

RAILROAD COMMISSION OF TEXAS

APPLICATION OF TEXAS GAS	§	
SERVICE COMPANY, A DIVISION	§	
OF ONEOK, INC., TO INCREASE	§	GAS UTILITIES DOCKET No. 10069
RATES AND CHANGE TARIFFS	§	
IN THE ENVIRONS OF ITS EL PASO	§	
SERVICE AREA	§	

FINAL 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, et seq. The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Texas Gas Service Company, a division of ONEOK, Inc. ("TGS") is a gas utility that owns and operates a natural gas distribution system that provides gas service in the cities, towns, and villages of El Paso, Socorro, Clint, Anthony, Horizon City, and Vinton (collectively the "Cities") and their environs (together the "El Paso Service Area" or the "EPSA").
2. By Final Order dated December 14, 2010, in GUD No. 9988, the Railroad Commission of Texas ("Commission") approved gas service rates applicable within the corporate limits of the Cities.
3. TGS implemented the rates approved in GUD No. 9988 within the corporate limits of the Cities on January 19, 2011.
4. On April 8, 2011, TGS filed with the Commission its *Statement of Intent to Change Gas Rates in the Environs of the El Paso Service Area*.
5. The proposed rate changes will increase the aggregate revenue of TGS from the environs by more than the greater of \$100,000 or 2.5% and, therefore, constitute a "major change" as that phrase is defined by TEX. UTIL. CODE ANN. § 104.101.
6. TGS requested an effective date of May 13, 2011.
7. On May 9, 2011, the Commission issued a Suspension Order in this case pursuant to TEX. UTIL. CODE ANN. § 104.107(a)(2) suspending the effective date of the rates proposed by TGS for a period of 150 days from the date rates would have otherwise gone into effect.
8. TGS provided notice to its environs customers by causing notice to be published in the El Paso Times, a newspaper of general circulation within the EPSA, for four consecutive weeks beginning on April 16, 2011, and ending on May 7, 2011.

9. TGS filed a publisher's affidavit with the Commission on May 23, 2011.
10. No protests or complaints were filed with the Commission regarding the proposed rate increase for TGS' EPSA environs customers, and no environs customer requested a hearing or filed a petition to intervene.
11. This case was processed through an informal proceeding, as permitted by TEX. UTIL. CODE ANN. § 104.105.
12. TGS proposes to increase the environs rates for the gas service provided to its Residential, Commercial, Commercial Transportation, Commercial Air Conditioning, Electrical Cogeneration and Energy Conservation, Public Authority, Public Authority Transportation, Public Authority Air Conditioning, Industrial, Industrial Transportation, Standby Service, and Municipal Water Pumping classes of customers.
13. TGS proposes that the rates for gas service provided to the customer classes listed in Finding of Fact No. 12 be identical to those rates that were approved by the Commission in GUD No. 9988 for application within the corporate limits of the Cities.
14. The rates for environs customers classified as Residential customers will consist of a customer charge of \$10.80 and a commodity charge of no charge for first 200 Ccf and 0.38103 per Ccf for all other Ccf.
15. The rates for environs customers classified as Commercial customers will consist of a customer charge of \$18.30 and a commodity charge of no charge for the first 100 Ccf; 0.10901 per Ccf for the next 400 Ccf; 0.08901 per Ccf for the next 2500 Ccf; and 0.06901 per Ccf for all other Ccf.
16. The rates for environs customers classified as Commercial Air Conditioning will consist of a customer charge of \$18.30 and a commodity charge of no charge for the first 100 Ccf during winter and summer; 0.10901 per Ccf for the next 400 Ccf during winter and 0.08910 per Ccf during summer; 0.08901 per Ccf for the next 2500 Ccf during winter and 0.06901 per Ccf during summer; and 0.06901 for all Ccf over 3000 during winter AND 0.04901 per Ccf during summer for all other Ccf.
17. The rates for environs customers classified as Public Authority will consist of a customer charge of \$32.71 and a commodity charge of no charge for the first 100 Ccf; 0.11409 per Ccf for the next 400 Ccf; 0.09409 per Ccf for the next 2500 Ccf; and 0.08409 for all other Ccf.
18. The rates for environs customers classified as Public Authority Air Conditioning will consist of a customer charge of \$32.71 and a commodity charge of no charge for the first 100 Ccf during winter and summer; 0.11409 Ccf for the next 400 Ccf during winter and 0.08409 per Ccf during summer; 0.09409 per Ccf for the next 2500 Ccf during winter and 0.06409 per Ccf during summer; and 0.08409 per Ccf in winter and 0.05409 per Ccf in summer for all other Ccf.

19. The rates for environs customers classified as Municipal Water Pumping will consist of a customer charge of \$121.75 and a commodity charge of 0.06817 per Ccf for the first 5000 Ccf and 0.05817 per Ccf for all other Ccf.
20. The rates for environs customers classified as Industrial will consist of a customer charge of \$84.01 and a commodity charge of no charge for the first 100 Ccf; 0.14528 per Ccf for the next 400 Ccf; 0.13528 per Ccf for the next 2500 Ccf; and 0.06528 per Ccf for all other Ccf.
21. The rates for environs customers classified as Electrical Cogeneration and Energy Conservation will consist of a customer charge of \$300.50 and a commodity charge of 0.07108 per Ccf in winter and 0.06107 per Ccf during summer for the first 5,000 Ccf; 0.06108 per Ccf in winter and 0.05106 per Ccf during summer for the next 95,000 Ccf; 0.05108 per Ccf during winter and 0.04107 per Ccf during summer for the next 300,000 Ccf; and 0.04108 per Ccf during winter and 0.03106 per Ccf during summer for all other Ccf.
22. The rates for environs customers classified as Standby Service will consist of a monthly charge of \$125.00 plus \$20 per Mcf/Hour of connected rated capacity of natural gas consuming equipment.
23. The rates for environs customers classified as Transportation Service will consist of a customer charge of \$300.00 per meter per month plus a calculated volumetric transport charge as per the applicable tariff.
24. Pursuant to 16 TEX. ADMIN. CODE ANN. § 7.220(a)(1), the environs rates may be the same rates as those in effect in the nearest incorporated area in Texas served by the same utility where gas is obtained from at least one common pipeline supplier or transmission system.
25. TGS' request to establish environs rates identical with those approved by the Commission in GUD No. 9988 is reasonable.
26. As found by the Commission in GUD No. 9988, a capital structure of 59.24% common equity and 40.76% long-term debt is reasonable for TGS.
27. As found by the Commission in GUD No. 9988, a cost of equity of 10.33% for TGS is reasonable.
28. As found by the Commission in GUD No. 9988, a cost of long-term debt for TGS of 6.21% is reasonable.
29. As found by the Commission in GUD No. 9988, a rate of return on invested capital of 8.65% is reasonable for TGS.
30. As found by the Commission in GUD No. 9988, a federal income tax rate of 35% is reasonable for TGS.

