

## RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT FILED §  
BY TEXAS GAS SERVICE §  
COMPANY TO INCREASE RATES §  
IN THE UNINCORPORATED §  
AREAS OF THE SOUTH TEXAS §  
SERVICE AREA §

GAS UTILITIES DOCKET NO. 10217

### 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. (Vernon 2012). 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 ("TGS") is a utility as that term is defined in the Texas Utility Code.
2. TGS owns and operates a gas distribution system, referred to as the South Texas Service Area ("STSA").
3. The STSA consists of portions of six counties: Caldwell, Dewitt, Gonzales, Hays, Lavaca, and Wilson. The STSA includes the cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner and Yoakum, and their surrounding environs.
4. On October 12, 2012, TGS filed a *Statement of Intent* to increase rates in the unincorporated areas of the STSA, and the case was docketed by the Commission as Gas Utilities Docket No. 10217.
5. The data submitted by TGS in this docket encompass a full test-year, i.e. the twelve-month period ending June 30, 2011.
6. The STSA contains five classes of customers: residential, commercial, industrial, commercial transportation, and industrial transportation
7. There are approximately 9,640 customers, including 8,800 residential customers, in the entire STSA area. The environs customers are comprised of 247 residential, 24 commercial, 1 industrial, 1 transportation customer.
8. On November 6, 2012, the Commission suspended the implementation of TGS's proposed rate changes for up to 150 days pursuant to TEX. UTIL. CODE ANN. §104.107(a)(2).

9. On October 31, 2012, Staff of the Railroad Commission of Texas ("Staff") intervened as a party to this proceeding.
10. No protests were filed with the Commission regarding the proposed new rate schedules for the STSA; no customers or municipality filed a petition to intervene or otherwise participated in this proceeding.
11. Notice of the proposed increase in this case was provided through direct mail on January 17, 2013. No protests were filed and no additional request to intervene in this proceeding was made.
12. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the statement of intent.
13. On February 22, 2012, the parties filed a Settlement Agreement that resolved all issues raised in this proceeding.
14. A copy of the Settlement Agreement is attached to this Final Order as Exhibit A.
15. As part of the Settlement Agreement the parties filed a Joint Motion to Admit Stipulated evidence.
16. The following evidence was admitted into the record of this case.
  - Statement of Intent to Change Rates within the Environs of the South Texas Service Area, filed on October 12, 2012, inclusive of attached Municipal Ordinances and Cost of Service Schedules, Exhibit 1;
  - Direct Testimony of Janet Buchanan, Exhibit 2;
  - Affidavit of Lori Moreno attesting to Public Notice, Exhibit 3;
  - Affidavit of Dane McKaughan attesting to rate case expenses, Exhibit 4; and,
  - Texas Gas' responses to Staff's First Set of RFI's, Exhibit 5
17. TGS established that the utility has fully complied with the books and records requirements of Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Rule 7.503 that those amounts are reasonable and necessary.
18. TGS originally requested a system wide revenue increase of \$640,250. TGS agreed to limit the proposed increase to \$480,000. As a result, TGS seeks approval of rates that generate revenues that are \$160,250. The total amount attributable to the environs is \$25,211.
19. The uncontroverted evidence supported an increase of \$640,250.

20. The increase encompassed in the Settlement Agreement is just and reasonable.
21. The following customer charges and volumetric rates are just and reasonable:

	Rate
<b>Residential</b>	
Customer Charge	\$16.00
Usage Rate	\$ 0.2209
<b>Commercial</b>	
Customer Charge	\$28.50
Usage Rate	\$0.3662
<b>Industrial</b>	
Customer Charge	\$75.00
Usage Rate	
First 3,000 Ccf	\$0.1236
All Over 3,000 Ccf	\$0.0967
<b>Commercial Transportation</b>	
Customer Charge	\$250.00
Usage Rate	\$0.3662
<b>Industrial Transportation</b>	
Customer Charge	\$250.00
Usage Rate	
First 3,000 Ccf	\$0.1236
All Over 3,000 Ccf	\$0.0967

22. The following capital structure and weighted cost of capital, including the pre-tax return, is reflective of the TGS's actual capital structure and is just and reasonable and is consistent with the Settlement Agreement.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital
Long-Term Debt	42%	6.161%	2.5876%
Common Equity	58%	10.33%	5.9914%
Rate of Return	100%		<b>8.579%</b>

23. It is reasonable that the detail of Plant in Service amounts along with the associated depreciation rate for each account as shown in Exhibit B to the attached Settlement Agreement be applied to the first interim rate adjustment filing.
24. It is reasonable that the beginning amount of *ad valorem* taxes be established as \$99,119 for the initial interim rate adjustment filing.

25. The rate base amount of \$9,878,082 for calculating federal income tax in the initial interim rate adjustment filing is just and reasonable.
26. The customer charge approved in Finding of Fact No. 21 above is just and reasonable for the starting rate to apply in any future interim rate adjustment.
27. It is reasonable to set the average use per month per customer class in order to determine the current and proposed bill information in future interim rate adjustment filing as follows: Residential at 23 Ccf, commercial at 139 Ccf, industrial at 1,564 Ccf, commercial transportation at 2,846 and industrial and transportation at 19,398 Ccf.
28. The following base revenue allocation factors to allocate any change in future interim rate adjustments is just and reasonable: Residential, 65.22%, Commercial 22.95%, Industrial, 0.51%, Commercial Transportation, 3.99%, and Industrial Transportation, 7.32%.
29. The parties proposed adopting the following tariffs that are attached to the Settlement Agreement:
  - Rate Schedule 1E, Residential Service Rate
  - Rate Schedule 2E, Commercial Service Rate
  - Rate Schedule 3 E, Industrial Service Rate
  - Rate Schedule T-2, Commercial Transportation Service Rate
  - Rate Schedule T-3, Industrial Transportation Service Rate
  - Rules of Service for Gas Sales Customers (Rules of Service Tariff)
  - Rate Schedule T-GTC, General Terms and Conditions for Transportation
  - Rate Schedule RCE – Rider, Rate Case Expense Surcharge
30. Certain provisions in the Rules of Service Tariff related to Extension of Facilities, Discontinuance of Service, Billing Adjustments, and Meters were inconsistent with the Commission's Quality of Service Rules.
31. It is reasonable that conforming changes be made to the Rules of Service Tariff so that they are consistent with the Quality of Service Rules.
32. Once conforming changes are made, the proposed Rules of Service Tariff are just and reasonable.
33. The proposed Rate Schedule T-GTC is intended to replace existing Rate Schedule T-GEN.
34. The applicability of Rate Schedule T-GTC is not clearly stated in the proposed tariff and it is reasonable to amend the tariff to clarify its applicability.



35. The proposed Rate Schedule T-GTC is consistent with other tariffs on file at the Commission and it is just and reasonable.
36. The proposed Rate Schedule T-GTC provides transparency for all transportation customers of TGS and ensures that transportation service is offered on a non-discriminatory basis.
37. TGS requested \$23,832.69 in actual and estimated rate case expenses. Of that amount, TGS has asserted that \$18,832.69 is actual expenses.
38. The rate case expenses were comprised of attorney's fees and fees related to notice.
39. The rate case expenses did not include any expenses for consulting services.
40. The billing records contain no evidence of double-billing, excess charges, inappropriate documentation of work, or other charges that were not incurred as a direct result of the parties prosecuting or defending this docket. These filings demonstrate that no expenses were charged for any luxury items, that there were no first – class airfares or use of non-commercial aircraft, no luxury hotel charges, no limousine service, no meals in excess of \$25 per person, no charges for sporting events, alcoholic drinks or other entertainment.
41. The rate case expense request is just and reasonable and a rate case expense surcharge of \$0.0422 per Ccf is reasonable.

### **CONCLUSIONS OF LAW**

1. Texas Gas Service Company (TGS) is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007) and §121.001(2007) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Commission has jurisdiction over TGS and TGS's statement of intent under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (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 and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This Statement of Intent was processed in accordance with the requirements of the Gas Utility regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§2001.001-2001.902 (Vernon 2000 and Supp. 2004) (APA).

5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 1998), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007) 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.
7. The proposed rates do not constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007).
8. In accordance with TEX. UTIL. CODE §104.103 (Vernon 2007), 16 TEX. ADMIN. CODE ANN. §7.230 (2002), and 16 TEX. ADMIN. CODE ANN. §7.235 (2002), adequate notice was properly provided.
9. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 1998 and Supp. 2003), 16 TEX. ADMIN. CODE ANN. §7.205 (2002), and 16 TEX. ADMIN. CODE §7.210 (2002), TGS filed its Statement of Intent to change rates.
10. TGS failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007) on the elements of its requested rate increase identified in this order.
11. The rates proposed by TGS are in accordance with TEX. UTIL. CODE ANN. §104.006 (Vernon 1998) because the rates established for customers of each environs area do not exceed 115 percent of the average of all rates for similar services for all municipalities served by TGS in the same county.
12. The revenue, rates, rate design, and service charges proposed by TGS are not found to be just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, and are not sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 1998).
13. The revenue, rates, rate design, and service charges proposed by TGS, as amended by the Examiners and the Settlement Agreement attached to this order, 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 (Vernon 1998).
14. The overall revenues as established by the findings of fact and attached schedules, as reflected in the Settlement Agreement, are reasonable; fix an overall level of revenues for TGS that will permit the company a reasonable opportunity to earn a reasonable return on

its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 1998); and otherwise comply with Chapter 104 of the Texas Utilities Code.

15. The revenue, rates, rate design, and service charges proposed will not yield to TGS more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 1998).
18. In this proceeding, TGS has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 1998) to show that the proposed rate changes are just and reasonable.
20. It is reasonable for the Commission to allow TGS to include a Cost of Gas Clause in its rates to provide for the recovery of all of its gas costs, in accordance with 16 TEX. ADMIN. CODE § 7.5519 (2011).
26. All expenses for lost and unaccounted for gas in excess of 5.0 percent shall be disallowed, consistent with TEX. ADMIN. CODE § 7.5519 (2011).
27. TGS is required by 16 TEX. ADMIN. CODE §7.315 (2011) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

**IT IS THEREFORE ORDERED** that TGS's proposed schedule of rates is hereby **DENIED**.

**IT IS FURTHER ORDERED** that the rates, rate design, and service charges established in the findings of fact and conclusions of law and reflected in the attached Settlement Agreement are **APPROVED**.

**IT IS FURTHER ORDERED** that the proposed Rules of Service Tariff be amended to conform with 16 TEX. ADMIN. CODE §7.45.

**IT IS FURTHER ORDERED** that the tariffs attached to this order as Final Order Exhibit 2 are hereby approved.

**IT IS FURTHER ORDERED** that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, TGS shall file tariffs with the Gas Services Division. The tariffs shall incorporate rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law and shown in Final Order Exhibit 2.

**IT IS FURTHER ORDERED** that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**. **IT IS ALSO ORDERED** that all pending motions and requests for relief not previously granted or granted herein are hereby **DENIED**. **IT IS ALSO ORDERED** that each exception to the examiners' proposal for

decision not expressly granted herein is **DENIED**.

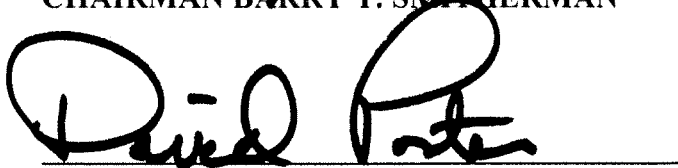
**IT IS FURTHER ORDERED THAT** within 30 days of this order TGS **SHALL** electronically file tariffs and rates schedules in proper form that accurately reflect the rates approved by the Commission in this Order.

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 26<sup>th</sup> day of March, 2013.

**RAILROAD COMMISSION OF TEXAS**

  
CHAIRMAN BARRY T. SMITHERMAN

  
COMMISSIONER DAVID PORTER

  
COMMISSIONER CHRISTI CRADDICK

**ATTEST:**

  
SECRETARY



## **Final Order Exhibit 1**

GUD NO. 10217

STATEMENT OF INTENT FILED BY	§	BEFORE THE
TEXAS GAS SERVICE COMPANY TO	§	
CHANGE RATES WITHIN THE	§	RAILROAD COMMISSION
ENVIRONS OF THE SOUTH TEXAS	§	
SERVICE AREA	§	OF TEXAS

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Texas Gas Service Company ("Texas Gas" or the "Company") and the Railroad Commission Staff ("Staff").

WHEREAS, this Settlement Agreement resolves all issues relating to the Texas Gas Statement of Intent filed with the Railroad Commission of Texas ("Commission") on October 12, 2012, in a manner that Texas Gas and Staff (collectively "the Signatories") believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Company's South Texas Service Area ("STSA") includes the incorporated cities of Cuero, Gonzales, Lockhart, Luling, Shiner, Yoakum, and Nixon, Texas (collectively, the "STSA Cities") along with their surrounding Environs;

WHEREAS, on December 21, 2011, Texas Gas filed its Statement of Intent to Increase Rates within the municipal areas of the STSA cities seeking an annual revenue increase of \$640,250 calculated on a system-wide basis;

WHEREAS, on April 10, 2012, Texas Gas entered into a settlement agreement with the STSA Cities resolving the Statement of Intent to Increase Rates Within the South Texas Service Area Cities;

WHEREAS, the settlement agreement reached with the STSA Cities reduced the Company's requested annual revenue increase to \$480,000, and the proposed cost of equity to 10.33%, among other modifications;

WHEREAS, Texas Gas by its Statement of Intent filed with the Commission sought to implement the same rates in the STSA Environs that had already been approved by the STSA Cities;

WHEREAS, the STSA Environs' share of the rates previously approved by the STSA Cities would increase the Company's revenues by \$25,211;

WHEREAS, Texas Gas included in its Statement of Intent the following: (1) the settlement agreement reached with the STSA Cities; (2) proposed rate schedules; (3) municipal ordinances passed by the STSA Cities approving the requested increase; (4) specific revenue impacts per customer class; (5) proposed notice; (6) schedules and workpapers evidencing the need for a revenue increase; and (7) the Direct Testimony of Janet Buchanan;

WHEREAS, on October 31, 2012, Staff intervened in the docket;

WHEREAS, Staff propounded requests for information on the Company regarding the filed Statement of Intent;

WHEREAS, on December 17, 2012, Staff approved the Company's proposed form of notice;

WHEREAS, on January 17, 2013, the Company provided public notice by direct mail to customers in the STSA Environs in the form approved by Staff, as evidenced by the attached affidavit of Ms. Lori Moreno.

WHEREAS, this Settlement Agreement incorporates depreciation rates supported by a depreciation study prepared by Dr. Ron White of Foster and Associates and approved by the STSA Cities;

WHEREAS, this Settlement Agreement incorporates a rate of return supported by the analysis of Dr. Bruce Fairchild and approved by the STSA Cities;

WHEREAS, Texas Gas, in order to reduce the rate case expenses consequent to performing an expensive lead-lag study, requested a Cash Working Capital of \$0.00, consistent with the Commission's precedent for the Company established in GUD Nos. 9770 and 9988;

WHEREAS, Texas Gas put forth evidence demonstrating that it maintains its books and records in accordance with Commission Rule § 7.310 and is therefore entitled to the legal presumption established by Commission Rule § 7.503 that the costs contained within the books and records have been reasonably and necessarily incurred;

WHEREAS, Texas Gas did not include in its request the recovery of any expenses exempt under Texas Administrative Code § 7.5414;

WHEREAS, Texas Gas did not include in its proposed revenue requirement any payments to affiliates for the cost of a service, property, right or other item or for interest expenses to be included as a capital cost or expense;

WHEREAS, settlement of this docket will conserve Commission resources and eliminate the need to incur rate case expenses for preparation of rebuttal testimony, participation in hearing, drafting of briefing and potential exceptions, and filing and participating in potential appeal;

WHEREAS, the Signatories believe that a fully contested hearing in the case would be time-consuming and entail substantial additional expense and that the public interest will be best served by issuance of an order consistent with the Settlement Agreement and implementation of the rate schedules and tariffs attached hereto as Exhibit A;

WHEREAS, additional litigation of this case through hearing and briefing would likely increase rate case expenses by an estimated \$50,000;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms as a means of fully resolving all issues raised in the October 12, 2012 Statement of Intent filed by Texas Gas on behalf of its South Texas Service Area Environs:

Settlement Terms

1. Texas Gas and Staff agree to the rates, terms and conditions reflected in the rate schedules and tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs would allow Texas Gas an additional \$25,211 in annual revenue, which amount represents the Environs' share of rates currently in effect for the STSA Cities. Texas Gas and Staff further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.
2. The Signatories agree to the following customer charges and volumetric rates:

	Proposed Rate
<b>Residential</b>	
Customer Charge	\$ 16.00
Usage Rate	\$ 0.2209
<b>Commercial</b>	
Customer Charge	\$ 28.50
Usage Rate	\$ 0.3662
<b>Industrial</b>	
Customer Charge	\$ 75.00
Usage Rate	
First 3,000 Ccf	\$ 0.1236
All Over 3,000 Ccf	\$ 0.0967
<b>Commercial Transportation</b>	
Customer Charge	\$ 250.00
Usage Rate	\$ 0.3662
<b>Industrial Transportation</b>	
Customer Charge	\$ 250.00
Usage Rate	
First 3,000 Ccf	\$ 0.1236
All Over 3,000 Ccf	\$ 0.0967

3. Texas Gas and Staff agree that future Interim Rate Adjustment ("IRA") filings made for the STSA Environs pursuant to GURA § 104.301 shall rely on the following Cost of Service factors:
  - Weighted Average Cost of Capital shall be 8.579% based upon a capital structure of 42% debt and 58% equity, with a 6.161% cost of debt and a 10.33% cost of equity.



- For the initial IRA filing, the Net Investment which includes detail of Plant in Service amounts along with the associated depreciation rate for each account shall be as shown on Exhibit B.
- For the initial IRA filing, the beginning amount of ad valorem taxes at the South Texas Service Area level is \$99,119.
- For the initial IRA filing, the rate base amount is \$9,878,082 for calculating the federal income tax.
- For the initial IRA filing, the customer charge as noted in item 2 above will be the starting rate to apply any IRA adjustment. The average use per month per customer class in order to determine the current and proposed bill information in future IRA filings is as follows: residential at 23 Ccf, commercial at 139 Ccf, industrial at 1,564 Ccf, commercial transportation at 2,846 and industrial transportation at 19,398 Ccf.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes is as follows:

Customer Class	Allocated Increase
Residential	65.22%
Commercial	22.95%
Industrial	0.51%
Commercial Transportation	3.99%
Industrial Transportation	7.32%
Total	99.99%

4. Texas Gas and Staff agree on the admissibility of the following evidentiary record:
  - Statement of Intent to Change Rates Within the Environs of the South Texas Service Area, filed on October 12, 2012, inclusive of attached Municipal Ordinances and Cost of Service schedules;
  - Direct Testimony of Janet Buchanan;
  - Affidavit of Lori Moreno attesting to Public Notice;
  - Affidavit of Dane McKaughan attesting to Rate Case expenses; and,
  - Texas Gas' responses to Staff's first set of RFIs.
5. Texas Gas has incurred approximately \$18,832.69 in actual rate case expenses to date, as evidenced by the attached affidavit of Mr. Dane McKaughan. Total actual expenses and estimated expenses through the completion of the case are expected to be \$23,832.69. The Signatories agree that this amount is reasonable and appropriately recoverable. Recovery of this amount over an estimated twelve month period results in a Rate Case Expense Surcharge of \$0.0422 per Ccf, as reflected in the attached Rate Case Expense Surcharge rider.
6. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this

Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.

7. The Signatories agree that all negotiations, discussion, and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove or disprove any issues associated with the October 12, 2012, Statement of Intent filed by Texas Gas on behalf of its STSA Environs pursuant to Texas law.
8. The Signatories agree that neither this Settlement Agreement nor any oral or written statements or representations made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order implementing this Settlement Agreement.
9. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purpose, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
10. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 22<sup>nd</sup> day of February, 2013.

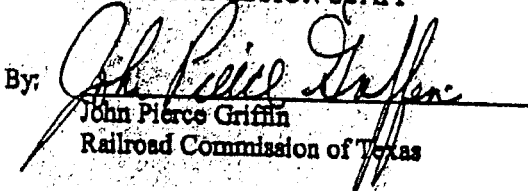
TEXAS GAS SERVICE COMPANY

By:

  
Dane McKaughan  
Attorney for Texas Gas Service Company

RAILROAD COMMISSION STAFF

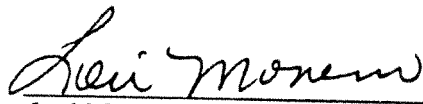
By:

  
John Pierce Griffin  
Railroad Commission of Texas

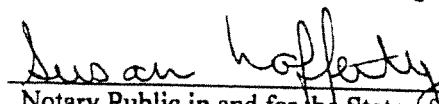
**AFFIDAVIT OF NOTICE**

BEFORE ME, the undersigned authority, on this day personally appeared Lori Moreno, who being by me duly sworn, deposed as follows:

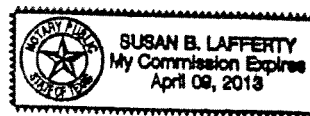
1. My name is Lori Moreno. I am over twenty-one (21) years of age, of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated.
2. I am employed as the Manager - Communications for Texas Gas Service Company, a division of ONEOK, Inc. ("TGS").
3. TGS is a provider of natural gas utility service to customers located within the South Texas Service Area environs of Cuero, Gonzales, Lockhart, Luling, Shiner, Yoakum and Nixon, Texas ("South Texas Environs").
4. A copy of the attached notice was indeed sent to the affected customers via direct mail on January 17, 2013.
5. The estimated cost of the mailing is \$120.00.

  
Lori Moreno

SUBSCRIBED AND SWORN to before me on the 21<sup>st</sup> day of January, 2013.

  
Notary Public in and for the State of Texas

My commission expires: 4/9/2013



# **PUBLIC NOTICE OF STATEMENT OF INTENT TO INCREASE RATES IN THE SOUTH TEXAS SERVICE AREA ENVIRONS**

Texas Gas Service Company, a division of ONEOK, Inc. ("Texas Gas" or the "Company"), hereby gives notice to the public that on October 12, 2012, it filed with the Railroad Commission of Texas ("Commission") a Statement of Intent to Increase Rates ("Statement of Intent") in the environs of its South Texas Service Area ("STXSA"), which includes customers residing in the unincorporated areas of Cuero, Gonzales, Lockhart, Luling, Shiner, Yoakum, and Nixon, Texas ("STXSA Environs"). The Statement of Intent filing made by the Company seeks to increase rates in the STXSA Environs to bring them in line with the increase in rates recently approved by the STXSA Cities. The Environs share of this increase is \$25,211, which represents approximately a 7.03 percent for the STXSA Environs, inclusive of gas cost. Excluding the cost of gas, this represents an increase of 15 percent for the STXSA Environs. Because this amount is less than \$100,000, it does not represent a "major change" as that term is defined by TEX. UTIL. CODE ANN. § 104.101. The proposed increase will take effect with the Company's first billing cycle of December (meters read on and after November 30, 2012).

The proposed changes to Texas Gas' tariffs will affect all of the approximately 273 general service customers in the STXSA Environs, including 247 residential customers, 24 commercial customers, 1 industrial customer, and 1 transportation customer.

To achieve this increase, the Company proposes to implement the same rates that have been approved by the STXSA Cities pursuant to a Settlement Agreement reached between the STXSA Cities and the Company in April 2012. The specific proposed changes to the Company's rates are shown below in a side-by-side comparison of existing and proposed rates for the STXSA Environs:

	Existing Rate	Proposed Rate
<b>Residential</b>		
Customer Charge	\$ 15.00	\$ 16.00
Usage Rate	\$ 0.1376	\$ 0.2209
<b>Commercial</b>		
Customer Charge	\$ 25.00	\$ 28.50
Usage Rate	\$ 0.3132	\$ 0.3662
<b>Industrial</b>		
Customer Charge	\$ 50.00	\$ 75.00
Usage Rate		
First 3,000 Ccf	\$ 0.1129	\$ 0.1236
All Over 3,000 Ccf	\$ 0.0860	\$ 0.0967
<b>Commercial Transportation</b>		
Customer Charge	\$ 200.00	\$ 250.00
Usage Rate	\$ 0.3132	\$ 0.3662
<b>Industrial Transportation</b>		
Customer Charge	\$ 200.00	\$ 250.00
Usage Rate		
First 3,000 Ccf	\$ 0.1129	\$ 0.1236
All Over 3,000 Ccf	\$ 0.0860	\$ 0.0967

Based on the proposed rate design, the average monthly bill increase for STXSA Environs customers, including cost of gas and excluding the cost of gas, is shown below:

GUD No. 10217  
Affidavit of Notice  
Settlement Agreement Attachment

CUSTOMER CLASS	INCREASE INCLUDING COST OF GAS		INCREASE EXCLUDING COST OF GAS	
	\$ AMOUNT	PERCENT	\$ AMOUNT	PERCENT
RESIDENTIAL	\$2.95	9.10%	\$2.95	16.25%
COMMERCIAL	\$10.89	7.10%	\$10.89	15.87%
INDUSTRIAL	\$41.75	3.50%	\$41.75	18.42%
STANDARD TRANSPORTATION - INDUSTRIAL	\$257.68	13.20%	\$257.68	13.22%

\*Note that there are no Commercial Transportation customers in the STXSA Environs.

The following table shows the number of customers by class located within each of the Cities and the environs that together comprise the STXSA, along with each City's and the STXSA Environs' allocated portion of the requested revenue increase (allocation based on volumes).

		% Revenue Increase In:		Number of Customers				
Jurisdiction	Revenue Increase	Non-Gas Revenue	Total Revenue	Residential	Commercial	Industrial	Transportation	Total
Cuero	\$ 82,147	14.20%	8.43%	1,510	129	-	5	1,644
Gonzales	\$ 60,422	14.26%	9.14%	1,285	137	1	2	1,425
Luling	\$ 52,328	13.57%	9.16%	1,139	96	2	2	1,239
Lockhart	\$ 100,410	13.34%	9.07%	2,132	197	1	4	2,334
Shiner	\$ 47,608	14.27%	7.77%	699	65	-	1	766
Yoakum	\$ 87,264	14.17%	8.05%	1,417	136	2	4	1,559
Nixon	\$ 24,609	13.48%	7.82%	366	37	-	1	405
Environs	\$ 25,211	15.00%	12.86%	247	24	1	1	273
Total	\$ 480,000	12.24%	8.45%	8,796	821	7	20	9,644

Other proposed tariff changes include revisions to the Rules of Service, including new service options and proposed new fees. The new fees are listed below.

Service Description	Proposed Service Charges
Account Research Fee (\$/hour)	\$21.00
Police Escort Fee - Regular (\$/hour)	\$60.00
Special Handling	\$6.00
Meter Tampering	\$100.00
Meter Removal Fee	\$50.00
Unauthorized Consumption	\$20.00
Meter Test Up to 1000 cubic feet per hour	\$80.00
Meter Test Over 1000 cubic feet	\$175.00
Meter Test Orifice Meters - all sizes	\$175.00
Regular Labor Rate	\$45.00
Connect Fee - Read Only (Read-In)	\$10.00
Meter Test at Customer Request	Discontinue

The Company also proposes to replace the current STXSA General Charges, Provisions and Conditions Transportation tariff (Rate Schedule T-GEN) with a new General Terms and Conditions for Transportation tariff (T-GTC) which also allows for shorter term contracts with qualifying customers.

In addition, the Company seeks to recover all rate case expenses as allowed by law. The exact amount of rate case expenses will not be known until the case is completed.

A complete copy of the Company's 2012 Statement of Intent to Increase Rates in the South Texas Environs is available for inspection in its Cuero, Texas office located at 1100 Main Street, Cuero, Texas, 77954 or on the internet at the Company's website [www.texasgasservice.com](http://www.texasgasservice.com). Persons with specific questions or desiring additional information about this filing may contact the Company at 1-800-700-2443. Any affected person may file in writing comments or a protest concerning the proposed change in the environs rates with the Docket Services Section of the Office of General Counsel, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 30 days following the date on which the change would or has become effective.

**TEXAS GAS SERVICE COMPANY**

GUD NO. 10217

STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY TO §  
CHANGE RATES WITHIN THE §  
ENVIRONS OF THE SOUTH TEXAS §  
SERVICE AREA §

BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS

AFFIDAVIT OF MICHAEL DANE MCKAUGHAN, JR.

Before me, the undersigned authority, on this date personally appeared Michael Dane McKaughan, Jr., known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

"My name is Michael Dane McKaughan, Jr. I am a partner in the Austin, Texas law firm of Parsley Coffin Renner LLP, and have practiced law in Travis County since 1998. I have extensive experience representing and defending clients before the Railroad Commission of Texas and Public Utility Commission of Texas. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.

I am counsel of record for Texas Gas Service Company, a division of ONEOK, Inc. ("Texas Gas" or the "Company") in Gas Utilities Docket No. 10217. Attached to this Affidavit are invoices documenting the amount of rate case expenses incurred by Texas Gas in this docket through December 31, 2012, which amount is \$18,712.69. This amount includes legal expenses incurred preparing the filing, reviewing witness testimony, discovery and other litigation at the Commission, settlement negotiations, and preparation of settlement documents. I have reviewed the billings of Parsley Coffin Renner LLP submitted to Texas Gas for legal services performed in GUD No. 10217 through December 31, 2012, and I affirm that those billings accurately reflect the time spent and expenditures incurred by Parsley Coffin Renner LLP on Texas Gas' behalf.

The attorneys billing on the file have hourly rates of between \$250 and \$380, with the majority of the time billed by myself. My hourly billing rate is \$380, which is within the range deemed reasonable in prior rate cases for lawyers having similar experience providing similar services. The hours spent to perform the tasks assigned to Parsley Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis. The nature of the work performed is typical of a contested rate proceeding such as this. Given the small number of customers impacted by the new rates and the rate case expenses, efforts were taken to minimize costs. However, Texas Gas must follow the same required procedures and meet the same burden of proof regardless of the number of customers impacted.

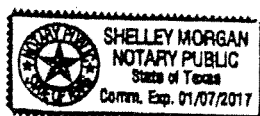
In addition to the amounts incurred through December 31, 2012, Texas Gas will incur additional legal expense to complete the case. Work performed for completion of the case includes finalizing settlement documents, presentation of settlement to Examiners, potential

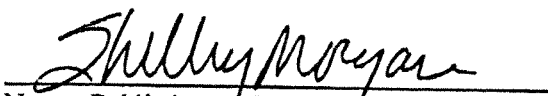
discovery and briefing before the Examiners, and attending Commission conferences. Based on my experience in administrative proceedings, including proceedings in which the parties seek approval of a Unanimous Settlement Agreement as in this case, I estimate that legal expenses from January 1, 2013 through completion of the case will be approximately \$5,000. Texas Gas requests that the Commission authorize recovery of a total amount of legal expense related to this docket of \$23,712.69. Texas Gas will supplement this filing with additional invoices as they are processed. Texas Gas seeks recovery only of those expense that are actually incurred, and any rate case expense surcharge will collect from ratepayers only the amount actually incurred and authorized by the Commission. This legal expense estimate presumes adoption by the Commission of the Settlement Agreement and no appeal of the Commission order. To the extent the Commission does not adopt the Settlement Agreement and the docket must be litigated through hearing and briefing and/or appealed to Travis County District Court, I estimate that Texas Gas will incur approximately \$50,000 in additional legal expenses. Texas Gas reserves the right to revise this estimate to the extent that additional litigation becomes necessary.

