

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF TEXAS GAS SERVICE COMPANY FOR TEST YEAR 2008 ANNUAL INTERIM RATE ADJUSTMENT FOR UNINCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA	GAS UTILITIES DOCKET NO. 9996
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2000 & Supp. 2007). The Railroad Commission of Texas (Commission) adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Texas Gas Service Company (TGS), a division of ONEOK, Inc., owns and operates a natural gas distribution system that serves customers in the Rio Grande Valley Service Area (RGVSA).
2. The RGVSA includes the following cities and their environs: Alamo, Alton, Bayview, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Heights, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Monte Alto, Olmito, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Carlos, San Juan, Santa Rosa, and Weslaco, Texas. Within the unincorporated area of the RGVSA, TGS serves approximately 2,885 residential, 196 commercial and church, 24 industrial, 36 public authority, and 27 transportation customers. (Application at 1)
3. On July 7, 2010, TGS filed with the Commission, pursuant to Texas Utilities Code Sec. 104.301 and Rule §7.7101, an application to implement a Interim Rate Adjustment (IRA) for 2008 and 2009 applicable to customers in the unincorporated RGV Service Area.
4. TGS proposed the Interim Rate Adjustment applicable to customers in the unincorporated RGV Service Area become effective on September 5, 2010. (Application at 2)
5. On July 9, 2010, the Gas Services Division suspended the effective date of TGS' proposed Interim Rate Adjustment for up to 45 days from September 5, 2010 to October 20, 2010, pursuant to Texas Utilities Code Sec. 104.301(a) and Rule §7.7101(a)(6)(B).

6. On September 28, 2010, TGS extended the statutory deadline for Commission action in this case until December 14, 2010.
7. On October 15, 2010, TGS filed a revised application to implement a Interim Rate Adjustment (IRA) for test year 2008 applicable to customers in the unincorporated RGV Service Area.
8. As required by Rule §7.7101(b)(6), the Company's public notice to customers invited any affected person to file written comments or protests concerning the proposed Interim Rate Adjustment.
9. The Gas Services Division received zero (0) comments and protest letters from affected persons.
10. The Gas Services Division received zero (0) requests to intervene in Docket No. 9996 from affected persons.
11. TGS' most recent Statement of Intent to change rates applicable to the unincorporated RGV Service Area was filed by TGS on November 17, 2006, and administered in Gas Utilities Docket No. 9708, *Statement of Intent Filed by Texas Gas Service Company to Change Rates in the Unincorporated Areas of the Rio Grande Valley Service Area*.
12. TGS' current Customer Charges applicable to the unincorporated RGV Service Area were approved by the Commission on April 10, 2007, as described in the *Final Order* resulting from Docket No. 9708.
13. Subsequent to Docket No. 9708, TGS' first Interim Rate Adjustment applicable to the unincorporated RGVSA was approved by the Commission on July 29, 2008, as described in the *Interim Rate Adjustment Order* resulting from Gas Utilities Docket No. 9800, *Application of Texas Gas Service Company for the 2006 Annual Gas Reliability Infrastructure Program Rate Adjustment for the Unincorporated Areas of the Rio Grande Valley Service Area*.
14. Subsequent to Docket No. 9800, TGS' second Interim Rate Adjustment applicable to the unincorporated RGVSA was approved by the Commission on July 14, 2009, as described in the *Interim Rate Adjustment Order* resulting from Gas Utilities Docket No. 9871, *Application of Texas Gas Service Company for the 2007 Annual Gas Reliability Infrastructure Program Rate Adjustment for the Unincorporated Areas of the Rio Grande Valley Service Area*.
15. The instant case, Gas Utilities Docket No. 9996, is TGS' third application to establish an Interim Rate Adjustment applicable to the unincorporated RGVSA.
16. For TGS' most recent RGVSA rate case and the three subsequent Interim Rate Adjustment cases, revenue requirement amounts initially requested by TGS and settlement amounts that TGS and the RGVSA incorporated cities negotiated are shown in Table 1.0, following.

