid or
5 forwarded as indicated below to:

6 JAN COHEN
7 GENERAL COUNSEL
8 NEVADA PUBLIC UTILITIES COMMISSION
9 1150 E. WILLIAM STREET
10 CARSON CITY, NV 89701

MICHAEL CARANO
NEVADA POWER COMPANY
PO BOX 10100
RENO, NV 89520

11 LUKE ANDREW BUSBY, ESQ.
12 ASSISTANT GENERAL COUNSEL
13 NEVADA PUBLIC UTILITIES COMMISSION
14 1150 E. WILLIAM STREET
15 CARSON CITY, NV 89701

CHRIS MELVILLE
CITY OF WEST WENDOVER
PO BOX 2825
WEST WENDOVER, NV 89883

16 DEBRA TERWILLIGER
17 ASSISTANT STAFF COUNSEL
18 NEVADA PUBLIC UTILITIES COMMISSION
19 1150 E. WILLIAM STREET
20 CARSON CITY, NV 89701

NANCY GREEN
WENDOVER GAS COMPANY
PO BOX 274
WENDOVER, UT 84083

21 GARY DIGRAZIA, ESQ.
22 ATTORNEY FOR WEST WENDOVER
23 PO BOX 1358
24 ELKO, NV 89801

STEVEN SHUTE, PE
PIPELINE SOLUTIONS
P.O. BOX 1054
GLENWOOD SPRINGS, CO 81602

25 JEFFREY W. CROCKETT, ESQ.
26 BROWNSTEIN HYATT FARBER SCHRECK
27 ONE E. WASHINGTON STREET, SUITE 2400
28 PHOENIX, AZ 85004

Dated: December 14, 2011



An employee of the
Office of the Attorney General

EXHIBIT 5

statement

EXHIBIT 5

WENDOVER GAS CO.
 P.O. BOX 3174
 WEST WENDOVER, NV 89883
 775-664-2291
 CREDIT CARDS VISA,MC,AMEX,DISC
 CUS. COMPLAINTS 775-684-6116

Date 04/12/12
Account# 23061

WEST WENDOVER CITY COMPLEX
 1111 N GENE L JONES WY
 P.O. BOX 2825
 WEST WENDOVER NV 89883

1,065.76 (x) \$2.6310 = \$2,804.015
 (+) \$30.00 (+) \$141.70 = \$2,975.71

Refer#	Date	Type	Description	Amount	Balance
52461	03/13/12		METER		
52461	03/13/12		SERVICE TO/FROM:		
52461	03/13/12		03/13/12-02/13/12		
			CUBIC FEET		
52461	03/13/12		PRES. PREV. NET USAGE-F		
52461	03/13/12	I	956400 908300 48100.00 .881	2,975.71	2,975.71
			ALT. FACTOR .881		
52461	03/13/12		PRICE=\$2.6310		
52461	03/13/12		INCLUDES SERV CHG		
52461	03/13/12		QTY INVC'D= 1065.76		
			INCLUDES SERV CHG 30.00		
			FRANCHISE FE 141.70		
52461	03/13/12		QUANTITY INVOICED IN THERMS		
151044	03/22/12	P	141.70	2,975.71CR	.00
52898	04/12/12		METER		
52898	04/12/12		SERVICE TO/FROM:		
52898	04/12/12		04/12/12-03/13/12		
			CUBIC FEET		
52898	04/12/12		PRES. PREV. NET USAGE-F		
52898	04/12/12	I	976600 956400 20200.00 .881	1,316.34	1,316.34
			ALT. FACTOR .881		
52898	04/12/12		PRICE=\$2.7340		
52898	04/12/12		INCLUDES SERV CHG		
52898	04/12/12		QTY INVC'D= 447.57		
			INCLUDES SERV CHG 30.00		
			FRANCHISE FE 62.68		
52898	04/12/12		QUANTITY INVOICED IN THERMS		

DUE UPON RECEIPT, LATE IF PAID

Codes: I = Invoice P=Payment C=Credit Memo D=Debit memo F=Finance Charge A=Allowance

Please Pay: CONTINUED

Commercial (based on approved Court Order):

General Rate = \$0.89 per Therm
 Commodity Rate = \$1.741 per Therm
 Total Rate = \$2.6310 per Therm

*For reference purposes 1 gallon LP = 1.1 Therm

Residential (based on Commercial analysis to establish Commodity Rate and General Rate per Court Order):

General Rate = \$1.00 per Therm
 Commodity Rate = \$1.741 per Therm
 Total Rate = \$2.741 per Therm

EXHIBIT 6

ENERGY CONSERVATION NATURAL GAS

The Public Utilities Commission has some tips to lower your usage of natural gas. These tips were compiled from regulations that the Commission adopted in 1984 and from an energy conservation booklet published by the U.S. Department of Energy. Utilizing these tips will help you to keep your utility bills as low as possible and benefit the environment.

- Set your thermostat to 68° or lower during the cold months. Set the thermostat to 55° when no one is home for more than four hours.
- Every month, replace the air filters for your heating and cooling system.
- Seal duct joints with mastic or high-quality duct tape. Insulate ducts in unconditioned areas of your home.
- Make sure your fireplace damper is closed when not in use.
- If you have a gas fireplace, turn the pilot off during the warm and hot months.
- Caulk any small gaps around the fixed joints of windows and doorframes.
- Weather-strip all moveable joints on windows and doors.
- During the cold months, remove solar screens. Allow sunlight to enter your home during the day by raising blinds or opening curtains. Cover windows during nighttime hours to prevent heat loss.
- Promptly turn-off kitchen, bath, or other ventilating fans off when not in use.
- Install an insulating wrap for your water heater.
- Drain a quart of water from your water heater every 3 months to remove sediment that lowers the efficiency of your water heater.
- Take 5-minute showers instead of baths or longer showers.
- Make sure you only use your washer and dryer with full loads.
- When purchasing new appliances, buy the most energy-efficient model possible.

