



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10526
Proposal for Decision

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)

PARTIES:

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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”).¹

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.² 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.”³

¹ “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.

² 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 Intervenors for Purposes of Discovery).⁴ 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).⁵ 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. 10488.⁶

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").⁷ 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).⁸ 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.⁹ No environs customers returned the form, timely or otherwise.

³ Staff's Motion to Intervene, filed on June 21, 2016.

⁴ See 16 Tex. Admin. Code § 1.86 (Alignment of Municipal Intervenors 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.").

⁵ 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.").

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

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

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

⁹ *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*.¹⁰ By September 14, 2016, the ALJ provided the Notice of Hearing to the governing body of each affected municipality and county.¹¹

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.¹² On October 12, 2016, the ALJ re consolidated the rate case expenses portion of GUD No. 10526—previously severed into a separate docket, GUD No. 10546—back into GUD No. 10526.¹³ 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.¹⁴ 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.

¹⁰ 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.

¹¹ 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).

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

¹³ See Examiners’ Letter No. 22 (Rate Case Expense Docket Re consolidated Into GUD No. 10526), issued October 12, 2016.

¹⁴ 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.¹⁵

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.¹⁶ 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).¹⁷ 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.¹⁸

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.¹⁹ 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.”²⁰ 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).²¹ 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

¹⁵ Tex. Util. Code § 104.008 (Burden of Proof).

¹⁶ 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 (Enviros Rates), 7.230 (Contents of Notice), and 7.235 (Publication and Service of Notice) (containing notice requirements).

¹⁷ 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).

¹⁸ 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.”).

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

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

²¹ 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,²² 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.²³

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

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.²⁵

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;²⁶
- 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

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

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

²⁴ TGS Ex. 8 (McTaggart Test.).

²⁵ *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.").

²⁶ 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.²⁷

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.²⁸ 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.²⁹ 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.³⁰ All parties agree to the rates, terms, and conditions reflected in the tariffs and rate schedules attached as Exhibit A to the Settlement.³¹ 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.³² TGS will also maintain a single Cost of Gas clause throughout the CTCSA.³³

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.³⁴

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

²⁷ TGS Ex. 1 (SOI), pp. 2-3.

²⁸ TGS Ex. 5 (Settlement), p. 2.

²⁹ 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.

³⁰ *Id.* ¶ 1.

³¹ *Id.* ¶ 1.

³² *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).

³³ *Id.* ¶ 8.

³⁴ *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.”³⁶

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.³⁷ The parties also agree that the rates in the below table are reasonable and should be approved.³⁸

	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.

³⁵ *Id.* ¶ 1.

³⁶ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

³⁷ 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.

³⁸ TGS Ex. 5 (Settlement) ¶ 3.