In addition to legal expenses, Texas Gas incurred other rate case expenses, which include expenses regarding public notice. Texas Gas provided notice by direct mail as allowed by GURA § 104.103(b)(1), as explained in the affidavit of Ms. Lori Moreno. Costs incurred to direct mail the notice equaled \$120. The provision of public notice is required by statute, and the Company reasonably controlled costs by providing direct mail rather than publishing the notice in local newspapers. Thus, the total amount of rate case expenses incurred through December 31, 2012, inclusive of legal fees is \$18,832.69. The total actual and estimated rate case expenses through completion of the case, inclusive of legal fees, is \$23,832.69, which is reflected in the Unanimous Settlement Agreement. Again, this presumes approval of the Unanimous Settlement Agreement and no appeal by a party of the Commission decision, and this amount may need to be revised if additional litigation is required."

  
Dane McKaughan

SWORN AND SUBSCRIBED before me on this 30<sup>th</sup> day of January, 2013.



  
Notary Public in and for the State of Texas



# PARSLEY COFFIN RENNER LLP

P. O. Box 13366  
Austin, TX 78711  
512-879-0900

Federal I.D. No. 27-0934461

GUD No. 10217  
RCE Affidavit  
Settlement Agreement Attachment

Stephen Lake  
ONEOK, Inc. - Texas Gas Service Co.  
P.O. Box 871  
Tulsa, OK 74102-0871

Statement Date: October 31, 2012  
Statement No. 3102  
Client No. 500.35  
Page: 1

RE: 2012 South Texas Environs - LDID# \_\_\_\_\_

## Fees

			Rate	Hours	
05/22/2012	MDM	TC w/D. Dembowski re South Texas environs statement of Intent	380.00	0.30	114.00
09/04/2012	MDM	TC w/J. Buchanan re South Texas environs SOI; research re same	380.00	0.60	228.00
10/02/2012	MDM	TC w/J. Buchanan re filing; research re same	380.00	1.00	380.00
10/03/2012	EDJ	Review checklist for Staff	250.00	0.30	75.00
10/04/2012	EDJ	Review rate filing package; research filing requirements; conference call re requirements	250.00	1.20	300.00
	MDM	TC w/J. Buchanan re rate filing; research re GUD No. 9770	380.00	1.50	570.00
10/05/2012	EDJ	Work on direct testimony	250.00	1.40	350.00
	MDM	Review J. Buchanan testimony; revise rate filing package	380.00	2.50	950.00
10/07/2012	EDJ	Work on direct testimony	250.00	1.50	375.00
10/08/2012	EDJ	Work on testimony and pleading	250.00	2.00	500.00
	MDM	TC w/RCT Staff re rate filing; revise rate filing package; TC w/J. Buchanan re discussion w/RCT Staff	380.00	1.80	684.00
10/09/2012	EDJ	Work on testimony and SOI	250.00	1.00	250.00
	MDM	TC w/J. Buchanan re SOI/notice; review J. Buchanan			

ONEOK, Inc. - Texas Gas Service Co.  
 Account No. 500.35  
 RE: 2012 South Texas Environs - LDID

GUD No. 10217  
 RCE Affidavit  
 Settlement Agreement Attachment  
 Statement Date: 10/31/2012  
 Statement No. 3102  
 Page No. 2

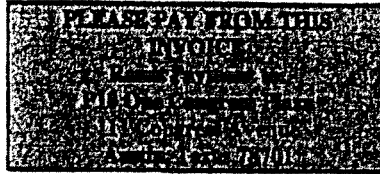
		Rate	Hours	
	testimony; research re ROE/depreciation	380.00	2.80	1,064.00
10/10/2012				
EDJ	Conference call w/J. Buchanan; work on schedules and notice; work on testimony and SOI	250.00	3.50	875.00
MDM	Review testimony and rate filing package; TC w/J. Buchanan re same	380.00	3.20	1,216.00
10/11/2012				
EDJ	Work on rate filing package	250.00	0.90	225.00
MDM	Revise SOI; review rate filing package	380.00	2.50	950.00
10/12/2012				
EDJ	Work on rate filing package	250.00	2.40	600.00
MDM	Revise SOI; attention to filing; TC w/RCT Staff re same	380.00	2.30	874.00
10/31/2012				
MDM	TC w/J. Griffin re Staff Intervention	380.00	0.40	152.00
	For Current Services Rendered		33.10	10,732.00

#### Recapitulation

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Dane McKaughan	18.90	\$380.00	\$7,182.00
Evan D. Johnson	14.20	250.00	3,550.00

#### Expenses

10/12/2012	Outside Printing - Rainmaker - TGS 2012 South Texas Environs SOI	521.77
10/12/2012	Photocopies	32.80
10/12/2012	Mileage - A. Martinez - RCT - 1701 N. Congress Ave.	0.83
10/15/2012	Mileage - A. Martinez - TGS - J. Buchanan	5.55
10/16/2012	Outside Printing - Rainmaker - Additional copies of rate filing package per RCT request	281.67
10/16/2012	Mileage - C. Castillo - RCT - 1701 N. Congress Ave.	1.67
	<b>Total Expenses</b>	<b>844.29</b>
	<b>Total Current Work</b>	<b>11,576.29</b>
	<b>Balance Due</b>	<b><u>\$11,576.29</u></b>



# Invoice

Date 10/12/2012 Invoice # 24895

<b>Bill To</b>
Paralely Coffin Renner Attn: Accounts Payable 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

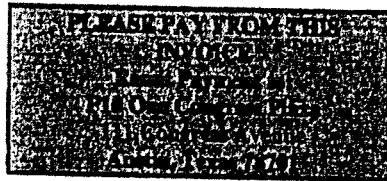
<b>Ship To</b>
Paralely Coffin Renner 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

Ordered By	Reference Number	Terms	Rep	Project #	Delivery Date
Shelley Morgan	500.35	Due on receipt	AG	10120147	10/12/2012
Item Code	Description	Quantity	Price Each	Amount	
Digital BW Prints	Digital BW Prints - 8 sets, 2-sids per exhibit, 3-hole punched	4,720	0.10	472.00T	
Tab	Tab	40	0.25	10.00T	
	Sales Tax		8.25%	39.77	
Thank you for your business!		Total		\$521.77	
Phone Number	Fax Number	Web Site	Federal Tax ID Number		
512.472.9911	512.472.6161	www.gorainmaker.com	43-2033387		

GUD No. 10217  
RCE Affidavit  
Settlement Agreement Attachment

# rainmaker

Document Technologies



## Invoice

Date 10/16/2012 Invoice # 24934

<b>Bill To</b>
Paraley Coffin Renner Attn: Accounts Payable 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

<b>Ship To</b>
Paraley Coffin Renner 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

Ordered By	Reference Number	Terms	Rep	Project #	Delivery Date
Shelley Morgan	500.35	Due on receipt	AG	10120182	10/16/2012
Item Code	Description	Quantity	Price Each	Amount	
2-Light Handling	Light Handling Copies - 4 sets, 3-hole punched, tabs inserted and bound	2,532	0.10	253.20T	
Tab	Tab	28	0.25	7.00T	
	Sales Tax		8.25%	21.47	
Thank you for your business!		Total		\$281.67	
Phone Number	Fax Number	Web Site	Federal Tax ID Number		
512.472.9911	512.472.6161	www.gorainmaker.com	43-2033387		

# PARSLEY COFFIN RENNER LLP

P. O. Box 13366  
Austin, TX 78711  
512-879-0900

Federal I.D. No. 27-0934461

GUD No. 10217  
RCE Affidavit  
Settlement Agreement Attachment

Stephen Lake  
ONEOK, Inc. - Texas Gas Service Co.  
P.O. Box 871  
Tulsa, OK 74102-0871

Statement Date: November 30, 2012  
Statement No. 3145  
Client No. 500.35  
Page: 1

RE: 2012 So TX Environs SOI

## Fees

					Rate	Hours	
11/01/2012							
	MDM	L120	A108	Communicate w/other external RCT Staff			
				re conference call	380.00	0.80	304.00
	MDM	L120	A108	Communicate with client J. Buchanan re			
				conference call w/RCT Staff	380.00	0.30	114.00
2012							
	MDM	L120	A104	Review/Analyze conference call issues	380.00	0.50	190.00
11/06/2012							
	EDJ	L230	A109	Appear for/attend RCT Conference	250.00	0.20	50.00
11/11/2012							
	EDJ	L310	A104	Review/Analyze discovery requests	250.00	0.50	125.00
11/12/2012							
	MDM	L120	A108	Communicate with client J. Buchanan, et			
				al. re meeting w/RCT Staff and RFIs	380.00	0.70	266.00
	MDM	L120	A102	Research re certifying question	380.00	0.50	190.00
11/14/2012							
	MDM	L120	A108	Communicate w/other external RCT Staff			
				re certifying question	380.00	0.40	152.00
11/26/2012							
	EDJ	L310	A104	Review/Analyze discovery responses	250.00	1.10	275.00
	EDJ	L210	A108	Communicate with client via conference			
				call re notice issue	250.00	0.50	125.00
	MDM	L310	A104	Review/Analyze RFI responses	380.00	1.50	570.00
	MDM	L310	A108	Communicate with client J. Buchanan re			
				RFI responses	380.00	0.40	152.00
11/27/2012							
	EDJ	L310	A104	Review/Analyze discovery responses	250.00	0.50	125.00

ONEOK, Inc. - Texas Gas Service Co.  
 Account No. 500.35  
 RE: 2012 So TX Environs SOI

GUD No. 10217  
 RCE Affidavit  
 Settlement Agreement Attachment  
 Statement Date: 11/30/2012  
 Statement No. 3145  
 Page No. 2

	Rate	Hours	
For Current Services Rendered		7.90	2,638.00

	Recapitulation		
<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Dane McKaughan	5.10	\$380.00	\$1,938.00
Evan D. Johnson	2.80	250.00	700.00

<u>Expenses</u>				
11/06/2012	L100	E109	Parking - E. Johnson - RCT Conference	8.00
11/27/2012	L100	E109	Mileage - C. Castillo - RCT - 1701 N. Congress Ave.	1.67
11/30/2012	L100	E101	Photocopies	43.20
Total Expenses				52.87
Total Current Work				2,690.87
Balance Due				<u>\$2,690.87</u>

Task Code Recapitulation

		<u>Fees</u>	<u>Expenses</u>
L100		0.00	52.87
L120	Analysis/Strategy	1216.00	0.00
L100		1,216.00	52.87
L210	Pleadings	125.00	0.00
L230	Court Mandated Conferences	50.00	0.00
L200	Pre-Trial Pleadings and Motions	175.00	0.00
L310	Written Discovery	1247.00	0.00
L300	Discovery	1,247.00	0.00

**PARSLEY COFFIN RENNER LLP**

P. O. Box 13366  
Austin, TX 78711  
512-879-0900

Federal I.D. No. 27-0934461

GUD No. 10217  
RCE Affidavit  
Settlement Agreement Attachment

Stephen Lake  
ONEOK, Inc. - Texas Gas Service Co.  
P.O. Box 871  
Tulsa, OK 74102-0871

Statement Date: December 31, 2012  
Statement No. 3165  
Client No. 500.35  
Page: 1

RE: 2012 So TX Environs SOI

Fees

					Rate	Hours	
12/03/2012							
	MDM	L160	A108	Communicate w/other external RCT Staff re settlement proposal	380.00	1.30	494.00
	MDM	L160	A103	Draft/Revise correspondence re settlement proposal	380.00	0.60	228.00
12/04/2012							
	EDJ	L210	A104	Review/Analyze notice issues	250.00	0.40	100.00
	MDM	L160	A108	Communicate w/other external RCT Staff, et al. re settlement	380.00	0.80	304.00
	MDM	L160	A103	Draft/Revise correspondence re settlement	380.00	0.40	152.00
12/10/2012							
	MDM	L160	A108	Communicate w/other external RCT Staff re settlement	380.00	0.50	190.00
	MDM	L210	A102	Research re revised form of notice	380.00	0.50	190.00
12/11/2012							
	MDM	L120	A108	Communicate w/other external RCT Staff re Examiner Letter No. 1	380.00	0.50	190.00
	MDM	L250	A103	Draft/Revise letter to RCT re procedural schedule	380.00	0.30	114.00
	MDM	L160	A102	Research re settlement issues	380.00	0.50	190.00
12/12/2012							
	MDM	L210	A108	Communicate w/other external RCT Staff re revised notice	380.00	0.50	190.00
12/13/2012							
	EDJ	L210	A104	Review/Analyze notice issues	250.00	0.20	50.00
12/17/2012							
	MDM	L250	A103	Draft/Revise letter to RCT re procedural			

ONEOK, Inc. - Texas Gas Service Co.  
 Account No. 500.35  
 RE: 2012 So TX Environs SOI

GUD No. 10217  
 RCE Affidavit  
 Settlement Agreement Attachment  
 Statement Date: 12/31/2012  
 Statement No. 3165  
 Page No. 2

				Rate	Hours	
			schedule	380.00	0.50	190.00
12/19/2012						
	MDM	L250	A108			
			Communicate w/other external RCT Staff			
			re letter to RCT re case status	380.00	0.40	152.00
	MDM	L250	A103			
			Draft/Revise letter to RCT re case status	380.00	0.40	152.00
12/27/2012						
	MDM	L160	A103			
			Draft/Revise settlement agreement	380.00	2.00	760.00
12/28/2012						
	MDM	L160	A103			
			Draft/Revise settlement agreement	380.00	1.60	608.00
	MDM	L160	A106			
			Communicate with client J. Buchanan re			
			settlement agreement	380.00	0.50	190.00
			For Current Services Rendered		11.90	4,444.00

Timekeeper

Dane McKaughan  
 Evan D. Johnson

Recapitulation

Hours	Rate	Total
11.30	\$380.00	\$4,294.00
0.60	250.00	150.00

Expenses

12/19/2012	L100	E109	Mileage - A. Martinez - RCT - 1701 N. Congress Ave.	0.83
12/31/2012	L100	E101	Photocopies	0.70
			Total Expenses	1.53
			Total Current Work	4,445.53

Balance Due

\$4,445.53

Task Code Recapitulation

		Fees	Expenses
L100		0.00	1.53
L120	Analysis/Strategy	190.00	0.00
L160	Settlement/Non-Binding ADR	3116.00	0.00
L100		3,306.00	1.53
L210	Pleadings	530.00	0.00
L250	Other Written Motions and Submissions	608.00	0.00
L200	Pre-Trial Pleadings and Motions	1,138.00	0.00



**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. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development. This rate is only available to full requirements customers of Texas Gas Service Company.

**TERRITORY**

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

**COST OF SERVICE RATE**

During each monthly billing period:

A Customer Charge of	\$ 16.00 plus
All Ccf at	\$ 0.2209 per Ccf

**OTHER APPLICABLE SCHEDULES**

In addition to the Cost of Service set forth above, each customer's bill shall include adjustments for the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes and other applicable taxes on gross receipts.
3. Adjustments in accordance with provisions of the Weather Normalization Adjustment clause, Rate Schedule WNA.

**CONDITIONS**

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area - Central Texas Region**

GUD No. 10217  
Exhibit A to Settlement Agreement

**RATE SCHEDULE 2E**

**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**

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

**COST OF SERVICE RATE**

During each monthly billing period:

A Customer Charge per meter per month of	\$28.50 plus -
All Ccf per monthly billing period @	\$ 0.3662 per Ccf

**OTHER APPLICABLE SCHEDULES**

In addition to the Cost of Service set forth above, each customer's bill shall include the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes and other applicable taxes on gross receipts.
3. Adjustments in accordance with provisions of the Weather Normalization Clause, Rate Schedule WNA.

**CONDITIONS**

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. 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 residential and other consumers served.

Supersedes Same Sheet Dated  
April 30, 2008

Meters Read On and After  
\_\_\_\_\_

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area - Central Texas Region**

GUD No. 10217  
Exhibit A to Settlement Agreement

**RATE SCHEDULE 3E**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer. Service under this rate schedule is available to any qualifying customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

Division B - Mining - all Major Groups  
Division D - Manufacturing - all Major Groups  
Divisions E and J - Utility and Government - facilities generating power  
for resale only

**TERRITORY**

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$75.00 plus
The First 3,000 Ccf @	\$ 0.1236 per Ccf
All Over 3,000 Ccf @	\$ 0.0967 per Ccf

**OTHER APPLICABLE SCHEDULES**

In addition to the Cost of Service set forth above, each customer's bill shall include adjustments for the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes, and other applicable taxes on gross receipts.

**CONDITIONS**

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. 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 residential and other consumers served.

Supersedes Same Sheet Dated  
April 30, 2008

Meters Read On and After  
\_\_\_\_\_

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-2**  
**Page 1 of 3**

**COMMERCIAL TRANSPORTATION SERVICE RATE**

**Applicability**

Applicable to commercial customers and to consumers not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing delivery receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**Availability**

Natural gas service under this rate schedule is available to any individually metered, commercial customer for the transportation of customer owned natural gas through the Company's South Texas distribution system. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company's sole discretion. The customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account

Supersedes Rate Schedule Dated  
April 27, 2012

Meters Read On and After  
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**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-2**  
**Page 2 of 3**

of Customer for transportation.

**Character of Service**

Firm gas transportation service

**Cost of Service Rate**

During each monthly billing period:

A customer charge per meter per month of	\$ 250.00	plus –
All Ccf per monthly billing period @	\$ 0.3362	per Ccf

**Additional Charges**

- 1) 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 6060TEX> REV. CIV.STAT. as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the customer receives gas delivered hereunder.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the South Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.

**Subject to:**

**Special Provisions**

**Tariff**

General Terms and Conditions for Transportation

T-GTC

**Other Conditions**

Transportation of Customer owned natural gas hereunder is subject in all respects to the Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural 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 residential and other higher priority customers served. 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

Supersedes Rate Schedule Dated  
April 27, 2012

Meters Read On and After  
\_\_\_\_\_

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-2**  
**Page 3 of 3**

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to such customer.

**Payment**

Bills are to be paid within 10 days after the date of Company's bill to Customer.

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Supersedes Rate Schedule Dated  
April 27, 2012

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Meters Read On and After  

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**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-3**  
**Page 1 of 3**

**INDUSTRIAL TRANSPORTATION SERVICE RATE**

**Applicability**

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

Division B - Mining - all Major Groups  
Division D - Manufacturing - all Major Groups  
Divisions E and J - Utility and Government - facilities generating power for resale only

Service under this rate schedule is available for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing delivery receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**Availability**

Natural gas service under this rate schedule is available to any individually metered, industrial customer for the transportation of customer owned natural gas through the Company's South Texas distribution system. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company's sole discretion. The customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be

Supersedes Rate Schedule Dated  
April 27, 2012

Meters Read On and After

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-3**  
**Page 2 of 3**

delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account of Customer for transportation.

**Character of Service**

Firm gas transportation service

**Cost of Service Rate**

During each monthly billing period:

A customer charge per meter per month of	\$250.00	plus –
The First 3,000 Ccf @	\$ 0.1236 per Ccf	
All Over 3,000 Ccf @	\$ 0.0967 per Ccf	

**Additional Charges**

- 1) 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 6060TEX> REV. CIV.STAT. as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the customer receives gas delivered hereunder.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the South Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.

**Subject to:**

**Special Provisions**

**Tariff**

General Terms and Conditions for Transportation

T-GTC

**Other Conditions**

Transportation of Customer owned natural gas hereunder is subject in all respects to the

Supersedes Rate Schedule Dated  
April 27, 2012

Meters Read On and After



**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area – Central Texas Region**

**RATE SCHEDULE T-3**  
**Page 3 of 3**

Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural 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 residential and other higher priority customers served. 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.

**Payment**

Bills are to be paid within 10 days after the date of Company's bill to Customer.

Supersedes Rate Schedule Dated  
April 27, 2012

Meters Read On and After  
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TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

GAS TARIFF  
SOUTH TEXAS SERVICE AREA

Unincorporated Areas of - Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX

Effective for Meters Read On and After \_\_\_\_\_  
Supersedes and Replaces "Environs of the South Texas - Central Texas Region"  
dated and previously effective - April 30, 2008

TEXAS GAS SERVICE COMPANY

Communications Regarding this Tariff  
Should Be Addressed To:

Texas Gas Service Company  
411 E. Davis  
Luling, Texas 78648

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

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TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 1

GENERAL STATEMENT

1.1 TARIFF APPLICABILITY

Texas Gas Service Company is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service Company's South Texas service area, comprising the environs of the Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum. This Tariff supersedes and replaces all tariffs previously approved and applied in said areas.

Service under this Tariff is subject to the original jurisdiction of the Railroad Commission of Texas. The Company will provide service to any person and/or business within its service area in accordance with the rates, terms and conditions provided for in its Tariff and regulations.

1.2 RATE SCHEDULES

All Customers shall be served under rate schedules filed with the Railroad Commission of Texas. Customers shall be assigned to rate schedules in accordance with the class of the particular Customer, the usage which will be made of the gas and that Customer's volume requirements. The Company shall advise the Applicant or Customer regarding the most advantageous rate for his usage if more than one rate is applicable. A Customer assigned to a rate schedule shall remain on that schedule for a minimum of one year except that an assignment made in error may be corrected immediately. In the event of a question regarding the Customer's classification, the question shall be resolved by reference to the coding of the Customer's primary business in the latest edition of the Standard Industrial Classification Manual of the United States Government's Office Management and Budget.

1.3 DEFINITIONS

The following definitions shall apply to the indicated words as used in this Tariff:

Agricultural Service and  
Irrigation or Irrigation  
Pumping Service:

Service to Consumers engaged in agricultural production (SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.

Applicant:

Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

Average Day Usage:

The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

Section 1

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>Blanket Builder:</u>	A builder or someone acting for a builder who is invoiced for the installation of yardlines.
<u>Commercial Service:</u>	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a division of ONEOK, Inc.
<u>Consumer:</u>	Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.
<u>Domestic or Residential Service:</u>	Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.
<u>Electronic Document:</u>	Any document sent electronically via email or internet.
<u>Electronic Fund Transfer (EFT):</u>	The process to convert a paper check or electronic bill payment request to an electronic transfer. (Paper checks received by Company or their agents are destroyed.)
<u>Electronic Radio Transponder (ERT) Automated Meter Reading (AMR):</u>	A device that remotely reads a gas meter.
<u>Expedited Service:</u>	Customer request for same day service or service during non-business hours for connect or reconnect of gas service.

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

Section I

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

General Rate Schedule:

A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.

Industrial Service:

Service to Customers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Customers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Optional Rate Schedule:

A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require the installation of special equipment.

Overtime Rate:

The fee charged by Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside Company's normal business hours.

Power Generation Service:

Service to Customers for the purpose of generating electricity. This service may be further divided into direct generation in which the gas is used to power the prime mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.

Regulatory Authority:

The Railroad Commission of Texas

Service Area:

The area receiving gas utility service provided by the Company under the terms of this Tariff.

Special Rate Schedule:

A rate schedule designed for a specific Customer.

System:

Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

Section 1

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Temporary Service:

Any service which will not be utilized continuously at the same location for a period of two or more years.

Transportation Rate Schedule:

A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.

Transportation Service:

The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 2. [Reserved for future rules]



Section 3: RATES AND UTILITY CHARGES

Please see current Rate Schedules on file with each applicable Regulatory Authority.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 4

CONDITION OF SERVICE

4.1 PROVISION OF SERVICE

The Company will provide gas service to any person or organization located within the South Texas Service Area from Company's facilities, or in certain cases, the facilities of its supplier, in accordance with the provisions of this Tariff, including the Company's Rate Schedules and Rules of Service.

4.2 FEES AND CHARGES

All fees and charges made by the Company to provide and maintain utility services as provided for in this Tariff. If the Customer elects transportation service, the commodity cost of gas shall be determined between the Customer and the Customer's selected supplier.

4.3 RESALE OF GAS

Gas delivered by the Company shall not be redelivered or resold for the use thereof by others unless otherwise expressly agreed to in writing by the Company; provided, however, that those Customers receiving gas for redistribution to the Customer's tenants may separately meter each tenant's distribution point for the purpose of prorating the Customer's actual amount of gas delivered among the various tenants on a per unit basis.

4.5 CONTINUITY OF SERVICE

- a) Service interruptions
  - i) The Company shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Company will reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of Customers is affected.
  - ii) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and will issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
  - iii) In the event of emergency or disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

CONDITION OF SERVICE (Continued)

4.5 CONTINUITY OF SERVICE (continued)

- b) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of interruptions, date, time duration, location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence, if applicable.
- c) Report to Railroad Commission of Texas. The Commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the Company's belief as to the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.
- d) The procedure under which curtailments of service will be made is described in Section 14 of this Tariff.
- e) The Company does not guarantee uninterrupted service to any Customer and shall not be liable for damages resulting from any loss of service to any Customer.

4.6 AVAILABILITY OF TARIFF

A copy of this Tariff including all applicable rate schedules shall be kept in the Company's South Texas Offices and its Division Office in Austin. The Tariff shall be available for examination in the referenced locations to any Customer or Applicant requesting it, during Company's normal business hours and upon reasonable notice to Company, and notice to this effect shall be posted in the Company's office. Upon the request of any Customer or Applicant, the Company shall make copies of the Tariff which may be purchased by the Customer or Applicant at the Company's South Texas offices. The Company may charge for each copy a fee which is not in excess of the Company's reasonable cost to reproduce the material.

4.7 CUSTOMER INFORMATION

The Company shall make available, during normal business hours at its local office, such additional information on Rates and Services as any Customer or Applicant may reasonably request. Upon any Customer's request, the Company shall inform the Customer how to read the Customer's meter. The Company shall annually provide each Customer with notice of the availability of a concise description in English and Spanish of the Customer's rights and the Company's obligations under this Tariff. A new Customer shall be provided with a description at the time service is initiated.

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

Section 4

CONDITION OF SERVICE (Continued)

4.8 CUSTOMER COMPLAINTS

Upon complaint to the Company by a Customer either at the Company's office, in writing, or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof. It shall keep a record which shows the name and address of all complainants, the date and nature of each complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint. However, complaints which require no further action by the Company need not be recorded. Each complainant shall be advised of his or her right to file the complaint with the Regulatory Authority if not satisfied by the Company.

Upon receipt of a complaint, either in writing or by telephone, from the Regulatory Authority on behalf of a Customer, the Company will make a suitable investigation and advise the Regulatory Authority and complainant of the results thereof. An initial response must be made by the next business day. The Company will make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period.

4.9 LIMITATION OF LIABILITY

The Customer assumes all responsibility for all facilities and their installation, maintenance, operation, functionality, testing and condition thereof on the Customer's side of the point of delivery of gas to the property of the Customer or to the premises of the Consumer, as defined in Section 6.2. Customer shall indemnify, hold harmless, and defend the Company and its employees or agents from any and all claims or liability for personal injury, damage to property, or any incidental, consequential, business interruption, or other economic damages or losses in any manner directly or indirectly connected to, arising from, or caused by acts or omissions of any person or party on the Customer's side of said point of delivery, as defined in Section 6.2.

The Company shall be liable to the Customer or Consumer only for personal injury or property damage arising directly from or caused directly by the negligent acts or omissions of the Company or its employees occurring on the Company's side of the point of delivery. The Company shall not be liable or responsible for personal injury, property damages, or any other loss or damages arising from or caused by the negligent or intentional act or omission of any person, other than an employee of the Company, who adjusts, repairs, disconnects, changes, alters, or tampers with the Company's meter or facilities in any way.

The Company shall be liable to third parties only for personal injury or property damage directly arising from the negligence or gross negligence of the Company or its employees when acting within the scope of their employment.

In no event shall the Company or its employees be liable for incidental, consequential, business interruption, or other economic damages or losses of Customer, Consumer, or third parties in any manner, directly or indirectly, arising from, caused by, or growing out of the interruption or termination of gas utility service.

The Customer shall make or procure conveyance to the Company of perpetual right-of-way across the property owned or controlled by the Customer that is satisfactory to the Company, provides clear

**TEXAS GAS SERVICE COMPANY**  
Texas Tariff - South Texas Service Area

**Section 4**

access to Company's facilities, and enables the Company to provide service to Customer's property or the premises of Consumer.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 5

INITIATION OF SERVICE

5.1 REGULAR SERVICE

Application for service can be made by telephone or through the Internet. Each Applicant must comply with the appropriate requirements of this Tariff before service shall be instituted. No written agreement shall be required for residential service under the standard provisions of this Tariff; commencement of service by the Company and the use of gas service by the Customer shall be evidence of such agreement. Any Customer requesting service under any special provision of this Tariff must execute a written agreement for service in the form prescribed by the Company designating those provisions which shall apply. Each Applicant may be required to produce an identification card bearing a photograph of Applicant and verifiable proof of their right to occupy a specific service address as of a specific date of occupancy.

5.2 SPECIAL CONTRACTS

Under certain special conditions, the Company may agree to rates, terms or conditions of service other than those provided in this Tariff. Such service must be established under the terms of a special contract or service agreement. To the extent that the provisions of any special contract are at variance with this Tariff, the provisions of the contract shall apply.

5.3 TEMPORARY SERVICE

Temporary Service shall be furnished under the same rate schedules applicable to regular service of a similar kind.

5.4 FEES AND CHARGES

The Company shall charge a non-refundable fee to each Applicant to compensate for the cost involved in initiation or reconnection of service or when service is transferred from one name to another at any location, or whenever a meter is reset or relocated on the same premises at the request of the Customer, all as specified in Section 22.1 of this Tariff.

Whenever the Applicant requests expedited service, the Company will accomplish the work as expeditiously as possible and the Customer will be charged at the Company's approved rate for service work. Expedited service and the charges therefore shall be made only on request of the Applicant. Whenever service is furnished from the facilities of a third party and the Company must pay any special fees to that third party, the Company may, at its option, pass that charge through to the Applicant requesting service. See Section 22.1 relating to fees for the above.

INITIATION OF SERVICE (Continued)

5.5 ESTABLISHMENT OF CREDIT

Each Applicant for service shall be required to make a security deposit in accordance with Section 10 of this Tariff to establish and maintain a satisfactory credit standing. The amount of deposit required shall be computed in the same manner for the same class of service; provided however, that a deposit shall be waived if:

- a) The Applicant has been a Customer for the same kind of service within the last two years and did not have more than one occasion in which a bill for service from any such utility service account was delinquent and no disconnection for non-payment was made;
- b) The Applicant furnishes an acceptable letter of credit;
- c) The Applicant demonstrates a satisfactory credit rating by presentation of satisfactory credit references capable of quick, inexpensive verification (applicable to residential Customers only);
- d) The Applicant is 65 years of age or older and has had no outstanding balance for natural gas utility service which accrued within the last two years (applicable to residential Customers only);
- e) The application is made for and in the name of an organization with an acceptable credit rating from an agency providing a credit rating service on a national basis;
- f) The application is made for or guaranteed by an agency of the federal, state or local government.
- g) The Applicant has been determined to be a victim of family violence as defined in Texas Family Code, §71.004. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site; or

INITIATION OF SERVICE (Continued)

5.6 GROUNDS FOR REFUSAL TO SERVE

The Company may refuse service to any Applicant for any of the following reasons:

- a) Failure to pay fees, advances or contributions or to make any deposit required for service under this Tariff;
- b) Failure of the Applicant to furnish any service or meter location specified for service under this Tariff;
- c) Existence of an unsafe condition such as a leak in the Applicant's piping system which, in Company's sole opinion, may endanger life or property;
- d) The Applicant is indebted to the Company for the same class of utility service at the same or another service location within the Company's system; or
- e) Delinquency in payment for gas service by another occupant if that person still resides at the premises to be served.