The tips offered above are just a few of the many ways to conserve energy. If you would like additional tips on energy conservation, you can obtain a copy of the *Energy Savers* booklet from the Department of Energy by calling 1-800-363-3732 or online at www.eren.doe.gov/consumerinfo/energy_savers. If you would additional information on making your home more energy efficient, the Lawrence Berkeley National Laboratory has created an Internet-based tool at <http://homeenergysaver.lbl.gov>. Based upon information provided by you about your house, this website calculates an estimate of your annual energy bill and compares that estimate to one of an energy efficient home. It offers tips on efficiency and calculates the savings from making your home energy efficient. The information presented below from that website is for an average house in Las Vegas, Reno, and Elko.

**LAWRENCE BERKELEY NATIONAL LABORATORY
 COMPARISON OF ANNUAL ENERGY BILL
 AND THERMS CONSUMED*
 FOR AN AVERAGE HOUSE
 &
 ENERGY EFFICIENT HOUSE
 IN NEVADA**

CITY	AVERAGE HOUSE	ENERGY EFFICIENT HOUSE
Las Vegas	\$1128	\$695
Reno	\$ 959 / 526 Therms	\$612 / 232 Therms
Elko	\$ 959 / 526 Therms	\$612 / 232 Therms

(*No therms listed for Las Vegas because model assumes an all electric home. Reno and Elko annual amounts are only for the natural gas energy portion of a home's consumption.)

The above estimate for the natural gas consumption of an average house in the three Nevada cities was calculated on a model developed by the Lawrence Berkeley National Laboratory. The two natural gas utilities that provide service to the large majority of Nevada residents have different estimates for natural gas consumption for the average residential customer in their service territories. The charts below provide a guide for the monthly and annual bills for customers of Southwest Gas Corporation and Sierra Pacific Power Company based upon the utility's calculation of the average residential customer's consumption and the utility's current rates. The monthly total shows the monthly payment for the average residential customer who takes advantage of the utility's equal payment plan.

**ANNUAL AND MONTHLY BILL
 FOR THE AVERAGE SOUTHERN NEVADA RESIDENTIAL CUSTOMER
 OF SOUTHWEST GAS CORPORATION**

	Average Therms	Rate per Therms (11/02) / Amount	Customer Charge	TOTAL
Monthly	44	\$0.57936 /		
		\$25.49	\$8.00	\$33.49
Annual	528	\$305.88	\$96.00	\$401.88

**ANNUAL AND MONTHLY BILL
FOR THE AVERAGE NORTHERN NEVADA RESIDENTIAL CUSTOMER
OF SOUTHWEST GAS CORPORATION**

	Average Therms	Rate per Therms (11/02) / Amount	Customer Charge	TOTAL
Monthly	61	\$0.91704 / \$55.94	\$8.00	\$63.94
Annual	732	\$671.28	\$96.00	\$767.28

**ANNUAL AND MONTHLY BILL
FOR THE AVERAGE NEVADA RESIDENTIAL CUSTOMER
OF SIERRA PACIFIC POWER COMPANY**

	Average Therms	Rate per Therms (11/01) / Amount	Customer Charge	TOTAL
Monthly	60	\$0.98157 / \$58.89	\$3.25	\$62.14
Annual	720	\$706.68	\$39.00	\$745.68

EXHIBIT 7

EXHIBIT 8

1 CASE NO. CVC08849

2 DEPT. NO. 1

3
4 **IN THE FOURTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
5 **IN AND FOR ELKO COUNTY**

6
7 **IN THE MATTER OF WENDOVER) STATUS REPORT**
8 **GAS COMPANY)**
9

10 **Steven Shute, appointed Receiver ("Receiver") of Wendover Gas Company ("Company"),**
11 **hereby submits this status report to respond to the Court's Order dated February 06, 2012.**

12
13 Wendover Gas is a gas utility regulated under the Public Utilities Commission of Nevada
14 ("PUC"). It distributes propane vapor via a gas utility network to about 450 utility customers in
15 West Wendover, Nevada ("Wendover"). On October 28, 2008 in Docket No. 08-10034, the
16 PUC appointed Steven Shute as Temporary Receiver for Wendover Gas. PUC Staff petitioned
17 the Fourth Judicial District Court to take jurisdiction of the Receivership, which was adopted in
18 the Court's Order of November 10, 2008.

19
20 1. PUC and the Bureau of Consumer Protection ("BCP") have jointly filed a Status Report
21 which explains in detail the recent meetings between the parties. Receiver accepts the PUC
22 account of these meetings.

23
24 **2. The PUC Status Report also develops a logical sequence and conclusions about the marginal**
25 **chances for the utility to stay in business in its present condition. Receiver accepts the PUC**
26 **analysis and conclusions.**

27
28 3. The Peppermill casinos through counsel submitted an *amicus curiae* status report which
29 recounts the long history between the casinos and Company, and critiques Receiver's actions to
30 convert the utility from propane to natural gas.

31
32 Before he became Receiver, Steven Shute started work in 2007 as the utility's engineer, to supply
33 natural gas to Wendover Gas through Liquefied Natural Gas ("LNG"). Receiver had concluded
34 that the propane utility wasn't viable long-term, and a gas pipeline was not feasible. Receiver
35 contacted the Peppermill in March 2008 about fuel costs and conversion to natural gas, and used
36 information the Peppermill would provide to formulate an LNG plan. Details of the LNG plan
37 were shared with the casinos in October 2010 through June 2011, when a detailed, specific
38 pricing proposal was offered by Wendover Gas' supplier.

39
40 The LNG project depended on participation by at least 1 of the 4 large casinos in Wendover, 3 of
41 which are affiliated with Peppermill. The LNG plan was rejected without question or comment
42 by Peppermill.

