

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>STATEMENT OF INTENT OF TEXAS</b>	<b>§</b>	
<b>GAS SERVICE COMPANY, A DIVISION</b>	<b>§</b>	
<b>OF ONE GAS, INC., TO INCREASE GAS</b>	<b>§</b>	<b>GAS UTILITIES DOCKET NO. 10488</b>
<b>UTILITY RATES WITHIN THE</b>	<b>§</b>	
<b>UNINCORPORATED AREAS OF THE</b>	<b>§</b>	
<b>GALVESTON SERVICE AREA (GSA)</b>	<b>§</b>	
<b>AND SOUTH JEFFERSON COUNTY</b>	<b>§</b>	
<b>SERVICE AREA (SJCSA)</b>	<b>§</b>	

**FINAL ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Chapter 551 (Open Meetings) of the Texas Government Code. The Railroad Commission of Texas ("Commission") adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

***General***

1. On December 30, 2015, Texas Gas Service Company ("TGS"), a division of ONE Gas, Inc. ("ONE Gas"), filed with the Commission a Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South Jefferson County Service Area ("SOI"). The filing was docketed as GUD No. 10488.
2. The Galveston Service Area ("GSA") is comprised of the Cities of Galveston, Jamaica Beach, and Bayou Vista, and their associated environs.
3. The South Jefferson County Service Area ("SJCSA") is comprised of the Cities of Port Neches, Port Arthur, Nederland, and Groves, and their associated environs.
4. Along with a rate increase, TGS also seeks to consolidate these two service areas into a new, combined service area known as the Gulf Coast Service Area ("GCSA").
5. The data submitted by TGS in this docket encompass a full test-year of the 12-month period ending June 30, 2015, updated for known changes and conditions that are measurable with reasonable accuracy, including capital investment in service through December 31, 2015.

***Parties***

6. Applicant TGS is a “gas utility” under Section 101.003 (Definitions) of the Texas Utilities Code.
7. The following parties properly intervened: Staff of the Railroad Commission (“Staff”), GSA Cities whose members include the Cities of Galveston and Bayou Vista (“GSA Cities”), and SJCSA Cities whose members include the Cities of Groves, Nederland, Port Arthur, and Port Neches (“SJCSA Cities”).

***Scope of Proceeding and Jurisdiction***

8. Every municipality in the GSA and SJCSA has retained its exclusive original jurisdiction over the gas utility rates, operations, and services within the municipality.
9. Only one municipality—Jamaica Beach—has not appeared in this proceeding.
10. This docket does not involve appeals of any action taken by municipalities in the GSA or SJCSA.
11. Only TGS customers in the unincorporated areas of the GSA and SJCSA (“Environs”) are subject to the Commission’s jurisdiction in this docket.

***Notice; Procedure; Books and Records***

12. All required notices were issued and/or provided in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
13. This proceeding was conducted in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
14. TGS established it maintains its books and records in accordance with the Commission’s regulatory requirements. Therefore, TGS is entitled to the presumption that the amounts included therein are reasonable and necessary.

***Procedural Background***

15. On January 12, 2016, the Commission suspended TGS’s proposed rate change for a period of 150 days—from February 3, 2016, to July 2, 2016.
16. Prehearing conferences were held on January 12, 2016, and on February 2, 2016, to consider various procedural matters and technical issues.

17. On January 29, 2016, the Administrative Law Judge (“ALJ”) aligned GSA Cities and SJCSA Cities pursuant to Commission Rule 1.86 (Alignment of Municipal Intervenor for Purposes of Discovery).
18. On February 9, 2016, TGS provided public notice of its SOI to each TGS customer within the GSA and SJCSA by direct mail (“Public Notice”).
19. On February 16, 2016, TGS filed certain errata to its original filing (the “Errata Filing”).
20. From February 16-23, 2016, the Commission received seven timely-filed comment letters from affected ratepayers in the GSA and SJCSA, each voicing opposition to TGS’s initially-proposed rate amounts as contained in the Public Notice. On March 1, 2016, the ALJ forwarded to each of these seven affected ratepayers a “Complaint and Statement of Intent to Participate Form” in accordance with Commission Rule 7.240 (Statement of Intent to Participate). The instructions on the Complaint and Statement of Intent to Participate Form—and the cover letters that attached the form—instructed the recipients that the completed form must be received by the Commission within 14 days after March 1, 2016, or else the Commission would not consider it to be a properly-filed complaint. None of these forms subsequently were returned to the Commission, timely or otherwise.
21. On February 22, 2016, the ALJ severed the rate case expenses portion of GUD No. 10488 into a separate docket, GUD No. 10496.
22. On February 24, 2016, the ALJ issued a Notice of Hearing in GUD No. 10488, which set the hearing on the merits for March 29, 2016 (“Notice of Hearing”).
23. On February 25, 2016, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1030*.
24. By March 3, 2016, the ALJ provided the Notice of Hearing to the governing body of each affected municipality and county.
25. On March 24, 2016, the parties filed a Unanimous Settlement Agreement (“Settlement”), unanimously agreed to by TGS, Staff, GSA Cities, and SJCSA Cities, resolving all issues.
26. On March 29, 2016, the rate case expenses portion of GUD No. 10488—previously severed into a separate docket, GUD No. 10496—was reconsolidated back into GUD No. 10488.
27. On March 29, 2016, a hearing was held and TGS’s exhibits in support of the Settlement were admitted into the record without objection by Staff, GSA Cities, or SJCSA Cities.
28. On April 1, 2016, TGS submitted revised versions of certain TGS exhibits, including a revised version of the Settlement.

29. On April 18, 2016, the ALJ issued rulings that granted certain TGS motions to amend the evidentiary record and seal certain highly sensitive and confidential material.
30. The following evidence was admitted into the record in this case:
- Ex. 1, “GUD 10488 – Statement of Intent of Texas Gas Service Company, a Division of One Gas, Inc., to Increase Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South Jefferson County Service Area (Includes all Attachments Except Testimony), Filed on December 30, 2015. Includes Electronic Files and Workpapers”;
  - Ex. 1a, “TGS’s Confidential Schedule Workpapers”;
  - Ex. 2, “TGS Errata Filing (Includes Electronic Files and Workpapers), Filed February 16, 2016”—as amended;
  - Ex. 3, “Affidavit of Damon S. Tucker attesting to Completion of Public Notice, Filed February 24, 2016”;
  - Ex. 4, “Unanimous Settlement Agreement (Includes All Attachments)”—as amended;
  - Ex. 5, “Direct Testimony and Workpapers of Caron A. Lawhorn”;
  - Ex. 6, “Direct Testimony of Jim Jarrett”;
  - Ex. 7, “Direct Testimony and Workpapers of Stacey L. McTaggart”;
  - Ex. 8, “Direct Testimony of Denise E. Dembowski”;
  - Ex. 9, “Direct Testimony of Stacey R. Borgstadt”;
  - Ex. 10, “Direct Testimony and Workpapers of Anna Kern”;
  - Ex. 10a, “Confidential Direct Testimony Exhibits of Anna Kern”;
  - Ex. 11, “Direct Testimony of Teresa D. Serna”;
  - Ex. 12, “Direct Testimony and Workpapers of Janet M. Simpson”;
  - Ex. 13, “Direct Testimony and Workpapers of Joshua C. Nowak”;
  - Ex. 13a, “Confidential Workpapers of Joshua C. Nowak”;
  - Ex. 14, “Direct Testimony of Ronald E. White”;
  - Ex. 15, “Direct Testimony and Workpapers of Bruce H. Fairchild”; and
  - Ex. 16, “Direct Testimony and Workpapers of F. Jay Cummings”—as amended.
31. On April 21, 2016, the ALJ and Examiners issued the Proposal for Decision (“PFD”).

### ***The Settlement***

32. The Settlement, unanimously agreed to by TGS, Staff, GSA Cities, and SJCSA Cities, resolves all issues in GUD 10488.
33. The signatories to the Settlement—TGS, GSA Cities, SJCSA Cities, and Staff—represent diverse interests and have engaged in significant discovery regarding the issues in dispute.
34. The Settlement resolves all issues in a manner consistent with the public interest.

35. Capital costs for infrastructure, such as IT hardware and software, office-related investment, and signage were reasonably incurred as part of the separation of TGS from ONEOK, Inc. ("ONEOK") to ONE Gas and should be recovered in rates. Separation expenses associated with the Transition Services Agreement and data migration, to the extent such expenses are non-recurring, are not eligible for rate recovery.
36. TGS will no longer enter into financial hedging instruments as part of its gas supply portfolio for the TGS's GCSA without prior approval from the Commission. This agreement shall be reflected in the separate Gas Cost Clauses that will remain in effect for the GSA and SJCSA.
37. Except where specified otherwise below, the terms of the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules.
38. Except where specified otherwise below, the rates, terms and conditions reflected in Settlement are just and reasonable and comply with the rate-setting requirements of Chapter 104 (Rates and Services) of the Texas Utilities Code.
39. TGS's request to consolidate the incorporated and unincorporated areas of the SJCSA and incorporated and unincorporated areas of the GSA to create the new GCSA is just and reasonable.
40. TGS's requested increase of an additional \$2.3 million in annual revenues in the new GCSA, as specified and detailed in the Settlement, is just and reasonable.
41. The following customer charges and per Ccf volumetric rates are just and reasonable.

	Customer Charge	Commodity Charge
Residential	\$13.00	\$0.45616 per Ccf all usage
Commercial	\$54.00	\$0.22140 per Ccf First 250 \$0.19380 per Ccf Over 250
Commercial Transportation	\$300.00	\$0.22140 per Ccf First 250 \$0.19380 per Ccf Over 250
Public Authority	\$110.00	\$0.15672 per Ccf First 250 \$0.13092 per Ccf Over 250
Public Authority Transportation	\$300.00	\$0.15672 per Ccf First 250 \$0.13092 per Ccf Over 250
Industrial	\$110.00	\$0.40060 per Ccf First 250 \$0.37480 per Ccf Over 250
Industrial Transportation	\$300.00	\$0.40060 per Ccf First 250 \$0.37480 per Ccf Over 250

42. It is just and reasonable that any Interim Rate Adjustment (“IRA”) filing in the GCSA pursuant to Section 104.301 (Interim Adjustment for Changes in Investment) of the Texas Utilities Code shall use the following factors until changed by a subsequent general rate proceeding:

- The capital structure and related components shall be as shown in Finding of Fact No. 48, below.
- For the initial filing, the Net Investment, including the detail of Plant in Service amounts along with the associated depreciation rate for each account, shall be as shown on Exhibit C to the Settlement.
- For the initial filing, the net plant in service shall be \$70,627,672.
- For the initial filing, the customer charges as noted in Finding of Fact No. 41, above will be the starting rates to apply to any IRA adjustment; and
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	78.95%
Commercial	16.98%
Public Authority	3.33%
Industrial	0.74%
Total Allocation	100.00%

43. TGS’s proposed class revenue allocation identified in the Settlement is just and reasonable.
44. It is just and reasonable to correct the Account 903 – Customer Accounting allocation factor to reflect the methodology approved in GUD No. 9988, and apply this factor to the Account 903 Customer Accounting expenses for purposes of allocating these expenses to the rate classes.
45. TGS’s proposed depreciation rates for distribution and general plant in the GCSA, as well as TGS Division plant and corporate plant depreciation rates, as shown in the Settlement, are just and reasonable.
46. TGS’s capital investment booked to plant through December 31, 2015, including investment in TGS’s Interim Rate Adjustment for the SJCSA Cities filed on November 30, 2014, is prudent.
47. TGS complied with the reporting requirements contained in Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) of the Texas Utilities Code when TGS separated from ONEOK to ONE Gas.
48. The separation of TGS from ONEOK to ONE Gas is in the public interest.

49. The capital structure and weighted cost of capital contained in the Settlement are just and reasonable.

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.796%	3.950%	1.572%	1.572%
Common Equity	60.204%	9.500%	5.719%	8.799%
Rate of Return	100.000%		<b>7.291%</b>	<b>10.371%</b>

50. The base year level of pension-related and other post-employment benefits expenses are just and reasonable.

Description	Total
Pension	\$229,871
OPEB	\$3,252
Grand Total	\$233,123

51. Affiliate costs are not applicable to this proceeding.

***Rate Case Expenses - Amounts***

52. TGS requested actual and estimated rate case expenses totaling \$646,020.27. This amount includes \$321,500 for required regulatory expenses, \$199,520.27 for litigation expenses through February 2016, and \$125,000 in estimated expenses through conclusion of this docket.
53. TGS submitted sworn testimony attesting to the reasonableness of its rate case expense amounts, along with supporting documentation.
54. TGS established the reasonableness of its rate case expenses.
55. SJCSA Cities requested actual rate case expenses totaling \$95,017.50 for legal and consulting services through March 15, 2016.
56. SJCSA Cities submitted sworn testimony attesting to the reasonableness of its rate case expense amounts, along with supporting documentation.
57. SJCSA Cities established the reasonableness of its rate case expenses.
58. GSA Cities requested actual rate case expenses totaling \$126,277.81. This amount includes \$101,277.81 for expenses for legal and consulting services through February 2016, and \$25,000 in estimated expenses through conclusion of this docket.

59. GSA Cities submitted sworn testimony attesting to the reasonableness of its rate case expense amounts, along with supporting documentation.
60. GSA Cities established the reasonableness of its rate case expenses.
61. Rate case amounts of TGS, GSA Cities, and SJCSA Cities are reasonable and recoverable pursuant to Section 103.022 (Rate Assistance and Cost Reimbursement) of the Texas Utilities Code and Commission Rule 7.5530 (Allowable Rate Case Expenses).

***Rate Case Expenses – Allocation and Recovery***

62. The Settlement contains a Rate Case Expense Surcharge (“RCE”), which sets a single monthly surcharge of \$0.0172 per Ccf (“RCE Rate”) to apply to TGS customers in the incorporated and unincorporated areas served in TGS’s proposed new GCSA, including Galveston, Bayou Vista, Port Neches, Port Arthur, Nederland, and Groves.
63. Per the Settlement, the RCE Rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules, not to exceed actual expense, for a period of 24 months.
64. Good cause exists to approve the RCE Rate only for TGS customers in the incorporated areas served in TGS’s proposed new GCSA, including Galveston, Bayou Vista, Port Neches, Port Arthur, Nederland, and Groves, and doing so is necessary in the interest of justice.
65. The Environs customers’ just and reasonable allocated share of the \$867,315.58 in total rate case expenses is \$12,141, which reflects: allocation of \$6,029 for TGS’s required regulatory expenses; allocation of \$3,757 for TGS’s litigation expenses; and allocation of \$2,354 for TGS’s estimated expenses.
66. A monthly surcharge of \$0.0172 per Ccf for Environs customers for a 24-month period is not just and reasonable.
67. A monthly surcharge of \$0.0129 per Ccf for Environs customers for a 24-month period is just and reasonable.
68. It is just and reasonable for TGS to collect a monthly surcharge of \$0.0172 per Ccf from the TGS customers in the incorporated areas served in TGS’s proposed new GCSA, including Galveston, Bayou Vista, Port Neches, Port Arthur, Nederland, and Groves, and concurrently to collect a monthly surcharge of \$0.0129 per Ccf from TGS Environs customers, until all actual rate case expenses are recovered.