The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve.

5.7 REASONABLE TIME

The Company shall have a reasonable amount of time to institute service following application therefore or execution of an agreement for service. The time may vary depending on approvals and permits required, the extent of the facilities to be built, and the Company's workload at the time.



TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 6

METERING AND DELIVERY OF GAS

6.1 METER LOCATION

The Company shall have the sole right to determine the location of the meter in accordance with the needs of the service.

Each Applicant shall furnish and subsequently maintain a suitable location on his or her premises for the Company's meter and related facilities at a point selected by the Company. Meters shall be located where they will be safely accessible for reading and service, adequately ventilated, and not subject to damage. Meters shall not be located within any enclosed area unless the enclosure is solely intended as a meter house. It may be necessary for the Company to install bollards or guard posts around the meters for safety.

6.2 POINT OF DELIVERY

The point of delivery of gas sold by the Company to the Customer shall be at the outlet side of the Company's meter, provided that in those cases in which the Customer owns a section of the underground pipe between the Customer's property line and the meter, the point of delivery shall be at the property line. The title of all gas sold by the Company to the Consumer shall pass from the Company at the point of delivery. The point(s) of delivery and point(s) of redelivery for Transportation Service shall be as provided in the contract entered into between the Customer and the Company.

6.3 MULTIPLE METERS

Each Customer or group of Customers located on the same lot or tract of land may be served from a single meter location. The Company may, at its option, permit additional meter locations to simplify installation of facilities or provide better service. Whenever more than one meter location is permitted for the same Customer, the Company shall bill the usage through each meter separately, provided that any combined billings in effect at the time of adoption of this Tariff may be continued until the affected Customer discontinues service or upon order by the Regulatory Authority.

6.4 CONNECTION TO COMPANY FACILITIES

No Consumer shall make any connection or alteration of any kind on or to any of the Company's facilities upstream of the Company's meter or shall permit any other person to make such connection or alteration.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 7

INSTALLATION OF EQUIPMENT

7.1 EQUIPMENT FURNISHED BY THE COMPANY

The Company shall furnish and install at its expense, the service pipe from the Company's existing main to the property line nearest the meter and the equipment related thereto, including meter valve and service regulator. Whenever the meter is located at any point other than the property line, the Company shall determine the estimated cost of that portion of the service between the property line and the meter set. This estimate shall be based on the size and footage to be installed, and charged in accordance with Section 8 and other applicable provisions of this Tariff. This estimated amount shall be contributed by the Applicant to the Company before construction, unless the Applicant is a qualified Blanket Builder. Although affixed to or buried in the Customer's property, the entire service and meter set shall become the property of the Company and shall be operated and maintained by the Company.

7.2 EQUIPMENT FURNISHED BY THE APPLICANT

The Applicant shall furnish and install at his or her expense, all piping and equipment required to conduct and utilize the gas furnished, from the outlet of the meter set to the point(s) of utilization and those portions of the service line and meter set not furnished by the Company as described in Paragraph 7.1 above. The adequacy, safety and compliance with applicable codes and ordinances shall be the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility for the facilities installed by him or her.

7.3 STATUTES, CODES, AND ORDINANCES

All piping and installations owned by the Applicant shall comply with all applicable legal requirements, whether federal, state, county, municipal, or otherwise, and shall be properly designed for the pressures and volumes to be handled. In those locations where there are no applicable state or local requirements, the applicable provisions of the National Fuel Gas Code 54, ANSI Z223.1, and any amendments thereto shall apply.

7.4 CHECKS AND TESTS

The Company shall have the right to check new installations prior to initiation of service and to make any test of the Applicant's facilities it deems necessary.

7.5 REFUSAL TO SERVE

The Company shall refuse service to any Applicant who refuses entry for observation or whose facilities do not comply with the applicable provisions of this Tariff. The right to refuse service shall terminate with the correction of the condition(s) which was cause for refusal. Initiation of service, however, shall not be considered to be acceptance or approval by the Company of such facilities.

## EXTENSION OF FACILITIES

### 8.1 EXTENSION OF MAINS

The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) must make an advance in the amount necessary to justify the installation whether or not refundable.

### 8.2 DESIGN AND COST OF FACILITIES

As soon as practical after an application for service is received, the Company shall determine the extent of the facilities required to serve the new business and the cost thereof. This cost shall include all amounts to be spent for system improvements necessary to deliver the required gas, such as mains, regulator and meter stations, upgrading and/or reinforcement, all in accordance with the Company's current practice. Whenever the Company chooses to install facilities of greater capacity than would be required to serve the new business for which the application is being made or to permit supply from another source, the estimate of costs shall be based on only the size and capacity normally used to serve requirements similar to that of the Applicant.

### 8.3 ALLOWANCE FOR NEW BUSINESS

The Company shall also determine the number of existing potential permanent Customers located along the route of the extension expected to be served there from. To be included, the occupant of each premise must request service and demonstrate capability for using such service through a major gas burning appliance. Single or groups of individually owned mobile homes shall be included only if the wheels and hitch have been removed from each mobile home and/or substantial improvements have been made to the property. Mobile home parks may be served either through a master meter or individual meters served by a Company-owned system, provided that required mains can be installed and dedicated streets or rights-of-way have been provided to the Company for installation of facilities as evidenced by agreement executed on the Company's form. An allowance to be determined by the Company may be given for each potential Customer whose premises exist at the time of application to be served from the proposed main extension. In order to qualify for this allowance, the Customer must file an application and agree to initiate gas service upon completion of the Company's facilities.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 8

EXTENSION OF FACILITIES (Continued)

8.4 ADVANCES

The difference between the total cost of facilities as determined in Paragraph 8.2 above and the initial allowance if any, shall constitute the required advance. All advances must be made in cash. The Applicant shall have 90 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.

8.5 CONSTRUCTION OF FACILITIES

As soon as practical after the advance has been paid or it has been determined that no advance will be required, the Company shall begin construction of the required facilities and thereafter prosecute the work with reasonable diligence. The Company shall not be responsible for delays in the construction of the facilities occasioned by events or conditions reasonably beyond the Company's control. Whenever the construction of the new facilities requires the acquisition of rights-of-way across the Applicant(s) land(s), these rights-of-way shall be provided by the Applicant(s) in the Company's name and on its form at no cost to the Company (except for fees involved in the recording of documents).

8.6 REVIEW OF ADVANCES

The Company shall review each extension agreement on the first anniversary of the signing of that agreement. If the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth "in-service" anniversary dates. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund equal to the standard amount then being given as specified in Paragraph 8.3 hereof, shall be given for each additional Customer served, provided that the total of the refunds given does not exceed the cost of the extension of facilities.

EXTENSION OF FACILITIES (Continued)

8.7 REFUND LIMITATIONS

The Company may, at its sole option, make a refund at any time. In no case, however, shall a refund be given unless the number of Customers then served is greater than the number for whom refunds have previously been given. No refund shall be given which shall cause the total refunds to be greater than the total amount of the advance. No interest shall be paid on any advance made under the provisions of this Section. At the end of the five year period, any remaining amount of the advance shall be retained by the Company as a contribution in aid of construction.

8.8 DELIVERY OF REFUNDS

When a refund is due, a check in the appropriate amount and a letter setting forth the method of calculation of the refund and the balance remaining unrefunded shall be made to the person or business in whose name the extension agreement is made or to his or her assignee. If that letter is returned undelivered, the check shall be cancelled and the next review made without regard to that refund. All sums described in this Paragraph which are returned undelivered and remain unclaimed in the Company's possession for a period of six months following expiration of the five year period of the extension agreement shall be retained by the Company and considered a contribution in aid of construction.

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Section 9

CUSTOMER-OWNED SYSTEMS

9.1 INDIVIDUALLY METERED SYSTEMS

The Company shall not render service to any Customer through a meter not connected to a system owned by the Company or one of the Company's suppliers.

9.2 MASTER METERS

The Company shall provide service through a master meter into the piping systems of others to be distributed to more than one Consumer, except when the gas served is resold to those Consumers on either a commodity or separate cost of service basis. Customers purchasing gas for redistribution to the Customer's own tenants only on the Customer's premises may separately meter each tenant distribution point for the purpose of prorating the Consumer's actual purchase price of gas delivered among the various tenants on a per unit basis, and further provided that the provisions of this Section 9 shall not preclude the Company from supplying natural gas to a third party for resale to the public as fuel for natural gas powered vehicles (NGV's).

## SECURITY DEPOSITS

### 10.1 REQUIREMENTS

The Company shall require a security deposit from any present or prospective Customer in accordance with Paragraph 5.5 and 19.1 of this Tariff to guarantee payment of bills, and from any present Customer who during the last 12 consecutive months has on more than one occasion paid its utility bill after becoming delinquent. The amount of the deposit shall not exceed one-sixth of the estimated annual billings for similar Customers. However, the deposit requirement may, at the option of the Company be based on annual usage experienced at the particular address with application of one-sixth of the annual amount as determined as the required deposit. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. The deposit shall be refunded to residential Customers when the Customer has paid 12 consecutive bills without having service disconnected for non-payment, and without having one or more occasion in which a bill was delinquent or a payment was returned, and the Customer is not currently delinquent.

### 10.2 RECEIPTS

The Company shall maintain such records as may be necessary to permit any Customer to receive any deposit return to which he or she is entitled without presentation of the receipt. A record of any unclaimed deposits shall be maintained by the Company for at least 4 years.

### 10.3 INTEREST

The Company shall pay interest on all security deposits for the time held at the rate as set by the Public Utility Commission annually except when:

- a) The deposit is held 30 days or less;
- b) Notice is sent to the Customer's last known address that the deposit is no longer required;
- c) The service to which the deposit relates has been discontinued; or
- d) All or any part of the deposit has been applied to a delinquent account.

Interest on deposits earned during the preceding year shall be paid to the Customer during the first quarter of each calendar year. Payment shall be made either by check or as a credit on the monthly bill at the Company's option.

### 10.4 RETURN OF DEPOSITS

Deposits on residential accounts returned to the Customer in accordance with Paragraph 10.1 above shall be applied in the first calendar quarter following the month in which the good payment record is established. Whenever the deposit of any Customer is returned to the Customer, the Company shall pay all previously unpaid interest with the payment.

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Section 10

SECURITY DEPOSITS (Continued)

10.5 ACCEPTABLE FORMS OF DEPOSIT

Any one of the following forms of credit security may be accepted from Customers and Applicants for service:

- a) A cash deposit of as much as one-sixth (1/6) the estimated annual billings for service requested; but no less than the minimum deposit set forth in Section 22.2;
- b) A nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one-sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 22.2; or
- c) A surety bond issued by a reputable insurance company which can be drawn on for a minimum of two years.



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Section 11

GAS MEASUREMENT

11.1 PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7" Water Column above the standard atmospheric pressure in the area served. Standard serving pressure and the atmospheric pressure determined to be the average in the Central Texas Service Area, are 14.40 psia and 14.65 psig, respectively. The Consumer and the Company may, at the Company's option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer's facilities shall not be permitted.

11.2 UNIT OF MEASUREMENT

The standard unit of measurement shall be one hundred cubic feet (Ccf). A cubic foot shall be defined as the amount of gas which occupies a volume of one cubic foot at 14.65 psig and at a temperature of 60 degrees Fahrenheit. Whenever the Company delivers gas at any pressure other than the standard serving pressure, volumes shall be corrected to the standard serving pressure in the manner provided in this Tariff, provided however, that such correction may be made to any other standard provided in the rate schedules or special agreement under which the Customer is served. The Company may, at its sole option, waive the correction of measurement for temperature deviation.

11.3 BILLING UNIT

Unless otherwise specified on the rate schedules or by special agreement, Customers shall be billed on the basis of Ccf measured at or corrected to the standard serving pressure. The index of the meter shall be the sole determinant of volumes passing through the meter. Whenever the meter reads directly in hundreds or smaller units, a reading of one-half a billing unit or more (500 Cf or more) shall be considered a whole billing unit. Readings of less than one-half a unit shall be disregarded for billing. In those cases in which heating value is used as the billing unit, the calculation of the heating value in BTU's shall be made in accordance with Paragraph 11.7 of this Tariff.

11.4 PRESSURE CORRECTION - STANDARD METERING

Whenever gas is delivered to any Customer served under a rate schedule which provides for standard metering, the Company shall correct actual volumes measured to volumes which would have been measured if the gas had been delivered at the standard serving pressure. Corrections shall be made by one of the following methods.

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GAS MEASUREMENT (Continued)

11.4 PRESSURE CORRECTION - STANDARD METERING (continued)

- a) The Company may install pressure or pressure and temperature compensating measurement equipment whenever the cost of this equipment is justified by the volumes served. Such measurements shall be equipped with devices which mechanically or electronically correct the actual measured volumes in accordance with Boyle's Law. Variations in actual atmospheric pressure shall not be considered.
- b) The Company may use factor billing whenever the volumes to be delivered are too small to justify special metering. The factor shall be determined by dividing the actual serving pressure by the standard serving pressure, both expressed in absolute units based on the standard atmospheric pressure in the area as specified in Paragraph 11.1 hereof. This factor shall be applied to the measured volumes to determine the correct number of billing units.

11.5 METERING - SPECIAL POSITIVE DISPLACEMENT

Whenever gas is delivered to any Customer served under a rate schedule which provides for special metering and positive displacement or turbine type metering is used, all volumes shall be determined in accordance with the recommendations of the manufacturer of the meter. Meters may be read in actual volumes which shall then be corrected to the standard billing unit or may be furnished with devices designed to correct the actual volumes to the standard billing units. The following criteria shall be used in the correction of volumes or design and calibration of correcting devices.

- a) Pressure correction shall be made in accordance with Boyle's Law. Calculations based on pressure reading on a continuously recording chart shall use the average pressure indicated thereon applied to the measured volumes. Correcting devices shall be set at the specified serving pressure and the service regulators shall be adjusted as close to that pressure as practical. Corrections for deviations from Boyle's Law ("supercompressibility") may be made whenever the volumes delivered justify the cost of making such corrections.
- b) The flowing temperature of the gas shall be assumed to be 60 degrees Fahrenheit unless temperature correction is provided. Corrections shall be made in accordance with Charles' Law. Whenever a continuously recording instrument is used, the average temperature indicated thereon shall be applied to the measured volumes.
- c) The specific gravity of the gas shall be assumed to be the value last indicated by test or reported by the upstream pipeline supplier prior to the installation of the metering facilities. Whenever subsequent reports or test indicate significant changes in gravity, volume calculations shall be changed prospectively to reflect the new gravity.

GAS MEASUREMENT (Continued)

11.6 METERING - SPECIAL ORIFICE

Whenever gas is delivered to any Customer served under a rate schedule with provisions for special metering and orifice metering is used, all volumes shall be determined in accordance with the recommendations for measuring gas contained in the American Gas Association's Gas Measurement Committee Report No. 3, Orifice Metering of Natural Gas (1992), and subsequent revisions thereof. Orifice meter charts shall be calculated using a standard integrating device or other method recognized in the industry. The following criteria shall be used in the correction of volumes or design and calibration of orifice metering:

- a) Correction for deviation of gas from Boyle's Law shall be made in accordance with Report No. 3.
- b) Temperature of gas passing the meter shall be assumed to be 60 degrees Fahrenheit unless suitable equipment has been installed to measure actual flowing temperature. The arithmetical average of the temperature recorded during each meter charge period while the gas is flowing shall be used in the computations of volumes during the period.
- c) The standard atmospheric pressure for the area served shall be used for measurement irrespective of any variation in the actual barometric pressure.
- d) The specific gravity of the gas shall be assumed to be the value last obtained in a spot test made with a gravity balance, impact type unit or other acceptable method. Tests shall be made as frequently as found necessary to assure accurate measurement.

11.7 BTU MEASUREMENT

The heating value of gas for use in billing shall be defined as the gross thermal value of one cubic foot of gas at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit on a dry basis. The number of billing units delivered shall be determined by multiplying the heating value determined in accordance with this Section by the volumes delivered during the period, expressed in the same units and measured at, or corrected to 14.73 psia and 60 degrees Fahrenheit, and multiplying by the factor necessary to convert the heating value/measurement units to the billing units provided in the appropriate rate schedule. The heating value of the gas shall be determined using one of the following methods:

- a) Processing a continuous sample of the main stream at the meter location through a recording calorimeter of a standard type;

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Section 11

GAS MEASUREMENT (Continued)

11.7 BTU MEASUREMENT (continued)

- b) Analysis of gas samples accumulated from the main stream at the meter location in a sample bottle of an approved type;
  - i) passing the sample through a recording calorimeter of a standard type;
  - ii) passing the sample through a flow calorimeter of a standard type; or
  - iii) passing the sample through a chromatograph to determine the chemical composition and calculating the total heating value from the sum of the constituents.

11.8 CUSTOMER-OWNED METERS

A Customer may install and operate a meter or any other device to measure gas volumes, pressure, temperature, BTU content or specific gravity downstream of the point of delivery. Unless expressly otherwise agreed to by the Company and Customer, however, the Company's meter and equipment shall be the sole determinant of volumes for Company's billing purposes.

METER READING AND ACCURACY

12.1 METERING READING

Meters shall be read as nearly as may be practical on the same day of each calendar month. Whenever a reading of a general service meter is missed or the meter is not registering, the Company shall estimate the amount of gas used during the period. Such estimates shall be based on:

- a) That Customer's use of gas during the same period(s) in previous years; or
- b) That Customer's normal use of gas during preceding months; or
- c) The use of a similar Customer for the period missed.

If practical, an actual reading shall be made after two consecutive estimated bills. All meters in a Special Rate Schedule for service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Rate Schedule Customer only. The Company will make a special reading of any meter upon request and payment of a service charge will be made in accordance with Section 22.1. The time of the special reading shall be agreed upon with the Customer so that he or she may be present. If the original reading was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.

12.2 ACCESS TO THE METER

The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 10 days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 22.1.

12.3 METER ACCURACY

The accuracy limit of all Company meters is established at two percent (2%) fast or slow. Any meter found to be registering outside of the limits of accuracy shall immediately be removed or repaired. As long as the meter is operating within the limits of accuracy, it shall be the conclusive determination as to the quantities of gas delivered to the Customer on whose service it is set.

12.4 METER TESTING AT CUSTOMER REQUEST

The Company shall have the right to remove and/or test the meter used to determine the quantity of gas delivered. The Customer may request that the Company make a special test of the meter through which he or she is served. Requests for such tests shall be made in writing and the Company shall have ten (10) days after receipt of the request to remove the meter for testing or to test the meter in place. Tests on removed meters shall be conducted within a reasonable time. If the test is to be performed after the period of presumed accuracy listed by the manufacturer or if the test is to be performed for a residential or small

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Section 12

METER READING AND ACCURACY (Continued)

12.4 METER TESTING AT CUSTOMER REQUEST (Continued)

commercial Customer for whom no such test have been performed within the previous four (4) years for the same Customer at the same location, no service charge will be assessed. Otherwise, the Customer shall pay a service charge for such test as specified in Section 22.1.

12.5 BILLING ADJUSTMENTS - GENERAL SERVICE

Whenever it has been determined that a meter reading and the subsequent billing has been in error, the Company shall recalculate the affected bill(s). If the date and amount of the error can be definitely fixed, the Company shall refund or may bill the affected Customer for the entire difference between the actual bills rendered and the amount which should have been billed. If a meter is found to have registered inaccurately (such as a meter found to be registering fast or slow), the Company shall refund or bill an amount equal to the difference between the actual bills rendered and the amount which would have been billed if the meter had been 100 percent accurate during the time since the last previous test or the last six months, whichever is less. If the meter is found not to have registered, then the rebilling shall be limited to a three-month period previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same Customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated Customers, when not available. Undercharges billed to the Customer may be repaid in a series of equal installments over a reasonable period of time. This Paragraph shall not apply to meter errors found as a result of routine testing in the Company's or its designee's meter shop.

12.6 PROVISIONS FOR SPECIAL RATE SCHEDULE SERVICE

The following modifications shall apply to the provisions of this Section for all Special Rate Schedule Customers under special written agreements:

- a) Orifice and turbine meters shall be tested at least four times per year at intervals not to exceed 120 days. Should the Customer so elect, tests shall be made in the presence of his or her representative.
- b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:

METER READING AND ACCURACY (Continued)

12.6 PROVISIONS FOR SPECIAL RATE SCHEDULE SERVICE (continued)

- i) by using registration of Customer's check meter(s);
- ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or
- iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.

12.7 PERIODIC TESTS

The Company shall make periodic tests of meters, associated devices and instruments to assure their accuracy. Such tests shall be scheduled within the calendar year or earlier, when the interval is stated in years; or within the calendar month, or earlier when the interval is stated in months. The basic periodic test interval shall be no longer than provided for in the manufacturer's recommendations, a copy of which is available upon request.

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BILLING AND PAYMENT OF BILLS

13.1 RENDERING OF BILLS

Bills for all service shall be rendered monthly as promptly as feasible after the meter has been read. Bills shall be due and payable in full on or before the due date, which shall be stated on the face of the bill and shall not be earlier than fifteen (15) days after the bill is mailed (including electronic mail). Bills shall be considered to have been rendered when deposited in the United States Mail with postage prepaid thereon or, when the customer has elected to receive billings via electronic mail, when the electronic document has been sent. Payment shall be considered received when the correct amount has been received at the appropriate Company office or one of its authorized pay stations. If not paid in full by the date due, the bill shall be considered delinquent.

13.2 BILLING PERIOD

Bills shall be rendered at regular monthly intervals unless otherwise authorized or unless service is rendered for a period of less than a month.

13.3 ESTIMATED BILLS

In the event any meter cannot be read at the end of the billing period, the Company shall bill the Customer on the basis of an estimated consumption determined in accordance with Paragraph 12.1 of this Tariff. The next bill based on a actual reading after an estimated bill shall make any corrections necessary to bring the Customer's account to a current status for the actual consumption.

13.4 DISPUTED BILLS

- a) In the event of a dispute between the Customer and the Company regarding the bill, the Company will make such investigation as is required by the particular case and report the results to the Customer. If the Customer wishes to obtain the benefits of Paragraph b) of this subsection, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate Regulatory Authority.
- b) Notwithstanding any other subsection of this section, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60 day period beginning on the day the disputed bill is issued. For purposes of this section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar Customers and under similar conditions.



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Section 13

BILLING AND PAYMENT OF BILLS (Continued)

13.5 PAYMENT RE-PROCESSING FEE

The Company may charge or add to the Customer's account and collect a fee (as provided in Section 22.1 d) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.

13.6 E-BILL

The Customer may elect to receive bills and notices via electronic mail, thereby eliminating paper bills and notices.

13.7 ALTERNATIVE PAYMENT OPTIONS

The Company may, at its option and discretion, contract with vendors to provide various payment options to Customers for paying their bills for gas service and to collect such payments. These alternative payment options may be performed electronically, telephonically, and/or in person and may include payment by automatic bank draft, credit card, check or cash. The third party company may charge a reasonable fee to the Customer for the use of such alternative payment options consistent with applicable law and regulations. The Company shall not receive any revenue from fees charged for these alternative payment options.

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Section 14

CURTAILMENTS

14.1 CURTAILMENTS

Whenever the capacity of the Company's system(s) or limitations of the gas supplied to the Company from any source, is not sufficient to meet its total service commitments, interruptions or curtailments of service shall be made at such times and to the extent necessary to reduce the anticipated demand to the available supply. All such interruptions and curtailments shall be made in accordance with the provisions of this Section.

14.2 PRIORITY CLASSES

All Customers served by the Company shall be classified into one of the following priority groups.

- a) Gas sold for domestic use in residences and by hospitals, convalescent centers, schools, universities, colleges, churches, public safety buildings, multi-family dwellings and apartments, and not for electric generation.
- b) Gas sold for agricultural purposes. This category consists of the following:
  1. gas sold to small commercial and small industrial Customers using 200 MCF or less on an average day;
  2. gas sold to industrial Customers as plant protection gas, which is defined as the minimum gas required to prevent physical harm to the plant facilities or danger to plant personnel, including but not limited to gas for pilot lights. This includes the protection of such material in process as would otherwise be destroyed, but shall not include gas required to maintain plant production;
  3. gas sold to commercial or industrial Customers used to provide water heating, heating and cooling for human comfort in the plant or office areas; and/or
  4. gas sold for use in power generating plants for start up, safety and flame stabilization.
- c) Gas sold to commercial Customers using more than 200 MCF, but less than 1,500 MCF on an average day.
- d) Gas sold to small industrial Customers using more than 200 MCF and less than 3,000 MCF on an average day, provided such user has no economically feasible alternate fuel.  
This category consists of the following:
  1. gas sold to industrial Customers for feedstock use where the gas volume is more than 200 MCF and less than 3,000 MCF on an average day; feedstock being defined as natural gas used for its chemical properties as a raw material in creating an end product. Any such Customer must prorate its demand for gas and must maximize its use of all other sources of gas; and/or

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Section 14

CURTAILMENTS (Continued)

14.2 PRIORITY CLASSES (Continued):

2. small public utility electric generating systems which use less than 3,000 MCF on an average day.
- e) Gas sold for use in existing power generating plants for the generation of electricity which is used to serve Customers whose usage falls within the descriptions above and small commercial and industrial Customers using 20,000 KWH or less on an average day.

This category consists of the following:

1. gas sold for use by commercial Customers in excess of 1,500 MCF on an average day;
  2. small industrial Customers not qualifying under any of the above.
- f) All gas sold for use in existing power generating plants for the generation of electricity not included in any of the above.

This category consists of the following:

1. gas sold to large users of gas, in excess of 3,000 MCF on an average day, for fuel for which alternate fuels are not technically feasible, such as in applications requiring precise temperature controls and precise flame characteristics.
  2. gas sold for feedstock as defined above, in excess of 3,000 MCF on an average day.
- g) Gas sold for any use, including boiler fuel and other indirect flame applications, in excess of 3,000 MCF on an average day and any other use which does not qualify under a preceding priority.

TEXAS GAS SERVICE COMPANY  
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Section 14

CURTAILMENTS (Continued)

14.3 METHOD OF CURTAILMENT

Curtailment shall be ordered ratably insofar as feasible within each priority group served by the same system: provided however, that the Company may provide by rate schedule for two or more subgroups within any priority class other than Priority A. Total curtailment during any calendar year shall be made to the end, insofar as feasible, that all Customers within a priority group or subgroup served by the same system may be curtailed in the same proportion that each Customer's total requirements during the year bears to the total requirements of all Consumers in that priority group or subgroup.

14.4 CLASS AND GROUP CURTAILMENTS

No curtailment shall be applied to any Customer at any time when any Consumer in a lower (I.E., higher numbered) priority group or subgroup, who is served by the same system, has not been directed by the Company to effect full curtailment of service.

14.5 NOTIFICATION AND PENALTIES

Except in an emergency, the Company shall notify in advance each Customer to be curtailed under the provisions of this Section, and the extent and amount of the curtailment required from him. If, after notification, any Customer (other than a Customer in Priority A) fails to curtail during the required period or to the amount required, such Customer shall pay any penalty provided for in the rate schedules under which he or she is served. In addition, the Company shall have the right to disconnect any Customer who fails to curtail as notified without further notice if service to Consumers in Priority A is threatened.

14.6 SUSPENSION OF THIS SECTION

This curtailment procedure may be suspended by the Company during any emergency when life or property is endangered. See Section 4.5.

QUALITY OF GAS

15.1 HEATING VALUE

Gas delivered to Consumers in all service areas shall have an average gross heating value of at least 900 British Thermal Units per cubic foot measured when saturated with water vapor at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit. Gas of lesser heating value may be delivered for short periods, providing that the average heating value for the calendar month in which the reduction occurs is equal to or greater than the standard and that the burning characteristics of the gas are not significantly altered.

15.2 CHARACTER OF GAS

All gas furnished to Consumers in the South Texas Service Area shall be of merchantable quality suitable for use in standard gas burning appliances. Merchantable quality shall mean that the gas must be commercially free from dust, resins, water and hydrocarbons in liquid form at the pressure and temperature at which the gas is delivered.

15.3 ODORIZATION

All gas shall be odorized with a chemical odorant at a sufficient rate to make it readily detectable. Gas containing enough natural odorant as prescribed by the Railroad Commission of Texas need not be odorized unless the odorant level drops below the acceptable level.

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Section 16

SERVICE WORK

16.1 CERTAIN SERVICES PROVIDED AT NO CHARGE

When a Customer or Consumer smells or detects natural gas and contacts the Company, the Company shall provide to the Consumer at no-charge to the Customer or Consumer leakage and pressure investigations to ensure that unsafe conditions do not exist. Where leakage or unsafe conditions are determined by the Company to be in the Customer's or Consumer's piping or equipment, the Customer or Consumer will be so advised and service will be discontinued until such time that all leakage and other unsafe conditions have been properly corrected by the Customer or Consumer. In addition, when service is initiated, gas air adjustments on a standard domestic and commercial gas range and water heater will be made.

Any other work performed on any Consumer's appliances or house piping will be on a charge basis.

16.2 OTHER SERVICE

The Company may have personnel available for and may undertake other service work on the Consumer's premises on a charge basis, as time permits. Charges shall be made at the Company's standard rate in the Service Area and such work and the associated revenues and costs shall be considered non-utility.

16.3 EXPEDITED SERVICE

A Customer may request expedited service initiation. (See Section 22 – Fees and Deposits).

16.4 NO ACCESS

In the event that the Customer and the Company agree that Company's employees or representative will be at an appointed service location and the Customer is not present to allow access to the premises, Customer may be charged a fee for each such service call. (See Section 22 – Fees and Deposits)

16.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

The Company shall furnish and install the service pipe, and equipment related thereto, including meter valve and service regulator, from the Company's main to the Customer's meter. Although affixed to or buried in the Customer's property, the entire service line and meter set shall become the property of the Company and shall be operated and maintained by the Company.

16.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

The Applicant shall furnish and install at his or her expense all piping, conversions of existing equipment, and appliances required to conduct and utilize the gas furnished by the Company. The adequacy, safety, and compliance with applicable codes and ordinances of piping, conversion equipment and appliances shall remain the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility to furnish and install the facilities required by this section.

TEXAS GAS SERVICE COMPANY  
Texas Tariff - South Texas Service Area

Section 16

SERVICE WORK (Continued)

16.7 CODES AND ORDINANCES

All piping, installations, and conversion equipment owned by the Applicant shall comply with all applicable federal, state, and city ordinances and shall be properly designed for the pressures and volumes to be handled. Where there are no appropriate ordinances, the applicable provisions of the National Fuels Gas Code 54; ANSI Z223.1, and any amendments thereto shall apply.

