

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION FILED BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.'S 2013 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE EL PASO SERVICE AREA.</b>	§ § § § § §	<b>GAS UTILITIES DOCKET NO. 10347</b>
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**INTERIM RATE ADJUSTMENT ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (2013). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

*Background*

1. Texas Gas Service Company, a Division of ONE Gas, Inc., (TGS) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. TGS owns and operates a natural gas distribution system known as the El Paso Service Area (EPSA).
3. On April 2, 2014, TGS filed an application for an annual interim rate adjustment (IRA) applicable to the unincorporated customers located in the EPSA.
4. TGS requested that the IRA for all customer classes become effective on June 1, 2014.
5. On April 4, 2014, the Commission suspended implementation of TGS' proposed IRA until July 16, 2014, which is 45 days following the 60<sup>th</sup> day after the application.
6. Neither TEX. UTIL. CODE § 104.301 (2007) nor 16 TEX. ADMIN. CODE § 7.7101 (2010) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
7. 16 TEX. ADMIN. CODE § 7.7101 (2010) allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.

8. As of the date of this interim order, no comments or protests concerning this application have been received by the Commission.
9. This docket represents the fourth annual IRA for TGS in the EPSA since **GUD No. 10069**, the most recent rate case for the environs or unincorporated areas of TGS' EPSA.
10. The first IRA for the unincorporated areas of TGS' EPSA was GUD No. 10143, which was approved by the Commission on June 12, 2012.
11. The second IRA for the unincorporated areas of TGS' EPSA was GUD No. 10223, which was approved by the Commission on February 26, 2013.
12. The third IRA for the unincorporated areas of TGS' EPSA was GUD No. 10270, which was approved by the Commission on June 18, 2013.
13. Until promulgation of TEX. UTIL. CODE § 104.301 (2007), a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
14. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS' comprehensive cost of service.

#### Applicability

15. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' EPSA.
16. As of December 31, 2013, TGS had approximately 19,227 customers in the unincorporated El Paso service area. Of these, 18,557 were residential customers, 562 were commercial and commercial air conditioning customers, 5 were industrial customers, 98 were public authority and public authority air conditioning customers, 2 were municipal water pumping customers, and 3 were transportation customers.

#### Most Recent Comprehensive Rate Case

17. TGS' most recent rate case for the area in which the IRA will be implemented is **GUD No. 10069**, *Application of Texas Gas Service Company, A Division of Oneok, Inc., to Increase Rates and Change Tariffs in the Environs of its El Paso Service Area*.
18. **GUD No. 10069** was filed on April 8, 2011.
19. The data used in **GUD No. 10069** was based on a test-year ending June 30, 2010.

20. The Commission signed the **GUD No. 10069** Final Order on June 27, 2011, and the rates became effective the same day.
21. The following chart shows the factors that were established in **GUD No. 10069**<sup>1</sup> to calculate the return on investment, depreciation expense, and incremental federal income taxes for TGS:

**Table 1.0**  
**Key IRA Factors**

Rate of Return – IRA Filings	8.65%
Rate of Return – Earnings Monitoring Report <sup>2</sup>	2.45%
Depreciation Rate <sup>3</sup>	various
Ad Valorem Tax	actual
Federal Income Tax Rate	35%

*Interim Rate Adjustment*

22. TGS seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes (Exhibit B).
23. The revenue amounts to be recovered through the proposed annual IRA for TGS are incremental to the revenue requirement established in the most recent rate case for TGS for the area in which the IRA is to be implemented, **GUD No. 10069**, and subsequent approved interim rate adjustments.
24. In the first interim rate adjustment, GUD No. 10143, following the most recent rate case, GUD No. 10069, TGS adjusted its rates based on the difference between invested capital at the end of the most recent rate case test-year (June 30, 2010) and the invested capital at the end of the calendar year following the end of the most recent rate case test-year (December 31, 2010).
25. In the second interim rate adjustment, GUD No. 10223, TGS adjusted its rates based on the difference between invested capital from December 31, 2010 to December 31, 2011.
26. In the third interim rate adjustment, GUD No. 10270, TGS adjusted its rates based on the difference between invested capital from December 31, 2011 to December 31, 2012.

<sup>1</sup> Docket No. 10069 Final Order.

<sup>2</sup> Annual Earnings Monitoring Report for the 12 months ending December 31, 2013.

<sup>3</sup> Schedule IRA – 8 Total Current.