## CONCLUSIONS OF LAW

### *Jurisdiction*

1. TGS is a gas utility as defined in Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code and therefore is subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over all matters decided in this docket.
3. The Commission has exclusive original jurisdiction over the rates and services of TGS for customers located in the unincorporated areas of the current GSA and SJCSA, and the proposed consolidated GCSA.
4. The Commission does not have original jurisdiction over the rates and services of TGS for customers located in the municipalities of the current GSA and SJCSA, or the proposed consolidated GCSA.
5. The Commission does not have appellate jurisdiction over the rates and services of TGS for customers located in the municipalities of the current GSA and SJCSA, or the proposed consolidated GCSA.

### *Notice and Procedure*

6. All required notices were issued and/or provided in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
7. This proceeding was conducted in accordance with the requirements of the Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
8. The Commission properly suspended the operation of TGS's proposed rate schedule for 150 days pursuant to Section 104.107 (Rate Suspension; Deadline) of the Texas Utilities Code.
9. The deadline for Commission action in this docket is July 2, 2016.

### *Books and Records*

10. TGS established it maintains its books and records in accordance with the Commission's regulatory requirements. Therefore, TGS is entitled to the presumption that the amounts included therein are reasonable and necessary.

***Burden of Proof***

11. TGS has the burden of proving that its proposed rate changes are just and reasonable.
12. TGS has the burden of proving its other requested relief by a preponderance of the evidence.
13. TGS has the burden of proving the reasonableness of its rate case expenses by a preponderance of the evidence.
14. GSA Cities has the burden of proving the reasonableness of its rate case expenses by a preponderance of the evidence.
15. SJCSA Cities has the burden of proving the reasonableness of its rate case expenses by a preponderance of the evidence.

***TGS's Requested Relief***

16. TGS's SOI complied with the requirements of Section 104.102 (Statement of Intent to Increase Rates) of the Texas Utilities Code.
17. The proposed rates constitute a major change as defined by Section 104.101 (Definition) of the Texas Utilities Code.
18. TGS failed to meet its burden of proof with respect to its original SOI.
19. TGS met its burden of proof with respect to the proposed rates, terms, and other requested relief in the Settlement.
20. All terms in the Settlement are just and reasonable and are consistent with the requirements of Subtitle A (Gas Utility Regulatory Act) and applicable Commission rules.
21. TGS's request to consolidate the incorporated and unincorporated areas of the SJCSA and incorporated and unincorporated areas of the GSA to create the new GCSA is just and reasonable.
22. The revenue, rates, rate design, and service charges in the Settlement are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by Subtitle A (Gas Utility Regulatory Act) of the Texas Utilities Code.
23. The overall revenues as established by the findings of fact and contained in the Settlement are just and reasonable, fix an overall level of revenues for TGS that will permit the utility a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable

and necessary operating expenses, as required by Section 104.051 (Establishing Overall Revenues) of the Texas Utilities Code, and otherwise comply with Chapter 104 (Rates and Services) of the Texas Utilities Code.

24. The revenue, rates, rate design, and service charges proposed will not yield to TGS more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by Section 104.052 (Establishing Fair Rate of Return) of the Texas Utilities Code.
25. The rates established in this docket comport with the requirements of Section 104.053 (Components of Adjusted Value of Invested Capital) of the Texas Utilities Code and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.
26. Because there are no affiliate costs included in TGS's rate request, the Commission does not need to address whether the statutory standard in Section 104.055(b) (Net Income; Allowable Expenses) of the Texas Utilities Code has been met for recovery of affiliate costs.
27. TGS's proposed depreciation rates for distribution and general plant in the GCSA, as well as TGS Division plant and corporate plant depreciation rates, as contained in the Settlement, are just and reasonable.
28. TGS's capital investment booked to plant through December 31, 2015, including investment in TGS's Interim Rate Adjustment for the cities served in the SJCSA filed on November 30, 2014, is prudent.
29. TGS complied with the reporting requirements contained in Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) of the Texas Utilities Code when TGS separated from ONEOK to ONE Gas.
30. The separation of TGS from ONEOK to ONE Gas is in the public interest.

#### ***Rate Case Expenses***

31. Only TGS customers in the unincorporated areas of the current GSA and SJCSA, and proposed new GCSA, are subject to the Commission's jurisdiction in this docket, including the Commission's jurisdiction with respect to ordering recovery of rate case expenses.
32. TGS met its burden of proving the reasonableness of its rate case expenses.
33. GSA Cities met its burden of proving the reasonableness of its rate case expenses.
34. SJCSA Cities met its burden of proving the reasonableness of its rate case expenses.

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

**IT IS FURTHER ORDERED** that TGS's request to consolidate the GSA and SJCSA into the single GCSA is hereby **APPROVED**.

**IT IS FURTHER ORDERED** that TGS's proposed rates in the Settlement, subject to the changes specified in this Final Order, are hereby **APPROVED**.

**IT IS FURTHER ORDERED** that all other terms and proposed relief in the Settlement, subject to the changes specified in this Final Order, are hereby **APPROVED**.

**IT IS FURTHER ORDERED** that TGS shall amend its Rate Case Expense Surcharge tariff consistent with this Final Order.

**IT IS FURTHER ORDERED** that TGS shall recover incurred rate case expenses from customers in the incorporated areas and unincorporated areas in the GCSA concurrently.

**IT IS FURTHER ORDERED** that, within 30 days of issuance of this Final Order, TGS, GSA Cities, and SJCSA Cities file with the Commission their final actual incurred rate case expenses through completion of this docket.

**IT IS FURTHER ORDERED** that TGS shall file a reconciliation report annually on or before December 31<sup>st</sup>, commencing in 2016. TGS shall file the report with the Commission, addressed to the Director of the Oversight and Safety Division and referencing GUD No. 10488, Rate Case Expense Recovery Report. The report shall include, at minimum, the information specified in Part E (Compliance) of the RCE.

**IT IS FURTHER ORDERED** that all other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not specifically granted or approved in this Final Order, are hereby **DENIED**.

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 ANN. § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

**SIGNED** this 3rd day of May, 2016.


**RAILROAD COMMISSION OF TEXAS**

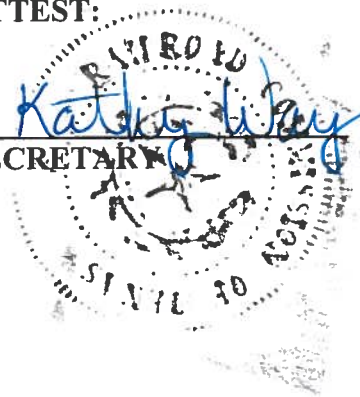
  
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CHAIRMAN DAVID PORTER

  
\_\_\_\_\_  
COMMISSIONER CHRISTI CRADDICK

  
\_\_\_\_\_  
COMMISSIONER RYAN SITTON

**ATTEST:**

  
\_\_\_\_\_  
SECRETARY



# Parsley Coffin Renner

A Limited Liability Partnership

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March 24, 2016

Ms. Cecile Hanna, ALJ  
Mr. John Dodson, ALJ  
Ms. Rose Ruiz, Technical Examiner  
Mr. James Currier, Technical Examiner  
Hearings Division  
Railroad Commission of Texas  
1701 N. Congress Ave., 12<sup>th</sup> Floor  
Austin, Texas 78701

2016 APR -1 PM 2:21

Re: GUD No. 10488; *Texas Gas Service Company, a division of ONE Gas, Inc.'s Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South Jefferson County Service Area*

Dear ALJs and Examiners:

Texas Gas Service Company, a division of ONE Gas, Inc., (the "Company"), Staff of the Railroad Commission of Texas, the South Jefferson County Service Area Cities, and the Galveston Service Area Cities (collectively, the "Parties") have reached a Unanimous Settlement Agreement that resolves all issues related to the above-referenced docket. By reaching a settlement agreement, the Parties have avoided significant litigation costs that would otherwise have been incurred to continue to litigate this case and the related rate case expense docket. I have attached an executed copy of the Unanimous Settlement Agreement, including agreed rate schedules and tariffs. Consistent with the terms of the Unanimous Settlement Agreement, a brief hearing will need to be held to enter exhibits into the record and address Motions to Seal the Record, but it will not be necessary to hold an evidentiary hearing.

Parties would appreciate the Examiners and ALJs scheduling this docket for consideration at the earliest available Railroad Commission Conference.

Please contact me with any questions or concerns.

Respectfully,

*Kate Norman*

Kate Norman  
Attorney for Texas Gas Service Company

## Attachment

cc: All parties of record  
Mark Evarts  
Stacey McTaggart  
Denise Dembowski

FILED

APR 01 2016

HEARINGS DIVISION  
RAILROAD COMMISSION OF TEXAS

**GAS UTILITIES DOCKET NO. 10488**

<b>STATEMENT OF INTENT OF</b>	<b>§</b>	
<b>TEXAS GAS SERVICE COMPANY, A</b>	<b>§</b>	
<b>DIVISION OF ONE GAS, INC., TO</b>	<b>§</b>	<b>BEFORE THE</b>
<b>INCREASE GAS UTILITY RATES</b>	<b>§</b>	
<b>WITHIN THE UNINCORPORATED</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>AREAS OF THE GALVESTON</b>	<b>§</b>	
<b>SERVICE AREA AND SOUTH</b>	<b>§</b>	<b>OF TEXAS</b>
<b>JEFFERSON COUNTY SERVICE</b>	<b>§</b>	
<b>AREA</b>	<b>§</b>	

**UNANIMOUS SETTLEMENT AGREEMENT**

This Settlement Agreement is entered into by and between Texas Gas Service Company, a division of ONE Gas, Inc. ("TGS" or the "Company"); the South Jefferson County Service Area Cities whose members include the Cities of Groves, Nederland, Port Arthur, and Port Neches, Texas (collectively, "SJCSA Cities"); the Galveston Service Area Cities whose members include the Cities of Galveston and Bayou Vista, Texas (collectively, "GSA Cities"); and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

WHEREAS, on December 30, 2015, TGS filed its Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") and each of the cities in the Galveston Service Area and South Jefferson County Service Area retaining original jurisdiction; and

WHEREAS, TGS proposes in this case to consolidate the incorporated and unincorporated areas of the GSA and incorporated and unincorporated areas of the SJCSA into the new Gulf Coast Service Area; and

WHEREAS, the Commission docketed the rate request as GUD No. 10488; and

WHEREAS, the SJCSA Cities, the GSA Cities, and Staff sought intervention and were granted party status in GUD No. 10488; and

WHEREAS, the SJCSA Cities and the GSA Cities have suspended the implementation of the Company's rate request until May 3, 2016; and

WHEREAS, TGS has filed direct testimony and an errata to its Statement of Intent; and

WHEREAS, TGS provided public notice by direct mail on February 9, 2016 to all affected customers in the form approved by the Examiners; and

WHEREAS, direct testimony of the SJCSA Cities, the GSA Cities, and Staff was due on March 8, 2016, but the SJCSA Cities, GSA Cities and Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, the intervenors in this docket and TGS (collectively "the Parties") have engaged in significant discovery regarding the issues in dispute; and

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers within the SJCSA Cities, GSA Cities and the unincorporated areas affected by this docket; and

WHEREAS, the Signatories represent diverse interests and the Unanimous Settlement Agreement resolves the issues in GUD No. 10488 in a manner that the Signatories agree is consistent with the public interest; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission, the SJCSA Cities and the GSA Cities, the following Settlement Terms as a means of resolving the rate request pending before the SJCSA Cities, the GSA Cities and the Commission without the need for additional litigation:

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the tariffs and rate schedules attached to this Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede the tariffs currently in effect in the SJCSA Cities, the GSA Cities and the environs of the SJCSA and GSA. These tariffs are based on approval of a consolidated, new service area known hereafter as the Gulf Coast Service Area and represent an increase of an additional \$2.3 million in annual revenues as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement. Except as specifically provided herein, the Signatories agree that the \$2.3 million revenue increase is a "black box" figure and is not tied to any specific expense or methodology in the underlying cost of service in TGS's Gulf Coast Service Area. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall, subject to approval of the SJCSA Cities and GSA Cities, be effective for the SJCSA Cities' and GSA Cities' meters read on or after May 1, 2016. Should the SJCSA Cities or the GSA Cities not approve this Settlement Agreement in time for TGS to implement rates for meters read on or after May 1, 2016, the SJCSA Cities, GSA Cities and TGS agree that on May 1, 2016, TGS's rates as agreed herein, will be established as temporary rates for service on and after that date until such time as the SJCSA Cities and GSA Cities take final action to approve this Settlement Agreement.
2. The Signatories agree that the Company's request to consolidate the incorporated and unincorporated areas of the South Jefferson County Service Area and incorporated and unincorporated areas of the Galveston Service Area to create the new Gulf Coast Service Area is reasonable and should be approved. Therefore, the rates agreed to in this Settlement Agreement have been established consistent with implementing a system-wide cost of service methodology in the Gulf Coast Service Area.



3. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

	Customer Charge	Commodity Charge
Residential	\$13.00	\$0.45616 per Ccf all usage
Commercial	\$54.00	\$0.22140 per Ccf First 250 \$0.19380 per Ccf Over 250
Commercial Transportation	\$300.00	\$0.22140 per Ccf First 250 \$0.19380 per Ccf Over 250
Public Authority	\$110.00	\$0.15672 per Ccf First 250 \$0.13092 per Ccf Over 250
Public Authority Transportation	\$300.00	\$0.15672 per Ccf First 250 \$0.13092 per Ccf Over 250
Industrial	\$110.00	\$0.40060 per Ccf First 250 \$0.37480 per Ccf Over 250
Industrial Transportation	\$300.00	\$0.40060 per Ccf First 250 \$0.37480 per Ccf Over 250

4. The Signatories agree that the Company's proposed depreciation rates for distribution and general plant in the Gulf Coast Service Area, as well as TGS Division plant and corporate plant depreciation rates, as shown on Exhibit C, are reasonable.
5. The Signatories agree that the Company's capital investment booked to plant through December 31, 2015, including investment in TGS's Interim Rate Adjustment for the SJCSA Cities filed on November 30, 2014, is prudent.
6. The Signatories agree that the separation of TGS from ONEOK, Inc. to ONE Gas, Inc., which TGS reported to the Commission in GUD No. 10339 pursuant to Texas Utilities Code § 102.051, is in the public interest.
7. The Signatories further agree that capital costs for infrastructure, such as IT hardware and software, office-related investment, and signage were reasonably incurred as part of the separation of TGS from ONEOK, Inc. to ONE Gas, Inc. and should be recovered in rates. Separation expenses associated with the Transition Services Agreement and data migration, to the extent such expenses are non-recurring, are not eligible for rate recovery.
8. The Signatories agree that while base rates will be determined using a consolidated system-wide cost of service methodology, TGS will maintain separate Cost of Gas rates for the SJCSA Cities and associated unincorporated areas and the GSA Cities and associated unincorporated areas.
9. TGS agrees, pursuant to the request of Staff and the SJCSA Cities, that TGS will no longer enter into financial hedging instruments as part of its gas supply portfolio for the Company's Gulf Coast Service Area without prior approval from the Commission. This agreement shall be reflected in the separate Gas Cost Clauses that will remain in effect for the GSA and SJCSA as follows:

Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, storage, balancing, and swing services necessary for the movement of gas to the Company's city gate delivery points. ~~The Cost of Purchased Gas shall also include gains or losses from the utilization of natural gas financial instruments that are executed by the Company for the purpose of mitigating high prices and price volatility.~~ The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). The cost of purchased gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15<sup>th</sup>.

10. The Signatories agree to the following actual capital structure and weighted cost of capital, including the pre-tax return, as shown below:

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.796%	3.950%	1.572%	1.572%
Common Equity	60.204%	9.500%	5.719%	8.799%
Rate of Return	100.000%		7.291%	10.371%

11. The Signatories agree that any Interim Rate Adjustment ("IRA") filing in the Gulf Coast Service Area pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:

- The capital structure and related components shall be as shown above in item 10.
- For the initial filing, the Net Investment, including the detail of Plant in Service amounts along with the associated depreciation rate for each account, shall be as shown on Exhibit C.
- For the initial filing, the net plant in service shall be \$70,627,672.
- For the initial filing, the customer charges as noted in paragraph 3 above will be the starting rates to apply to any IRA adjustment; and
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	78.95%
Commercial	16.98%
Public Authority	3.33%
Industrial	0.74%
Total Allocation	100.00%

12. The Signatories agree that the Company's proposed class revenue allocation identified as "Revenue Allocation Three" on Exhibit FJC-2, which is contained in the Direct Testimony of TGS witness Jay Cummings, is reasonable and should be approved.

- a. It is reasonable to correct the Account 903 – Customer Accounting allocation factor to reflect the methodology approved in GUD No. 9988, and apply this factor to the Account 903 Customer Accounting expenses for purposes of allocating these expenses to the rate classes.

13. To give effect to Texas Utilities Code § 104.059, the Signatories agree that the base year level of pension-related and other post-employment benefits expenses shall be as follows:

Description	Total
Pension	\$229,871
OPEB	\$3,252
Grand Total	\$233,123

14. Because there are no affiliate costs included in TGS's rate request, the Commission does not need to address whether the statutory standard in Texas Utilities Code § 104.055(b) for recovery of affiliate costs has been met.
15. TGS, the SJCSA Cities, and the GSA Cities represent that their reasonable rate case expenses incurred through February 2016, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Invoices Received	Invoices Due and Est. to Completion	Total
TGS	\$521,020.27	\$125,000	\$646,020.27
SJCSA Cities	\$95,017.50	\$0	\$95,017.50
GSA Cities	\$101,277.81	\$25,000	\$126,277.81

16. TGS, the SJCSA Cities, and the GSA Cities attach as Exhibit D affidavits and invoices in support of the rate case expense amounts, and will supplement with additional invoices as they are processed. Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. Signatories agree that the recovery period for the applicable surcharge to recover rate case expenses shall be 24 months. TGS agrees to reimburse SJCSA Cities and GSA Cities the amount of rate case expenses set forth above within 30 days of the issuance of an order authorizing recovery of those expenses. TGS, the SJCSA Cities, and the GSA Cities shall recover estimated rate

case expenses only to the extent they are actually incurred. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.

17. TGS shall file annually, due on or before December 31<sup>st</sup>, a rate case expense recovery report with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10488. The report shall include the volumes used by month by customer class during the applicable period, the amount of rate case expense recovered by month, and the outstanding balance by month as set out in Rate Schedule RCE-ENV.
18. TGS agrees to meet with the GSA Cities and with the SJCSA Cities within 30 days of the approval of this Unanimous Settlement Agreement to discuss the possibility of implementing a Cost of Service Adjustment mechanism.
19. The Signatories agree to the admission of the following items, including any confidential portions:
  - Texas Gas Service Company, a division of ONE Gas, Inc.'s Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South Jefferson County Service Area, filed on December 31, 2015, as amended by the errata filing of February, 16, 2016, inclusive of all attachments and including the direct testimony of the following witnesses:
    - Caron Lawhorn
    - Jim Jarrett
    - Stacey McTaggart
    - Denise Dembowski
    - Stacey Borgstadt
    - Anna Kern
    - Teresa Serna
    - Janet Simpson
    - Joshua Nowak
    - Ronald White
    - Bruce Fairchild
    - Jay Cummings
  - Affidavit of Damon S. Tucker attesting to Public Notice (filed February 24, 2016)
  - Affidavit of Ann M. Coffin attesting to the reasonableness of TGS's rate case expenses, attached as Exhibit D to this Unanimous Settlement Agreement
  - Affidavit of Dan Lawton attesting to the reasonableness of the SJCSA Cities' rate case expenses, attached as Exhibit D to this Unanimous Settlement Agreement
  - Affidavit of Thomas Brocato attesting to the reasonableness of the GSA Cities' rate case expenses, attached as Exhibit D to this Unanimous Settlement Agreement

20. The Signatories agree to support and seek approval by the Commission, the SJCSA Cities and the GSA Cities of this Unanimous Settlement Agreement. The SJCSA Cities and GSA Cities agree to make every effort to present their cities with this Settlement Agreement at city council meetings during March-April 2016.
21. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on December 30, 2015.
22. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Unanimous Settlement Agreement.
23. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Unanimous Settlement Agreement or its subsequent withdrawal.
24. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
25. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 24 day of March 2016.

TEXAS GAS SERVICE COMPANY, a Division of ONE Gas, Inc.

By:

  
Ann M. Coffin

Attorney for Texas Gas Service Company

SOUTH JEFFERSON COUNTY SERVICE AREA CITIES.

By:

  
Dan Lawton

Attorney for South Jefferson County Service Area Cities

Agreed in principle, subject to approval of the South Jefferson County Service Area City Councils

GALVESTON SERVICE AREA CITIES

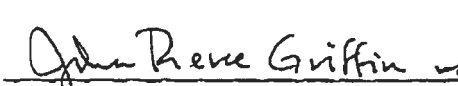
By:

 at permission by KWN  
Thomas Brocato

Attorney for Galveston Service Area Cities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By:

 at permission by KWN  
John Pierce Griffin

Attorney for Staff of the Railroad Commission of Texas

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 10**

**RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

Incorporated areas served in Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Nederland, Groves and Port Neches, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of                      \$ 13.00 plus -

All Ccf per monthly billing period @                                 \$ 0.45616 per Ccf

**OTHER ADJUSTMENTS**

**Cost of Gas Component:** The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

**Weather Normalization Adjustment:** The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**Rate Schedule IKE-RIDER:** Adjustments in accordance with provisions of the Hurricane Ike Surcharge Rider applicable only to the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas.

**Rate Schedule RCE:** Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

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

**CONDITIONS**

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

Supersedes Rate Schedules:  
SJC Svc Area dated Mar. 12, 2015  
Galv Svc Area dated Jul. 24, 2015

Meters Read On or After  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 20**

**COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to commercial consumers for all purposes and all other consumers not otherwise specifically provided for.

**TERRITORY**

Incorporated areas served in Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Nederland, Groves and Port Neches, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$ 54.00 plus –
All Ccf per monthly billing period @	
The First 250 Ccf @	\$ 0.22140 per Ccf
All Over 250 Ccf @	\$ 0.19380 per Ccf

**OTHER ADJUSTMENTS**

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule IKE-RIDER: Adjustments in accordance with provisions of the Hurricane Ike Surcharge Rider applicable only to the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

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

**CONDITIONS**

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

The rate schedule may be used for special unmetered service such as gas street lights. The total hourly rated consumption of all gas burning appliances included, expressed in Ccf, at the location, shall be multiplied by 731 to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf shall then be billed the rates provided in this rate.

Supersedes Rate Schedules:  
SJC Svc Area dated Mar. 12, 2015  
Galv Svc Area dated Jul. 24, 2015

Meters Read On or After  
May 1, 2016



**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 30**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

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

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

**TERRITORY**

Incorporated areas served in Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Nederland, Groves and Port Neches, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$ 110.00 plus -

All Ccf per monthly billing period @

The First 250 Ccf @ \$ 0.40060 per Ccf

All Over 250 Ccf @ \$ 0.37480 per Ccf

**OTHER ADJUSTMENTS**

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Rate Schedule IKE-RIDER: Adjustments in accordance with provisions of the Hurricane Ike Surcharge Rider applicable only to the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

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

**CONDITIONS**

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

Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other customers served.

Supersedes Rate Schedules:  
SJC Svc Area dated Mar. 12, 2015  
Galv Svc Area dated Jul. 24, 2015

Meters Read On or After  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 40**

**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**

Incorporated areas served in Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Nederland, Groves and Port Neches, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:  
A customer charge per meter per month of \$ 110.00 plus -

All Ccf per monthly billing period @  
The First 250 Ccf @ \$ 0.15672 per Ccf  
All Over 250 Ccf @ \$ 0.13092 per Ccf

**OTHER ADJUSTMENTS**

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule IKE-RIDER: Adjustments in accordance with provisions of the Hurricane Ike Surcharge Rider applicable only to the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

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

**CONDITIONS**

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

The rate schedule may be used for special unmetered service such as gas street lights. The total hourly rated consumption of all gas burning appliances included, expressed in Ccf, at the location, shall be multiplied by 731 to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf shall then be billed the rates provided in this rate.

Supersedes Rate Schedules:  
SJC Svc Area dated Mar. 12, 2015  
Galv Svc Area dated Jul. 24, 2015

Meters Read On or After  
May 1, 2016

RATE SCHEDULE 1Z

RESIDENTIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

Unincorporated areas served in the vicinity of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Nederland, and Groves, Texas.

COST OF SERVICE RATE:

During each monthly billing period:

A customer charge per meter per month of \$ 13.00 plus -

All Ccf per monthly billing period @ \$ 0.45616 per Ccf

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Supersedes:  
SJC Rate Sched 1Z dated May 4, 1992 and  
Galv Rate Schedules 1Z & 1C dated June 9, 1988

Meters Read On or After  
May 1, 2016

RATE SCHEDULE 2Z

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers for all purposes and all other consumers not otherwise specifically provided for.

TERRITORY

Unincorporated areas served in the vicinity of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Nederland and Groves, Texas.

COST OF SERVICE RATES

During each monthly billing period:

A customer charge per meter per month of \$ 54.00 plus –

All Ccf per monthly billing period @

The First 250 Ccf @ \$ 0.22140 per Ccf

All Over 250 Ccf @ \$ 0.19380 per Ccf

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.
2. The rate schedule may be used for special unmetered service such as gas street lights. The total hourly rated consumption of all gas burning appliances included, expressed in Ccf, at the location, shall be multiplied by 731 to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf shall then be billed the rates provided in this rate.

Supersedes:  
SJC Rate Sched 2Z dated May 4, 1992 and  
Galv Rate Schedules 2Z & 2C dated June 9, 1988

Meters Read On and After  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 3Z**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

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

Division B - Mining - all Major Groups

Division D - Manufacturing - all Major Groups

Divisions E and J - Utility and Government - facilities generating power for resale only

**TERRITORY**

Unincorporated areas served in the vicinity of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Nederland and Groves, Texas.

**COST OF SERVICE RATES**

During each monthly billing period:

A customer charge per meter per month of \$ 110.00 plus

All Ccf per monthly billing period @

The First 250 Ccf @ \$ 0.40060 per Ccf

All Over 250 Ccf @ \$ 0.37480 per Ccf

**Cost of Gas Component:** The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

**Rate Schedule RCE:** Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

**Taxes:** Plus applicable taxes and fees related to above.

**CONDITIONS**

1. Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other customers served.

Supersedes:

SJC Rate Sched 3Z dated Feb. 13, 1992

Galv Rate Schedules 3Z & 3C dated June 9, 1988

Meters Read On and After

May 1, 2016

RATE SCHEDULE 4Z

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

Unincorporated areas served in the vicinity of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Nederland and Groves, Texas.

COST OF SERVICE RATES

During each monthly billing period:

A customer charge per meter per month of \$ 110.00 plus -

All Ccf per monthly billing period @

The First 250 Ccf @ \$ 0.15672 per Ccf

All Over 250 Ccf @ \$ 0.13092 per Ccf

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.
2. The rate schedule may be used for special unmetered service such as gas street lights. The total hourly rated consumption of all gas burning appliances included, expressed in Ccf, at the location, shall be multiplied by 731 to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf shall then be billed the rates provided in this rate.

Supersedes:  
SJC Rate Sched 4Z dated Feb. 13, 1992  
Galv Rate Schedules 4Z & 4C dated June 9, 1988

Meters Read On and After  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

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

**TRANSPORTATION SERVICE RATE**

**Applicability**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

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

**Availability**

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company's Gulf Coast Service Area distribution system which includes the incorporated areas of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Groves and Nederland, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**Cost of Service Rate**

During each monthly billing period, a customer charge per meter per month listed by customer class as follows:

Commercial	\$ 300.00 per month
Industrial	\$ 300.00 per month
Public Authority	\$ 300.00 per month

Plus – All Ccf per monthly billing period listed by customer class as follows:

Commercial	The First 250 Ccf@	\$ 0.22140 per Ccf
	All Over 250 Ccf @	\$ 0.19380 per Ccf
Industrial	The First 250 Ccf@	\$ 0.40060 per Ccf
	All Over 250 Ccf @	\$ 0.37480 per Ccf
Public Authority	The First 250 Ccf@	\$ 0.15672 per Ccf
	All Over 250 Ccf @	\$ 0.13092 per Ccf

Supersedes Sheets Dated:  
Galv T-1 dated Aug. 24, 2001  
SJC T-4 dated Mar. 12, 2015

Meters Read On and After:  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

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

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**Additional Charges:**

- 1) A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover the cost of any applicable franchise fees paid to the cities.
- 3) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the incorporated areas of the Gulf Coast Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 4) Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.
- 5) Rate Schedule IKE-RIDER: Adjustments in accordance with provisions of the Hurricane Ike Surcharge Rider applicable only to the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas.