16.8 INSPECTIONS AND TESTS

The Company shall have the right to inspect new installations and/or conversions of appliances and equipment prior to initiation of service and to require any test or repair of the Applicant's facilities it deems necessary.

16.9 REFUSAL TO SERVE

The Company shall refuse service to any Applicant who refuses Company or Company's representative(s) access to or entry for observation or whose facilities do not comply with the applicable provision of this Tariff. The right to refuse service shall terminate upon satisfactory correction of the condition that was the cause for refusal. Initiation of service, however, shall not be considered acceptance or approval by the Company of such facilities.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 17

MAINTENANCE OF EQUIPMENT

17.1 MAINTENANCE BY COMPANY

The Company shall maintain all facilities owned by it and shall be responsible for the safe conduct and handling of the gas until it passes the point of delivery. The Company's representative shall have the right to enter the Customer's premises at any reasonable time, in the event of an emergency at any time, to read the meter or make any necessary inspection, repair, adjustment, or replacement of any property owned by the Company.

17.2 MAINTENANCE BY THE CUSTOMER

The Customer shall maintain all facilities owned by him or her and shall be responsible for the safe conduct and handling of the gas after it passes the point of delivery. The Customer shall remove, repair or adjust any Customer-owned property which may pose a threat of damage to the property of the Company. The Customer shall take all reasonable means to assure that no one other than an employee of the Company shall adjust, repair, disconnect, alter or change the meter or other Company facilities in any way. In case of loss or damage to the Company's property from the negligence or willful acts of the Customer or Consumer or the Customer's or Consumer's representatives, the Customer will reimburse the Company for all costs of repairing or replacing the damaged property, including any costs of collection such as attorney's fees.

17.3 LEAKS - RIGHT TO DISCONNECT

The Customer or Consumer shall give the Company notice of any suspected leaking or escaping gas as soon as it is detected. Upon receipt of this notice, the Company shall investigate the matter as promptly as feasible under the circumstances. If the Company's test indicates leakage in the Customer's or Consumer's facilities, the Company shall have the right to disconnect service immediately until the Customer or Consumer has had the condition corrected. If leakage is found to be from Company owned facilities, the Company shall have the right to disconnect service for a reasonable period of time until it can be corrected by the Company. The Company shall have the right to disconnect service immediately if any of the Customer's or Consumer's appliances or equipment is, in the Company's opinion, is unsafe in any manner.

17.4 FACILITIES CURRENTLY OWNED BY THE CUSTOMER

Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of subsection 17.7 of this Tariff. New facilities will continue to be installed pursuant to subsections 7.1 and 7.2 of this Tariff.



MAINTENANCE OF EQUIPMENT (Continued)

17.5 RESPONSIBILITY

Nothing in this Section shall make the Company responsible for the safe upkeep of any Customer or Consumer owned facilities.

17.6 RELOCATION OF COMPANY FACILITIES

If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.

17.7 REPLACEMENT OF CUSTOMER-OWNED PIPING

- a) When repair or replacement of Customer-owned piping becomes necessary due to deterioration of the line, damage to the line (except when caused by Customer or Customer's agent), relocation of the Company's distribution main, or for other safety reasons, the Company will relocate Customer's meter to the exterior of the building wall, as close as possible to the existing stub out (where piping exits the structure), and will replace the service piping up to the stub out. The Company will own and be responsible for all service piping from the main line to the meter, and Customer will own and be responsible for all piping from the meter to the building.
- b) The Customer will be billed for all costs of the meter relocate and pipeline replacement.
- c) In the absence of any provision contained in a deed of dedication authorizing the Company to install the service piping and meter on the Customer's premises, the owner of the premises shall execute an agreement establishing the meter location, authorizing the Company to install or replace the line, and granting Company access for such work. If the Customer or owner of the premises refuses to give Company personnel or Company-authorized personnel appropriate access to the property for purposes of installation, the Customer will retain responsibility for his/her facilities and shall bear the expense of any replacement or repairs.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 18

DISCONTINUANCE OF SERVICE

18.1 BY CUSTOMER

The Customer shall be responsible for all charges for gas service from the time Customer gives notice of the intention to discontinue service until the Company has read the meter, or for five (5) working days from the date of such notice, whichever is the shorter period of time.

18.2 FOR NON-PAYMENT

The Company shall have the right to discontinue service to any Customer for non-payment of bills or other charges authorized by this Tariff or the applicable rate schedules, following the due date specified in Section 13.1 hereof. Before discontinuing service for non-payment, the Company shall mail a separate written notice to the Customer in English and Spanish with the words "TERMINATION NOTICE" or similar language prominently displayed. This notice shall include a telephone number to contact the Company, the amount of the delinquent bill and the date by which the bill must be paid to avoid disconnection, and a statement of how to contact the Company in case of illness or other emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customer as specified in Section 22.1.

No Customer shall be disconnected for non-payment:

- a) Within a period of five (5) working days after mailing of the notice or the day following the date indicated in the notice, whichever is later.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) Before 7:00 AM or after 7:00 PM on any day or on Friday, Saturday, Sunday, holiday, or day before a holiday unless Company personnel are available the following day for the purpose of reconnecting service.
- d) If within five (5) working days after the date of delinquency of the bill the Company receives a written request from the Customer not to discontinue service for documented health reasons and the request is accompanied by a written statement from a licensed physician supporting the request. Upon receipt of such request, the Company will suspend termination of service for a period up to twenty (20) days. The Customer shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

DISCONTINUANCE OF SERVICE (Continued)

18.3 SPECIAL CONDITIONS

The Company shall have the right to discontinue service to any Consumer for any of the following reasons:

- a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists;
- b) Without notice for willful destruction or damage to or tampering with the Company's property by the Consumer or by others with knowledge or negligence of the Consumer;
- c) Within five (5) working days after written notice if the Consumer uses his or her equipment in any way which causes or creates a potential for adverse affect on the Company's service to others;
- d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in Priority Class A or B;
- e) With five (5) working days after written notice for refusal to grant Company personnel or its designee access to the Consumer's premises at any reasonable time for any lawful purpose;
- f) With five (5) working days after written notice for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;
- g) For Customers acquiring their own supplies of gas, the Company may discontinue service upon request of a Supplier, provided however, that the Supplier represents to the Company that notice has been given to the Customer by the Supplier of delinquency in payment at least five (5) working days prior to Supplier's request for disconnection, and provided that Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;
- h) If a Customer fails to uphold the terms of an individual installment agreement or contract; or
- i) Within five (5) working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

Section 18

DISCONTINUANCE OF SERVICE (Continued)

18.4 RIGHT OF ENTRY

The Company shall have the right to enter the Consumer's premises at any reasonable time to shut off service in accordance with this Tariff and to remove its meter and any other Company property. If the Company is required to take legal action to enforce its rights hereunder, the Company shall be entitled to recover all of its necessary expenses and fees including, but not limited to attorneys' fees, police escort fees and/or the cost to relocate the meter at the Customer's expense.

18.5 ABANDONMENT OF SERVICE

Unless requested by the Customer, service shall not be abandoned (permanent disconnection of any Customer other than a temporary Customer) without permission of the Regulatory Authority. Failure of the Customer to request reinstitution of service within a reasonable period of time after disconnection shall be considered a request for permanent discontinuance of service.

RE-ESTABLISHMENT OF SERVICE

19.1 FOR NON-PAYMENT

When service has been disconnected for non-payment, the Company shall require that the Customer pay the total amount of his account then due plus the prescribed reconnect fee or make satisfactory arrangements for that payment before service is reinstituted. In addition, the Company shall require that the Customer reestablish satisfactory credit in accordance with Section 5 of this Tariff.

19.2 FOR OTHER REASONS

If disconnection has been made by the Company for reasons other than non-payment, service shall not be reinstated until the condition for which it was terminated has been corrected to the Company's satisfaction. The Customer shall also be required to pay a reconnect fee before service is turned on. When service has been disconnected at the Customer's request for a period of one year or more, the request for service shall be treated as a new application. When service has been disconnected for less than one year, the request shall be treated in the same manner as a disconnection for non-payment.

19.3 RECONNECTION

The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Section. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 22.1. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 22.1. Customer shall be advised that an additional fee will be charged and must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected, the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 22.1 for fees.

TEXAS GAS SERVICE COMPANY  
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Section 20

NOTICE

20.1 GENERAL

Notice is required for all matters in this Tariff other than billing and payment of bills, which shall be deemed to have been given by the Customer when a letter with postage prepaid has been deposited in the United States Mail addressed to the Company at the office specified on the front sheet of this Tariff, and to the Customer when addressed to Customer at his or her last known service address, or to either party when directly communicated to the other party in person or by telephone.

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Section 21

AVERAGE BILL CALCULATION PLAN

21.1 DESCRIPTION-RESIDENTIAL

Any residential Customer may elect to participate in the Company's Average Bill Calculation Plan ("ABC Plan"), or as such ABC Plan may be modified from time to time for payment of charges for gas service. In the event the Company modifies the ABC Plan, the Company shall notify individual Customers of those changes when the Customer requests enrollment. In general, the conditions under which a Customer may participate in the ABC Plan are set forth below:

- a) The Company reserves the right to adjust the monthly ABC Plan payments of any Customer at any time for changes in conditions or rates;
- b) The Company shall advise each Customer participating in the ABC Plan of the monthly ABC Plan payment to be paid by the Customer. Each participating Customer will receive a regular monthly gas bill that reflects actual consumption and the charges for that billing month and the amount of any debit or credit balance before the payment of that month's ABC Plan payment. The Customer shall continue to pay the monthly ABC Plan payment amount each month for gas service, notwithstanding the current gas service charge shown on the bill;
- c) In addition to the monthly ABC Plan payment any other charges incurred by the Customer shall be paid monthly when due;
- d) Interest shall neither be charged to the Customer on accrued on ABC Plan debit balances nor paid by the Company on accrued ABC Plan credit balances;
- e) Any amount due to the Customer or the Company will be settled and paid at the time a Customer, for any reason, ceases to be a participant in the ABC Plan;
- f) Any Customer's participation in the ABC Plan may be discontinued by the Company if the monthly plan payment has not been paid on or before the due date of the monthly payment;
- g) If any Customer in the ABC Plan shall cease, for any reason, to participate in the ABC Plan, then the Company may deny that Customer's reentry into the ABC Plan until the following August.

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Section 22

FEES AND DEPOSITS

22.1 FEES

a) Initiation of Service

- i) Connect (Section 5.4) \$35.00

A connection fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.

- ii) Read-In (Section 5.4) \$10.00

A read-in fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.

- iii) Special Handling & Expedited Service (Section 5.4 and 19.3)

In addition to initiation of service fee above, a fee may be charged to any Applicant whose request to initiate service cannot be worked during normal business hours or requires special handling. Applicant must be advised that an additional fee will be charged. These charges include:

- 1) Special Handling \$6.00

The Company may, at Applicant or Customer's request, provide special handling in order to meet the Applicant or Customer's requirements. Special handling does not include calling the Applicant/Customer in advance or A.M. or P.M. scheduling.

- 2) Expedited Service and Overtime Rate \$75.00

The Applicant or Customer's request for expedited service may be scheduled at any time to fit the Company's work schedule, and an Expedited Service charge shall be collected. The Company shall not be obligated to provide Expedited Service when the personnel and resources to do so are not reasonably available.



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Section 22

FEES AND DEPOSITS (Continued)

22.1 FEES (Continued)

b) Services - Others

As stated below

Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.

c) Customer Requested Meter Test (Section 12.4)

Positive Displacement

Charge

Up to 1000 cubic feet per hour  
Over 1000 cubic feet per hour

\$80.00  
\$175.00

Orifice Meters

All sizes

\$175.00

d) Manual Receipt Fee

\$1.00

A Manual Receipt Fee shall be charged to any Customer that fails to provide the Company's representative with a copy of the current billing statement when paying their bill in person at the Company's local office, thereby requiring a written receipt to be produced.

e) Payment Re-processing Fee (Section 13.5)

\$25.00

f) Collection Fee (Section 18.2)

\$12.00

A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice results in the dispatch of a Company representative to attempt collection of payment from Customer.

g) Reconnect Fees (Section 19.3)

\$35.00

A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service.

- (i) Regular Labor and After Hours Rates (see Section 22.1 a) (iii) \$45.00 (Regular)  
\$75.00 (After Hours)

Charge for non-routine services including but not limited to repeat high bill investigations and building meter loops.

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FEES AND DEPOSITS (Continued)

22.1 FEES (Continued)

- h) Special Read (Section 12.1) \$10.00  
A special read fee shall be charged for Customer-requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.4.
- i) Meter Tampering – Residential (Section 17.2) \$100.00  
A fee will be charged to Customers or Consumers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).
- j) Unauthorized Consumption (Section 17.2) \$20 plus expenses  
Charges for the replacement of an illegally broken meter seal or locking device to the Customer or Consumer who could be reasonably expected to benefit from gas service received through said meter.
- k) No Access Fee (Section 16.4) \$10.00  
A fee charged to a Customer or Consumer who schedules an appointment but fails to appear.
- l) Meter Removal Fee (Section 12.2) \$50.00
- m) Account Research Fee \$21.00/hr  
A fee will be charged for Customer account information requiring research of accounting/billing information.
- n) Police Escort Fee (Section 12.2) \$60.00/hr  
A fee charged when the Company is required to use law enforcement personnel to escort it into locked sites or sites requiring additional security assistance to access a meter or Company's facilities. Company will charge the stated amounts or current rate charged by the entity providing the police escort for this service.

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Section 22

FEES AND DEPOSITS (Continued)

22.2 DEPOSITS

a) Advances (Section 8.4)

As stated below

Estimated expenditure to provide service to the premises of new business beyond the existing distribution facilities of the Company.

b) Customer Deposits: (Section 10.1)

As stated below

Minimum deposit residential: \$75.00

Minimum non-residential deposit: \$250.00

**TEXAS GAS SERVICE COMPANY**  
South Texas Service Area

**RATE SCHEDULE T-GTC**  
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**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION**

**ARTICLE 1**  
**DEFINITIONS**

- 1.1 "Affiliate" shall mean any person, entity, or business section, or division that directly or through one or more intermediaries' controls, is controlled by, or is under common control with the entity in question.
- 1.2 "Agreement" shall mean the agreement to which the General Terms and Conditions for Transportation apply.
- 1.3 "Btu" shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and a pressure base of fourteen and sixty-five hundredths (14.65) psia and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
- 1.4 "Commission" shall mean the Railroad Commission of Texas.
- 1.5 "Company" shall mean Texas Gas Service, a division of ONEOK, Inc., when it is acting as Company on the Pipeline System.
- 1.6 "Cumulative Tolerance Limit" shall mean five percent (5%) of aggregate historical annual deliveries of a Qualified Supplier's pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit to reflect changes to the pool of customers and other known changes to anticipated deliveries that the Company determines to be reasonably reliable and accurate.
- 1.7 "Customer" shall mean a consumer which subscribes to natural gas services provided by Texas Gas Service.
- 1.8 "Dekatherm" (Dth) shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
- 1.9 "Day" shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
- 1.10 "Dry" shall mean the heating value calculation being determined with no water vapor present.
- 1.11 "Effective Date" shall mean the date specified in the Agreement.

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Initial Rate Schedule

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Meters Read On and After  
April 27, 2012 (Incorporated Only)  
\_\_\_\_\_(Unincorporated)

**TEXAS GAS SERVICE COMPANY**  
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- 1.12 "Gas" or "natural gas" shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.
- 1.13 "Gas Transportation Order" shall mean a completed Exhibit A relating to the applicable gas transportation service Agreement.
- 1.14 "Gross Heating Value" or "Gross" shall mean the amount of energy transferred as heat per mass or mole from the complete combustion of the gas with oxygen (from air), at a base temperature in which all water formed by the reaction condenses to liquid.
- 1.15 "Mcf" shall mean one thousand (1,000) cubic feet of Gas.
- 1.16 "Month" shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month, except where references not involving Gas measurement volumes are involved, in which case the calendar month shall be deemed to be referred to.
- 1.17 "Monthly Tolerance Limit" shall mean ten percent (10%) of the aggregate deliveries for a Qualified Suppliers pool of customers for such month.
- 1.18 "PDA" shall mean a predetermined allocation method.
- 1.19 "Pipeline System" shall mean the current existing utility distribution facilities of Company located in the State of Texas.
- 1.20 "Point of Delivery" shall mean the point or points where Gas is delivered from the Pipeline System to or for the account of Customer and are shown on the applicable Gas Transportation Order.
- 1.21 "Point Operator" shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
- 1.22 "Point of Receipt" shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer, as described on the applicable Gas Transportation Order.
- 1.23 "Psia" shall mean pounds per square inch, absolute.
- 1.24 "Psig" shall mean pounds per square inch, gauge.
- 1.25 "Qualified Supplier" shall mean a supplier of natural gas for transportation to customers through the Company's pipeline system that meets the requirements of and has executed a Supplier Service Agreement.

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- 1.26 "Real" shall mean the division of the ideal heating value by the compressibility of the gas. This creates an ideal Gross Heating Value per Real cubic foot.
- 1.27 "Supplier Service Agreement" shall mean a contract setting forth the requirements and terms upon which a supplier of natural gas may make deliveries of customer owned gas into the Company's pipeline system for delivery to one or more of the Company's customers receiving service under this tariff.
- 1.28 "Tariff" shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
- 1.29 "Week" shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. central clock time on each Monday and ending at the same time on the next succeeding Monday.
- 1.30 "Year" shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

**ARTICLE 2**  
**RESTRICTIONS AND RESERVATIONS**

- 2.1 It is understood and agreed that Customer has only the right to transportation service in the Pipeline System and all equipment, including (but not in any way limited thereto) all pipe, valves, fittings, and meters comprising the Pipeline System and all other property and capacity rights and interests, shall at all times during the term of the Agreement remain the property of Company. Customer agrees not to cause or permit any liens or encumbrances to be filed with respect to the Pipeline System by reason of Customer's actions. Customer's Gas shall at all times remain the property of Customer, and Company shall have no right or property interest therein.
- 2.2 Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System, nor shall Customer bear any cost of any alterations, additions, repairs, maintenance or replacements made to or on said Pipeline System.
- 2.3 Customer agrees not to connect or cause the connection of any third party to the Pipeline System for any purpose without the express written approval and consent of Company to be granted in Company's sole discretion. Customer further agrees not to transport or cause to be transported any Gas for any third party. If either of these conditions is breached by Customer, Company shall have the right and option, notwithstanding any other provision of the Agreement or the General Terms and Conditions for Transportation, to terminate the Agreement including the Exhibits thereto immediately and without further obligation to Customer.

Initial Rate Schedule

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- 2.4 Company presently is transporting Gas to third parties on the Pipeline System and shall have the right in the future to transport additional Gas for such purposes and to transport Gas to additional third parties as it may desire, and Company shall have the right to make additional connections to the Pipeline System as may be required to serve presently existing and new customers, all of which is subject to the provisions of the Agreement. Company's transportation of Gas hereunder shall not obligate Company in any manner beyond the terms of the Agreement and the Exhibits attached thereto.
- 2.5 Company shall own any and all liquids which are recovered from the Pipeline System and may use, sell or transfer all liquids without having to account in any manner, or pay any monies or other consideration to Customer.
- 2.6 The Company reserves the unilateral right from time to time to seek regulatory approval to make any changes to, or to supersede, the rates, charges and any terms stated in the tariffs, rate schedules, the agreements, and the General Terms and Conditions.

**ARTICLE 3**  
**OPERATIONS**

- 3.1 Customer shall deliver its Gas into the Pipeline System at the Points of Receipt described on the applicable Gas Transportation Order, as it now exists and as it may be amended. Customer shall have no right to require Gas to be received at any particular Point of Receipt and Company may delete such points or modify the capacity thereof from time to time and at any time in its sole discretion with no further obligation to Customer with respect to such Point of Receipt. All supplies of Gas delivered to the Pipeline System must comply with the terms and conditions of the Agreement and the exhibits attached thereto. In no event shall Company be required to expand, modify, construct, rearrange, or change the operations of the Pipeline System in order to receive Gas from or on behalf of Customer or in order to deliver Gas to Customer at any existing Points of Delivery.
- 3.2 Customer shall advise (in a method and format approved by Company in its sole discretion) Company with respect to each Day, Week and Month the name of each supplier with whom it has a contract (and the name of the individual with such supplier responsible for Customer's account), which source of supply is delivering to Company, how much Gas is nominated to be delivered to Company from each source of supply (i.e., each well, plant, or other desired Point of Receipt) and the anticipated deliveries at each Point of Delivery. Customer's nomination shall be in good faith, in balance between Points of Receipt and Points of Delivery, and shall be based on Customer's commercially reasonable best efforts to estimate usage for Hour, Day, Week, and Month. Customer will cause their Qualified Supplier to act as their agent in the nomination process. Qualified Supplier shall not intentionally nominate more or less Gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination. Qualified Supplier shall submit nominations to the Company's gas scheduling

Initial Rate Schedule

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department in accordance with their currently effective nomination process which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of Gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities.

- 3.3 Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how Gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.
- 3.4 Customer's Gas shall be delivered to Customer from the Pipeline System at the Points of Delivery. To the extent that Customer's acts or omissions cause Company to incur, directly or indirectly, fees, charges, expenses, or penalties from a supplier or transporter for failure to satisfy such supplier's or transporter's balancing or nomination requirements, then Customer agrees to reimburse Company for such fees, charges, expenses, or penalties, and defend, indemnify, and hold Company harmless with respect thereto. Any fees, charges, expenses or penalties which were determined to be in error will be credited back to the Customer.
- 3.5 The Point of Receipt and Point of Delivery may be, or may later become points through which other quantities of Gas are being measured; therefore, the measurement of Gas under the Agreement may involve the allocation of Gas deliveries. In such event, each party hereto will furnish, or cause to be furnished, to the other all data required to accurately account for all Gas.
- 3.6 Except as may be set forth on a Gas Transportation Order, Company shall receive and deliver Gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, Gas control limitations and other operating conditions, to stay in zero (0) imbalance each hour and each Day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Customer shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero (0) imbalance as practicable.

3.7 Imbalances

Customer must designate no more than one Qualified Supplier. The Qualified Supplier shall act on behalf of the Customer to procure gas supplies, deliver gas supplies to points of receipt designated in the Gas Transportation Order, and shall act as the Customer's agent with respect to nominations, operational notices required under the Gas Transportation Agreement or applicable tariffs and with respect to resolution of imbalances under this Rate

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Schedule.

(A) The following cash out provisions shall be applied to the Qualified Supplier for its aggregate pool of Customers that are being provided service pursuant to a Rate Schedule or some other form of transportation service:

- 1) Qualified Supplier shall not deliver into the Pipeline System more Dths of Gas than Company delivers to the aggregate pool of Customers at the Points of Delivery during a Month. At the end of the Month in which an over-delivery occurred and exceeded the Monthly Tolerance Limit or the Cumulative Tolerance Limit, Qualified Supplier shall sell such excess Gas to Company at 95% of Inside FERC's FOM Houston Ship Channel index price.
- 2) If Company receives less Dths of Gas than are delivered to the aggregate pool of Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Month, then Qualified Supplier shall purchase such under-delivered volumes at 105% of Inside FERC's FOM Houston Ship Channel index price.

The Company will provide monthly imbalance statements along with calculations of the cash out charges in accordance with the aforementioned cash out provisions to the Qualified Supplier each month. Payments for cash out charges will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the monthly cash out provisions each month and only require periodic settlement rather than monthly payments.

The monthly transport payments shall not be abated with respect to a Month in which under-deliveries occurred except as provided in Article 9 and Article 10 hereof.

- 3.8 Customer and Company shall exercise their commercially reasonable best efforts to comply with all of the standards established by the North American Energy Standards Board, Inc. ("NAESB"), but in no event shall either party be required to comply with the NAESB standards if such compliance has a material adverse affect upon such party.
- 3.9 In the event Customer's source of gas supply is terminated by Customer's supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the giving of five (5) business days advance notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond in accordance with the provisions of Article 5 hereof.

**ARTICLE 4**  
**PRESSURE AND QUALITY OF GAS**

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- 4.1 Customer shall deliver (or cause to be delivered) the Gas to the Pipeline System at the Point of Receipt at a pressure sufficient to effect delivery into the Pipeline System at that point. If necessary, Customer shall provide additional compression to make such deliveries hereunder, and Company shall not have any cost or responsibility in that regard.
- 4.2 Subject to the provisions of Section 4.1 above, the Gas shall be delivered to Customer from the Pipeline System at the Points of Delivery at pressures sufficient to effect deliveries to Customer's facilities, but not to exceed the maximum pressure that has existed for each Point of Delivery.
- 4.3 Gas delivered by and to Customer shall be commercially free of dust, gums, gum-forming constituents, gasoline, water, and any other substance that may become separated from the Gas during the handling hereof. All Gas received shall conform to the following additional specifications:
- (A) Contain not more than one-quarter (1/4) grain of hydrogen sulfide per 100 cubic feet, as determined by a method generally acceptable for use in the gas industry;
  - (B) Contain not more than five (5) grains of total sulfur per 100 cubic feet;
  - (C) Contain not more than two percent (2%) by volume of carbon dioxide;
  - (D) Contain not more than four percent (4%) by volume of total inerts, including carbon dioxide and nitrogen;
  - (E) Contain not more than two-tenths of one percent (.2%) by volume of oxygen;
  - (F) Contain a gross heating value equivalent to at least 980 British Thermal Units per cubic foot and not to exceed 1080 British Thermal Units per cubic foot;
  - (G) Have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit and not less than forty degrees (40 °) Fahrenheit;
  - (H) Contain no water or hydrocarbons in liquid form;
  - (I) Contain not more than 7 pounds of water in vapor stage per 1,000 Mcf of gas; and
  - (J) Be interchangeable with the Company's system Gas at the Point of Receipt or delivered to the nearest customer, city border station, or other pipeline interconnected with such receiving facility or downstream of the Point of Receipt.
- 4.4 The Company, at its option, may refuse to accept delivery of any gas not meeting the quality specifications set out above. Thereafter, Customer or Qualified Supplier shall have the right to conform or cause the gas to be conformed to the above specifications. If the Customer or

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Qualified Supplier does not elect to conform the gas to said specifications, then the Company at its sole option may accept or reject any such gas.

- 4.5 Notwithstanding anything to the contrary contained herein, the gas which the Company transports and delivers to the Customer shall be odorized by the Company. In the event Customer desires to remove the odorant, such removal shall be solely at Customer's risk and expense.

**ARTICLE 5**  
**PAYMENT**

- 5.1 Should Customer fail to pay or deliver any or all of the amount of the transportation payment and/or other fees due under any exhibit when such amount is due (which in no event shall be later than the last Day of the applicable Month), interest on the unpaid portion shall accrue at a rate (which in no event shall be higher than the maximum rate permitted by applicable law) equal to one and one-half percent (1 ½%) per month from the due date until the date of payment. If such failure to pay continues for fifteen (15) Days after payment is due, Company, in addition to any other remedy it may have, may suspend further receipts and deliveries of Gas until such amount is paid; provided, however, that if Customer in good faith shall dispute in writing the amount of any such bill or part thereof and shall pay to Company such amounts as it concedes to be correct and, at any time thereafter within thirty (30) Days of the due date of such payment, shall furnish a good and sufficient surety bond in an amount and with surety satisfactory to Company, guaranteeing payment to Company of the amount ultimately found due upon such bills, including interest thereon, after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Company shall not be entitled to suspend further receipts and withdrawals of Gas unless and until default be made in the conditions of such bond. As an alternative to posting a bond, Customer may pay the portion of any amount in dispute without waiving its rights to recoup any monies improperly billed.

If the portion of any amount in dispute is ultimately determined to be incorrect, such amount shall be refunded by Company to Customer together with interest thereon at a rate (which in no event shall be higher than the maximum allowed by law) equal to one and one-half percent (1 ½%) per Month for the period from the date of payment to Company to the date of refund by Company.

- 5.2 Customer agrees to pay any amounts due pursuant to the Agreement and the General Terms and Conditions for Transportation to Company within fifteen (15) Business Days after receipt of an invoice from Company.
- 5.3 Company reserves the right, prior to initiation of service, to require a cash deposit or bond in favor of Texas Gas Service in order to assure payment of amounts that may become due pursuant to the Agreement and the exhibits attached thereto. In the event Customer's financial condition materially weakens or Customer fails to make timely payment in

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accordance with Article 5 after the execution of the Agreement, then upon written request from Company, Customer agrees to deposit cash with Texas Gas Service or secure a bond in favor of Texas Gas Service in order to assure the payment of amounts that may become due pursuant to the Agreement and the exhibits attached thereto. Such deposit or bond shall be furnished to Texas Gas Service within fifteen (15) days after a request by Texas Gas Service is made for such deposit or bond and shall be made in a form and amount satisfactory to Texas Gas Service. If such deposit or bond is not furnished in a timely manner, or if a bond expires or is canceled prior to the end of the period specified below, or if the cash deposit or bond is not increased as specified below, then leasing of capacity and the rendering of all other services may be suspended by Texas Gas Service in its sole discretion until such deposit or bond is furnished, renewed or increased, as applicable.

- 5.4 Nothing in this Article 5 shall be deemed to supersede the respective rights and obligations of Company and Customer as provided by Texas statutes, rules, and/or regulation, as such statutes, rules, or regulations may be amended from time to time, with respect to adjustments to the amounts owed by Customer as a result of errors in Customer's meter or errors in reading Customer's meter. Customer shall be responsible for payment of the amounts owed Company for transportation service and gas supply provided to Customer during the applicable period for which it has been determined that Customer's meter was in error to the favor of Customer.

**ARTICLE 6**  
**STATEMENTS AND RECORDS**

- 6.1 On or about fifteen (15) days after the Company receives necessary volumetric information from other parties for each calendar month after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Month showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the sixth (6th) Day of the Month in which the statement requiring such data is to be rendered.
- 6.2 Both parties hereto shall have the right at any and all reasonable times within twenty four (24) months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.
- 6.3 Customer agrees to supply to Company, at Company's request at any time and from time to time, a sample of the liquids removed from the gas stream of the facilities which deliver gas to Company which sample is to be taken from a point upstream from the Point of Receipt. Said sample shall not contain any toxic, hazardous, or deleterious materials or any materials which Company, in its sole discretion, deems in any way harmful to its facilities, personnel or the environment, including, but not limited to, polychlorinated byphenyls (PCBs), and substances or materials considered hazardous or other similar terms, or requiring

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investigation, remediation or removal under any federal, state or local statute, regulation, rule or ordinance or any amendments thereof whether now in effect or as may be in effect in the future. If such samples contain any such materials or substances, Company shall have the right, in its sole discretion and in addition to other remedies available to it, to immediately cease receipt of Gas through the Point of Receipt until such time as all such materials or substances are eliminated from the Gas such that Company, in its sole discretion, elects to again receive such Gas through the Point of Receipt. Should Customer fail or refuse to eliminate all such materials or substances within a reasonable time, Company shall have the right, upon written notice, to terminate this Agreement. Customer hereby expressly agrees to indemnify and hold Company and Company's affiliates harmless from and against any and all liabilities, losses, claims, damages, actions, costs, fines, and expenses of whatever nature, including, but not limited to, court costs, and attorney's fees arising out of or in any manner relating to the presence of PCBs and/or any other toxic, hazardous, deleterious, harmful, or unsafe materials as described above in Gas delivered by or on behalf of Customer into Company's system.

