



**HEARINGS DIVISION**

**STATEMENT OF INTENT OF TEXAS GAS SERVICE COMPANY (TGS), A DIVISION OF  
ONE GAS, INC., TO CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED  
AREAS OF THE CENTRAL TEXAS SERVICE AREA (CTSA) AND SOUTH TEXAS  
SERVICE AREA (STSA)**

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**PROCEDURAL HISTORY:**

Statement of Intent Filed:	June 20, 2016
Rates Suspended:	August 9, 2016
Heard By:	John Dodson, Administrative Law Judge Rose Ruiz, Technical Examiner James Currier, Technical Examiner
Settlement Agreement:	October 11, 2016
Hearing:	October 12, 2016
Record Closed:	November 4, 2016
PFD Circulation:	November 4, 2016
Statutory Deadline:	January 9, 2017

**STATEMENT OF THE CASE**

On June 20, 2016, Texas Gas Service Company (“TGS”) filed with the Railroad Commission a Statement of Intent to increase gas utility rates within the unincorporated areas of two service areas: the Central Texas Service Area (“CTSA”) and the South Texas Service Area (“STSA”). The CTSA is comprised of the incorporated areas of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, Texas, and their associated environs, including the environs of Buda, Texas. The STSA is comprised of the incorporated areas of Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum, and Nixon, Texas, and their associated environs. Along with a rate increase, Texas Gas Service Company also seeks to consolidate these two service areas into a new consolidated service area—the consolidated Central Texas Service Area.

Two parties intervened: Staff of the Railroad Commission (“Staff”) and Central Texas Municipalities (“CTM”), a coalition comprised of the Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley and West Lake Hills. On October 11, 2016, the parties filed a Unanimous Settlement Agreement (“Settlement”), resolving all issues. In the Settlement, the parties agree to the following:

- Consolidation of the CTSA and STSA into a new, consolidated Central Texas Service Area;
- An increase of an additional \$6.8 million in annual revenues for TGS—a reduction from TGS’s original \$11.6 million requested increase;
- The \$6.8 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 the new, consolidated Central Texas Service Area;
- Cost of equity set at 9.5 percent;
- Depreciation rates;
- TGS’s capital investment booked to plant through December 31, 2015, is prudent;
- Rate case expense amounts; and
- Various other terms.

The scope of the Commission’s jurisdiction in this docket is strictly over environs customers. This docket does not involve appeals of any municipal action.

After reviewing and considering the Settlement and evidentiary record, the Administrative Law Judge and Technical Examiners recommend that the Commission approve the Settlement. The deadline for Commission action in this docket is January 9, 2017.

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**PROPOSAL FOR DECISION****I. INTRODUCTION**

On June 20, 2016, Texas Gas Service Company (“TGS”), a division of ONE Gas, Inc. (“ONE Gas”), filed with the Railroad Commission of Texas (“Commission”) a Statement of Intent to Change Gas Utility Rates within the Unincorporated Areas of the Central Texas Service Area and South Texas Service Area (“SOI”). The Central Texas Service Area (“CTSA”) is comprised of the incorporated areas of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, Texas, and their associated environs, including the environs of Buda, Texas. The South Texas Service Area (“STSA”) is comprised of the incorporated areas of Cuero, Gonzales, Luling, Lockhart, Shiner, Yoakum, and Nixon, Texas, and their associated environs. Along with a rate increase, TGS also seeks to consolidate these two service areas into a new consolidated Central Texas Service Area (“CTCSA”).<sup>1</sup>

The scope of the Commission’s jurisdiction in this docket is strictly over environs customers. This docket does not involve appeals of any municipal action. On October 11, 2016, the parties filed a Unanimous Settlement Agreement (“Settlement”), resolving all issues. After reviewing and considering the Settlement and evidentiary record, the Administrative Law Judge and Technical Examiners (the “Examiners”) recommend that the Commission approve the Settlement.

**II. PARTIES**

The parties in this proceeding are Applicant TGS and two intervenors: Staff of the Railroad Commission (“Staff”) and Central Texas Municipalities (“CTM”), a coalition comprised of the Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley and West Lake Hills.

***TGS (Utility)***

TGS is a division of ONE Gas and is a “gas utility” under Section 101.003 (Definitions) of the Texas Utilities Code.<sup>2</sup> TGS filed its SOI with the Commission on June 20, 2016, and contemporarily sought to change rates with each of the CTSA municipalities.

***Staff of the Railroad Commission***

On June 21, 2016, Staff moved to intervene and be designated as a party “to assert its interest in seeing that the rules and regulations of the Commission together with the appropriate statutes have been followed.”<sup>3</sup>

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<sup>1</sup> “CTCSA” as a defined term is used throughout this PFD to avoid confusion with the existing CTSA. However, TGS intends to refer to the new consolidated service area as the “Central Texas Service Area.” See Settlement at 1, n1.

<sup>2</sup> 16 Tex. Admin. Code § 101.003(7) (Definitions) (defining “gas utility” as “a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.”).

### *Central Texas Municipalities*

CTM is a coalition comprised of all the CTSA cities—Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills. On June 30, 2016, the City of Austin moved to intervene. On July 14, 2016, the City of Bee Cave moved to intervene. On August 12, 2016, the Cities of Lakeway, Cedar Park, and Sunset Valley moved to intervene. On September 28, 2016, the Cities of Dripping Springs, Kyle, Rollingwood, and West Lake Hills moved to intervene.

### **III. PROCEDURAL BACKGROUND**

On June 20, 2016, TGS filed its SOI with the Commission. Subsequently, Staff and CTM intervened, and the CTM cities were aligned pursuant to Commission Rule § 1.86 (Alignment of Municipal Intervenor for Purposes of Discovery).<sup>4</sup> On July 14, 2016, a prehearing conference was held to consider various procedural matters. On August 9, 2016, the Commission suspended TGS's proposed rate change for a period of 150 days—from August 12, 2016, to January 9, 2017—in accordance with GURA Section 104.107 (Rate Suspension; Deadline).<sup>5</sup> On August 12, 2016, and on September 23, 2016, TGS filed certain errata to its original filing (the "Errata Filings"). On August 17, 2016, the ALJ severed the rate case expenses portion of GUD No. 10526 into a separate docket, GUD No. 10546.

On August 26, 2016, the ALJ issued a ruling precluding litigation of the issue of whether the transfer of TGS from ONEOK, Inc. ("ONEOK") to ONE Gas is in the public interest because the Commission already made this determination in a previous docket, GUD No. 10488.<sup>6</sup>

By August 31, 2016, TGS provided public notice of its SOI by direct mail to each TGS customer within the CTSA and STSA ("Public Notice").<sup>7</sup> Subsequently, the Commission received several written communications from the public, each voicing opposition to TGS's initially-proposed rate amounts. On September 15, 2016, the ALJ forwarded to each commenter a "Complaint and Statement of Intent to Participate Form" in accordance with Commission Rule § 7.240 (Statement of Intent to Participate).<sup>8</sup> 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 September 15, 2016, or else the Commission would not consider it to be a properly-filed complaint.<sup>9</sup> No environs customers returned the form, timely or otherwise.

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<sup>3</sup> Staff's Motion to Intervene, filed on June 21, 2016.

<sup>4</sup> See 16 Tex. Admin. Code § 1.86 (Alignment of Municipal Intervenor for Purposes of Discovery) ("Municipal parties, whether participating as a single municipality or a coalition of municipalities, are presumed to share a common interest in a proceeding such that alignment of municipal parties as a single party for purposes of discovery is appropriate. The presiding officer shall order alignment of municipal intervenors at the earliest reasonable opportunity so as to avoid unnecessary duplication of effort and to allow aligned parties an adequate opportunity to coordinate discovery efforts in an efficient manner.").

<sup>5</sup> See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

<sup>6</sup> See Examiners' Letter No. 12 (Ruling on TGS's Motion to Preclude), issued August 26, 2016.

<sup>7</sup> See TGS Ex. 4, Affidavit of Notice, sworn to by Nicole A. Simmons on September 21, 2016 ("Simmons Aff."), ¶ 4.

<sup>8</sup> Letter from the ALJ, dated September 15, 2016 (attaching Complaint and Statement of Intent to Participate Form).

<sup>9</sup> *Id.* (emphasis in original).

On September 9, 2016, the ALJ issued a Notice of Hearing, which set the hearing on the merits for October 12, 2016 (“Notice of Hearing”). On September 14, 2016, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1043*.<sup>10</sup> By September 14, 2016, the ALJ provided the Notice of Hearing to the governing body of each affected municipality and county.<sup>11</sup>

On October 11, 2016, the parties filed with the Commission the Settlement, unanimously agreed to by TGS, Staff, and CTM. A copy of the Settlement with exhibits is attached as Attachment A.<sup>12</sup> On October 12, 2016, the ALJ reconsolidated the rate case expenses portion of GUD No. 10526—previously severed into a separate docket, GUD No. 10546—back into GUD No. 10526.<sup>13</sup> The noticed hearing was held on October 12, 2016 (the “Hearing”). At the outset of the Hearing, the ALJ granted TGS’s motion to seal certain confidential material proposed to become part of the evidentiary record.<sup>14</sup> At the Hearing, several TGS exhibits in support of the Settlement were admitted into the record without objection. A list of these exhibits is attached as Attachment B.

On November 4, 2016, the evidentiary record closed.

#### IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

##### *Jurisdiction*

The Commission has jurisdiction over TGS, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates TGS requests for customers in the unincorporated areas of the current CTSA and STSA. The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and/or 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

This proceeding does not involve appellate review of any municipal decision.

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<sup>10</sup> See *Gas Utilities Information Bulletin No. 1043*, published by the Railroad Commission of Texas Oversight and Safety Division on September 14, 2016 (“Bulletin”), at 3-6.

<sup>11</sup> See letters from the ALJ to county judges for the Counties of Caldwell, Dewitt, Gonzales, Hays, Lavaca, Travis, Williamson, and Wilson, dated September 14, 2016 (attaching the Notice of Hearing).

<sup>12</sup> The attached copy of the Settlement excludes receipts and invoices related to rate case expenses.

<sup>13</sup> See Examiners’ Letter No. 22 (Rate Case Expense Docket Reconsolidated Into GUD No. 10526), issued October 12, 2016.

<sup>14</sup> See Motion to Seal the Administrative Record, filed by TGS on October 11, 2016; see also Examiners’ Letter No. 24 (Action Taken During October 12, 2016 Merits Hearing: TGS’s Motion to Seal the Administrative Record Granted), issued October 13, 2016.

### ***Burden of Proof***

As the party proposing gas utility rate changes, TGS has the burden of proving that the rate changes are just and reasonable.<sup>15</sup>

### ***Notice***

Proper notice has been issued in this proceeding in accordance with applicable statutes and rules. By August 31, 2016, TGS provided a copy of the Public Notice of its SOI by direct mail to each TGS customer within the CTSA and STSA.<sup>16</sup> On September 9, 2016, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On September 14, 2016, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1043* in compliance with Commission Rule § 7.235 (Publication and Service of Notice).<sup>17</sup> Pursuant to GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing), the ALJ provided a copy of the Notice of Hearing to the governing body of each affected municipality and county.<sup>18</sup>

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

## **V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS**

TGS presented evidence that it maintains its books and records in accordance with Commission requirements.<sup>19</sup> TGS maintains its books and records in accordance with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to “utilize the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USOA) for all operating and reporting purposes.”<sup>20</sup> The information contained within TGS’s books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).<sup>21</sup> TGS is in compliance with Commission Rule § 7.501 (Certain Matters to be Submitted in Rate Hearings), which requires the separate presentation in a rate proceeding of evidence related to certain types of financial

<sup>15</sup> Tex. Util. Code § 104.008 (Burden of Proof).

<sup>16</sup> See TGS Ex. 4 (Simmons Aff.) ¶ 4; see also Tex. Util. Code § 104.103 (Notice of Intent to Increase Rates) (containing notice requirements) and 16 Tex. Admin. Code §§ 7.220 (Enviroms Rates), 7.230 (Contents of Notice), and 7.235 (Publication and Service of Notice) (containing notice requirements).

<sup>17</sup> 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) (“The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.”); Bulletin, pp. 3-6 (containing the GUD No. 10526 Notice of Hearing).

<sup>18</sup> Tex. Util. Code § 104.105(c) (Determination of Propriety of Rate Change; Hearing) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

<sup>19</sup> See TGS Ex. 8, Direct Testimony of Stacey L. McTaggart on Behalf of Texas Gas Service Company (“McTaggart Test.”).

<sup>20</sup> *Id.*; see 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

<sup>21</sup> TGS Ex. 8 (McTaggart Test.); see 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).



transactions, and in some cases, exclusion of these costs from rates,<sup>22</sup> and with Commission Rule § 7.5414 (Advertising, Contributions, and Donations), which states that actual expenditures for advertising will be allowed as a cost-of-service item for ratemaking purposes, provided that the total sum of such expenditures shall not exceed one-half of one (1) percent of the gross receipts of the utility for utility services rendered to the public.<sup>23</sup>

TGS did not incur any affiliate expenses during the test year that might trigger application of GURA Section 104.055 (Net Income; Allowable Expenses).<sup>24</sup>

No party disputes that TGS maintains its books and records in accordance with Commission requirements.

Considering the evidence, the Examiners find that TGS has established that it complied with these Commission rules. Accordingly, TGS is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.<sup>25</sup>

## VI. TGS'S ORIGINAL REQUEST

TGS filed its SOI on June 20, 2016, with the following main requests:

- Consolidation of the CTSA and STSA into the new CTCSA;
- An increase of revenues in the CTCSA by \$11.6 million, which is an increase of 9 percent, including gas costs, or 17 percent, excluding gas costs;<sup>26</sup>
- Commission approval of new depreciation rates for distribution and general plant within the CTCSA, TGS Division plant, and corporate assets allocated to TGS and the CTCSA;
- A prudence determination regarding capital investment booked to plant in the unincorporated areas of the CTSA and STSA through December 31, 2015, including all capital investment reflected in TGS's interim rate adjustment ("IRA") filings in the STSA environs since the last STSA environs SOI rate proceeding; and

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<sup>22</sup> TGS Ex. 8 (McTaggart Test.); *see* 16 Tex. Admin. Code § 7.501 (Certain Matters to be Submitted in Rate Hearings).

<sup>23</sup> TGS Ex. 8 (McTaggart Test.); *see* 16 Tex. Admin. Code § 7.5414 (Advertising, Contributions, and Donations).

<sup>24</sup> TGS Ex. 8 (McTaggart Test.).

<sup>25</sup> *See* 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) ("In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.").

<sup>26</sup> In its original SOI, TGS requested an increase of \$11.6 million. This amount was decreased to \$11.5 million in the Errata Filing.

- Commission approval of the reasonable rate case expenses associated with this filing through a surcharge on rates.<sup>27</sup>

## VII. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD 10526. The Parties—TGS, CTM, and Staff—represent diverse interests and have engaged in significant discovery regarding the disputable issues. All parties agree that the Settlement resolves all issues in a manner consistent with the public interest and that resolution of this docket under the terms of this Settlement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers affected by this docket.<sup>28</sup> The Examiners have reviewed the Settlement and find that its terms and rate elements are just, reasonable, in the public interest, and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. The Examiners recommend that the Settlement be approved.

### A. Base Rate Increase

Under the Settlement, TGS will receive a \$6.8 million base rate increase for its CTCSA, effective for bills rendered on or after November 1, 2016, for incorporated customers and for the first billing cycle following Commission approval for environs customers.<sup>29</sup> This reflects a reduction of \$4.75 million from TGS's originally-filed SOI and a reduction of \$4.74 million from TGS's revised request. All parties agree to the dollar amount, revenue distribution, rate design, and effective date of the increase.<sup>30</sup> All parties agree to the rates, terms, and conditions reflected in the tariffs and rate schedules attached as Exhibit A to the Settlement.<sup>31</sup> The \$6.8 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 proposed new CTCSA.<sup>32</sup> TGS will also maintain a single Cost of Gas clause throughout the CTCSA.<sup>33</sup>

The Settlement rates are designed to recover annual revenues of \$73.5 million from all customers. The environs customers will contribute approximately \$6.48 million, or 8.8 percent. Currently, the environs customers contribute 6.7 percent of the adjusted test year revenue.

The base rate increase includes \$46,699 in regulatory expense amortization, which represents the annual amount to be recovered each year for six years.<sup>34</sup>

The parties agree that the rates, terms and conditions comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).<sup>35</sup> The Texas Utilities Code requires

<sup>27</sup> TGS Ex. 1 (SOI), pp. 2-3.

<sup>28</sup> TGS Ex. 5 (Settlement), p. 2.

<sup>29</sup> TGS Ex. 5 (Settlement) ¶ 1. If the final order is issued at the Commission Conference scheduled for November 15, 2016, then the effective date is for bills rendered on or after December 1, 2016. If the final order is issued at the Commission Conference scheduled for either December 6 or December 13, 2016, then the effective date is for bills rendered on or after January 3, 2017.

<sup>30</sup> *Id.* ¶ 1.

<sup>31</sup> *Id.* ¶ 1.

<sup>32</sup> *Id.* ¶ 1. In a "black box settlement," the parties agree to a total amount that the utility may recover in its rates without specifying any of the individual numbers used to calculate the amount. See *Entergy Texas, Inc. v. Pub. Util. Comm'n of Texas*, 03-14-00735-CV, 2016 WL 1406233, at \*3 (Tex. App.—Austin Apr. 8, 2016).

<sup>33</sup> *Id.* ¶ 8.

<sup>34</sup> *Id.* ¶ 19.

that “the regulatory authority shall establish the utility’s overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility’s invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.”<sup>36</sup>

Considering the evidence, the Examiners find the overall revenues for TGS in the Settlement to be just and reasonable and consistent with GURA Chapter 104 (Rates and Services).

### B. Rate Design

The parties agree that TGS’s proposed class revenue allocation identified in the Settlement is reasonable and should be approved.<sup>37</sup> The parties also agree that the rates in the below table are reasonable and should be approved.<sup>38</sup>

	Customer Charge	Commodity Charge
Residential	\$15.28	\$0.16032
Commercial	\$38.00	\$0.13174
Commercial Transportation	\$250.00	\$0.13174
Public Authority	\$47.00	\$0.12529
Public Authority Transportation	\$70.00	\$0.12529
Industrial	\$150.00	\$0.11186
Industrial Transportation	\$350.00	\$0.11186
Public School Space Heating	\$100.00	\$0.11000
Public School Space Heating Transportation	\$200.00	\$0.11000
Compressed Natural Gas	\$50.00	\$0.07148
Compressed Natural Gas Transportation	\$75.00	\$0.07148
Cogen Transportation	\$70.00	First 5000 ccf @ \$0.08708 Next 35,000 ccf @ \$0.07838 Next 60,000 ccf @ \$0.06512 All over 100,000 ccf @ \$0.05004

The revenue requirement is recovered from rates as set out in the proposed Settlement. The settled customer charge for residential customers is nearly \$6 less than TGS’s originally-proposed \$21.25. The customer charge for the remaining classes is unchanged from TGS’s proposal. The settled volumetric charge for the residential customers is \$0.12412/Ccf—higher for residential customers than TGS’s originally proposed \$0.03620/Ccf.

<sup>35</sup> *Id.* ¶ 1.

<sup>36</sup> Tex. Util. Code § 104.051 (Establishing Overall Revenues).

<sup>37</sup> TGS Ex. 5 (Settlement) ¶ 15, and Ex. 12, Direct Testimony of Teresa Serna on Behalf of Texas Gas Service Company, filed on June 20, 2016, and admitted into the evidentiary record on October 12, 2016 (“Serna Test.”). Exhibit TDS-2.

<sup>38</sup> TGS Ex. 5 (Settlement) ¶ 3.

The below table shows the current and settled rates for the residential class.