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

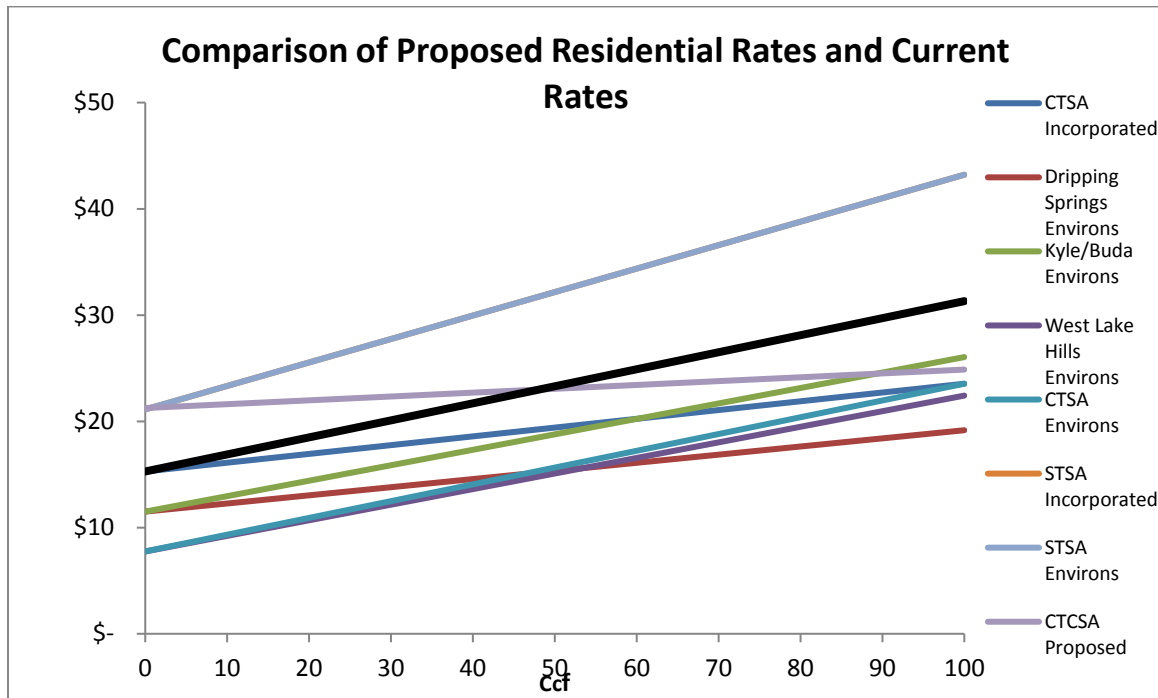
Service Area	Current		Settlement	
	Customer Charge	Commodity Charge	Customer Charge	Commodity Charge
CTSA Incorporated	\$ 15.28	\$ 0.08257	\$ 15.28	\$ 0.16032
Dripping Springs Environs	\$ 11.50	\$ 0.07660		
Kyle/Buda Environs	\$ 11.50	\$ 0.14545		
West Lake Hills Environs	\$ 7.75	\$ 0.14670		
CTSA Environs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

The below table shows the bill impact³⁹, 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
CTSA Incorporated	32	\$ 17.92	\$ 22.41	\$ 18.87	\$ 0.95	5.3%
Dripping Springs Environs	32	\$ 13.95	\$ 22.41	\$ 18.87	\$ 4.92	35%
Kyle/Buda Environs	32	\$ 16.15	\$ 22.41	\$ 18.87	\$ 2.72	17%
West Lake Hills Environs	32	\$ 12.44	\$ 22.41	\$ 18.87	\$ 6.43	52%
CTSA Environs	32	\$ 12.80	\$ 22.41	\$ 18.87	\$ 6.07	47%
STSA Incorporated	26	\$ 26.86	\$ 22.19	\$ 18.84	\$ (8.03)	-30%
STSA Environs	26	\$ 26.86	\$ 22.19	\$ 18.84	\$ (8.03)	-30%

³⁹ 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 2015.⁴⁰ The CTSA currently has different rates for each of four categorized environs areas—Dripping Springs, Kyle/Buda, West Lake Hills, and remaining CTSA.⁴¹ 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. 8379-8382.⁴² Initial rates were filed for environs customers in Kyle/Buda in 2008 and for environs customers in Dripping Springs in 2006.⁴³ 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.

⁴⁰ 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.

⁴¹ *Id.* Exhibit SLM-1.

⁴² *Id.* at 13, 15.

⁴³ *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.⁴⁴ The rates in the Settlement have been established consistent with implementing a system-wide cost of service methodology in the CTCSA.⁴⁵ A map showing TGS's current service areas is attached as Attachment C.

TGS provided evidence further supporting service area consolidation.⁴⁶ 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.⁴⁷

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

⁴⁴ TGS Ex. 5 (Settlement) ¶ 2.

⁴⁵ *Id.*

⁴⁶ 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.