43
44 In the *amicus* status report and an email dated February 27 and distributed among the parties,
45 Peppermill's counsel offers a dozen pages of details why the Peppermill rejected the proposals

1 from Wendover Gas. This is the first time since the natural gas project began in March 2008 that
2 these details have been communicated to PUC or Wendover Gas. Receiver will not attempt to
3 address all these concerns in this status report, but will respond in a more appropriate venue.
4

5 **4. On March 9, 2012 Nancy Green as owner of Wendover Gas signed a Letter of Intent to**
6 **negotiate the sale of the utility to the City of West Wendover. Receiver worked with the City**
7 **and Company on this LOL, and supports the concept that the City take over utility operations.**
8

9 5. Many issues raised by Peppermill do not materially change if the City owns Wendover Gas:
10 high gas conversion costs, the City has never designed-built-run an LNG plant or pipeline,
11 propane-air backup, the need for multi-year commitments to ensure financing of an LNG plant or
12 pipeline, unknowable commodity pricing differentials, etc.
13

14 The concerns over trucked-in supply disruptions are unchanged for the casinos and the
15 community. The great majority of propane transport loads, and the proposed LNG trucks are all
16 coming over the same roads from the same plants in southwest Wyoming, through the same road
17 conditions and traffic accidents.
18

19 **6. Wendover Gas survived the winter without a service disruption, but Receiver does not believe**
20 **the utility can survive another one without significant financial support. The continuation of**
21 **propane distribution is not sustainable over the long term, since all the larger customers can set**
22 **their own tank. Receiver has worked on various proposals to convert the utility to natural gas**
23 **with substantial cost savings to all customers. After 4 years of work, Receiver believes that no**
24 **such proposal will ever be acceptable to the casinos, as long as Nancy Green owns the utility.**
25

26 **7. Receiver supports the current process of appraisal and negotiation for sale of the utility to the**
27 **City. Of the few available options, this seems the best prospect for the utility to continue in**
28 **business, and to eventually extend natural gas service to the entire community.**
29

30 Dated this 15th day of March, 2012.

31 Respectfully submitted.

32 

33 Steven Shute, PE

34 Receiver for Wendover Gas
35
36
37

1 CASE NO. CVC08849

2 DEPT. NO. 1

3
4 **IN THE FOURTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
5 **IN AND FOR ELKO COUNTY**

6
7 **IN THE MATTER OF WENDOVER)**
8 **GAS COMPANY)**

STATUS REPORT

9
10 Certificate of Service:

11 I certify that on this 15th day of March, 2012 I delivered by email a true copy of the foregoing to
12 the following:

13
14 Jan Cohen, General Counsel
15 Nevada Public Utilities Comm
16 1150 E William St
17 Carson City, NV 89701

Michael Carano
Nevada Power Company
PO Box 10100
Reno, NV 89520

18
19 Gary diGrazia, Esq.
20 Atty for West Wendover
21 PO Box 1358
22 Elko, NV 89801

Chris Melville
City of West Wendover
PO Box 2825
West Wendover, NV 89883

23
24 Jeffrey Crockett, Esq.
25 Brownstein Hyatt
26 1 E Washington St, Ste 2400
27 Phoenix, Arizona 85004

Nancy Green
Wendover Gas
PO Box 274
Wendover, UT 84083

28
29 Paul Stuhff, Esq.
30 AG Bureau of Consumer Protection
31 555 E Washington St, Ste 3900
32 Las Vegas, NV 89101

Jacob Hafter, Esq.
7201 W Lake Mead Blvd, Ste 210
Las Vegas, NV 89101

33
34 Procter Hug, Esq.
4785 Caughlin Parkway
Reno, NV 89519

35 Dated this 15th day of March, 2012.

36
37 
38 Steven Shute, Receiver

39 PO Box 1054

40 Glenwood Springs, CO 81602

41 970-928-9208 pipeline@rof.net

EXHIBIT 9

1 CASE NO. CV-C-08-849

2 DEPT. NO. 1

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6 **IN THE FOURTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**

7 **IN AND FOR ELKO COUNTY**

8

9 **IN THE MATTER OF WENDOVER)**
10 **GAS COMPANY)**

11

12 **STATUS REPORT**

13

14 THIS MATTER comes before the Court pursuant to this Court's Order dated February 6, 2012,
15 requiring the parties and amici curiae to file a report indicating what has been accomplished with
16 regard to short-term and long-term solutions or arrangements to continue liquefied petroleum gas
17 ("LPG" or "propane") or other gas service to the West Wendover area, as well as, steps taken which
18 may lead to the orderly and reasonable termination of the Receivership.

19

20 On February 22, 2012, a meeting was held at West Wendover City Hall. Donald Anderson,
21 Mayor of the City of West Wendover (the "City"); Johnny Gorum, West Wendover City Council
22 Member; Emily Carter, West Wendover City Council Member, Mayor Pro-Tem; Chris J. Melville,
23 City Manager; NANCY GREEN, Wendover Gas Company ("Wendover Gas"); Gary E. Di Grazia,
24 Esq., attorney for the City; and Debrea Terwilliger, Esq., Rex Bosier, Manager of Financial Analysis
25 and Meredith L. Barnett, Esq., for the Public Utilities Commission of Nevada (the "Commission"),
26 were present at the meeting. Procter J. Hug, Esq., attorney for Peppermill Casinos, Inc. ("Peppermill
27 casinos"); Jacob L. Hafter, Esq. and Michael Naethe, Esq., for Generation 2000, LLC, d/b/a Wendover
28

1 Nugget and Generation 2010 d/b/a the Red Garter; Paul E. Stuhff, Esq. and Gary Robinson, for the
2 Attorney General's Bureau of Consumer Protection ("BCP"); Samuel S. Crano, Esq. and Tammy
3 Cordova, Esq., for the Commission; and STEVEN SHUTE ("Receiver") participated via telephone.