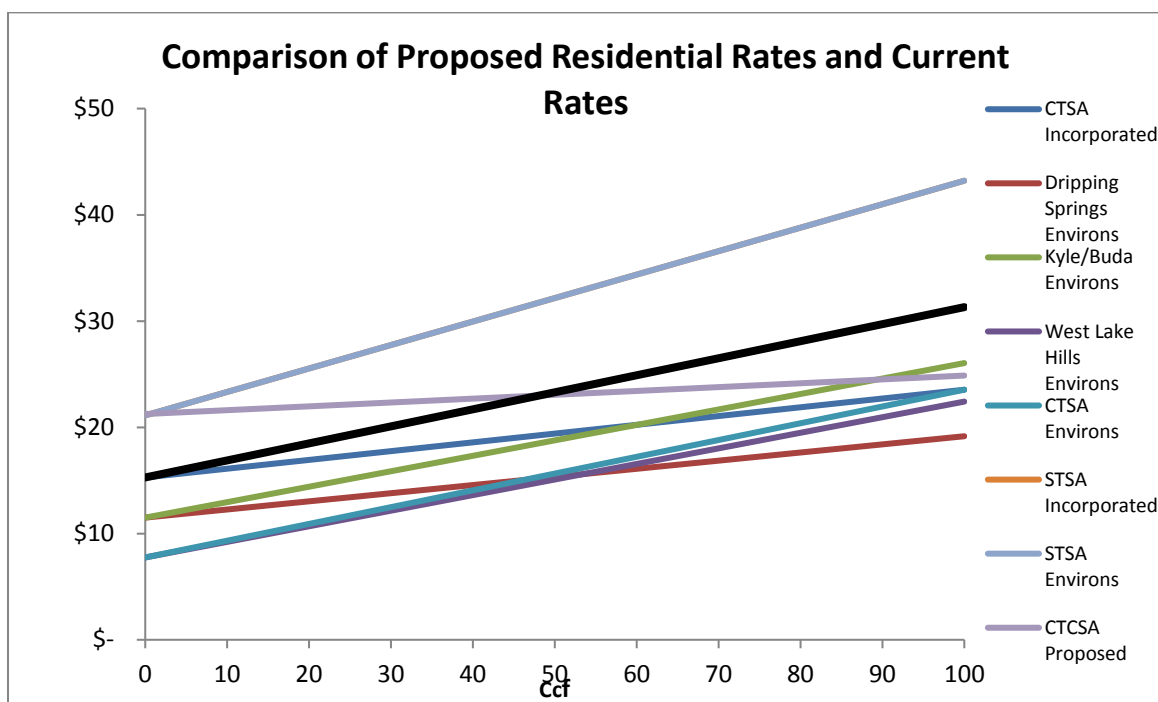
Service Area	Current		Settlement	
	Customer Charge	Commodity Charge	Customer Charge	Commodity Charge
<b>CTSA Incorporated</b>	\$ 15.28	\$ 0.08257	\$ 15.28	\$ 0.16032
<b>Dripping Springs Environs</b>	\$ 11.50	\$ 0.07660		
<b>Kyle/Buda Environs</b>	\$ 11.50	\$ 0.14545		
<b>West Lake Hills Environs</b>	\$ 7.75	\$ 0.14670		
<b>CTSA Environs</b>	\$ 7.75	\$ 0.15790		
<b>STSA Incorporated</b>	\$ 21.12	\$ 0.22090		
<b>STSA Environs</b>	\$ 21.12	\$ 0.22090		

The below table shows the bill impact<sup>39</sup>, excluding the cost of gas, of TGS's proposed increase and the settled increase on average-usage residential customers.

Service Area	Average Ccf	Current	Proposed	Settlement	Settlement Bill Change	Settlement Percent Increase
<b>CTSA Incorporated</b>	32	\$ 17.92	\$ 22.41	\$ 18.87	\$ 0.95	5.3%
<b>Dripping Springs Environs</b>	32	\$ 13.95	\$ 22.41	\$ 18.87	\$ 4.92	35%
<b>Kyle/Buda Environs</b>	32	\$ 16.15	\$ 22.41	\$ 18.87	\$ 2.72	17%
<b>West Lake Hills Environs</b>	32	\$ 12.44	\$ 22.41	\$ 18.87	\$ 6.43	52%
<b>CTSA Environs</b>	32	\$ 12.80	\$ 22.41	\$ 18.87	\$ 6.07	47%
<b>STSA Incorporated</b>	26	\$ 26.86	\$ 22.19	\$ 18.84	\$ (8.03)	-30%
<b>STSA Environs</b>	26	\$ 26.86	\$ 22.19	\$ 18.84	\$ (8.03)	-30%

<sup>39</sup> Bill impacts only include the customer charge and usage charge.

The below graph compares the current, proposed, and settled rates for residential customers.



STSA environs customers currently pay the same base rates as STSA incorporated customers. These rates were approved by the Commission in 2013 and adjusted by IRA filings approved in 2014 and 2015.<sup>40</sup> The CTSA currently has different rates for each of four categorized environs areas—Dripping Springs, Kyle/Buda, West Lake Hills, and remaining CTSA.<sup>41</sup> The Commission last approved new rates following a full rate proceeding for the CTSA environs and West Lake Hills environs in 1993 in GUD Nos. 8379-8382.<sup>42</sup> Initial rates were filed for environs customers in Kyle/Buda in 2008 and for environs customers in Dripping Springs in 2006.<sup>43</sup> Per the Settlement, all CTCSA environs customers will pay the same rates.

Considering the evidence, the Examiners find TGS's rates to be in compliance with GURA Section 104.003 (Just and Reasonable Rates) because the rates are not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer. The Examiners also find TGS's rates to be just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited) because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service. Finally, as proposed, the rates in the Settlement would comply with GURA Section 104.006 (Rates for Area not in Municipality) because the rates for environs customers would not exceed 115 percent of the average of all rates for similar services for all municipalities served by TGS in the same counties.

<sup>40</sup> TGS Ex. 8, Direct Testimony of Stacey L. McTaggart on Behalf of Texas Gas Service Company, filed on June 20, 2016, and admitted into the evidentiary record on October 12, 2016 ("McTaggart Test."), at 13 and Exhibit SLM-1.

<sup>41</sup> *Id.* Exhibit SLM-1.

<sup>42</sup> *Id.* at 13, 15.

<sup>43</sup> *Id.* at 14-15, and Exhibit SLM-2.

### C. Consolidation of Service Areas

The parties agree that consolidation of the CTSA and STSA to form a new, consolidated Central Texas Service Area is reasonable and should be approved.<sup>44</sup> The rates in the Settlement have been established consistent with implementing a system-wide cost of service methodology in the CTCSA.<sup>45</sup> A map showing TGS's current service areas is attached as Attachment C.

TGS provided evidence further supporting service area consolidation.<sup>46</sup> This evidence supports that: service area boundaries often are not the best indicators of TGS's actual operations, consolidation promotes TGS's evolving centralization of its corporate decision making and gas services management, consolidation creates administrative efficiencies benefitting TGS and its customers, and consolidation is consistent with Commission precedent.<sup>47</sup>

Considering the evidence, the Examiners find that consolidating the CTSA and STSA as proposed in the Settlement is reasonable, appropriate, and in the public interest.

### D. Tariffs

The parties agree that the rates, terms and conditions reflected in the Settlement's tariffs and rate schedules comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).<sup>48</sup> All parties agree to system-wide tariffs based on approval of the consolidated new CTCSA. The CTCSA tariffs, listed below, are included in Exhibit A of the Settlement.

Incorporated Tariffs	Environs Tariffs
<ul style="list-style-type: none"> <li>• Residential Service Rate (10)</li> <li>• Commercial Service Rate (20)</li> <li>• Industrial Service Rate (30)</li> <li>• Public Authority Rate (40)</li> <li>• Public Schools Space Heating Svc. Rate (48)</li> <li>• Compressed Natural Gas Svc. Rate (CNG-1)</li> <li>• Electrical Cogeneration Rate (C-1)</li> <li>• Transportation Service Rate (T-1)</li> <li>• Rate Case Expense Surcharge (RCE)</li> <li>• Conservation Adjustment Clause (CAC)</li> <li>• Conservation Adjustment Clause Rate (1C)</li> </ul>	<ul style="list-style-type: none"> <li>• Residential Service Rate (1Z)</li> <li>• Commercial Service Rate (2Z)</li> <li>• Industrial Service Rate (3Z)</li> <li>• Public Authority Service Rate (4Z)</li> <li>• Public Schools Space Heating Svc. Rate (4H)</li> <li>• Compressed Natural Gas Svc. Rate (CNG-1-ENV)</li> <li>• Electrical Cogeneration Rate (C-1-ENV)</li> <li>• Transportation Service Rate (T-1-ENV)</li> <li>• Rate Case Expense Surcharge (RCE-ENV)</li> </ul>
<b>Rate Schedules and Riders</b> <b>(applicable to incorporated and environs customers)</b>	
<ul style="list-style-type: none"> <li>• General Terms and Conditions for Transportation Service (T-TERMS)</li> <li>• Cost of Gas Clause (1)</li> <li>• Rules of Service – Central Texas Service Area</li> <li>• Weather Normalization Adjustment Clause (WNA)</li> <li>• Pipeline Integrity Testing Rider (PIT)</li> </ul>	

<sup>44</sup> TGS Ex. 5 (Settlement) ¶ 2.

<sup>45</sup> *Id.*

<sup>46</sup> See TGS Ex. 7, Direct Testimony of Jim Jarrett on Behalf of Texas Gas Service Company, filed on June 20, 2016, and admitted into the evidentiary record on October 12, 2016 ("Jarrett Test."), at 5-12.

<sup>47</sup> *Id.* (noting GUD Nos. 10488, 10174, 9869, 9762, and 9400).

<sup>48</sup> TGS Ex. 5 (Settlement) ¶ 1.

The Settlement rates are designed to recover an annual revenue requirement of \$73,532,618 from all customers, of which \$6,480,620, or 8.8 percent, will be recovered from environs customers. The rates reflect an increase of an additional \$6.8 million in total annual revenues. The parties agree that TGS's proposed class revenue allocation is reasonable and should be approved.<sup>49</sup> A worksheet showing proof of revenues is attached as Attachment D.

Considering the evidence, the Examiners find that the Settlement tariffs comply with statutory and Commission requirements. The Rate Case Expense Surcharge tariff is addressed separately below.

### **E. Capital Investment Prudence**

The parties agree that TGS's capital investment booked to plant through December 31, 2015—with the exception of \$55,225 of duplicative sales tax—is prudent.<sup>50</sup> This includes TGS's interim rate adjustment ("IRA") filings for the CTSA cities for capital investment made in years 2008 through 2014, and for the STSA cities and environs for capital investment made in years 2011 through 2013.<sup>51</sup>

The parties agree that \$55,225 of duplicative sales tax should be removed from the cost of service and any related monies recovered through IRA filings be refunded to customers via a one-time bill credit no later than 60 days following the final order in this docket.<sup>52</sup> TGS will provide refund confirmation to the Commission's Oversight and Safety Division immediately upon completion.<sup>53</sup> Residential customers will receive a 16-cent credit. Specific refund amounts are shown in the Settlement.<sup>54</sup>

#### **1. Recent IRA Filings**

GURA Section 104.301 (Interim Adjustment for Changes in Investment) and Commission Rule § 7.7101 (Interim Rate Adjustments) provide that a gas utility may file with the Commission a request for an IRA.<sup>55</sup> The CTSA cities, in May 2015, approved TGS's IRA for calendar year 2014 plant investment.<sup>56</sup> TGS filed an IRA for the STSA cities and environs on December 4, 2015, and December 7, 2015, respectively, for calendar year 2014 plant investment, but did not request a rate change because this case would be filed before the end of 2016.<sup>57</sup>

#### **2. Prudence Determination**

Commission Rule § 7.7101 (Interim Rate Adjustments) provides that in the rate case filed after IRA implementation, any change in investment and related expenses and revenues that have

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<sup>49</sup> *Id.* ¶ 15.

<sup>50</sup> *Id.* ¶ 5.

<sup>51</sup> *Id.* ¶ 5.

<sup>52</sup> *See id.* ¶ 6.

<sup>53</sup> *Id.* ¶ 6.

<sup>54</sup> *See id.*

<sup>55</sup> *See* Tex. Util. Code § 104.301 (Interim Adjustment for Changes in Investment), 16 Tex. Admin. Code § 7.701 (Interim Rate Adjustments).

<sup>56</sup> TGS Ex. 8 (McTaggart Test.) at 14.

<sup>57</sup> *Id.* at 12-13.

been included in any IRA shall be fully subject to review for reasonableness and prudence.<sup>58</sup> TGS seeks a prudency determination of capital investment booked to plant in the unincorporated areas of the CTSA and STSA through December 31, 2015, including all capital investment reflected in TGS's IRA filings made in the STSA environs since the last STSA environs statement of intent rate proceeding.<sup>59</sup> All parties agree that TGS's capital investment booked to plant through December 31, 2015, as described in the Settlement, is prudent.

TGS provided further evidence supporting the reasonableness and necessity of capital investment to serve customers in the CTSA and STSA.<sup>60</sup> This evidence supports that: TGS has increased its net plant in the CTSA and STSA by 16 percent annually since 2010, totaling \$160 million; and capital investments were made to add pipeline for serving new customers, replace pipeline facilities that have reached the end of their useful service lives, relocate pipeline facilities as required by city, county and state roadway projects, and comply with regulatory requirements established at the federal, state and local levels.<sup>61</sup>

Considering the evidence, the Examiners find TGS's capital investment booked to plant in the unincorporated areas of the CTSA and STSA through December 31, 2015, as described in the Settlement, to be reasonable and prudent.

### 3. Future IRA Factors

The parties agree that any IRA filing in the CTCSA pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment) shall use the following factors until changed by a subsequent general rate proceeding:<sup>62</sup>

- The capital structure and related components shall be as shown in paragraph 13 of the Settlement;
- 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 \$324,918,056;
- For the initial filing, the customer charges as noted in paragraph 3 of the Settlement 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:

<sup>58</sup> 16 Tex. Admin. Code § 7.7101(j) (Interim Rate Adjustments).

<sup>59</sup> See GUD No. 10217; Statement of Intent of Texas Gas Service Company to Change Rates Within the Environs of The South Texas Service Area; Final Order, signed March 26, 2013. IRA filings for the STSA environs were made in GUD Nos. 10333 and 10404.

<sup>60</sup> See TGS Ex. 7 (Jarrett Test.).

<sup>61</sup> *Id.*

<sup>62</sup> See TGS Ex. 5 (Settlement) ¶ 14.



Customer Class	Allocation
Residential	78.204%
Commercial	17.786%
Public Authority	3.049%
Industrial	0.907%
Compressed Natural Gas	0.054%

TGS shall not change, modify or otherwise recalculate its depreciation rates for its direct, division or corporate plant accounts in any IRA filing made after a final order is issued in this case.

The Examiners find these factors and conditions to be just and reasonable and consistent with statutory and Commission requirements.

#### **F. Cost of Capital**

The parties agree to the actual capital structure and weighted cost of capital, including the pre-tax return, shown below.<sup>63</sup>

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.50%	3.950%	1.56%	1.56%
Common Equity	60.50%	9.500%	5.748%	8.842%
Rate of Return	100%		<b>7.308%</b>	<b>10.402%</b>

The parties agree that the capital structure and related components as shown above shall be used in any IRA filing in the CTCSA.<sup>64</sup>

Considering the evidence, the Examiners find the rate of return and return on equity in the Settlement to be just and reasonable and consistent with GURA Section 104.052 (Establishing Fair Rate of Return).

#### **G. Depreciation Rates**

The parties agree that TGS's proposed depreciation rates for distribution and general plant in the CTCSA, TGS Division plant, and corporate plant are reasonable. The parties agree the amortization rates for accounts 391.9 and 376.9 will be the same as approved in GUD No. 10506.<sup>65</sup>

Considering the evidence, the Examiners find the depreciation rates in the Settlement to be just and reasonable. These rates are based on the 2015 depreciation rate study for plant located in

<sup>63</sup> *Id.* ¶ 13.

<sup>64</sup> *Id.* ¶ 11.

<sup>65</sup> *Id.* ¶ 4, Exhibit C.

the CTCSA, common facilities shared among all TGS Service Areas, and corporate assets allocated to all divisions.

### H. Post-Employment Benefits Expenses

The parties agree that the base year level of pension-related and other post-employment benefits expenses shall be as follows:<sup>66</sup>

Description	Total
Pension	\$ 812,588
OPEB	\$ 17,100
Grand Total	\$ 829,688

Considering the evidence, the Examiners find the base year level of pension-related and other post-employment benefits expenses to be just and reasonable and consistent with GURA Section 104.059 (Pension and Other Postemployment Benefits).

### I. Gas Supply

The parties agree that TGS will maintain a single Cost of Gas Clause throughout the consolidated CTCSA.<sup>67</sup>

TGS agrees, pursuant to the request of Staff and CTM, that TGS will no longer enter into financial hedging instruments as part of its gas supply portfolio for the CTCSA without prior approval from the appropriate regulatory authority.<sup>68</sup> The agreement is reflected in the separate Gas Cost Clauses remaining effective for the CTCSA, as provided for in the Settlement.<sup>69</sup> TGS shall revise the tariff 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, including penalties 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). 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 August 25, 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 or a municipal regulatory authority. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission or municipal regulatory authority no later than June 15.

<sup>66</sup> See TGS Ex. 5 (Settlement) ¶ 16.

<sup>67</sup> *Id.* ¶ 8.

<sup>68</sup> *Id.* ¶ 9.

<sup>69</sup> *Id.* ¶ 9.

The parties agree that TGS shall recover \$68,266 of existing hedging costs through the Cost of Gas clause.<sup>70</sup> These costs were incurred from August 9, 2016, through August 25, 2016.<sup>71</sup>

Considering the evidence, the Examiners find that these Settlement terms are just and reasonable and comply with Commission Rule § 7.5519 (Gas Cost Recovery).

## **J. Other Issues**

### **1. Separation of TGS from ONEOK to ONE Gas**

The parties agree that the Commission's determination in GUD No. 10488—the separation of TGS from ONEOK to ONE Gas, which TGS reported to the Commission in GUD No. 10339 pursuant to GURA Section 102.051, is in the public interest—resolved the issue and is binding in this docket.<sup>72</sup>

### **2. Conservation Program**

TGS and CTM agree that TGS will continue its conservation program including 100 percent ratepayer funding and implement the requested Rate Schedule Conservation Adjustment Clause within the CTM cities.<sup>73</sup> TGS and Staff agree that TGS will not implement a Conservation Program in the unincorporated areas at this time.<sup>74</sup>

### **3. Pipeline Integrity Costs**

The parties agree that TGS shall recover pipeline integrity testing costs through Rate Schedule PIT.<sup>75</sup> Currently, TGS does not recover pipeline integrity costs from CTSA or STSA environs customers.<sup>76</sup>

### **4. Share the Warmth**

TGS agrees to match customer contributions to the Share the Warmth program up to \$100,000 annually. The matching contributions will not be included in rates or otherwise be recovered from ratepayers.<sup>77</sup>

## **K. Rate Case Expenses**

TGS and CTM request reimbursement and/or recovery of reasonable rate case expenses.<sup>78</sup> In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if

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<sup>70</sup> *Id.* ¶ 10.

<sup>71</sup> *See* TGS Response to Examiners' RFI 1-2, filed on October 17, 2016.

<sup>72</sup> TGS Ex. 5 (Settlement) ¶ 7.

<sup>73</sup> *Id.* ¶ 11.

<sup>74</sup> *Id.* ¶ 11.

<sup>75</sup> TGS Ex. 5 (Settlement) ¶ 12; TGS Ex. 1 (SOI) at 8.

<sup>76</sup> *See* TGS Response to Examiners' RFI 2-2, filed on October 18, 2016.

<sup>77</sup> TGS Ex. 5 (Settlement) ¶ 18.

<sup>78</sup> *See id.* ¶¶ 20-23, and Exhibit A, Rate Case Expense Surcharge, p. 85-86.

any, may be reimbursed their reasonable rate case expenses.<sup>79</sup> Any gas utility and/or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.<sup>80</sup> Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.<sup>81</sup>

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase granted.<sup>82</sup>

TGS and CTM filed affidavits and supporting evidence for reimbursement of rate case expenses.<sup>83</sup> For TGS, the amount reflects legal costs incurred through September 23, 2016, and all other TGS costs incurred through September 30, 2016, and estimated expenses through the conclusion of the docket. For CTM, the amounts include expenses for legal and consulting services through September 30, 2016, and estimated expenses through the conclusion of the docket.