27. In this, its fourth IRA, TGS adjusted its rates based on the difference between invested capital from December 31, 2012 to December 31, 2013.
28. TGS calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and federal income taxes for the twelve-months ended December 31, 2013. Revenue related taxes are not included in TGS's calculation of the IRA. An existing rate schedule that was established by the Final Order in **GUD No. 10069** is applied to all revenues, including revenues that result from an IRA.
29. The value of TGS' invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
30. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for TGS in the most recent rate case for the area in which the IRA is to be implemented, **GUD No. 10069**.
31. TGS filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101 (2010). The Company's actual rate of return is 2.45%, which is less than 0.75% in excess of the 8.65% allowed rate of return established in **GUD No. 10069**.
32. GUD No. 10069, TGS' most recent Statement of Intent rate case for the unincorporated areas of the El Paso Service Area and the basis for the key factors in an Interim Rate Adjustment (IRA) calculation, was approved by the Commission on June 27, 2011. Customer Charges are shown in Column B, below.
33. GUD No. 10143, TGS' first IRA for the unincorporated areas of the El Paso Service Area, was approved by the Commission on June 12, 2012. Interim rate adjustments to the Customer Charges are shown in Column C, below.
34. GUD No. 10223, TGS' second IRA for the unincorporated areas of the El Paso Service Area, was approved by the Commission on February 26, 2013. Interim rate adjustments to Customer Charges are shown in Column D, below.
35. GUD No. 10270, TGS' third IRA for the unincorporated areas of the El Paso Service Area, was approved by the Commission on June 18, 2013. Interim rate adjustments to Customer Charges are shown in Column E, below.
36. This docket, GUD No. 10347, is the *fourth* IRA application for the unincorporated areas of the El Paso Service Area. The proposed 2013 interim rate adjustments are shown in Column F, below.
37. Under 16 TEX. ADMIN. CODE § 7.7101(l) (2010), TGS must file a Statement of Intent rate

case supporting the IRA's not later than 180 days after the fifth anniversary of the effective date of its initial IRA, or by December 10, 2017.

38. Under TEX. ADMIN. CODE § 7.7101(j) (2010), "any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence" in the next rate case. See TEX. ADMIN. CODE § 7.7101(i) (2010), "all amounts collected from customers under an interim rate adjustment tariff" are subject to refund until the conclusion of the next rate case.
39. When the Customer Charge approved in GUD No. 10069, the 2010 interim rate adjustments, the 2011 interim rate adjustments, the 2012 interim rate adjustments, and proposed 2013 Interim Rate Adjustments (Columns B, C, D, and F) are combined, the resulting customer charge for affected customer classes is shown in Column G, Table 2.0 below.

**Table 2.0**  
**El Paso Service Area Customer Charges and Interim Rate Adjustments (IRA)**

A	B	C	D	E	F	G
Customer Type	GUD 10069 Customer Charge	2010 IRA	2011 IRA	2012 IRA	Proposed 2013 IRA	Total Proposed Customer Charge
Residential	\$10.80	\$0.31	\$0.41	\$1.55	\$1.22	\$14.29
Commercial	\$18.30	\$1.00	\$1.33	\$5.01	\$3.95	\$29.59
Commercial A/C	\$18.30	\$1.00	\$1.33	\$5.01	\$3.95	\$29.59
Public Authority	\$32.71	\$3.57	\$4.70	\$17.35	\$13.58	\$71.91
Public Authority A/C	\$32.71	\$3.57	\$4.70	\$17.35	\$13.58	\$71.91
Municipal Water Pumping	\$121.75	\$15.73	\$21.12	\$80.50	\$64.08	\$303.18
Industrial	\$84.01	\$11.84	\$15.69	\$57.35	\$48.89	\$217.78
Standby	\$125.00	\$11.84	\$15.69	\$57.35	\$48.89	\$258.77
Transportation & Cogeneration	\$300.50	\$59.29	\$77.01	\$318.61	\$218.48	\$973.89
<b>Docket No.</b>	<b>10069</b>	<b>10143</b>	<b>10223</b>	<b>10270</b>	<b>10347</b>	

Note: Applicable to the unincorporated areas of the El Paso Service Area

40. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101 (2010).
1. Net capital additions included in this docket totaled \$ 28,176,160.<sup>4</sup>
  2. Gross capital project additions totaled \$ 306,157,009.<sup>5</sup>
41. TGS provided evidence supporting the following:
- a. Safety related activities account for 52.15% of the net investment.<sup>6</sup>

<sup>4</sup> Schedule IRA-3 and IRA-9.

<sup>5</sup> Schedule IRA-8

<sup>6</sup> TGS' Response to Staff's RFI No. 1-11.