**ARTICLE 7**  
**MEASUREMENT AND TESTS OF GAS AND EQUIPMENT**

The measurement and tests for quality of Gas delivered and delivered by Customer hereunder shall be governed as follows:

- 7.1 The quantities of Gas received and delivered shall be measured by means of meters of standard type which conform to the American Gas Association Measurement Committee Reports and other industry standards as to construction and installation.
- 7.2 The unit of volume for purposes of measurement shall be one (1) cubic foot of Gas at a temperature base of sixty degrees (60°) Fahrenheit and at a pressure base of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute. Customer agrees that the Btu content per Mcf of the gas volumes delivered by the Company at the Point of Delivery shall be assumed to be equal to the Btu content per Mcf of the gas volumes delivered by Customer at the Point of Receipt, when corrected for differences in pressure base.
- 7.3 The temperature shall be adjusted to standard conditions by a compensation device included with the meter or such other method as the Company shall deem appropriate. Corrections shall be made in accordance with industry practice.
- 7.4 Specific gravity shall be determined with accuracy to the nearest one thousandth (.001) by use of an instrument that conforms to industry standards.
- 7.5 Whenever the conditions of pressure and temperature differ from the standards, conversion of the volumes from these conditions to the standard conditions shall be in accordance with the Ideal Gas Laws corrected for deviation from Boyle's Law, all to be in accordance with

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methods and tables set out in the American Gas Association Measurement Committee Reports, or by other accepted methods that may be used from time to time.

- 7.6 The gross heating value of the Gas shall be determined by means of a sampling method of general use in the Gas industry. The location of the sampling equipment shall be determined by Company in its sole discretion but shall be at a location where a representative sample of the Gas to which it applies may be taken.
- 7.7 Tests to determine total sulfur, hydrogen sulfide, oxygen, carbon dioxide, total inerts, and water vapor shall be made by approved standards methods in general use by the Gas industry. Such tests shall be made at the request of either party hereto. If a test is performed at Customer's request and shows that the quality specifications as set forth in Section 4.3 hereof have been satisfied, Customer shall pay all costs and expenses of Company related to such test.
- 7.8 Except as may be otherwise provided, all measuring and testing equipment, housing devices, and materials shall be standard manufacture and type and shall, with all related equipment, appliances, and buildings, be owned, installed, maintained and operated or caused to be installed, maintained and operated by Company at the Points of Receipt and Points of Delivery. Customer may install and operate check measuring and testing equipment, which equipment and the operation thereof shall not interfere with the operation of Company's equipment.
- 7.9 The accuracy of the measuring and testing equipment shall be verified according to Company's standard for the device being used and at other reasonable times upon request of Customer or Company. Gas quality tests may be made at times of equipment testing or at other reasonable times. Unless a test is requested by Customer, notice of the time and nature of each test shall not be given by Company. If a test is requested by a Customer, then Company shall give Customer notice sufficiently in advance to permit Customer to have a representative present. Representatives of both Customer and Company may be present to observe such tests. The results of any such tests shall be considered accurate until the next tests are made. All tests of measuring equipment shall be made at Company's expense, except that Customer shall bear the expense of tests made at its request if the inaccuracy found is two percent (2%) or less.
- 7.10 If, at any time, any of the measuring or testing equipment is found to be out of service, or registering inaccurately of any percentage, it shall be adjusted at once to read accurately within the limits prescribed by the manufacturer. If such equipment is out of service or inaccurate by an amount exceeding two percent (2%) at a reading corresponding to the average rate of flow for the period since the last preceding test, the previous reading of such equipment shall be disregarded for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of time equal to one-half of the elapsed time since the last test. The volume of Gas delivered during such period shall be estimated (i) by using the data recorded by any check measuring equipment if installed and accurately registering, or if not installed or registering accurately, (ii) by correcting the error if the percentage of error is

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ascertainable by calibration, test, or mathematical calculation, or if neither such method is feasible, (iii) by estimating the quantity or quality delivered based upon deliveries under similar conditions during a period when the equipment was registering accurately. No adjustment shall be made for recorded inaccuracies of two percent (2%) or less.

- 7.11 The parties hereto shall have the right to inspect equipment installed or furnished by the other or third-party operators and the charts and other measurement or testing data of all such parties at all times during business hours; but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party installing and furnishing the same. The parties hereto shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least twenty-four (24) months. Measurement data corrections should be processed within six (6) months of the production month with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.
- 7.12 At every Point of Receipt and every Point of Delivery, the party having control over such facility shall allow the other party immediate access to the receipt and delivery information as it is generated by the party having such control. With respect to all Points of Receipt and Points of Delivery that have electronic flow measurement, both parties shall have remote telephone and electronic access to the receipt and delivery information generated at such Point of Receipt and Point of Delivery.

**ARTICLE 8**  
**TITLE TO AND RESPONSIBILITY FOR GAS**

- 8.1 Customer and Company, respectively, warrant title to all Gas delivered by it into or from the Pipeline System hereunder, and each of Customer and Company, respectively, warrant and represent each has the right to deliver the Gas hereunder, and that such Gas is free from liens and adverse claims of every kind. Customer agrees to indemnify and save Company harmless from and against all loss, damage, claims, and expense of every character with respect to Gas delivered by it on account of royalties, taxes, payments, liens, or other charges or claims arising (i) before or created upon delivery of said Gas into the Pipeline System, and (ii) upon and after delivery of said Gas from the Pipeline System to Customer.
- 8.2 Subject to compliance with the provisions of Section 8.1 above, Company warrants that title to all Gas delivered hereunder by Customer is free from liens and adverse claims of every kind. Company agrees to indemnify and save Customer harmless from and against all loss, damage, claims, and expense of every character with respect to Gas to be delivered at the Point of Delivery on account of royalties, taxes, payments, liens, or other charges or claims arising after delivery of Gas to and before withdrawal thereof from the Pipeline System by Customer.

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- 8.3 As between the parties hereto, Customer or its supplier shall be deemed to be in the exclusive control and possession of the Gas until such Gas has been delivered to Company at the Point of Receipt, and after its withdrawal by Customer at the Point of Delivery. After Customer's or Customer's suppliers' delivery of such Gas at the Point of Receipt, Company shall thereafter be deemed to be in the exclusive control and possession of such Gas until its withdrawal by Customer at the Point of Delivery. The party which shall be in the exclusive control and possession of such Gas shall be responsible for all injury or damage caused thereby and shall be responsible for any loss of Gas while in its possession, except with regard to injury, damage or loss caused by or arising out of the negligence of the nonpossessory party.
- 8.4 The Pipeline System shall at all times remain the property of Company, and Customer shall have no right or property interest therein but only the right for the transportation of Gas.

**ARTICLE 9**  
**FORCE MAJEURE AND CASUALTY**

- 9.1 If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. Any force majeure event (other than labor disputes, strikes, or lockouts) shall be remedied so far as possible with reasonable dispatch. Settlement of strikes, lockouts, and labor disputes shall be wholly within the discretion of the party having the difficulty. The term "force majeure" shall include, but is not limited to, the following: acts of God and the public enemy; the elements; fire, accidents, breakdowns, strikes; any industrial, civil, or public disturbance; inability to obtain or delay in obtaining rights-of-way, material, supplies, permits, or labor; any act or omission by parties not subject to control by the party hereunder having the difficulty; and any laws, orders, rules, regulations, acts or restraints of any governmental body or authority, civil or military. If pursuant to the foregoing Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.
- 9.2 If a portion of the Pipeline System required to make the transportation service available is partially damaged by fire or other casualty, the damage may be repaired by Company, at its option and in its sole discretion, as speedily as practicable, due allowance being made for the time taken for the settlement of insurance claims. Until such repairs are made, the payments shall be apportioned in proportion to the portion of the capacity of the Pipeline System which is still available for the purposes hereof, such determination to be made in the sole discretion of Company. If the damage is so extensive as to render the Pipeline System wholly unusable, in Company's sole opinion, the payments, if any, shall cease until such time as the Pipeline System is again useable. In case the damage shall, in Company's sole

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opinion, amount substantially to a destruction of the portion of the Pipeline System available for the transportation of Gas and Company shall elect not to repair the damage, then the Agreement shall terminate at the time of such damage, and Company shall not be liable to Customer for any liability, damage, or claim which arises out of any failure to make repairs.

**ARTICLE 10**  
**GOVERNMENTAL RULES, REGULATIONS,**  
**AND AUTHORIZATIONS; INTERPRETATION OF AGREEMENT**

- 10.1 The Agreement is subject to all valid orders, laws, rules, and regulations of duly constituted municipal, State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or Gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.
- 10.2 The Agreement shall be interpreted under the laws of the State of Texas, excluding any law thereof directing the application of the laws of another jurisdiction.

**ARTICLE 11**  
**MISCELLANEOUS**

- 11.1 Any modification of terms, or amendment of any provisions hereof, shall become effective only by supplemental written agreement between the parties.
- 11.2 (A) Any of the following events or conditions shall constitute a default of Customer under the Agreement:
- (1) Default in the delivery of any payment or any sums hereunder for a period of sixty (60) Days after the same becomes due;
  - (2) Any other breach of the material terms and conditions of the Agreement and the failure of Customer to cure such breach within thirty (30) Days after written demand by Company or such longer period of time after such notice as may be reasonably required to cure such breach if the breach is not reasonably curable within such thirty (30) Day period, provided that Customer shall have commenced such cure within such thirty (30) Day period and thereafter diligently continues its efforts to cure such breach until such breach shall have been fully cured;
  - (3) Customer shall (i) apply for or consent to the appointment of or taking of possession by a receiver or liquidator of itself or substantially all of its property, (ii) make a general assignment for the benefit of its creditors, (iii)

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commence a voluntary case under the Federal Bankruptcy Code, or (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts of Customer;

- (4) A proceeding or case shall be commenced, without the application or consent of the affected party, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of Customer (ii) the appointment of a trustee, receiver, liquidator or custodian of such party or of all or substantially all of its assets, or (iii) similar relief under any law relating to bankruptcy or insolvency, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed, for a period of ninety (90) Days; or

- (5) If any certificate, statement, representation, or warranty furnished by Customer proves to be false or incomplete in any material respect.

(B) Upon the happening of any event of default as set forth in subparagraph 11.2(A) above, Company shall have the right to do any one or more of the following without demand or notice of any kind:

- (1) Declare due, sue for, and receive from Customer the sum of all transportation payments and all other amounts due and owing under the Agreement plus the sum of all transportation payments and other amounts to become payable during the balance of the term of the Agreement;
- (2) Retake possession of the entire capacity of the Pipeline System without any court order or other process of law and without any rights of Company being thereupon terminated;
- (3) Terminate the Agreement and the Exhibits;
- (4) Pursue any other remedy at law or in equity.

(C) Any of the following events or conditions shall constitute an Event of Default with respect to Company under the Agreement:

- (1) Default in the crediting of any sums due to Customer or in the payment of any other sums due to Customer under the Agreement for a period of ninety (90) Days after the same is established by Company to have become due;
- (2) Company's breach of any material term or condition of the Agreement and the failure of Company to cure such breach within thirty (30) Days after written demand by Customer or such longer period of time after such notice

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as may be reasonably required to cure such breach if the breach is not reasonably curable within such thirty (30) Day period, provided that Company shall have commenced such cure within such thirty (30) Day period and thereafter diligently continues its efforts to cure such breach until such breach shall have been fully cured.

- (3) Company shall (i) apply for or consent to the appointment of or taking of possession by a receiver or liquidator of itself or substantially all of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code, or (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts of Company;
  - (4) A proceeding or case shall be commenced, without the application or consent of the affected party, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of Company, (ii) the appointment of a trustee, receiver, liquidator or custodian of such party or of all or substantially all of its assets, or (iii) similar relief under any law relating to bankruptcy or insolvency, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed, for a period of ninety (90) Days;
  - (D) Upon the happening of any event of default as set forth in subparagraph 11.2(C) above, Customer shall have the right to do any one or more of the following without demand or notice of any kind:
    - (1) Declare due, sue for, and receive from Company the sum of all outstanding credits and other amounts due and owing under the Agreement;
    - (2) Terminate the Agreement and the Exhibits;
    - (3) Pursue any other remedy at law or in equity.
  - (E) The rights granted to Company and Customer hereunder shall be cumulative as to each and action on one shall not be deemed to constitute an election or waiver of any other right to which Company or Customer may be entitled.
  - (F) Upon the termination of the Agreement, whether by lapse of time or otherwise, Customer will surrender any and all rights in the Pipeline System immediately.
- 11.3 Company shall not be liable for damages resulting from interruption of service, when such interruption is necessary to make repairs, changes, or adjustments in Company's equipment and facilities.

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- 11.4 No waiver by Company or Customer of any default or the other under the Agreement shall operate as a waiver of any future default, whether of a like or different character.
- 11.5 The Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors and assigns. In the event Customer sells, leases or otherwise transfers its distribution system to a third party, whether voluntarily or involuntarily, then Customer agrees, as a part of such sale, lease or transfer, to assign to such third party and to require such third party to accept the assignment of the Agreement and the Exhibits included therein, subject to the provisions of the following sentence. Neither the Agreement nor the Exhibits attached thereto nor the rights and obligations of Customer hereunder may be assigned without the consent of Company, which consent shall not be unreasonably withheld.
- 11.6 Customer will not mortgage, create a security interest in, or encumber the Agreement, or sublet the rights granted hereby, or permit its use by others, or pledge, loan, sublet, create a security interest in, or in any other manner attempt to dispose of such rights, or permit its use by others, or suffer any liens or legal process to be incurred or levied thereon; provided, however, that Customer may grant a security interest or similar encumbrance in connection with any existing financing arrangement associated with Customer's facility.
- 11.7 Except as provided below, Customer shall pay all fees, taxes, charges, and assessments imposed by or on behalf of any governmental entity in connection with the Agreement or in connection with the purchase, transportation, and disposition of Gas by or on behalf of Customer pursuant to the Agreement including but not limited to municipal and/or supplemental fees, franchise fees and any supplements thereto and taxes; provided that Company shall pay all ad valorem taxes and assessments levied on the Pipeline System and all appurtenant facilities. Company shall file all returns required for the Pipeline System and all appurtenant facilities. Customer will furnish Company with any information available to Customer in connection with Company's obligations under this section.
- 11.8 Company and Customer agree to exercise and take reasonable steps necessary to safeguard and cause their officers, directors, employees, agents, advisers, and representatives to safeguard the confidentiality of the Agreement and the terms and conditions thereof (as contrasted with the existence and effectiveness of the Agreement which are not confidential) and not to disclose any part of it or any information derived there from or any negotiations relating thereto to any party or person except that limited number of people within Company's and Customer's organizations, and their advisers, lenders and potential investors, as may need to know the terms and conditions hereof in order to evaluate, understand, execute and perform the Agreement. Company and Customer agree not to copy or permit the copying of the Agreement, except as may be necessary for their operations. In the event Customer or Company or any of their officers, directors, employees, agents, or representatives, is requested or required (by oral or written question or request for information or documents in legal proceedings, interrogatories, subpoena, Civil Investigative Demand or similar process) to disclose any information concerning the

Initial Rate Schedule

Meters Read On and After  
April 27, 2012 (Incorporated Only)  
\_\_\_\_\_(Unincorporated)

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area**

**RATE SCHEDULE T-GTC**  
**Page 18 of 19**

Agreement or the terms and conditions thereof or any negotiations relating thereto, it is agreed that the party receiving such question or request will provide the other parties with prompt notice thereof so that such other parties may seek a protective order or other appropriate relief or a release from the other parties. It is further agreed that if, in the absence of a protective order or receipt of a release, the other party is compelled to disclose such information or else stand liable for contempt or suffer other censure or penalty or adverse effect, then such party may disclose such information. The parties hereto are further authorized to make disclosure of the Agreement as may be required by Federal, state, or local regulation or agency or as may be required by auditors or accountants in connection with the preparation of financial statements or tax returns. Disclosure hereunder shall not constitute a basis for defense, termination, or modification of the Agreement.

**ARTICLE 12**  
**DISPUTE RESOLUTION**

- 12.1 Any dispute arising out of or relating to this Agreement for which a claim or demand is asserted that is equal to or exceeds a value of \$25,000 shall be resolved in accordance with the procedures specified in this Article 12, which shall be the sole and exclusive procedures for the resolution of any such disputes. The cost of conducting the dispute resolution process, including the fees and expenses of any arbitrators, shall be shared equally by the parties, and each party shall bear its own costs, including any attorneys' fees or other expenses incurred in the process. Each party is required to continue to perform its obligations under this Agreement pending final resolution of any dispute arising out of or relating to this Agreement, unless to do so would be impossible or impracticable under the circumstances.
- 12.2 Negotiation. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between management level personnel who have authority to settle the controversy. Any person may give the other party written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving party shall submit to the other a written response. Within thirty (30) days after delivery of the initial notice, the designated managing personnel of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- 12.3 Arbitration. Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, which has not been resolved by negotiation as provided above within sixty (60) days after initiation of negotiations shall be finally resolved by arbitration in accordance with the CPR Rules for Non-Administered Arbitration then currently in effect by (i) a sole arbitrator agreed upon by the parties if the dispute is between \$25,000 and \$250,000, or (ii) three independent and impartial arbitrators, of whom each party shall designate one, if the dispute is in excess of \$250,000. All arbitrators shall be

Initial Rate Schedule

Meters Read On and After  
April 27, 2012 (Incorporated Only)  
\_\_\_\_\_(Unincorporated)

**TEXAS GAS SERVICE COMPANY**  
**South Texas Service Area**

**RATE SCHEDULE T-GTC**  
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knowledgeable in the natural gas industry. The arbitrator(s) shall have no authority to award consequential, punitive or exemplary damages. Provided, however, if one party fails to participate in the negotiation as agreed herein, the other party can commence arbitration prior to the expiration of the time periods set forth. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16, and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. Unless otherwise agreed, the place of arbitration shall be Austin, Texas.

Initial Rate Schedule

Meters Read On and After  
April 27, 2012 (Incorporated Only)  
\_\_\_\_\_ (Unincorporated)

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to the Final Order in GUD No. 10217. This rate shall apply to the following rate schedules of Texas Gas Service Company in the unincorporated areas served in TGS' South Texas Service Area: 1E, 2E, 3E, T-2 and T-3.

**B. RCE RATE**

All Ccf during each billing period:                      \$ 0.0422 per Ccf

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.

Initial Rate Schedule

Meters Read On and After

TEXAS GAS SERVICE COMPANY  
SOUTH TEXAS SERVICE AREA  
TWELVE MONTHS ENDED JUNE 30, 2011

TOTAL PLANT IN SERVICE and COMPLETED CONSTRUCTION NOT CLASSIFIED

LINE NO.	DESCRIPTION	STX SERVICE AREA DIRECT PLANT (a)	CORP & TGS DIV ALLOCATED PLANT (b)	TOTAL STX SERVICE AREA PLANT (c)
<b>INTANGIBLE PLANT</b>				
1	(301) Organization			
2	(302) Franchise & Consents	\$56,257	\$0	\$56,257
3	(303) Misc. Intangible	3,127	0	3,127
4	Total Intangible Plant	29,156	0	29,156
		\$88,540	\$0	\$88,540
<b>DISTRIBUTION PLANT</b>				
5	(374) Land & Land Rights			
6	(375) Structures & Improvements	\$5,066	\$0	\$5,066
7	(376) Mains	41,525	0	41,525
8	(377) Compressor Station Equipment	11,487,439	0	11,487,439
9	(378) Mess. & Reg. Station - General	0	0	0
10	(379) Mess. & Reg. Station - C.G.	194,553	0	194,553
11	(380) Services	18,674	0	18,674
12	(381) Meters	4,592,007	0	4,592,007
13	(382) Meter Installations	1,354,594	0	1,354,594
14	(383) House Regulators	18,989	0	18,989
15	(385) Indust. Mess. & Reg. Stat. Equipment	432,351	0	432,351
16	(386) Other Property on Customer Premises	163,938	0	163,938
17	(387) Mess. & Reg. Stat. Equipment	146,909	0	146,909
18	Total Distribution Plant	0	0	0
		\$18,456,046	\$0	\$18,456,046
<b>GENERAL PLANT</b>				
19	(389) Land & Land Rights			
20	(390) Structures & Improvements	\$6,736	\$456	\$7,192
21	(391) Office Furniture & Equipment	587,419	10,232	597,651
22	(392) Transportation Equipment	130,468	386,651	517,119
23	(393) Stores Equipment	245,357	114	245,470
24	(394) Tools, Shop & Garage	2,039	0	2,039
25	(395) CNG Equipment	311,749	389	312,138
26	(396) Major Work Equipment	0	0	0
27	(397) Communication Equipment	73,390	0	73,390
28	(398) Miscellaneous General Plant	48,033	22,120	70,153
29	Total General Plant	30,729	72	30,800
		\$1,435,920	\$420,033	\$1,855,953
30	Total Orig Cost Plant in Service	\$19,980,506	\$420,033	\$20,400,539



TEXAS GAS SERVICE COMPANY  
SOUTH TEXAS SERVICE AREA  
TWELVE MONTHS ENDED JUNE 30, 2011  
TOTAL ACCUMULATED RESERVES FOR DEPRECIATION

LINE NO.	DESCRIPTION	STX SERVICE AREA DIRECT ACCUM DEPR (a)	CORP & TGS DIV ALLOCATED ACCUM DEPR (b)	TOTAL STX SERVICE AREA ACCUM DEPR (c)
<b>INTANGIBLE PLANT</b>				
1	(301) Organization			
2	(302) Franchise & Consents	\$26,363	\$0	\$26,363
3	(303) Misc. Intangible	2,292	0	2,292
4	Total Intangible Plant	3,596	0	3,596
		\$32,252	\$0	\$32,252
<b>DISTRIBUTION PLANT</b>				
5	(374) Land & Land Rights			
6	(375) Structures & Improvements	\$255	\$0	\$255
7	(376) Mains	35,294	0	35,294
8	(377) Compressor Station Equipment	3,395,402	0	3,395,402
9	(378) Mess. & Reg. Station - General	0	0	0
10	(379) Mess. & Reg. Station - C.G.	98,076	0	98,076
11	(380) Services	7,342	0	7,342
12	(381) Meters	2,031,093	0	2,031,093
13	(382) Meter Installations	521,662	0	521,662
14	(383) House Regulators	808	0	808
15	(385) Indust. Mess. & Reg. Stat. Equipment	270,025	0	270,025
16	(386) Other Property on Customer Premises	30,168	0	30,168
17	(387) Mess. & Reg. Stat. Equipment	132,710	0	132,710
18	Total Distribution Plant	0	0	0
		\$8,522,836	\$0	\$8,522,836
<b>GENERAL PLANT</b>				
19	(389) Land & Land Rights			
20	(390) Structures & Improvements	(\$3,573)	\$0	(\$3,573)
21	(391) Office Furniture & Equipment	297,049	7,272	304,320
22	(392) Transportation Equipment	82,956	181,264	264,220
23	(393) Stores Equipment	76,058	46	76,103
24	(394) Tools, Shop & Garage	2,448	0	2,448
25	(395) CNG Equipment	196,537	161	196,698
26	(396) Major Work Equipment	0	0	0
27	(397) Communication Equipment	26,462	0	26,462
28	(398) Miscellaneous General Plant	46,666	4,622	51,288
29	Total General Plant	30,734	57	30,791
		\$755,337	\$193,421	\$948,758
30	Total Accumulated Reserves For Depreciation	\$7,310,425	\$193,421	\$7,503,846

**TEXAS GAS SERVICE COMPANY  
SOUTH TEXAS SERVICE AREA  
TWELVE MONTHS ENDED JUNE 30, 2011**

**NET PLANT**

LINE NO.	DESCRIPTION	TOTAL STX SERVICE AREA NET PLANT
		(a)
	<b>INTANGIBLE PLANT</b>	
1	(301) Organization	\$29,893
2	(302) Franchises & Consents	\$836
3	(303) Misc. Intangible	\$25,560
4	Total Intangible Plant	<u>\$56,289</u>
	<b>DISTRIBUTION PLANT</b>	
5	(374) Land & Land Rights	\$4,811
6	(375) Structures & Improvements	\$8,231
7	(376) Mains	\$8,092,037
8	(377) Compressor Station Equipment	\$0
9	(378) Meas. & Reg. Station - General	\$98,477
10	(379) Meas. & Reg. Station - C.G.	\$11,331
11	(380) Services	\$2,560,914
12	(381) Meters	\$832,932
13	(382) Meter Installations	\$18,181
14	(383) House Regulators	\$162,327
15	(385) Indust. Meas. & Reg. Stat. Equipment	\$133,770
16	(388) Other Property on Customer Premises	\$14,199
17	(387) Meas. & Reg. Stat. Equipment	\$0
18	Total Distribution Plant	<u>\$11,933,210</u>
	<b>GENERAL PLANT</b>	
19	(389) Land & Land Rights	\$10,765
20	(390) Structures & Improvements	\$293,331
21	(391) Office Furniture & Equipment	\$252,899
22	(392) Transportation Equipment	\$169,367
23	(393) Stores Equipment	(\$409)
24	(394) Tools, Shop & Garage	\$115,440
25	(395) CNG Equipment	\$0
26	(396) Major Work Equipment	\$46,928
27	(397) Communication Equipment	\$18,866
28	(398) Miscellaneous General Plant	\$9
29	Total General Plant	<u>\$907,195</u>
30	Total Orig Cost Plant in Service	<u>\$12,896,693</u>

TEXAS GAS SERVICE COMPANY  
SOUTH TEXAS SERVICE AREA

DEPRECIATION AND AMORTIZATION RATES

LINE NO.	DESCRIPTION	STX DIRECT RATE (a)	TGS DIVISION RATE (b)
1	(301) Organization		
2	(302) Franchises & Consents	4.0000%	N/A
3	(303) Misc. Intangible	4.0200%	N/A
4	(375) Structures & Improvements	4.0800%	N/A
5	(378) Mains	3.0500%	N/A
6	(378) Meas. & Reg. Station - General	1.4800%	N/A
7	(379) Meas. & Reg. Station - C.G.	1.8000%	N/A
8	(380) Services	1.8200%	N/A
9	(381) Meters	1.7500%	N/A
10	(382) Meter Installations	1.1100%	N/A
11	(383) House Regulators	3.2500%	N/A
12	(385) Indust. Meas. & Reg. Stat. Equipment	0.4200%	N/A
13	(388) Other Property on Customer Premises	1.4200%	N/A
14	(390.1) Structures & Improvements	1.5300%	N/A
15	(391.1) Office Furniture & Equipment	2.3300%	-85.3100%
16	(391.6) Banner Software	8.6667%	6.6800%
17	(391.9) Computers & Electronic Equipment	N/A	6.6800%
18	(392) Transportation Equipment	14.2860%	4.0800%
19	(392.2) Pickup Trucks and Vans	9.9900%	12.5000%
20	(393) Stores Equipment	N/A	12.5000%
21	(394) Tools, Shop & Garage	8.6667%	5.0000%
22	(395) CNG Equipment	6.6667%	6.6700%
23	(396) Major Work Equipment	6.6667%	N/A
24	(397) Communication Equipment	2.3700%	12.5000%
25	(398) Miscellaneous General Plant	8.6667%	6.6800%
		8.6667%	6.6700%

N/A = Not Applicable



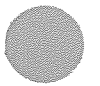


## **Final Order Exhibit 2**



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## 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. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development. This rate is only available to full requirements customers of Texas Gas Service Company.

### TERRITORY

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

### COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 16.00 plus
All Ccf at	\$ 0.2209 per Ccf

### OTHER APPLICABLE SCHEDULES

In addition to the Cost of Service set forth above, each customer's bill shall include adjustments for the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes and other applicable taxes on gross receipts.
3. Adjustments in accordance with provisions of the Weather Normalization Adjustment clause, Rate Schedule WNA.

### CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.

## 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

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

### COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of	\$28.50 plus -
All Ccf per monthly billing period @	\$ 0.3662 per Ccf

### OTHER APPLICABLE SCHEDULES

In addition to the Cost of Service set forth above, each customer's bill shall include the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes and other applicable taxes on gross receipts.
3. Adjustments in accordance with provisions of the Weather Normalization Clause, Rate Schedule WNA.

### CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. 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 residential and other consumers served.



**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer. Service under this rate schedule is available to any qualifying customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

Division B - Mining - all Major Groups  
Division D - Manufacturing - all Major Groups  
Divisions E and J - Utility and Government - facilities generating power  
for resale only

**TERRITORY**

All unincorporated areas served by the Company in its South Texas Service Area including Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum and Nixon.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$75.00 plus
The First 3,000 Ccf @	\$ 0.1236 per Ccf
All Over 3,000 Ccf @	\$ 0.0967 per Ccf

**OTHER APPLICABLE SCHEDULES**

In addition to the Cost of Service set forth above, each customer's bill shall include adjustments for the following:

1. The Cost of Gas for the billing month determined in accordance with the provisions of the Cost of Gas Clause, Rate Schedule 5.
2. The recovery of sales taxes, and other applicable taxes on gross receipts.

**CONDITIONS**

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. 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 residential and other consumers served.

**COMMERCIAL TRANSPORTATION SERVICE RATE**

**Applicability**

Applicable to commercial customers and to consumers not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing delivery receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**Availability**

Natural gas service under this rate schedule is available to any individually metered, commercial customer for the transportation of customer owned natural gas through the Company's South Texas distribution system. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company's sole discretion. The customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account

of Customer for transportation.

**Character of Service**

Firm gas transportation service

**Cost of Service Rate**

During each monthly billing period:

A customer charge per meter per month of	\$ 250.00	plus –
All Ccf per monthly billing period @	\$ 0.3362	per Ccf

**Additional Charges**

- 1) 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 6060TEX> REV. CIV.STAT. as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the customer receives gas delivered hereunder.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the South Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.

**Subject to:**

**Special Provisions**

**Tariff**

General Terms and Conditions for Transportation

T-GTC

**Other Conditions**

Transportation of Customer owned natural gas hereunder is subject in all respects to the Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural 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 residential and other higher priority customers served. 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.

**Payment**

Bills are to be paid within 10 days after the date of Company's bill to Customer.

## INDUSTRIAL TRANSPORTATION SERVICE RATE

### **Applicability**

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

Division B	-	Mining - all Major Groups
Division D	-	Manufacturing - all Major Groups
Divisions E and J	-	Utility and Government - facilities generating power for resale only

Service under this rate schedule is available for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing delivery receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

### **Availability**

Natural gas service under this rate schedule is available to any individually metered, industrial customer for the transportation of customer owned natural gas through the Company's South Texas distribution system. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Electronic flow measurement (EFM) may be required for Customers under this tariff at the Company's sole discretion. The customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any on going maintenance, repair, or communications costs. In the alternative, Customer may elect to discontinue service under this tariff and to receive service under the applicable sales tariff.

Service is not available under this rate schedule for resale to others or for service for a term less than twelve (12) months.