**Subject To**

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation
- 2) Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.
- 3) Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

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Supersedes Sheets Dated:  
Galv T-1 dated Aug. 24, 2001  
SJC T-4 dated Mar. 12, 2015

Meters Read On and After:  
May 1, 2016



**TEXAS GAS SERVICE COMPANY**  
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**TRANSPORTATION SERVICE RATE**

**Applicability**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

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

**Availability**

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company's unincorporated areas of the Gulf Coast Service Area distribution system which includes the environs of Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Port Neches, Groves and Nederland, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**Cost of Service Rate**

During each monthly billing period, a customer charge per meter per month listed by customer class as follows:

Commercial	\$ 300.00 per month
Industrial	\$ 300.00 per month
Public Authority	\$ 300.00 per month

Plus – All Ccf per monthly billing period listed by customer class as follows:

Commercial	The First 250 Ccf@	\$ 0.22140 per Ccf
	All Over 250 Ccf @	\$ 0.19380 per Ccf
Industrial	The First 250 Ccf@	\$ 0.40060 per Ccf
	All Over 250 Ccf @	\$ 0.37480 per Ccf
Public Authority	The First 250 Ccf@	\$ 0.15672 per Ccf
	All Over 250 Ccf @	\$ 0.13092 per Ccf

Supersedes Sheet Dated:  
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**Additional Charges:**

- 1) A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the Gulf Coast Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 3) Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

**Subject To**

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation
- 2) Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.
- 3) Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

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**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE**

**1.1 REQUIREMENTS FOR TRANSPORTATION SERVICE**

Nothing shall be deemed to supersede the respective rights and obligations of Company and Customer as provided by Texas statutes, rules, and/or regulations. The Company reserves the right to seek modification or termination of transportation service or any of the tariffs to which it applies and the unilateral right to seek regulatory approval to make any changes to, or to supersede, the rates, charges and terms of transportation service.

**1.2 DEFINITIONS**

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

Adder: Shall mean the Company's incremental cost to purchase natural gas

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.

Commission or The Commission: The Railroad Commission of Texas.

Company: Texas Gas Service Company, a division of ONE Gas, Inc.

Customer: Any person or organization now being billed for gas service whether used by him or her, or by others.

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Supersedes:  
January 27, 2014 SJC Incorp.  
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<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Day or gas day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Electronic Flow Measurement (EFM):</u>	A device that remotely reads a gas meter.
<u>Gas or Natural Gas:</u>	Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.
<u>Mcf:</u>	Shall mean one thousand (1,000) cubic feet of Gas
<u>Month:</u>	Shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month.
<u>Monthly Tolerance Limit:</u>	Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.
<u>Payment in Kind (PIK):</u>	Shall mean a reimbursement for lost and unaccounted for gas.

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<u>PDA:</u>	Shall mean a predetermined allocation method.
<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.
<u>Point of Receipt:</u>	Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
<u>Qualified Supplier:</u>	Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Gulf Coast Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.
<u>Transportation Rate Schedule:</u>	A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.
<u>Transportation Service:</u>	The transportation by the Company of natural

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gas owned by someone other than the Company through the Company's distribution system.

Week:

Shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. central clock time on each Monday and ending at the same time on the next succeeding Monday.

Year:

Shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

**1.3 COMPANY'S RESPONSIBILITY:**

Company shall deliver to Customer, at the Point of Delivery, volumes of gas, as received from designated Qualified Supplier, for the Customer, at a mutually agreed upon Point of Receipt, less Payment in Kind (PIK).

- a) In no event shall Company be required to expand, modify, construct, rearrange, or change the operations of the Pipeline System in order to receive gas from or on behalf of Customer or in order to deliver gas to Customer at any existing Points of Delivery. Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System.

**1.4 CUSTOMER'S RESPONSIBILITY**

Customer, by selecting service under a transportation service rate schedule by completing a Transportation Form, warrants and agrees that:

- a) Gas received by Company for the Customer shall be free from all adverse claims, liens, and encumbrances;
- b) Customer shall indemnify and hold Company harmless from and against all suits, actions, causes of action, claims and demands, including attorneys' fees and costs, arising from or out of any adverse claims by third parties claiming ownership of, or an interest in said gas caused by the failure to provide clear title to the gas;
- c) Customer acknowledges Company shall not be responsible in any way for damages or claims relating to the Customer's gas or the facilities of the Customer or others containing such gas prior to receipt into Company's facilities or after delivery to the Customer;

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- d) Customer must provide Company with a signed Transportation Form identifying its Qualified Supplier. Customer may designate no more than one Qualified Supplier. This authorization shall be in a form agreeable to Company and shall remain In effect until a signed replacement is received by Company;
- e) Customer acknowledges the Qualified Supplier's responsibilities under Section 23.4;
- f) Transportation Service is not available for a term less than twelve (12) months. Termination of transportation service may, at the Company's sole discretion, delay Customer's request to resume transportation service;
- g) Electronic flow measurement (EFM) may be required for Customers under transportation service, at the Company's sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any ongoing maintenance, repair, or communications costs;
- h) In the event Customer's source of gas supply is terminated by Customer's Qualified Supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the first of the month after thirty (30) calendar days advance notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond.

**1.5 QUALIFIED SUPPLIER'S RESPONSIBILITY:**

Qualified Supplier shall act on behalf of the Customer to procure gas supplies, deliver gas supplies plus Payment in Kind volume, into mutually agreed upon Points of Receipt and shall act as the Customer's agent with respect to nominations, operational notices and resolution of imbalances.

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

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- c) Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.
- d) Daily Quantity of Transportation Service Gas: Company shall receive and deliver gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, gas control limitations and other operating conditions, to stay in zero (0) imbalance each hour and each day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Customer shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero (0) imbalance as practicable.
- e) Quality of Transportation Service Gas: The gas procured by a Qualified Supplier, for receipt by Company, shall conform to the standards prescribed in Company's applicable rate schedules, Agreements, and applicable local, state or federal laws, rules and/or regulations.

**1.6 IMBALANCES:**

Qualified Supplier shall, to the extent practicable, not deliver into the Pipeline System more or less Dths of Gas than Company delivers to the Aggregation Area of Customers, at the Points of Delivery, during a Consumption Period. The following imbalance provisions shall be applied to the Qualified Supplier for its Aggregation Area of Customers.

- a) If Company receives less Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, then Qualified Supplier shall purchase such under-delivered volumes at 105% of the applicable index, plus the Adder.
- b) If Company receives more Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, Qualified Supplier shall sell such excess Gas to Company at 95% of the applicable index.
- c) The applicable index and Adder will be defined in the Qualified Supplier Agreement and amended from time to time.
- d) A proportional share of any upstream pipeline transportation service charges and penalties incurred by the Company, that in whole or in part, are the result of Qualified

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Supplier's scheduling and/or managing the upstream transportation of the Customer's gas to Company's interconnection point(s) with the upstream pipeline(s). Proceeds from this charge will be credited to the Reconciliation Account. The Company will bill Qualified Supplier for these charges and penalties manually on a separate bill. Payment shall be required in accordance with applicable Rules of Service.

- e) The Company will provide monthly imbalance statements along with calculations of the charges in accordance with the aforementioned provisions to the Qualified Supplier each month.
- f) Payments for imbalance settlements will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the imbalance settlement provisions each month and only require periodic settlement rather than monthly payments.
- g) On or about fifteen (15) days after the Company receives necessary volumetric information from other parties for each Consumption Period after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Consumption Period showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the sixth (6th) Day of the Month in which the statement requiring such data is to be rendered.
- h) Both parties hereto shall have the right at any and all reasonable times within twenty four (24) months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.

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**RATE SCHEDULE 1-INC(GALV)**  
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**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("The Company") in the incorporated areas of Galveston, Bayou Vista and Jamaica Beach, Texas in the Gulf Coast Service Area.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees (including franchise fees) and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any adjustment deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, storage, balancing, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15th.
4. Reconciliation Component - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.
5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of June to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, (b) the revenues received from operation of the provisions of this cost of gas clause,

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**COST OF GAS CLAUSE**  
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5. (cont.) (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. For the purpose of this computation all volumes shall be stated at 14.95 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - .05)$  unless expressly authorized by the appropriate regulatory authority.
7. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), (b) the revenues produced by the operation of this Cost of Gas Clause, and (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority. (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
8. General Service Customers - those customers served under general service rate schedules.
9. Uncollectible Cost of Gas – the amounts actually written off after the effective date of this rate schedule related to cost of gas.

**C. COST OF GAS**

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

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**COST OF GAS CLAUSE**  
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**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

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

**E. PAYMENT FOR FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month including any cost of gas inventory in storage within the period of audit. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%). If on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%).

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Payment for Funds, above.

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**COST OF GAS CLAUSE**  
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**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues.
3. A description of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
5. A tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

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

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**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("The Company") in the incorporated areas of Port Arthur, Nederland, Groves and Port Neches, Texas in the Gulf Coast Service Area.

**B. DEFINITIONS**

1. **Cost of Gas** - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees (including franchise fees) and taxes.
2. **Commodity Cost** - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any adjustment deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. **Cost of Purchased Gas** - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, storage, balancing, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15th.
4. **Reconciliation Component** - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.
5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the production month of June to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, (b) the revenues received from operation of the provisions of this cost of gas clause,

Supersedes Sheet:  
1-1-INC SJC dated Apr. 1, 2013

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**COST OF GAS CLAUSE**  
(Continued)

5. (cont.) (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. For the purpose of this computation all volumes shall be stated at 14.95 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - .05)$  unless expressly authorized by the appropriate regulatory authority.
7. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), (b) the revenues produced by the operation of this Cost of Gas Clause, and (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority. (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
8. General Service Customers - those customers served under general service rate schedules.
9. Uncollectible Cost of Gas – the amounts actually written off after the effective date of this rate schedule related to cost of gas.

**C. COST OF GAS**

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-INC(SJC)**  
**Page 3 of 4**

**COST OF GAS CLAUSE**  
**(Continued)**

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

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

**E. PAYMENT FOR FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month including any cost of gas inventory in storage within the period of audit. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%). If on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%).

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Payment for Funds, above.

Supersedes Sheet:

1-1-INC SJC dated Apr. 1, 2013

Meters Read On and After:

May 1, 2016



**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-INC(SJC)**  
**Page 4 of 4**

**COST OF GAS CLAUSE**  
(Continued)

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues.
3. A description of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
5. A tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

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

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(GALV)**  
**Page 1 of 4**

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("The Company") in the unincorporated areas of the Gulf Coast Service Area, including the environs of Galveston, Jamaica Beach and Bayou Vista, Texas.

**B. DEFINITIONS**

1. **Cost of Gas** - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees and taxes.
2. **Commodity Cost** - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any adjustment deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. **Cost of Purchased Gas** - The estimated cost for gas purchased by the Company from its supplier or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable fees for services such as gathering, treating, processing, transportation, capacity and/or supply reservation fees, storage, balancing, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15th.
4. **Reconciliation Component** - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.
5. **Reconciliation Audit** - An annual review of the Company's books and records for each twelve month period ending with the production month of June to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, (b) the revenues received from operation of the provisions of this cost of gas clause, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(GALV)**  
**Page 2 of 4**

**COST OF GAS CLAUSE**  
(Continued)

6. Gas Clause, (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. For the purpose of this computation all volumes shall be stated at 14.95 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - .05)$  unless expressly authorized by the appropriate regulatory authority.
7. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), (b) the revenues produced by the operation of this Cost of Gas Clause, and (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority. (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of franchise fees and applicable taxes, (e) the total amount of uncollectible accounts that are attributable to charges calculated under this tariff during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
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**C. COST OF GAS**

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(GALV)**  
**Page 3 of 4**

**COST OF GAS CLAUSE**  
**(Continued)**

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

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

**E. PAYMENT FOR FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month including any cost of gas inventory in storage within the period of audit. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%). If on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account during September an amount equal to the average balance multiplied by six percent (6%).

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's supplier are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its general service customers. Similarly, the Company may surcharge its general service customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

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**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(GALV)**  
**Page 4 of 4**

**COST OF GAS CLAUSE**  
**(Continued)**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues.
3. A description of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
5. A tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

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

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(SJC)**  
**Page 1 of 4**

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("The Company") in the unincorporated areas of the Gulf Coast Service Area, including the environs of Port Arthur, Port Neches, Groves and Nederland, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees and taxes.
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Supersedes Sheet:  
1-1 SJC dated Mar. 3, 2011

Meters Read On and After  
May 1, 2016

**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(SJC)**  
**Page 2 of 4**

**COST OF GAS CLAUSE**  
**(Continued)**

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**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(SJC)**  
**Page 3 of 4**

**COST OF GAS CLAUSE**  
**(Continued)**

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

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

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**COST OF GAS CLAUSE**  
**(Continued)**

Supersedes Sheet:  
1-1 SJC dated Mar. 3, 2011

Meters Read On and After  
May 1, 2016



**TEXAS GAS SERVICE COMPANY**  
**Gulf Coast Service Area**

**RATE SCHEDULE 1-ENV(SJC)**  
**Page 4 of 4**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. (The Company shall file such initial statement as soon as is reasonably possible). The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the cost of gas caused by any surcharge or refund; (d) the Reconciliation Component; and (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement.

**H. ANNUAL RECONCILIATION REPORT**

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1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the twelve months ending June 30.
2. A tabulation of gas units sold to general service customers and related Cost of Gas Clause revenues.
3. A description of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
5. A tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

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

TEXAS GAS SERVICE COMPANY

RULES OF SERVICE

GULF COAST SERVICE AREA

Incorporated and Unincorporated Areas of Galveston, Bayou Vista, Jamaica Beach, Groves, Port Arthur,  
Port Neches, and Nederland, TX

Effective for Meters Read On and After May 1, 2016  
Supersedes and Replaces “Environs of Galveston Service Area” dated June 16, 1992  
“Incorporated South Jefferson County Service Area” dated January 27, 2014  
and “Environs of South Jefferson County Service Area” dated June 16, 1992

Communications Regarding this Tariff  
Should Be Addressed To:

Texas Gas Service Company  
4201 39<sup>th</sup> Street  
Port Arthur, Texas 77642

OR

Texas Gas Service Company  
402 33<sup>rd</sup> Street  
Galveston, Texas 77750

Meters Read On and After  
May 1, 2016

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4	Conditions of Service
5	Initiation of Service
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7	Installation of Equipment
8	Extension of Facilities
9	Customer Owned Systems
10	Security Deposits
11	Gas Measurement
12	Meter Reading and Accuracy
13	Billing and Payment of Bills
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16	Maintenance of Equipment
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21	Fees and Cash Deposits

Meters Read On and After  
May 1, 2016

TEXAS GAS SERVICE COMPANY  
Gas Tariff - Gulf Coast Service Area

GENERAL STATEMENT

1.1 TARIFF APPLICABILITY

Texas Gas Service Company is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service Company's Gulf Coast Service Area, comprising the Cities of Galveston, Bayou Vista, Jamaica Beach, Groves, Port Neches, Nederland, and Port Arthur, and their environs. This Tariff supersedes and replaces all tariffs previously approved and applied in said cities.