Table 1.0 Revenue Requirement Summary for RGV Service Area

A	B	C	D	E	F
1		Docket No. 9708	Docket No. 9800	Docket No. 9871	Docket No. 9996
2	Initially requested by TGS before settlement	\$3,374,243	\$692,316	\$428,187	\$435,853
3	Settlement amount from total Rio Grande Valley Service Area (RGVSA)	\$2,265,300	\$684,904	\$417,939	N/A
4	Settlement amount from 34 cities in RGVSA	\$2,135,187	\$641,036	\$391,870	N/A
5	Settlement amount from environs in RGVSA	\$130,113	\$43,868	\$26,069	\$29,155

17. The 12-month test year end dates for Gas Utility Docket Nos. 9708, 9800, 9871, and 9996 were September 30, 2005, December 31, 2006, December 31, 2007, and December 31, 2008, respectively.
18. For Gas Utility Docket Nos. 9708, 9800, 9871, and 9996 TGS' customer counts for the unincorporated RGV Service Area and the RGV Service Area incorporated cities are shown in Exhibit B to this decision.
19. Until promulgation of Sec. 104.301 of the Texas Utilities Code, a gas utility could initiate rate increases applicable to customers in unincorporated areas only by filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
20. Section 104.301 of the Texas Utilities Code provides TGS an opportunity to recover, subject to refund, its annual infrastructure investment costs, including incremental depreciation expense, incremental ad valorem taxes, incremental federal income taxes, and a return on its incremental investment, without the necessity of filing a statement of intent rate case and without an immediate review by the Commission of TGS' comprehensive cost of service.

Applicability

21. This docket applies only to rates over which the Commission has original jurisdiction, including rates applicable to the unincorporated RGV Service Area.

22. As of December 31, 2008, TGS had approximately 3,168 customers in the unincorporated RGV Service Area, as shown in Exhibit B, attached. Of these, 2,885 were residential customers, 196 were commercial and church customers, 24 were industrial customers, 36 were public authority customers, and 27 were transportation customers. (TGS November 4, 2010 response to Request for Information No. (2) 1-8.)

Most Recent Comprehensive Rate Case

23. In Docket No. 9708, TGS' most recent rate case, the Commission approved a rate of return of 8.055% for future RGV Service Area Interim Rate Adjustment applications, a rate of return of 8.4% for earnings monitoring, a composite depreciation rate of 3.4714%, and a federal income tax rate of 35%, as shown in Table 2.0, below. (Docket No. 9708 Final Order, Finding of Fact Nos. 20, 21 and attachment titled "GRIP DATA POINTS")

Table 2.0 Factors approved by the Commission in Docket No. 9708

Rate of return for future RGV Service Area Interim Rate Adjustment applications by TGS	8.055%
Rate of return to be used in future Earnings Monitoring Reports	8.4%
Depreciation rate, composite	3.4714%
Federal Income Tax rate	35%

24. In Docket No. 9708, the Commission approved these annual depreciation rate factors for individual asset accounts: (TGS November 4, 2010, response to Request for Information No. (2) 1-5)
- 5% for Transmission plant Account Nos. 325, 327-329, 332-334, 336 and 337,
 - 2.5% for Transmission plant Account Nos. 366, 367, 368, 369 and 371,
 - 3.5% for Distribution plant Account Nos. 375-383 and 385-387,
 - 4.5% for General Plant, Account No. 390, and
 - 9% for General Plant, Account Nos. 391.1-391.3, 393, 397 and 398.
25. In Docket No. 9708, the Commission approved Customer Charges applicable to the unincorporated RGV Service Area, as shown in Table 3.0, Column B, following.

Interim Rate Adjustments

26. In Docket No. 9800, the Commission approved TGS' first Interim Rate Adjustment applicable to the unincorporated RGV Service Area as shown in Table 3.0, Column C, following. The first Interim Rate Adjustment was calculated to recover TGS' incremental investment which occurred in 2006.

27. In Docket No. 9871, the Commission approved TGS' first Interim Rate Adjustment applicable to the unincorporated RGV Service Area as shown in Table 3.0, Column D, following. The first Interim Rate Adjustment was calculated to recover TGS' incremental investment which occurred in 2007.
28. In this Docket No. 9996, TGS proposed its second Interim Rate Adjustment, which is calculated to recover TGS' 2008 incremental investment through a \$.38 increase for residential customers, a \$2.40 increase for commercial and church customers, a \$1.73 increase for industrial customers, a \$2.34 increase for public authority customers, and a \$27.34 increase for transportation customers. (TGS Revised Application at 2)
29. TGS' third Interim Rate Adjustment, shown in Table 3.0, Column E, when added to existing charges, will result in a bill increase for the unincorporated RGVSA, as shown in Column F, following.