### 1. Amounts

TGS and CTM represent that their reasonable rate case expenses are as follows:<sup>84</sup>

	<b>Actual Invoices Received</b>	<b>Invoices Due and Est. to Completion</b>	<b>Total</b>
TGS	\$360,888.44	\$125,000	\$485,888.44
CTM	\$137,465.68	\$45,000	\$182,465.68

<sup>79</sup> See 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

<sup>80</sup> 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

<sup>83</sup> See TGS Ex. 5 (Settlement), Exhibit D (containing the Affidavit of Kate Norman, counsel for TGS, sworn to on October 7, 2016, and attached supporting documents (“Norman Aff.”), the Affidavit of Thomas L. Brocato, counsel for CTM, sworn to on October 4, 2016, and attached supporting documents (“Brocato Aff.”)).

<sup>84</sup> TGS Ex. 5 (Settlement) ¶ 20.

The Commission Rule § 7.5530(d) (Allowable Rate Case Expenses) classification for TGS's total requested \$485,888.44 in rate case expenses includes the following categories: (1) approximately \$271,937.00 for required regulatory expenses; (2) \$88,951.44 for litigation expenses; and (3) approximately \$125,000 for estimated expenses.<sup>85</sup>

TGS and CTM each provided evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation.

The Examiners reviewed the testimony and documentation supporting rate case expense amounts submitted by TGS and CTM. The Examiners found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or other prohibited charges. The Examiners find: (1) the request for a rate change was reasonable; (2) there was no duplication of services or testimony by any party; (3) the work performed by all parties was relevant and reasonably necessary to the proceeding; and (4) the complexity and expense of the work by all parties was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted. The Examiners further find that the terms in the Settlement relating to the reimbursement, recovery, and reporting of rate case expenses are reasonable and appropriate.<sup>86</sup>

In sum, the Examiners recommend that the Commission approve the actual incurred and reasonably estimated rate case expense amounts of TGS and CTM contained in the Settlement.

## **2. Allocation and Surcharge**

All parties agree that the recovery period for the applicable surcharge to recover rate case expenses shall be 24 months and that the surcharge be volume based.<sup>87</sup> The parties further agree that equal recovery of TGS's and CTM's rate case expenses on a system-wide basis from incorporated and unincorporated customers in the consolidated CTCSA is appropriate, reasonable, and supported by good cause.<sup>88</sup>

Considering the evidence and CTM's involvement in this proceeding, the Examiners find that good cause exists to allocate TGS's and CTM's rate case expenses equally on a system-wide basis, as proposed in the Settlement, and that doing so is necessary in the interest of justice. CTM's participation in this proceeding contributed to the settled outcome, which benefits all customers in the CTSA and STSA. The below table reflects this recommended allocation, with the highlighted portion showing the environs customers over which the Commission has jurisdiction.

<sup>85</sup> *Id.* at Exhibit D (Norman Aff.).

<sup>86</sup> *See* TGS Ex. 5 (Settlement) ¶¶ 21-22 (relating to reimbursement and recovery), 23 (relating to reporting).

<sup>87</sup> *Id.* ¶ 21.

<sup>88</sup> *Id.* ¶ 22.

		GROUP A	GROUP B	GROUP C
		Central Texas Service Area (CTSA)	Environs	South Texas Service Area (STSA)
	Customer Count by Area	220,256	22,120	9,080
	Annual Throughput - Ccf	133,804,483	14,460,846	6,163,993
	CTCSA Total Annual Throughput	154,429,322		
TGS	Regulatory Expenses	\$271,937	\$271,937	\$271,937
	Litigation Expenses	\$88,951	\$88,951	\$88,951
	Estimated Expenses	\$125,000	\$125,000	\$125,000
CTM	Litigation Expenses	\$137,466	\$137,466	\$137,466
	Estimated Expenses	\$45,000	\$45,000	\$45,000
Allocation	TOTAL	\$668,354	\$668,354	\$668,354
	Group Percentage based on Volumes	86.64%	9.36%	3.99%
	<b>Total Expenses Allocated to Group</b>	<b>\$579,092</b>	<b>\$62,585</b>	<b>\$26,677</b>
Surcharge (Settlement)	Total Rate Case Expenses	\$668,354		
	Surcharge volumes - 24 months	308,858,644		
	<b>Per Ccf surcharge - 24 months</b>	<b>\$0.0022</b>		

### 3. Conclusion

The Examiners recommend that the Commission approve the actual incurred and reasonably estimated rate case expense amounts of TGS and CTM contained in the Settlement. With respect to allocation and surcharge, the Examiners recommend approval of the Settlement—good cause exists to allocate TGS’s and CTM’s litigation and estimated expenses equally on a system-wide basis from incorporated and unincorporated customers in the consolidated CTCSA, and doing so is necessary in the interest of justice.

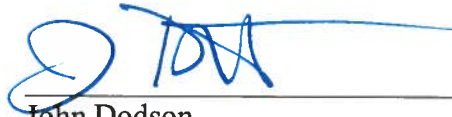
## VIII. CONCLUSION

The Examiners find that TGS’s requested rate change is warranted. The terms and rate elements in the Settlement are just and reasonable, supported by the evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners recommend that the Commission approve the Settlement.

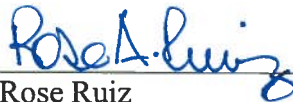
**IX. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, issued contemporaneously with this PFD, are incorporated herein by reference.

**SIGNED November 4, 2016.**

A handwritten signature in blue ink, appearing to read "John Dodson", written over a horizontal line.

John Dodson  
Administrative Law Judge

A handwritten signature in blue ink, appearing to read "Rose Ruiz", written over a horizontal line.

Rose Ruiz  
Technical Examiner

A handwritten signature in blue ink, appearing to read "James Currier", written over a horizontal line.

James Currier  
Technical Examiner

**PROPOSAL FOR DECISION**

**ATTACHMENT A**



# Parsley Coffin Renner

A Limited Liability Partnership

FILED

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OCTOBER 11, 2016  
DOCKET SERVICES  
RAILROAD COMMISSION  
OF TEXAS

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

Re: GUD No. 10526; *Statement of Intent of Texas Gas Service Company, a division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and South Texas Service Area*

Dear ALJ and Examiners:

Texas Gas Service Company, a division of ONE Gas, Inc., Commission Staff and the Central Texas Municipalities (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 be held tomorrow to enter exhibits into the record and address the Motion to Seal the Administrative 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

KWN:ssm

cc: All parties of record  
Mark Evarts  
Stacey McTaggart  
Nicole Simmons  
Stephanie Houle

FILED

**GAS UTILITIES DOCKET NO. 10526**

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**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A DIVISION §  
OF ONE GAS, INC., TO CHANGE GAS §  
UTILITY RATES WITHIN THE §  
UNINCORPORATED AREAS OF THE §  
CENTRAL TEXAS SERVICE AREA §  
AND SOUTH TEXAS SERVICE AREA §**

**BEFORE THE RAILROAD COMMISSION  
DOCKET SERVICES  
OF TEXAS  
RAILROAD COMMISSION  
OF TEXAS**

**UNANIMOUS SETTLEMENT AGREEMENT**

This Unanimous Settlement Agreement ("Settlement Agreement") is entered into by and between Texas Gas Service Company, a division of ONE Gas, Inc. ("TGS" or the "Company"); the Central Texas Municipalities whose members include the cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills Texas (collectively, "CTM"); and the Staff of the Railroad Commission of Texas ("Staff"), (collectively, the "Signatories").

WHEREAS, on June 20, 2016, TGS filed a Statement of Intent to Increase Rates with the Railroad Commission of Texas ("Commission") to change utility rates within the unincorporated areas of the Central Texas Service Area ("CTSA") and South Texas Service Area ("STSA") and filed a Statement of Intent with each of the cities in the CTSA retaining original jurisdiction; and

WHEREAS, TGS proposes in this case to consolidate the incorporated and unincorporated areas of the CTSA and incorporated and unincorporated areas of the STSA into a new, single service area known as the consolidated Central Texas Service Area;<sup>1</sup> and

WHEREAS, the Commission docketed the rate request as GUD No. 10526; and

WHEREAS, the CTM and Staff sought intervention and were granted party status in GUD No. 10526; and

WHEREAS, the CTM have suspended the implementation of the Company's rate request until November 10, 2016; and

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

WHEREAS, TGS provided public notice by direct mail on August 31, 2016 to all affected customers in the form approved by the Examiners; and

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<sup>1</sup> To avoid confusion in the Statement of Intent, the Company referred to the consolidated service area as the Central Texas Consolidated Service Area ("CTCSA"). The Company's intent, however, is to refer to the new consolidated service area as the Central Texas Service Area, which is the term the Company used in the proposed tariffs filed with the Statement of Intent. In this Settlement Agreement, the term "consolidated Central Texas Service Area" refers to the new consolidated service area.

WHEREAS, direct testimony of the CTM was due on September 20, 2016, and Staff direct testimony was due on September 27, 2016, but the CTM 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 CTM 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. 10526 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 and the CTM, the following Settlement Terms as a means of resolving the rate request pending before the CTM 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 CTM and the environs of the CTSA and STSA. These tariffs are based on approval of a consolidated, new service area known hereafter as the consolidated Central Texas Service Area and represent an increase of an additional \$6.8 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 \$6.8 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 consolidated Central Texas 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 CTM, be effective for the CTM for bills rendered on or after November 1, 2016. Should the CTM not approve this Settlement Agreement in time for TGS to implement rates for bills rendered on or after November 1, 2016, the CTM and TGS agree that on November 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 CTM take final action to approve this Settlement Agreement. The gas rates, terms and conditions established by this Settlement Agreement shall, subject to approval of the Commission, be effective for customers in the unincorporated areas of the consolidated Central Texas Service Area for the first billing cycle following Commission approval.

2. The Signatories agree that the Company's request to consolidate the incorporated and unincorporated areas of the STSA and the incorporated and unincorporated areas of the CTSA to create a new, single consolidated Central Texas 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 consolidated Central Texas 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	\$15.28	\$0.16032
Commercial	\$38.00	\$0.13174
Commercial Transportation	\$250.00	\$0.13174
Public Authority	\$47.00	\$0.12529
Public Authority Transportation	\$70.00	\$0.12529
Industrial	\$150.00	\$0.11186
Industrial Transportation	\$350.00	\$0.11186
Public School Space Heating	\$100.00	\$0.11000
Public School Space Heating Transportation	\$200.00	\$0.11000
Compressed Natural Gas	\$50.00	\$0.07148
Compressed Natural Gas Transportation	\$75.00	\$0.07148
Cogen Transportation	\$70.00	First 5000 ccf @ \$0.08708 Next 35,000 ccf @ \$0.07838 Next 60,000 ccf @ \$0.06512 All over 100,000 ccf @ \$0.05004

4. The Signatories agree that the depreciation rates for distribution and general plant in the consolidated Central Texas Service Area, as well as TGS Division plant and corporate plant depreciation rates, as shown on Exhibit C, are reasonable. For accounts 391.9 and 376.9, which are based on amortization schedules, the Signatories intend for the rates to be the same as the rates approved for those accounts in GUD No. 10506.
5. The Signatories agree that the Company's capital investment booked to plant through December 31, 2015, including investment in TGS's Interim Rate Adjustments ("IRA") filed with the CTSA cities for capital investment made in years 2008 through 2014 and for the STSA cities and environs for capital investment made in years 2011 through 2013, is prudent, except for \$55,225 of duplicative sales tax on TGS's capital investment.
6. The Signatories agree that \$55,225 of duplicative sales tax should be removed from the cost of service in this docket. The Signatories further agree that any money related to this duplicative \$55,225 recovered through IRA filings should be refunded to customers in the form of a one-time bill credit, in the amounts listed below, no later than 60 days following

the final order in this docket. Confirmation of refund will be provided to the Commission's Oversight and Safety Division immediately upon completion.

Customer Class	Average Monthly Bills at 12/31/10	Refund per Customer	Total Refund
<b>Central Texas Service Area</b>			
Residential	213,458	\$0.16	\$30,808
Commercial	11,208	\$0.55	\$5,930
Commercial - Transport	244	\$3.92	\$929
Large Commercial	61	\$6.15	\$371
Large Commercial - Transport	100	\$12.77	\$1,245
Compressed Natural Gas	1	\$1.47	\$1
Compressed Natural Gas - Transport	1	\$0.54	\$1
Industrial	14	\$2.16	\$29
Industrial - Transport	25	\$6.07	\$146
Large Industrial	3	\$8.65	\$26
Large Industrial - Transport	1	\$25.58	\$25
Public Authority	386	\$0.77	\$273
Public Authority - Transport	220	\$1.09	\$234
Large Public Authority	14	\$10.73	\$129
Large Public Authority - Transport	21	\$14.35	\$293
Public Schools Space Heating	3	\$2.37	\$5
Public Schools Space Heating - Transport	112	\$2.43	\$264
<b>Total Refund - Central Texas Service Area Incorporated Areas</b>			<b>\$40,709</b>
<b>South Texas Service Area</b>			
Customer Class	Average Monthly Bills at 12/31/12	Refund per Customer	Total Refund
Residential	8,780	\$0.16	\$1,435
Commercial - Transport	9	\$9.78	\$88
Commercial	833	\$0.61	\$506
Industrial	7	\$1.57	\$11
Industrial - Transport	11	\$14.75	\$162
<b>Total Refund - South Texas Service Area</b>			<b>\$2,203</b>
<b>Total Refund</b>			<b>\$42,912<sup>2</sup></b>

7. The Signatories agree that the Commission's determination in GUD No. 10488—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—resolved the issue and is binding in this docket.

<sup>2</sup> The refund calculation amounts assume that (1) all of the erroneous sales tax charges occurred within the first IRA (or GRIP) filings filed in the CTSA cities on February 10, 2011, the STSA cities on December 19, 2013, and the STSA environs in GUD No. 10143; (2) no changes in customer count since those filings, and (3) the refund for CTSA will apply only to CTSA incorporated customers because no IRA filing was made in the CTSA environs. The amount of \$55,225 is the gross plant amount of the duplicative sales tax removed from rate base not the amount of the refund. The refund is determined on the revenue requirement impact amount based on the assumptions above.

8. TGS will maintain a single Cost of Gas clause throughout the consolidated Central Texas Service Area.
9. TGS agrees, pursuant to the request of Staff and the CTM, that TGS will no longer enter into financial hedging instruments as part of its gas supply portfolio for the Company's consolidated Central Texas Service Area without prior approval from the appropriate regulatory authority. This agreement shall be reflected in the Gas Cost Clause that will be in effect for the consolidated Central Texas Service Area 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, including penalties 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). 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 August 25, 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 or a municipal regulatory authority. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission or municipal regulatory authority no later than June 15.

10. The Signatories agree that TGS shall recover \$68,266 of existing hedging costs through the Cost of Gas clause.
11. TGS and the CTM agree that TGS will continue its Conservation Program including 100% ratepayer funding and implement the requested Rate Schedule Conservation Adjustment Clause within the CTM. TGS and Staff agree that TGS will not implement a Conservation Program in the unincorporated areas at this time.
12. The Signatories agree that TGS shall recover pipeline integrity testing costs through Rate Schedule PIT.
13. 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	39.50%	3.950%	1.560%	1.560%
Common Equity	60.50%	9.500%	5.748%	8.842%
Rate of Return	100.000%		<b>7.308%</b>	<b>10.402%</b>

14. The Signatories agree that any IRA filing in the consolidated Central Texas 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 13.
- 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 \$324,918,056.
- For the initial filing, the customer charges as noted in Item 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	78.204%
Commercial	17.786%
Public Authority	3.049%
Industrial	0.907%
Compressed Natural Gas	0.054%
Total Allocation	100.000%

TGS agrees not to change, modify, or otherwise recalculate its depreciation rates for its direct, division, or corporate plant accounts in any IRA filing made after a Final Order is issued in this case.

15. The Signatories agree that the Company's proposed class revenue allocation identified as "Revenue Allocation Three" on Exhibit TDS-2, which is contained in the Direct Testimony of TGS witness Teresa Serna, is reasonable and should be approved.
16. 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	\$812,588
OPEB	\$17,100
Grand Total	\$829,974

17. Because TGS is a division, not an affiliate of ONE Gas, there are no affiliate expenses included in TGS's rate request; therefore, the Commission does not need to address whether the statutory standard in Texas Utilities Code § 104.055(b) for recovery of affiliate expenses has been met.
18. TGS agrees to match customer contributions to the Share the Warmth program up to \$100,000 annually. The matching contributions will not be included in rates or otherwise be recovered from ratepayers.
19. The \$6.8 million increase in revenue to be recovered through rates set in this case includes \$46,699 in regulatory expense amortization, which represents the annual amount to be recovered each year for six years.
20. TGS and the CTM represent that their reasonable rate case expenses incurred through September 30, 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	\$360,888.64 <sup>3</sup>	\$125,000	\$485,888.44
CTM	\$137,465.68	\$45,000	\$182,465.68

21. TGS and the CTM 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 and that the surcharge shall be volume based. TGS agrees to reimburse the CTM the amount of rate case expenses set forth above within 30 days of the issuance of an order authorizing recovery of those expenses. TGS and the CTM 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.
22. The Signatories agree that equal recovery of rate case expenses on a system-wide basis from incorporated and unincorporated customers in the consolidated Central Texas Service Area is appropriate and reasonable and that good cause exists to support equal recovery of rate case expenses from all customers on a system-wide basis for the following reasons:
  - a. TGS Litigation and Estimated expenses: Good cause exists to recover TGS litigation and estimated expenses equally from all customers, including municipal customers within all cities in the consolidated Central Texas Service Area. The intent of Commission Rule 7.5530(e) is to allocate rate case expenses to the participating parties

<sup>3</sup> This amount reflects legal costs incurred through September 23, 2016 for TGS and all other TGS costs incurred through September 30, 2016.



according to which party caused the expenses to be incurred, therefore it is reasonable to seek recovery of rate case expenses from all customers who benefit from the settlement agreement in this case, which includes all customers in the incorporated areas of the consolidated Central Texas Service Area. This recovery is reasonable even though the CTM are not participating in GUD No. 10526 as appellants and the CTM continue to retain original jurisdiction. In addition, the CTM participated in GUD No. 10526, contributed to this settled outcome, and contributed to TGS's litigation and estimated expenses. Finally, recovery of these expenses is also necessary in the interest of justice.

- b. CTM Litigation and Estimated expenses: Good cause exists to recover CTM litigation and estimated expenses equally from all customers, including customers within the incorporated and unincorporated areas of the consolidated Central Texas Service Area, because the CTM' participation in GUD No. 10526 resulted in this Settlement Agreement, which benefits all such customers, and doing so is necessary in the interest of justice.
23. TGS shall file annually, due on or before December 31, a rate case expense recovery report with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10526. 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.
24. The Signatories agree to the admission of the following items,<sup>4</sup> including any confidential portions:
- Texas Gas Service Company, a division of ONE Gas, Inc.'s Statement of Intent to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and South Texas Service Area, filed on June 20, 2016, as amended by the errata filings of August 12 and September 23, 2016, inclusive of all attachments and including the direct testimony of the following witnesses:
    - Caron Lawhorn
    - Jim Jarrett
    - Stacey McTaggart
    - Nicole Simmons
    - Stacey Borgstadt
    - Mark Smith
    - Anna Kern
    - Teresa Serna
    - Hayley Cunningham
    - Janet Simpson
    - Joshua Nowak<sup>5</sup>

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<sup>4</sup> The Statement of Intent, inclusive of all attachments and including the direct testimony, supports the Company's direct case. The Unanimous Settlement agreement is a compromise resulting from analyzing the Company's direct case, conducting discovery, and engaging in extensive settlement negotiations among the parties.

<sup>5</sup> On September 21, 2016, TGS filed a Notice of Substitution of Witness noting that Timothy Lyons is adopting the Direct Testimony of Joshua Nowak.