- b. Integrity testing activities account for 15.15% of the net investment.<sup>7</sup>
  - c. Distribution Integrity Management Program (DIMP) activities account for 37% of the net investment.<sup>8</sup>
  - d. Steel Pipe Replacement (SPRP) is included in TGS' DIMP; 94.89% of the mains replaced within the DIMP were steel and 86.66% of the services replaced were steel.<sup>9</sup>
  - e. Pipeline Integrity Management Program activities account for 15.15% of the net investment.<sup>10</sup>
42. TGS is required to allocate the revenue to be collected through the IRA among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented, **GUD No. 10069**.
43. TGS proposed the IRA as a flat rate to be applied to the monthly Customer Charge rather than to the usage rate.
44. The following allocation among customer classes is used to allocate the interim rate adjustment, Table 3.0 below:

**Table 3.0**  
**Revenue Requirement Allocation for the unincorporated areas of the El Paso Service Area**

Customer Type	Allocation Factors <sup>11</sup>
Residential	0.7782
Commercial and Commercial A/C	0.1421
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Industrial and Standby	0.0061
Transportation & Cogeneration	0.0321

45. The following Key IRA Return Factors were approved in GUD No. 10069:

**Table 4.0**  
**Cost of Capital<sup>12</sup>**

Long-Term Debt	40.76%	6.21%	2.53%
Preferred Stock	0.00%	0.00	0.00%
Common Equity	59.24%	10.33%	6.12%

7 TGS' Response to Staff's RFI No. 1-12.

8 TGS' Response to Staff's RFI No. 1-13.

9 TGS' Response to Staff's RFI No. 1-15.

10 TGS' Response to Staff's RFI No. 1-14.

11 TGS' Response to Staff's RFI No. 2-1 and Billing Determinants and Schedule G from GUD 10069.

12 GUD No. 10069 FOF No. 26, 27, 28 & 29.

Total	100.00%		8.65%
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46. TGS used 2.5312% for the weighted cost of debt and 8.651% for the rate of return in its calculations to determine the net change in revenue requirement.
47. It is reasonable for the Commission to determine the full effect of TGS not rounding its cost of capital components in the next statement of intent rate case.
48. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
49. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010) require the regulatory authority to review a utility's method of calculating the IRA.
50. Due process protections are deferred until TGS files its next statement of intent rate case.

Notice

51. The Company provided adequate notice to customers in the unincorporated areas of the El Paso Service Area on April 17 and May 15, 2014.

Comprehensive Rate Case Required

52. The Company is not required to initiate a statement of intent rate case at the time it applies for an IRA.
53. Under 16 TEX. ADMIN. CODE § 7.7101 (I) (2010) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary. TGS is required to file a statement of intent rate case not later than December 10, 2017.

Review of Interim Rate Adjustment

54. TGS presented its IRA calculation using the factors approved in **GUD No. 10069** for rate of return, depreciation, and federal income tax.
55. TGS' 2012 IRA is \$ 4,254,376, based on an incremental net utility plant investment increase of \$ 28,176,160<sup>13</sup>, of which approximately \$ 326,278 is attributed to the unincorporated area.
56. TGS' proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 (2010), and with 16 TEX. ADMIN. CODE § 7.7101 (2010).

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<sup>13</sup> Schedule IRA-3.

Reimbursements of Expense

57. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
58. After the Commission has finally acted on TGS' application for an IRA, the Director of the Gas Services Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.
59. In making the estimate of TGS' proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
60. TGS is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Texas Gas Service Company (TGS) is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) and § 121.001 (2010), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over TGS' applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (2010), 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. Under the provisions of the TEX. UTIL. CODE ANN. § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010), TGS is required to seek Commission approval before implementing an IRA tariff to TGS' customers.
5. TGS filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
6. TGS' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).



7. In accordance with 16 TEX. ADMIN. CODE § 7.315 (2010), within thirty days of the effective date of any change to rates or services, TGS is required to file with the Gas Services Division of the Commission its revised tariffs.
8. TGS may not charge any rate that has not been successfully electronically filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§ 102.151 and 104.002 (2010) and 16 TEX. ADMIN. CODE § 7.315 (2010).
9. In accordance with TEX. UTIL. CODE ANN. § 104.301(a) (2010) and 16 TEX. ADMIN. CODE § 7.7101(a) (2010), the filing date of TGS' most recent rate case, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date TGS filed its initial IRA.
10. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(e) (2010) and 16 TEX. ADMIN. CODE § 7.7101(d) (2010), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. TGS shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(f) (2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010), to file with the Commission an annual earnings-monitoring report demonstrating TGS' earnings during the preceding calendar year.
13. TGS is required, under 16 TEX. ADMIN. CODE § 7.7101(h) (2010), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i) (2010), all amounts collected from customers under TGS' IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j) (2010), in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues

that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.

16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. § 104.301(a) (2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010).
17. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) (2010) and 16 TEX. ADMIN. CODE § 7.7101(b) (2010).
18. TGS' application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
19. TGS' IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX UTIL. CODE ANN. § 104.301 (2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) (2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010), TGS shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective, or December 10, 2017.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) (2010) and 16 TEX. ADMIN. CODE § 7.7101(m) (2010), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** Texas Gas Service Company's IRA for the unincorporated areas of the El Paso Service Area, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

**IT IS FURTHER ORDERED THAT** TGS SHALL file with the Commission no later than December 10, 2017, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) (2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010).