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

1.2 RATE SCHEDULES

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

1.3 DEFINITIONS

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

Adder: Shall mean the Company's incremental cost to purchase natural gas

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

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

Meters Read On and After  
May 1, 2016

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>Applicant:</u>	Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.
<u>Automated Meter Reading (AMR):</u>	A device that remotely reads a gas meter.
<u>Average Day Usage:</u>	The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.
<u>Blanket Builder:</u>	A builder or someone acting for a builder who is invoiced for the installation of yardlines.
<u>Btu:</u>	Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
<u>Commercial Service:</u>	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a division of ONE Gas, Inc.
<u>Consumer:</u>	Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.

Meters Read On and After  
May 1, 2016

TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Day or gas day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Domestic Service:</u>	Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.
<u>Electronic Document:</u>	Any document sent electronically via email or internet.
<u>Electronic Fund Transfer (EFT):</u>	The process to convert a paper check or electronic bill payment request to an electronic transfer. Paper checks received by Company or their agents are destroyed.
<u>Electronic Flow Measurement (EFM)</u>	A device that remotely reads a gas meter.
<u>Electronic Radio Transponder (ERT)</u>	A device that remotely reads a gas meter.
<u>Expedited Service:</u>	Customer request for same day service or service during non-business hours for connect or reconnect of gas service.
<u>Gas or Natural Gas:</u>	Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

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GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>General Rate Schedule:</u>	A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.
<u>Industrial Service:</u>	Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.
<u>Mcf:</u>	Shall mean one thousand (1,000) cubic feet of Gas
<u>Month:</u>	Shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month.
<u>Monthly Tolerance Limit:</u>	Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.
<u>Optional Rate Schedule:</u>	A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require the installation of special equipment.
<u>Overtime Rate:</u>	The fee charged by Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside Company's normal business hours.
<u>Payment in Kind (PIK):</u>	Shall mean a reimbursement for lost and unaccounted for gas.
<u>PDA:</u>	Shall mean a predetermined allocation method.
<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<u>Point of Receipt:</u>	Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
<u>Power Generation Service:</u>	Service to Consumers for the purpose of generating electricity. This service may be further divided into direct generation in which the gas is used to power the prime mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.
<u>Qualified Supplier:</u>	Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Gulf Coast Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Special Rate Schedule:</u>	A rate schedule designed for a specific Customer.
<u>System:</u>	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
<u>Temporary Service:</u>	Any service which will not be utilized continuously at the same location for a period of two or more years.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Transportation Rate Schedule:

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

Transportation Service:

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

Week:

Shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. central clock time on each Monday and ending at the same time on the next succeeding Monday.

Year:

Shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

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TEXAS GAS SERVICE COMPANY  
Gas Tariff Gulf Coast Service Area

Section 2. [Reserved for future rules]

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

Section 3: RATES AND UTILITY CHARGES

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

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

CONDITION OF SERVICE

4.1 PROVISION OF SERVICE

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

4.2 FEES AND CHARGES

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

4.3 RESALE OF GAS

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

4.4 CONTINUITY OF SERVICE

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

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

CONDITION OF SERVICE (Continued)

4.4 CONTINUITY OF SERVICE (Continued)

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

4.5 AVAILABILITY OF TARIFF

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

4.6 CUSTOMER INFORMATION

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

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CONDITION OF SERVICE (Continued)

4.7 CUSTOMER COMPLAINTS

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

Upon receipt of a complaint, either in writing or by telephone, from the Regulatory Authority on behalf of a Customer, the Company will make a suitable investigation and advise the Regulatory Authority and complainant of the results thereof. An initial response must be made by the next business day. The

Company will make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period.

4.8 LIMITATION OF LIABILITY

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

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

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

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

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

CONDITION OF SERVICE (Continued)

4.8 LIMITATION OF LIABILITY (Continued)

The Customer shall make or procure conveyance to the Company of perpetual right-of-way across the property owned or controlled by the Customer that is satisfactory to the Company, provides clear access to Company's facilities, and enables the Company to provide service to Customer's property or the premises of Consumer.

INITIATION OF SERVICE

4.9 REGULAR SERVICE

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

5.1 SPECIAL CONTRACTS

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

5.2 TEMPORARY SERVICE

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

5.3 FEES AND CHARGES

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

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

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INITIATION OF SERVICE (Continued)

5.4 ESTABLISHMENT OF CREDIT

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

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

5.5 GROUNDS FOR REFUSAL TO SERVE

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

- a) Failure to pay fees, advances or contributions or to make any deposit required for service under this Tariff;
- b) Failure of the Applicant to furnish any service or meter location specified for service under this Tariff;
- c) Existence of an unsafe condition such as a leak in the Applicant's piping system which, in Company's sole opinion, may endanger life or property;

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INITIATION OF SERVICE (Continued)

5.5 GROUNDS FOR REFUSAL TO SERVE (continued)

- d) The Applicant is indebted to the Company for the same class of utility service at the same or another service location within the Company's system; or
- e) Delinquency in payment for gas service by another occupant if that person still resides at the premises to be served.

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

5.6 REASONABLE TIME

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

TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

METERING AND DELIVERY OF GAS

6.1 METER LOCATION

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

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

6.2 POINT OF DELIVERY

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

6.3 MULTIPLE METERS

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

6.4 CONNECTION TO COMPANY FACILITIES

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

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## INSTALLATION OF EQUIPMENT

### 7.1 EQUIPMENT FURNISHED BY THE COMPANY

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

### 7.2 EQUIPMENT FURNISHED BY THE APPLICANT

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

### 7.3 STATUTES, CODES, AND ORDINANCES

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

### 7.4 CHECKS AND TESTS

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

### 7.5 REFUSAL TO SERVE

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

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## EXTENSION OF FACILITIES

### 8.1 EXTENSION OF MAINS

The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) must make a refundable advance in the amount necessary to justify the installation.

### 8.2 DESIGN AND COST OF FACILITIES

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

### 8.3 ALLOWANCE FOR NEW BUSINESS

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

### 8.4 ADVANCES

The mutually agreed upon financial terms will determine the amount of advance required. The Applicant shall have 30 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.

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EXTENSION OF FACILITIES (Continued)

8.5 CONSTRUCTION OF FACILITIES

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

8.6 REVIEW OF ADVANCES

The Company shall review each extension agreement on the first anniversary of the signing of that agreement. Upon the Applicant(s) request if the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth anniversary date. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund, shall be given for each additional Customer served, based on mutually agreed upon financial terms provided that the total of the refunds given does not exceed the cost of the extension of facilities.

8.7 REFUND LIMITATIONS

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

8.8 DELIVERY OF REFUNDS

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

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TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

CUSTOMER-OWNED SYSTEMS

9.1 INDIVIDUALLY METERED SYSTEMS

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

9.2 MASTER METERS

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

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## SECURITY DEPOSITS

### 10.1 REQUIREMENTS

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

### 10.2 RECEIPTS

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

### 10.3 INTEREST

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

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

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

### 10.4 RETURN OF DEPOSITS

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

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SECURITY DEPOSITS (Continued)

10.5 ACCEPTABLE FORMS OF DEPOSIT

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

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



## GAS MEASUREMENT

### 11.1 PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7" Water Column above the standard atmospheric pressure in the area served. Standard serving pressure and the atmospheric pressure determined to be the average in the Gulf Coast Service Area, are 14.95 psia and 14.70 psia, respectively. The Consumer and the Company may, at the Company's option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer's facilities shall not be permitted.

### 11.2 UNIT OF MEASUREMENT

The standard unit of measurement shall be one hundred cubic feet (Ccf). A cubic foot shall be defined as the amount of gas which occupies a volume of one cubic foot at 14.95 psia and at a temperature of 60 degrees Fahrenheit. Whenever the Company delivers gas at any pressure other than the standard serving pressure, volumes shall be corrected to the standard serving pressure in the manner provided in this Tariff, provided however, that such correction may be made to any other standard provided in the rate schedules or special agreement under which the Customer is served. The Company may, at its sole option, waive the correction of measurement for temperature deviation.

### 11.3 BILLING UNIT

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

### 11.4 PRESSURE CORRECTION - STANDARD METERING

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

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GAS MEASUREMENT (Continued)

11.4 PRESSURE CORRECTION - STANDARD METERING (continued)

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

11.5 METERING - SPECIAL POSITIVE DISPLACEMENT

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

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

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### GAS MEASUREMENT (Continued)

#### 11.6 METERING - SPECIAL ORIFICE

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

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

#### 11.7 BTU MEASUREMENT

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

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

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GAS MEASUREMENT (Continued)

11.7 BTU MEASUREMENT (continued)

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

11.8 CUSTOMER-OWNED METERS

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

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## METER READING AND ACCURACY

### 12.1 METERING READING

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

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

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

### 12.2 ACCESS TO THE METER

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

### 12.3 METER ACCURACY

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

### 12.4 METER TESTING AT CUSTOMER REQUEST

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

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METER READING AND ACCURACY (Continued)

12.4 METER TESTING AT CUSTOMER REQUEST (Continued)

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

12.5 BILLING ADJUSTMENTS - GENERAL SERVICE

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

12.6 PROVISIONS FOR SPECIAL SERVICE

The following modifications shall apply to the provisions of this Section for all Special Service rate schedules and service under special written agreements:

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

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METER READING AND ACCURACY (Continued)

12.6 PROVISIONS FOR SPECIAL SERVICE (continued)

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

12.7 PERIODIC TESTS

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

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BILLING AND PAYMENT OF BILLS

13.1 RENDERING OF BILLS

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

13.2 BILLING PERIOD

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

13.3 ESTIMATED BILLS

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

13.4 DISPUTED BILLS

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

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BILLING AND PAYMENT OF BILLS (Continued)

13.5 PAYMENT RE-PROCESSING FEE

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

13.6 E-BILL

The Customer may at its option receive bills and notices via electronic mail, thereby eliminating paper bills and notices.

13.7 ALTERNATIVE PAYMENT OPTIONS

The Company may, at its option and discretion, contract with vendors to provide various payment options to Customers for paying their bills for gas service and to collect such payments. These alternative payment options may be performed electronically, telephonically, and/or in person and may include payment by automatic bank draft, credit card, check or cash.

## QUALITY OF GAS

### 14.1 HEATING VALUE

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

### 14.2 CHARACTER OF GAS

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

### 14.3 ODORIZATION

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

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## SERVICE WORK

### 15.1 CERTAIN SERVICES PROVIDED AT NO CHARGE

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

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

### 15.2 OTHER SERVICE

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

### 15.3 EXPEDITED SERVICE

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

### 15.4 NO ACCESS

Charged to any Customer who requests a specific time for service, if the Company agrees to the time, sends appropriate personnel to the appointed location and the Customer is not present to allow access to the premises. (See Section 22 – Fees and Deposits)

### 15.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

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

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SERVICE WORK (Continued)

15.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

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

15.7 CODES AND ORDINANCES

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

15.8 INSPECTIONS AND TESTS

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

15.9 REFUSAL TO SERVE

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

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## MAINTENANCE OF EQUIPMENT

### 16.1 MAINTENANCE BY COMPANY

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

### 16.2 MAINTENANCE BY THE CUSTOMER

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

### 16.3 LEAKS - RIGHT TO DISCONNECT FOR

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

### 16.4 FACILITIES CURRENTLY OWNED BY THE CUSTOMER

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

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MAINTENANCE OF EQUIPMENT (Continued)

16.5 RESPONSIBILITY

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

16.6 RELOCATION OF COMPANY FACILITIES

- a) A charge of not more than actual cost may be made for relocating a meter or other Company equipment on the same premises at the request of the Customer or Consumer.
- b) If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.

16.7 REPLACEMENT OF CUSTOMER-OWNED PIPING

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

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DISCONTINUANCE OF SERVICE

17.1 BY CUSTOMER

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

17.2 FOR NON-PAYMENT

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

No Customer shall be disconnected for non-payment:

- a) Within a period of 5 working days after mailing of the notice or the day following the date indicated in the notice, whichever is the later time.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) Before 7:00 AM or after 7:00 PM on any day or on Friday, Saturday, Sunday, holiday, or day before a holiday unless Company personnel are available the following day for the purpose of reconnecting service.

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DISCONTINUANCE OF SERVICE (Continued)

17.2 FOR NON-PAYMENT (Continued)

- d) If within 5 working days after the date of delinquency of the bill the Company receives a written request from the Customer not to discontinue service for health reasons and the request is accompanied by a written statement from a licensed physician. Upon receipt of such request, the Company will suspend termination of service for a period up to 20 days. The Customer shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

17.3 SPECIAL CONDITIONS

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

- a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists;
- b) Without notice for willful destruction or damage to or tampering with the Company's property by the Consumer or by others with knowledge or negligence of the Consumer;
- c) Within 5 working days after written notice if the Consumer uses his or her equipment in any way which causes or creates a potential for adverse affect on the Company's service to others;
- d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in Priority Class A or B;
- e) 5 working days after written notice from the Company for refusal to grant Company personnel or its designee's access to the Consumer's premises at any reasonable time for any lawful purpose;
- f) 5 working days after written notice from the Company for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;
- g) For Customers on transportation service, the Company may discontinue service upon request of a Qualified Supplier, provided however, that the Qualified Supplier represents to the Company that notice has been given to the Customer by the Qualified Supplier of delinquency in payment at least 5 working days prior to Qualified Supplier's request for disconnection, and provided that Qualified Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;

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DISCONTINUANCE OF SERVICE (Continued)

17.3 SPECIAL CONDITIONS (continued)

- h) If a Customer fails to uphold the terms of an individual installment agreement or contract; or
- i) Within 5 working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.