- Ronald White
    - Bruce Fairchild
    - Paul Raab
  - Affidavit of Nicole Simmons attesting to Public Notice (filed September 21, 2016)
  - Affidavit of Kate Norman attesting to the reasonableness of TGS's rate case expenses, attached as Exhibit D to this Unanimous Settlement Agreement
  - Affidavits of Thomas Brocato, Karl Nalepa and Connie Cannady attesting to the reasonableness of the CTM's rate case expenses, attached as Exhibit D to this Unanimous Settlement Agreement
25. The Signatories agree to support and seek approval by the Commission and the CTM of this Unanimous Settlement Agreement. The CTM agree to make every effort to present their cities with this Settlement Agreement at city council meetings during October 2016 to allow for implementation of new rates for bills rendered on November 1, 2016.
  26. It is the intention of the Signatories that the CTM receive the benefit of the Final Order the Commission issues in GUD No. 10526 and that customers in the unincorporated areas of the consolidated Central Texas Service Area receive the benefit of a final decision issued by the CTM arising out of this proceeding or any associated appeals from GUD No. 10526. TGS therefore agrees that if the rates, revenues, terms and conditions, or benefits accruing to the settling entity would be more beneficial to the CTM or customers in the unincorporated areas of the consolidated Central Texas Service Area than the terms of this Settlement Agreement, as determined by the CTM (where the benefit accrues to those cities) or by the Commission Staff (where the benefit accrues to customers in the unincorporated areas), such more favorable rates, revenues, terms and conditions or benefits shall additionally accrue to the CTM or Commission Staff, respectively. If the Final Order in GUD No. 10526 or orders resulting from any associated appeals are determined by CTM to result in overall rates, revenues, terms and conditions, and benefits that are more beneficial than the terms of this Settlement Agreement, the CTM may choose rates, revenues, terms and conditions, and benefits consistent with the Final Order or orders of any associated appeals in place of the Settlement Agreement. If the final decisions of the CTM in this case are determined by Commission Staff to result in overall rates, revenues, terms and conditions, and benefits that are more beneficial than the terms of this Settlement Agreement, Commission Staff may choose rates, revenues, terms and conditions, and benefits consistent with the CTM's final decisions or orders of any associated appeals in place of the Settlement Agreement.
  27. 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 Statements of Intent filed on June 20, 2016.
  28. 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.

29. 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 Party 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 Party's entry into the Unanimous Settlement Agreement or its subsequent withdrawal.
30. The Signatories agree that this Unanimous Settlement Agreement is binding on each Party 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 Party's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Party outside this proceeding.
31. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 11<sup>th</sup> day of October 2016.

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

By: Stephanie G. Houle *w/permission by KUN*  
Stephanie G. Houle  
Attorney for Texas Gas Service Company

CENTRAL TEXAS MUNICIPALITIES

By: \_\_\_\_\_  
Thomas Brocato  
Attorney for Central Texas Municipalities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: Natalie Dubiel  
Natalie Dubiel  
Attorney for Staff of the Railroad Commission of Texas

Agreed to this 14<sup>th</sup> day of October 2016.

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

By: \_\_\_\_\_  
Stephanie G. Houle  
Attorney for Texas Gas Service Company

CENTRAL TEXAS MUNICIPALITIES

By: Thomas Brocato  
Thomas Brocato  
Attorney for Central Texas Municipalities

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: \_\_\_\_\_  
Natalie Dubiel  
Attorney for Staff of the Railroad Commission of Texas

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

**RATE SCHEDULE 10**

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**RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The incorporated areas of the Central Texas Service Area which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$15.28 plus -
All Ccf per monthly billing period @	\$0.16032 per Ccf
Conservation Adjustment Clause Rate	\$0.03460 per Ccf
Total Delivery Charge	\$0.19492 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.

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

Conservation Adjustment: Adjustments in accordance with the provisions of the Conservation Adjustment Clause, Rate Schedule CAC, if applicable.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 Dated:  
Central Texas June 3, 2015 (10)

Meters Read On or After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**RATE SCHEDULE 20**

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**COMMERCIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The incorporated areas of the Central Texas Service Area which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$38.00
All Ccf per monthly billing period @	\$0.13174 per Ccf
Conservation Adjustment Clause Rate	\$0.00520 per Ccf
Total Delivery Charge	\$0.13694 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.

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

Conservation Adjustment: Adjustments in accordance with the provisions of the Conservation Adjustment Clause, Rate Schedule CAC, if applicable.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 the 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 Dated:  
Central Texas June 3, 2015 (20 and 22)

Meters Read On or After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**RATE SCHEDULE 30**

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**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial 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 or resale only

**TERRITORY**

The incorporated areas of the Central Texas Service Area which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$150.00
All Ccf per monthly billing period @	\$0.11186 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.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 Dated:  
Central Texas June 3, 2015 (30 and 32)

Meters Read On or After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)



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

**RATE SCHEDULE 40**

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**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying public authority, 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**

The incorporated areas in the Central Texas Service Area which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$47.00
All Ccf per monthly billing period @	\$0.12529 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 the 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 Dated:  
Central Texas June 3, 2015 (40 and 42)

Meters Read On or After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**RATE SCHEDULE 48**

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**PUBLIC SCHOOLS SPACE HEATING SERVICE RATE**

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**APPLICABILITY**

Applicable to public schools for space heating purposes. This rate is only available to full requirements customers of Texas Gas Service Company.

**TERRITORY**

The incorporated areas of the Central Texas Service Area which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$100.00 plus -
All Ccf per monthly billing period @	\$0.11000 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 the 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 Dated:  
Central Texas June 3, 2015 (48)

Meters Read On or After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**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**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$15.28 plus -

All Ccf per monthly billing period @ \$0.16032 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Schedule Dated:  
Central TX 11/22/1993 (1Z, 1D and 1E);  
Dripping Springs 01/31/2006 (1Z)  
Kyle/Buda 04/31/2008 (1Z); South TX 03/10/2015 (1E)

Meters Read On or After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas  
Service Area)

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

**RATE SCHEDULE 2Z**

**COMMERCIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$38.00 plus –

All Ccf per monthly billing period @ \$0.13174 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Schedule Dated:

CTX 11/22/1993 (2Z, 2B, 2D, & 2E);

Dripping Springs 01/31/2006 (2Z);

Kyle/Buda 04/30/2008 (2Z); South TX 03/10/2015 (2E)

Meters Read On or After

Eff. Date TBD (Unincorporated Areas  
of the Central Texas Service Area)

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

**RATE SCHEDULE 3Z**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial 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 or resale only

**TERRITORY**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$150.00 plus -
All Ccf per monthly billing period @	\$0.11186 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.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Schedule Dated:  
Central Texas November 22, 1993 (3Z, 3B)  
Kyle/Buda August 4, 2011 (3Z, 4Z)  
South Texas March 10, 2015 (3E)

Meters Read On or After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas  
Service Area)

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

**RATE SCHEDULE 4Z**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$47.00 plus -

All Ccf per monthly billing period @ \$0.12529 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Schedule Dated  
Central Texas November 22, 1993 (4Z, 4B)

Meters Read On or After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas Service  
Area)

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

**RATE SCHEDULE 4H**

**PUBLIC SCHOOLS SPACE HEATING SERVICE RATE**

**APPLICABILITY**

Applicable to public schools for space heating purposes. This rate is only available to full requirements customers of Texas Gas Service Company.

**TERRITORY**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$100.00 plus -
All Ccf per monthly billing period @	\$0.11000 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Schedule Dated  
Central Texas November 22, 1993 (4H)

Meters Read On or After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas Service  
Area)

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

**RATE SCHEDULE CNG-1**

**COMPRESSED NATURAL GAS SERVICE RATE**

**APPLICABILITY**

Applicable to any non-residential customer for usage where customer purchases natural gas which will be compressed and used as a motor fuel. Service will be separately metered. This rate does not include compression by the Company beyond normal meter sales pressure.

**TERRITORY**

The incorporated areas of the Central Texas Service Area which includes Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$50.00 plus –
All Ccf per monthly billing period @	\$0.07148 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.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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 Company's ABC Plan is not available to customers taking this service.

This rate does not include any road use fees, permits, or taxes etc. It provides for the delivery of uncompressed natural gas only.

Customer must provide affidavit to the Company certifying that the gas delivered will be compressed for use as motor fuel.

Compressor station subject to inspection by Company engineers.

Supersedes Rate Schedule Dated:  
Central Texas June 3, 2015 (CNG-1)

Meters Read On and After:  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)



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

**RATE SCHEDULE CNG-1-ENV**

**COMPRESSED NATURAL GAS SERVICE RATE**

**APPLICABILITY**

Applicable to any non-residential customer for usage where customer purchases natural gas which will be compressed and used as a motor fuel. Service will be separately metered. This rate does not include compression by the Company beyond normal meter sales pressure.

**TERRITORY**

Environs of the Central Texas Service Area , which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$50.00 plus –

All Ccf per monthly billing period @ \$0.07148 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.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

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

Taxes: Plus applicable taxes and 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 Company's ABC Plan is not available to customers taking this service.

This rate does not include any road use fees, permits, or taxes etc. It provides for the delivery of uncompressed natural gas only.

Customer must provide affidavit to the Company certifying that the gas delivered will be compressed for use as motor fuel.

Compressor station subject to inspection by Company engineers.

Supersedes Rate Schedule Dated:  
Central Texas January 1, 1988 (CNG-1-ENV)

Meters Read On and After  
Eff. Date TBD (Unincorporated Areas  
of the Central Texas Service Area)

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

**RATE SCHEDULE NO. C-1**  
**Page 1 of 2**

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**ELECTRICAL COGENERATION RATE**

**APPLICABILITY**

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

**TERRITORY**

The incorporated areas of the Central Texas Service Area, which includes, Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$70.00 plus
For the First 5,000 Ccf/Month	\$0.08708 per Ccf
For the Next 35,000 Ccf/Month	\$0.07838 per Ccf
For the Next 60,000 Ccf/Month	\$0.06512 per Ccf
All Over 100,000 Ccf/Month	\$0.05004 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.

**Pipeline Integrity Testing Rider:** The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

**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**

Gas taken under this rate shall be used exclusively for the purpose of cogeneration and fuel cell technology as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.

**Supersedes Rate Schedule Dated**

October 11, 2011 (Incorp only City of Austin)  
November 2, 2011 (Incorp only Other CTX Cities)  
September 25, 2012 (Incorp only City of Bee Cave)  
October 19, 2012 (Incorp only City of Lakeway)

**Meters Read On and After**

**October 26, 2016** (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
**Eff. Date TBD** (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**RATE SCHEDULE NO. C-1**  
**Page 2 of 2**

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**ELECTRICAL COGENERATION RATE**  
**(Continued)**

This rate will not be available for standby use.

The curtailment priority of any customer served under this rate schedule shall be the same as the curtailment priority which would pertain if gas were used directly to provide energy for uses as defined and listed in the Company's curtailment plan.

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

Supersedes Rate Schedule Dated

October 11, 2011 (Incorp only City of Austin)  
November 2, 2011 (Incorp only Other CTX Cities)  
September 25, 2012 (Incorp only City of Bee Cave)  
October 19, 2012 (Incorp only City of Lakeway)

Meters Read On and After

October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

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

**RATE SCHEDULE C-1-ENV**  
**Page 1 of 2**

**ELECTRICAL COGENERATION RATE**

**APPLICABILITY**

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

**TERRITORY**

Environs of the Central Texas Service Area, which includes the unincorporated areas of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of	\$70.00 plus
For the First 5,000 Ccf/Month	\$0.08708 per Ccf
For the Next 35,000 Ccf/Month	\$0.07838 per Ccf
For the Next 60,000 Ccf/Month	\$0.06512 per Ccf
All Over 100,000 Ccf/Month	\$0.05004 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.

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

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

Taxes: Plus applicable taxes and fees related to above.

**CONDITIONS**

Gas taken under this rate shall be used exclusively for the purpose of cogeneration and fuel cell technology as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.

This rate will not be available for standby use.

Supersedes Rate Schedule C-1 Dated:  
February 22, 1988  
(applicable to Unincorporated only eff 6/30/2009)

Meters Read On and After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas Service  
Area)

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

**RATE SCHEDULE C-1-ENV**  
**Page 2 of 2**

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**ELECTRICAL COGENERATION RATE**  
**(Continued)**

The curtailment priority of any customer served under this rate schedule shall be the same as the curtailment priority which would pertain if gas were used directly to provide energy for uses as defined and listed in the Company's curtailment plan.

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

Supersedes Rate Schedule C-1 Dated:  
February 22, 1988  
(applicable to Unincorporated only eff 6/30/2009)

Meters Read On and After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas Service  
Area)

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

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

**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 Central Texas distribution system which includes the incorporated areas of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, 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	\$ 250.00 per month
Industrial	\$ 350.00 per month
Public Authority	\$ 70.00 per month
Public Schools Space Heat	\$ 200.00 per month
Compressed Natural Gas	\$ 75.00 per month
Electrical Cogeneration	\$ 70.00 per month

**Supersedes Rate Schedule Dated**

Central Texas June 3, 2015 (T-1)  
Austin Incorp October 11, 2011 (T0C-1-INC)  
Other CTX Cities Incorp November 2, 2011 (T0C-1-INC)  
Bee Cave Incorp September 25, 2012 Initial (T0C-1-INC)  
Lakeway Incorp October 19, 2012 Initial (T0C-1-INC)

**Meters Read On and After**

October 26, 2016 (Cities of Austin Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
**Eff. Date TBD** (Cities of Cuero, Gonzales, Lockhart Luling, Nixon, Shiner, and Yoakum, TX)

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

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

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

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

Commercial	-	\$0.13174 per Ccf
Industrial	-	\$0.11186 per Ccf
Public Authority	-	\$0.12529 per Ccf
Public Schools Space Heat	-	\$0.11000 per Ccf
Compressed Natural Gas	-	\$0.07148 per Ccf
Electrical Cogeneration	-	
For the First 5,000Ccf/month		\$0.08708 per Ccf
For the Next 35,000 Ccf/month		\$0.07838 per Ccf
For the Next 60,000 Ccf/month		\$0.06512 per Ccf
All Over 100,000 Ccf/month		\$0.05004 per Ccf

**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 Central Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 4) Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider (RCE).
- 5) The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

**SUBJECT TO**

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation

Supersedes Rate Schedule Dated

Central Texas June 3, 2015 (T-1)  
Austin Incorp October 11, 2011 (T0C-1-INC)  
Other CTX Cities Incorp November 2, 2011 (T0C-1-INC)  
Bee Cave Incorp September 25, 2012 Initial (T0C-1-INC)  
Lakeway Incorp October 19, 2012 Initial (T0C-1-INC)

Meters Read On and After

October 26, 2016 (Cities of Austin Bee Cave, Cedar  
Park, Dripping Springs, Kyle, Lakeway,  
Rollingwood, Sunset Valley, and West Lake Hills,  
TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart  
Luling, Nixon, Shiner, and Yoakum, TX)

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

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

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

- 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.

Supersedes Rate Schedule Dated

Central Texas June 3, 2015 (T-1)  
Austin Incorp October 11, 2011 (T0C-1-INC)  
Other CTX Cities Incorp November 2, 2011 (T0C-1-INC)  
Bee Cave Incorp September 25, 2012 Initial (T0C-1-INC)  
Lakeway Incorp October 19, 2012 Initial (T0C-1-INC)

Meters Read On and After

October 26, 2016 (Cities of Austin Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart Luling, Nixon, Shiner, and Yoakum, TX)



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

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

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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 Central Texas Service Area distribution system which includes the environs of Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Luling, Lockhart, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, 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	\$ 250.00 per month
Industrial	\$ 350.00 per month
Public Authority	\$ 70.00 per month
Public Schools Space Heat	\$ 200.00 per month
Compressed Natural Gas	\$ 75.00 per month
Electrical Cogeneration	\$ 70.00 per month

**Supersedes Rate Schedule Dated:**

South Texas March, 10, 2015 (T-2, T-3)  
Central Texas January 2, 2003 (T02B, T02Z, T03B,  
T03Z, T04B, T04Z, T04H, T0C-1)  
Dripping Springs January 31, 2006 (T-2Z)  
Kyle Buda January 31, 2006 (T02Z)

**Meters Read On and After:**

Eff. Date TBD (Unincorporated Areas of the  
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**RATE SCHEDULE T-1-ENV**  
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**TRANSPORTATION SERVICE RATE**  
**(Continued)**

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

Commercial	-	\$0.13174 per Ccf
Industrial	-	\$0.11186 per Ccf
Public Authority	-	\$0.12529 per Ccf
Public Schools Space Heat	-	\$0.11000 per Ccf
Compressed Natural Gas	-	\$0.07148 per Ccf
Electrical Cogeneration	-	
For the First 5,000Ccf/month		\$0.08708 per Ccf
For the Next 35,000 Ccf/month		\$0.07838 per Ccf
For the Next 60,000 Ccf/month		\$0.06512 per Ccf
All Over 100,000 Ccf/month		\$0.05004 per Ccf

**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 Central Texas Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 3) Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider (RCE-ENV).
- 4) The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

**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,

Supersedes Rate Schedule Dated:  
South Texas March, 10, 2015 (T-2, T-3)  
Central Texas January 2, 2003 (T02B, T02Z, T03B,  
T03Z, T04B, T04Z, T04H, T0C-1)  
Dripping Springs January 31, 2006 (T-2Z)  
Kyle Buda January 31, 2006 (T02Z)

Meters Read On and After:  
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**RATE SCHEDULE T-1-ENV**  
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**TRANSPORTATION SERVICE RATE**  
**(Continued)**

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.

Supersedes Rate Schedule Dated:  
South Texas March, 10, 2015 (T-2, T-3)  
Central Texas January 2, 2003 (T02B, T02Z, T03B,  
T03Z, T04B, T04Z, T04H, T0C-1)  
Dripping Springs January 31, 2006 (T-2Z)  
Kyle Buda January 31, 2006 (T02Z)

Meters Read On and After:  
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**RATE SCHEDULE T-TERMS**  
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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:

<u>Adder:</u>	Shall mean the Company's incremental cost to purchase natural gas.
<u>Aggregation Areas:</u>	Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.
<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>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a division of ONE Gas, Inc.
<u>Customer:</u>	Any person or organization now being billed

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STX Environs January 27, 2014 (T-GTC)  
Dripping Springs Environs January 31, 2006 (T-GEN)  
Kyle/Buda Environs April 30, 2008 (T-GEN)

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**RATE SCHEDULE T-TERMS**  
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for gas service whether used by him or her, or by others.

Cumulative Tolerance Limit:

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.

Consumption Period:

Shall mean a volumetric billing period.

Day or Gas Day:

Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.

Dekatherm (Dth):

Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.

Electronic Flow Measurement (EFM):

A device that remotely reads a gas meter.

Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

Mcf:

Shall mean one thousand (1,000) cubic feet of Gas

Month:

Shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each

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**RATE SCHEDULE T-TERMS**  
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calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month.

Monthly Tolerance Limit:

Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.

Payment in Kind (PIK):

Shall mean a reimbursement for lost and unaccounted for gas.

PDA:

Shall mean a predetermined allocation method.

Pipeline System:

Shall mean the current existing utility distribution facilities of Company located in the State of Texas.

Point of Delivery:

Shall mean the point or points where gas is delivered from the Pipeline System to Customer.

Point of Receipt:

Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.

Point Operator:

Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.

Qualified Supplier:

Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.

Regulatory Authority:

The City Council or equivalent municipal governing body of each respective city in the Central Texas Service Area, or the Railroad Commission of Texas, as applicable.

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**RATE SCHEDULE T-TERMS**  
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<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 gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	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.
<u>Year:</u>	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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**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;
- 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 1.5;

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- 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

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as may be needed for balancing purposes to the extent Company accepts such nomination.

- 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.

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- 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 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

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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**  
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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 all incorporated and unincorporated areas of its Central Texas Service Area including Austin, Bee Cave, Buda (environs only), Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the 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 an adjustment for any known and quantifiable under or over collection prior to the end of the reconciliation period.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers 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 costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, storage, balancing including penalties, 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 August 25, 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 or a municipal regulatory authority. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission or municipal regulatory no later than June 15.
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.

Supersedes Rate Schedule Dated:

Central Texas January 27, 2014 (Sch 1)

Dripping Springs January 31, 2006 (Sch 1 Initial Rate)

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

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the 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, including prudently incurred gains or losses on the approved use of natural gas financial instruments, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued for imbalances under the transportation rate schedule(s) net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased by general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - .05)$  unless expressly authorized by the applicable regulatory authority.
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), including prudently incurred gains or losses on the use of approved natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Clause, (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s), and (e) total amount of Uncollectible Cost of Gas during the period.
8. Uncollectible Cost of Gas – the amounts actually written off after the effective date of this rate schedule related to cost of gas.

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**RATE SCHEDULE 1**  
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**COST OF GAS CLAUSE**  
**(Continued)**

**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.

**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 through the June billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a nine (9) month period beginning with the October billing cycle and continuing through the next June billing cycle at which time it will terminate.

**E. INTEREST ON 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 within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6% per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6% per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return of 7.308% per annum.