Under this tariff the Company shall perform or cause to be performed all functions necessary to transport the gas commodity from the Point of Receipt to the end use Customer. The Customer is responsible for acquiring the gas commodity from a third party supplier. Such gas supply must be

delivered to the pipeline providing upstream services for the system from which the Customer is served.

Customer shall deliver to Company each month, as reimbursement for lost and unaccounted for gas in the form of Payment in Kind (PIK), a volume of gas equal to the Purchase/Sales ratio authorized to be collected in the Cost of Gas clause times the volume of gas delivered by the Company for the account of Customer for transportation.

**Character of Service**

Firm gas transportation service

**Cost of Service Rate**

During each monthly billing period:

A customer charge per meter per month of		\$250.00	plus –
The First	3,000 Ccf @	\$ 0.1236	per Ccf
All Over	3,000 Ccf @	\$ 0.0967	per Ccf

**Additional Charges**

- 1) 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 6060TEX> REV. CIV.STAT. as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover any franchise fees, street rental fees, or other similar privilege fees attributable to the Company's services under this tariff and payable to any municipality wherein the customer receives gas delivered hereunder.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the South Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.

**Subject to:**

**Special Provisions**

**Tariff**

General Terms and Conditions for Transportation

T-GTC

**Other Conditions**

Transportation of Customer owned natural gas hereunder is subject in all respects to the

Transportation Agreement entered into between the Customer and Company prior to commencement of service and all amendments and modifications thereto.

Transportation of natural 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 residential and other higher priority customers served. 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.

**Payment**

Bills are to be paid within 10 days after the date of Company's bill to Customer.

TEXAS GAS SERVICE COMPANY  
Texas Tariff – South Texas Service Area

GAS TARIFF  
SOUTH TEXAS SERVICE AREA

Unincorporated Areas of - Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX

Effective for Meters Read On and After \_\_\_\_\_  
Supersedes and Replaces “Environs of the South Texas – Central Texas Region”  
dated and previously effective - April 30, 2008

TEXAS GAS SERVICE COMPANY

Communications Regarding this Tariff  
Should Be Addressed To:

Texas Gas Service Company  
411 E. Davis  
Luling, Texas 78648



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## GENERAL STATEMENT

### 1.1 TARIFF APPLICABILITY

Texas Gas Service Company is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service Company's South Texas service area, comprising the environs of the Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum. This Tariff supersedes and replaces all tariffs previously approved and applied in said areas.

Service under this Tariff is subject to the original jurisdiction of the Railroad Commission of Texas. The Company will provide service to any person and/or business within its service area in accordance with the rates, terms and conditions provided for in its Tariff and regulations.

### 1.2 RATE SCHEDULES

All Customers shall be served under rate schedules filed with the Railroad Commission of Texas. Customers shall be assigned to rate schedules in accordance with the class of the particular Customer, the usage which will be made of the gas and that Customer's volume requirements. The Company shall advise the Applicant or Customer regarding the most advantageous rate for his usage if more than one rate is applicable. A Customer assigned to a rate schedule shall remain on that schedule for a minimum of one year except that an assignment made in error may be corrected immediately. In the event of a question regarding the Customer's classification, the question shall be resolved by reference to the coding of the Customer's primary business in the latest edition of the Standard Industrial Classification Manual of the United States Government's Office Management and Budget.

### 1.3 DEFINITIONS

The following definitions shall apply to the indicated words as used in this Tariff:

Agricultural Service and  
Irrigation or Irrigation  
Pumping Service:

Service to Consumers engaged in agricultural production (SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.

Applicant:

Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

Average Day Usage:

The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>Blanket Builder:</u>	A builder or someone acting for a builder who is invoiced for the installation of yardlines.
<u>Commercial Service:</u>	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a division of ONEOK, Inc.
<u>Consumer:</u>	Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.
<u>Domestic or Residential Service:</u>	Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.
<u>Electronic Document:</u>	Any document sent electronically via email or internet.
<u>Electronic Fund Transfer (EFT):</u>	The process to convert a paper check or electronic bill payment request to an electronic transfer. (Paper checks received by Company or their agents are destroyed.)
<u>Electronic Radio Transponder (ERT) Automated Meter Reading (AMR):</u>	A device that remotely reads a gas meter.
<u>Expedited Service:</u>	Customer request for same day service or service during non-business hours for connect or reconnect of gas service.

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>General Rate Schedule:</u>	A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.
<u>Industrial Service:</u>	Service to Customers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Customers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.
<u>Optional Rate Schedule:</u>	A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require the installation of special equipment.
<u>Overtime Rate:</u>	The fee charged by Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside Company's normal business hours.
<u>Power Generation Service:</u>	Service to Customers for the purpose of generating electricity. This service may be further divided into direct generation in which the gas is used to power the prime mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.
<u>Regulatory Authority:</u>	The Railroad Commission of Texas
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Special Rate Schedule:</u>	A rate schedule designed for a specific Customer.
<u>System:</u>	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Temporary Service:

Any service which will not be utilized continuously at the same location for a period of two or more years.

Transportation Rate Schedule:

A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.

Transportation Service:

The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.

Section 2. [Reserved for future rules]

Section 3: RATES AND UTILITY CHARGES

Please see current Rate Schedules on file with each applicable Regulatory Authority.

CONDITION OF SERVICE

4.1 PROVISION OF SERVICE

The Company will provide gas service to any person or organization located within the South Texas Service Area from Company's facilities, or in certain cases, the facilities of its supplier, in accordance with the provisions of this Tariff, including the Company's Rate Schedules and Rules of Service.

4.2 FEES AND CHARGES

All fees and charges made by the Company to provide and maintain utility services as provided for in this Tariff. If the Customer elects transportation service, the commodity cost of gas shall be determined between the Customer and the Customer's selected supplier.

4.3 RESALE OF GAS

Gas delivered by the Company shall not be redelivered or resold for the use thereof by others unless otherwise expressly agreed to in writing by the Company; provided, however, that those Customers receiving gas for redistribution to the Customer's tenants may separately meter each tenant's distribution point for the purpose of prorating the Customer's actual amount of gas delivered among the various tenants on a per unit basis.

4.5 CONTINUITY OF SERVICE

- a) Service interruptions
  - i) The Company shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Company will reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of Customers is affected.
  - ii) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and will issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
  - iii) In the event of emergency or disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.



CONDITION OF SERVICE (Continued)

4.5     CONTINUITY OF SERVICE (continued)

- b) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of interruptions, date, time duration, location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence, if applicable.
- c) Report to Railroad Commission of Texas. The Commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the Company's belief as to the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.
- d) The procedure under which curtailments of service will be made is described in Section 14 of this Tariff.
- e) The Company does not guarantee uninterrupted service to any Customer and shall not be liable for damages resulting from any loss of service to any Customer.

6     AVAILABILITY OF TARIFF

A copy of this Tariff including all applicable rate schedules shall be kept in the Company's South Texas Offices and its Division Office in Austin. The Tariff shall be available for examination in the referenced locations to any Customer or Applicant requesting it, during Company's normal business hours and upon reasonable notice to Company, and notice to this effect shall be posted in the Company's office. Upon the request of any Customer or Applicant, the Company shall make copies of the Tariff which may be purchased by the Customer or Applicant at the Company's South Texas offices. The Company may charge for each copy a fee which is not in excess of the Company's reasonable cost to reproduce the material.

4.7     CUSTOMER INFORMATION

The Company shall make available, during normal business hours at its local office, such additional information on Rates and Services as any Customer or Applicant may reasonably request. Upon any Customer's request, the Company shall inform the Customer how to read the Customer's meter. The Company shall annually provide each Customer with notice of the availability of a concise description in English and Spanish of the Customer's rights and the Company's obligations under this Tariff. A new Customer shall be provided with a description at the time service is initiated.

CONDITION OF SERVICE (Continued)

4.8 CUSTOMER COMPLAINTS

Upon complaint to the Company by a Customer either at the Company's office, in writing, or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof. It shall keep a record which shows the name and address of all complainants, the date and nature of each complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint. However, complaints which require no further action by the Company need not be recorded. Each complainant shall be advised of his or her right to file the complaint with the Regulatory Authority if not satisfied by the Company.

Upon receipt of a complaint, either in writing or by telephone, from the Regulatory Authority on behalf of a Customer, the Company will make a suitable investigation and advise the Regulatory Authority and complainant of the results thereof. An initial response must be made by the next business day. The Company will make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period.

4.9 LIMITATION OF LIABILITY

The Customer assumes all responsibility for all facilities and their installation, maintenance, operation, functionality, testing and condition thereof on the Customer's side of the point of delivery of gas to the property of the Customer or to the premises of the Consumer, as defined in Section 6.2. Customer shall indemnify, hold harmless, and defend the Company and its employees or agents from any and all claims or liability for personal injury, damage to property, or any incidental consequential, business interruption, or other economic damages or losses in any manner directly or indirectly connected to, arising from, or caused by acts or omissions of any person or party on the Customer's side of said point of delivery, as defined in Section 6.2.

The Company shall be liable to the Customer or Consumer only for personal injury or property damage arising directly from or caused directly by the negligent acts or omissions of the Company or its employees occurring on the Company's side of the point of delivery. The Company shall not be liable or responsible for personal injury, property damages, or any other loss or damages arising from or caused by the negligent or intentional act or omission of any person, other than an employee of the Company, who adjusts, repairs, disconnects, changes, alters, or tampers with the Company's meter or facilities in any way.

The Company shall be liable to third parties only for personal injury or property damage directly arising from the negligence or gross negligence of the Company or its employees when acting within the scope of their employment.

In no event shall the Company or its employees be liable for incidental, consequential, business interruption, or other economic damages or losses of Customer, Consumer, or third parties in any manner, directly or indirectly, arising from, caused by, or growing out of the interruption or termination of gas utility service.

The Customer shall make or procure conveyance to the Company of perpetual right-of-way across the property owned or controlled by the Customer that is satisfactory to the Company, provides clear

access to Company's facilities, and enables the Company to provide service to Customer's property or the premises of Consumer.

## INITIATION OF SERVICE

### 5.1 REGULAR SERVICE

Application for service can be made by telephone or through the Internet. Each Applicant must comply with the appropriate requirements of this Tariff before service shall be instituted. No written agreement shall be required for residential service under the standard provisions of this Tariff; commencement of service by the Company and the use of gas service by the Customer shall be evidence of such agreement. Any Customer requesting service under any special provision of this Tariff must execute a written agreement for service in the form prescribed by the Company designating those provisions which shall apply. Each Applicant may be required to produce an identification card bearing a photograph of Applicant and verifiable proof of their right to occupy a specific service address as of a specific date of occupancy.

### 5.2 SPECIAL CONTRACTS

Under certain special conditions, the Company may agree to rates, terms or conditions of service other than those provided in this Tariff. Such service must be established under the terms of a special contract or service agreement. To the extent that the provisions of any special contract are at variance with this Tariff, the provisions of the contract shall apply.

### 5.3 TEMPORARY SERVICE

Temporary Service shall be furnished under the same rate schedules applicable to regular service of a similar kind.

### 5.4 FEES AND CHARGES

The Company shall charge a non-refundable fee to each Applicant to compensate for the cost involved in initiation or reconnection of service or when service is transferred from one name to another at any location, or whenever a meter is reset or relocated on the same premises at the request of the Customer, all as specified in Section 22.1 of this Tariff.

Whenever the Applicant requests expedited service, the Company will accomplish the work as expeditiously as possible and the Customer will be charged at the Company's approved rate for service work. Expedited service and the charges therefore shall be made only on request of the Applicant. Whenever service is furnished from the facilities of a third party and the Company must pay any special fees to that third party, the Company may, at its option, pass that charge through to the Applicant requesting service. See Section 22.1 relating to fees for the above.

INITIATION OF SERVICE (Continued)

5.5 ESTABLISHMENT OF CREDIT

Each Applicant for service shall be required to make a security deposit in accordance with Section 10 of this Tariff to establish and maintain a satisfactory credit standing. The amount of deposit required shall be computed in the same manner for the same class of service; provided however, that a deposit shall be waived if:

- a) The Applicant has been a Customer for the same kind of service within the last two years and did not have more than one occasion in which a bill for service from any such utility service account was delinquent and no disconnection for non-payment was made;
- b) The Applicant furnishes an acceptable letter of credit;
- c) The Applicant demonstrates a satisfactory credit rating by presentation of satisfactory credit references capable of quick, inexpensive verification (applicable to residential Customers only);
- d) The Applicant is 65 years of age or older and has had no outstanding balance for natural gas utility service which accrued within the last two years (applicable to residential Customers only);
- e) The application is made for and in the name of an organization with an acceptable credit rating from an agency providing a credit rating service on a national basis;
- f) The application is made for or guaranteed by an agency of the federal, state or local government.
- g) The Applicant has been determined to be a victim of family violence as defined in Texas Family Code, §71.004. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site; or

INITIATION OF SERVICE (Continued)

5.6     GROUND FOR REFUSAL TO SERVE

The Company may refuse service to any Applicant for any of the following reasons:

- a)     Failure to pay fees, advances or contributions or to make any deposit required for service under this Tariff;
- b)     Failure of the Applicant to furnish any service or meter location specified for service under this Tariff;
- c)     Existence of an unsafe condition such as a leak in the Applicant's piping system which, in Company's sole opinion, may endanger life or property;
- d)     The Applicant is indebted to the Company for the same class of utility service at the same or another service location within the Company's system; or
- e)     Delinquency in payment for gas service by another occupant if that person still resides at the premises to be served.

The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve.

5.7     REASONABLE TIME

The Company shall have a reasonable amount of time to institute service following application therefore or execution of an agreement for service. The time may vary depending on approvals and permits required, the extent of the facilities to be built, and the Company's workload at the time.

METERING AND DELIVERY OF GAS

6.1 METER LOCATION

The Company shall have the sole right to determine the location of the meter in accordance with the needs of the service.

Each Applicant shall furnish and subsequently maintain a suitable location on his or her premises for the Company's meter and related facilities at a point selected by the Company. Meters shall be located where they will be safely accessible for reading and service, adequately ventilated, and not subject to damage. Meters shall not be located within any enclosed area unless the enclosure is solely intended as a meter house. It may be necessary for the Company to install bollards or guard posts around the meters for safety.

6.2 POINT OF DELIVERY

The point of delivery of gas sold by the Company to the Customer shall be at the outlet side of the Company's meter, provided that in those cases in which the Customer owns a section of the underground pipe between the Customer's property line and the meter, the point of delivery shall be at the property line. The title of all gas sold by the Company to the Consumer shall pass from the Company at the point of delivery. The point(s) of delivery and point(s) of redelivery for Transportation Service shall be as provided in the contract entered into between the Customer and the Company.

6.3 MULTIPLE METERS

Each Customer or group of Customers located on the same lot or tract of land may be served from a single meter location. The Company may, at its option, permit additional meter locations to simplify installation of facilities or provide better service. Whenever more than one meter location is permitted for the same Customer, the Company shall bill the usage through each meter separately, provided that any combined billings in effect at the time of adoption of this Tariff may be continued until the affected Customer discontinues service or upon order by the Regulatory Authority.

6.4 CONNECTION TO COMPANY FACILITIES

No Consumer shall make any connection or alteration of any kind on or to any of the Company's facilities upstream of the Company's meter or shall permit any other person to make such connection or alteration.

## INSTALLATION OF EQUIPMENT

### 7.1 EQUIPMENT FURNISHED BY THE COMPANY

The Company shall furnish and install at its expense, the service pipe from the Company's existing main to the property line nearest the meter and the equipment related thereto, including meter valve and service regulator. Whenever the meter is located at any point other than the property line, the Company shall determine the estimated cost of that portion of the service between the property line and the meter set. This estimate shall be based on the size and footage to be installed, and charged in accordance with Section 8 and other applicable provisions of this Tariff. This estimated amount shall be contributed by the Applicant to the Company before construction, unless the Applicant is a qualified Blanket Builder. Although affixed to or buried in the Customer's property, the entire service and meter set shall become the property of the Company and shall be operated and maintained by the Company.

### 7.2 EQUIPMENT FURNISHED BY THE APPLICANT

The Applicant shall furnish and install at his or her expense, all piping and equipment required to conduct and utilize the gas furnished, from the outlet of the meter set to the point(s) of utilization and those portions of the service line and meter set not furnished by the Company as described in Paragraph 7.1 above. The adequacy, safety and compliance with applicable codes and ordinances shall be the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility for the facilities installed by him or her.

### 7.3 STATUTES, CODES, AND ORDINANCES

All piping and installations owned by the Applicant shall comply with all applicable legal requirements, whether federal, state, county, municipal, or otherwise, and shall be properly designed for the pressures and volumes to be handled. In those locations where there are no applicable state or local requirements, the applicable provisions of the National Fuel Gas Code 54, ANSI Z223.1, and any amendments thereto shall apply.

### 7.4 CHECKS AND TESTS

The Company shall have the right to check new installations prior to initiation of service and to make any test of the Applicant's facilities it deems necessary.

### 7.5 REFUSAL TO SERVE

The Company shall refuse service to any Applicant who refuses entry for observation or whose facilities do not comply with the applicable provisions of this Tariff. The right to refuse service shall terminate with the correction of the condition(s) which was cause for refusal. Initiation of service, however, shall not be considered to be acceptance or approval by the Company of such facilities.



EXTENSION OF FACILITIES

8.1 EXTENSION OF MAINS

The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) must make an advance in the amount necessary to justify the installation whether or not refundable.

8.2 DESIGN AND COST OF FACILITIES

As soon as practical after an application for service is received, the Company shall determine the extent of the facilities required to serve the new business and the cost thereof. This cost shall include all amounts to be spent for system improvements necessary to deliver the required gas, such as mains, regulator and meter stations, upgrading and/or reinforcement, all in accordance with the Company's current practice. Whenever the Company chooses to install facilities of greater capacity than would be required to serve the new business for which the application is being made or to permit supply from another source, the estimate of costs shall be based on only the size and capacity normally used to serve requirements similar to that of the Applicant.

8.3 ALLOWANCE FOR NEW BUSINESS

The Company shall also determine the number of existing potential permanent Customers located along the route of the extension expected to be served there from. To be included, the occupant of each premise must request service and demonstrate capability for using such service through a major gas burning appliance. Single or groups of individually owned mobile homes shall be included only if the wheels and hitch have been removed from each mobile home and/or substantial improvements have been made to the property. Mobile home parks may be served either through a master meter or individual meters served by a Company-owned system, provided that required mains can be installed and dedicated streets or rights-of-way have been provided to the Company for installation of facilities as evidenced by agreement executed on the Company's form. An allowance to be determined by the Company may be given for each potential Customer whose premises exist at the time of application to be served from the proposed main extension. In order to qualify for this allowance, the Customer must file an application and agree to initiate gas service upon completion of the Company's facilities.

EXTENSION OF FACILITIES (Continued)

8.4 ADVANCES

The difference between the total cost of facilities as determined in Paragraph 8.2 above and the initial allowance if any, shall constitute the required advance. All advances must be made in cash. The Applicant shall have 90 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.

8.5 CONSTRUCTION OF FACILITIES

As soon as practical after the advance has been paid or it has been determined that no advance will be required, the Company shall begin construction of the required facilities and thereafter prosecute the work with reasonable diligence. The Company shall not be responsible for delays in the construction of the facilities occasioned by events or conditions reasonably beyond the Company's control. Whenever the construction of the new facilities requires the acquisition of rights-of-way across the Applicant(s) land(s), these rights-of-way shall be provided by the Applicant(s) in the Company's name and on its form at no cost to the Company (except for fees involved in the recording of documents).

As a general policy, those applications not involving line extensions or new facilities should be filed within seven working days. Those applications for individual residential service requiring line extensions should be filed within 90 days unless unavailability of materials or other causes beyond the control of the utility result in unavoidable delays. In the event that residential service is delayed in excess of 90 days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report must be made to the regulatory authority listing the name of the applicant, location, and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the utility, a delay in excess of 90 days may be found to constitute a refusal to serve.

8.6 REVIEW OF ADVANCES

The Company shall review each extension agreement on the first anniversary of the signing of that agreement. If the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth "in-service" anniversary dates. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund equal to the standard amount then being given as specified in Paragraph 8.3 hereof, shall be given for each additional Customer served, provided that the total of the refunds given does not exceed the cost of the extension of facilities.

EXTENSION OF FACILITIES (Continued)

8.7 REFUND LIMITATIONS

The Company may, at its sole option, make a refund at any time. In no case, however, shall a refund be given unless the number of Customers then served is greater than the number for whom refunds have previously been given. No refund shall be given which shall cause the total refunds to be greater than the total amount of the advance. No interest shall be paid on any advance made under the provisions of this Section. At the end of the five year period, any remaining amount of the advance shall be retained by the Company as a contribution in aid of construction.

8.8 DELIVERY OF REFUNDS

When a refund is due, a check in the appropriate amount and a letter setting forth the method of calculation of the refund and the balance remaining unrefunded shall be made to the person or business in whose name the extension agreement is made or to his or her assignee. If that letter is returned undelivered, the check shall be cancelled and the next review made without regard to that refund. All sums described in this Paragraph which are returned undelivered and remain unclaimed in the Company's possession for a period of six months following expiration of the five year period of the extension agreement shall be retained by the Company and considered a contribution in aid of construction.

CUSTOMER-OWNED SYSTEMS

9.1 INDIVIDUALLY METERED SYSTEMS

The Company shall not render service to any Customer through a meter not connected to a system owned by the Company or one of the Company's suppliers.

9.2 MASTER METERS

The Company shall provide service through a master meter into the piping systems of others to be distributed to more than one Consumer, except when the gas served is resold to those Consumers on either a commodity or separate cost of service basis. Customers purchasing gas for redistribution to the Customer's own tenants only on the Customer's premises may separately meter each tenant distribution point for the purpose of prorating the Consumer's actual purchase price of gas delivered among the various tenants on a per unit basis, and further provided that the provisions of this Section 9 shall not preclude the Company from supplying natural gas to a third party for resale to the public as fuel for natural gas powered vehicles (NGV's).

## SECURITY DEPOSITS

### 10.1 REQUIREMENTS

The Company shall require a security deposit from any present or prospective Customer in accordance with Paragraph 5.5 and 19.1 of this Tariff to guarantee payment of bills, and from any present Customer who during the last 12 consecutive months has on more than one occasion paid its utility bill after becoming delinquent. The amount of the deposit shall not exceed one-sixth of the estimated annual billings for similar Customers. However, the deposit requirement may, at the option of the Company be based on annual usage experienced at the particular address with application of one-sixth of the annual amount as determined as the required deposit. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. The deposit shall be refunded to residential Customers when the Customer has paid 12 consecutive bills without having service disconnected for non-payment, and without having one or more occasion in which a bill was delinquent or a payment was returned, and the Customer is not currently delinquent.

### 10.2 RECEIPTS

The Company shall maintain such records as may be necessary to permit any Customer to receive any deposit return to which he or she is entitled without presentation of the receipt. A record of any unclaimed deposits shall be maintained by the Company for at least 4 years.

### 10.3 INTEREST

The Company shall pay interest on all security deposits for the time held at the rate as set by the Public Utility Commission annually except when:

- a) The deposit is held 30 days or less;
- b) Notice is sent to the Customer's last known address that the deposit is no longer required;
- c) The service to which the deposit relates has been discontinued; or
- d) All or any part of the deposit has been applied to a delinquent account.

Interest on deposits earned during the preceding year shall be paid to the Customer during the first quarter of each calendar year. Payment shall be made either by check or as a credit on the monthly bill at the Company's option.

### 10.4 RETURN OF DEPOSITS

Deposits on residential accounts returned to the Customer in accordance with Paragraph 10.1 above shall be applied in the first calendar quarter following the month in which the good payment record is established. Whenever the deposit of any Customer is returned to the Customer, the Company shall pay all previously unpaid interest with the payment.

SECURITY DEPOSITS (Continued)

10.5 ACCEPTABLE FORMS OF DEPOSIT

Any one of the following forms of credit security may be accepted from Customers and Applicants for service:

- a) A cash deposit of as much as one-sixth (1/6) the estimated annual billings for service requested; but no less than the minimum deposit set forth in Section 22.2;
- b) A nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one-sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 22.2; or
- c) A surety bond issued by a reputable insurance company which can be drawn on for a minimum of two years .

## GAS MEASUREMENT

### 11.1 PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7" Water Column above the standard atmospheric pressure in the area served. Standard serving pressure and the atmospheric pressure determined to be the average in the Central Texas Service Area, are 14.40 psia and 14.65 psig, respectively. The Consumer and the Company may, at the Company's option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer's facilities shall not be permitted.

### 11.2 UNIT OF MEASUREMENT

The standard unit of measurement shall be one hundred cubic feet (Ccf). A cubic foot shall be defined as the amount of gas which occupies a volume of one cubic foot at 14.65 psig and at a temperature of 60 degrees Fahrenheit. Whenever the Company delivers gas at any pressure other than the standard serving pressure, volumes shall be corrected to the standard serving pressure in the manner provided in this Tariff, provided however, that such correction may be made to any other standard provided in the rate schedules or special agreement under which the Customer is served. The Company may, at its sole option, waive the correction of measurement for temperature deviation.

### 1.3 BILLING UNIT

Unless otherwise specified on the rate schedules or by special agreement, Customers shall be billed on the basis of Ccf measured at or corrected to the standard serving pressure. The index of the meter shall be the sole determinant of volumes passing through the meter. Whenever the meter reads directly in hundreds or smaller units, a reading of one-half a billing unit or more (500 Cf or more) shall be considered a whole billing unit. Readings of less than one-half a unit shall be disregarded for billing. In those cases in which heating value is used as the billing unit, the calculation of the heating value in BTU's shall be made in accordance with Paragraph 11.7 of this Tariff.

### 11.4 PRESSURE CORRECTION - STANDARD METERING

Whenever gas is delivered to any Customer served under a rate schedule which provides for standard metering, the Company shall correct actual volumes measured to volumes which would have been measured if the gas had been delivered at the standard serving pressure. Corrections shall be made by one of the following methods.

GAS MEASUREMENT (Continued)

11.4 PRESSURE CORRECTION - STANDARD METERING (continued)

- a) The Company may install pressure or pressure and temperature compensating measurement equipment whenever the cost of this equipment is justified by the volumes served. Such measurements shall be equipped with devices which mechanically or electronically correct the actual measured volumes in accordance with Boyle's Law. Variations in actual atmospheric pressure shall not be considered.
- b) The Company may use factor billing whenever the volumes to be delivered are too small to justify special metering. The factor shall be determined by dividing the actual serving pressure by the standard serving pressure, both expressed in absolute units based on the standard atmospheric pressure in the area as specified in Paragraph 11.1 hereof. This factor shall be applied to the measured volumes to determine the correct number of billing units.

11.5 METERING - SPECIAL POSITIVE DISPLACEMENT

Whenever gas is delivered to any Customer served under a rate schedule which provides for special metering and positive displacement or turbine type metering is used, all volumes shall be determined in accordance with the recommendations of the manufacturer of the meter. Meters may be read in actual volumes which shall then be corrected to the standard billing unit or may be furnished with devices designed to correct the actual volumes to the standard billing units. The following criteria shall be used in the correction of volumes or design and calibration of correcting devices.

- a) Pressure correction shall be made in accordance with Boyle's Law. Calculations based on pressure reading on a continuously recording chart shall use the average pressure indicated thereon applied to the measured volumes. Correcting devices shall be set at the specified serving pressure and the service regulators shall be adjusted as close to that pressure as practical. Corrections for deviations from Boyle's Law ("supercompressibility") may be made whenever the volumes delivered justify the cost of making such corrections.
- b) The flowing temperature of the gas shall be assumed to be 60 degrees Fahrenheit unless temperature correction is provided. Corrections shall be made in accordance with Charles' Law. Whenever a continuously recording instrument is used, the average temperature indicated thereon shall be applied to the measured volumes.
- c) The specific gravity of the gas shall be assumed to be the value last indicated by test or reported by the upstream pipeline supplier prior to the installation of the metering facilities. Whenever subsequent reports or test indicate significant changes in gravity, volume calculations shall be changed prospectively to reflect the new gravity.



GAS MEASUREMENT (Continued)

11.6 METERING - SPECIAL ORIFICE

Whenever gas is delivered to any Customer served under a rate schedule with provisions for special metering and orifice metering is used, all volumes shall be determined in accordance with the recommendations for measuring gas contained in the American Gas Association's Gas Measurement Committee Report No. 3, Orifice Metering of Natural Gas (1992), and subsequent revisions thereof. Orifice meter charts shall be calculated using a standard integrating device or other method recognized in the industry. The following criteria shall be used in the correction of volumes or design and calibration of orifice metering:

- a) Correction for deviation of gas from Boyle's Law shall be made in accordance with Report No. 3.
- b) Temperature of gas passing the meter shall be assumed to be 60 degrees Fahrenheit unless suitable equipment has been installed to measure actual flowing temperature. The arithmetical average of the temperature recorded during each meter charge period while the gas is flowing shall be used in the computations of volumes during the period.
- c) The standard atmospheric pressure for the area served shall be used for measurement irrespective of any variation in the actual barometric pressure.
- d) The specific gravity of the gas shall be assumed to be the value last obtained in a spot test made with a gravity balance, impact type unit or other acceptable method. Tests shall be made as frequently as found necessary to assure accurate measurement.

11.7 BTU MEASUREMENT

The heating value of gas for use in billing shall be defined as the gross thermal value of one cubic foot of gas at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit on a dry basis. The number of billing units delivered shall be determined by multiplying the heating value determined in accordance with this Section by the volumes delivered during the period, expressed in the same units and measured at, or corrected to 14.73 psia and 60 degrees Fahrenheit, and multiplying by the factor necessary to convert the heating value/measurement units to the billing units provided in the appropriate rate schedule. The heating value of the gas shall be determined using one of the following methods:

- a) Processing a continuous sample of the main stream at the meter location through a recording calorimeter of a standard type;

GAS MEASUREMENT (Continued)

11.7 BTU MEASUREMENT (continued)

- b) Analysis of gas samples accumulated from the main stream at the meter location in a sample bottle of an approved type;
  - i) passing the sample through a recording calorimeter of a standard type;
  - ii) passing the sample through a flow calorimeter of a standard type; or
  - iii) passing the sample through a chromatograph to determine the chemical composition and calculating the total heating value from the sum of the constituents.

11.8 CUSTOMER-OWNED METERS

A Customer may install and operate a meter or any other device to measure gas volumes, pressure, temperature, BTU content or specific gravity downstream of the point of delivery. Unless expressly otherwise agreed to by the Company and Customer, however, the Company's meter and equipment shall be the sole determinant of volumes for Company's billing purposes.

## METER READING AND ACCURACY

### 12.1 METERING READING

Meters shall be read as nearly as may be practical on the same day of each calendar month. Whenever a reading of a general service meter is missed or the meter is not registering, the Company shall estimate the amount of gas used during the period. Such estimates shall be based on:

- a) That Customer's use of gas during the same period(s) in previous years; or
- b) That Customer's normal use of gas during preceding months; or
- c) The use of a similar Customer for the period missed.