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

⁴⁸ 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.⁴⁹ 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 Prudency

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.⁵⁰ 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 2013.⁵¹

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.⁵² TGS will provide refund confirmation to the Commission's Oversight and Safety Division immediately upon completion.⁵³ Residential customers will receive a 16-cent credit. Specific refund amounts are shown in the Settlement.⁵⁴

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.⁵⁵ The CTSA cities, in May 2015, approved TGS's IRA for calendar year 2014 plant investment.⁵⁶ 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 2016.⁵⁷

2. Prudency 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

⁴⁹ *Id.* ¶ 15.

⁵⁰ *Id.* ¶ 5.

⁵¹ *Id.* ¶ 5.

⁵² *See id.* ¶ 6.

⁵³ *Id.* ¶ 6.

⁵⁴ *See id.*

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

⁵⁶ TGS Ex. 8 (McTaggart Test.) at 14.

⁵⁷ *Id.* at 12-13.

been included in any IRA shall be fully subject to review for reasonableness and prudence.⁵⁸ 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.⁵⁹ 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.⁶⁰ 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.⁶¹

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:⁶²

- 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:

⁵⁸ 16 Tex. Admin. Code § 7.7101(j) (Interim Rate Adjustments).

⁵⁹ 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.

⁶⁰ See TGS Ex. 7 (Jarrett Test.).

⁶¹ *Id.*

⁶² 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.⁶³

	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%		7.308%	10.402%

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

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. 10506.⁶⁵

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

⁶³ *Id.* ¶ 13.

⁶⁴ *Id.* ¶ 11.

⁶⁵ *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:⁶⁶

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.⁶⁷

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.⁶⁸ The agreement is reflected in the separate Gas Cost Clauses remaining effective for the CTCSA, as provided for in the Settlement.⁶⁹ 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.

⁶⁶ See TGS Ex. 5 (Settlement) ¶ 16.

⁶⁷ *Id.* ¶ 8.

⁶⁸ *Id.* ¶ 9.

⁶⁹ *Id.* ¶ 9.

The parties agree that TGS shall recover \$68,266 of existing hedging costs through the Cost of Gas clause.⁷⁰ These costs were incurred from August 9, 2016, through August 25, 2016.⁷¹

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.⁷²

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.⁷³ TGS and Staff agree that TGS will not implement a Conservation Program in the unincorporated areas at this time.⁷⁴

3. Pipeline Integrity Costs

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

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.⁷⁷

K. Rate Case Expenses

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

⁷⁰ *Id.* ¶ 10.

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

⁷² TGS Ex. 5 (Settlement) ¶ 7.

⁷³ *Id.* ¶ 11.

⁷⁴ *Id.* ¶ 11.

⁷⁵ TGS Ex. 5 (Settlement) ¶ 12; TGS Ex. 1 (SOL) at 8.

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

⁷⁷ TGS Ex. 5 (Settlement) ¶ 18.

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

any, may be reimbursed their reasonable rate case expenses.⁷⁹ 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.⁸⁰ 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.⁸¹

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.⁸²

TGS and CTM filed affidavits and supporting evidence for reimbursement of rate case expenses.⁸³ 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:⁸⁴

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

⁷⁹ 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).

⁸⁰ 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

⁸¹ *Id.*

⁸² *Id.*

⁸³ 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.”)).

⁸⁴ 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.⁸⁵

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.⁸⁶

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.⁸⁷ 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.⁸⁸

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.

⁸⁵ *Id.* at Exhibit D (Norman Aff.).

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

⁸⁷ *Id.* ¶ 21.

⁸⁸ *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%
	Total Expenses Allocated to Group	\$579,092	\$62,585	\$26,677
Surcharge (Settlement)	Total Rate Case Expenses	\$668,354		
	Surcharge volumes - 24 months	308,858,644		
	Per Ccf surcharge - 24 months	\$0.0022		

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.

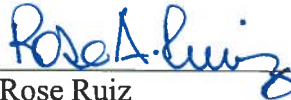
IX. FINDINGS OF FACT AND CONCLUSIONS OF LAW

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.



John Dodson
Administrative Law Judge



Rose Ruiz
Technical Examiner



James Currier
Technical Examiner