**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

Supersedes Rate Schedule Dated:

Central Texas January 27, 2014 (Sch 1)

Dripping Springs January 31, 2006 (Sch 1 Initial Rate)

Kyle/Buda April 30, 2008 (Sch 1 Initial Rate)

Meters Read On and After

October 26, 2016 (Cities of Austin,

Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)

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

**RATE SCHEDULE 1**  
**Page 4 of 5**

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

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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) Interest on Funds, above.

**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 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; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (g) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**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.

Supersedes Rate Schedule Dated:

Central Texas January 27, 2014 (Sch 1)

Dripping Springs January 31, 2006 (Sch 1 Initial Rate)

Kyle/Buda April 30, 2008 (Sch 1 Initial Rate)

Meters Read On and After

October 26, 2016 (Cities of Austin,

Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)



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**RATE SCHEDULE 1**  
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**COST OF GAS CLAUSE**  
**(Continued)**

4. A description of the hedging activities conducted each month during the twelve months ending June 30, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. 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 balances 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.
6. A description of uncollectible cost of gas during the period and its effect on the Cost of Gas Clause to date.

This report shall be filed concurrently with the Cost of Gas Statement for October. If the Regulatory Authority thereafter determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

Supersedes Rate Schedule Dated:

Central Texas January 27, 2014 (Sch 1)  
Dripping Springs January 31, 2006 (Sch 1 Initial Rate)  
Kyle/Buda April 30, 2008 (Sch 1 Initial Rate)

Meters Read On and After

October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

RULES OF SERVICE

CENTRAL TEXAS SERVICE AREA

Incorporated and Unincorporated Areas of Austin, Bee Cave, Buda (environs only), Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, TX

Effective for Meters Read On and After

October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)

Supersedes and Replaces "Incorporated Central Texas Service" Area dated Jan. 27, 2014,  
"Environs of Central Texas Service Area" dated June 6, 2006, and  
"Environs of South Texas Service Area" dated Jan. 27, 2014

TEXAS GAS SERVICE COMPANY

Communications Regarding this Tariff  
Should Be Addressed To:

Texas Gas Service Company  
5613 Avenue F  
Austin, Texas 78751

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

GUD No. 10526  
Exhibit A to Settlement Agreement  
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TEXAS GAS SERVICE COMPANY  
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GENERAL STATEMENT

1.1 TARIFF APPLICABILITY

Texas Gas Service Company is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service Company's Central Texas Service Area, comprising the Cities of Austin, Buda (environs only), Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, 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 Central Texas 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:

<u>Adder:</u>	Shall mean the Company's incremental cost to purchase natural gas.
<u>Aggregation Areas:</u>	Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.
<u>Agricultural Service :</u>	Service to Consumers engaged in agricultural production.
<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.

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GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Average Day Usage:

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

Blanket Builder:

A builder or someone acting for a builder who is invoiced for the installation of yardlines.

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.

Commercial Service:

Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.

Commission or The Commission:

The Railroad Commission of Texas.

Company:

Texas Gas Service Company.

Consumer:

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.)

Customer:

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

Cumulative Tolerance Limit:

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.

Consumption Period:

Shall mean a volumetric billing period.

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GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Day or Gas Day: Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.

Dekatherm (Dth): Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.

Domestic Service: 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.

Electronic Document: Any document sent electronically via email or internet.

Electronic Flow Measurement (EFM) A device that remotely reads a gas meter.

Electronic Fund Transfer (EFT): 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.

Electronic Radio Transponder (ERT) A device that remotely reads a gas meter.

Expedited Service: Customer request for same day service or service during non-business hours for connect or reconnect of gas service.

Gas or Natural Gas: Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

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

Industrial Service: 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.

TEXAS GAS SERVICE COMPANY  
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Irrigation or Irrigation Pumping Service:

(SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

Mcf:

Shall mean one thousand (1,000) cubic feet of Gas.

Month:

Shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month.

Monthly Tolerance Limit:

Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.

Optional Rate Schedule:

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

Overtime Rate:

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

Payment in Kind (PIK):

Shall mean a reimbursement for lost and unaccounted for gas.

PDA:

Shall mean a predetermined allocation method.

Pipeline System:

Shall mean the current existing utility distribution facilities of Company located in the State of Texas.

Point of Delivery:

Shall mean the point or points where gas is delivered from the Pipeline System to Customer.

Point of Receipt:

Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.

Point Operator:

Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.

Power Generation Service:

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



TEXAS GAS SERVICE COMPANY  
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mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.

GENERAL STATEMENT (Continued)

1.3 DEFINITIONS (Continued)

<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 Central Texas 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.
<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 gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	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.

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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.

Section 2. [Reserved for future rules]

TEXAS GAS SERVICE COMPANY  
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Section 3: RATES AND UTILITY CHARGES

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

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

CONDITION OF SERVICE

4.1 PROVISION OF SERVICE

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

4.2 FEES AND CHARGES

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

4.3 RESALE OF GAS

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

4.4 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.

- 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,

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location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence, if applicable.

CONDITION OF SERVICE (Continued)

4.4 CONTINUITY OF SERVICE (Continued)

- 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 the Curtailment Plan on file with the Railroad Commission of Texas.
- 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 Central Texas 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 Central Texas 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.

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

TEXAS GAS SERVICE COMPANY  
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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.

CONDITION OF SERVICE (Continued)

4.7 CUSTOMER COMPLAINTS (Continued)

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

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

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

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

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

INITIATION OF SERVICE

5.1 REGULAR SERVICE

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

5.2 SPECIAL CONTRACTS

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

5.3 TEMPORARY SERVICE

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

5.4 FEES AND CHARGES

The Company shall charge a non-refundable fee to each Applicant to compensate for the cost involved in initiation or reconnection of service or when service is transferred from one name to another at any location, or whenever a meter is reset or relocated on the same premises at the request of the Customer, all as specified in Section 21.1 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 21.1 relating to fees for the above.

5.5 ESTABLISHMENT OF CREDIT

Each Applicant for service shall be required to make a security deposit in accordance with Section 10 of this Tariff to establish and maintain a satisfactory credit standing. The amount of deposit required shall

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

INITIATION OF SERVICE (Continued)

5.5 ESTABLISHMENT OF CREDIT (Continued)

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; or
- 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.

5.6 GROUNDS FOR REFUSAL TO SERVE

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

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



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INITIATION OF SERVICE (Continued)

5.6 GROUND FOR REFUSAL TO SERVE (Continued)

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

5.7 REASONABLE TIME

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

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas 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 Section 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) and Company must mutually agree to financing terms that 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.

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

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EXTENSION OF FACILITIES (Continued)

8.5 CONSTRUCTION OF FACILITIES (Continued)

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 execution 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 un-refunded 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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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 Sections 5.5 and 18.1 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 Section 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.

10.5 ACCEPTABLE FORMS OF DEPOSIT

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

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SECURITY DEPOSITS (Continued)

10.5 ACCEPTABLE FORMS OF DEPOSIT (Continued)

- 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 21.2;
- 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 21.2; or
- c) A surety bond issued by a reputable insurance company which can be drawn on for a minimum of two years .



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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. The atmospheric pressure and standard serving pressure determined to be the average in the cities and environs of the Central Texas Service Area are listed below.

Cities and their Environs	Atmospheric Pressure PSIA	Standard Serving Pressure PSIA
Austin	14.40	14.65
Bee Cave	14.40	14.65
Buda	14.40	14.65
Cedar Park	14.40	14.65
Cuero	14.48	14.73
Dripping Springs	14.40	14.65
Gonzales	14.48	14.73
Kyle	14.40	14.65
Lakeway	14.40	14.65
Lockhart	14.48	14.73
Luling	14.48	14.73
Nixon	14.48	14.73
Rollingwood	14.40	14.65
Shiner	14.48	14.73
Sunset Valley	14.40	14.65
Yoakum	14.48	14.73
West Lake Hills	14.40	14.65

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 the standard serving pressure 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

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GAS MEASUREMENT (Continued)

11.3 BILLING UNIT (Continued)

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 Section 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.

- 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 Section 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.

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GAS MEASUREMENT (Continued)

11.5 METERING - SPECIAL POSITIVE DISPLACEMENT (Continued)

- c) Whenever a continuously recording instrument is used, the average temperature indicated thereon shall be applied to the measured volumes. 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.

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 METERING - SPECIAL ORIFICE (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 21.1. 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 21.1.

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 21.1.

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:
  - 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.

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METER READING AND ACCURACY (Continued)

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 Section 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 section, 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 21.1 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.

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

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 21 – 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 21 – 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.

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.

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SERVICE WORK (Continued)

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.

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

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 Section 16.7 of this Tariff. New facilities will continue to be installed pursuant to Sections 7.1 and 7.2 of this Tariff.

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Rules of Service - Central Texas Service Area

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.

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

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 21.1.

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.
- 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;

TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

DISCONTINUANCE OF SERVICE (Continued)

17.3 SPECIAL CONDITIONS (Continued)

- 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 effect 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 Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;
- h) If a Customer fails to uphold the terms of an individual installment agreement or contract; or 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



TEXAS GAS SERVICE COMPANY  
Rules of Service - Central Texas Service Area

DISCONTINUANCE OF SERVICE (Continued)

17.5 ABANDONMENT OF SERVICE (Continued)

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 21.1. 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 21.1. 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 21.1 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 15.3)

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.

- 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.

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FEES AND DEPOSITS (Continued)

21.1 FEES (Continued)

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 17.2) \$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 18.3) \$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	\$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.	

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 16.6) \$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 16.2) \$100.00

TEXAS GAS SERVICE COMPANY  
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FEES AND DEPOSITS (Continued)

21.1 FEES (Continued)

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 16.2) \$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 15.4) \$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 17.4) \$52.00 (regular)  
\$132.60 (overtime)  
\$158.60 (holiday)

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

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

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

**RATE SCHEDULE WNA**  
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**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**

**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 Central Texas Area including Austin, Bee Cave, Buda (environs Only), Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum: Rate Schedules 10, 1Z, 20, 2Z, 40, 4Z, 48 and 4H. The WNA shall be effective during the September through May billing cycles.

**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.

**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:

Supersedes Rate Schedule Dated:  
June 30, 2009 (Other CTX Cities)  
July 17, 2009 (City of Cedar Park)  
December 9, 2011 (City of Dripping Springs – Initial Rate)  
September 25, 2012 (City of Bee Cave – Initial Rate)  
October 19, 2012 (City of Lakeway – Initial Rate)  
April 30, 2008 (STX Svc Area, Environs Only)

Meters Read On and After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)  
Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)



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

**RATE SCHEDULE WNA**  
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**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**  
**(Continued)**

WNAD = (HDD Diff \* CB \* WF) \* 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.

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

Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills:

Residential 0.15429; Commercial 0.39358; Public Authority 1.97830; Public Schools 4.27513

Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum

Residential 0.13457; Commercial 0.29094

CV = Current Volumes for the billing period.

**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 Rate Schedule Dated:

June 30, 2009 (Other CTX Cities)

July 17, 2009 (City of Cedar Park)

December 9, 2011 (City of Dripping Springs – Initial Rate)

September 25, 2012 (City of Bee Cave – Initial Rate)

October 19, 2012 (City of Lakeway – Initial Rate)

April 30, 2008 (STX Svc Area, Environs Only)

Meters Read On and After

October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)

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

**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. This rate shall apply to the following rate schedules of the Company in the incorporated areas served in the Central Texas Service Area, including Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum: 10, 20, 30, 40, 48, C-1, CNG-1 and T-1.

**B. RCE RATE**

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

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. The Company will recover \_\_\_\_\_ in actual expense and up to \_\_\_\_\_ 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**

The Company shall file a reconciliation report annually on or before December 31<sup>st</sup>, commencing in \_\_\_\_\_.

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

Initial

Meters Read On and After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park, Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, X)

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

**RATE SCHEDULE RCE-ENV**

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to Gas Utilities Docket No. \_\_\_\_: 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 Central Texas Service Area and South Texas Service Area and, Final Order Finding of Fact No. \_\_. This rate shall apply to the following rate schedules of the Company in the unincorporated areas served in the Central Texas Service Area, including Austin, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum: 1Z, 2Z, 3Z, 4Z, 4H, C-1-ENV, CNG-1-ENV and T-1-ENV.

**B. RCE RATE**

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

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. The Company will recover \_\_\_\_ in actual expense and up to \_\_\_\_ 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 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**

The Company shall file a reconciliation report annually on or before December 31<sup>st</sup>, commencing in \_\_\_\_\_. The Company shall file the report with the Commission, Addressed to the Director of the Oversight and Safety Division and referencing Gas Utilities Docket No. , 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. \_\_\_\_\_

Initial

Meters Read On and After  
Eff. Date TBD (Unincorporated  
Areas of the Central Texas  
Service Area)

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

**RATE SCHEDULE CAC**  
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**CONSERVATION ADJUSTMENT CLAUSE**

**PURPOSE**

Texas Gas Service provides a Conservation and Energy Efficiency program which offers assistance to residential and commercial customers to encourage the most efficient use of energy, reduce net energy consumption, and lower energy utility bills. A customer rate component will provide funding for the program, and shall be included as a tariff on the customers' monthly utility bill.

The programs offered under the Conservation Adjustment Clause (CAC) will be consistent with similar conservation and energy efficiency programs in other Texas Gas Service areas and may include, but are not limited to, residential, new construction and commercial customer rebates for high-efficiency appliances and equipment, as well as a low-income appliance program.

**APPLICATION**

The CAC rate shall apply to the applicable residential and commercial rate schedules served by Texas Gas Service Company (Company) in all incorporated areas of the Central Texas Service Area, including the cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum. The Regulatory Body is defined as the City of Austin.

**COMPUTATION OF CAC RATE**

The CAC rate for a given year will be separately calculated for each individual customer class according to the following:

$$\text{CAC Rate} = \frac{\text{BCD} + \text{BA}}{\text{NV}}$$

BCD = The Budgeted Conservation Dollars (BCD) shall include all expected costs attributable to the Company's Conservation and Energy Efficiency program for the 12-month period ending December 31st of each year, including but not limited to rebates paid; material costs; the cost of educational and consumer awareness materials related to energy conservation/efficiency; the planning, development, implementation and administration of the CAC program; and two months of working program expenses (calculated by dividing the total expected annual expenses by 12 and multiplying by two).

Supersedes Rate Scheduled Dated  
Central Texas June 30, 2009  
Cedar Park July 17, 2009  
Dripping Springs December 9, 2011  
Bee Cave September 25, 2012  
Lakeway October 19, 2012

Meters Read On or After  
October 26, 2016 (Cities of Austin,  
Bee Cave, Cedar Park, Dripping  
Springs, Kyle, Lakeway, Rollingwood,  
Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero,  
Gonzales, Lockhart, Luling, Nixon,  
Shiner, and Yoakum, TX)

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

**RATE SCHEDULE CAC**  
**Page 2 of 2**

**CONSERVATION ADJUSTMENT CLAUSE**  
**(Continued)**

Direct program costs will be identified by class and common administrative costs will be allocated to each rate class pro-rata based upon the proportion of direct costs. Administrative costs shall not exceed 15% of total CAC program costs.

BA = Balance adjustment. The BA shall compute differences between Rider CAC collections by class and expenditures by class for the 12-month period ending the prior (date) and collect the over/under recovery during the 12-month period beginning (date) of the following year.

NV = Actual volumes from the prior fiscal year (normalized for weather and growth/attrition) listed in Ccf for each rate class.

**PROGRAM SELECTION**

Program selection will be determined on an annual basis and a summary of programs selected for the upcoming 12-month period will be provided to the Regulatory Body by October 15<sup>th</sup> of each calendar year. The overall portfolio of program offerings will be designed to be impactful and cost-effective based on Texas Gas Service's knowledge of its customer base and experience administering various conservation and energy efficiency program initiatives.

**REPORTING**

The following documents will be filed with the Regulatory Body:

- a) A schedule indicating the new CAC rate for each of the affected rate classes, to be filed within 20 days of implementation.
- b) An annual report of the prior fiscal year collections and disbursements, to be filed within the 120 days following the prior fiscal year end. The annual report will also be made available on the company's website. The annual filing shall include detailed calculations of the BCD and the Balancing Adjustments, as well as data on the total cost of the Energy Efficiency Program. Detailed tracking and reporting of program administration costs is also provided.
- c) An annual budget for the following year will be provided to the Regulatory Body by the Company by October 15 each calendar year. If no action is taken by the Regulatory Body by November 30, the budget will automatically be approved for the next calendar year.

Supersedes Rate Scheduled Dated  
Central Texas June 30, 2009  
Cedar Park July 17, 2009  
Dripping Springs December 9, 2011  
Bee Cave September 25, 2012  
Lakeway October 19, 2012

Meters Read On or After  
October 26, 2016 (Cities of Austin,  
Bee Cave, Cedar Park, Dripping  
Springs, Kyle, Lakeway, Rollingwood,  
Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero,  
Gonzales, Lockhart, Luling, Nixon,  
Shiner, and Yoakum, TX)

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

**RATE SCHEDULE 1C**

**CONSERVATION ADJUSTMENT CLAUSE RATE**

**A. APPLICABILITY**

The Conservation Adjustment Clause ("CAC") rate, calculated pursuant to Rate Schedule CAC, shall apply to the following rate schedules listed below for all incorporated areas served by the Company in its Central Texas Service Area which includes Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, Texas.

**B. CURRENT CAC RATE**

<u>Rate Schedule</u>	<u>Customer Class</u>	<u>*Conservation Rate</u>
10,	Residential Service	\$ .03460
20,	Commercial	\$ .00520

\*The Conservation Rate will change annually pursuant to Rate Schedule CAC.

Supersedes Rate Schedule Dated:  
Central Texas February 27,2015 (1C)

Meters Read On and After  
October 26, 2016 (Cities of Austin, Bee  
Cave, Cedar Park, Dripping Springs,  
Kyle, Lakeway, Rollingwood, Sunset  
Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero,  
Gonzales, Lockhart, Luling, Nixon,  
Shiner, and Yoakum, TX)

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

**RATE SCHEDULE PIT**  
**Page 1 of 4**

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**PIPELINE INTEGRITY TESTING (PIT) RIDER**

**PURPOSE**

The purpose of this Pipeline Integrity Testing Rider is to promote the public interest in pipeline safety by enabling the Company to recover the reasonable and necessary Pipeline Integrity Safety Testing expenses incurred by the Company during the prior year (including contractor costs but excluding the labor cost of TGS employees. These legally mandated operating and maintenance expenses shall be recovered through a separate monthly volumetric charge (the Pipeline Integrity Testing or "PIT" Surcharge) that shall be shown as a separate line item on the customer's monthly bill and calculated for each customer class as described below. Capital expenditures associated with the Pipeline Integrity Program shall continue to be recovered through base rates and any interim rate adjustments implemented pursuant to Section 104.301 of the Gas Utility Regulatory Act.

**APPLICABILITY**

This Rider shall be applied to all gas sales and transportation customers within the service territory designated below, except special contract customers.

**TERRITORY**

This Rider shall apply throughout the Company's Central Texas Service Area ("CTSA"), both within the incorporated municipal limits of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley and West Lake Hills and Yoakum, Texas (collectively, the "CTSA Cities"), and in the unincorporated areas (environs) adjacent to the CTSA Cities.

**QUALIFYING EXPENSES**

This Rider applies only to the legally mandated safety testing of the Company's transmission lines in the CTSA under the Pipeline Integrity Safety Testing Program. The operating and maintenance expense items that qualify for recovery under this Rider shall include the contractor costs associated with land and leak survey, permitting, and job order preparation and completion; the clearing of right-of-way; any needed notifications to adjacent businesses and residences; traffic control equipment and personnel; Direct Current Voltage Gradient ("DCVG"), Close Interval ("CI"), and other surveys to ensure the integrity of the pipeline system; any required rigid bypasses; flushing of the lines and testing and disposal of the flush water; hydrostatic testing of the lines and analysis and disposal of the test water; any required "pigging" of the lines in connection with safety testing; any required x-ray welding; metallurgical testing of the pipeline or components thereof; site restoration, painting, and clean-up; expenses associated with providing a supply of compressed natural gas ("CNG") to ensure uninterrupted service to customers during testing; and any other operating and maintenance expenses reasonably necessary to safely and effectively perform required safety testing of the Company's

Initial

**Meters Read On and After**

**October 26, 2016** (Cities of Austin, Bee Cave, Cedar Park Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

**Eff. Date TBD** (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

**Eff. Date TBD** (Unincorporated Areas of the Central Texas Service Area)

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

**RATE SCHEDULE PIT**  
**Page 2 of 4**

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**PIPELINE INTEGRITY TESTING (PIT) RIDER**  
**(Continued)**

pipelines in the CTSA. Neither capital expenditures by the Company, nor the labor cost of TGS employees, shall be recovered under this Rider.