If practical, an actual reading shall be made after two consecutive estimated bills. All meters in a Special Rate Schedule for service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Rate Schedule Customer only. The Company will make a special reading of any meter upon request and payment of a service charge will be made in accordance with Section 22.1. The time of the special reading shall be agreed upon with the Customer so that he or she may be present. If the original reading was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.

### 12.2 ACCESS TO THE METER

The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 10 days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 22.1.

### 12.3 METER ACCURACY

The accuracy limit of all Company meters is established at two percent (2%) fast or slow. Any meter found to be registering outside of the limits of accuracy shall immediately be removed or repaired. As long as the meter is operating within the limits of accuracy, it shall be the conclusive determination as to the quantities of gas delivered to the Customer on whose service it is set.

### 12.4 METER TESTING AT CUSTOMER REQUEST

The Company shall have the right to remove and/or test the meter used to determine the quantity of gas delivered. The Customer may request that the Company make a special test of the meter through which he or she is served. Requests for such tests shall be made in writing and the Company shall have ten (10) days after receipt of the request to remove the meter for testing or to test the meter in place. Tests on removed meters shall be conducted within a reasonable time. The utility must inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. If the test is to be performed after the period of presumed accuracy listed by the manufacturer or if the test is to be performed for a residential or small

METER READING AND ACCURACY (Continued)

12.4 METER TESTING AT CUSTOMER REQUEST (Continued)

commercial Customer for whom no such test have been performed within the previous four (4) years for the same Customer at the same location, no service charge will be assessed. Otherwise, the Customer shall pay a service charge for such test as specified in Section 22.1.

12.5 BILLING ADJUSTMENTS - GENERAL SERVICE

Whenever it has been determined that a meter reading and the subsequent billing has been in error, the Company shall recalculate the affected bill(s). If the date and amount of the error can be definitely fixed, the Company shall refund or may bill the affected Customer for the entire difference between the actual bills rendered and the amount which should have been billed. If a meter is found to have registered inaccurately (such as a meter found to be registering fast or slow), the Company shall refund or bill an amount equal to the difference between the actual bills rendered and the amount which would have been billed if the meter had been 100 percent accurate during the time since the last previous test or the last six months, whichever is less. If the meter is found not to have registered, then the rebilling shall be limited to a three-month period previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same Customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated Customers, when not available. Undercharges billed to the Customer may be repaid in a series of equal installments over a reasonable period of time. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be foregone by the utility if the error is to the utility's disadvantage. This Paragraph shall not apply to meter errors found as a result of routine testing in the Company's or its designee's meter shop.

12.6 PROVISIONS FOR SPECIAL RATE SCHEDULE SERVICE

The following modifications shall apply to the provisions of this Section for all Special Rate Schedule Customers under special written agreements:

- a) Orifice and turbine meters shall be tested at least four times per year at intervals not to exceed 120 days. Should the Customer so elect, tests shall be made in the presence of his or her representative.
- b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:

METER READING AND ACCURACY (Continued)

12.6 PROVISIONS FOR SPECIAL RATE SCHEDULE SERVICE (continued)

- i) by using registration of Customer's check meter(s);
- ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or
- iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.

12.7 PERIODIC TESTS

The Company shall make periodic tests of meters, associated devices and instruments to assure their accuracy. Such tests shall be scheduled within the calendar year or earlier, when the interval is stated in years; or within the calendar month, or earlier when the interval is stated in months. The basic periodic test interval shall be no longer than provided for in the manufacturer's recommendations, a copy of which is available upon request.

BILLING AND PAYMENT OF BILLS

13.1 RENDERING OF BILLS

Bills for all service shall be rendered monthly as promptly as feasible after the meter has been read. Bills shall be due and payable in full on or before the due date, which shall be stated on the face of the bill and shall not be earlier than fifteen (15) days after the bill is mailed (including electronic mail). Bills shall be considered to have been rendered when deposited in the United States Mail with postage prepaid thereon or, when the customer has elected to receive billings via electronic mail, when the electronic document has been sent. Payment shall be considered received when the correct amount has been received at the appropriate Company office or one of its authorized pay stations. If not paid in full by the date due, the bill shall be considered delinquent.

13.2 BILLING PERIOD

Bills shall be rendered at regular monthly intervals unless otherwise authorized or unless service is rendered for a period of less than a month.

13.3 ESTIMATED BILLS

In the event any meter cannot be read at the end of the billing period, the Company shall bill the Customer on the basis of an estimated consumption determined in accordance with Paragraph 12.1 of this Tariff. The next bill based on actual reading after an estimated bill shall make any corrections necessary to bring the Customer's account to a current status for the actual consumption.

13.4 DISPUTED BILLS

- a) In the event of a dispute between the Customer and the Company regarding the bill, the Company will make such investigation as is required by the particular case and report the results to the Customer. If the Customer wishes to obtain the benefits of Paragraph b) of this subsection, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate Regulatory Authority.
- b) Notwithstanding any other subsection of this section, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60 day period beginning on the day the disputed bill is issued. For purposes of this section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar Customers and under similar conditions.

BILLING AND PAYMENT OF BILLS (Continued)

13.5 PAYMENT RE-PROCESSING FEE

The Company may charge or add to the Customer's account and collect a fee (as provided in Section 22.1 d) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.

13.6 E-BILL

The Customer may elect to receive bills and notices via electronic mail, thereby eliminating paper bills and notices.

13.7 ALTERNATIVE PAYMENT OPTIONS

The Company may, at its option and discretion, contract with vendors to provide various payment options to Customers for paying their bills for gas service and to collect such payments. These alternative payment options may be performed electronically, telephonically, and/or in person and may include payment by automatic bank draft, credit card, check or cash. The third party company may charge a reasonable fee to the Customer for the use of such alternative payment options consistent with applicable law and regulations. The Company shall not receive any revenue from fees charged for these alternative payment options.

CURTAILMENTS

14.1 CURTAILMENTS

Whenever the capacity of the Company's system(s) or limitations of the gas supplied to the Company from any source, is not sufficient to meet its total service commitments, interruptions or curtailments of service shall be made at such times and to the extent necessary to reduce the anticipated demand to the available supply. All such interruptions and curtailments shall be made in accordance with the provisions of this Section.

14.2 PRIORITY CLASSES

All Customers served by the Company shall be classified into one of the following priority groups.

- a) Gas sold for domestic use in residences and by hospitals, convalescent centers, schools, universities, colleges, churches, public safety buildings, multi-family dwellings and apartments, and not for electric generation.
- b) Gas sold for agricultural purposes. This category consists of the following:
  1. gas sold to small commercial and small industrial Customers using 200 MCF or less on an average day;
  2. gas sold to industrial Customers as plant protection gas, which is defined as the minimum gas required to prevent physical harm to the plant facilities or danger to plant personnel, including but not limited to gas for pilot lights. This includes the protection of such material in process as would otherwise be destroyed, but shall not include gas required to maintain plant production;
  3. gas sold to commercial or industrial Customers used to provide water heating, heating and cooling for human comfort in the plant or office areas; and/or
  4. gas sold for use in power generating plants for start up, safety and flame stabilization.
- c) Gas sold to commercial Customers using more than 200 MCF, but less than 1,500 MCF on an average day.
- d) Gas sold to small industrial Customers using more than 200 MCF and less than 3,000 MCF on an average day, provided such user has no economically feasible alternate fuel.  
This category consists of the following:
  1. gas sold to industrial Customers for feedstock use where the gas volume is more than 200 MCF and less than 3,000 MCF on an average day; feedstock being defined as natural gas used for its chemical properties as a raw material in creating an end product. Any such Customer must prorate its demand for gas and must maximize its use of all other sources of gas; and/or



CURTAILMENTS (Continued)

14.2 PRIORITY CLASSES (Continued):

2. small public utility electric generating systems which use less than 3,000 MCF on an average day.

- e) Gas sold for use in existing power generating plants for the generation of electricity which is used to serve Customers whose usage falls within the descriptions above and small commercial and industrial Customers using 20,000 KWH or less on an average day.

This category consists of the following:

1. gas sold for use by commercial Customers in excess of 1,500 MCF on an average day;
  2. small industrial Customers not qualifying under any of the above.
- f) All gas sold for use in existing power generating plants for the generation of electricity not included in any of the above.

This category consists of the following:

1. gas sold to large users of gas, in excess of 3,000 MCF on an average day, for fuel for which alternate fuels are not technically feasible, such as in applications requiring precise temperature controls and precise flame characteristics.
  2. gas sold for feedstock as defined above, in excess of 3,000 MCF on an average day.
- g) Gas sold for any use, including boiler fuel and other indirect flame applications, in excess of 3,000 MCF on an average day and any other use which does not qualify under a preceding priority.

CURTAILMENTS (Continued)

14.3 METHOD OF CURTAILMENT

Curtailment shall be ordered ratably insofar as feasible within each priority group served by the same system: provided however, that the Company may provide by rate schedule for two or more subgroups within any priority class other than Priority A. Total curtailment during any calendar year shall be made to the end, insofar as feasible, that all Customers within a priority group or subgroup served by the same system may be curtailed in the same proportion that each Customer's total requirements during the year bears to the total requirements of all Consumers in that priority group or subgroup.

14.4 CLASS AND GROUP CURTAILMENTS

No curtailment shall be applied to any Customer at any time when any Consumer in a lower (I.E., higher numbered) priority group or subgroup, who is served by the same system, has not been directed by the Company to effect full curtailment of service.

14.5 NOTIFICATION AND PENALTIES

Except in an emergency, the Company shall notify in advance each Customer to be curtailed under the provisions of this Section, and the extent and amount of the curtailment required from him. If, after notification, any Customer (other than a Customer in Priority A) fails to curtail during the required period or to the amount required, such Customer shall pay any penalty provided for in the rate schedules under which he or she is served. In addition, the Company shall have the right to disconnect any Customer who fails to curtail as notified without further notice if service to Consumers in Priority A is threatened.

14.6 SUSPENSION OF THIS SECTION

This curtailment procedure may be suspended by the Company during any emergency when life or property is endangered. See Section 4.5.

QUALITY OF GAS

15.1 HEATING VALUE

Gas delivered to Consumers in all service areas shall have an average gross heating value of at least 900 British Thermal Units per cubic foot measured when saturated with water vapor at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit. Gas of lesser heating value may be delivered for short periods, providing that the average heating value for the calendar month in which the reduction occurs is equal to or greater than the standard and that the burning characteristics of the gas are not significantly altered.

15.2 CHARACTER OF GAS

All gas furnished to Consumers in the South Texas Service Area shall be of merchantable quality suitable for use in standard gas burning appliances. Merchantable quality shall mean that the gas must be commercially free from dust, resins, water and hydrocarbons in liquid form at the pressure and temperature at which the gas is delivered.

15.3 ODORIZATION

All gas shall be odorized with a chemical odorant at a sufficient rate to make it readily detectable. Gas containing enough natural odorant as prescribed by the Railroad Commission of Texas need not be odorized unless the odorant level drops below the acceptable level.

SERVICE WORK

16.1 CERTAIN SERVICES PROVIDED AT NO CHARGE

When a Customer or Consumer smells or detects natural gas and contacts the Company, the Company shall provide to the Consumer at no-charge to the Customer or Consumer leakage and pressure investigations to ensure that unsafe conditions do not exist. Where leakage or unsafe conditions are determined by the Company to be in the Customer's or Consumer's piping or equipment, the Customer or Consumer will be so advised and service will be discontinued until such time that all leakage and other unsafe conditions have been properly corrected by the Customer or Consumer. In addition, when service is initiated, gas air adjustments on a standard domestic and commercial gas range and water heater will be made.

Any other work performed on any Consumer's appliances or house piping will be on a charge basis.

16.2 OTHER SERVICE

The Company may have personnel available for and may undertake other service work on the Consumer's premises on a charge basis, as time permits. Charges shall be made at the Company's standard rate in the Service Area and such work and the associated revenues and costs shall be considered non-utility.

16.3 EXPEDITED SERVICE

A Customer may request expedited service initiation. (See Section 22 – Fees and Deposits).

16.4 NO ACCESS

In the event that the Customer and the Company agree that Company's employees or representative will be at an appointed service location and the Customer is not present to allow access to the premises, Customer may be charged a fee for each such service call.(See Section 22 – Fees and Deposits)

16.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

The Company shall furnish and install the service pipe, and equipment related thereto, including meter valve and service regulator, from the Company's main to the Customer's meter. Although affixed to or buried in the Customer's property, the entire service line and meter set shall become the property of the Company and shall be operated and maintained by the Company.

16.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

The Applicant shall furnish and install at his or her expense all piping, conversions of existing equipment, and appliances required to conduct and utilize the gas furnished by the Company. The adequacy, safety, and compliance with applicable codes and ordinances of piping, conversion equipment and appliances shall remain the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility to furnish and install the facilities required by this section.

SERVICE WORK (Continued)

16.7 CODES AND ORDINANCES

All piping, installations, and conversion equipment owned by the Applicant shall comply with all applicable federal, state, and city ordinances and shall be properly designed for the pressures and volumes to be handled. Where there are no appropriate ordinances, the applicable provisions of the National Fuels Gas Code 54; ANSI Z223.1, and any amendments thereto shall apply.

16.8 INSPECTIONS AND TESTS

The Company shall have the right to inspect new installations and/or conversions of appliances and equipment prior to initiation of service and to require any test or repair of the Applicant's facilities it deems necessary.

16.9 REFUSAL TO SERVE

The Company shall refuse service to any Applicant who refuses Company or Company's representative(s) access to or entry for observation or whose facilities do not comply with the applicable provision of this Tariff. The right to refuse service shall terminate upon satisfactory correction of the condition that was the cause for refusal. Initiation of service, however, shall not be considered acceptance or approval by the Company of such facilities.

MAINTENANCE OF EQUIPMENT

17.1 MAINTENANCE BY COMPANY

The Company shall maintain all facilities owned by it and shall be responsible for the safe conduct and handling of the gas until it passes the point of delivery. The Company's representative shall have the right to enter the Customer's premises at any reasonable time, in the event of an emergency at any time, to read the meter or make any necessary inspection, repair, adjustment, or replacement of any property owned by the Company.

17.2 MAINTENANCE BY THE CUSTOMER

The Customer shall maintain all facilities owned by him or her and shall be responsible for the safe conduct and handling of the gas after it passes the point of delivery. The Customer shall remove, repair or adjust any Customer-owned property which may pose a threat of damage to the property of the Company. The Customer shall take all reasonable means to assure that no one other than an employee of the Company shall adjust, repair, disconnect, alter or change the meter or other Company facilities in any way. In case of loss or damage to the Company's property from the negligence or willful acts of the Customer or Consumer or the Customer's or Consumer's representatives, the Customer will reimburse the Company for all costs of repairing or replacing the damaged property, including any costs of collection such as attorney's fees.

17.3 LEAKS - RIGHT TO DISCONNECT

The Customer or Consumer shall give the Company notice of any suspected leaking or escaping gas as soon as it is detected. Upon receipt of this notice, the Company shall investigate the matter as promptly as feasible under the circumstances. If the Company's test indicates leakage in the Customer's or Consumer's facilities, the Company shall have the right to disconnect service immediately until the Customer or Consumer has had the condition corrected. If leakage is found to be from Company owned facilities, the Company shall have the right to disconnect service for a reasonable period of time until it can be corrected by the Company. The Company shall have the right to disconnect service immediately if any of the Customer's or Consumer's appliances or equipment is, in the Company's opinion, is unsafe in any manner.

17.4 FACILITIES CURRENTLY OWNED BY THE CUSTOMER

Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of subsection 17.7 of this Tariff. New facilities will continue to be installed pursuant to subsections 7.1 and 7.2 of this Tariff.

MAINTENANCE OF EQUIPMENT (Continued)

17.5 RESPONSIBILITY

Nothing in this Section shall make the Company responsible for the safe upkeep of any Customer or Consumer owned facilities.

17.6 RELOCATION OF COMPANY FACILITIES

If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.

17.7 REPLACEMENT OF CUSTOMER-OWNED PIPING

- a) When repair or replacement of Customer-owned piping becomes necessary due to deterioration of the line, damage to the line (except when caused by Customer or Customer's agent), relocation of the Company's distribution main, or for other safety reasons, the Company will relocate Customer's meter to the exterior of the building wall, as close as possible to the existing stub out (where piping exits the structure), and will replace the service piping up to the stub out. The Company will own and be responsible for all service piping from the main line to the meter, and Customer will own and be responsible for all piping from the meter to the building.
- b) The Customer will be billed for all costs of the meter relocate and pipeline replacement.
- c) In the absence of any provision contained in a deed of dedication authorizing the Company to install the service piping and meter on the Customer's premises, the owner of the premises shall execute an agreement establishing the meter location, authorizing the Company to install or replace the line, and granting Company access for such work. If the Customer or owner of the premises refuses to give Company personnel or Company-authorized personnel appropriate access to the property for purposes of installation, the Customer will retain responsibility for his/her facilities and shall bear the expense of any replacement or repairs.

DISCONTINUANCE OF SERVICE

18.1 BY CUSTOMER

The Customer shall be responsible for all charges for gas service from the time Customer gives notice of the intention to discontinue service until the Company has read the meter, or for five (5) working days from the date of such notice, whichever is the shorter period of time.

18.2 FOR NON-PAYMENT

The Company shall have the right to discontinue service to any Customer for non-payment of bills or other charges authorized by this Tariff or the applicable rate schedules, following the due date specified in Section 13.1 hereof. Before discontinuing service for non-payment, the Company shall mail a separate written notice to the Customer in English and Spanish with the words "TERMINATION NOTICE" or similar language prominently displayed. This notice shall include the date of termination, the hours, address, and telephone number where payment may be made, and a statement that if a health or other emergency exists, the utility may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customer as specified in Section 22.1.

No Customer shall be disconnected for non-payment:

- a) Within a period of five (5) working days after mailing of the notice or the day following the date indicated in the notice, whichever is later.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) Before 7:00 AM or after 7:00 PM on any day or on Friday, Saturday, Sunday, holiday, or day before a holiday unless Company personnel are available the following day for the purpose of reconnecting service.
- d) If within five (5) working days after the date of delinquency of the bill the Company receives a written request from the Customer not to discontinue service for documented health reasons and the request is accompanied by a written statement from a licensed physician supporting the request. Upon receipt of such request, the Company will suspend termination of service for a period up to twenty (20) days. The Customer shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.



DISCONTINUANCE OF SERVICE (Continued)

18.3 SPECIAL CONDITIONS

The Company shall have the right to discontinue service to any Consumer for any of the following reasons:

- a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists;
- b) Without notice for willful destruction or damage to or tampering with the Company's property by the Consumer or by others with knowledge or negligence of the Consumer;
- c) Within five (5) working days after written notice if the Consumer uses his or her equipment in any way which causes or creates a potential for adverse affect on the Company's service to others;
- d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in Priority Class A or B;
- e) With five (5) working days after written notice for refusal to grant Company personnel or its designee access to the Consumer's premises at any reasonable time for any lawful purpose;
- f) With five (5) working days after written notice for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;
- g) For Customers acquiring their own supplies of gas, the Company may discontinue service upon request of a Supplier, provided however, that the Supplier represents to the Company that notice has been given to the Customer by the Supplier of delinquency in payment at least five (5) working days prior to Supplier's request for disconnection, and provided that Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;
- h) If a Customer fails to uphold the terms of an individual installment agreement or contract; or
- i) Within five (5) working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.

DISCONTINUANCE OF SERVICE (Continued)

18.4 RIGHT OF ENTRY

The Company shall have the right to enter the Consumer's premises at any reasonable time to shut off service in accordance with this Tariff and to remove its meter and any other Company property. If the Company is required to take legal action to enforce its rights hereunder, the Company shall be entitled to recover all of its necessary expenses and fees including, but not limited to attorneys' fees, police escort fees and/or the cost to relocate the meter at the Customer's expense.

18.5 ABANDONMENT OF SERVICE

Unless requested by the Customer, service shall not be abandoned (permanent disconnection of any Customer other than a temporary Customer) without permission of the Regulatory Authority.

RE-ESTABLISHMENT OF SERVICE

19.1 FOR NON-PAYMENT

When service has been disconnected for non-payment, the Company shall require that the Customer pay the total amount of his account then due plus the prescribed reconnect fee or make satisfactory arrangements for that payment before service is reinstituted. In addition, the Company shall require that the Customer reestablish satisfactory credit in accordance with Section 5 of this Tariff.

19.2 FOR OTHER REASONS

If disconnection has been made by the Company for reasons other than non-payment, service shall not be reinstated until the condition for which it was terminated has been corrected to the Company's satisfaction. The Customer shall also be required to pay a reconnect fee before service is turned on. When service has been disconnected at the Customer's request for a period of one year or more, the request for service shall be treated as a new application. When service has been disconnected for less than one year, the request shall be treated in the same manner as a disconnection for non-payment.

19.3 RECONNECTION

The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Section. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 22.1. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 22.1. Customer shall be advised that an additional fee will be charged and must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected, the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 22.1 for fees.

NOTICE

20.1    GENERAL

Notice is required for all matters in this Tariff other than billing and payment of bills, which shall be deemed to have been given by the Customer when a letter with postage prepaid has been deposited in the United States Mail addressed to the Company at the office specified on the front sheet of this Tariff, and to the Customer when addressed to Customer at his or her last known service address, or to either party when directly communicated to the other party in person or by telephone.

AVERAGE BILL CALCULATION PLAN

21.1 DESCRIPTION-RESIDENTIAL

Any residential Customer may elect to participate in the Company's Average Bill Calculation Plan ("ABC Plan"), or as such ABC Plan may be modified from time to time for payment of charges for gas service. In the event the Company modifies the ABC Plan, the Company shall notify individual Customers of those changes when the Customer requests enrollment. In general, the conditions under which a Customer may participate in the ABC Plan are set forth below:

- a) The Company reserves the right to adjust the monthly ABC Plan payments of any Customer at any time for changes in conditions or rates;
- b) The Company shall advise each Customer participating in the ABC Plan of the monthly ABC Plan payment to be paid by the Customer. Each participating Customer will receive a regular monthly gas bill that reflects actual consumption and the charges for that billing month and the amount of any debit or credit balance before the payment of that month's ABC Plan payment. The Customer shall continue to pay the monthly ABC Plan payment amount each month for gas service, notwithstanding the current gas service charge shown on the bill;
- c) In addition to the monthly ABC Plan payment any other charges incurred by the Customer shall be paid monthly when due;
- d) Interest shall neither be charged to the Customer on accrued on ABC Plan debit balances nor paid by the Company on accrued ABC Plan credit balances;
- e) Any amount due to the Customer or the Company will be settled and paid at the time a Customer, for any reason, ceases to be a participant in the ABC Plan;
- f) Any Customer's participation in the ABC Plan may be discontinued by the Company if the monthly plan payment has not been paid on or before the due date of the monthly payment;
- g) If any Customer in the ABC Plan shall cease, for any reason, to participate in the ABC Plan, then the Company may deny that Customer's reentry into the ABC Plan until the following August.

FEES AND DEPOSITS

22.1 FEES

a) Initiation of Service

- i) Connect (Section 5.4) \$35.00

A connection fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.

- ii) Read-In (Section 5.4) \$10.00

A read-in fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.

- iii) Special Handling & Expedited Service (Section 5.4 and 19.3)

In addition to initiation of service fee above, a fee may be charged to any Applicant whose request to initiate service cannot be worked during normal business hours or requires special handling. Applicant must be advised that an additional fee will be charged. These charges include:

- 1) Special Handling \$6.00

The Company may, at Applicant or Customer's request, provide special handling in order to meet the Applicant or Customer's requirements. Special handling does not include calling the Applicant/Customer in advance or A.M. or P.M. scheduling.

- 2) Expedited Service and Overtime Rate \$75.00

The Applicant or Customer's request for expedited service may be scheduled at any time to fit the Company's work schedule, and an Expedited Service charge shall be collected. The Company shall not be obligated to provide Expedited Service when the personnel and resources to do so are not reasonably available.

FEES AND DEPOSITS (Continued)

22.1 FEES (Continued)

- b) Services - Others As stated below

Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.

- c) Customer Requested Meter Test (Section 12.4)

Positive Displacement	<u>Charge</u>
Up to 1000 cubic feet per hour	\$80.00
Over 1000 cubic feet per hour	\$175.00
Orifice Meters	
All sizes	\$175.00

- d) Manual Receipt Fee \$1.00  
A Manual Receipt Fee shall be charged to any Customer that fails to provide the Company's representative with a copy of the current billing statement when paying their bill in person at the Company's local office, thereby requiring a written receipt to be produced.

- e) Payment Re-processing Fee (Section 13.5) \$25.00

- f) Collection Fee (Section 18.2) \$12.00

A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice results in the dispatch of a Company representative to attempt collection of payment from Customer.

- g) Reconnect Fees (Section 19.3) \$35.00

A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service.

- (i) Regular Labor and After Hours Rates (see Section 22.1 a) (iii) \$45.00 (Regular)  
\$75.00 (After Hours)  
Charge for non-routine services including but not limited to repeat high bill investigations and building meter loops.

FEES AND DEPOSITS (Continued)

22.1 FEES (Continued)

- h) Special Read (Section 12.1) \$10.00

A special read fee shall be charged for Customer-requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.4.

- i) Meter Tampering – Residential (Section 17.2) \$100.00

A fee will be charged to Customers or Consumers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).

- j) Unauthorized Consumption (Section 17.2) \$20 plus expenses

Charges for the replacement of an illegally broken meter seal or locking device to the Customer or Consumer who could be reasonably expected to benefit from gas service received through said meter.

- k) No Access Fee (Section 16.4) \$10.00

A fee charged to a Customer or Consumer who schedules an appointment but fails to appear.

- l) Meter Removal Fee (Section 12.2) \$50.00

- m) Account Research Fee \$21.00/hr

A fee will be charged for Customer account information requiring research of accounting/billing information.

- n) Police Escort Fee (Section 12.2) \$60.00/hr

A fee charged when the Company is required to use law enforcement personnel to escort it into locked sites or sites requiring additional security assistance to access a meter or Company's facilities. Company will charge the stated amounts or current rate charged by the entity providing the police escort for this service.



FEES AND DEPOSITS (Continued)

22.2 DEPOSITS

a) Advances (Section 8.4)

As stated below

Estimated expenditure to provide service to the premises of new business beyond the existing distribution facilities of the Company.

b) Customer Deposits: (Section 10.1)

As stated below

Minimum deposit residential: \$75.00

Minimum non-residential deposit: \$250.00

GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION

Rate schedule T-GTC general charges, provisions and conditions applicable to: Transportation Rate Schedules T-2 and T-3 in the areas served by the Company in its South Texas Service Area.

ARTICLE 1  
DEFINITIONS

- 1.1 "Affiliate" shall mean any person, entity, or business section, or division that directly or through one or more intermediaries' controls, is controlled by, or is under common control with the entity in question.
- 1.2 "Agreement" shall mean the agreement to which the General Terms and Conditions for Transportation apply.
- 1.3 "Btu" shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and a pressure base of fourteen and sixty-five hundredths (14.65) psia and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
- 1.4 "Commission" shall mean the Railroad Commission of Texas.
- 1.5 "Company" shall mean Texas Gas Service, a division of ONEOK, Inc., when it is acting as Company on the Pipeline System.
- 1.6 "Cumulative Tolerance Limit" shall mean five percent (5%) of aggregate historical annual deliveries of a Qualified Supplier's pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit to reflect changes to the pool of customers and other known changes to anticipated deliveries that the Company determines to be reasonably reliable and accurate.
- 1.7 "Customer" shall mean a consumer which subscribes to natural gas services provided by Texas Gas Service.
- 1.8 "Dekatherm" (Dth) shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
- 1.9 "Day" shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
- 1.10 "Dry" shall mean the heating value calculation being determined with no water vapor present.

- 1.11 "Effective Date" shall mean the date specified in the Agreement.
- 1.12 "Gas" or "natural gas" shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.
- 1.13 "Gas Transportation Order" shall mean a completed Exhibit A relating to the applicable gas transportation service Agreement.
- 1.14 "Gross Heating Value" or "Gross" shall mean the amount of energy transferred as heat per mass or mole from the complete combustion of the gas with oxygen (from air), at a base temperature in which all water formed by the reaction condenses to liquid.
- 1.15 "Mcf" shall mean one thousand (1,000) cubic feet of Gas.
- 1.16 "Month" shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month, except where references not involving Gas measurement volumes are involved, in which case the calendar month shall be deemed to be referred to.
- 1.17 "Monthly Tolerance Limit" shall mean ten percent (10%) of the aggregate deliveries for a Qualified Suppliers pool of customers for such month.
- 1.18 "PDA" shall mean a predetermined allocation method.
- 1.19 "Pipeline System" shall mean the current existing utility distribution facilities of Company located in the State of Texas.
- 1.20 "Point of Delivery" shall mean the point or points where Gas is delivered from the Pipeline System to or for the account of Customer and are shown on the applicable Gas Transportation Order.
- 1.21 "Point Operator" shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
- 1.22 "Point of Receipt" shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer, as described on the applicable Gas Transportation Order.
- 1.23 "Psia" shall mean pounds per square inch, absolute.
- 1.24 "Psig" shall mean pounds per square inch, gauge.

- 1.25 "Qualified Supplier" shall mean a supplier of natural gas for transportation to customers through the Company's pipeline system that meets the requirements of and has executed a Supplier Service Agreement.
- 1.26 "Real" shall mean the division of the ideal heating value by the compressibility of the gas. This creates an ideal Gross Heating Value per Real cubic foot.
- 1.27 "Supplier Service Agreement" shall mean a contract setting forth the requirements and terms upon which a supplier of natural gas may make deliveries of customer owned gas into the Company's pipeline system for delivery to one or more of the Company's customers receiving service under this tariff.
- 1.28 "Tariff" shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
- 1.29 "Week" shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. central clock time on each Monday and ending at the same time on the next succeeding Monday.
- 1.30 "Year" shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

## **ARTICLE 2**

### **RESTRICTIONS AND RESERVATIONS**

- 2.1 It is understood and agreed that Customer has only the right to transportation service in the Pipeline System and all equipment, including (but not in any way limited thereto) all pipe, valves, fittings, and meters comprising the Pipeline System and all other property and capacity rights and interests, shall at all times during the term of the Agreement remain the property of Company. Customer agrees not to cause or permit any liens or encumbrances to be filed with respect to the Pipeline System by reason of Customer's actions. Customer's Gas shall at all times remain the property of Customer, and Company shall have no right or property interest therein.
- 2.2 Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System, nor shall Customer bear any cost of any alterations, additions, repairs, maintenance or replacements made to or on said Pipeline System.
- 2.3 Customer agrees not to connect or cause the connection of any third party to the Pipeline System for any purpose without the express written approval and consent of Company to be granted in Company's sole discretion. Customer further agrees not to transport or cause to be transported any Gas for any third party. If either of these conditions is breached by

Customer, Company shall have the right and option, notwithstanding any other provision of the Agreement or the General Terms and Conditions for Transportation, to terminate the Agreement including the Exhibits thereto immediately and without further obligation to Customer.