31. TGS proposed changes to the environs cost of gas clause to align that clause with the effective in-city cost of gas clause on three issues: (a) the recovery of uncollectible gas cost through the gas clause; (b) the collection of costs incurred by TGS for intervention into certain Federal Energy Regulatory Commission ("FERC") rate case proceedings involving El Paso Natural Gas Company; and (c) the impact of the approval in the environs of the transportation balancing procedures that were previously approved by and applicable within the Cities.
32. TGS, through its accounting procedures, is able to identify the gas cost portion of uncollectible expense.
33. The Commission's Gas Cost Recovery Rule, 16 TEX. ADMIN. CODE ANN. § 7.5519, allows the utility to recover part or all of its gas costs.
34. TGS' request to modify the environs cost of gas clause to allow for the recovery of TGS' uncollectible gas cost through the gas clause is consistent with prior Commission decisions, is reasonable, and will align the environs cost of gas clause with that approved by and currently in effect in the Cities.
35. TGS' request to recover the cost of its advocacy on behalf of its ratepayers at FERC in El Paso Natural Gas rate cases has been approved by the Cities, is reasonable, and will align the environs gas clause with that approved by and currently in effect in the Cities.
36. TGS is requesting that the transportation balancing procedures that were approved by and are currently applicable within the Cities be approved for the environs.
37. In order to incorporate the requested transportation balancing procedures into the environs tariff, TGS has proposed to withdraw its existing transportation tariff Rate Schedule T-2A and replace it with its proposed Rate Schedules T-1-ENV and T-GEN-ENV tariffs, which model the procedures currently in effect in the Cities.
38. The impact of the new transportation balancing procedures are proposed to be flowed through to TGS' environs customers through conforming changes to the proposed cost of gas clause tariff.
39. TGS' request to implement the transportation balancing procedures through the implementation of the proposed new tariffs and conforming changes to the cost of gas clause in order to flow through the impact of these new procedures to environs customers is reasonable.
40. The depreciation rates proposed by TGS reflect a decrease for the annualized depreciation expense for the entire EPSA of \$856,446, as compared to then-current rates, and a decrease of \$80,031 for the TGS Division, as compared to then-current rates.
41. The impact of the proposed depreciation rates is reflected in the revenue requirement approved by the Commission in GUD No. 9988, and, in turn, is already reflected in the matching environs rates for which TGS is requesting approval.

42. The depreciation rates proposed by TGS, approved by and identical to those approved by the Commission in GUD No. 9988 and currently in effect in the Cities, are reasonable.
43. TGS has requested that it recover its reasonable and necessary rate case expenses.
44. TGS has demonstrated reasonable and necessary rate case expenses in this case of \$46,737.01 and proposed that this amount be collected as a line item surcharge and amortized over a one year period.
45. The rate case expenses will result in a monthly customer charge of \$0.25 per customer per month.
46. TGS' rate case expenses are reasonable and in compliance with 16 TEX. ADMIN. CODE §7.5530.
47. TGS proposal to recover its rate case expenses as a line item surcharge and amortized over a one year period is reasonable and its proposed Rate Case Expense Surcharge tariff is reasonable.

CONCLUSIONS OF LAW

1. TGS is a gas utility as defined in TEX. UTIL. CODE ANN. §§ 101.003(7) and 121.001.
2. The Commission has jurisdiction over the subject matter of this case under TEX. UTIL. CODE ANN. § 102.001.
3. Under TEX. UTIL. CODE ANN. § 102.001, 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 and over the rates and services of a gas utility that transmits, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of Chapter 104 of the Texas Utilities Code and 16 TEX. ADMIN. CODE §§ 7.205, 7.210, 7.220, and 7.315, a utility is required to seek Commission approval before increasing its gas service rates and filing revised tariff schedules for environs customers.
5. TGS filed its Statement of Intent to change rates in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.102 and 16 TEX. ADMIN CODE §§ 7.205, 7.210, and 7.220.
6. Pursuant to 16 TEX. ADMIN. CODE § 7.220(a)(1) the environs rates may be the same rates as those in effect in the nearest incorporated area in Texas served by the same utility where gas is obtained from at least one common pipeline supplier or transmission system.
7. In accordance with 16 TEX. ADMIN. CODE ANN. § 7.315, within thirty days of the effective date of any change to rates or services, TGS is required to file with the Gas Services Division of the Commission its revised tariffs.