17.4 RIGHT OF ENTRY

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

17.5 ABANDONMENT OF SERVICE

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

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RE-ESTABLISHMENT OF SERVICE

18.1 FOR NON-PAYMENT

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

18.2 FOR OTHER REASONS

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

18.3 RECONNECTION

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

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NOTICE

19.1 GENERAL

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

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AVERAGE BILL CALCULATION PLAN

20.1 DESCRIPTION-RESIDENTIAL

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

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

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FEES AND DEPOSITS

21.1 FEES

All fees and charges shall be adjusted by taxes and fees (including franchise fees) where applicable.

a) Initiation of Service

- i) Connect (Section 5.4) \$35.00

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

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

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

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

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

- 1) Special Handling \$6.00

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

- 2) Expedited Service and Overtime Rate \$67.50

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

Meters Read On and After  
May 1, 2016

FEES AND DEPOSITS (Continued)

21.1 FEES (Continued)

- b) Services - Others As stated below
- Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.
- c) Customer Requested Meter Test (Section 12.4)
- | Positive Displacement          | <u>Charge</u> |
|--------------------------------|---------------|
| Up to 1500 cubic feet per hour | \$80.00       |
| Over 1500 cubic feet per hour  | \$100.00      |
| Orifice Meters                 |               |
| All sizes                      | \$100.00      |
- d) Payment Re-processing Fee (Section 13.5) \$25.00
- e) Collection Fee (Section 18.2) \$12.00
- A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice results in the dispatch of a Company representative to attempt collection of payment from Customer.
- f) Reconnect Fees (Section 19.3) \$35.00
- A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service.
- (i) Regular Labor and After Hours Rates (see Section 22.1 a) (iii) \$45.00 (Regular)  
\$67.50 (After Hours)
- Charge for non-routine services including but not limited to repeat high bill investigations and building meter loops.

Meters Read On and After  
May 1, 2016

FEES AND DEPOSITS (Continued)

21.1 FEES (Continued)

- g) Special Read (Section 12.1) \$10.00  
A special read fee shall be charged for customer requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.4.
- h) Meter Exchange (Customer Request) (Section 17.6) \$100.00 without ERT  
\$150.00 with ERT  
A fee will be charged for customers requested meter exchanges when a meter working properly or done for the Customers convenience.
- i) Meter Tampering – Residential (Section 17.2) \$100.00  
A fee will be charged to Customers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).
- j) Unauthorized Consumption (Section 17.2) \$20 plus expenses  
Charges for the replacement of an illegally broken meter seal or locking device to the Customer who could be reasonably expected to benefit from gas service received through said meter.
- k) No Access Fee (Section 16.4) \$10.00  
A fee charged to a Customer who schedules an appointment but fails to appear.
- l) Meter Removal Fee (Section 12.2) \$50.00
- m) Account Research Fee \$25.00/hr  
A fee will be charged for Customer account information requiring research of accounting/billing information.
- n) Police Escort Fee (Section 12.2) \$0.00 per hour  
A fee charged when the Company is required to use law enforcement personnel to escort it into locked sites or sites requiring animal control in order for the Company to access a meter. Company will charge the stated amounts or current rate charged by the entity providing the police escort for this service

Meters Read On and After  
May 1, 2016

TEXAS GAS SERVICE COMPANY  
Gas Tariff – Gulf Coast Service Area

FEES AND DEPOSITS (Continued)

21.2 DEPOSITS

a) Advances (Section 8.4)

As stated below

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

b) Customer Deposits: (Section 10.1)

As stated below

Minimum deposit residential: \$75.00

Minimum non residential deposit: \$250.00

Meters Read On and After  
May 1, 2016



**TEXAS GAS SERVICE COMPANY**  
All Service Areas

**RATE SCHEDULE PSF**  
Page 1 of 3

**PIPELINE SAFETY AND REGULATORY PROGRAM FEES**

**TEXAS ADMINISTRATIVE CODE**

**TITLE 16** ECONOMIC REGULATION

**PART 1** RAILROAD COMMISSION OF TEXAS

**CHAPTER 8** PIPELINE SAFETY REGULATIONS

**SUBCHAPTER C** REQUIREMENTS FOR NATURAL GAS PIPELINES ONLY

**Rule §8.201** Pipeline Safety and Regulatory Program Fees

(a) Application of fees. Pursuant to Texas Utilities Code, §121.211, the Commission establishes a pipeline safety and regulatory program fee, to be assessed annually against operators of natural gas distribution pipelines and pipeline facilities and natural gas master metered pipelines and pipeline facilities subject to the Commission's jurisdiction under Texas Utilities Code, Title 3. The total amount of revenue estimated to be collected under this section does not exceed the amount the Commission estimates to be necessary to recover the costs of administering the pipeline safety and regulatory programs under Texas Utilities Code, Title 3, excluding costs that are fully funded by federal sources for any fiscal year.

(b) Natural gas distribution systems. The Commission hereby assesses each operator of a natural gas distribution system an annual pipeline safety and regulatory program fee of \$1.00 for each service (service line) in service at the end of each calendar year as reported by each system operator on the U.S. Department of Transportation (DOT) Gas Distribution Annual Report, Form PHMSA F7100.1-1 due on March 15 of each year.

(1) Each operator of a natural gas distribution system shall calculate the annual pipeline safety and regulatory program total to be paid to the Commission by multiplying the \$1.00 fee by the number of services listed in Part B, Section 3, of Form PHMSA F7100.1-1, due on March 15 of each year.

(2) Each operator of a natural gas distribution system shall remit to the Commission on March 15 of each year the amount calculated under paragraph (1) of this subsection.

(3) Each operator of a natural gas distribution system shall recover, by a surcharge to its existing rates, the amount the operator paid to the Commission under paragraph (1) of this subsection. The surcharge:

(A) shall be a flat rate, one-time surcharge;

Supersedes Same Sheet Dated  
March 31, 2014

Meters Read On and After  
March 30, 2015

PIPELINE SAFETY PROGRAM FEES  
(Continued)

- (B) shall not be billed before the operator remits the pipeline safety and regulatory program fee to the Commission;
  - (C) shall be applied in the billing cycle or cycles immediately following the date on which the operator paid the Commission;
  - (D) shall not exceed \$1.00 per service or service line *(For calendar year 2014 the annual pipeline safety program fee, billed effective with meters read on and after March 30, 2015, Texas Gas Service Company will bill all customers a one-time customer charge per bill of \$0.93, based on \$1.00 per service line);* and
  - (E) shall not be billed to a state agency, as that term is defined in Texas Utilities Code, §101.003.
- (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each operator of a natural gas distribution system shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
- (A) the pipeline safety and regulatory program fee amount paid to the Commission;
  - (B) the unit rate and total amount of the surcharge billed to each customer;
  - (C) the date or dates on which the surcharge was billed to customers; and
  - (D) the total amount collected from customers from the surcharge.
- (5) Each operator of a natural gas distribution system that is a utility subject to the jurisdiction of the Commission pursuant to Texas Utilities Code, Chapters 101 - 105, shall file a generally applicable tariff for its surcharge in conformance with the requirements of §7.315 of this title, relating to Filing of Tariffs.
- (6) Amounts recovered from customers under this subsection by an investor-owned natural gas distribution system or a cooperatively owned natural gas distribution system shall not be included in the revenue or gross receipts of the system for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122, nor shall such amounts be subject to a sales and use tax imposed by Chapter 151, Tax Code, or Subtitle C, Title 3, Tax Code.
- (c) Natural gas master meter systems. The Commission hereby assesses each natural gas master meter system an annual pipeline safety and regulatory program fee of \$100 per master meter system.
- (1) Each operator of a natural gas master meter system shall remit to the Commission the annual pipeline safety and regulatory program fee of \$100 per master meter system no later than June 30 of each year.

**TEXAS GAS SERVICE COMPANY**  
**All Service Areas**

**RATE SCHEDULE PSF**  
**Page 3 of 3**

**PIPELINE SAFETY PROGRAM FEES**  
**(Continued)**

- (2) The Commission shall send an invoice to each affected natural gas master meter system operator no later than April 30 of each year as a courtesy reminder. The failure of a natural gas master meter system operator to receive an invoice shall not exempt the natural gas master meter system operator from its obligation to remit to the Commission the annual pipeline safety and regulatory program fee on June 30 each year.
- (3) Each operator of a natural gas master meter system shall recover as a surcharge to its existing rates the amounts paid to the Commission under paragraph (1) of this subsection.
- (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each natural gas master meter system operator shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
- (A) the pipeline safety and regulatory program fee amount paid to the Commission;
  - (B) the unit rate and total amount of the surcharge billed to each customer;
  - (C) the date or dates on which the surcharge was billed to customers; and
  - (D) the total amount collected from customers from the surcharge.

(d) Late payment penalty. If the operator of a natural gas distribution system or a natural gas master meter system does not remit payment of the annual pipeline safety and regulatory program fee to the Commission within 30 days of the due date, the Commission shall assess a late payment penalty of 10 percent of the total assessment due under subsection (b) or (c) of this section, as applicable, and shall notify the operator of the total amount due to the Commission.

**Source Note:** The provisions of this §8.201 adopted to be effective September 8, 2003, 28 TexReg 7682; amended to be effective November 24, 2004, 29 TexReg 10733; amended to be effective May 15, 2005, 30 TexReg 2849; amended to be effective December 19, 2005, 30 TexReg 8428; amended to be effective April 18, 2007, 32 TexReg 2136; amended to be effective November 12, 2007, 32 TexReg 8121; amended to be effective September 21, 2009, 34 TexReg 6446; amended to be effective August 30, 2010, 35 TexReg 7743; amended to be effective November 14, 2011, 36 TexReg 7663

Supersedes Same Sheet Dated  
March 31, 2014

Meters Read On and After  
March 30, 2015

WEATHER NORMALIZATION ADJUSTMENT CLAUSE

A. APPLICABILITY

The Weather Normalization Adjustment Clause (WNA) shall apply to the following general service rate schedules of Texas Gas Service Company in the incorporated and unincorporated areas served in the Gulf Coast Service Area including Galveston, Bayou Vista, Jamaica Beach, Port Arthur, Nederland, Groves & Port Neches: Rate Schedules 10, 1Z, 20, 2Z, 40 and 4Z. The WNA shall be effective during the September through May billing cycles.

B. PURPOSE

The WNA refunds over-collections or surcharges under-collections of revenue due to colder or warmer than normal weather, as established in the Company's most recent rate filing.

C. WNA MECHANISM

In order to reflect weather effects in a timely and accurate manner, the WNA adjustment shall be calculated separately for each billing cycle and rate schedule. The weather factor, determined for each rate schedule in the most recent rate case, shows the effect of one heating degree day on consumption for that rate schedule. During each billing cycle, the weather factor is multiplied by the difference between normal and actual heating degree days for the billing period and by the number of customers billed. This WNA volume adjustment is priced at the current cost of service rate per Ccf to determine a WNA revenue adjustment, which is spread to the customers in the billing cycle on a prorata basis. The WNA for each billing cycle and rate schedule shall be based on the following formula:

$$\text{WNA Rate} = \frac{\text{WNAD}}{\text{CV}}, \text{ where}$$

WNAD = Weather Normalization Adjustment Dollars to be collected from each billing cycle and rate schedule. This factor shall be based on the following formula:

$$\text{WNAD} = (\text{HDD Diff} * \text{CB} * \text{WF}) * \text{COS rate, where}$$

HDD Diff = (Normal HDD – Actual HDD), the difference between normal and actual heating degree days for the billing period.

CB = Number of customers billed for the billing period.

WEATHER NORMALIZATION ADJUSTMENT CLAUSE  
(Continued)

WF = Weather factor determined for each rate schedule in the most recent rate case.

Residential 0.169485; Commercial 0.359253; Public Authority 2.504963

CV = Current Volumes for the billing period.

D. FILING WITH THE CITIES AND THE RAILROAD COMMISSION OF TEXAS (RRC)

The Company will file monthly reports showing the rate adjustments for each applicable rate schedule. Supporting documentation will be made available for review upon request. By each October 1, the Company will file with the Cities and the RRC an annual report verifying the past year's WNA collections or refunds.

Supersedes Same Rate Schedule:  
SJC dated Apr. 28, 2006

Meters Read On and After  
May 1, 2016

**RATE SCHEDULE RCE**

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinances and Gas Utilities Docket No. 10488: Statement of Intent Filed by Texas Gas Service Company, a division of ONE Gas, Inc to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South Jefferson County Service Area, Final Order Finding of Fact No. \_\_. This rate shall apply to the following rate schedules of Texas Gas Service Company in the incorporated and unincorporated areas served in TGS's Gulf Coast Service Area, including Galveston, Bayou Vista, Port Neches, Port Arthur, Nederland and Groves, Texas: 10, 1Z, 20, 2Z, 30, 3Z, 40, 4Z, T-1 and T-1-ENV.

**B. RCE RATE**

All Ccf during each billing period:               \$ 0.0172 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$717,315.58 in actual expense and up to \$150,000 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

**C. OTHER ADJUSTMENTS**

Taxes: Plus applicable taxes and fees (including franchises fees for customers in incorporated areas) related to above.

**D. CONDITIONS**

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

**E. COMPLIANCE**

TGS shall file a reconciliation report annually on or before December 31<sup>st</sup>, commencing in 2016. TGS shall file the report with the Commission, Addressed to the Director of the Oversight and Safety Division and referencing Gas Utilities Docket No. 10488, Rate Case Expense Recovery Report. The report shall include:

- The volumes used by month by customer class during the applicable period,
- The amount of Rate Case Expense recovered, by month
- The outstanding balance, by month

Effective Date:

Issuance date of Final Order in GUD No. 10488

Initial Rate Schedule

Meters Read On and After  
May 1, 2016

TEXAS GAS SERVICE COMPANY - GULF COAST SERVICE AREA  
Test Year Ended June 30, 2015 Updated For Known and Measurable Changes

Proof of Revenue

Recommended Rates								
Line	Description (a)	Bills (b)	Volumes (c)	Customer Charge (e)	Usage Charges (f)	Revenue (g)	Assigned Revenue (h)	Rounding Diff. (i)
1	Residential	514,917	All	\$ 13.00	\$ 0.45616	\$ 13,594,834	\$ 13,594,808	\$ 26
2								
3	Commercial	21,642	First 250	\$ 54.00	\$ 0.22140	\$ 2,322,233		
4			Over 250		\$ 0.19380			
5								
6	Commercial Air Conditioning (1)	12	Nov-Mar	\$ 54.00		\$ 1,731		
7			First 250		\$ 0.22140			
8			Over 250		\$ 0.19380			
9			Apr-Oct					
10			First 250		\$ 0.22140			
11			Over 250		\$ 0.19380			
12								
13	Commercial Transportation	348	First 250	\$ 300.00	\$ 0.22140	\$ 599,991		
14			Over 250		\$ 0.19380			
15								
16	Total Commercial					\$ 2,923,956	\$ 2,923,985	\$ (29)
17								
18	Public Authority	3,347	First 250	\$ 110.00	\$ 0.15672	\$ 574,029	\$ 574,029	\$ (0)
19			Over 250		\$ 0.13092			
20								
21	Public Authority Transportation (2)	0	First 250	\$ 300.00	\$ 0.15672	\$ -	\$ -	\$ -
22			Over 250		\$ 0.13092			
23								
24	Total Public Authority					\$ 574,029	\$ 574,029	\$ (0)
25								
26								
27	Industrial (3)	0	First 250	\$ 110.00	\$ 0.40060	\$ -	\$ -	\$ -
28			Over 250		\$ 0.37480			
29								
30	Industrial Transportation	36	First 250	\$ 300.00	\$ 0.40060	\$ 127,425	\$ 127,439	\$ (14)
31			Over 250		\$ 0.37480			

## Proof of Revenue

(1) Commercial Air Conditioning to be canceled; Commercial rates apply to former Air Conditioning customer.



