

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION FILED BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.'S 2014 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE EL PASO SERVICE AREA.</b>	<b>§ § § § § § §</b>	<b>GAS UTILITIES DOCKET NO. 10436</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:

**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, 2015, 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, 2015.
5. On April 8, 2015, the Commission suspended implementation of TGS' proposed IRA until July 16, 2015, which is 45 days following the 60<sup>th</sup> day after the application would be considered complete.
6. Neither TEX. UTIL. CODE § 104.301 (2007) nor 16 TEX. ADMIN. CODE § 7.7101 (2010) provides 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 fifth annual IRA for TGS in the EPSA since GUD No. 10069, the most recent rate case for the 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. The fourth IRA for the unincorporated areas of TGS' EPSA was GUD No. 10347, which was approved by the Commission on July 8, 2014.
14. This docket represents the fifth annual IRA for the unincorporated areas of TGS' EPSA since GUD No. 10069.
15. 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.
16. 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

17. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' EPSA.
18. As of December 31, 2014, TGS had approximately 19,555 customers in the unincorporated El Paso service area. Of these, 18,862 were residential customers, 578 were commercial and commercial air conditioning customers, 4 were industrial customers, 99 were public authority and public authority air conditioning customers, 9 were municipal water pumping customers, and 3 were transportation customers.

Most Recent Comprehensive Rate Case

19. 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*.
20. GUD No. 10069 was filed on April 8, 2011.
21. The data used in GUD No. 10069 was based on a test-year ending June 30, 2010.
22. The Commission signed the GUD No. 10069 Final Order on June 27, 2011, and the rates became effective the same day.
23. 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:

**Key IRA Factors**

<b>Factor</b>	<b>TGS</b>
Rate of Return – IRA Filings	8.65%
Depreciation Rate <sup>2</sup>	By FERC Account <sup>3</sup>
Ad Valorem Tax	actual
Revenue Related Taxes	NA <sup>4</sup>
Federal Income Tax Rate	35%

Interim Rate Adjustment

24. 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 interim rate adjustments.
25. Under TEX. UTIL. CODE §7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.

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1 Docket No. 10069 Final Order.

2 Schedule IRA – 8 Total Current.

3 Staff review confirms that the Company used the appropriate depreciation rates as approved in GUD No.10069 in this docket.

4 Revenue related taxes are not reflected here because they are recovered through a separate rider.

26. In the first IRA, 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 cast 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).
27. In the second IRA, GUD No. 10223, TGS adjusted its rates based on the difference between invested capital from December 31, 2010 to December 31, 2011.
28. In the third IRA, GUD No. 10270, TGS adjusted its rates based on the difference between invested capital from December 31, 2011 to December 31, 2012.
29. In the fourth IRA, GUD No. 10347, TGS adjusted its rates based on the difference between invested capital from December 31, 2012 to December 31, 2013.
30. In this, its fifth IRA, TGS adjusted its rates based on the difference between invested capital from December 31, 2013 to December 31, 2014.
31. 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, 2014. 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. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$4,931,699** (Exhibit B), of which **\$328,560** is attributable to customers subject to this order.
32. 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 for the Company's interim rate adjustments.
33. TGS' incremental net utility plant investment increase is **\$31,225,385** (Exhibit B).
34. 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**.
35. 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 was 0.49% for the test year ended December 31, 2014, which is less than the 8.65% allowed rate of return established in **GUD No. 10069**.
36. 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.

37. 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.
38. 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.
39. 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.
40. GUD No. 10347, TGS' *fourth* IRA application for the unincorporated areas of the El Paso Service Area, was approved by the Commission on July 8, 2014. Interim rate adjustments to Customer Charges are shown in Column F, below.
41. This docket, GUD No. 10436, is the *fifth* IRA application for the unincorporated areas of the El Paso Service Area. The proposed 2014 interim rate adjustments are shown in Column G, below.
42. When the Customer Charge approved in GUD No. 10069, the 2010 interim rate adjustments, the 2011 interim rate adjustments, the 2012 interim rate adjustments, the 2013 Interim Rate Adjustments, and the proposed 2014 interim rate adjustments (Columns B, C, D, E, F, and G) are combined, the resulting customer charge for affected customer classes is shown in Column H, below.