8. The rates established in this Order will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public, under TEX. UTIL. CODE ANN. § 104.052.
9. TGS' Statement of Intent was processed in accordance with the requirements of the Gas Utility Regulatory Act, and applicable provisions of the Texas Administrative Procedures Act, TEX. GOV'T CODE ANN. §§ 2001.001-2001.902.
10. TGS met its burden of proof that its rate change is just and reasonable, in accordance with TEX. UTIL. CODE ANN. § 104.008.
11. The rates, operations, and services established in this docket are just and reasonable to customers and to the utilities, as expressed under TEX. UTIL. CODE ANN. § 101.002.
12. The revenue, rates, rate design and service charges in the findings of fact are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. § 104.003.
13. The revenue, rates, and rate design established in the findings of fact and attached schedules are reasonable; fix an overall level of revenues for TGS that will permit TGS a reasonable opportunity to earn a reasonable return on invested capital used and useful in rendering service to the public over and above reasonable and necessary operating expenses, within the meaning and intent of TEX. UTIL. CODE ANN. § 104.051 and § 104.052; and otherwise comply with Chapter 104 of the Texas Utilities Code.
14. TEX. UTIL. CODE ANN. § 104.107 provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
15. In accordance with TEX. UTIL. CODE ANN. § 104.103 and 16 TEX. ADMIN. CODE §§ 7.230 and 7.235, adequate notice was properly provided.
16. Pursuant to 16 TEX. ADMIN. CODE § 7.5519, the Commission's decision whether to allow a utility to recover gas cost through a purchased gas adjustment is discretionary.
17. It is reasonable for the Commission to allow TGS to include a purchased gas adjustment clause in its rates to provide for the flow through of part or all of its gas costs, under 16 TEX. ADMIN. CODE § 7.5519.
18. TGS is entitled to recover its reasonable and necessary rate case expenses.
19. TGS has demonstrated that its requested rate case expenses comply with the requirements of 16 TEX. ADMIN. CODE § 7.5530.

IT IS FURTHER ORDERED that the rates and rate design reflected in the findings of fact, in the Tariffs attached and conclusions of law are **APPROVED**.

IT IS FURTHER ORDERED that TGS shall file tariffs incorporating rates consistent with the Order within thirty days of the date of this Order.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT TGS' rates as requested and to the extent recommended to be approved in the finding of fact and conclusions of law are **HEREBY APPROVED** to be effective for gas and services provided on and after the date of this order.

IT IS FURTHER ORDERED that TGS SHALL include in its purchase gas adjustment only its reasonable and necessary gas purchase expenditures and an adjustment to recover the gas cost portion of its uncollectible expenses and that the reasonableness and prudence of TGS' gas purchases pursuant to its Gas Cost Adjustment Rider "1-1" may be subject to an adjustment and potential refund in a subsequent proceeding.

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), 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.

SIGNED this 27th day of June, 2011.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN ELIZABETH AMES JONES


DAVID PORTER COMMISSIONER

ATTEST:


SECRETARY



COST OF GAS CLAUSE

A. APPLICABILITY

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

B. DEFINITIONS

1. **Cost of Purchased Gas** - The cost for gas purchased by the Company from its supplier or the weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation and storage and associated services. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers and shall include, but not be limited to, pipeline reservation charges, transportation commodity charges, applicable line loss charges, balancing charges, penalties, and any other related costs and expenses. The Cost of Purchased Gas shall also include any surcharge or refund the Company may receive from its gas suppliers or service providers. The Cost of Purchased Gas shall also include gains or losses from the utilization of natural gas financial instruments that are executed by the Company for the purpose of mitigating high prices and price volatility. No costs of natural gas financial instruments with companies affiliated with Texas Gas Service shall be included.
2. **Purchase/Sales Ratio** - A ratio determined by dividing the total volumes received by the Company during the twelve (12) month period ending June 30 by the sum of the volumes delivered to customers. For the purpose of this computation, all volumes shall be stated at 14.73 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. $1/(1 - .05)$ unless expressly authorized by the applicable regulatory authority.
3. **Commodity Cost** - ~~The estimated Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any adjustment to correct any known and quantifiable under or over collection prior to the end of the reconciliation period.~~
4. **Cost of Gas** - The rate per billing unit or the total calculation under this Cost of Gas Clause, consisting of the Commodity Cost, a reconciliation component, FERC Intervention Costs, Uncollectible Cost of Gas and applicable taxes and fees. The Cost of Gas applicable to the Company's General Service customers in the City of El Paso includes the full amount of franchise fees the Company is required to pay the City of El Paso attributable to gas sold and consumed in the city limits of El Paso pursuant to applicable franchise ordinances. General Service customers in the unincorporated areas and environs are excluded from franchise fees and gross receipts tax.

COST OF GAS CLAUSE
(Continued)

5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the accounting month of August to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for Cost of Purchased Gas as defined in Section B.1. of this Cost of Gas Clause to provide service to its customers during the period, including prudently incurred gains or losses on natural gas financial instruments, (b) the revenues received from operation of the provisions of this cost of gas clause reduced by the amount of fees and taxes, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, and (d) the total amount accrued for upstream pipeline and/or commodity balancing provisions under the transportation rate schedules(s) including but not limited to balancing service rate and stranded capacity charges net of franchise fees and applicable taxes, (e) the total amount of Uncollectible cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. **Reconciliation Component** – The amount to be returned to or recovered from customers each month from December through August as a result of the Reconciliation Audit.
7. **Reconciliation Account** - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Clause. Entries shall be made monthly to reflect, (a) the total prudently incurred amount paid for the Cost of Purchased Gas as defined in Section B.1. of this Cost of Gas Clause to provide service to its customers during the period, including prudently incurred gains or losses on natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Clause reduced by the amount of fees and taxes, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued for upstream pipeline and/or commodity balancing provisions under the transportation rate schedules(s) including but not limited to balancing service rate and stranded capacity charges net of applicable fees and taxes, (e) the total amount of Uncollectible Cost of Gas during the period, and (f) the total amount of FERC Intervention Costs.
9. **FERC Intervention Costs** – costs prudently incurred from outside vendors and attorneys after January 1, 2008 for the purpose of protecting the interest of sales customers in the El Paso Service Area in connection with negotiating Federal Energy Regulatory Commission (“FERC”) related issues with upstream pipelines or intervention and participation in proceedings at the FERC. FERC Intervention Costs may also include prudently incurred internal travel expenses related to this purpose.
8. **Uncollectible Cost of Gas** – the amounts actually written off after the effective date of this rate schedule related to cost of gas and recorded in Account No. 1910106 as of the end of each reconciliation period.