**TEXAS GAS SERVICE COMPANY  
GULF COAST SERVICE AREA  
SETTLED DEPRECIATION/AMORTIZATION RATES FOR RATE FILING WITH TEST YEAR END JUNE 30, 2015  
DEPRECIATION/AMORTIZATION RATES FOR GCSA DIRECT, TGS DIVISION AND ONE GAS CORPORATE**

LINE NO.	DESCRIPTION	GCSA DIRECT ANNUAL DEPR/AMORT RATES (h)	TGS DIVISION ANNUAL DEPR/AMORT RATES (i)	ONE GAS CORPORATE ANNUAL DEPR/AMORT RATES (j)
<b><u>DISTRIBUTION PLANT</u></b>				
1	(375.1) Structures & Improvements	1.96%		
2	(375.2) Other Distr Systems Struct	2.82%		
3	(376) Mains	1.99%		
4	(376.9) Mains - Cathodic Protection Anodes	3.63%		
5	(378) Meas. & Reg. Station - General	2.25%		
6	(379) Meas. & Reg. Station - C.G.	2.08%		
7	(380) Services	2.72%		
8	(381) Meters	4.83%		
9	(383) House Regulators	2.71%		
10	(385) Indust. Meas. & Reg. Stat. Equipment	2.42%		
11	(386) Other Property on Customer Premises	4.61%		
<b><u>GENERAL PLANT</u></b>				
12	(390) Structures & Improvements	2.65%		
13	(390.1) Structures & Improvements		2.77%	
14	(390.2) Leasehold Equipment		17.39%	10.15%
15	(391) Office Furniture & Equipment	6.67% (Note 1)		
16	(391.1) Office Furniture & Fixtures		6.67% (Note 1)	6.67%
17	(391.3) Office Machines			5.00%
18	(391.6) Purchased Software			7.69%
19	(391.6) Banner Software			7.69%
20	(391.6) PowerPlant System			7.69%
21	(391.6) Riskworks			7.69%
22	(391.6) Maximo			7.69%
23	(391.6) Dynamic Risk Assessment			7.69%
24	(391.6) Concur Project			7.69%
25	(391.6) Journey-Employee Count			7.69%
26	(391.6) Journey-Employee-ODC Dstrigas			7.69%
27	(391.6) Ariba Software			7.69%
28	(391.8) Micro Computer Software			20.00% (Note 2)
29	(391.9) Computer & Equipment	14.29% (Note 1)	14.29% (Note 1)	
30	(392) Transportation Equipment	9.07%		
31	(392.6) Aircraft			6.28%
32	(393) Stores Equipment	6.67% (Note 1)		
33	(394) Tools, Shop & Garage	6.67% (Note 1)	6.6700%	
34	(396) Major Work Equipment	7.38%		
35	(397) Communication Equipment	6.67% (Note 1)	6.6700%	
36	(398) Miscellaneous General Plant		6.6700%	

Note 1: This is the reciprocal of the amortization period per Dr. White's study.

Note 2: WKP G-15.c.1 Corp shows an effective depreciation rate of 16.33% since Dec 2015 plant contained some plant older than the amortization period that had not yet been retired.

TEXAS GAS SERVICE COMPANY  
GULF COAST SERVICE AREA  
SETTLED NET PLANT FOR RATE FILING WITH TEST YEAR END JUNE 10, 2015

NET PLANT FOR GCSA DIRECT, TGS DIVISION AND ONEGAS CORPORATE

LINE NO.	DESCRIPTION	TOTAL GCSA PLANT	TOTAL GCSA CCNC	TOTAL GCSA PLANT AND CCNC	TOTAL GCSA ACCUMULATED RESERVES	TOTAL GCSA NET PLANT
		(a)	(b)	(c)	(d)	(e)
<b>INTANGIBLE PLANT</b>						
1	(301) Organization	-	-	-	-	-
2	(302) Franchises & Consents	6,556	-	6,556	7,983	(1,427)
3	(303) Misc Intangible	4,313	-	4,313	4,876	(563)
4	Total Intangible Plant	10,869	-	10,869	12,858	(1,989)
<b>GATHERING AND TRANSMISSION PLANT</b>						
5	(325) Land & Land Rights	-	-	-	-	-
6	(327) Field Compressor Station Structures	-	-	-	-	-
7	(328) Field Meas Reg Station Structures	-	-	-	-	-
8	(329) Other Structures	-	-	-	-	-
9	(332) Field Lines	-	-	-	-	-
10	(333) Field Compressor Station Equip	-	-	-	-	-
11	(334) Field Meas Reg Station Equipment	-	-	-	-	-
12	(336) Purification Equipment	-	-	-	-	-
13	(337) Other Equip	-	-	-	-	-
14	(365) Land & Land Rights	-	-	-	-	-
15	(366) Meas/Reg Station Structures	-	-	-	-	-
16	(367) Mains	-	-	-	-	-
17	(368) Compressor Station Equip	-	-	-	-	-
18	(369) Meas/Reg Station Equipment	-	-	-	-	-
19	(371) Other Equipment	-	-	-	-	-
20	Total Gathering and Transmission Plant	-	-	-	-	-
<b>DISTRIBUTION PLANT</b>						
21	(374) Land & Land Rights	9,437	-	9,437	2,285	7,152
22	(374.2) Land & Land Rights	17,646	-	17,646	-	17,646
23	(375.1) Structures & Improvements	40,026	-	40,026	24,571	15,455
24	(375.2) Other Distr Systems Struct	43,916	6,068	49,984	-	49,984
25	(376) Mains	30,393,960	1,161,888	31,555,849	9,834,820	21,721,028
26	(376.9) Mains - Cathodic Protection Anodes	2,412,195	-	2,412,195	-	2,412,195
27	(377) Compressor Station Equipment	-	-	-	-	-
28	(378) Meas & Reg Station - General	1,068,526	577,811	1,646,337	384,725	1,261,612
29	(379) Meas & Reg Station - C G	815,991	10,753	826,744	608,484	218,260
30	(380) Services	27,649,797	592,517	28,242,315	4,778,575	23,463,740
31	(381) Meters	10,879,974	2,527	10,882,501	(120,083)	11,002,584
32	(382) Meter Installations	-	1,849	1,849	3,949	(2,100)
33	(383) House Regulators	1,644,009	1,394	1,645,403	307,406	1,337,997
34	(385) Indust Meas & Reg Stat Equipment	2,772,375	7,901	2,780,276	1,446,979	1,333,298
35	(386) Other Property on Customer Premises	71,409	-	71,409	(21,098)	92,507
36	(387) Meas & Reg Stat Equipment	-	-	-	-	-
37	Total Distribution Plant	77,619,261	2,362,709	80,181,970	17,250,612	62,931,357
<b>GENERAL PLANT</b>						
38	(389) Land & Land Rights	42,147	-	42,147	-	42,147
39	(390) Structures & Improvements	-	-	-	1,119,697	(1,119,697)
40	(390.1) Structures & Improvements	2,462,573	-	2,462,573	-	2,462,573
41	(390.2) Leasehold Equipment	43,585	809	44,394	13,380	31,014
42	(391) Office Furniture & Equipment	-	-	-	285,825	(285,825)
43	(391.1) Office Furniture & Fixtures	306,751	775	307,526	35,885	271,641
44	(391.2) Data Processing Equipment	-	-	-	-	-
45	(391.3) Office Machines	642	-	642	20	622
46	(391.4) Audio Visual Equipment	22,633	-	22,633	1,932	20,701
47	(391.6) Purchased Software	798,117	89,128	887,245	158,581	728,664
48	(391.6) Banner Software	853,793	-	853,793	772,079	81,713
49	(391.6) PowerPlant System	15,228	-	15,228	1,789	13,439
50	(391.6) Riskworks	-	-	-	-	-
51	(391.6) Maximo	54,568	-	54,568	25,159	29,409
52	(391.6) Dynamic Risk Assessment	-	-	-	-	-
53	(391.6) Concur Project	834	-	834	940	(106)
54	(391.6) Journey-Employee Count	1,212,667	-	1,212,667	91,263	1,121,405
55	(391.6) Journey-Employee ODC Distingas	32,361	-	32,361	5,088	27,273
56	(391.6) Anba Software	1,040	-	1,040	347	693
57	(391.8) Micro Computer Software	80,622	-	80,622	46,413	34,209
58	(391.9) Computer & Equipment	1,041,003	116	1,041,119	86,339	954,779
59	(392) Transportation Equipment	1,131,784	-	1,131,784	747,809	383,975
60	(392.4) Aircraft	-	-	-	-	-
61	(393) Stores Equipment	8,793	-	8,793	7,327	1,465
62	(394) Tools, Shop & Garage	999,109	4,931	1,004,039	79,921	924,119
63	(394.2) Shop Equipment	-	-	-	-	-
64	(395) CNG Equipment	-	-	-	(36,329)	36,329
65	(396) Major Work Equipment	207,049	-	207,049	80,363	116,687
66	(397) Communication Equipment	2,359,580	-	2,359,580	544,300	1,815,280
67	(398) Miscellaneous General Plant	-	5,803	5,803	9	5,794
68	Total General Plant	11,674,877	101,562	11,776,439	4,078,135	7,698,304
69	Total Plant in Service	89,505,007	2,464,270	91,969,277	21,341,605	70,627,672

**GAS UTILITIES DOCKET NO. 10488**

<b>STATEMENT OF INTENT OF</b>	<b>§</b>	
<b>TEXAS GAS SERVICE COMPANY, A</b>	<b>§</b>	
<b>DIVISION OF ONE GAS, INC., TO</b>	<b>§</b>	<b>BEFORE THE</b>
<b>INCREASE GAS UTILITY RATES</b>	<b>§</b>	
<b>WITHIN THE UNINCORPORATED</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>AREAS OF THE GALVESTON</b>	<b>§</b>	
<b>SERVICE AREA AND SOUTH</b>	<b>§</b>	<b>OF TEXAS</b>
<b>JEFFERSON COUNTY SERVICE</b>	<b>§</b>	
<b>AREA</b>	<b>§</b>	

**AFFIDAVIT OF ANN M. COFFIN**

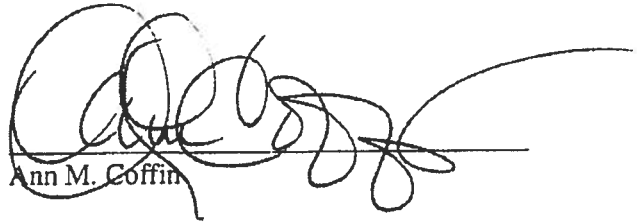
Before me, the undersigned authority, on this date personally appeared Ann M. Coffin, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

1. "My name is Ann M. Coffin. I am over 18 years of age, of sound mind and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a partner in the Austin, Texas law firm of Parsley Coffin Renner LLP and have practiced law in Travis County since 1993. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas. In addition, I have served as a Hearings Examiner for the Commission, as Assistant General Counsel – Telecommunications at the Public Utility Commission of Texas, and as Director – Enforcement Division at the Public Utility Commission.
3. I am counsel of record for Texas Gas Service Company, a division of ONE Gas, Inc. ("TGS" or "the Company") in Gas Utilities Docket No. 10488. My firm was engaged to assist in the presentation of the Company's rate filing involving the Galveston Service Area and the South Jefferson County Service Area, which was filed with the Commission on December 30, 2015. Attached to this Affidavit are invoices documenting an actual amount of \$521,020.27 in rate case expenses incurred by TGS in this docket through February 29, 2016. This amount includes legal expenses incurred preparing the filing, expenses incurred by professional consultants retained to provide testimony, public notice, and incidental expenses. The invoices are detailed and itemized.
4. I am familiar with the Commission Rule on Rate Case Expenses, 16 Tex. Admin. Code §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expense recovery.
5. I have reviewed the billings of Parsley Coffin Renner LLP submitted to TGS for legal services performed in this proceeding through February 29, 2016, and I affirm that those

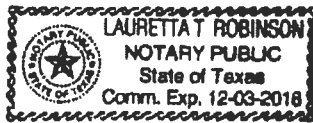
billings accurately reflect the time spent and expenditures incurred by Parsley Coffin Renner LLP on TGS's behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The hours spent to perform the tasks assigned to Parsley Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a contested rate proceeding such as this. The nature of this work included the preparation of testimony and other aspects of the Company's rate filing package, answering discovery questions, negotiating discovery disputes, motions practice, preparation of errata, and preparation for technical and settlement conferences. There was no duplication of services and the settled result in this proceeding demonstrates that the Company's request for a rate change was warranted.

6. In addition to the amounts incurred through February 29, 2016, TGS has and will continue to incur expenses for additional legal for work performed in March 2016 through the issuance of a Final Order in this docket. The nature of this work includes answering discovery questions, settlement negotiations, meeting and communicating with parties to negotiate a settlement, drafting of settlement terms, presentation of settlement to the Examiners, potential discovery, and briefing before the Examiners, and attending Commission conferences. Based on my experience in administrative proceedings, including proceedings in which the parties seek approval of a Unanimous Settlement Agreement as in this case, I estimate that legal expenses from March 1, 2016 through completion of the case will be approximately \$125,000.00, bringing the total amount of actual and estimated legal fees necessary to complete this proceeding to \$449,466.71.
7. In addition to legal expenses, TGS incurred other rate case expenses, which included expenses incurred by professional consultants retained to provide testimony, preparation of the filing, public notice, responding to discovery, and incidental expenses. Again, actual detailed and itemized invoices through February 29, 2016 are attached. The total amount of other rate case expenses incurred through February 29, 2016, is \$196,553.56.
8. No portion of the fees or expenses that TGS seeks to recover is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.
9. The total amount of rate case expenses for TGS reflected in the Unanimous Settlement Agreement includes actual and estimated legal fees of \$449,466.71 and other rate case expenses equal to \$196,553.56. TGS requests that the Commission authorize recovery of its rate case expenses related to this docket in the amount of \$646,020.27. TGS will supplement this filing with additional invoices as they are processed.
10. TGS seeks recovery only of those expenses that are actually incurred, and any rate case expense surcharge will collect from ratepayers only the amount actually incurred and authorized by the Commission. I note, however, that this estimate presumes approval of the Unanimous Settlement Agreement and no appeal of the Commission's Final Order.