**CALCULATION OF PIT SURCHARGES**

The Pipeline Integrity Testing Surcharges established under this Rider shall be designed so as to recover the Total Testing Expense incurred in the prior year for Pipeline Integrity Safety Testing, and shall be calculated as follows:

The Total Annual Testing Expense shall be divided by the estimated average annual usage to produce the annual PIT Surcharge.

$$\text{PIT Surcharge} = \frac{\text{Total Annual Testing Expense}}{\text{Estimated Annual Usage}}$$

Based upon customer data for the prior calendar year and any other relevant factors, the estimated annual usage may be revised annually to account for customer growth, and the resulting revised PIT Surcharge shall be applied to each class for the ensuing 12-month recovery period.

**ANNUAL RECONCILIATION**

After completion of each annual recovery period, the total revenues collected under this Rider for that year shall be reconciled against the revenues previously calculated to be collected for that year, and the PIT Surcharge for each class shall be adjusted upward or downward so that the Company recovers any underrecoveries or refunds any overrecoveries that may have accrued under the Rider, plus monthly interest on those underrecoveries or overrecoveries at the cost of long-term debt approved in the Company's most recent general rate case in which rates were set by the Commission for application to customers in the CTSA Cities. The reconciliation shall be filed with the regulatory authority on or before February 21st of each year, and the regulatory authority shall complete its review of the reconciliation on or before March 21st of each year, so that the Company can implement the reconciled PIT Surcharges beginning with the first billing cycle for April of each succeeding year.

Initial

Meters Read On and After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)  
Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)



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

**RATE SCHEDULE PIT**  
**Page 3 of 4**

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**PIPELINE INTEGRITY TESTING (PIT) RIDER**  
**(Continued)**

**DEFERRED ACCOUNTING**

The Company is authorized and directed to defer, as a regulatory asset, all Pipeline Integrity Safety Testing expenses incurred during the testing cycle starting on January 1, 2016 and all revenues specifically collected under this Rider shall be applied to the deferred expense account. The Company shall not earn a return on any regulatory asset created under this provision, and no such regulatory asset shall be included in the Company's invested capital (rate base) for ratemaking purposes.

**ANNUAL REPORT & APPLICABLE PSCC**

On or before February 21st after each calendar year, the Company shall file a report with the Commission and the CTSA Cities showing all Pipeline Integrity Safety Testing expenses incurred during the previous calendar year and verifying the prior year's collections and any underrecoveries or overrecoveries accruing to date under this Rider. The report shall separately identify and list such expenses by account number and project number. Prior to the effective date of this Rider and on or before February 21st of each succeeding year while this Rider is in effect, the Company shall also file an Addendum to this Rider with the Commission and the CTSA Cities (a) identifying the PIT Surcharges that will be applied during the ensuing 12-month recovery period from April 1st through March 31st, and (b) providing the underlying data and calculations on which each PIT Surcharge for that period is based.

**NOTICE TO AFFECTED CUSTOMERS**

In addition to the annual report and Addendum to this Rider required above, the Company shall provide, on or before March 31st after each calendar year, written notice to each affected customer of (a) the PIT Surcharge that will be applied during the ensuing 12-month period from April 1st through March 31st, and (b) the effect the PIT Surcharge is expected to have on the average monthly bill for each affected customer class. The written notice shall be provided in both English and Spanish, shall be the only information contained on the piece of paper on which it is printed, and may be provided either by separate mailing or by insert included with the Company's monthly billing statements. The Company shall also file an affidavit annually with the Commission and the CTSA Cities certifying that notice has been provided to customers in this manner. The notice shall be presumed to be complete three calendar days after the date the separate mailing or billing statement is deposited in a

Initial

**Meters Read On and After**

**October 26, 2016** (Cities of Austin, Bee Cave, Cedar Park Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)

**Eff. Date TBD** (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)

**Eff. Date TBD** (Unincorporated Areas of the Central Texas Service Area)

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

**RATE SCHEDULE PIT**  
**Page 4 of 4**

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**PIPELINE INTEGRITY TESTING (PIT) RIDER**  
**(Continued)**

postage-paid, properly addressed wrapper in a post office or official depository under care of the United States Postal Service. The initial notice shall be filed with, reviewed, and approved by the regulatory authority, and each subsequent notice shall follow the same format as that of the approved initial notice.

Initial

Meters Read On and After  
October 26, 2016 (Cities of Austin, Bee Cave, Cedar Park Dripping Springs, Kyle, Lakeway, Rollingwood, Sunset Valley, and West Lake Hills, TX)  
Eff. Date TBD (Cities of Cuero, Gonzales, Lockhart, Luling, Nixon, Shiner, and Yoakum, TX)  
Eff. Date TBD (Unincorporated Areas of the Central Texas Service Area)

TEXAS GAS SERVICE COMPANY  
CENTRAL TEXAS SERVICE AREA  
TEST YEAR END DECEMBER 31, 2015

PROOF OF REVENUES

Line	Description	Bills	Recommended Rates					Assigned Revenue	Rounding Diff.	Test Year As Adjusted Revenue	Revenue Change	Allocation factors to use for Grips going forward	
			Volumes	Customer Charge	Usage Charges	Calculated Revenue at Recommended Rates	Calculated Revenue at Recommended Rates						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1	Residential	2,859,341			\$ 15.28		\$ 43,690,727						
2			All Ccf	86,172,225		0.16032	\$ 13,815,131						
3	Residential Total												
4													
5	Commercial	142,315			\$ 38.00		\$ 5,407,961						
6			All Ccf	34,692,612		0.13174	\$ 4,570,405	\$ 9,978,366					
7													
8	Commercial Transportation	4,389			\$ 250.00		\$ 1,097,167						
9			All Ccf	15,203,637		0.13174	\$ 2,002,927	\$ 3,100,094					
10													
11	Commercial Total												
12													
13	Industrial	251			\$ 150.00		\$ 37,670						
14			All Ccf	397,466		0.11186	\$ 44,461	\$ 82,131					
15													
16	Industrial Transportation	407			\$ 350.00		\$ 142,590						
17			All Ccf	3,950,716		0.11186	\$ 441,927	\$ 584,517					
18													
19	Industrial Total												
20													
21	Public Authority	4,847			\$ 47.00		\$ 227,787						
22			All Ccf	2,050,068		0.12529	\$ 256,853	\$ 484,640					
23													
24	Public Authority Transportation	4,475			\$ 70.00		\$ 313,242						
25			All Ccf	6,600,934		0.12529	\$ 827,031	\$ 1,140,273					
26													
27													
28	COGEN Transportation	12			\$ 70.00		\$ 840						
29													
30			First 5000	60,000		0.08708	\$ 5,225						
31			Next 35,000	420,000		0.07838	\$ 32,920						
32			Next 60,000	720,000		0.06512	\$ 46,886						
33			All Over	2,333,272		0.05004	\$ 116,757	\$ 202,628					
34													
35	Public Schools Space Heating	48			\$ 100.00		\$ 4,800						
36			All Ccf	75,807		0.11000	\$ 8,339	\$ 13,139					
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Line	Description (a)	Bills (b)	Volumes		Recommended Rates				Calculated Revenue at Recommended Rates (g)	Assigned Revenue (i)	Rounding Diff (j)	Test Year As Adjusted Revenue (k)	Revenue Change (l)	Allocation factors to use for Grips going forward (m)
			(c)	(d)	Customer Charge (e)	Usage Charges (f)								
37														
38	Public Schools Space Heating	1,322			\$ 200.00		\$ 264,320							
39	Transportation		All Ccf	1,243,495		0.11000	\$ 136,784	\$ 401,104						
40														
41	Public Authority Total							\$ 2,241,784	\$ 2,241,821	\$ (37)	\$ 2,241,821	\$ -		3.0490%
42														
43	Compressed Nat. Gas	48		788	\$ 50.00	0.07148	\$ 2,400	\$ 56	\$ 2,456					
44														
45	Compressed Nat. Gas Transportation	12		508,302	\$ 75.00	0.07148	\$ 900							
46														
47	Compressed Nat. Gas Total						\$ 36,333	\$ 37,233						
48								\$ 39,690	\$ 39,689	\$ 1	\$ 39,689	\$ -		0.0540%
49														
50	All Classes													
51	Current Revenue						\$ 73,532,439	\$ 73,532,618	\$ (179)	\$ 66,732,618	\$ 6,800,000			100.000%
52	Revenue Increase						\$ 66,732,618	\$ 66,732,618						
							\$ 6,799,821	\$ 6,800,000	\$ (179)					

TEXAS GAS SERVICE COMPANY  
CENTRAL TEXAS SERVICE AREA<sup>1</sup>  
SETTLED DEPRECIATION/AMORTIZATION RATES FOR RATE FILING WITH TEST YEAR END DECEMBER 31, 2015

DEPRECIATION/AMORTIZATION RATES FOR CTSA<sup>1</sup> DIRECT, TGS DIVISION AND ONE GAS CORPORATE

LINE NO.	DESCRIPTION	CTSA <sup>1</sup> DIRECT ANNUAL DEPR/AMORT RATES (a)	TGS DIVISION ANNUAL DEPR/AMORT RATES (b)	ONE GAS CORPORATE ANNUAL DEPR/AMORT RATES (c)
<b>INTANGIBLE PLANT</b>				
1	(301) Organization	4.00%		
2	(302) Franchises & Consents	4.02%		
3	(303) Misc. Intangible	4.06%		
<b>GATHERING AND TRANSMISSION PLANT</b>				
4	(367) Mains	1.52%		
5	(369) Measure/Reg. Station Equipment 2)	3.44%		
<b>DISTRIBUTION PLANT</b>				
6	(375.1) Structures & Improvements	3.03%		
7	(375.2) Other Distr Systems Struct	2.59%		
8	(376) Mains	1.73%		
9	(376.9) Mains - Cathodic Protection Anodes	6.67% (Note 2)		
10	(378) Meas. & Reg. Station - General	2.00%		
11	(379) Meas. & Reg. Station - C.G.	1.52%		
12	(380) Services	2.11%		
13	(381) Meters	3.53%		
14	(383) House Regulators	1.95%		
15	(385) Indust. Meas. & Reg. Stat. Equipment	1.95%		
16	(386) Other Property on Customer Premises	-1.20%		
<b>GENERAL PLANT</b>				
17	(390) Structures & Improvements			
18	(390.1) Structures & Improvements	2.29%	2.77%	
19	(390.2) Leasehold Equipment	10.64%	17.39%	10.15%
20	(391) Office Furniture & Equipment			
21	(391.1) Office Furniture & Fixtures	6.67%	6.6700%	6.67%
22	(391.3) Office Machines			5.00%
23	(391.4) Audio Visual Equipment			20.0%
24	(391.6) Purchased Software			7.69%
25	(391.6) Banner Software			7.69%
26	(391.6) PowerPlant System			7.69%
27	(391.6) Riskworks			7.69%
28	(391.6) Maximo			7.69%
29	(391.6) Dynamic Risk Assessment			7.69%
30	(391.6) Concur Project			7.69%
31	(391.6) Journey-Employee Count			7.69%
32	(391.6) Journey-Employee-ODC Dstrigas			7.69%
33	(391.6) Ariba Software			7.69%
34	(391.8) Micro Computer Software			20.00%
35	(391.9) Computer & Equipment	10.0% (Note 2)	14.2900%	
36	(392) Transportation Equipment	6.88%		
37	(392.6) Aircraft			6.28%
38	(393) Stores Equipment	6.67%		
39	(394) Tools, Shop & Garage	6.67% (Note 2)	6.6700%	
40	(394.1) Tools, Shop & Garage	6.67% (Note 2)		
41	(396) Major Work Equipment	3.70%		
42	(397) Communication Equipment	6.67% (Note 2)	6.6700%	5.00%
43	(398) Miscellaneous General Plant	6.67%	6.6700%	

1) Central Texas Service Area and CTSA refer to the new consolidated service area which includes the incorporated and unincorporated areas of the former Central Texas Service Area and South Texas Service Area.

Note 2: This is the reciprocal of the amortization period per Dr. White's study. WKP G-15.a.1 Direct shows an effective depreciation rate for accounts 376.9 = 4.59%, 391.9 = 7.93%, 394 = 6.64%, 394.1 = 6.64%, 397 = 6.66% since Dec 2015 plant contained some plant older than the amortization period that had not yet been retired.

TEXAS GAS SERVICE COMPANY  
 CENTRAL TEXAS SERVICE AREA<sup>1</sup>  
 SETTLED NET PLANT FOR RATE FILING WITH TEST YEAR END DECEMBER 31, 2015

NET PLANT FOR CTSA<sup>1</sup> DIRECT, TGS DIVISION AND ONEGAS CORPORATE

LINE NO.	DESCRIPTION	TOTAL CTSA <sup>1</sup> PLANT	TOTAL CTSA <sup>1</sup> CCNC	TOTAL CTSA <sup>1</sup> PLANT AND CCNC	TOTAL CTSA <sup>1</sup> ACCUMULATED RESERVES	TOTAL CTSA <sup>1</sup> NET PLANT
		(a)	(b)	(c)	(d)	(e)
<b>INTANGIBLE PLANT</b>						
1	(301) Organization	56,257	-	56,257	35,739	20,517
2	(302) Franchises & Consents	386,918	-	386,918	386,607	311
3	(303) Misc. Intangible	735,279	-	735,279	714,642	20,637
4	Total Intangible Plant	1,178,454	-	1,178,454	1,136,989	41,466
<b>GATHERING AND TRANSMISSION PLANT</b>						
5	(325) Land & Land Rights	-	-	-	-	-
6	(327) Field Comprss 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	3,008,946	1,240,522	4,249,468	1,784,971	2,464,497
17	(368) Compressor Station Equip	-	-	-	-	-
18	(369) Measure/Reg. Station Equipment	-	500,510	500,510	17,218	483,292
19	(371) Other Equipment	-	-	-	-	-
20	Total Gathering and Transmission Plant	3,008,946	1,741,032	4,749,978	1,802,188	2,947,790
<b>DISTRIBUTION PLANT</b>						
21	(374) Land & Land Rights	-	-	-	7,410	(7,410)
22	(374.1) Land & Land Rights	10,066	6,622	16,688	-	16,688
23	(374.2) Land & Land Rights	78,026	-	78,026	-	78,026
24	(375.1) Structures & Improvements	73,491	(916)	72,575	90,766	(18,191)
25	(375.2) Other Distr Systems Struct	-	18,478	18,478	-	18,478
26	(376) Mains	175,296,171	38,629,618	213,925,789	63,928,510	149,997,279
27	(376.9) Mains - Cathodic Protection Anodes	27,192,736	-	27,192,736	-	27,192,736
28	(377) Compressor Station Equipment	-	-	-	-	-
29	(378) Meas. & Reg. Station - General	5,912,746	2,516,227	8,428,974	1,499,073	6,929,901
30	(379) Meas. & Reg. Station - C.G.	1,086,587	7	1,086,594	298,848	787,746
31	(380) Services	107,302,435	(3,071,314)	104,231,121	38,933,995	65,297,126
32	(381) Meters	42,031,913	78,331	42,110,244	12,836,328	29,273,916
33	(382) Meter Installations	-	(107)	(107)	5,776	(5,883)
34	(383) House Regulators	6,234,202	13,416	6,247,619	3,627,640	2,619,979
35	(385) Indust. Meas. & Reg. Stat. Equipment	8,006,217	161,466	8,167,683	2,823,139	5,344,544
36	(386) Other Property on Customer Premises	991,840	-	991,840	985,937	5,904
37	(387) Meas. & Reg. Stat. Equipment	-	-	-	-	-
38	Total Distribution Plant	374,216,431	38,351,830	412,568,260	125,037,421	287,530,840
<b>GENERAL PLANT</b>						
39	(389) Land & Land Rights	-	-	-	(3,573)	3,573
40	(389.1) Land & Land Rights	6,736	-	6,736	-	6,736
41	(390.1) Structures & Improvements	1,576,377	41,464	1,617,841	808,544	809,297
42	(390.2) Leasehold Improvements	1,197,740	12,477	1,210,216	524,509	685,707
43	(391.1) Office Furniture & Equipment	1,595,450	68,079	1,663,529	1,883,012	(219,484)
44	(391.2) Data Processing Equipment	-	-	-	-	-
45	(391.3) Office Machines	3,464	-	3,464	96	3,368
46	(391.4) Audio Visual Equipment	122,118	-	122,118	9,246	112,873
47	(391.6) Purchased Software	4,306,315	527,430	4,833,744	758,779	4,074,966
48	(391.6) Banner Software	5,730,814	-	5,730,814	4,595,692	1,135,122
49	(391.6) PowerPlant System	77,562	-	77,562	8,079	69,482
50	(391.6) Riskworks	-	-	-	-	-
51	(391.6) Maximo	304,075	-	304,075	124,324	179,751
52	(391.6) Dynamic Risk Assessment	-	-	-	-	-
53	(391.6) Concur Project	5,043	-	5,043	5,043	-
54	(391.6) Journey-Employee-ODC Distrigas	6,543,063	-	6,543,063	436,675	6,106,388
55	(391.6) Journey-Employee Count	195,697	-	195,697	27,283	168,413
56	(391.6) Ariba Software	7,159	-	7,159	2,118	5,041
57	(391.8) Micro Computer Software	285,967	-	285,967	73,040	212,927
58	(391.9) Computer & Equipment	6,146,059	(19,439)	6,126,620	480,512	5,646,108
59	(392) Transportation Equipment	5,035,023	439,696	5,474,719	2,932,500	2,542,220
60	(392.6) Aircraft	-	-	-	-	-
61	(393) Stores Equipment	2,932	-	2,932	1,785	1,147
62	(394) Tools	3,442,690	307,947	3,750,637	1,007,966	2,742,671
63	(395) CNG Equipment	-	-	-	(1,151)	1,151
64	(396) Major Work Equipment	782,585	(74)	782,511	408,069	374,442
65	(397) Communication Equipment	12,581,555	(7,277)	12,574,278	2,901,463	9,672,814
66	(397.2) Telephone Equipment	-	-	-	-	-
67	(398) Miscellaneous General Plant	99,543	15,604	115,147	51,900	63,248
68	Total General Plant	50,047,966	1,385,906	51,433,873	17,035,912	34,397,961
69	Total Plant in Service	\$428,451,797	\$41,478,768	\$469,930,565	\$145,012,509	\$324,918,056

1) Central Texas Service Area and CTSA refer to the new consolidated service area which includes the incorporated and unincorporated areas of the former Central Texas Service Area and South Texas Service Area.

**GAS UTILITIES DOCKET NO. 10526**

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

**AFFIDAVIT OF KATE NORMAN**

Before me, the undersigned authority, on this date personally appeared Kate Norman, 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 Kate Norman. 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 practice law in Austin, Texas with the law firm of Parsley Coffin Renner LLP and have practiced law in Travis County since 2005. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas.
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. 10526. My firm was engaged to assist in the presentation of the Company's rate filing involving the Central Texas Service Area and the South Texas Service Area, which was filed with the cities and Commission on June 20, 2016. Attached to this Affidavit are invoices documenting an actual amount of \$360,888.44 in rate case expenses incurred by TGS in this docket for Company and consultant expenses through September 30, 2016 and for legal expenses through September 23, 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. Of TGS's total actual amount of rate case expenses, \$271,937.00 are required regulatory expenses and \$88,951.44 are litigation expenses.
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 September 23, 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 case. The nature of this work included the preparation of testimony and other aspects of the Company's rate filing package, answering discovery questions, motions practice, preparation of errata, and preparation for 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 September 23, 2016, TGS has and will continue to incur expenses for additional legal for work performed in September 2016 through the issuance of a Final Order in this docket. The nature of this work includes finalizing settlement documents, presentation of the settlement to the Administrative Law Judge and 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 September 24, 2016 through completion of the case will be approximately \$125,000, bringing the total amount of actual and estimated legal fees necessary to complete this proceeding to \$273,236.03.
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. Actual detailed and itemized invoices supporting these expenses through September 30, 2016 are attached. The total amount of other rate case expenses incurred through September 30, 2016, is \$212,652.41.
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 \$273,236.03 and other rate case expenses equal to \$212,652.41. TGS requests that the Commission authorize recovery of its rate case expenses related to this docket in the amount of \$485,888.44. 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.