COST OF GAS CLAUSE
(Continued)

C. COST OF GAS

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

D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT

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

E. PAYMENT FOR FUNDS

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the cost of gas was over or under collected for each month including any cost of gas inventory in storage and margins on non utility transactions as described in paragraph "F" below within the period of audit. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account during October an amount equal to the average balance multiplied by nine percent (9%). However cost of gas in inventory shall not be included prior to September 24, 2002. If, on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account during October an amount equal to the average balance multiplied by six percent (6%).

F. NON-UTILITY TRANSACTIONS

The aggregate net margins generated by the company from all Non-utility Transactions shall be divided between the Company and ratepayers with the Company retaining thirty three and one third percent (33 1/3%) of aggregate annual Net Margins generated from such activities and sixty-six and two-thirds percent (66 2/3%) shall be credited to customers in the month during which the transaction closes. For purposes of this provision, "Non-Utility Transactions" shall mean the following transactions to the extent that such transactions pertain to natural gas supplies, storage, and transportation capacity allocated to customers within the El Paso Service Area: off-system sales of natural gas, releases of transportation or storage capacity, financial arbitrage of storage inventories, trading of natural gas inventories, and use of financial instruments pertaining to purchase, storage, and/or transportation of natural gas, so long as such instruments are not intended to hedge the cost of system supplies. "Non-utility Transactions" shall not include any transaction conducted by any affiliate of the company. For purposes of this provision, "Net Margins" shall mean revenues from the aggregate of all Non-Utility Transactions, less the costs to the Company of such transactions,

COST OF GAS CLAUSE
(Continued)

F. NON-UTILITY TRANSACTIONS (Continued)

including related taxes, commissions, transaction fees, and transfer fees. The Net Margins allocated to ratepayers shall be credited to the ratepayers once per year through an adjustment of the Reconciliation Account as determined in the Annual Reconciliation filing. The Company shall be fully responsible for any aggregate annual net losses incurred from such activities and no such losses shall be paid by the ratepayers. This provision does not permit the Company to include in the calculation of gas cost the cost of storage, or gas stored in storage except as prudently and necessarily needed to serve general sales customers in this service area.

G. COST OF GAS STATEMENT

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth (a) the Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; (e) the fees and taxes; and (f) the Cost of Gas which is the total of items (b) through (e). The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas; shall include a detailed description of any transactions described in Section F, Non-Utility Transactions, of this Cost of Gas Rate Schedule, including any revenues or costs to the extent known, and shall include a detailed description of the financial instruments executed or utilized by the company as described in the Section B.1. Definition of Cost of Purchased Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority

H. ANNUAL RECONCILIATION REPORT

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

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

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

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes, including any public housing project and including apartment houses where service for more than one dwelling unit is served through a master meter. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$ 10.80 plus -

The First 200 Ccf @
All Over 200 Ccf @

No Charge
\$ 0.38103 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$18.30 plus -

The First	100 Ccf @	No Charge
The Next	400 Ccf @	\$ 0.10901 per Ccf
The Next	2500 Ccf @	0.08901 per Ccf
All Over	3000 Ccf @	0.06901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

COMMERCIAL AIR CONDITIONING SERVICE RATE

APPLICABILITY

Applicable to all commercial consumers who have and regularly operate a gas fired air conditioning system.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$18.30 plus -

The First 100 Ccf @
The Next 400 Ccf @
The Next 2500 Ccf @
All Over 3000 Ccf @

Oct. - April
Winter

No Charge
\$ 0.10901 per Ccf
0.08901 per Ccf
0.06901 per Ccf

May - Sept.
Summer

No Charge
\$ 0.08910 per Ccf
0.06901 per Ccf
0.04901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 2Z.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified company personnel.

Supersedes Same Sheet Dated
May 23, 2003

Meters Read On and After
June 28, 2011

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$32.71 plus -

The First	100 Ccf @	No Charge
The Next	400 Ccf @	\$ 0.11409 per Ccf
The Next	2500 Ccf @	0.09409 per Ccf
All Over	3000 Ccf @	0.08409 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirements customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

PUBLIC AUTHORITY AIR CONDITIONING SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts who have and regularly operate a gas fired central air conditioning system.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$32.71 plus -

The First 100 Ccf @
The Next 400 Ccf @
The Next 2500 Ccf @
All Over 3000 Ccf @

Oct. - April
Winter

No Charge
\$ 0.11409 per Ccf
0.09409 per Ccf
0.08409 per Ccf

May - Sept.
Summer

No Charge
\$ 0.08409 per Ccf
0.06409 per Ccf
0.05409 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 2E.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified company personnel.

MUNICIPAL WATER PUMPING SERVICE RATE

APPLICABILITY

Applicable to gas used in internal combustion engines by various municipal agencies in El Paso County, Texas. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$121.75 plus -

The First	5000 Ccf @	\$ 0.06817 per Ccf
All Over	5000 Ccf @	0.05817 per Ccf

Prompt Payment Provision: None.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for other consumers.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Supersedes Same Sheet Dated
May 23, 2003

Meters Read On and After
June 28, 2011

INDUSTRIAL SERVICE RATE

APPLICABILITY

Applicable to industrial consumers and to consumers not otherwise specifically provided for under any other rate schedule. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$84.01 plus -

The First	100 Ccf @	No Charge
The Next	400 Ccf @	\$ 0.14528 per Ccf
The Next	2500 Ccf @	0.13528 per Ccf
All Over	3000 Ccf @	0.06528 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1 multiplied by the total Ccf consumed during the billing month.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirements customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Supersedes Same Sheet Dated
May 23, 2003

Meters Read On and After
June 28, 2011

ELECTRICAL COGENERATION AND ENERGY CONSERVATION RATE

APPLICABILITY

Service under this rate schedule is available to any customer who enters into a contract with the Company to use natural gas for the purpose of cogeneration. Cogeneration is defined as the use of thermal energy to produce electricity with recapture of by-product heat in the form of steam, exhaust heat, etc. for industrial process use, space heating, food processing or other purposes.