- 2.4 Company presently is transporting Gas to third parties on the Pipeline System and shall have the right in the future to transport additional Gas for such purposes and to transport Gas to additional third parties as it may desire, and Company shall have the right to make additional connections to the Pipeline System as may be required to serve presently existing and new customers, all of which is subject to the provisions of the Agreement. Company's transportation of Gas hereunder shall not obligate Company in any manner beyond the terms of the Agreement and the Exhibits attached thereto.
- 2.5 Company shall own any and all liquids which are recovered from the Pipeline System and may use, sell or transfer all liquids without having to account in any manner, or pay any monies or other consideration to Customer.
- 2.6 The Company reserves the unilateral right from time to time to seek regulatory approval to make any changes to, or to supersede, the rates, charges and any terms stated in the tariffs, rate schedules, the agreements, and the General Terms and Conditions.

### **ARTICLE 3** **OPERATIONS**

- 3.1 Customer shall deliver its Gas into the Pipeline System at the Points of Receipt described on the applicable Gas Transportation Order, as it now exists and as it may be amended. Customer shall have no right to require Gas to be received at any particular Point of Receipt and Company may delete such points or modify the capacity thereof from time to time and at any time in its sole discretion with no further obligation to Customer with respect to such Point of Receipt. All supplies of Gas delivered to the Pipeline System must comply with the terms and conditions of the Agreement and the exhibits attached thereto. In no event shall Company be required to expand, modify, construct, rearrange, or change the operations of the Pipeline System in order to receive Gas from or on behalf of Customer or in order to deliver Gas to Customer at any existing Points of Delivery.
- 3.2 Customer shall advise (in a method and format approved by Company in its sole discretion) Company with respect to each Day, Week and Month the name of each supplier with whom it has a contract (and the name of the individual with such supplier responsible for Customer's account), which source of supply is delivering to Company, how much Gas is nominated to be delivered to Company from each source of supply (i.e., each well, plant, or other desired Point of Receipt) and the anticipated deliveries at each Point of Delivery. Customer's nomination shall be in good faith, in balance between Points of Receipt and Points of Delivery, and shall be based on Customer's commercially reasonable best efforts to estimate usage for Hour, Day, Week, and Month. Customer will cause their Qualified

Supplier to act as their agent in the nomination process. Qualified Supplier shall not intentionally nominate more or less Gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination. Qualified Supplier shall submit nominations to the Company's gas scheduling department in accordance with their currently effective nomination process which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of Gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities.

- 3.3 Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how Gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.
- 3.4 Customer's Gas shall be delivered to Customer from the Pipeline System at the Points of Delivery. To the extent that Customer's acts or omissions cause Company to incur, directly or indirectly, fees, charges, expenses, or penalties from a supplier or transporter for failure to satisfy such supplier's or transporter's balancing or nomination requirements, then Customer agrees to reimburse Company for such fees, charges, expenses, or penalties, and defend, indemnify, and hold Company harmless with respect thereto. Any fees, charges, expenses or penalties which were determined to be in error will be credited back to the Customer.
- 3.5 The Point of Receipt and Point of Delivery may be, or may later become points through which other quantities of Gas are being measured; therefore, the measurement of Gas under the Agreement may involve the allocation of Gas deliveries. In such event, each party hereto will furnish, or cause to be furnished, to the other all data required to accurately account for all Gas.
- 3.6 Except as may be set forth on a Gas Transportation Order, Company shall receive and deliver Gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, Gas control limitations and other operating conditions, to stay in zero (0) imbalance each hour and each Day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Customer shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero (0) imbalance as practicable.
- 3.7 Imbalances

Customer must designate no more than one Qualified Supplier. The Qualified Supplier shall

act on behalf of the Customer to procure gas supplies, deliver gas supplies to points of receipt designated in the Gas Transportation Order, and shall act as the Customer's agent with respect to nominations, operational notices required under the Gas Transportation Agreement or applicable tariffs and with respect to resolution of imbalances under this Rate Schedule.

(A) The following cash out provisions shall be applied to the Qualified Supplier for its aggregate pool of Customers that are being provided service pursuant to a Rate Schedule or some other form of transportation service:

- 1) Qualified Supplier shall not deliver into the Pipeline System more Dths of Gas than Company delivers to the aggregate pool of Customers at the Points of Delivery during a Month. At the end of the Month in which an over-delivery occurred and exceeded the Monthly Tolerance Limit or the Cumulative Tolerance Limit, Qualified Supplier shall sell such excess Gas to Company at 95% of Inside FERC's FOM Houston Ship Channel index price.
- 2) If Company receives less Dths of Gas than are delivered to the aggregate pool of Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Month, then Qualified Supplier shall purchase such under-delivered volumes at 105% of Inside FERC's FOM Houston Ship Channel index price.

The Company will provide monthly imbalance statements along with calculations of the cash out charges in accordance with the aforementioned cash out provisions to the Qualified Supplier each month. Payments for cash out charges will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the monthly cash out provisions each month and only require periodic settlement rather than monthly payments.

The monthly transport payments shall not be abated with respect to a Month in which under-deliveries occurred except as provided in Article 9 and Article 10 hereof.

- 3.8 Customer and Company shall exercise their commercially reasonable best efforts to comply with all of the standards established by the North American Energy Standards Board, Inc. ("NAESB"), but in no event shall either party be required to comply with the NAESB standards if such compliance has a material adverse affect upon such party.
- 3.9 In the event Customer's source of gas supply is terminated by Customer's supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the giving of five (5) business days advance notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond in accordance with the provisions of Article 5 hereof.

**ARTICLE 4**  
**PRESSURE AND QUALITY OF GAS**

- 4.1 Customer shall deliver (or cause to be delivered) the Gas to the Pipeline System at the Point of Receipt at a pressure sufficient to effect delivery into the Pipeline System at that point. If necessary, Customer shall provide additional compression to make such deliveries hereunder, and Company shall not have any cost or responsibility in that regard.
- 4.2 Subject to the provisions of Section 4.1 above, the Gas shall be delivered to Customer from the Pipeline System at the Points of Delivery at pressures sufficient to effect deliveries to Customer's facilities, but not to exceed the maximum pressure that has existed for each Point of Delivery.
- 4.3 Gas delivered by and to Customer shall be commercially free of dust, gums, gum-forming constituents, gasoline, water, and any other substance that may become separated from the Gas during the handling hereof. All Gas received shall conform to the following additional specifications:
- (A) Contain not more than one-quarter (1/4) grain of hydrogen sulfide per 100 cubic feet, as determined by a method generally acceptable for use in the gas industry;
  - (B) Contain not more than five (5) grains of total sulfur per 100 cubic feet;
  - (C) Contain not more than two percent (2%) by volume of carbon dioxide;
  - (D) Contain not more than four percent (4%) by volume of total inerts, including carbon dioxide and nitrogen;
  - (E) Contain not more than two-tenths of one percent (.2%) by volume of oxygen;
  - (F) Contain a gross heating value equivalent to at least 980 British Thermal Units per cubic foot and not to exceed 1080 British Thermal Units per cubic foot;
  - (G) Have a temperature of not more than one hundred twenty degrees (120°) Fahrenheit and not less than forty degrees (40 °) Fahrenheit;
  - (H) Contain no water or hydrocarbons in liquid form;
  - (I) Contain not more than 7 pounds of water in vapor stage per 1,000 Mcf of gas; and
  - (J) Be interchangeable with the Company's system Gas at the Point of Receipt or delivered to the nearest customer, city border station, or other pipeline interconnected with such receiving facility or downstream of the Point of Receipt.



- 4.4 The Company, at its option, may refuse to accept delivery of any gas not meeting the quality specifications set out above. Thereafter, Customer or Qualified Supplier shall have the right to conform or cause the gas to be conformed to the above specifications. If the Customer or Qualified Supplier does not elect to conform the gas to said specifications, then the Company at its sole option may accept or reject any such gas.
- 4.5 Notwithstanding anything to the contrary contained herein, the gas which the Company transports and delivers to the Customer shall be odorized by the Company. In the event Customer desires to remove the odorant, such removal shall be solely at Customer's risk and expense.

**ARTICLE 5**  
**PAYMENT**

- 5.1 Should Customer fail to pay or deliver any or all of the amount of the transportation payment and/or other fees due under any exhibit when such amount is due (which in no event shall be later than the last Day of the applicable Month), interest on the unpaid portion shall accrue at a rate (which in no event shall be higher than the maximum rate permitted by applicable law) equal to one and one-half percent (1 ½%) per month from the due date until the date of payment. If such failure to pay continues for fifteen (15) Days after payment is due, Company, in addition to any other remedy it may have, may suspend further receipts and deliveries of Gas until such amount is paid; provided, however, that if Customer in good faith shall dispute in writing the amount of any such bill or part thereof and shall pay to Company such amounts as it concedes to be correct and, at any time thereafter within thirty (30) Days of the due date of such payment, shall furnish a good and sufficient surety bond in an amount and with surety satisfactory to Company, guaranteeing payment to Company of the amount ultimately found due upon such bills, including interest thereon, after a final determination which may be reached either by agreement or judgment of the courts, as may be the case, then Company shall not be entitled to suspend further receipts and withdrawals of Gas unless and until default be made in the conditions of such bond. As an alternative to posting a bond, Customer may pay the portion of any amount in dispute without waiving its rights to recoup any monies improperly billed.

If the portion of any amount in dispute is ultimately determined to be incorrect, such amount shall be refunded by Company to Customer together with interest thereon at a rate (which in no event shall be higher than the maximum allowed by law) equal to one and one-half percent (1½%) per Month for the period from the date of payment to Company to the date of refund by Company.

- 5.2 Customer agrees to pay any amounts due pursuant to the Agreement and the General Terms and Conditions for Transportation to Company within fifteen (15) Business Days after receipt of an invoice from Company.

- 5.3 Company reserves the right, prior to initiation of service, to require a cash deposit or bond in favor of Texas Gas Service in order to assure payment of amounts that may become due pursuant to the Agreement and the exhibits attached thereto. In the event Customer's financial condition materially weakens or Customer fails to make timely payment in accordance with Article 5 after the execution of the Agreement, then upon written request from Company, Customer agrees to deposit cash with Texas Gas Service or secure a bond in favor of Texas Gas Service in order to assure the payment of amounts that may become due pursuant to the Agreement and the exhibits attached thereto. Such deposit or bond shall be furnished to Texas Gas Service within fifteen (15) days after a request by Texas Gas Service is made for such deposit or bond and shall be made in a form and amount satisfactory to Texas Gas Service. If such deposit or bond is not furnished in a timely manner, or if a bond expires or is canceled prior to the end of the period specified below, or if the cash deposit or bond is not increased as specified below, then leasing of capacity and the rendering of all other services may be suspended by Texas Gas Service in its sole discretion until such deposit or bond is furnished, renewed or increased, as applicable.
- 5.4 Nothing in this Article 5 shall be deemed to supersede the respective rights and obligations of Company and Customer as provided by Texas statutes, rules, and/or regulation, as such statutes, rules, or regulations may be amended from time to time, with respect to adjustments to the amounts owed by Customer as a result of errors in Customer's meter or errors in reading Customer's meter. Customer shall be responsible for payment of the amounts owed Company for transportation service and gas supply provided to Customer during the applicable period for which it has been determined that Customer's meter was in error to the favor of Customer.

**ARTICLE 6**  
**STATEMENTS AND RECORDS**

- 6.1 On or about fifteen (15) days after the Company receives necessary volumetric information from other parties for each calendar month after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Month showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the sixth (6th) Day of the Month in which the statement requiring such data is to be rendered.
- 6.2 Both parties hereto shall have the right at any and all reasonable times within twenty four (24) months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.
- 6.3 Customer agrees to supply to Company, at Company's request at any time and from time to time, a sample of the liquids removed from the gas stream of the facilities which deliver gas to Company which sample is to be taken from a point upstream from the Point of Receipt.

Said sample shall not contain any toxic, hazardous, or deleterious materials or any materials which Company, in its sole discretion, deems in any way harmful to its facilities, personnel or the environment, including, but not limited to, polychlorinated byphenyls (PCBs), and substances or materials considered hazardous or other similar terms, or requiring investigation, remediation or removal under any federal, state or local statute, regulation, rule or ordinance or any amendments thereof whether now in effect or as may be in effect in the future. If such samples contain any such materials or substances, Company shall have the right, in its sole discretion and in addition to other remedies available to it, to immediately cease receipt of Gas through the Point of Receipt until such time as all such materials or substances are eliminated from the Gas such that Company, in its sole discretion, elects to again receive such Gas through the Point of Receipt. Should Customer fail or refuse to eliminate all such materials or substances within a reasonable time, Company shall have the right, upon written notice, to terminate this Agreement. Customer hereby expressly agrees to indemnify and hold Company and Company's affiliates harmless from and against any and all liabilities, losses, claims, damages, actions, costs, fines, and expenses of whatever nature, including, but not limited to, court costs, and attorney's fees arising out of or in any manner relating to the presence of PCBs and/or any other toxic, hazardous, deleterious, harmful, or unsafe materials as described above in Gas delivered by or on behalf of Customer into Company's system.

**ARTICLE 7**  
**MEASUREMENT AND TESTS OF GAS AND EQUIPMENT**

The measurement and tests for quality of Gas delivered and delivered by Customer hereunder shall be governed as follows:

- 7.1 The quantities of Gas received and delivered shall be measured by means of meters of standard type which conform to the American Gas Association Measurement Committee Reports and other industry standards as to construction and installation.
- 7.2 The unit of volume for purposes of measurement shall be one (1) cubic foot of Gas at a temperature base of sixty degrees (60°) Fahrenheit and at a pressure base of fourteen and seventy-three hundredths (14.73) pounds per square inch absolute. Customer agrees that the Btu content per Mcf of the gas volumes delivered by the Company at the Point of Delivery shall be assumed to be equal to the Btu content per Mcf of the gas volumes delivered by Customer at the Point of Receipt, when corrected for differences in pressure base.
- 7.3 The temperature shall be adjusted to standard conditions by a compensation device included with the meter or such other method as the Company shall deem appropriate. Corrections shall be made in accordance with industry practice.
- 7.4 Specific gravity shall be determined with accuracy to the nearest one thousandth (.001) by use of an instrument that conforms to industry standards.

- 7.5 Whenever the conditions of pressure and temperature differ from the standards, conversion of the volumes from these conditions to the standard conditions shall be in accordance with the Ideal Gas Laws corrected for deviation from Boyle's Law, all to be in accordance with methods and tables set out in the American Gas Association Measurement Committee Reports, or by other accepted methods that may be used from time to time.
- 7.6 The gross heating value of the Gas shall be determined by means of a sampling method of general use in the Gas industry. The location of the sampling equipment shall be determined by Company in its sole discretion but shall be at a location where a representative sample of the Gas to which it applies may be taken.
- 7.7 Tests to determine total sulfur, hydrogen sulfide, oxygen, carbon dioxide, total inerts, and water vapor shall be made by approved standards methods in general use by the Gas industry. Such tests shall be made at the request of either party hereto. If a test is performed at Customer's request and shows that the quality specifications as set forth in Section 4.3 hereof have been satisfied, Customer shall pay all costs and expenses of Company related to such test.
- 7.8 Except as may be otherwise provided, all measuring and testing equipment, housing devices, and materials shall be standard manufacture and type and shall, with all related equipment, appliances, and buildings, be owned, installed, maintained and operated or caused to be installed, maintained and operated by Company at the Points of Receipt and Points of Delivery. Customer may install and operate check measuring and testing equipment, which equipment and the operation thereof shall not interfere with the operation of Company's equipment.
- 7.9 The accuracy of the measuring and testing equipment shall be verified according to Company's standard for the device being used and at other reasonable times upon request of Customer or Company. Gas quality tests may be made at times of equipment testing or at other reasonable times. Unless a test is requested by Customer, notice of the time and nature of each test shall not be given by Company. If a test is requested by a Customer, then Company shall give Customer notice sufficiently in advance to permit Customer to have a representative present. Representatives of both Customer and Company may be present to observe such tests. The results of any such tests shall be considered accurate until the next tests are made. All tests of measuring equipment shall be made at Company's expense, except that Customer shall bear the expense of tests made at its request if the inaccuracy found is two percent (2%) or less.
- 7.10 If, at any time, any of the measuring or testing equipment is found to be out of service, or registering inaccurately of any percentage, it shall be adjusted at once to read accurately within the limits prescribed by the manufacturer. If such equipment is out of service or inaccurate by an amount exceeding two percent (2%) at a reading corresponding to the average rate of flow for the period since the last preceding test, the previous reading of such equipment shall be disregarded for any period definitely known or agreed upon, or if not so known or agreed upon, for a period of time equal to one-half of the elapsed time since the

last test. The volume of Gas delivered during such period shall be estimated (i) by using the data recorded by any check measuring equipment if installed and accurately registering, or if not installed or registering accurately, (ii) by correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation, or if neither such method is feasible, (iii) by estimating the quantity or quality delivered based upon deliveries under similar conditions during a period when the equipment was registering accurately. No adjustment shall be made for recorded inaccuracies of two percent (2%) or less.

- 7.11 The parties hereto shall have the right to inspect equipment installed or furnished by the other or third-party operators and the charts and other measurement or testing data of all such parties at all times during business hours; but the reading, calibration, and adjustment of such equipment and changing of charts shall be done only by the party installing and furnishing the same. The parties hereto shall preserve all original test data, charts, and other similar records in such party's possession for a period of at least twenty-four (24) months. Measurement data corrections should be processed within six (6) months of the production month with a three (3) month rebuttal period. This standard shall not apply in the case of deliberate omission or misrepresentation or mutual mistake of fact. Parties' other statutory or contractual rights shall not otherwise be diminished by this standard.
- 7.12 At every Point of Receipt and every Point of Delivery, the party having control over such facility shall allow the other party immediate access to the receipt and delivery information as it is generated by the party having such control. With respect to all Points of Receipt and Points of Delivery that have electronic flow measurement, both parties shall have remote telephone and electronic access to the receipt and delivery information generated at such Point of Receipt and Point of Delivery.

**ARTICLE 8**  
**TITLE TO AND RESPONSIBILITY FOR GAS**

- 8.1 Customer and Company, respectively, warrant title to all Gas delivered by it into or from the Pipeline System hereunder, and each of Customer and Company, respectively, warrant and represent each has the right to deliver the Gas hereunder, and that such Gas is free from liens and adverse claims of every kind. Customer agrees to indemnify and save Company harmless from and against all loss, damage, claims, and expense of every character with respect to Gas delivered by it on account of royalties, taxes, payments, liens, or other charges or claims arising (i) before or created upon delivery of said Gas into the Pipeline System, and (ii) upon and after delivery of said Gas from the Pipeline System to Customer.
- 8.2 Subject to compliance with the provisions of Section 8.1 above, Company warrants that title to all Gas delivered hereunder by Customer is free from liens and adverse claims of every kind. Company agrees to indemnify and save Customer harmless from and against all loss, damage, claims, and expense of every character with respect to Gas to be delivered at the Point of Delivery on account of royalties, taxes, payments, liens, or other charges or claims

arising after delivery of Gas to and before withdrawal thereof from the Pipeline System by Customer.

- 8.3 As between the parties hereto, Customer or its supplier shall be deemed to be in the exclusive control and possession of the Gas until such Gas has been delivered to Company at the Point of Receipt, and after its withdrawal by Customer at the Point of Delivery. After Customer's or Customer's suppliers' delivery of such Gas at the Point of Receipt, Company shall thereafter be deemed to be in the exclusive control and possession of such Gas until its withdrawal by Customer at the Point of Delivery. The party which shall be in the exclusive control and possession of such Gas shall be responsible for all injury or damage caused thereby and shall be responsible for any loss of Gas while in its possession, except with regard to injury, damage or loss caused by or arising out of the negligence of the nonpossessory party.
- 8.4 The Pipeline System shall at all times remain the property of Company, and Customer shall have no right or property interest therein but only the right for the transportation of Gas.

**ARTICLE 9**  
**FORCE MAJEURE AND CASUALTY**

- 9.1 If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. Any force majeure event (other than labor disputes, strikes, or lockouts) shall be remedied so far as possible with reasonable dispatch. Settlement of strikes, lockouts, and labor disputes shall be wholly within the discretion of the party having the difficulty. The term "force majeure" shall include, but is not limited to, the following: acts of God and the public enemy; the elements; fire, accidents, breakdowns, strikes; any industrial, civil, or public disturbance; inability to obtain or delay in obtaining rights-of-way, material, supplies, permits, or labor; any act or omission by parties not subject to control by the party hereunder having the difficulty; and any laws, orders, rules, regulations, acts or restraints of any governmental body or authority, civil or military. If pursuant to the foregoing Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.
- 9.2 If a portion of the Pipeline System required to make the transportation service available is partially damaged by fire or other casualty, the damage may be repaired by Company, at its option and in its sole discretion, as speedily as practicable, due allowance being made for the time taken for the settlement of insurance claims. Until such repairs are made, the payments shall be apportioned in proportion to the portion of the capacity of the Pipeline System which is still available for the purposes hereof, such determination to be made in the

sole discretion of Company. If the damage is so extensive as to render the Pipeline System wholly unusable, in Company's sole opinion, the payments, if any, shall cease until such time as the Pipeline System is again useable. In case the damage shall, in Company's sole opinion, amount substantially to a destruction of the portion of the Pipeline System available for the transportation of Gas and Company shall elect not to repair the damage, then the Agreement shall terminate at the time of such damage, and Company shall not be liable to Customer for any liability, damage, or claim which arises out of any failure to make repairs.

**ARTICLE 10**  
**GOVERNMENTAL RULES, REGULATIONS,**  
**AND AUTHORIZATIONS; INTERPRETATION OF AGREEMENT**

- 10.1 The Agreement is subject to all valid orders, laws, rules, and regulations of duly constituted municipal, State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or Gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.
- 10.2 The Agreement shall be interpreted under the laws of the State of Texas, excluding any law thereof directing the application of the laws of another jurisdiction.

**ARTICLE 11**  
**MISCELLANEOUS**

- 11.1 Any modification of terms, or amendment of any provisions hereof, shall become effective only by supplemental written agreement between the parties.
- 11.2 (A) Any of the following events or conditions shall constitute a default of Customer under the Agreement:
- (1) Default in the delivery of any payment or any sums hereunder for a period of sixty (60) Days after the same becomes due;
  - (2) Any other breach of the material terms and conditions of the Agreement and the failure of Customer to cure such breach within thirty (30) Days after written demand by Company or such longer period of time after such notice as may be reasonably required to cure such breach if the breach is not reasonably curable within such thirty (30) Day period, provided that Customer shall have commenced such cure within such thirty (30) Day period and thereafter diligently continues its efforts to cure such breach until such breach shall have been fully cured;

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- (3) Customer shall (i) apply for or consent to the appointment of or taking of possession by a receiver or liquidator of itself or substantially all of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code, or (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts of Customer;
- (4) A proceeding or case shall be commenced, without the application or consent of the affected party, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of Customer (ii) the appointment of a trustee, receiver, liquidator or custodian of such party or of all or substantially all of its assets, or (iii) similar relief under any law relating to bankruptcy or insolvency, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed, for a period of ninety (90) Days; or
- (5) If any certificate, statement, representation, or warranty furnished by Customer proves to be false or incomplete in any material respect.
- (B) Upon the happening of any event of default as set forth in subparagraph 11.2(A) above, Company shall have the right to do any one or more of the following without demand or notice of any kind:
- (1) Declare due, sue for, and receive from Customer the sum of all transportation payments and all other amounts due and owing under the Agreement plus the sum of all transportation payments and other amounts to become payable during the balance of the term of the Agreement;
- (2) Retake possession of the entire capacity of the Pipeline System without any court order or other process of law and without any rights of Company being thereupon terminated;
- (3) Terminate the Agreement and the Exhibits;
- (4) Pursue any other remedy at law or in equity.
- (C) Any of the following events or conditions shall constitute an Event of Default with respect to Company under the Agreement:
- (1) Default in the crediting of any sums due to Customer or in the payment of any other sums due to Customer under the Agreement for a period of ninety (90) Days after the same is established by Company to have become due;



- (2) Company's breach of any material term or condition of the Agreement and the failure of Company to cure such breach within thirty (30) Days after written demand by Customer or such longer period of time after such notice as may be reasonably required to cure such breach if the breach is not reasonably curable within such thirty (30) Day period, provided that Company shall have commenced such cure within such thirty (30) Day period and thereafter diligently continues its efforts to cure such breach until such breach shall have been fully cured.
- (3) Company shall (i) apply for or consent to the appointment of or taking of possession by a receiver or liquidator of itself or substantially all of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Federal Bankruptcy Code, or (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts of Company;
- (4) A proceeding or case shall be commenced, without the application or consent of the affected party, in any court of competent jurisdiction, seeking (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts of Company, (ii) the appointment of a trustee, receiver, liquidator or custodian of such party or of all or substantially all of its assets, or (iii) similar relief under any law relating to bankruptcy or insolvency, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed, for a period of ninety (90) Days;
- (D) Upon the happening of any event of default as set forth in subparagraph 11.2(C) above, Customer shall have the right to do any one or more of the following without demand or notice of any kind:
  - (1) Declare due, sue for, and receive from Company the sum of all outstanding credits and other amounts due and owing under the Agreement;
  - (2) Terminate the Agreement and the Exhibits;
  - (3) Pursue any other remedy at law or in equity.
- (E) The rights granted to Company and Customer hereunder shall be cumulative as to each and action on one shall not be deemed to constitute an election or waiver of any other right to which Company or Customer may be entitled.
- (F) Upon the termination of the Agreement, whether by lapse of time or otherwise, Customer will surrender any and all rights in the Pipeline System immediately.

- 11.3 Company shall not be liable for damages resulting from interruption of service, when such interruption is necessary to make repairs, changes, or adjustments in Company's equipment and facilities.
- 11.4 No waiver by Company or Customer of any default or the other under the Agreement shall operate as a waiver of any future default, whether of a like or different character.
- 11.5 The Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors and assigns. In the event Customer sells, leases or otherwise transfers its distribution system to a third party, whether voluntarily or involuntarily, then Customer agrees, as a part of such sale, lease or transfer, to assign to such third party and to require such third party to accept the assignment of the Agreement and the Exhibits included therein, subject to the provisions of the following sentence. Neither the Agreement nor the Exhibits attached thereto nor the rights and obligations of Customer hereunder may be assigned without the consent of Company, which consent shall not be unreasonably withheld.
- 11.6 Customer will not mortgage, create a security interest in, or encumber the Agreement, or sublet the rights granted hereby, or permit its use by others, or pledge, loan, sublet, create a security interest in, or in any other manner attempt to dispose of such rights, or permit its use by others, or suffer any liens or legal process to be incurred or levied thereon; provided, however, that Customer may grant a security interest or similar encumbrance in connection with any existing financing arrangement associated with Customer's facility.
- 11.7 Except as provided below, Customer shall pay all fees, taxes, charges, and assessments imposed by or on behalf of any governmental entity in connection with the Agreement or in connection with the purchase, transportation, and disposition of Gas by or on behalf of Customer pursuant to the Agreement including but not limited to municipal and/or supplemental fees, franchise fees and any supplements thereto and taxes; provided that Company shall pay all ad valorem taxes and assessments levied on the Pipeline System and all appurtenant facilities. Company shall file all returns required for the Pipeline System and all appurtenant facilities. Customer will furnish Company with any information available to Customer in connection with Company's obligations under this section.
- 11.8 Company and Customer agree to exercise and take reasonable steps necessary to safeguard and cause their officers, directors, employees, agents, advisers, and representatives to safeguard the confidentiality of the Agreement and the terms and conditions thereof (as contrasted with the existence and effectiveness of the Agreement which are not confidential) and not to disclose any part of it or any information derived there from or any negotiations relating thereto to any party or person except that limited number of people within Company's and Customer's organizations, and their advisers, lenders and potential investors, as may need to know the terms and conditions hereof in order to evaluate, understand, execute and perform the Agreement. Company and Customer agree not to copy or permit the copying of the Agreement, except as may be necessary for their operations. In the event Customer or Company or any of their officers, directors, employees, agents, or

representatives, is requested or required (by oral or written question or request for information or documents in legal proceedings, interrogatories, subpoena, Civil Investigative Demand or similar process) to disclose any information concerning the Agreement or the terms and conditions thereof or any negotiations relating thereto, it is agreed that the party receiving such question or request will provide the other parties with prompt notice thereof so that such other parties may seek a protective order or other appropriate relief or a release from the other parties. It is further agreed that if, in the absence of a protective order or receipt of a release, the other party is compelled to disclose such information or else stand liable for contempt or suffer other censure or penalty or adverse effect, then such party may disclose such information. The parties hereto are further authorized to make disclosure of the Agreement as may be required by Federal, state, or local regulation or agency or as may be required by auditors or accountants in connection with the preparation of financial statements or tax returns. Disclosure hereunder shall not constitute a basis for defense, termination, or modification of the Agreement.

**ARTICLE 12**  
**DISPUTE RESOLUTION**

- 12.1 Any dispute arising out of or relating to this Agreement for which a claim or demand is asserted that is equal to or exceeds a value of \$25,000 shall be resolved in accordance with the procedures specified in this Article 12, which shall be the sole and exclusive procedures for the resolution of any such disputes. The cost of conducting the dispute resolution process, including the fees and expenses of any arbitrators, shall be shared equally by the parties, and each party shall bear its own costs, including any attorneys' fees or other expenses incurred in the process. Each party is required to continue to perform its obligations under this Agreement pending final resolution of any dispute arising out of or relating to this Agreement, unless to do so would be impossible or impracticable under the circumstances.
- 12.2 Negotiation. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between management level personnel who have authority to settle the controversy. Any person may give the other party written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving party shall submit to the other a written response. Within thirty (30) days after delivery of the initial notice, the designated managing personnel of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary to attempt to resolve the dispute. All reasonable requests for information made by one party to the other will be honored. All negotiations pursuant to this clause are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- 12.3 Arbitration. Any dispute arising out of or relating to this Agreement, including the breach, termination or validity thereof, which has not been resolved by negotiation as provided above within sixty (60) days after initiation of negotiations shall be finally resolved by arbitration in accordance with the CPR Rules for Non-Administered Arbitration then

currently in effect by (i) a sole arbitrator agreed upon by the parties if the dispute is between \$25,000 and \$250,000, or (ii) three independent and impartial arbitrators, of whom each party shall designate one, if the dispute is in excess of \$250,000. All arbitrators shall be knowledgeable in the natural gas industry. The arbitrator(s) shall have no authority to award consequential, punitive or exemplary damages. Provided, however, if one party fails to participate in the negotiation as agreed herein, the other party can commence arbitration prior to the expiration of the time periods set forth. The arbitration shall be governed by the Federal Arbitration Act, 9 U.S.C. §§ 1-16, and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. Unless otherwise agreed, the place of arbitration shall be Austin, Texas.

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to the Final Order in GUD No. 10217. This rate shall apply to the following rate schedules of Texas Gas Service Company in the unincorporated areas served in TGS' South Texas Service Area: 1E, 2E, 3E, T-2 and T-3.

**B. RCE RATE**

All Ccf during each billing period:               \$ 0.0422 per Ccf

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.

**E. COMPLIANCE**

This rate will begin in April, 2013, and be in effect for approximately 12 months.

The Company will file a compliance report due on the 1st of December, 2013 and also at the conclusion of this tariff, a report with the RRC Gas Services Division. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance.