Table 3.0 Unincorporated RGVSA Customer Charges and Interim Rate Adjustments

A	B	C	D	E	F
Customer type	Current Customer Charge	2006 Interim Rate Adjustment	Current 2007 Interim Rate Adjustment	Proposed 2008 Interim Rate Adjustment	Total
Residential	\$9.50	\$.58	\$0.36	\$0.38	\$10.82
Church	\$12.50	\$3.92	\$2.33	\$2.40	\$21.15
Commercial	\$25.00	\$3.92	\$2.33	\$2.40	\$33.65
Industrial	\$50.00	\$10.95	\$5.90	\$1.73	\$68.58
Public Authority	\$30.00	\$3.53	\$2.18	\$2.34	\$38.05
T-1 Transportation	\$50.00	\$47.35	\$30.47	\$27.34	\$155.16
T-2 Transportation	\$250.00	\$47.35	\$30.47	\$27.34	\$355.16
Docket numbers	Dkt. 9708	Dkt. 9800	Dkt. 9871	Dkt. 9996	

30. TGS did not make a 2008 Interim Rate Adjustment for the RGVSA incorporated cities. Instead, TGS filed on March 27, 2009 a statement of intent rate case with RGVSA incorporated cities.
31. TGS' Interim Rate Adjustment was based upon the difference between the value of the Company's invested capital on December 31, 2008 and the value of the invested capital on December 31, 2007 as required by Rule §7.7101(f)(3). The value of invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
32. For 2008, TGS reported incremental Gross Plant in Service investment of \$4,318,860. (TGS Revised Application, Attachment A, page IRA-9, column (e), line 50)
33. For 2008, TGS reported incremental Accumulated Depreciation of \$1,841,041. (TGS Revised Application, Attachment A, page IRA-9, column (h), line 50)

34. After reducing \$4,318,860 of Gross Plant in Service by \$1,841,041 of Accumulated Depreciation, the net increase in Rate Base for 2008 for the RGVSA was \$2,477,820. (TGS Revised Application, Attachment A, page IRA-9, columns (e), (h) and (i), line 50)
35. For 2008, TGS reported incremental depreciation expense of \$154,674, as permitted by Rule §7.7101(f)(4)(B). (TGS Revised Application, Attachment A, page IRA-9, column (g), line 50)
36. For 2008, TGS reported incremental federal income taxes and ad valorem taxes of \$81,591, as outlined in Rule §7.7101(f)(4)(C) and (E). (TGS Revised Application, Attachment A, page IRA-3, column (c), line 7)
37. For 2008, TGS used an overall rate of return of 8.055% to calculate an incremental increase in return of \$199,588, consistent with Rule §7.7101(f)(4)(A). (TGS Revised Application, Attachment A, page IRA-3, column (c), line 5; also page IRA-15)
38. TGS used the same factors to calculate the Docket No. 9996 return on investment, depreciation expense, and federal income tax as those established in the Docket No. 9708 *Final Order*, consistent with Rule §7.7101(f)(5).
39. As required by Texas Utilities Code Sec. 104.301(f), TGS filed an annual earnings monitoring report. The report states that TGS' actual rate of return in 2009 was 2.49% as compared with the 8.4% allowed rate of return established in Docket No. 9708 for earnings monitoring purposes. (TGS Revised Application, Attachment D)
40. For 2008, TGS reported an incremental increase in revenue requirement attributable to RGV SA infrastructure investment of \$435,853. Of this amount \$29,155 will be recovered from customers in unincorporated areas. (TGS' TGS Revised Application, page 2 and Attachment A, IRA-3, column (c), line 8)
41. To determine the 2008 incremental increase in revenue requirement of \$435,853 attributable to RGV Service Area infrastructure investment, TGS summed depreciation expense, taxes, and the increase in return, as shown in Exhibit C, attached. (TGS Revised Application, Attachment A, IRA-3, column (c), line 8)
42. TGS affirmed that no centralized call center investment, no division plant investment and no allocated corporate plant investment, with the exception of allocations of division and corporate investments in computer systems, were included in the investment used to calculate the Docket No. 9996 Interim Rate Adjustment revenue requirement. (TGS November 4, 2010 response to Request for Information Nos. (2) I-1 and (2) I-11)
43. TGS affirmed that no costs were included in this filing for entertainment, alcoholic beverages, or meals. (TGS November 4, 2010 response to Request for Information No. (2) I-2)