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

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

**IT IS FURTHER ORDERED THAT** TGS SHALL reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed

to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e) (2013), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

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

SIGNED this 8th day of July, 2014.

RAILROAD COMMISSION OF TEXAS

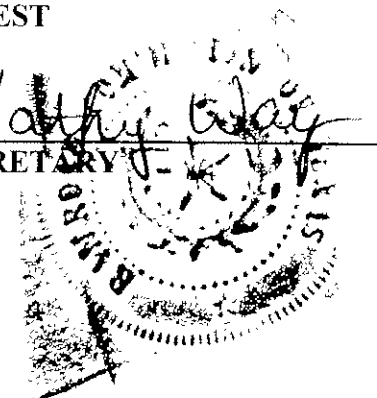
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COMMISSIONER

ATTEST

*Kathryn G. Gage*  
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SECRETARY



**EXHIBIT A**  
**TARIFFS**

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$10.80 plus - \$3.49 per month (Footnote 1)
Total Customer Charge	\$14.29 per month
All Ccf per monthly billing period @	
The First 200 Ccf @	No Charge
All Over 200 Ccf @	\$ 0.38103 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$0.31; 2011 IRA - \$0.41; 2012 IRA - \$1.55; 2013 IRA - \$1.22

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COMMERCIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$18.30 plus - \$11.29 (Footnote 1)
Total Customer Charge	\$29.59
All Ccf per monthly billing period @	
The First 100 Ccf @	No Charge
The Next 400 Ccf @	\$ 0.10901 per Ccf
The Next 2500 Ccf @	\$ 0.08901 per Ccf
All Over 3000 Ccf @	\$ 0.06901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$1.00; 2011 IRA - \$1.33; 2012 IRA - \$5.01; 2013 IRA - \$3.95

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COMMERCIAL AIR CONDITIONING SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$18.30 plus - \$11.29 (Footnote 1)
Total Customer Charge	\$29.59
All Ccf per monthly billing period @	

	Winter <u>Oct. – April</u>	Summer <u>May - Sept.</u>
The First 100 Ccf @	No Charge	No Charge
The Next 400 Ccf @	\$ 0.10901 per Ccf	\$ 0.08901 per Ccf
The Next 2500 Ccf @	\$ 0.08901 per Ccf	\$ 0.06901 per Ccf
All Over 3000 Ccf @	\$ 0.06901 per Ccf	\$ 0.04901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$1.00; 2011 IRA - \$1.33; 2012 IRA - \$5.01; 2013 IRA - \$3.95

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PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$32.71 plus -
Interim Rate Adjustment (IRA)	\$39.20 (Footnote 1)
Total Customer Charge	\$71.91

All Ccf per monthly billing period @

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

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$3.57; 2011 IRA - \$4.70; 2012 IRA - \$17.35; 2013 IRA - \$13.58



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PUBLIC AUTHORITY AIR CONDITIONING SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA) \$32.71 plus -  
Total Customer Charge \$39.20 (Footnote 1)  
All Ccf per monthly billing period @ \$71.91

		Winter Oct. – April	Summer May - Sept.
The First	100 Ccf @	No Charge	No Charge
The Next	400 Ccf @	\$ 0.11409 per Ccf	\$ 0.08409 per Ccf
The Next	2500 Ccf @	\$ 0.09409 per Ccf	\$ 0.06409 per Ccf
All Over	3000 Ccf @	\$ 0.08409 per Ccf	\$ 0.05409 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$3.57; 2011 IRA - \$4.70; 2012 IRA - \$17.35; 2013 IRA - \$13.58

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MUNICIPAL WATER PUMPING SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$121.75 plus - \$181.43 (Footnote 1)
Total Customer Charge	\$303.18
All Ccf per monthly billing period @	
The First 5000 Ccf @	\$ 0.06817 per Ccf
The Next 5000 Ccf @	\$ 0.05817 per Ccf

Prompt Payment Provision: None.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA – 15.73; 2011 IRA - \$21.12; 2012 IRA - \$80.50; 2013 IRA - \$64.08

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INDUSTRIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

Environs of the El Paso Service Area.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$84.01 plus - \$133.77 (Footnote 1)
Total Customer Charge	\$217.78

All Ccf per monthly billing period @

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

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2010 IRA - \$11.84; 2011 IRA - \$15.69; 2012 IRA - \$57.35; 2013 IRA - \$48.89

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STANDBY SERVICE RATE

APPLICABILITY

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

TERRITORY

The unincorporated areas of the El Paso Service Area

RATE

During each monthly billing period:

A customer charge per meter per month of	\$125.00 plus -
Interim Rate Adjustment (IRA)	\$133.77 (Footnote 1)
Total Customer Charge	\$258.77

plus \$20.00 per Mcf/Hour of connected rated capacity of natural gas consuming equipment

CONDITIONS

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

Footnote 1: 2010 IRA - \$11.84; 2011 IRA - \$15.69; 2012 IRA - \$57.35; 2013 IRA - \$48.89

TRANSPORTATION SERVICE RATE

APPLICABILITY

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

TERRITORY

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

RATE

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

Part A:	A customer charge per month of	\$300.50
	Interim Rate Adjustment (IRA)	\$673.39 (Footnote 1)
	Total Customer Charge	\$973.89

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

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

SPECIAL PROVISIONS

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

Footnote 1: 2010 IRA - \$59.29; 2011 IRA - \$77.01; 2012 IRA - \$318.61; 2013 IRA - \$218.48

Supersedes Same Rate Schedule Dated  
June 18, 2013

Meters Read On and After

TRANSPORTATION SERVICE RATE  
(Continued)

SPECIAL PROVISIONS (Cont'd)

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

CONDITIONS

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

**EXHIBIT B**  
**SCHEDULES**

SUMMARY

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
FOR THE PERIOD BEGINNING JANUARY 1, 2013 AND ENDING DECEMBER 31, 2013  
ENVIRONS GRIP FILING

Line No	Description	12/31/2012 Previous Year (a)	12/31/2013 Current Year (b)	Reference (c)
1	Net Investment	\$ 193,933,393.00	\$ 222,109,553	(b) IRA-7 line 79 col (h), (c) IRA-8 line 90 col (h)
2	Increase in Net Investment		\$ 28,176,160	IRA-9 line 81 col (h)
3	Authorized Return on Capital		8.651%	IRA-15 line 6 col (d)
4				
5	Change in Return on Net Investment		\$ 2,437,432	Line 2 - Line 3
6	Change in Depreciation Expense		\$ 510,689	IRA-9 line 81 col (f)
7	Change in Federal, Revenue and Other Taxes		\$ 1,306,254	IRA-5 line 13 col (g) plus IRA-6 line 32 (c)
8	Change in Revenue Requirement		\$ 4,254,376	Sum of Lines 5 - 7
9				
10	Annual Number of Bills		2,884,468	
11	Increase Per Bill Per Month		See Below	
12	(to be applied to monthly customer charge or initial block rate, check on)			
13	<input checked="" type="checkbox"/> Monthly Customer Charge			
14	<input type="checkbox"/> Initial Block Rate			
15				

Current and Proposed Bill Information - With Gas Cost					
	Current	Proposed	Difference	% Change	
21	Residential Customers				
22	Average Monthly Bill @ 6 Mcf	\$ 63.49	\$ 64.71	\$ 1.22	1.9%
23	Average Monthly Bill @ 4.2Mcf*	\$ 48.37	\$ 49.59	\$ 1.22	2.5%
24					
25	Commercial and Commercial A/C Customers				
26	Average Monthly Bill @ 30 Mcf	\$ 165.01	\$ 168.96	\$ 3.95	2.4%
27	Average Monthly Bill @ 22.6 Mcf*	\$ 130.36	\$ 134.31	\$ 3.95	3.0%
28					
29	Industrial Customers				
30	Average Monthly Bill @ 300 Mcf	\$ 1,936.33	\$ 1,985.22	\$ 48.89	2.5%
31	Average Monthly Bill @ 306.2 Mcf*	\$ 1,968.73	\$ 2,017.62	\$ 48.89	2.5%
32					
33	Public Authority and Public Authority A/C Customers				
34	Average Monthly Bill @ 300 Mcf	\$ 1,711.09	\$ 1,724.67	\$ 13.58	0.8%
35	Average Monthly Bill @ 107.7 Mcf*	\$ 660.18	\$ 673.76	\$ 13.58	2.1%
36					
37	Stand By Customers				
38	Average Monthly Bill @ 300 Mcf	\$ 7,581.78	\$ 7,630.67	\$ 48.89	0.6%
39	Average Monthly Bill @ 114.0 Mcf*	\$ 3,011.20	\$ 3,060.09	\$ 48.89	1.6%
40					
41	Municipal Water Pumping Customers				
42	Average Monthly Bill @ 300 Mcf	\$ 1,896.01	\$ 1,960.09	\$ 64.08	3.4%
43	Average Monthly Bill @ 658 Mcf*	\$ 3,761.39	\$ 3,825.47	\$ 64.08	1.7%
44					
45	Standard Transportation Customers				
46	Average Monthly Bill @ 3000 Mcf	\$ 16,951.12	\$ 17,169.60	\$ 218.48	1.3%
47	Average Monthly Bill @ 4373.2 Mcf*	\$ 24,127.19	\$ 24,345.67	\$ 218.48	0.9%