4
5 An Agenda for the meeting was circulated in advance, and those participating were asked to
6 provide any feedback regarding the meeting Agenda, including requesting that additional items not on
7 the meeting Agenda be included. In accordance with the meeting Agenda, discussions during the
8 meeting included the following:

- 9 1. The Goals of the participating entities.
- 10 2. Commission's overview of how utility rates are set and Wendover Gas's previous and
11 current rates.
- 12 3. Future options for Wendover Gas.
 - 13 a. Addition of one or more of the casinos to Wendover Gas propane service.
 - 14 i. What rate Wendover Gas would offer to casinos.
 - 15 ii. What margin would be acceptable to casinos.
 - 16 iii. What information or assurances the casinos would need to take service from
17 Wendover Gas.
 - 18 b. Compressed Natural Gas ("CNG").
 - 19 i. Receiver provided an overview of CNG and Wendover Gas' ability to
20 convert and provide CNG service.
 - 21 ii. Benefits to City/business.
 - 22 iii. What casinos could be served with CNG.
 - 23 iv. Whether any of the casinos would be willing to consider taking CNG service
24 from Wendover Gas.

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v. Impact on Wendover Gas customers as a result of conversion to CNG from propane.

c. Liquefied Natural Gas ("LNG")

i. Receiver provided an overview of LNG and Wendover Gas' ability to convert and provide LNG service.

ii. Benefits to City/business.

iii. What casinos could be served with LNG.

iv. Whether the casinos would be willing to consider taking LNG service from Wendover Gas.

v. Impact on Wendover Gas customers as a result of conversion to LNG from propane.

d. Possible Acquisition of Wendover Gas.

i. Acquisition terms that Wendover Gas agreed to with LNG supplier and such terms in relation to the City possibly acquiring Wendover Gas.

ii. Low-interest United States Department of Agriculture ("USDA") loan available for City to acquire Wendover Gas.

e. Other options for the future of Wendover Gas or another provider of gas service to the City.

i. Current and future safety and reliability concerns.

f. Franchise agreement.

As a result of the meeting, Receiver, Nancy Green, Mr. Di Grazia and Mr. Melville agreed to meet in the next few days to discuss the possibility of the City acquiring Wendover Gas. Additionally, Receiver agreed to send to Mr. Hafter, Mr. Naethe and Mr. Hug information indicating how much the

1 casinos would have saved this last winter if they had been on CNG or LNG service instead of propane.

2 It appears that Ms. Green is moving forward with negotiations for the possible sale of
3 Wendover Gas and Propane of Wendover, Inc. ("POW") to the City.¹ At the March 6, 2012 West
4 Wendover City Council ("City Council") meeting, the City Council voted to grant conditional approval
5 of an acknowledgement of a Letter of Intent from Ms. Green regarding the beginning of negotiations
6 for the sale of Wendover Gas and POW to the City ("Letter of Intent"). The conditional approval was
7 a result of the Letter of Intent not being finalized. The understanding was that Ms. Green was
8 providing more edits to the city attorney after the City's initial edits of the Letter of Intent. Upon
9 approval of this edited Letter of Intent by the city attorney, the City would move forward with the next
10 step related to negotiations for the acquisition of Wendover Gas and POW. The Commission and the
11 BCP note that one City Council member voted against acknowledgement of this Letter of Intent.

14 The next step appears to be an appraisal of Wendover Gas and POW. At this same March 6,
15 2012 City Council meeting, the City Council also voted formally to pursue negotiations for acquisition
16 of Wendover Gas and POW. As part of this approval, the City Council also voted in favor of
17 proceeding with an appraisal of Wendover Gas and POW. The Commission and the BCP note that one
18 City Council member voted against negotiations for the acquisition and the appraisal of the Wendover
19 Gas and POW companies.

22 Based upon discussions with the City, it is the understanding of the Commission and BCP that
23 the approval to move forward with the appraisal is the first step toward the City applying for a low-
24 interest loan from the USDA for the purposes of acquisition of Wendover Gas and POW. The City has
25 stated that if it completes the appraisal by the end of April of 2012, along with its initial application for
26

27 _____
28 ¹ Wendover Gas is the regulated public utility, which provides LPG service to West Wendover via an underground pipe system. POW is the unregulated company that provides LPG bottle service to residents of West Wendover, Nevada, as well as LPG bottle service to the residents of Wendover, Utah.

1 the USDA program, it may be possible that USDA funds reserved specifically for Nevada will be held
2 and can be utilized by the City for acquisition of Wendover Gas. In addition to the appraisal, the City
3 also must complete a preliminary engineering report ("PER") and feasibility study, both to be
4 submitted to the USDA by August of 2012, to continue to be eligible to receive the Nevada-specific
5 funding for acquisition of Wendover Gas and POW.² It is the Commission's and BCP's understanding
6 that if these three steps are undertaken to the satisfaction of USDA, and Ms. Green continues to assent
7 to the sale of Wendover Gas and POW, that an acquisition by the City can take place, utilizing USDA
8 low-interest loans.
9

10
11 Given the steps taken by Ms. Green to begin negotiations with the City for the sale of her
12 companies, it is unclear to the Commission or the BCP to what extent there may be need to further
13 explore the opportunity for Wendover Gas to bring CNG or LNG to the City. Moreover, there was
14 little support for such a proposal at the February 22, 2012 meeting held. The Peppermill casinos
15 voiced support during the February 22, 2012 meeting for the City to purchase Wendover Gas. Since
16 the meeting, Mr. Hug has indicated that the Peppermill casinos have determined that they would not
17 entertain either the CNG or LNG proposals. Specifically, the Peppermill casinos would not commit to
18 taking service from Wendover Gas, even though such a commitment might have led to CNG or LNG
19 being feasible. Similarly, the Commission and BCP are unsure what the position of all the other
20 casinos is regarding this matter, although none of the casinos that participated in the February 22, 2012
21 meeting voiced any commitment or interest in the Receiver's proposal to bring CNG or LNG to the
22 City.
23
24

25 Importantly, at the March 6, 2012 City Council meeting, the City Council also approved a final
26

27
28 ² The City Council did not vote to begin the PER or feasibility study. The Commission and the BCP understand that once the appraisal is conducted and Ms. Green decides to move forward with the sale of her companies to the City after reviewing the appraisal, the city manager will ask the City Council to move forward with the negotiations, specifically to pay for and conduct a PER and feasibility study.