TERRITORY

This rate shall be available throughout the Company's El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of \$300.50 plus -

	<u>Oct. - April</u> <u>Winter</u>	<u>May - Sept.</u> <u>Summer</u>
The First 5,000 Ccf	\$ 0.07108 per Ccf	\$ 0.06107 per Ccf
The Next 95,000 Ccf	0.06108 per Ccf	0.05106 per Ccf
The Next 300,000 Ccf	0.05108 per Ccf	0.04107 per Ccf
All Over 400,000 Ccf	0.04108 per Ccf	0.03106 per Ccf

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-1-INC multiplied by the total Ccf consumed during the billing month.

CONDITIONS

1. Gas taken under this rate shall be used exclusively for the purpose of cogeneration as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.
2. This rate will not be available for standby use.

ELECTRICAL COGENERATION AND ENERGY CONSERVATION RATE
(Continued)

3. For the purpose of this rate, the annual load factor must be 60 percent or greater. The annual load factor is defined as the customer's total annual consumption divided by the customer's peak month consumption times twelve. If less than 60 percent load factor occurs for a twelve-month period, the rate charged will revert back to the rate that the customer would have otherwise been served under. A continuous twelve-month period of 60 percent or better load factor must precede a return to the cogeneration rate.
4. To qualify for the summer discounts, the customers' peak summer months load must be at least 75 percent of the customers' peak winter months load. Failure to meet this requirement will result in an adjustment to the customers' October bill equal to the difference between the winter and summer rates times that year's total May through September consumption by that customer.
5. The curtailment priority of any customer served under this rate schedule shall be the same as the curtailment priority which would pertain if gas were used directly to provide energy for uses as defined and listed in paragraph 14.2 of the Company's Texas Rules of Service.
6. Subject in all respects to applicable laws, rules and regulations from time to time in effect.

Supersedes Same Rate Schedule Dated
May 23, 2003 (Environs)

Meters Read On and After

STANDBY SERVICE RATE

APPLICABILITY

Applicable to all customers who have alternative natural gas transmission or distribution facilities physically conformed to supply natural gas service to them and who are not full requirements Texas Gas Service Company customers.

TERRITORY

The unincorporated areas of the El Paso Service Area

RATE

During each monthly billing period, the charge shall be \$ 125.00 plus \$20.00 per Mcf/Hour of connected rated capacity of natural gas consuming equipment.

CONDITIONS

1. This charge shall cause the Company to maintain a connection with the customer including metering and regulation facilities. The Company will also arrange with suppliers for sufficient gas reserve assurance so that the customer can resume service upon reasonable notice to the Company.
2. Company engineers shall have the right and be afforded the opportunity by the customer to inspect the facilities to properly ascertain the gas-using capacity on the customer's premises.
3. ~~Subject in all respects to applicable laws, rules, and regulations from time to time in effect.~~

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with the customer's gas supplier to have its gas delivered to one of the Company's existing delivery points for transportation by the Company to the customer's facilities at the customer's service point.

TERRITORY

El Paso Service Area consisting of the unincorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro and Vinton, Texas.

RATE

This rate shall be the sum of Part A and Part B as described below:

Part A: A customer charge of \$ 300.50 per meter per month.

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at a rate calculated as follows:

1. Determine the bill for the quantity of customer-owned gas metered and delivered to the customer at the Company's volumetric Cost of Service Rate on the gas sales tariff which would otherwise be applicable;
2. Add a balancing service rate for any applicable portion of incremental cost of the Company's transportation reservation costs received from its upstream pipelines that is deemed at the Company's sole discretion to directly or indirectly benefit the transportation service customers through scheduling balancing flexibility. The balancing service rate will be recalculated annually in conjunction with the Cost of Gas annual reconciliation audit and/or as the upstream pipeline changes the rates being charged to the Company.
3. See the "Additional Charges to Cost of Service Rate" Pursuant to Rate Schedule T-GEN-ENV (General Charges and Provisions).

SPECIAL PROVISIONS

1. Transportation volumes delivered under this schedule shall be considered first through customer's meter for billing purposes.
2. Gas transported under this schedule shall be for use only by the customer.
3. See the "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN-ENV (General Charges and Provisions).

Initial Rate

Meters Read On and After

TRANSPORTATION SERVICE RATE
(Continued)

SPECIAL PROVISIONS (Cont'd)

4. Prior to the execution of a Gas Transportation Service Agreement, customer must represent and certify that its usage shall average at least five hundred (500) Mcf of gas per month or six thousand (6,000) Mcf annually. The Company shall have the right at all reasonable times, upon prior notice to Customer, to enter onto Customer's premises and inspect Customer's facilities and operations to verify such capability. Customer must agree to notify the Company within a reasonable time if there is any change in Customer's usage. Should Customer's usage average less than five hundred (500) Mcf per month or six thousand (6,000) Mcf annually, Customer must so notify the Company and the Company may discontinue service hereunder, except as may otherwise be provided in the Gas Transportation Service Agreement between the Company and customer, and provide service under the general service rate applicable to Customer.
5. Customers that qualify for and elect service under this tariff must remain on transportation service for a minimum of twelve months. If a customer chooses to leave transportation service under this tariff after twelve months, the customer may not return to transportation service for at least twelve months. If a customer requests to leave transportation service under this tariff and return to the appropriate general service rate, the Company may at its sole discretion decline the request until adequate upstream pipeline capacity can be procured.
6. Transportation of customer-owned natural gas under this tariff will require telemetry or electronic flow measurement that meets the Company's required specifications at the customer's point (s) of re-delivery. The Company may require the customer to reimburse the Company for the cost of telemetry at its sole discretion.