Current and Proposed Bill Information - Without Gas Cost					
	Current	Proposed	Difference	% Change	
54	Residential Customers				
55	Average Monthly Bill @ 6 Mcf	\$ 36.06	\$ 37.28	\$ 1.22	3.4%
56	Average Monthly Bill @ 4.2Mcf*	\$ 29.16	\$ 30.38	\$ 1.22	4.2%
57					
58	Commercial and Commercial A/C Customers				
59	Average Monthly Bill @ 30 Mcf	\$ 27.62	\$ 31.77	\$ 3.95	14.2%
60	Average Monthly Bill @ 22.6 Mcf*	\$ 27.01	\$ 30.96	\$ 3.95	14.6%
61					
62	Industrial and Stand By Customers				
63	Average Monthly Bill @ 300 Mcf	\$ 564.43	\$ 613.32	\$ 48.89	8.7%
64	Average Monthly Bill @ 306.2 Mcf*	\$ 568.48	\$ 617.37	\$ 48.89	8.6%
65					
66	Stand By Customers				
67	Average Monthly Bill @ 300 Mcf	\$ 6,209.88	\$ 6,258.77	\$ 48.89	0.8%
68	Average Monthly Bill @ 114.0 Mcf*	\$ 2,489.88	\$ 2,538.77	\$ 48.89	2.0%
69					
70	Public Authority and Public Authority A/C Customers				
71	Average Monthly Bill @ 300 Mcf	\$ 339.19	\$ 352.77	\$ 13.58	4.0%
72	Average Monthly Bill @ 176.7 Mcf*	\$ 167.66	\$ 181.24	\$ 13.58	8.1%
73					
74	Municipal Water Pumping Customers				
75	Average Monthly Bill @ 300 Mcf	\$ 524.11	\$ 588.19	\$ 64.08	12.2%
76	Average Monthly Bill @ 658 Mcf*	\$ 752.36	\$ 816.44	\$ 64.08	8.5%
77					
78	Standard Transportation Customers				
79	Average Monthly Bill @ 3000 Mcf	\$ 3,232.12	\$ 3,450.60	\$ 218.48	6.8%
80	Average Monthly Bill @ 4373.2 Mcf*	\$ 4,128.54	\$ 4,347.02	\$ 218.48	5.3%

\*Average Bill usage per GUD 9988 and 10069 filings

Average bills exclude revenue related taxes and are computed using a 12 month average Cost of Gas for CY 2013



REVENUE RELATED AND OTHER TAXES

TEXAS GAS SERVICE COMPANY  
 EL PASO SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2013 AND ENDING DECEMBER 31, 2013  
 ENVIRONS GRIP FILING

Line No.	Description	12 Month End			12 Month End			Change
		Total	Adjustments	As Adjusted (at Present Rates)	Adjustments (1)	As Adjusted (at Proposed Rates)	(g)	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	
1	Non Revenue - Related							
2	Ad Valorem Tax	\$ 2,082,403	\$ -	\$ 2,082,403	\$ 363,235	\$ 2,445,638	\$ 363,235	
3	Revenue - Related							
4	State Gross Receipts - Tax		Note 2	Note 2	Note 2	Note 2	Note 2	
5	Local Gross Receipts - Tax		Note 2	Note 2	Note 2	Note 2	Note 2	
6	Railroad Commission - Gas Utility Tax		Note 2	Note 2	Note 2	Note 2	Note 2	
7	Total Revenue Related Taxes		Note 2	Note 2	Note 2	Note 2	Note 2	
8	TOTAL TAXES OTHER THAN INCOME	\$ 2,082,403	\$ -	\$ 2,082,403	\$ 363,235	\$ 2,445,638	\$ 363,235	
9								
10								
11								
12								
13								
14								
15								
16								
17								
18	Note 1. Adjustment is the net change in investment multiplied by the ad valorem effective rate factor based on property tax payments paid in Calendar Year 2012. Also see Company's Schedule 5 in Attachment B.							
19	Note 2. Revenue related taxes are collected separately on the Customer's bill and are not part of the Company's revenue requirement.							