#### El Paso Service Area (Unincorporated) Customer Charges and Interim Rate Adjustments

A	B	C	D	E	F	G	H
Customer Type	Customer Charge	2010 IRA	2011 IRA	2012 IRA	2013 IRA	<i>Proposed</i> 2014 IRA	Total <i>Proposed</i> Customer Charge
Residential	\$10.80	\$0.31	\$0.41	\$1.55	\$1.22	\$1.41	\$15.70
Commercial	\$18.30	\$1.00	\$1.33	\$5.01	\$3.95	\$4.60	\$34.19
Commercial A/C	\$18.30	\$1.00	\$1.33	\$5.01	\$3.95	\$4.60	\$34.19
Public Authority	\$32.71	\$3.57	\$4.70	\$17.35	\$13.58	\$16.12	\$88.03
Public Authority A/C	\$32.71	\$3.57	\$4.70	\$17.35	\$13.58	\$16.12	\$88.03
Municipal Water Pumping	\$121.75	\$15.73	\$21.12	\$80.50	\$64.08	\$74.28	\$377.46
Industrial	\$84.01	\$11.84	\$15.69	\$57.35	\$48.89	\$55.31	\$273.09
Standby	\$125.00	\$11.84	\$15.69	\$57.35	\$48.89	\$55.31	\$314.08
Transportation & Cogeneration	\$300.50	\$59.29	\$77.01	\$318.61	\$218.48	\$275.25	\$1,249.14
<b>Docket No.</b>	<b>10069</b>	<b>10143</b>	<b>10223</b>	<b>10270</b>	<b>10347</b>	<b>10436</b>	

43. 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 \$ 31,225,385.<sup>5</sup>
  2. Gross capital project additions totaled \$ 31,334,258.<sup>6</sup>
44. TGS provided evidence supporting the following:
1. Safety related activities account for 50.50% of the net investment.<sup>7</sup>
  2. Integrity testing activities account for 12.07% of the net investment.<sup>8</sup>
  3. Distribution Integrity Management Program (“DIMP”) activities account for 38.43% of the net investment.<sup>9</sup>
  4. Steel Pipe Replacement (“SPRP”) is included in TGS’ DIMP; 99.07% of the mains replaced within the DIMP were steel, and 84.13% of the services replaced were steel.<sup>10</sup>
  5. Pipeline Integrity Management Program activities account for 12.07% of the net investment.<sup>11</sup>
45. 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**.
46. TGS proposed the IRA as a flat rate to be applied to the monthly Customer Charge rather than to the usage rate.
47. TGS is required to show its annual interim rate adjustments on its customers’ monthly billing statements as a surcharge.
48. 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.
49. Due process protections are deferred until TGS files its next statement of intent rate case.

### Notice

50. Adequate notice by TGS to customers in the unincorporated areas of the El Paso Service Area by bill insert was completed by April 15, 2015, and was completed by direct

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<sup>5</sup> Schedule IRA-3 and IRA-9.

<sup>6</sup> Schedule IRA-9

<sup>7</sup> TGS’ Response to Staff’s RFI No. 1-11.

<sup>8</sup> TGS’ Response to Staff’s RFI No. 1-12.

<sup>9</sup> TGS’ Response to Staff’s RFI No. 1-13.

<sup>10</sup> TGS’ Response to Staff’s RFI No. 1-15.

<sup>11</sup> TGS’ Response to Staff’s RFI No. 1-14.

mailing by April 30, 2015, and, as a result, was completed within 45 days of the filing; fulfilling the requirements under Tex. Util. Code §104.301(a).

*Comprehensive Rate Case Required*

51. The Company is not required to initiate a statement of intent rate case at the time it applies for an IRA.
52. Under 16 TEX. ADMIN. CODE § 7.7101 (l) (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.
53. TGS is required to file a statement of intent rate case for the unincorporated areas of the EPSA no later than December 10, 2017.
54. 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), and all amounts collected from customers under an interim rate adjustment tariff are subject to refund until the conclusion of the next rate case.

*Review of Interim Rate Adjustment*

55. TGS presented its IRA calculation using the factors approved in **GUD No. 10069** for rate of return, depreciation, and federal income tax.
56. The following allocation among customer classes is used to allocate the interim rate adjustment:

Customer Type	Allocation Factors <sup>12</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

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<sup>12</sup> TGS' Response to Staff's RFI 1-16 and Billing Determinants and Schedule G from GUD No. 10069.