1 site plan request for Generation 2010 dba Red Garter Hotel & Casino ("Red Garter") for installation of
2 a Nevada-licensed LPG (propane) tank at the Red Garter's property in West Wendover. The Red
3 Garter was the last casino taking service from Wendover Gas, and represented a significant portion
4 (approximately 13%) of Wendover Gas' non-residential sales.

5
6 As the Commission discussed at the February 22, 2012 meeting held amongst the interested
7 stakeholders, as the volume of LPG sold by Wendover Gas continues to decrease, prices must continue
8 to increase in order to cover the utility's costs. The Commission and the BCP believe that this
9 represents an additional hurdle that must be overcome in order for the temporary increase in rates to
10 have a positive effect on Wendover Gas' financial condition.

11
12 In fact, it is questionable whether Wendover Gas, with its current customer base and financial
13 condition, can complete the conversion to a natural gas system (CNG or LNG) without the
14 commitment of one or more of the casinos to take natural gas service. Mr. Di Grazia has indicated that
15 the City is of the opinion that the current Franchise Agreement, City Ordinance No. 96-02
16 ("Ordinance"), does not give the City the power to force the casinos to take service from Wendover
17 Gas. Given that the casinos appear to have no interest in taking service from Wendover Gas in the
18 near term – whether it be propane or some form of natural gas service, that the one remaining casino
19 will shortly exit the Wendover Gas system, and the City believes under the present Ordinance it has no
20 legal ability to force the casinos to take any service from Wendover Gas, the Commission and BCP
21 have grave concerns about the continued viability of the Company, and consequently, the health and
22 safety of its customers who rely on Wendover Gas to provide reasonably adequate and continuous
23 service, particularly in the cold winter months. The Commission and BCP will continue to work with
24 and attempt to facilitate further resolution of this matter because of these concerns.

25
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28 Additionally, pursuant to the Court's Order dated February 6, 2012, the Regulatory Operations

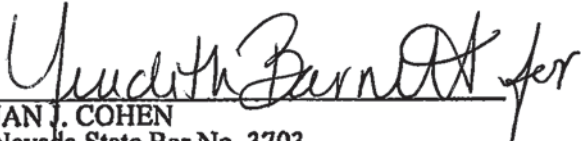
1 Staff of the Commission ("Staff") and the BCP have held discussions related to beginning an
2 investigation of Wendover Gas' rates to ensure that the rates are just and reasonable and not unduly
3 discriminatory. Staff is planning to go to Wendover Gas' offices in late March to conduct an on-site
4 review of some books and records, which has been discussed with the BCP. As part of this rate
5 investigation, Staff plans to utilize 2010 data for the purposes of conducting its rate investigation. At
6 this time, Wendover Gas' financial statements from 2011 are not available for review, given that the
7 Company has not been able to afford to pay its accountants. As such, Staff believes that it would be
8 appropriate to begin its investigation by utilizing the financial statements that are currently available,
9 rather than delay the investigation until an undetermined date in the future when 2011 financial
10 statements may be available. Although the possible acquisition of Wendover Gas by the City (along
11 with POW) appears to be moving forward, Staff and the BCP have nevertheless agreed to continue
12 with the rate investigation.
13
14

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1 Given that the acquisition could conceivably not occur, or negotiations for acquisition could
2 fail, Staff and the BCP believe it is appropriate to conduct the rate investigation pursuant to the Court's
3 Order. A Status Update will be provided outlining the results of the rate investigation or the results of
4 the negotiations between Wendover Gas and the City of West Wendover in the near future.
5

6 DATED this 14 day of March, 2012.

7
8 PUBLIC UTILITIES COMMISSION OF NEVADA

9
10  for

11 JAN J. COHEN
12 Nevada State Bar No. 3703
13 Public Utilities Commission of Nevada
14 9075 W. Diablo Dr.
15 Las Vegas, Nevada 89148
16 702-486-7242
17 jcohen@puc.nv.gov
18 Attorney for the
19 Public Utilities Commission of Nevada

20
21 CATHERINE CORTEZ MASTO
22 Attorney General

23 ERIC WITKOSKI
24 Consumer Advocate

25 

26 PAUL E. STUHFF
27 Senior Deputy Attorney General
28 555 E. Washington Street, Suite 3900
Las Vegas, NV 89101
pstuhff@ag.nv.gov

Attorneys for the State of Nevada

EXHIBIT 10

FOURTH JUDICIAL DISTRICT COURT
FILED IN OPEN COURT

1 CASE NO. CVC08849

Date: 2-5-09

2 DEPT. NO. 1

Time: 11:09 AM

3

Clerk: [Signature]

4

**IN THE FOURTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
IN AND FOR ELKO COUNTY**

5

6

7

8

9 **IN THE MATTER OF WENDOVER)**

10 **GAS COMPANY)**

11 _____)

12

ORDER GRANTING MOTION FOR APPOINTMENT OF PERMANENT RECEIVER

13

14 THIS MATTER comes before the Court pursuant to a Motion for Appointment of a Permanent
15 Receiver filed on January 9, 2009 by the Public Utilities Commission of Nevada ("Commission").

16

17 On November 10, 2008, the Court issued an Order granting the Petition for the Appointment of
18 a Temporary Receiver. The Court appointed Steve Shute of Pipeline Solutions, Inc., P.O. Box 1054,
19 Glenwood Springs, Colorado, as Temporary Receiver. The Court retained jurisdiction over this matter
20 for 90 days. The Court ordered the Commission to return and make a recommendation to the Court at
21 the end of this period as to whether the Temporary Receivership should be continued, terminated, or
22 whether a permanent receiver should be appointed.