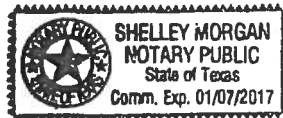


TGS reserves the right to revise this estimate to the extent that additional litigation becomes necessary."

Kate Norman  
Kate Norman

SWORN TO AND SUBSCRIBED before me on this 7<sup>th</sup> day of October 2016, by Kate Norman.

Shelley Morgan  
Notary Public in and for the State of Texas





**GAS UTILITIES DOCKET NO. 10526**

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

**AFFIDAVIT OF THOMAS L. BROCATO  
RELATED TO THE RATE CASE EXPENSES OF  
THE CENTRAL TEXAS MUNICIPALITIES**

**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 lead counsel for the Central Texas Municipalities ("Cities") in Gas Utilities Docket ("GUD") No. 10526. 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 in 1990. I have represented entities at the Public Utility Commission of Texas and the Railroad Commission of Texas ("Commission") for over 25 years. Having participated in numerous rate cases and appeals, I have represented municipalities since 2004.

2. I am familiar with the work performed by Lloyd Gosselink and the technical consultants on behalf of Cites in connection with GUD No. 10526 concerning the *Statement of Intent of Texas Gas Service Company, a Division of One Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and South Texas 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 Cities for legal services performed in GUD No. 10526. I affirm that those billings accurately reflect the time spent and expenditures incurred by Lloyd Gosselink on Cities' behalf. Those billings were accurately calculated before they were tendered, and there was no double billing. None of the charges billed to Cities have been recovered through reimbursement for other expenses. The expenses charged were associated with the review of Texas Gas Service Company's ("TGS" or "Company") Statement of Intent in GUD No. 10526 and were necessary to advise Cities and accomplish tasks in this proceeding. Total rate case expenses (inclusive of legal fees, consultant charges, and other expenses) for GUD No. 10526 are summarized in the chart attached to this affidavit as Attachment 1.

4. For the period June 2016 through September 2016, Lloyd Gosselink requests approval of \$69,966.49 for legal services in GUD No. 10526. This figure includes legal fees and expenses. The fees and expenses incurred through September 30, 2016 were necessary to: advise Cities on the Company's Statement of Intent, review the application, identify issues, retain and work with consultants, engage in discovery, prepare testimony, participate in settlement discussions, and review testimony.

5. The attorneys' hourly rates of \$225-\$335, 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

and on a timely basis. My experience in participating in utility rate cases at the Commission aids in our efforts to keep rate case expenses reasonable. Additionally, Lloyd Gosselink minimized rate case expenses by using associates and paralegals where possible to take advantage of lower billing rates.

6. Invoices from Lloyd Gosselink also include fees and expenses from ReSolved Energy Consulting, LLC for consulting work performed by Karl Nalepa and his assistant in the amount of \$36,784.19. Mr. Nalepa is President of ReSolved Energy Consulting, LLC, an independent utility consulting company. Mr. Nalepa has testified before the Commission on many prior occasions. The hourly rates for Mr. Nalepa and his assistant in GUD No. 10526 are \$260.00 and \$225.00, respectively. These are the same or similar hourly rates charged other clients for comparable services during the same time period. Mr. Nalepa and his assistant reviewed the Company's filings in GUD No. 10526, prepared discovery questions, prepared direct testimony, and provided technical support for settlement analysis and discussions. Mr. Nalepa's affidavit supporting ReSolved Energy Consulting, LLC's expenses is attached to this affidavit as Attachment 2.

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 \$30,715.00. 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 Company's Statement of Intent, identified issues, prepared and reviewed discovery questions and responses, prepared direct testimony, assisted in settlement negotiations. Ms. Cannady's affidavit supporting New Gen Consulting, LLC's expenses is attached to this affidavit as Attachment 3.

8. The invoices submitted by Lloyd Gosselink include a description of services performed and time expended on each activity. The invoices for GUD No. 10526 are attached to this filing as Attachment 4. 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 rate cases at the Commission.

9. I have made a detailed review of actual invoices for consultants and legal services for June through September 30, 2016. I conclude that the services rendered in these months were necessary for 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 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).

10. 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 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 Cities to fairly represent the interests of the members of 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.

11. In addition to the expenses incurred through September 30, 2016, Lloyd Gosselink will incur fees and expenses in GUD No. 10526 beyond that date associated with continued work to finalize settlement documents subsequent to the date of this affidavit.

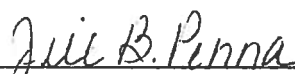
In consideration of this activity, Cities estimate that its remaining expense of participating in this case beyond September 30, 2016 will not exceed \$45,000. In the event that the settlement in this matter is not adopted, or some additional process or litigation is required to bring this matter to a close, Cities would seek to quantify an additional rate case expense amount.

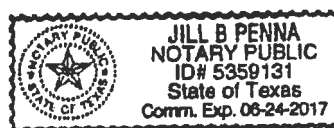
12. The total amount requested of \$182,465.68 for GUD No. 10526, consisting of actual expenses through September 30, 2016 of \$137,465.68 and estimated expenses of \$45,000 beyond that date, are reasonable given the complexity, importance, and magnitude of this case, the nature of Cities' case, and the number of issues.

Dated: October 4, 2016.

  
\_\_\_\_\_  
THOMAS L. BROCATO

SUBSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on this 4th day of October 2016.

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







**GAS UTILITIES DOCKET NO. 10526**

STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A § BEFORE THE  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED § RAILROAD COMMISSION  
AREAS OF THE CENTRAL TEXAS §  
SERVICE AREA AND SOUTH TEXAS §  
SERVICE AREA § OF TEXAS  
§

**RATE CASE EXPENSE AFFIDAVIT OF KARL J. NALEPA  
PROVIDING ACTUAL EXPENSES THROUGH SEPTEMBER 30, 2016**

I, Karl J. Nalepa, state the following facts upon my oath.

1. My name is Karl J. Nalepa. I am over eighteen years of age and am not disqualified from making this affidavit.
2. I am the President of ReSolved Energy Consulting, LLC ("REC"), an independent utility consulting company. I have been retained by the Central Texas Municipalities ("Cities") to provide analysis and recommendations regarding the Texas Gas Service ("TGS") statement of intent to change rates in Gas Utilities Docket No. 10526 before the Railroad Commission of Texas. My business address is 11044 Research Blvd., Suite A-420, Austin, Texas 78759.
3. I am giving this affidavit to address the necessity for and reasonableness of REC's actual fees and expenses incurred through September 30, 2016.
4. REC's actual fees through September 30, 2016 correspond to time reviewing the application testimony, schedules and work papers, developing and reviewing discovery, reviewing previous orders relevant to TGS' request, preparing pre-filed written testimony and participating in settlement discussions with the parties. The hours charged are set forth in the following table:

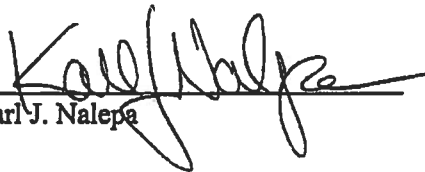
**RESOLVED ENERGY CONSULTING'S EXPENSES  
THROUGH SEPTEMBER 30, 2016**

CONSULTANTS	HOURLY RATE	HOURS	EXPENSES	TOTAL
Karl Nalepa	\$260	73.7	\$49.69	\$19,211.69
Bob Stemper	\$225	78.1	\$0	\$17,572.50
Total Actual	\$242	151.8	\$49.69	\$36,784.19


5. My billing rate is \$260 per hour. This is the normal billing rate that I charge for services provided to both regulated and non-regulated entities. This rate is reasonable for a consultant providing these types of services before utility regulatory agencies in Texas. The hourly rate is especially reasonable given I have more than 30 years of utility rate

regulatory experience. Part of the basis for my opinion is a review of the hourly rates charged by other consultants to perform similar services. Assisting me on this proceeding is Bob Stemper. Mr. Stemper is a Senior Management Consultant with REC and has over 35 years of regulatory experience. His billing rate is \$225 per hour. Mr. Stemper works under my direction and supervision.

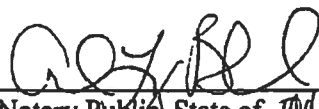
6. No REC personnel billed in excess of 12 hours on any given day to this case. No REC personnel incurred any airline, lodging, or meal expenses. No REC personnel charged for any luxury items. The only expenses are related to parking and mileage charges incurred while attending settlement meetings with the parties. There are no instances of double billing for REC's services.
7. Based on my extensive 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) REC's hourly rates are reasonable; and (2) the 151.8 actual hours in this case are both reasonable and necessary.
8. The statements made in this affidavit are true and correct.

  
Karl J. Nalepa

STATE OF Texas §  
COUNTY OF Travis §  
§

SUBSCRIBED AND SWORN to before me, the undersigned authority, on this 3<sup>rd</sup> day  
of ~~September 2016~~, by Karl J. Nalepa.  
October 2016 



  
Notary Public State of Texas  
My Commission Expires: 7/24/2018



**GAS UTILITIES DOCKET NO. 10526**

<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 CENTRAL TEXAS</b>	<b>§</b>	
<b>SERVICE AREA AND THE SOUTH</b>	<b>§</b>	
<b>TEXAS SERVICE AREA</b>	<b>§</b>	<b>OF TEXAS</b>

**AFFIDAVIT OF CONSTANCE T. CANNADY  
RELATED TO CITIES' RATE CASE EXPENSES**

**STATE OF TEXAS**       §  
                                  §  
**COUNTY OF DALLAS**   §

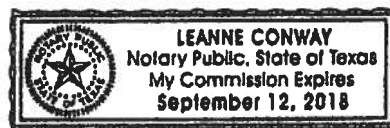
Before me, the undersigned authority, on this day personally appeared Constance T. Cannady being by me first duly sworn, on oath deposed and said the following:

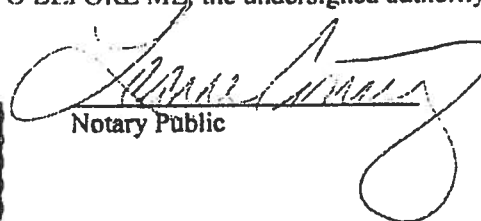
1. My name is Constance T. Cannady, and I am an Executive Consultant with NewGen Strategies and Solutions, LLC ("NewGen"). I have over 30 years of experience in providing consulting services related to the utility industry. NewGen was retained by Lloyd Gosselink Rochelle & Townsend, P.C. to assist a coalition of Cities ("Cities") served by Texas Gas Service Company's ("TGS") Central Texas Service Area in matters regarding *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 Central Texas Service Area and the South Texas Service Area* ("GUD No. 10526").
2. I am over 18 years of age, of sound mind and am not disqualified from making this affidavit. My statements are true and correct.
3. I personally conducted or supervised all of the analyses and prepared all of the documents submitted by me in GUD No. 10526 on behalf of Cities. Analyses included reviewing the original and errata computations filed by TGS, conducting discovery concerning these filings, and drafting testimony and exhibits to be filed with the Commission on behalf of the Cities. I also participated in settlement discussions with TGS and Railroad Commission Staff and provided comments to Cities' counsel.
4. NewGen has prepared and submitted four invoices in this proceeding that include a description of the services provided, the hourly billing rate charged and the total amount due. The charges are based on my hourly billing rate of \$245 and the hourly billing rates of other NewGen consultants, which are the same billing rates used to charge other NewGen clients for services and are reasonable given the nature of the work performed and billing rates of other consultants performing these types of analyses.

5. The total amount billed by NewGen to date is \$30,715.00, which includes all professional fees and expenses to be billed by NewGen for GUD. No. 10526.
6. I have included the details of services provided and the time expended on each activities. These have been attached to the invoices. The documentation is similar to that provided in many previous cases at the Commission.
7. The NewGen invoices do not include any charges for luxury items, including first-class airfare, limousine service, entertainment, or alcoholic beverages. No meals were charged in excess of \$25 per person, and no individual billed for more than 12 hours per day.

  
CONSTANCE T. CANNADY

SUSCRIBED AND SWORN TO BEFORE ME, the undersigned authority, on  
this 29th day of September 2016



  
Notary Public

**PROPOSAL FOR DECISION**

**ATTACHMENT B**

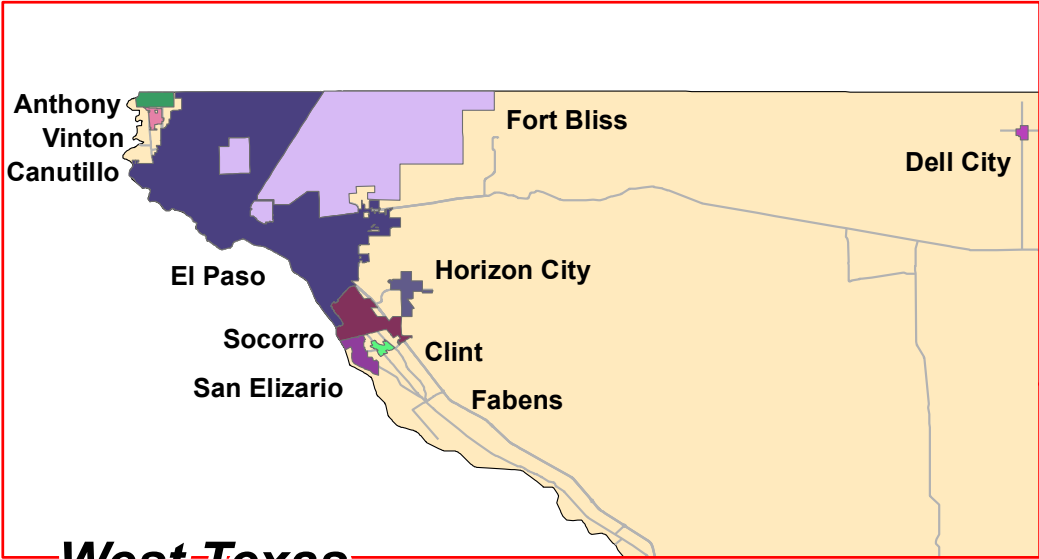
## TGS EXHIBIT LIST

EX. NO.	DESCRIPTION
1	GUD No. 10526 – Statement of Intent of Texas Gas Service Company, (TGS) a Division Of One Gas, Inc., to Change Gas Utility Rates Within The Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA), Filed on June 20, 2016 (Includes Electronic Files, Workpapers and all Attachments Except Testimony)
1a	TGS's <b>Confidential</b> Schedule Workpapers
2	TGS Errata Filing (Includes Electronic Files of Integrated CTCSA Integrated Model, Schedules and Tariffs, Filed August 12, 2016)
3	TGS Errata Filing (Includes Electronic Files of Integrated CTCSA Integrated Model, Schedules and Schedule Workpapers, Filed September 23, 2016)
4	Affidavit of Nicole Simmons attesting to Completion of Public Notice, Filed September 21, 2016
5	Unanimous Settlement Agreement, including attachments
6	Direct Testimony of Caron A. Lawhorn, including errata
7	Direct Testimony and Exhibits of Jim Jarrett
8	Direct Testimony, Exhibits and Workpapers of Stacey L. McTaggart, including errata
9	Direct Testimony of Nicole Simmons, including errata
10	Direct Testimony and Exhibits of Stacey Borgstadt, including errata
11	Direct Testimony and Exhibits of Anna Kern
11a	<b>Confidential</b> Direct Testimony Exhibits of Anna Kern
12	Direct Testimony and Exhibits of Teresa D. Serna, including errata
13	Direct Testimony of Hayley Cunningham
14	Direct Testimony and Workpapers of Mark W. Smith, including errata
15	Direct Testimony, Exhibits and Workpapers of Janet M. Simpson
16	Direct Testimony, Exhibits and Workpapers of Joshua C. Nowak, including errata
16a	<b>Confidential</b> Workpapers of Joshua Nowak
17	Direct Testimony, Exhibits and Workpapers of Ronald E. White
18	Direct Testimony, Exhibits and Workpapers of Bruce H. Fairchild
19	Direct Testimony, Exhibits and Workpapers of Paul H. Raab

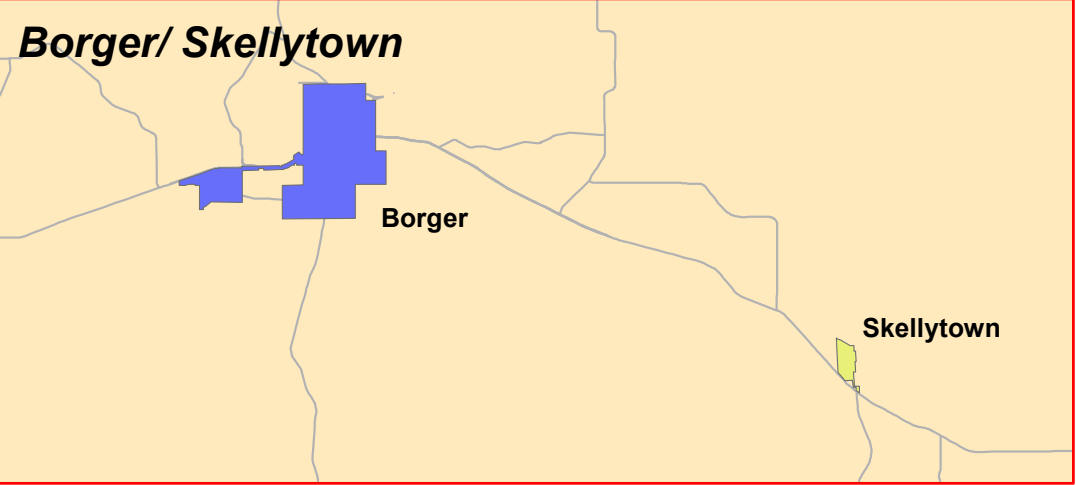
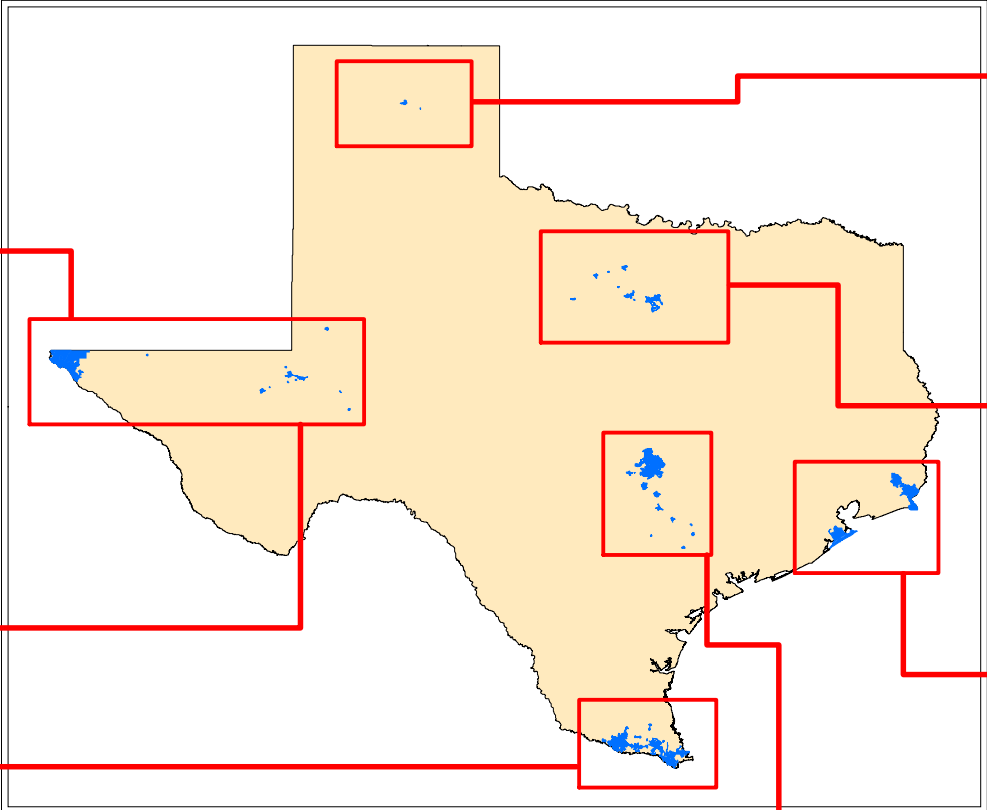
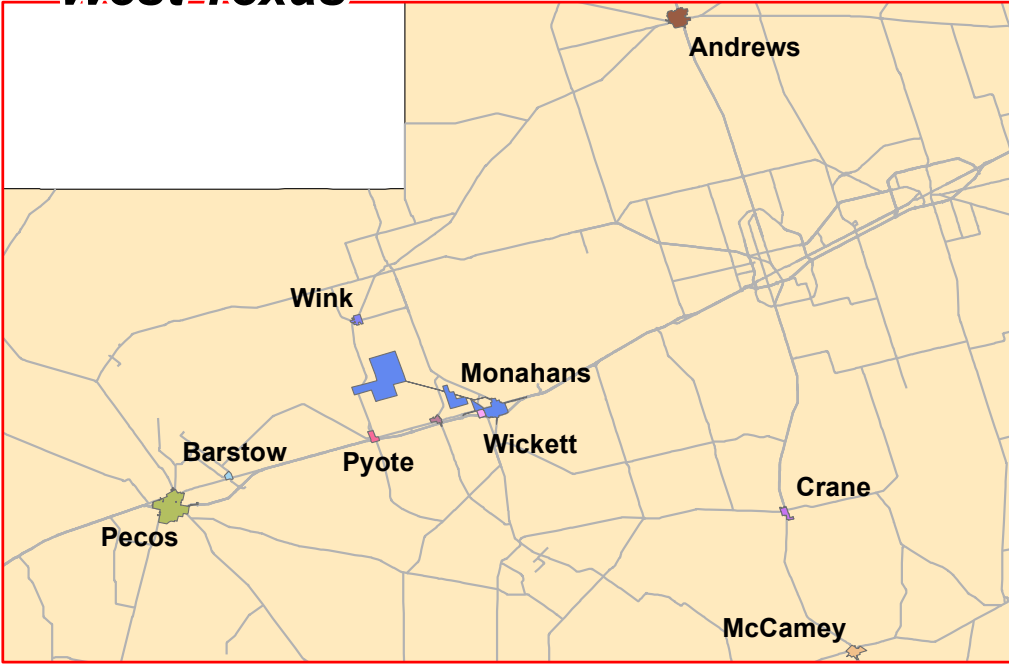
**PROPOSAL FOR DECISION**  
**ATTACHMENT C**