CONDITIONS

1. Transportation of customer-owned natural gas hereunder shall be subject in all respects to applicable laws, rules and regulations from time to time in effect.
2. Transportation of customer-owned natural gas hereunder shall be limited to natural gas of equal or higher quality than natural gas currently available from the Company's supplier(s). All gas delivered by the Company to the customer shall be deemed to be the same quality as that gas received by the Company for transportation.
3. Transportation of customer-owned natural gas hereunder is subject in all respects to terms and conditions of the Gas Transportation Service Agreement entered into between the customer and Company prior to commencement of service and all amendments and modifications thereto.
4. With respect to the Company's capacity to deliver gas at any particular time, the curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS

APPLICABILITY

Applicable to Transportation Rate Schedules: T1-ENV.

TERRITORY

All areas served by the Company in the unincorporated areas of its El Paso Service Area consisting of El Paso, Anthony, Clint, Vinton, Socorro and Horizon City, Texas.

ADDITIONAL CHARGES TO COST OF SERVICE RATE

During each monthly billing period, the following charges will be added in addition to any charges specifically stated on the applicable rate schedule:

Plus:

A charge representing the customer's proportionate share of lost and unaccounted (LAUF) gas volume within the Service Area. The customer's share of LAUF gas will be determined by multiplying (i) the actual volumes delivered to the customer by (ii) the purchase/sales ratio, minus one, for the Service Area for the twelve month period ended the preceding June 30, as defined in the Company's applicable Cost of Gas Clause (Rate Schedule 1-INC for the incorporated areas or Rate Schedule 1 for the unincorporated areas). Purchase/sales ratios will be recalculated annually with the filing of the annual reconciliation required by the Company's Cost of Gas Clause, for application to deliveries commencing in the succeeding October.

The LAUF factor as determined above shall in no event exceed .0526 i.e. $[1/1-.05]-1$ and must fall within the range of zero (0) to 5.26%.

The Company will require the customer to satisfy its lost and unaccounted for obligation by payment in kind ("PIK"). PIK volumes will be added to the customer usage volume to equal the total amount of gas required to be delivered at the Company's receipt points and shall be included for purposes of calculating imbalances in accordance with Special Provision 6 below.

Plus:

A charge will be made each month to recover the cost of gross receipts taxes paid to the State of Texas pursuant to the provision of Article 6060 TEX. REV. CIV. STAT., as such may be amended from time to time, which are attributable to the transportation service performed hereunder.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

Plus:

Adjustments in accordance with the provisions of the Company's Economic Development Rate (Rate Schedule EDR), if applicable, and the Company's Interim Cost Recovery and Rate Adjustment (Rate Schedule ICR), if applicable.

Plus:

Any street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any governmental entity wherein the customer receives gas delivered hereunder.

Plus:

UPSTREAM PIPELINE SCHEDULING AND BALANCING PROVISIONS

A proportional share of any upstream pipeline transportation service charges and penalties incurred by the Company that, in whole or in part, are the result of customer or customer's agent scheduling and/or managing the upstream transportation of the customer's gas to Company's interconnecting point(s) with the upstream pipeline(s). Proceeds from this charge will be credited to the Reconciliation Account.

The Company will bill customer for these charges and penalties manually on a separate bill. Payment shall be required in accordance with the Company's Rules of Service.

A transport customer may elect to have its supplier act as agent for resolution of these charges. The Company will allow aggregation in resolution of the upstream pipeline scheduling and balancing charges as long as the aggregated customers are supplied by the same supplier, and provided that the customers are physically located behind the same upstream pipeline balancing point, as determined by the Company.

Plus:

MONTHLY COMMODITY BALANCING PROVISIONS

In addition to the Upstream Pipeline Scheduling and Balancing provisions described above, the Company will resolve monthly commodity imbalances in accordance with the provisions described below:

1. **Definitions:** As used in this tariff, the following terms will have the meanings indicated:

Aggregation Pool – One or more transportation service accounts served by the same Qualified Supplier and aggregated pursuant to Special Provision 3 of this tariff for operational purposes, including, without limitation, nominating, scheduling and balancing gas deliveries at designated receipt points within the service area.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS

(Continued)

Cumulative Operational Imbalance (COI) – As of the effective date of this tariff, the initial COI for any Aggregation Pool shall be determined by aggregating the cumulative imbalances of all accounts participating in such Aggregation Pool, calculated as of the effective date of this tariff. Thereafter, the COI shall be adjusted to include MOI volumes which have not been cashed out pursuant to Section 6 below.

Cumulative Tolerance Limit – With respect to any Aggregation Pool, five percent (5%) of historical annual Deliveries to the participants of such pool for the most recent year ended on June 30. For new participants having no historical delivery information, such calculation shall be based on forecasted volumes which the Company determines to be reasonably reliable and reasonably accurate. The Cumulative Tolerance Limit will be adjusted annually in October. Upon request of a Qualified Supplier, prior to the commencement of any flow month, the Cumulative Tolerance Limit shall be adjusted prospectively to reflect changes to the Aggregation Pool and other known changes to anticipated volumetric loads that the Company determines to be reasonably reliable and reasonably accurate.

Deliveries – Volumes of natural gas delivered to the customer's premises pursuant to this tariff.

Imbalance Volumes – The volume by which the Qualified Supplier's MOI exceeds the Monthly Tolerance Limit or the Qualified Supplier's COI exceeds the Cumulative Tolerance Limit.

Monthly Operational Imbalance (MOI) – For any month, the difference between the aggregate Receipts for an Aggregation Pool and the sum of (i) the aggregate Deliveries for such Aggregation Pool during the same time period, and (ii) the aggregate PIK Volumes assessed for such period.

Monthly Tolerance Limit – With respect to any Aggregation Pool, ten percent (10%) of the aggregate Deliveries for such month.

PIK Volumes – Volumes of gas to be delivered by the customer to the Company in satisfaction of the customer's LAUF gas obligation.