23

24 On December 29, 2008, the Commission voted to issue an Order Regarding Permanent
25 Receivership, which accepted a Stipulation signed by counsel for the City of West Wendover,
26 Wendover Gas Company, and the Regulatory Operations Staff of the Commission. The Commission
27 recommends and requests that this Court appoint Steve Shute as Permanent Receiver for Wendover
28 Gas in accordance with the Commission's Order in Docket No. 08-10034, issued on December 31,
2008.

29

Good cause appearing, the Court orders that the Motion for Appointment of a Permanent

Public Utilities Commission of Nevada
1150 E. William Street
Carson City, NV 89701-3109

1 Receiver filed on January ____, 2008 by the Commission be GRANTED.

2 Steve Shute is hereby APPOINTED Permanent Receiver for Wendover Gas Company until such
3 time that (a) Wendover Gas is sold to an unrelated third party, (b) the Court determines that a Receiver
4 is no longer necessary, or (c) Steve Shute Petitions the Court to be discharged or relieved as Permanent
5 Receiver and the Court appoints a successor receiver.

6 Steve Shute shall execute the duties of Permanent Receiver as outlined in the Stipulation
7 accepted by the Commission in Docket No. 08-10034 on December 31, 2008.

8
9 DATED this 5 day of Feb., 2009

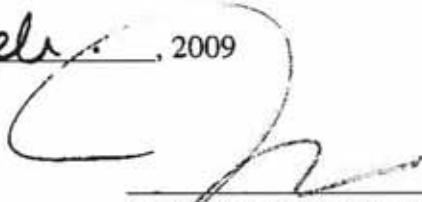
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14 HON. J. MICHAEL MEMEO
15 DISTRICT JUDGE
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EXHIBIT 11

1 CASE NO. CV-C-08-849
2 DEPT. I

2012 FEB 22 A 11:00

DISTRICT COURT

DEPUTY VA

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6 IN THE FOURTH JUDICIAL DISTRICT COURT
7 IN AND FOR THE COUNTY OF ELKO NEVADA
8

9
10)
11)
12 IN THE MATTER OF WENDOVER GAS)
13 COMPANY)

**ORDER GRANTING MOTION
FOR EXPEDITED APPROVAL OF
GENERAL RATE INCREASE**

14
15 This matter came before the Honorable Charles M. McGee pursuant to Receiver, Steven Shute's,
16 Motion for Expedited Approval of General Rate Increase. A hearing was held on December 21, 2011, at
17 which appearances were made by Proctor J. Hug, Esq., for Peppermill Casinos, Inc. and Wendover
18 Casinos, Inc. [collectively the "Casinos"]; Gary E. Di Grazia, Esq., for The City of West Wendover [the
19 "City"]; Paul E. Stuhff, Esq., for the Nevada Attorney General's Bureau of Consumer Protection [the
20 "BCP"]; Samuel S. Crano, Esq. and Meredith L. Barnett, Esq., for the Public Utilities Commission of
21 Nevada [the "PUC"]; Nancy Green, for Wendover Gas Company ["Wendover Gas"]; and Steven Shute
22 ["Receiver"] by telephone. Based upon the Court's review of the papers and pleadings filed herein, the
23 arguments made by the parties and the amici curiae at the hearing, and good cause appearing, the Court
24 finds as follows:

25 1. On February 5, 2009, this Court appointed Steven Shute Permanent Receiver of
26 Wendover Gas Company. Receiver's powers and duties are described in that Stipulation filed

1 herein which was executed by the City, Wendover Gas, and the Regulatory Operations Staff ["Staff"] of
2 the PUC, and approved by the Commission in Docket No. 08-10034. Receiver's powers include the
3 authority to "request modification of Wendover's [Gas] rates from the Court."

4 2. On November 17, 2011, Receiver filed a Motion for Expedited Approval of General Rate
5 Increase requesting this Court's approval to increase Wendover Gas' General rate to \$1.00 per therm for
6 Residential Customers and to \$0.89 per therm to Commercial Customers.

7 3. On December 7, 2011, this Court issued its Order and Notice of Order Setting Hearing on
8 [Receiver's] Motion. The Court's December 7, 2011, Order set the date for hearing Receiver's Motion
9 on shortened time, identified certain concerns the Court had in the first instance regarding the
10 implications of Receiver's Motion, identified various parties who had direct interest in the outcome of
11 Receiver's Motion, invited amicus briefing, directed that the December 7, 2011 Order be published as a
12 legal notice in a newspaper servicing West Wendover, required service of Receiver's Motion,
13 Receiver's Proposed Order, and the December 7, 2011 Order upon the Consumer Advocate of the State
14 of Nevada, and identified an in-exhaustive list of specific issues to be addressed at the hearing.

15 4. At the December 21, 2012 hearing, Receiver indicated that he performs his duties at no
16 cost to Wendover Gas. The Court finds Receiver to be knowledgeable and experienced in the operation
17 of rural gas companies. Receiver expressed a possible interest in future ownership of Wendover Gas.
18 Moreover, Receiver's own company, Pinedale Gas, is a potential future partner or owner of Wendover
19 Gas.

20 5. In his moving papers and at the hearing, Receiver represented that timing is critical due to
21 the serious financial condition of Wendover Gas.

22 6. During the course of the hearing it was disclosed that Wendover Gas and Propane of
23 Wendover share office space and employees. Common costs may be allocated between the two
24 companies based on volumes of propane sold. Wendover Gas and Propane of Wendover have one
25 Owner/Officer, Nancy Green, and two employees.

26 7. The City is unopposed to the General Rate increase.

- 1 8. The PUC recommends that the requested General Rate increase be granted.
2 9. The BCP neither supports nor opposes the General Rate increase requested.
3 10. The Casinos take no position for or against the proposed General Rate Increase.