57. The following IRA Return Factors<sup>13</sup> were approved in GUD No. 10069:

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%
Total	100.00%		8.65%

58. TGS used 2.5312% for the weighted cost of debt and 8.651% for the overall rate of return in its calculations in this docket to determine the net change in revenue requirement.

59. It is reasonable for the Commission to determine the full effect of TGS not rounding its cost of capital components in this docket in the next statement of intent rate case.

60. It is reasonable for the Commission to approve TGS' interim rate adjustments. The following bill counts, amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable.<sup>14</sup>

New Investment Recovery - Incorporated and Environs						
Customer Class	Requested Recovery for EPSA	Increase in Customer Charge	Incorporated Bill Count	Incorporated Portion of Recovery	Environs Bill Count	Environs Portion of Recovery
Residential	3,837,742	\$1.41	2,528,299	\$ 3,567,545	191,487	\$ 270,197
Commercial and Commercial A/C	700,927	\$4.60	146,719	674,835	5,673	26,092
Industrial and Stand By	29,921	\$55.31	491	27,156	50	2,765
Public Authority and Public Authority A/C	186,738	\$16.12	10,478	168,917	1,105	17,815
Municipal Water Pumping	17,828	\$74.28	216	16,045	24	1,783
Standard Transportation	158,543	\$275.25	540	148,634	36	9,909
All Classes	\$ 4,931,699		2,686,743	\$4,603,131	198,375	\$ 328,560

61. TGS' proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 (2010), and with 16 TEX. ADMIN. CODE § 7.7101 (2010).

### Reimbursements of Expense

62. 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.

<sup>13</sup> GUD No. 10069 FOF No. 26, 27, 28 & 29.

<sup>14</sup> TGS' Response to Staff's RFI 1-16 and Revised WKP 16.



63. After the Commission has finally acted on TGS' application for an IRA, the Director of the Oversight and Safety Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.
64. 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.
65. TGS is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety 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 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.

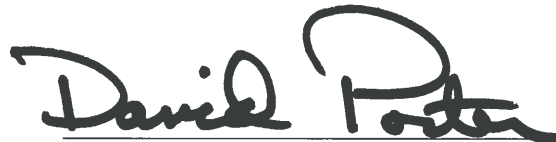
**IT IS FURTHER ORDERED THAT** TGS **SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This 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 14th day of July, 2015.

RAILROAD COMMISSION OF TEXAS



DAVID PORTER  
CHAIRMAN

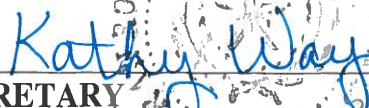
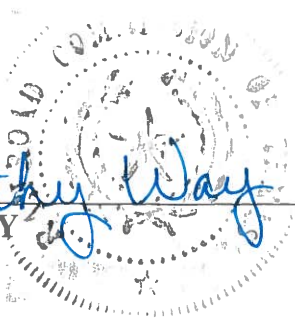


CHRISTI CRADDICK  
COMMISSIONER



RYAN SITTON  
COMMISSIONER

ATTEST

  
SECRETARY

**GUD NO. 10436**

**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	\$10.80 plus -
Interim Rate Adjustment (IRA)	\$4.90 per month (Footnote 1)
Total Customer Charge	\$15.70 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; 2014 IRA - \$1.41

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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	\$18.30 plus -
Interim Rate Adjustment (IRA)	\$15.89 (Footnote 1)
Total Customer Charge	\$34.19

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; 2014 IRA - \$4.60

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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	\$18.30 plus -
Interim Rate Adjustment (IRA)	\$15.89 (Footnote 1)
Total Customer Charge	\$34.19

All Ccf per monthly billing period @

		Winter	Summer
		<u>Oct. – April</u>	<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; 2014 IRA - \$4.60



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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)	\$55.32 (Footnote 1)
Total Customer Charge	\$88.03

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; 2014 IRA - \$16.12

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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	\$32.71 plus -
Interim Rate Adjustment (IRA)	\$55.32 (Footnote 1)
Total Customer Charge	\$88.03

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 @	\$ 0.11409 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; 2014 IRA - \$16.12

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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	\$121.75 plus -
Interim Rate Adjustment (IRA)	\$255.71 (Footnote 1)
Total Customer Charge	\$377.46

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. 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. 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; 2014 IRA - \$74.28

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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	\$84.01 plus -
Interim Rate Adjustment (IRA)	\$189.08 (Footnote 1)
Total Customer Charge	\$273.09

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; 2014 IRA - \$55.31

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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)	\$189.08 (Footnote 1)
Total Customer Charge	\$314.08

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; 2014 IRA - \$55.31

**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, Fabens, San Elizario, 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)	\$948.64 (Footnote 1)
	Total Customer Charge	\$1,249.14

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; 2014 IRA - \$275.25

Supersedes Same Rate Schedule Dated  
July 16, 2014

Meters Read On and After  
July 14, 2015

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.