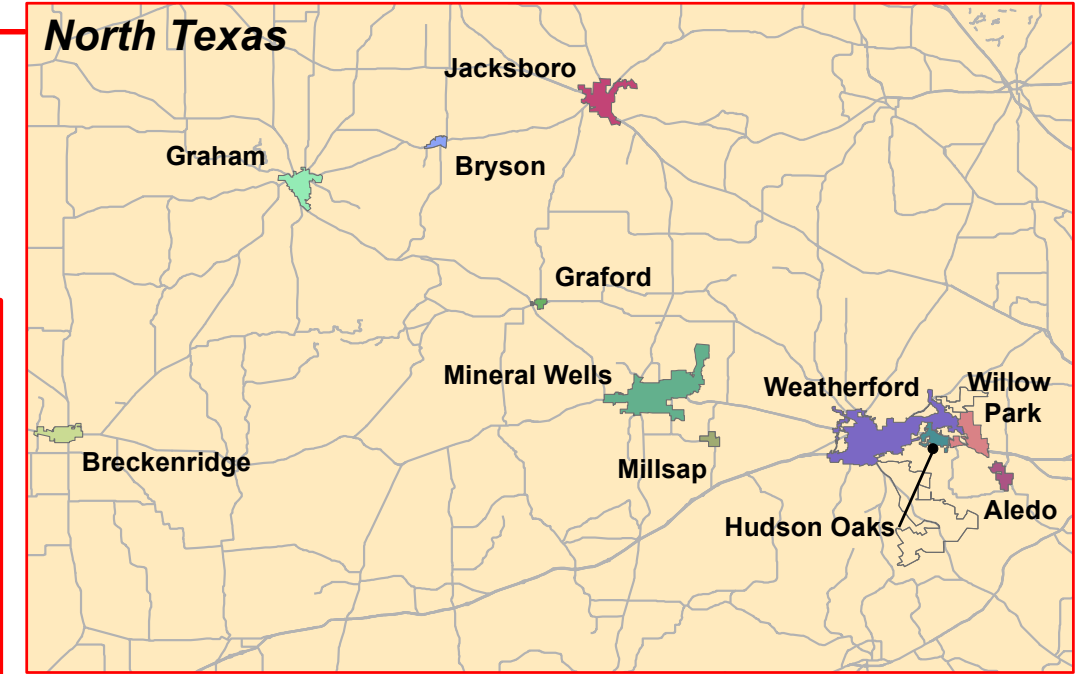
# TGS SERVICE AREAS



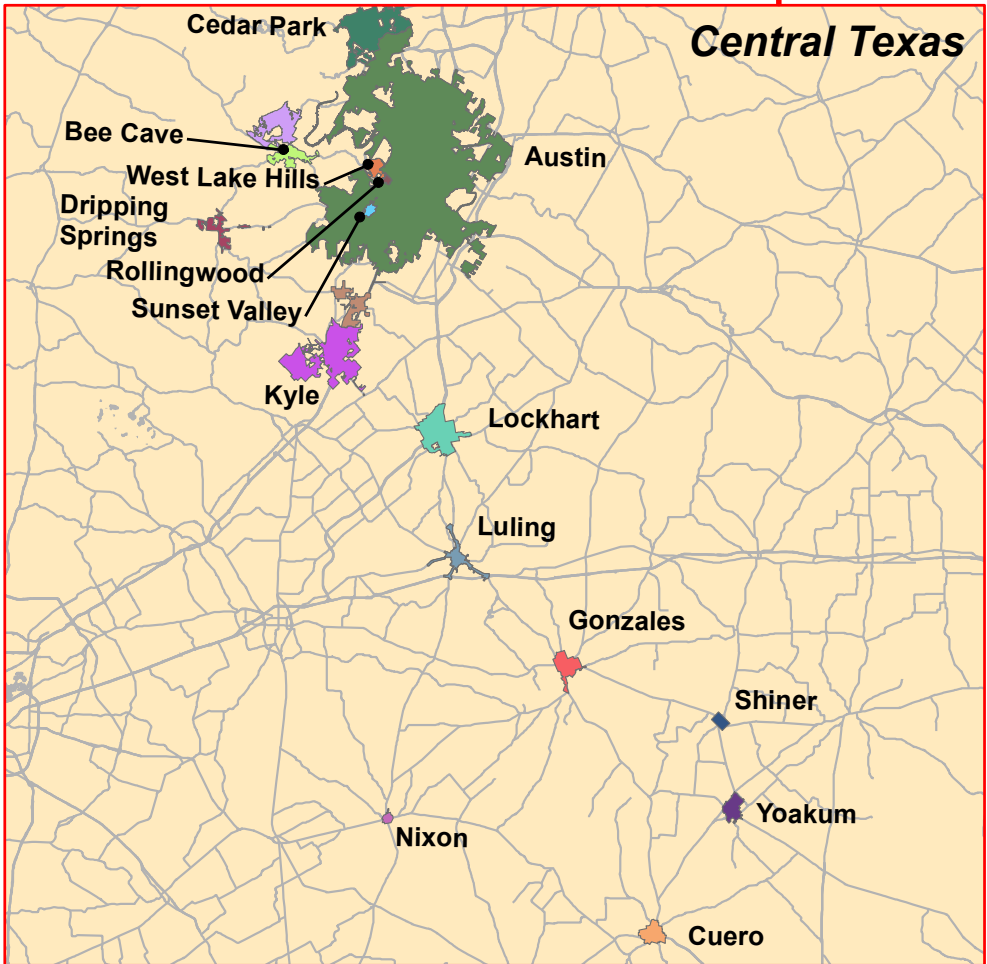
**West Texas**



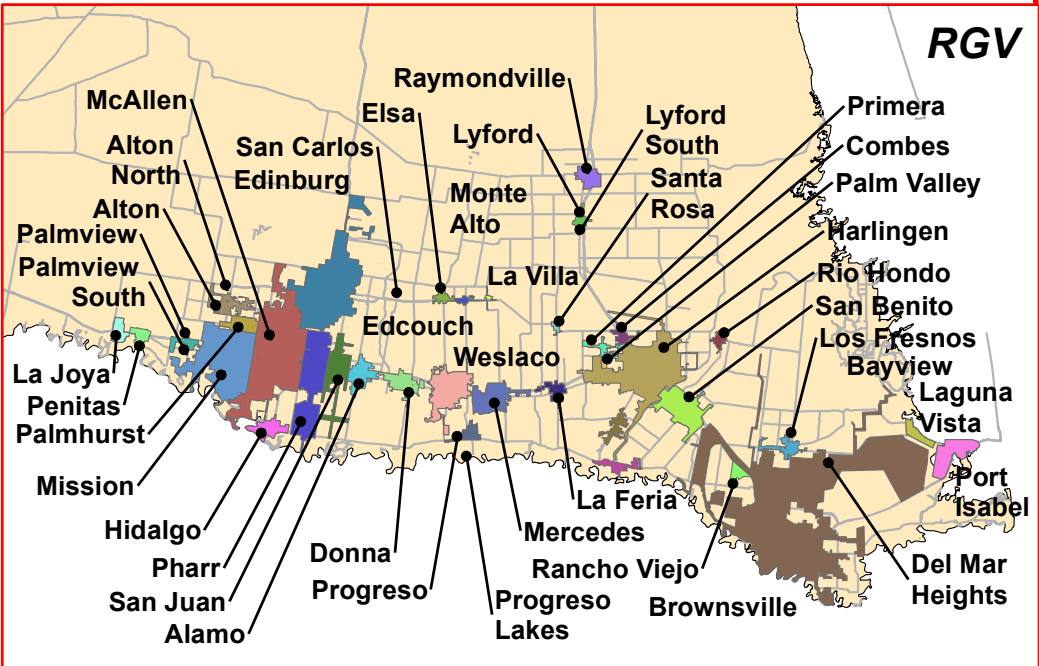
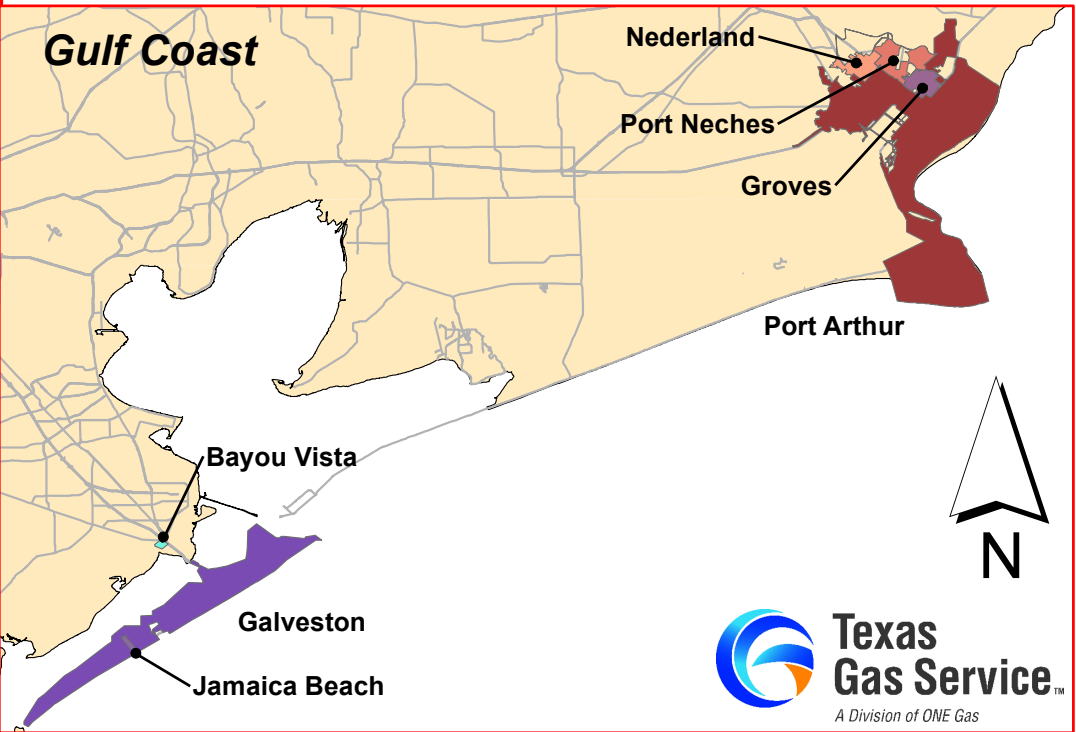
**North Texas**



**Central Texas**



**Gulf Coast**



**RGV**



**PROPOSAL FOR DECISION**  
**ATTACHMENT D**

## PROOF OF REVENUES

Line No.	Description	Bills	Volumes	Recommended Rates		Customer Charge	Usage Charges	Calculated Revenue at Recommended Rates	Assigned Revenue	Rounding Diff.	Test Year As Adjusted Revenue	Revenue Change	Allocation factors to use for Grips going forward
				(e)	(f)								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
1	<u>Residential</u>												
2	Incorporated	2,600,351	All Ccf	74,311,028	\$ 15.28	\$ 0.16032	\$ 51,646,907	\$ 51,647,096	\$ (189)	\$ 46,766,359	\$ 4,880,737		
3	Environ	258,990		11,861,197	\$ 15.28	\$ 0.16032	\$ 5,858,951	\$ 5,858,973	\$ (21)	\$ 3,939,711	\$ 1,919,262		
4	Total Residential	2,859,341		86,172,225			\$ 57,505,858	\$ 57,506,069	\$ (211)	\$ 50,706,069	\$ 6,800,000		78.204%
5													
6	<u>Commercial - Gas Sales</u>												
7	Incorporated	136,609	All Ccf	33,389,231	\$ 38.00	\$ 0.13174	\$ 9,589,840	\$ 9,589,775	\$ 65	\$ 9,542,395	\$ 47,380		
8	Environ	5,706		1,303,381	\$ 38.00	\$ 0.13174	\$ 388,526	\$ 388,523	\$ 3	\$ 298,929	\$ 89,594		
9	Total Commercial - Gas Sales	142,315		34,692,612			\$ 9,978,366	\$ 9,978,298	\$ 67	\$ 9,841,324	\$ 136,974		
10													
11	<u>Commercial Transportation</u>												
12	Incorporated	4,269	All Ccf	14,879,032	\$ 250.00	\$ 0.13174	\$ 3,027,330	\$ 3,027,310	\$ 20	\$ 3,178,745	\$ (151,435)		
13	Environ	120		324,605	\$ 250.00	\$ 0.13174	\$ 72,763	\$ 72,763	\$ 0	\$ 58,303	\$ 14,460		
14	Total Commercial Transportation	4,389		15,203,637			\$ 3,100,094	\$ 3,100,073	\$ 21	\$ 3,237,047	\$ (136,974)		
15													
16	Commercial Total						\$ 13,078,459	\$ 13,078,371	\$ 88	\$ 13,078,371	\$ (0)		17.7860%
17													
18	<u>Industrial - Gas Sales</u>												
19	Incorporated	239	All Ccf	394,325	\$ 150.00	\$ 0.11186	\$ 79,979	\$ 79,982	\$ (3)	\$ 81,385	\$ (1,404)		
20	Environ	12		3,141	\$ 150.00	\$ 0.11186	\$ 2,151	\$ 2,151	\$ (0)	\$ 1,903	\$ 248		
21	Total Industrial - Gas Sales	251		397,466			\$ 82,131	\$ 82,133	\$ (3)	\$ 83,288	\$ (1,155)		
22													
23	<u>Industrial Transportation</u>												
24	Incorporated	395	All Ccf	3,674,473	\$ 350.00	\$ 0.11186	\$ 549,416	\$ 549,434	\$ (17)	\$ 547,024	\$ 2,410		
25	Environ	12		276,243	\$ 350.00	\$ 0.11186	\$ 35,101	\$ 35,102	\$ (1)	\$ 36,356	\$ (1,254)		
26	Total Industrial Transportation	407		3,950,716			\$ 584,517	\$ 584,535	\$ (18)	\$ 583,380	\$ 1,155		
27													
28	Industrial Total						\$ 666,647	\$ 666,668	\$ (21)	\$ 666,668	\$ 0		0.9070%
29													
30	<u>Public Authority - Gas Sales</u>												
31	Incorporated	4,371	All Ccf	1,450,896	\$ 47.00	\$ 0.12529	\$ 387,211	\$ 387,217	\$ (6)	\$ 433,332	\$ (46,115)		
32	Environ	476		599,171	\$ 47.00	\$ 0.12529	\$ 97,429	\$ 97,430	\$ (2)	\$ 97,376	\$ 54		
33	Total Public Authority - Gas Sales	4,847		2,050,068			\$ 484,640	\$ 484,648	\$ (8)	\$ 530,708	\$ (46,061)		
34													

Line No.	Description (a)	Bills (b)	Volumes (c)		Recommended Rates		Calculated Revenue at Recommended Rates (g)	Assigned Revenue (h)	Rounding Diff. (i)	Test Year As Adjusted Revenue (j)	Revenue Change (k)	Allocation factors to use for Grips going forward (l)
					Customer Charge (e)	Usage Charges (f)						
35	<u>Public Authority Transportation</u>											
36	Incorporated	4,415	All Ccf	6,576,012	\$ 70.00	\$ 0.12529	\$ 1,132,937	\$ 1,132,955	\$ (18)	\$ 1,149,023	\$ (16,067)	
37	Environs	60		24,922	\$ 70.00	\$ 0.12529	\$ 7,336	\$ 7,337	\$ (0)	\$ 4,182	\$ 3,155	
38	Total Public Authority Transportation	4,475		6,600,934			\$ 1,140,273	\$ 1,140,292	\$ (19)	\$ 1,153,204	\$ (12,912)	
39												
40	<u>COGEN Transportation - Incorporated</u>	12			\$ 70.00		\$ 202,628	\$ 202,631	\$ (3)	\$ 202,985	\$ (354)	
41			First 5000	60,000		\$ 0.08708						
42			Next 35,000	420,000		\$ 0.07838						
43			Next 60,000	720,000		\$ 0.06512						
44			All Over	2,333,272		\$ 0.05004						
45												
46	<u>Public Schools Space Heating - Gas Sales</u>											
47	Incorporated	36	All Ccf	15,211	\$ 100.00	\$ 0.11000	\$ 5,273	\$ 5,273	\$ (0)	\$ 5,751	\$ (478)	
48	Environs	12		60,597	\$ 100.00	\$ 0.11000	\$ 7,866	\$ 7,866	\$ (0)	\$ 8,610	\$ (744)	
49	Total Public Schools Space Heating	48		75,807			\$ 13,139	\$ 13,139	\$ (0)	\$ 14,361	\$ (1,222)	
50												
51	Public Schools Space Heating Transportation											
52	Incorporated	1,273	All Ccf	1,235,907	\$ 200.00	\$ 0.11000	\$ 390,630	\$ 390,636	\$ (6)	\$ 337,738	\$ 52,898	
53	Environs	48		7,588	\$ 200.00	\$ 0.11000	\$ 10,475	\$ 10,475	\$ (0)	\$ 2,823	\$ 7,651	
54	Total Public School Space Heating Transportation	1,322		1,243,495			\$ 401,104	\$ 401,111	\$ (7)	\$ 340,561	\$ 60,549	
55												
56	Public Authority Total						\$ 2,241,784	\$ 2,241,821	\$ (37)	\$ 2,241,821	\$ -	3.0490%
57												
58	<u>Compressed Nat. Gas - Incorporated</u>	48	All Ccf		\$ 50.00		\$ 2,456	\$ 2,456	\$ 0	\$ 3,312	\$ (856)	
59				788		\$ 0.07148						
60												
61	Compressed Nat. Gas Transportation - Incorporated	12	All Ccf		\$ 75.00		\$ 37,233	\$ 37,233	\$ 1	\$ 36,377	\$ 856	
62				508,302		\$ 0.07148						
63												
64	Compressed Nat. Gas Total						\$ 39,690	\$ 39,689	\$ 1	\$ 39,689	\$ (0)	0.0540%
65												
66												
67	All Classes						\$ 73,532,439	\$ 73,532,618	\$ (179)	\$ 66,732,618	\$ 6,800,000	100.0000%
68												
69	Current Revenue						\$ 66,732,618	\$ 66,732,618				
70												
71	Revenue Change						\$ 6,799,821	\$ 6,800,000	\$ (179)			

Environs Revenue Change \$ 2,032,427 30%

Environs Revenue at Recommended Rates \$ 6,480,598 8.8%