4 **11. The Court finds that while in Receivership, Wendover Gas rates are under the jurisdiction**
5 **of the Fourth Judicial District Court of the State of Nevada.**

6 12. The Court further finds that the BCP and the PUC are statutorily vested with the
7 oversight and investigation of public utilities. In addition, the Court finds that the nature of the existing
8 Receivership and financial condition of Wendover Gas justifies allowing oversight and investigation to
9 continue to vest in the BCP and the PUC even if a continuation of such oversight and/or investigation
10 was not contemplated in the parties' original stipulation. To that end, Staff and the BCP will investigate
11 Wendover Gas and its General Rates to determine if said rates are just and reasonable and not unjustly
12 discriminatory. (*See, e.g.,* Nevada Revised Statutes ("NRS") 704.120 and NRS 228.360(1)(b)(2).) Staff
13 and the BCP will provide a report, either individually or jointly, to the Court and the participating amici
14 curiae at least five (5) court days prior to July 3, 2012 indicating the results of the investigation.

15 **13. The extended time period of the receivership of Wendover Gas, which has now reached**
16 **approximately three years in duration, is not within the contemplation of the original stipulation that**
17 **established the receivership and is inconsistent with the general purpose of receivership. *See, e.g.,***
18 ***Bowler v. Leonard*, 70 Nev. 370, 269 P.2d 833 (1954), citing *Ex rel. Nenzel v. District Court*, 49 Nev.**
19 **145, 241 P. 317 (1925) (Court should not appoint receiver or continue receivership where it would not**
20 **serve a proper purpose). Therefore, the existing, stipulated receivership of Wendover Gas should be**
21 **concluded in an orderly and reasonable manner that does not adversely affect its ratepayers.¹**

22
23 The Court takes note of the following additional representations made during the course of the

24
25 ¹ The order establishing the receivership of Wendover Gas, dated February 5, 2009, states that the
26 receivership should only be in place until such time that: a) the Wendover Gas Company is sold to an
unrelated party; b) the Court determines that a receiver is no longer necessary, or c) Steve Shute
petitions the Court to be discharged or relieved.

1 December 21, 2011 hearing:

2
3 14. Wendover Gas passes through the cost of propane from its supplier to customers on a
4 one-for-one basis. (According to statement made by Steve Shute.)

5 15. General costs of Wendover Gas have not increased materially since the Company
6 received its last general rate increase in 2008. (According to statement made by Steve Shute.)

7 16. Wendover Gas' proposed rate increase is proposed at a level that is slightly less than the
8 cost of a customer converting to a propane tank system and bypassing the Wendover Gas pipeline
9 system. (According to statement made by Steve Shute.)

10 17. After a period of being served from the Wendover Gas pipeline system, the major casinos
11 stopped service and installed their own propane tank systems. (According to statements of Steve Shute
12 and Nancy Green.)

13 18. The major West Wendover casinos comprise approximately two-thirds of the total
14 heating demand in the city. (According to statement of Steve Shute.)

15 19. Without the participation of the major casinos to share the up-front costs, the introduction
16 of natural gas through either a pipeline, an LNG system (Liquefied Natural Gas), or CNG system
17 (Compressed Natural Gas), is not reasonably possible. (According to statement of Steve Shute.)

18 20. Natural gas is the preferred fuel and the long-term solution for the customers of the City
19 of West Wendover because the commodity cost of natural gas is generally much less than that of
20 propane. The current price of natural gas in southwest Wyoming is about \$0.40 per therm while the cost
21 of delivered propane to West Wendover is about \$2.00 per therm. (According to statement of Steve
22 Shute.)

23 21. A project to bring LNG to West Wendover that would have potentially saved the
24 combined community and businesses of West Wendover about \$400,000 per year was formulated, but
25 the project was rejected by the casinos. The nearest natural gas pipeline is the Ruby Pipeline that began
26 service in 2011. It is about 55 miles away and the cost to run a pipeline from West Wendover to the

1 Ruby Pipeline would be about \$6,000,000. Without the casinos' participation, the project has no chance
2 of success. (According to statements of Steve Shute and Nancy Green.)

3 22. A project to bring CNG to West Wendover is currently being explored. The economics
4 are not as favorable as LNG, but would still result in net savings to the community. (According to
5 statement of Steve Shute.)

6 23. The ongoing survival of Wendover Gas as a propane or natural gas supplier to the city is
7 in doubt if the major casinos continue to bypass the pipeline system that was built to serve them.
8 (According to statement of Steve Shute.)

9 24. If rates are increased to \$1.00 per therm, the average Wendover Gas customer will see
10 about an average monthly increase in bills of \$10.00 per month over an annual period. (According to
11 statement of Steve Shute.)

12 25. The Court asked for, and received, non-binding pledges from the stake holders present at
13 the hearing to meet in a good faith effort to develop a proposal or proposals for the Court to consider as
14 a long term solution to the heating and energy problems presently facing the citizens of Wendover, as
15 well as, a methodology for the ultimate termination of the Receivership.

16 26. The City of West Wendover is willing to consider an offer from Wendover Gas for the
17 City to purchase the system. (According to statement of Mr. Di Grazia.)

18 Therefore, good cause appearing,

19 **IT IS HEREBY ORDERED** that Receiver Steven Shute's Motion for Expedited Approval of
20 General Rate Increase to \$1.00 per therm for residential customers and \$0.89 per therm for commercial
21 customers is GRANTED on a temporary basis. The requested increase in rates shall take effect on
22 January 1, 2012 and expire on July 3, 2012.

23 **IT IS FURTHER ORDERED** that the parties and amici curiae shall file a report on or before
24 March 15, 2012, and a second report at least five (5) court days prior to July 3, 2012, indicating what has
25 been accomplished with regard to short-term and long term solutions or arrangements to continue
26 propane or other gas service to the West Wendover area, as well as, steps taken which may lead to the

1 orderly and reasonable termination of the Receivership.