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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)	\$189.08 (Footnote 1)
Total Customer Charge	\$314.08

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; 2014 IRA - \$55.31



**GUD NO. 10436**

**EXHIBIT B**

**Schedules**

SUMMARY

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
ENVIRONS GRIP FILING

Line No.	Description	12/31/2013 Previous Year	12/31/2014 Current Year	Reference
(a)	(b)	(c)	(d)	
1	Net Investment	\$ 222,109,553	\$ 253,334,939	(b) IRA-7 line 83 col (h), (c) IRA-8 line 81 col (h)
2	Increase in Net Investment		\$ 31,225,385	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		\$ 2,701,211	Line 2 * Line 3
6	Change in Depreciation Expense		\$ 781,189	IRA-9 line 81 col (f)
7	Change in Federal, Revenue and Other Taxes		\$ 1,449,299	IRA-5 line 13 col (g) plus IRA-6 line 32 col (c)
8	Change in Revenue Requirement		\$ 4,931,699	Sum of Lines 5 - 7
9				
10	Annual Number of Bills		2,885,118	
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	\$ 46.59	\$ 48.00	\$ 1.41	3.0%
23	Average Monthly Bill @ 4.2Mcf*	\$ 36.90	\$ 38.31	\$ 1.41	3.8%
24					
25	Commercial and Commercial A/C Customers				
26	Average Monthly Bill @ 30 Mcf	\$ 193.29	\$ 197.89	\$ 4.60	2.4%
27	Average Monthly Bill @ 22.6 Mcf*	\$ 152.64	\$ 157.24	\$ 4.60	3.0%
28					
29	Industrial Customers				
30	Average Monthly Bill @ 300 Mcf	\$ 2,228.48	\$ 2,283.79	\$ 55.31	2.5%
31	Average Monthly Bill @ 306.2 Mcf*	\$ 2,265.91	\$ 2,321.21	\$ 55.31	2.4%
32					
33	Public Authority and Public Authority A/C Customers				
34	Average Monthly Bill @ 300 Mcf	\$ 1,967.93	\$ 1,984.05	\$ 16.12	0.8%
35	Average Monthly Bill @ 107.7 Mcf*	\$ 761.09	\$ 777.21	\$ 16.12	2.1%
36					
37	Stand By Customers				
38	Average Monthly Bill @ 300 Mcf	\$ 7,873.93	\$ 7,929.24	\$ 55.31	0.7%
39	Average Monthly Bill @ 114.0 Mcf*	\$ 3,152.53	\$ 3,207.84	\$ 55.31	1.8%
40					
41	Municipal Water Pumping Customers				
42	Average Monthly Bill @ 300 Mcf	\$ 2,122.85	\$ 2,197.13	\$ 74.28	3.5%
43	Average Monthly Bill @ 658 Mcf*	\$ 4,278.52	\$ 4,352.81	\$ 74.28	1.7%
44					
45	Standard Transportation Customers				
46	Average Monthly Bill @ 3000 Mcf	\$ 19,283.59	\$ 19,558.84	\$ 275.25	1.4%
47	Average Monthly Bill @ 4373.2 Mcf*	\$ 27,573.14	\$ 27,848.39	\$ 275.25	1.0%