44. As required by Sec. 104.301(a) of the Texas Utilities Code and Rule §7.7101(f)(6), TGS allocated the incremental revenue requirement among customer classes in the same manner the cost of service was allocated among customer classes in Docket No. 9708, as shown in Table 4.0, below. (Application, Attachment A, page IRA-16)

Table 4.0 Revenue Requirement Allocation for the unincorporated RGV Service Area

Customer Class	Allocation Factors
Residential	0.6822
Commercial	0.2347
Industrial	0.0021
Public Authority	0.0330
Standard – Regular (T-1)	0.0227
Standard – Large (T-2)	0.0254
Total System	1.0000

45. TGS' application included an annual report describing 445 investment projects completed during 2008. [T.U.C. 104.301(e) and Rule §7.7101(d)] According to the report, RGV Service Area investment projects for 2008 totaled \$3,805,075 before accounting adjustments and \$4,318,860 after such adjustments.
46. TGS' proposed Interim Rate Adjustment is a flat rate for each customer class to be added to monthly Customer Charges, as permitted by Sec. 104.301(a) of the Texas Utilities Code and Rule §7.7101(f)(7).
47. Per Rule §7.7101(f)(7), TGS is required to show the Interim Rate Adjustment on its customers' monthly billing statements as a surcharge.

Notice

48. On July 7, 2010, TGS included a copy of its written public notice in the Application, Attachment A, page IRA-2. As required by Rule §7.7101(b)(5), the written letter of notice of the Interim Rate Adjustment included the website address where the application could be publicly viewed via the Internet.
49. On July 7, 2010, TGS provided an employee affidavit affirming that the written letter of notice of the Interim Rate Adjustment application will be provided to customers in the unincorporated RGVSA no later than August 21, 2010.
50. Per Rule §7.7101(b), mailed notice is deemed complete three days after the notice is mailed; thus, notice to affected customers of the application was complete on August 24, 2010, three days after the August 21, 2010 mailing date.

Comprehensive Rate Case Requirement

51. TGS is not required to file a statement of intent rate case at the time it applies for approval to implement an Interim Rate Adjustment.
52. If TGS does not file a rate case for the RGV Service Area before July 29, 2013, which is the fifth anniversary of the date its initial Interim Rate Adjustment became effective, TGS must file a rate case not later than January 25, 2014, which is the 180th day after that anniversary.

Review of Interim Rate Adjustment Application

53. TGS filed its revised application with the Commission 60 days before the proposed implementation date of the Interim Rate Adjustment, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a)(2) (2004).
54. TGS' application included each of the components required by 16 TEX. ADMIN. CODE §7.7101(c) (2004).
55. TGS' application included an annual report describing investment projects completed during 2008 and an annual earnings monitoring report, in accordance with TEX. UTIL. CODE ANN. §104.301(e) and (f). (Vernon 2007)
56. Notice was provided within 45 days after the date the application was filed, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a)(3) and (b) (2004).
57. The methodology used by TGS to develop its Interim Rate Adjustment proposal is consistent with the methodology prescribed in TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(f) (2004).
58. TGS allocated the 2008 Interim Rate Adjustment revenue requirement among its customer classes in the same manner the cost of service was allocated in the Company's most recent rate case for the RGV Service Area, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(f)(6) (2004).
59. TGS' application to implement an Interim Rate Adjustment was reviewed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(g) (2004).
60. TGS' proposed Interim Rate Adjustment applicable to customers in the unincorporated RGVSA is consistent with TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).

61. The reasonableness and prudence of investments, and related expenses and revenues, included in the 2008 Interim Rate Adjustment will be determined in the next rate case for the unincorporated RGVSA, as required by 16 TEX. ADMIN. CODE §7.7101(j) (2004).
62. After issuance of a final order in the next rate case, TGS' investments recovered through the 2008 Interim Rate Adjustment will no longer be subject to a subsequent review for reasonableness and prudence, in accordance with TEX. UTIL. CODE ANN. §104.301(a).
63. It is reasonable for the Commission to approve TGS' Interim Rate Adjustment, subject to refund, until the conclusion of TGS' next rate case for the unincorporated RGV Service Area.

Reimbursement of Expenses Incurred by the Commission

64. TGS is required to reimburse the Commission for estimated expenses incurred by the Commission during the review of this Interim Rate Adjustment application.
65. The Director of the Gas Services Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications and will notify TGS of the amount owed to the Commission, as outlined in Rule §7.7101(m).