2 **IT IS FURTHER ORDERED** that the BCP and the PUC may conduct reasonable discovery
3 concerning Wendover Gas' operations, financial stability, ownership, profit and loss, and any other facts
4 reasonably related to the subject matter of Receiver's Motion for Expedited Approval of General Rate
5 Increase, the facts elicited at the December 21, 2012 hearing and the viability of Wendover Gas.

6 **IT IS FURTHER ORDERED** based upon the consent of Nancy Green and Propane of
7 Wendover and facts disclosed during the hearing indicating that Propane of Wendover shares and
8 commingles employees, property and ownership with Wendover Gas, that the BCP and the PUC may
9 conduct reasonable discovery concerning Propane of Wendover and Nancy Green relating to Propane of
10 Wendover's operations, financial stability, ownership, profit and loss, and any other facts reasonably
11 related to the subject matter of Receiver's Motion for Expedited Approval of General Rate Increase, the
12 facts elicited at the December 21, 2012 hearing and the viability of Wendover Gas and/or Propane of
13 Wendover.

14 This matter is set for continued hearing on July 3, 2012 at 10:00 a.m. in Department 1 of the
15 Fourth Judicial District Court in Elko, Nevada before Senior Judge Charles M. McGee.

16 DATED this 6th day of February, 2012.

17
18
19
20 
21 CHARLES M. MCGEE
22 SENIOR DISTRICT COURT JUDGE
23
24
25
26

CERTIFICATE OF MAILING

Pursuant to NRCP 5(b), I hereby certify that I am an employee of the Fourth Judicial District Court, Department I, and that on this 22nd day of February, 2012, I deposited for mailing in the U.S. mail at Elko, Nevada, postage prepaid, a copy of the foregoing document to:

Jan Cohen
General Counsel
Nevada Public Utilities Commission
1150 E. William Street
Carson City, NV 89701

Gary DiGrazia, Esq.
Attorney for West Wendover
PO Box 1358
Elko, NV 89801

Jeffrey W. Crockett, Esq.
Snell & Wilmer
One Arizona Center
Phoenix, AZ 85004-0001

Michael Carano
Nevada Power Company
PO Box 10100
Reno, NV 89520

Chris Melville
City of West Wendover
PO Box 2825
West Wendover, NV 89883

Nancy Green
Wendover Gas Company
PO Box 274
Wendover, UT 84083

Steven Shute, PE
Pipeline Solutions
PO Box 1054
Glenwood Springs, CO 81602

Proctor J. Hug, Esq.
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Jacob Hafter, Esq.
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Las Vegas, NV 89128

Debra Terwilliger, Esq.
Public Utilities Commission of Nevada
1150 E. William Street
Carson City, NV 89701

Dated this 22nd day of February, 2012.

LINDA SARMAN



PES

INDUSTRIAL AND WHOLESALE GAS EQUIPMENT

Division of Dixie Transport, Inc.
3768 South 300 West
Salt Lake City, Utah 84115
www.pesequipment.com

Phone (801) 261-4157
(800) 841-6408
Fax (801) 262-6871

August 8, 2012
Jeffery W. Crockett, Esq.
Brownstein Hyatt Farber Schreck LLP
One East Washington Street, Suite 2400
Phoenix, Arizona 85004

Re: Wendover Gas, Wendover Propane Appraisal
Dear Mr. Crockett,

I have grown up in the propane industry and have installed in excess of 100 propane installations of this size and complexity in the Forty Two plus years of my carrier. I hold several state contractor licenses along with many state required propane gas fitter licenses. Because of my time in the industry and my experience with projects of this type and size I believe that my qualifications allow me to provide an accurate assessment of the current replacement value of propane distribution systems located in Wendover Utah and West Wendover Nevada.

I have used a current replacement formula to appraise all of the underground pipe distribution systems located in West Wendover Nevada and Wendover Utah along with my best estimate of labor and other experiences to complete the installations. In formulating this estimate I also factored in used tanks at current replacement cost. With respect to all of the other equipment I have used current replacement values including labor.

Current replacement: **\$1,833,610.00.**

Having reviewed the provided equipment list for portable storage tanks, leased customer tanks, all of the service trucks and equipment inventory I would include an additional value of:
\$336,080.00

Total Replacement Value \$2,169,690.00

During my experience of owning and operating a propane business with eleven locations and having purchased several propane businesses, my liquidation value is based upon experience and the current market value of ongoing propane businesses. I did use a formula but first I removed some assets I considered to be of little or no value if the business were to be liquidated such as engineering \$60,000.00, a percent of legal fees \$45,000.00 and then applied a multiplier of 75%.

Liquidation value: \$1,550,000.00

I must take some time to explain the current state of the propane industry!

The propane industry has been going through a long period of consolidation. Because of this pressure the valuations of propane companies have risen to historic highs.

To compound the upward pressures the cost of propane tanks and supplies such as pipe, regulators and labor have risen significantly.

I am not aware of a propane company declaring bankruptcy in recent memory and because of that stability, propane businesses are highly prized enterprises.

The figure of 25% was arrived at by my experience dealing with companies (not in the propane industry) that for one reason or another dispose of propane storage tanks and equipment.

Companies are able to sell surplus propane tanks and equipment when they discount their sales price by 25% of replacement value with little effort or time.

The market for used propane tanks and equipment is very large and active with substantial sales volumes.

I am not aware of any bankruptcy activity in our geographical region; the deduction of 25% was made because of my experience buying and selling used propane equipment throughout the United States.

The underground portion of this business will retain a very high value throughout its life time because of the quality of the materials used and the ever present inflation of materials and labor. This system is not only capable of distributing propane gas but can be an excellent distribution system for natural gas should the opportunity present itself.

All of the assets of Propane of Wendover should be considered very desirable and easy to sell to a third party.

In my opinion the liquidation value I offered was very aggressive and should be considered easily obtainable if need be.

In closing I would like to thank you for this opportunity to be of service to you and I hope that you will contact me if further needs arise.

Respectfully,



Paul Eardley

Vice President

Propane Equipment and Supply