Current and Proposed Bill Information - Without Gas Cost					
		Current	Proposed	Difference	% Change
54	Residential Customers				
55	Average Monthly Bill @ 6 Mcf	\$ 14.29	\$ 15.70	\$ 1.41	9.9%
56	Average Monthly Bill @ 4.2Mcf*	\$ 14.29	\$ 15.70	\$ 1.41	9.9%
57					
58	Commercial and Commercial A/C Customers				
59	Average Monthly Bill @ 30 Mcf	\$ 31.77	\$ 36.37	\$ 4.60	14.5%
60	Average Monthly Bill @ 22.6 Mcf*	\$ 30.96	\$ 35.56	\$ 4.60	14.9%
61					
62	Industrial and Stand By Customers				
63	Average Monthly Bill @ 300 Mcf	\$ 613.32	\$ 668.63	\$ 55.31	9.0%
64	Average Monthly Bill @ 306.2 Mcf*	\$ 617.37	\$ 672.67	\$ 55.31	9.0%
65					
66	Stand By Customers				
67	Average Monthly Bill @ 300 Mcf	\$ 6,258.77	\$ 6,314.08	\$ 55.31	0.9%
68	Average Monthly Bill @ 114.0 Mcf*	\$ 2,538.77	\$ 2,594.08	\$ 55.31	2.2%
69					
70	Public Authority and Public Authority A/C Customers				
71	Average Monthly Bill @ 300 Mcf	\$ 352.77	\$ 368.89	\$ 16.12	4.6%
72	Average Monthly Bill @ 176.7 Mcf*	\$ 181.24	\$ 197.37	\$ 16.12	8.9%
73					
74	Municipal Water Pumping Customers				
75	Average Monthly Bill @ 300 Mcf	\$ 507.69	\$ 581.97	\$ 74.28	14.6%
76	Average Monthly Bill @ 658 Mcf*	\$ 735.94	\$ 810.22	\$ 74.28	10.1%
77					
78	Standard Transportation Customers				
79	Average Monthly Bill @ 3000 Mcf	\$ 3,131.99	\$ 3,407.24	\$ 275.25	8.8%
80	Average Monthly Bill @ 4373.2 Mcf*	\$ 4,028.41	\$ 4,303.66	\$ 275.25	6.8%

\*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 2014.

REVENUE RELATED AND OTHER TAXES

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA  
FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
ENVIRONS GRIP FILING

Line No.	Description	(a)	Total (b)	Adjustments (c)	12 Month End As Adjusted (at Present Rates) (d)	Adjustments (1) (e)	12 Month End As Adjusted (at Proposed Rates) (f)	Change (g)
1	Non Revenue - Related							
2	Ad Valorem Tax		\$ 2,372,433	\$ -	\$ 2,372,433	\$ 401,301	\$ 2,773,734	\$ 401,301
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		\$ 2,372,433	\$ -	\$ 2,372,433	\$ 401,301	\$ 2,773,734	\$ 401,301
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 2014. 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, 2014 AND ENDING DECEMBER 31, 2014  
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)	\$222,109,553		\$ 253,334,939	
3	Rate of Return	8.651%		8.651%	
4	Return on Investment		\$ 19,214,004		\$ 21,915,215
5					
6	Interest Expense				
7	Invested Capital (Rate Base)	\$222,109,553		\$ 253,334,939	
8	Weighted Cost of Debt	2.53120%		2.53120%	
9	Interest Expense		\$ 5,622,028		\$ 6,412,404
10					
11	After Tax Income		\$ 13,591,976		\$ 15,502,811
12					
13	Less ITC Amortization		\$ 15,923		\$ 3,517
14					
15	Net		\$ 13,576,053		\$ 15,499,295
16					
17	Gross- Up Factor		1.5384615		1.538
18					
19	Before Tax Return		\$ 20,886,235		\$ 23,845,068
20					
21	Federal Income Tax Rate		35%		35%
22					
23			\$ 7,310,182		\$ 8,345,774
24					
25	Less ITC Amortization		\$ 15,923		\$ 3,517
26					
31	Net Income Tax Expense		\$ 7,294,259		\$ 8,342,257
32	CHANGE IN FEDERAL INCOME TAX		\$ 1,047,998		

See "IRA-11 Footnotes" for notes (a) and (b).

WEIGHTED AVERAGE COST OF CAPITAL

TEXAS GAS SERVICE COMPANY  
EL PASO SERVICE AREA

FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
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, 2014 AND ENDING DECEMBER 31, 2014

### 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		\$ 4,931,699
Residential	0.7782	3,837,742
Commercial and Commercial A/C	0.1421	700,927
Industrial and Stand By	0.0061	29,921
Public Authority and Public Authority A/C	0.0379	186,738
Municipal Water Pumping	0.0036	17,828
Standard Transportation	0.0321	158,543
Total System	<u>1.00</u>	<u>\$ 4,931,699</u>