CONCLUSIONS OF LAW

1. Texas Gas Service Company, a division of ONEOK, Inc., is a "gas utility" as that term is defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007) and §121.001 (Vernon 2007) and is, therefore, subject to the jurisdiction of the Railroad Commission of Texas.
2. The Commission has jurisdiction over TGS' application to establish an Interim Rate Adjustment under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality.
4. Under the provisions of the TEX. UTIL. CODE ANN. §104.301 (2007) and 16 TEX. ADMIN. CODE §7.7101 (2004), TGS is required to seek Commission approval before implementing an Interim Rate Adjustment applicable to customers in unincorporated areas.
5. Neither TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) nor 16 TEX. ADMIN. CODE §7.7101 (2004) allows a party to intervene in the Commission's review of an Interim Rate Adjustment application.

6. In accordance with 16 TEX. ADMIN. CODE §7.315 (2002), within thirty days of the effective date of any change to rates or services, TGS is required to file its tariff with the Gas Services Division.
7. TGS may not charge any rate that has not been electronically filed and successfully accepted by the Gas Services Division pursuant to TEX. UTIL. CODE ANN. §§102.151 and 104.002 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.315 (2002).
8. TGS is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(d) (2004), to file with the Commission an annual project report.
9. TGS is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2004), to file with the Commission an annual earnings monitoring report.
10. TGS is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2004), to file its next application for an interim rate adjustment no later than 60 days prior to the December 14, 2011 anniversary of the proposed implementation date of this Interim Rate Adjustment application.
11. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(i) (2004), all amounts collected from customers under TGS' Interim Rate Adjustment tariff are subject to refund until the conclusion of the next rate case for the unincorporated RGV Service Area.
12. The Commission has authority to suspend the implementation of the Interim Rate Adjustment, under TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a)(6) (2004).
13. TGS' Interim Rate Adjustment, as set forth in the findings of fact and conclusions of law in this Order, complies with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
14. TGS is required, pursuant to TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(l) (2004), to file no later than January 25, 2014, which is the 180th day after the fifth anniversary of the date its initial Interim Rate Adjustment became effective, a comprehensive rate case for areas in which the Interim Rate Adjustment is implemented.
15. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(m) (2004), to recover from TGS a proportionate share of the Commission's annual costs related to the administration of the Interim Rate Adjustment mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Texas Gas Service Company's Interim Rate Adjustment tariff applicable to customers in unincorporated territories within the Rio Grande Valley Service Area, as shown in Exhibit A, is **HEREBY APPROVED**, subject to refund, with an effective date of December 14, 2010.

IT IS FURTHER ORDERED THAT within 30 days from the date of this *Interim Rate Adjustment Order*, TGS shall electronically file its 2008 Interim Rate Adjustment tariff in proper form that reflects the effective date of December 14, 2010 and the rates shown in Exhibit A, attached.

IT IS FURTHER ORDERED THAT TGS shall not charge any rate that has not been successfully electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT TGS shall file with the Commission no later than October 15, 2011 an application to establish its 2009 Interim Rate Adjustment applicable to unincorporated territories within the Rio Grande Valley Service Area and TGS shall use the same format required for the 2008 Interim Rate Adjustment, including in part:

- the annual project report required pursuant to TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and
- information about relocation projects listed on the annual project report, in the same format required for 2008 and
- the annual earnings monitoring report required pursuant to TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007).

IT IS FURTHER ORDERED THAT TGS shall reimburse the Commission for the Commission's estimated expenses incurred during the review of this application. The amount of the reimbursement shall be determined by the Director of the Gas Services Division.


This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e)(Vernon 2000 & Supp. 2007), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

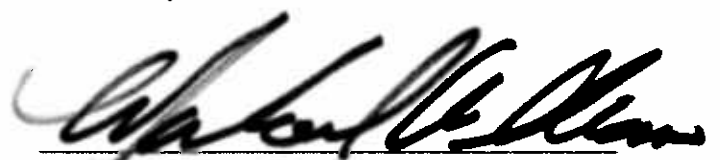
Any portion of TGS' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 14th day of December, 2010.