Receipts – Volumes of natural gas received into the Company's natural gas distribution system for delivery to a customer pursuant to this tariff.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

Qualified Supplier – A supplier of natural gas for transportation to customers through the Company's natural gas distribution system who meets the requirements of Section 8 of this tariff and has a currently effective Supplier Service Agreement with the Company.

Supplier Service Agreement – a contract in setting forth the terms upon which a supplier of natural gas may make deliveries of customer-owned gas into the Company's distribution system for delivery to one or more of the Company's customers taking service under this tariff.

Transportation Agreement – a contract between the Company and the customer detailing the terms and conditions upon which the customer will receive service under this tariff.

Upstream Balancing Agreement – A contract between a Qualified Supplier and its gas supplier whereby such gas supplier agrees to retain imbalances upstream of the Company's natural gas distribution system.

- 2. Qualified Supplier Required** – As a condition of receiving service under this Rate Schedule, the customer must appoint no more than one Qualified Supplier for each account. The Qualified Supplier shall act on behalf of the customer to procure gas supplies and to deliver them to the receipt points designated in the relevant Transportation Agreement, and shall act as the Customer's agent with respect to nominations and operational notices required under the Customer's Transportation Agreement and with respect to the resolution of imbalances under this Rate Schedule. A customer that meets the requirements of Special Provision 8 below may act as its own Qualified Supplier.

2.1 Change of Qualified Supplier – The customer may change its Qualified Supplier effective only on the first day of the calendar month. The customer shall notify the Company in writing at least thirty (30) days in advance of any change of Qualified Supplier.

- 3. Aggregation Pool** – The Qualified Supplier shall designate no more than one Aggregation Pool within the Service Area, and shall notify the Company as to the identity of the customer accounts comprising such Aggregation Pool. With respect to all accounts included in any Aggregation Pool, the Qualified Supplier shall (i) make nominations on an aggregated basis at least six (6) business days prior to the first of the calendar month; and (ii) resolve operational imbalances on an aggregated basis in accordance with Special Provision 6 below.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

4. Customer Volume Information – The Company shall supply to the Qualified Supplier, designated by the customer, information as to such customer's delivery volumes each month, with the imbalance statements described at Special Provision 6.4 below.

5. Imbalances

5.1 Monthly Imbalances – The Qualified Supplier shall not allow its MOI for any Aggregation Pool to exceed the Monthly Tolerance Limit in any month. In the event the MOI exceeds the Monthly Tolerance Limit, the parties shall resolve the value of such Imbalance Volumes using the cashout procedure set forth in Special Provision 6 below. MOI amounts that do not exceed the Monthly Tolerance Limit shall be added to the Qualified Supplier's COI.

5.2 Cumulative Imbalances – The Qualified Supplier shall not allow its COI for any Aggregation Pool to exceed the Cumulative Tolerance Limit at any time. In the event the Qualified Supplier's COI exceeds the Cumulative Tolerance Limit, the parties shall resolve the value of such Imbalance Volumes using the cashout procedure set forth in Special Provision 6 below. The initial COI for any Aggregation Pool shall be calculated using the imbalance volumes attributable to the participants for the flow month immediately preceding the effective date hereof.

5.3 Upstream Imbalances – For purposes of Special Provisions 5 and 6 herein, no imbalances will be attributed to a Qualified Supplier on account of volumes delivered subject to an Upstream Balancing Agreement which has been acknowledged in writing by the upstream transporter retaining the imbalance.

6. Cashout Procedure

6.1 Over Deliveries – For MOI's or COI's where receipts exceed deliveries by more than the applicable tolerance limit, the Company shall pay to the Qualified Supplier an amount equal to: (1) the Imbalance Volume, stated in MMBtu, multiplied by 90% of the average of the monthly average price of the daily MidPoint prices found in Platt's Gas Daily publication under the heading of "Daily price survey (\$/MMBtu)" for the (a) Permian Basin Area, El Paso, Permian Basin, (b) Permian Basin Area, Waha or (c) New Mexico- San Juan Basin, El Paso San Juan Basin for the month in which the applicable tolerance limit was exceeded.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

- 6.2 Under Deliveries** – For MOI's or COI's where deliveries exceed receipts by more than the applicable tolerance limit, the Qualified Supplier shall pay to the Company an amount equal to: (i) the Imbalance Volume, stated in MMBtu, multiplied by 110% of the average of the monthly average price of the daily MidPoint prices found in *Platt's Gas Daily* publication under the heading of "Daily price survey (\$/MMBtu)" for the (a) Permian Basin Area, El Paso, Permian Basin, (b) Permian Basin Area, Waha or (c) New Mexico- San Juan Basin, El Paso San Juan Basin for the month in which the applicable tolerance limit was exceeded, plus (ii) any franchise fees assessed on such payment by the municipality in which deliveries were made to participants in the Aggregation Pool which generated the Imbalance, plus (iii) any other taxes, user fees or other sums assessed on such payment by any governmental authority.
- 6.3 Exemption from Fees and Taxes** – If the Qualified Supplier claims that any Imbalance volumes are exempt from franchise fees, taxes, user fees or other governmental assessments, the Qualified Supplier shall provide to the Company such evidence of the exemption as the Company might reasonably require. In addition, the Qualified Supplier shall provide to the Company each month such supporting documentation as the Company may reasonably require to determine what portion of the payment described at Special Provision 6.2 above is exempt from such assessments.
- 6.4 Invoicing/Payment** – For each flow month, within fifteen (15) days following the Company's receipt of volume statements from the upstream pipelines making deliveries into the Company's system for an Aggregation Pool, the Company shall provide to the Qualified Supplier an imbalance statement stating the MOI, COI, any resulting cashout payments as calculated pursuant to Sections 6.1 and 6.2 above, as well as usage and PIK volumes for each customer served by the supplier. Payments shall be due no later than fifteen (15) days following the invoice date.
- 6.5 Effect of Cashout on PGA** – All amounts accrued under this Special Provision 6 excluding franchise fees and sales tax if found to be applicable shall be recorded to the PGA "Reconciliation Account" as defined in Rate Schedule 1-INC for the incorporated areas or Rate Schedule 1 for the unincorporated areas.
- 6.6 Allocation to Pool Participants** – The Qualified Supplier shall be responsible for collecting from or remitting to its customers all funds received or paid under this Special Provision 6 that are due to or from the customer.
- 7. Company's Liability for Cashout** – The Company shall have no liability to any customer in connection with the failure of the customer's Qualified Supplier to remit to the customer any cashout payment made by the Company to the Qualified Supplier.