FEDERAL INCOME TAX

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA

FOR THE PERIOD BEGINNING JANUARY 1, 2013 AND ENDING DECEMBER 31, 2013  
ENVIRONS GRIP FILING

Line No.	Description	Prior Year <sup>a</sup> (b)	Amount (c)	Current Year <sup>b</sup> (d)	Amount (e)
1	Return on Investment				
2	Invested Capital (Rate Base)	\$193,933,393		\$ 222,109,553	
3	Rate of Return	8.651%		8.651%	
4	Return on Investment		\$ 16,776,573		\$ 19,214,004
5					
6	Interest Expense				
7	Invested Capital (Rate Base)	\$193,933,393		\$ 222,109,553	
8	Weighted Cost of Debt	2.53120%		2.53120%	
9	Interest Expense		\$ 4,908,834		\$ 5,622,028
10					
11	After Tax Income		\$ 11,867,738		\$ 13,591,976
12					
13	Less ITC Amortization		\$ 25,402		\$ 15,923
14					
15	Net		\$ 11,842,336		\$ 13,576,053
16					
17	Gross- Up Factor		1.5384615		1.538
18					
19	Before Tax Return		\$ 18,218,978		\$ 20,886,235
20					
21	Federal Income Tax Rate		35%		35%
22					
23			\$ 6,376,642		\$ 7,310,182
24					
25	Less ITC Amortization		\$ 25,402		\$ 15,923
26					
31	Net Income Tax Expense		\$ 6,351,240		\$ 7,294,259
32	CHANGE IN FEDERAL INCOME TAX		\$ 943,019		

WEIGHTED AVERAGE COST OF CAPITAL

TEXAS GAS SERVICE COMPANY  
 EL PASO SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2013 AND ENDING DECEMBER 31, 2013  
 ENVIRONS GRIP FILING

Per Last Rate Case:  
 Docket Nos. 9988 & 10069

Line No.	Description	Investment Balance (a)	Percent of Total (b)	Cost (c)	Weighted Cost (d)
1	Common Equity	\$ 26,735,176	0.5924	10.33%	6.11949%
2	Preferred Stock				
3	Preferred Trust Securities				
4	Long-Term Debt	\$ -	0.4076	6.21%	2.53120%
5	Short-Term Debt				
6	Total	\$ 26,735,176	100%		8.65069%

ALLOCATION OF INVESTMENT RECOVERY

TEXAS GAS SERVICE COMPANY  
 EL PASO SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2013 AND ENDING DECEMBER 31, 2013  
 ENVIRONS GRIP FILING

Allocation Factors Per Rate Case - Docket Nos. 9988 & 10069	
Residential	0.7782
Commercial and Commercial A/C	0.1421
Industrial and Stand By	0.0061
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Standard Transportation	0.0321
Total System	<u>1.00</u>

Allocation Factors Requested in this filing	
Residential	0.7782
Commercial and Commercial A/C	0.1421
Industrial and Stand By	0.0061
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Standard Transportation	0.0321
Total System	<u>1.00</u>

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 4,254,376
Residential	0.7782	3,310,663
Commercial and Commercial A/C	0.1421	604,661
Industrial and Stand By	0.0061	25,812
Public Authority and Public Authority A/C	0.0379	161,091
Municipal Water Pumping	0.0036	15,380
Standard Transportation	0.0321	0
Total System	<u>1.00</u>	<u>\$ 4,254,376</u>

TEXAS GAS SERVICE COMPANY  
 EL PASO SERVICE AREA  
 INTERIM COST RECOVERY AND RATE ADJUSTMENT  
 CHANGES FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

SUMMARY

LINE NO.	DESCRIPTION	CHANGE THROUGH 12/31/2013
1	Change in Net Investment (Schedule 2, Line 8)	\$28,176,160
2	Authorized Return Approved in most recent Rate Case* (Schedule 4)	8.651%
3	Change in Return on Net Investment - (Line 1 times Line 2)	\$2,437,432
4	Change in Depreciation Expense - (Schedule 3, Line 55)	510,689
5	Change in Ad Valorem Tax (Schedule 5, Line 3)	363,235
6	Change in Federal Income Taxes - (Schedule 6, Line 16)	943,019
	Total Change in Revenue Requirement	<u>\$4,254,376</u>

\* Cost of Capital and Capital Structure approved in the most recent EL PASO SERVICE AREA rate case - TYE 12/31/09, GUD No 9988

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
INTERIM COST RECOVERY AND RATE ADJUSTMENT  
CHANGES FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

CHANGE IN NET INVESTMENT

LINE NO.	DESCRIPTION	ADJUSTED BALANCE AT 12/31/12 (a)	ADJUSTED BALANCE AT 12/31/13 (b)	CHANGE IN NET INVESTMENT (c)
	<u>GROSS PLANT IN SERVICE</u>			
1	Intangible Plant	\$195,755	\$693,037	\$497,282
2	Transmission Plant	16,556,641	23,950,566	7,393,925
3	Distribution Plant	237,109,270	252,214,781	15,105,512
4	General Plant	26,897,548	27,764,620	867,072
5	Rule 8.209 Regulatory Asset Balance (NOTE 2)	373,059	1,534,004	1,160,945
6	Gross Plant in Service	\$281,132,272	\$306,157,009	\$25,024,736
7	Net Depreciation & Amortization Reserves	(\$87,198,880)	(\$84,047,456)	\$3,151,424 (NOTE 1)
8	Net Plant in Service - Adjusted Direct and Allocated Corporate & Division	\$193,933,393	\$222,109,553	\$28,176,160