TGS reserves the right to revise this estimate to the extent that additional litigation becomes necessary."

  
Ann M. Coffin

SWORN TO AND SUBSCRIBED before me on this 18th day of March 2016, by  
Ann M. Coffin.



  
Notary Public in and for the State of Texas

**GAS UTILITIES DOCKET NO.10488**

STATEMENT OF INTENT OF	§	
TEXAS GAS SERVICE	§	BEFORE THE
COMPANY, TO INCREASE GAS	§	RAILROAD COMMISSION OF TEXAS
UTILITY RATES WITHIN THE	§	
INCORPORATED AREAS OF THE	§	
GALVESTON SERVICE AREA	§	
AND SOUTH JEFFERSON	§	
COUNTY SERVICE AREA	§	

**AFFIDAVIT OF DANIEL J. LAWTON**

I, Daniel J. Lawton, state the following facts upon my oath.

1. My name is Daniel J. Lawton. I am over eighteen years of age and am not disqualified from making this affidavit.
2. I am giving this affidavit to support the reasonableness of the South Jefferson County Service Area Cities' rate case expenses in *Statement of Intent of Texas Gas Service Company, to Increase Gas Utility Rates Within the Incorporated Areas of the Galveston Service Area and South Jefferson County Service Area*, Docket No. 10488, filed with the Cities and the Railroad Commission of Texas on or about December 30, 2015.
3. I am an attorney with the Lawton Law Firm, P.C. ("Lawton Law Firm"), 12600 Hill Country Blvd., Suite R-275, Austin, Texas 78738. The Lawton Law Firm was retained by the South Jefferson County Service Area ("SJCSA") Cities to review the Texas Gas Service Company ("TGS" or "Company") Application within the SJCSA Cities and to participate in proceedings before the Railroad Commission of Texas ("Commission").
4. I address the reasonableness of actual fees related charges of the Lawton Law Firm and the rate consultant Garrett Group in Docket No. 10488. The SJCSA Cities' rate case expenses for legal and consulting services total \$95,017.50.

South Jefferson County Service Area Cities Rate Case Expenses December 2015 Through March 15, 2016 Docket No. 10488	
Attorney	Total
Lawton Law Firm	\$66,267.50
Garrett Group Consulting	\$28,750.00
<b>Grand Total</b>	<b>\$95,017.50</b>

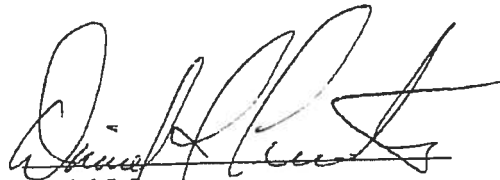
5. Attached hereto as Attachment A is a true and correct copy of the Lawton Law Firm's itemized invoices for rate case legal expenses incurred in Docket No. 10488. Also included within Attachment A is the invoice for expert consulting services from the Garrett Group. The invoices set out the time spent working on the case along with a description of the services performed.
6. Mr. Lawton's billing rate is \$295.00 per hour. Ms. Molly Mayhall Vandervoort's billing rate is \$200 per hour. These are our normal billing rates charged for services. These rates are reasonable for attorney providing these types of services before utility regulatory agencies in Texas. Part of the basis for my opinion is a review of the hourly rates charged by other attorneys that perform similar services.
7. The hourly rates listed above are inclusive of ordinary out-of-pocket expenses. In other words, the Lawton Law Firm does not charge extra for normal copying, fax, deliveries (Federal Express), telephone (long-distance) and courier expenses. The Lawton Law Firm does charge for extraordinary expenses such as deposition transcripts, hearing transcripts, large copy jobs, and multiple copy requests such as the direct testimony of the experts, to be filed in this proceeding, that are sent out for copying. No such extraordinary expense charges were incurred or charged in this proceeding.
8. The total rate case expenses incurred by the Lawton Law Firm in Docket No. 10488 are \$66,267.50. The rate case expenses are provided in more detail in the table below.

Lawton Law Firm Expenses December 2015 Through March 15, 2016 Docket No. 10488			
Attorney	Hours Billed	Hourly Rate	Total
Daniel Lawton	168.5 Hours	\$295	\$49,707.50
Molly Mayhall	82.8 Hours	\$200	\$16,560.00
Grand Total			\$66,267.50

Actual invoices, including billing detail, are provided in Attachment A. The time spent in this proceeding was for reviewing the case request including testimony and schedules, identifying issues, conducting discovery, work analyzing the case, reviewing testimony, participating in settlement negotiations, and finalizing the settlement. Based on my experience relating to analysis of rate proceeding matters and the reasonableness of rate case expenses before the Railroad Commission of Texas, I conclude that: (1) the hourly rates of the Lawton Law Firm are reasonable; (2) the actual hours billed by the Lawton Law Firm in Docket No. 10488 are reasonable; (3) the calculation of the total charges is correct; (4) there is no double-billing of charges; (5) none of the charges has been recovered through reimbursement for other expenses; (6) none of the charges should have been assigned to other matters; (7) there was no occasion on which there was billing by any attorney or associated legal personnel in excess of 12 hours in a single day; and (8)

no luxury or personal items were included, such as first class travel, alcohol, valet parking, dry cleaning, designer coffee, or meals in excess of \$25 per person.

9. I have concluded that the time spent by the Lawton Law Firm and the total fees incurred by the Cities are proportionate to the efforts necessary to represent the Cities in this rate proceeding, given the complexity of the issues, the originality of the work, the magnitude of the rate change requested, tariff changes, and service area changes and impacts on customers.
10. I have reviewed the Garrett Group consulting services invoice in the amount of \$28,750 employing the same standards employed in paragraph 7 above. I conclude that the Garrett Group fees and charges are reasonable. I conclude that: (1) the hourly rates of the Garrett Group are reasonable; (2) the actual hours billed by the Garrett Group in Docket No. 10488 are reasonable; (3) the calculation of the total charges is correct; (4) there is no double-billing of charges; (5) none of the charges has been recovered through reimbursement for other expenses; (6) none of the charges should have been assigned to other matters; (7) there was no occasion on which there was billing by any consultant in excess of 12 hours in a single day; and (8) no luxury or personal items were included, such as first class travel, alcohol, valet parking, dry cleaning, designer coffee, or meals in excess of \$25 per person. The Garrett Group addressed a number of issues in this proceeding ranging from rate of return, incentive compensation, labor costs, and rate base issues. The Garrett Group expert report and testimony was completed by the time the parties reached an agreement and the requested abatement of the procedural schedule was granted. Based on my experience in retaining experts for rate proceedings I have concluded that the Garrett Group billings are reasonable.
11. The statements made in this affidavit are true and correct.

  
Daniel J. Lawton

STATE OF TEXAS

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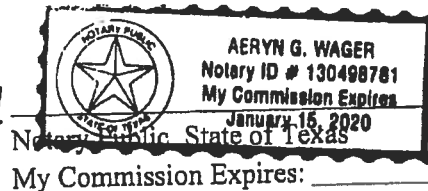
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COUNTY OF TRAVIS

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SUBSCRIBED AND SWORN to before me, the undersigned authority, on the  
18<sup>th</sup> day of March 2016, by Daniel J. Lawton.







**GAS UTILITIES DOCKET NO. 10488**

<b>STATEMENT OF INTENT OF TEXAS</b>	<b>§</b>	
<b>GAS SERVICE COMPANY, A</b>	<b>§</b>	<b>BEFORE THE</b>
<b>DIVISION OF ONE GAS, INC., TO</b>	<b>§</b>	
<b>INCREASE GAS UTILITY RATES</b>	<b>§</b>	
<b>WITHIN THE UNINCORPORATED</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>AREAS OF THE GALVESTON</b>	<b>§</b>	
<b>SERVICE AREA AND SOUTH</b>	<b>§</b>	
<b>JEFFERSON COUNTY SERVICE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>AREA</b>	<b>§</b>	

**AFFIDAVIT OF THOMAS L. BROCATO**  
**RELATED TO THE RATE CASE EXPENSES OF**  
**GALVESTON SERVICE AREA CITIES**

**STATE OF TEXAS       §**  
**§**  
**COUNTY OF TRAVIS   §**

BEFORE ME, the undersigned authority, on this day personally appeared Thomas L. Brocato who being by me first duly sworn, on oath deposed and said the following:

1. My name is Thomas L. Brocato. I am a principal with the law firm of Lloyd Gosselink Rochelle and Townsend, P.C. ("Lloyd Gosselink") and counsel for the Galveston Service Area Cities ("GSA Cities") in Gas Utilities Docket ("GUD") No. 10488. I have been practicing public utility law since I graduated from law school and began my career as a Staff attorney at the Public Utility Commission of Texas ("PUC" or "Commission") in 1990. I have represented entities at the Railroad Commission and PUC for over 25 years. Having participated in numerous rate cases and appeals, I have represented municipalities since 2004.

2. I have reviewed the work performed by Lloyd Gosselink and the technical consultants on behalf of GSA Cities in connection with GUD No. 10488 concerning the *Statement of Intent of Texas Gas Service Company, a Division of One Gas, Inc., To Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area and South*

*Jefferson County Service Area.* I am over the age of 18 years and am not disqualified from making this affidavit. My statements are true and correct.

3. I have reviewed the billings of Lloyd Gosselink submitted to GSA Cities for legal services performed in GUD No. 10488. I affirm that those billings accurately reflect the time spent and expenditures incurred by Lloyd Gosselink on GCCC's behalf. Those billings were accurately calculated before they were tendered, and there was no double billing. None of the charges billed to GSA Cities have been recovered through reimbursement for other expenses. The expenses charged were associated with the review of Texas Gas Service Company's Statement of Intent in GUD No. 10488 and were necessary to advise GSA Cities and accomplish tasks in this proceeding. Total rate case expenses (inclusive of legal fees, consultant charges, and other expenses) for GUD No. 10488 through February 29, 2016 are summarized in the chart attached to this affidavit as Attachment A.

4. For the period of December through February 29, 2016, Lloyd Gosselink has billed \$21,837.21 for legal services in GUD No. 10488. The fees and expenses incurred through February 29, 2016 were necessary to: advise GSA Cities on the review of Texas Gas Service Company's Statement of Intent, identify issues, retain and work with consultants, address discovery matters, prepare testimony, participate in settlement discussions, and negotiate the settlement agreement.

5. The attorneys' hourly rates of \$165-\$325, upon which the billings are based, are the same hourly rates charged other clients for comparable services during the same time frame. Our firm's rates are at the lower end of the range compared to the rates charged by other lawyers with similar experience providing similar services. The hours spent to perform the tasks assigned to Lloyd Gosselink were necessary to complete those tasks in a professional manner on

a timely basis. The participating attorneys' many years of experience participating in utility rate cases aid in our efforts to keep rate case expenses reasonable.

6. Invoices from Lloyd Gosselink also include fees and expenses from ReSolved Energy Consulting, LLC for work performed by Karl Nalepa and his assistant in the amount of \$44,528.10. Mr. Nalepa is a regulatory expert engaged to present testimony and consult on the issues in this case. Mr. Nalepa's hourly rate for this proceeding is \$260. This is the same or similar hourly rate charged other clients for comparable services during the same time period. Mr. Nalepa and his assistant reviewed the Texas Gas Service Company's Statement of Intent, identified issues, prepared and reviewed discovery questions and responses, prepared direct testimony, assisted in settlement negotiations.

7. Invoices from Lloyd Gosselink also include fees and expenses from New Gen Consulting, LLC for work performed by Connie Cannady in the amount of \$ 34,912.50. Ms. Cannady's hourly rate for this proceeding is \$245. This is the same or similar hourly rate charged other clients for comparable services during the same time period. Ms. Cannady reviewed the Texas Gas Service Company's Statement of Intent, identified issues, prepared and reviewed discovery questions and responses, prepared direct testimony, assisted in settlement negotiations.

7. The invoices submitted by Lloyd Gosselink include a description of services performed and time expended on each activity. The invoices for GUD No. 10488 through February 29, 2016 are included as Attachment B to this affidavit. Lloyd Gosselink has documented all charges with time sheets, invoices, and records. The documentation in this case is similar to that provided in many previous ratemaking proceedings at the Railroad Commission.

8. I have made a detailed review of actual invoices for consultants and legal services for December through February 29, 2016. I conclude that the services rendered in these months

were necessary for GSA Cities' participation in this proceeding and that the fees and expenses were reasonable in relation to the complexity of the issues addressed. Specifically, I made the following significant findings during my review:

- The hourly rates charged by GSA Cities' consultants and attorneys are within the range of reasonable rates;
- The number of individuals working on this matter at any given time was minimized;
- Consultants and attorneys accurately documented hours worked and services provided on their invoices;
- There were no time entries by any individual that exceeded 12 hours per day on any single matter or on a combined basis when work was performed on these cases; and
- There were no expenses that are subject to special scrutiny (e.g., luxury hotels, valet parking, designer coffee, airfare, meals).

9. I have reviewed all of the consultants' and attorneys' qualifications, along with a critical evaluation of their work product and the fees that they charged GSA Cities, and have found their services and fees to be reasonable and a good value. Each consultant and attorney provided services that were necessary for GSA Cities to fairly represent the interests of the members of GSA Cities in this rate-setting proceeding. All of the actual fees and expenses incurred to date are substantiated by detailed invoices, which I have included.

10. In addition to the expenses incurred through February 29, 2016, Lloyd Gosselink will incur fees and expenses in GUD No. 10488 beyond that date associated with continued work to finalize settlement documents subsequent to the date of this affidavit.

In consideration of this activity, GSA Cities estimates that its remaining expense of participating in this case beyond February 29, 2016 will not exceed \$25,000. In the event that the settlement in this matter is not adopted, or some additional process or litigation is required to

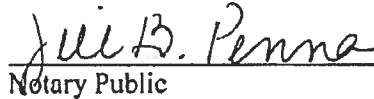
bring this matter to a close, GSA Cities would seek to quantify an additional rate case expense amount.

11. The total amounts requested for expenses through February 29, 2016 of \$101,277.81 for GUD No. 10488 and the estimate beyond that that date, are reasonable given the complexity, importance, and magnitude of this case, the nature of GSA Cities' case, and the number of issues.

Dated: March 23, 2016.

  
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THOMAS L. BROCATO

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 23<sup>rd</sup> day of March, 2016.

  
\_\_\_\_\_  
Notary Public