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

8. Supplier Qualifications – The Company may refuse to accept deliveries of gas into its system from any supplier who has failed to meet the following conditions:

8.1 Financial Integrity – The Company shall have the right to establish reasonable financial and non-discriminatory credit standards for Qualified Suppliers. Any supplier desiring to become a Qualified Supplier must submit to the Company an audited balance sheet and financial statements for the previous three (3) years, along with two (2) trade and at least one (1) banking reference. To the extent that such information is not publicly available, the supplier shall supply the Company with a list of all corporate affiliates, parent companies, subsidiaries and affiliated partnerships. Any supplier who becomes a Qualified Supplier must provide updated financial information at the Company's request.

8.2 Credit Enhancement – In the event a supplier fails to demonstrate to the Company's reasonable satisfaction that it has met the Company credit standards, the Company shall require such supplier to provide one of the following: (i) a cash deposit; (ii) an irrevocable letter of credit issued by a commercial bank reasonably acceptable to the Company; (iii) a surety bond issued by a reputable insurance company listed in AM Best's Insurance Ratings with a rating of "B+ VII" or better, and authorized to engage in the business of insurance in the State of Texas; or (iv) a financial guaranty from a guarantor who meets the Company's credit standards.

8.3 Termination of Qualified Supplier – The Company shall have the right to terminate a Qualified Supplier's Supplier Service Agreement and its eligibility to make deliveries into the Company's local distribution system in the event that such Qualified Supplier fails to comply with or perform any of the obligations on its part established in this tariff or in the Supplier Service Agreement. Notice shall be given to the Qualified Supplier no less than ten days prior to the end of the calendar month, and shall be effective upon the first day of the succeeding month unless, within such ten day period, the Qualified Supplier shall remedy such failure to the full satisfaction of the Company. Termination of such Qualified Supplier's eligibility and its Supplier Service Agreement shall not release the Qualified Supplier from its obligation to make payments due to the Company for transactions occurring prior to the effective date of termination.

9. Withdrawal of Qualified Supplier – If a Qualified Supplier ceases for any reason (including the Company's termination of the Supplier Service Agreement) to supply customers within the Service Area, the final COI for the affected Aggregation Pool shall be calculated as of the end of the flow month in which such cessation occurs, and shall be cashed out as follows:

Initial Rate

Meters Read On and After

GENERAL CHARGES AND PROVISIONS
(Continued)

- 9.1 Over Deliveries** – For final COI's where receipts exceed deliveries, the Company shall pay to the Supplier an amount equal to: (i) the final COI volume, stated in MMBtu, multiplied by 90% of the the average of the monthly average price of the daily MidPoint prices found in *Platt's Gas Daily* publication under the heading of "Daily price survey (\$/MMBtu)" for the (a) Permian Basin Area, El Paso, Permian Basin, (b) Permian Basin Area, Waha or (c) New Mexico- San Juan Basin, El Paso San Juan Basin for the month in which the final COI was calculated.
- 9.2 Under Deliveries** – For final COI's where deliveries exceed receipts limit, the Supplier shall pay to the Company an amount equal to: (i) the final COI volume, stated in MMBtu, multiplied by 110% of the average of the monthly average price of the daily MidPoint prices found in *Platt's Gas Daily* publication under the heading of "Daily price survey (\$/MMBtu)" for the (a) Permian Basin Area, El Paso, Permian Basin, (b) Permian Basin Area, Waha or (c) New Mexico- San Juan Basin, El Paso San Juan Basin, for the month in which the final COI was calculated, plus (ii) any franchise fees assessed on such payment by the municipality in which deliveries were made to participants in the Aggregation Pool which generated the Imbalance, plus (iii) any other taxes, user fees or other sums assessed on such payment by any governmental authority.
- 9.3 Invoicing/Payment** – The final cashout payment shall be invoiced and paid in accordance with Special Provision 6.4 above.
- 9.4 Continued Service** – Upon the withdrawal of a Qualified Supplier, at the customer's request, the Company shall provide continued service under the applicable general service rate schedule until the customer designates a successor Qualified Supplier. In the event sales service commences on any day other than the first day of a calendar month, all volumes delivered to the customer within such month shall be deemed sales volumes for purposes of invoicing the customer and for calculating the final COI. Such sales shall be subject to curtailment plans approved from time to time by the Railroad Commission of Texas or in the absence of an applicable plan, consistent with Transporter's policies regarding curtailment and stand-by supplies of transport gas, as such policies may change in Transporter's reasonable discretion.

Initial Rate

Meters Read On and After

ENVIRONS RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to Final Order in GUD 10069. This rate shall apply to the following rate schedules of Texas Gas Service Company in the unincorporated areas served in El Paso Service Area including El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton Texas: 1Z, 2A, 2E, 2F, 2G, 2Z, 4Z C-1, SS-Env, and T-1-Env.

B. RCE RATE

Per bill for each billing period: **\$0.25**

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules.

C. OTHER ADJUSTMENTS

Taxes: Plus applicable taxes and fees (including franchises fees) related to above.

D. CONDITIONS

Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

SERVICE LIST
Gas Utilities Docket No. 10069
Statement of Intent Filed by Texas Gas Service Company,
to Change Rates in the Environs of the El Paso Service Area
Examiner: Gene Montes
Co Examiner: Frank Tomicek

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