NOTE 1 Detailed on Schedule 2a

NOTE 2 When rates from this filing are implemented, the portion of the regulatory asset related to the customers in the El Paso service area affected by these rates will be transferred from the Rule 8.209 regulatory asset to plant in service

**TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
INTERIM COST RECOVERY AND RATE ADJUSTMENT  
December 31, 2013**

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	RATIO	COST RATE %	COMPOSITE RATE %
		(a)	(b)	(c)
1	Long-Term Debt	0.4076	6.210%	2.53120%
2	Preferred Stock	0.0000	0.000%	0.00000%
3	Common Equity	0.5924	10.330%	6.11949%
4	Total	<u>1.0000</u>		<u>8.65069%</u>

Cost of Capital and Capital Structure approved in the most recent El Paso rate case - TYE 12/31/09, Final Order GUD No. 9988

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
INTERIM COST RECOVERY AND RATE ADJUSTMENT  
CHANGES FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

CHANGE IN AD VALOREM TAX

LINE NO.	DESCRIPTION	AMOUNT
1	Change in Net Plant (Schedule 2a, Line 44)	\$27,015,215
2	Ad Valorem Effective Tax Rate (NOTE 1)	<u>0.013446</u>
3	Change in Ad Valorem Tax (Line 1 times Line 2)	<u><u>\$363,235</u></u>

NOTE 1:  
CALCULATION OF EFFECTIVE RATE

Ad Valorem Taxes Paid in 2013 for El Paso Service Area Direct Plant at 1/1/12	\$2,082,403
<u>DIRECT EL PASO SERVICE AREA PLANT @ 12/31/11:</u>	
Plant In Service and CCNC	\$234,766,800
Accumulated Depreciation	<u>(79,890,360)</u>
Net Plant - EL PASO Area Direct 12/31/11	<u>\$154,876,440</u>
Effective Tax Rate for Property Taxes paid in CY 2012	<u><u>0.013446</u></u>



TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
INTERIM COST RECOVERY AND RATE ADJUSTMENT  
CHANGES FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

CHANGE IN FEDERAL INCOME TAX

LINE NO.	DESCRIPTION	FROM SCHEDULE	AT 12/31/12 (a)	AT 12/31/13 (b)
1	Rate Base	SCH 2	\$193,933,393	\$222,109,553
2	Rate of Return	SCH 4	8.651%	8.651%
3	Required Return		\$16,776,572.73	\$19,214,004
4	Less: Interest on Long-Term Debt		(4,908,834)	(5,622,028)
5	Net After Tax Income		\$11,867,738	\$13,591,976
6	Less ITC Amortization		(25,402)	(15,923)
8	Net		\$11,842,336	\$13,576,053
9	Gross-Up Factor [1 / (1-0.35)]		1.5384615	1.5384615
10	Net Taxable Income		\$18,218,978	\$20,886,235
11	Tax Rate		35.00000%	35.00000%
12	Federal Income Tax		\$6,376,642	\$7,310,182
13	Less ITC Amortization		(25,402)	(15,923)
15	Net Income Tax Expense		\$6,351,240	7,294,259
16	Change in Federal Income Tax			\$943,019
Note (1)				
17	Debt Component of Return	SCH 4	2.53120%	2.53120%
18	Net Original Cost Rate Base	SCH 2	\$193,933,393	\$222,109,553
19	Interest on Long-Term Debt		\$4,908,834	\$5,622,028

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
INTERIM COST RECOVERY AND RATE ADJUSTMENT  
CHANGES FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

LINE NO	CUSTOMER CLASS	REVENUES PER RATE CASE TYE 12/31/09 (a)	PERCENT OF REVENUES PER RATE CASE TYE 12/31/09 (b)	REV. REQ. INCREASE (SCH 1) (c)	AVERAGE MONTHLY BILLS CY 2013 (d)	CUSTOMER CHARGE INCREASE (e)
1	<u>Gas Sales</u> Residential	\$27,874,239	77.82%	\$3,310,663	2,718,200	\$1.22
2	Commercial and A/C	5,090,964	14.21%	604,661	153,248	\$3.95
3	Industrial & Stand By	217,322	0.61%	25,812	528	\$48.89
4	Public Authority and A/C	1,356,314	3.79%	161,091	11,626	\$13.86
5	Municipal Water Pumping	129,489	0.36%	15,380	240	\$64.08
6	<u>Transportation</u> Standard (T-1)	1,151,529	3.21%	\$136,769	626	\$218.48
Grand Total		\$35,819,857	100.00%	\$4,254,376	2,884,468	

Per response to Examiner inquiry, the Public Authority rate of \$13.58 will be charged instead of \$13.86 because the customers were notice \$13.58.