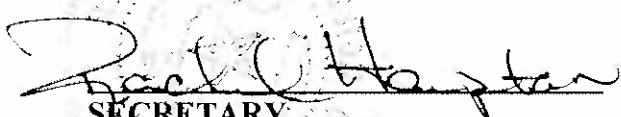
RAILROAD COMMISSION OF TEXAS


VICTOR G. CARRILLO
CHAIRMAN


ELIZABETH A. JONES
COMMISSIONER


MICHAEL L. WILLIAMS
COMMISSIONER

ATTEST


SECRETARY

**Interim Rate Adjustment Order
EXHIBIT A**

Interim Rate Adjustment tariff
applicable to Texas Gas Service Company customers
in unincorporated territories within the Rio Grande Valley Service Area
effective December 14, 2010

TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE IRA-ENV

INTERIM RATE ADJUSTMENT TARIFF 2006, 2007 and 2008

A. APPLICABILITY

This Interim Rate Adjustment (IRA) applies to all general service rate schedules of Texas Gas Service Company (Company) currently in force in the unincorporated areas of Rio Grande Valley Service Area. Applicable rate schedules include 1Z, 2Z, 3Z, 4Z, T-1 and T-2.

B. BILLING

The following Interim Rate Adjustments (IRA-2006 and IRA-2007 and IRA-2008) will be added to the applicable Rate Schedule Customer Charge for each monthly billing period:

Rate Schedule	Customer Class	Current Customer Charge	2006 Interim Rate Adjustment	2007 Interim Rate Adjustment	2008 Interim Rate Adjustment	Total
1Z	Residential	\$9.50	\$.58	\$0.36	\$0.38	\$10.82
2Z	Church	\$12.50	\$3.92	\$2.33	\$2.40	\$21.15
2Z	Commercial	\$25.00	\$3.92	\$2.33	\$2.40	\$33.65
3Z	Industrial	\$50	\$10.95	\$5.90	\$1.73	\$68.58
4Z	Public Authority	\$30	\$3.53	\$2.18	\$2.34	\$38.05
T-1	T-1 Transportation	\$50	\$47.35	\$30.47	\$27.34	\$155.16
T-2	T-2 Transportation	\$250	\$47.35	\$30.47	\$27.34	\$355.16
	Docket numbers	9708	9800	9871	9996	

All applicable fees and taxes will be added to the above rate.

Interim Rate Adjustment Order

EXHIBIT B

RGV Service Area Customer Counts by Customer Class

A	B	C	D	E	F
1		Docket No. 9708	Docket No. 9800	Docket No. 9871	Docket No. 9996
2	Residential customers, RGVSA environs	2,971	2,955	2,944	2,885
3	Residential customers, RGVSA cities	64,144	63,800	63,577	62,305
4	Residential customers, RGVSA total	67,115	66,755	66,521	65,190
5	Commercial customers, RGVSA environs	185	189	194	196
6	Commercial customers, RGVSA cities	3,168	3,227	3,316	3,350
7	Commercial customers, RGVSA total	3,353	3,416	3,510	3,546
8	Industrial customers, RGVSA environs	5	6	7	24
9	Industrial customers, RGVSA cities	4	5	5	19
10	Industrial customers, RGVSA total	9	11	12	43
11	Public authority customers, RGVSA environs	38	38	37	36
12	Public authority customers, RGVSA cities	504	495	489	474
13	Public authority customers, RGVSA total	542	533	526	511
14	Transportation customers, RGVSA environs	23	21	18	27
15	Transportation customers, RGVSA cities	57	37	37	37
16	Transportation customers, RGVSA total	80	58	55	64
17	Total customers, RGVSA environs	3,222	3,209	3,200	3,168
18	Total customers, RGVSA cities	67,877	67,564	67,424	66,186
19	Total customers, RGVSA cities	71,099	70,773	70,624	69,354

Source: TGS' November 4, 2010 response to Request for Information Nos. (2) 1-8 and (2) 1-9.

**Interim Rate Adjustment Order
EXHIBIT C
Rio Grande Valley Service Area
(incorporated and unincorporated areas)**

Net Increase in Rate Base				Net Increase in Revenue Requirement	
Increase in Gross Plant in Service	\$4,318,860	X	Depreciation Rates (various)	Increase in Depreciation Expense	\$154,674
Less: Increase in Accumulated Depreciation	- \$1,841,040			Plus: Increase in Taxes	+ \$81,591
Equals: Net increase in Rate Base of	\$2,477,820	X	Rate of return 8.055%	Plus: Increase in return	+ \$199,588
				Equals: Net increase in Revenue Requirement	\$435,853

Reference: Finding of Fact Nos. 32-41