

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF TEXAS GAS SERVICE FOR TEST YEAR 2016 ANNUAL INTERIM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE CENTRAL TEXAS SERVICE AREA.	§ § § § § §	GAS UTILITIES DOCKET NO. 10610
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2010). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Texas Gas Service Company (TGS) is a "gas utility," as that term is defined in the TEXAS UTILITIES CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. TGS owns and operates a natural gas distribution system known as the Central Texas Service Area (CTSA).
3. On March 3, 2017, TGS filed an application for an annual interim rate adjustment (IRA) applicable to the unincorporated customers located in the CTSA
4. TGS requested that the IRA for all customer classes become effective on May 2, 2017.
5. On March 3, 2017, the Commission suspended implementation of TGS' proposed IRA until June 16, 2017, which is 45 days following the 60th day after the application was considered complete.
6. Neither TEX. UTIL. CODE §104.301 nor 16 TEX. ADMIN. CODE §7.7101 provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.

7. 16 TEX. ADMIN. CODE §7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Oversight and Safety Division.
8. No letters of protest or comments were received by the Commission in this docket.
9. This docket represents the first annual IRA for TGS in the CTSA since GUD No. 10526, the most recent rate case for the environs or unincorporated areas of TGS' CTSA.
10. Until promulgation of TEX. UTIL. CODE §104.301, a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
11. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10526, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS' comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' CTSA.
13. In 2016, the average monthly number of customers for TGS in the CTSA was approximately 253,689 customers. Of these, 240,165 are residential customers, 12,570 are commercial customers, 56 are industrial customers, 894 are public authority customers, and 4 are compressed natural gas customers.
14. In 2016, the average monthly number of customers for TGS in the CTSA unincorporated areas was approximately 20,962 customers. Of these, 20,360 are residential customers, 548 are commercial, 5 are industrial customers, 50 are public authority customers, and 0 are compressed natural gas customers.

Most Recent Comprehensive Rate Case

15. TGS' most recent rate case for the area in which the IRA will be implemented is 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)*.
16. GUD No. 10526 was filed on June 20, 2016.
17. The Commission signed the GUD No. 10526 Final Order on November 15, 2016, and the rates became effective the same day.

18. The following chart shows the factors that were established in GUD No. 10526¹ to calculate the return on investment, depreciation expense, and incremental federal income taxes for TGS:

Table 1.0
Key IRA Factors

Rate of Return – IRA Filings	7.308%
Depreciation Rate	Various
Federal Income Tax Rate	35%

Interim Rate Adjustment

19. The revenue amounts to be recovered through TGS's proposed annual IRA are incremental to the revenue requirement established in TGS's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10526, and subsequent interim rate adjustments.
20. Under TEX. UTIL. CODE §7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
21. In this first interim adjustment, TGS adjusted its rates based on the difference between invested capital from test year end December 31, 2015 to calendar year end December 31, 2016.
22. The value of TGS' invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
23. TGS' incremental change in revenue requirement under the proposed IRA is **\$4,909,125** (Exhibit B).
24. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for TGS in the most recent rate case for the area in which the IRA is to be implemented, GUD No. 10526.
25. TGS is required to allocate the revenue to be collected through the interim rate adjustment among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10526.
26. As required by TEX. UTIL. CODE, §104.301(f), TGS filed the Commission's Annual Earnings Monitoring Report (EMR) with its application. TGS's actual rate of return in

¹ Docket No. 10526 Final Order.

2016 was 4.135% as compared with the 7.308% allowed rate of return established in GUD No. 10526.

27. When the Customer Charge established in GUD No. 10526 and 2016 Interim Rate Adjustment (Columns B and C) are added, the resulting customer charge for affected customer classes is shown in Column D of the table below.

Table 2.0
Central Texas Service Area Customer Charges and Interim Rate Adjustment (IRA)

Customer Class	Customer Charge (GUD 10526)	IRA - 2016 (GUD 10610)	New Customer Charge
A	B	C	D
Residential	\$15.28	\$1.33	\$16.61
Commercial	\$38.00	\$5.79	\$43.79
Commercial Transportation	\$250.00	\$5.79	\$255.79
Public Authority	\$47.00	\$13.96	\$60.96
Public Authority Transportation	\$70.00	\$13.79	\$83.96
Industrial	\$150.00	\$65.77	\$215.77
Industrial Transportation	\$350.00	\$65.77	\$415.77
Public School Space Heating	\$100.00	\$13.96	\$113.96
Public School Space Heating Transportation	\$200.00	\$13.96	\$213.96
Compressed Natural Gas	\$50.00	\$60.25	\$110.25
Compressed Natural Gas Transportation	\$75.00	\$60.25	\$135.25
Cogen Transportation	\$70.00	\$13.96	\$83.96

28. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101(d).
- Net capital additions included in this docket totaled \$ 33,627,885.¹
 - Gross capital project additions totaled \$ 29,526,488.²
 - Safety-related improvements/infrastructure projects are 42.37% of total net additions.³
 - Integrity testing projects are 1.83% of total net additions.⁴
 - Distribution Integrity Management Program (DIMP) projects are 40.54% of net additions.⁵
 - Pipeline Integrity Management Program (IMP) projects are 1.83% of the total net additions.⁶

1 Schedule IRA – 3.

2 Schedule IRA – 9.

3 Response to Staff's RFI No. 1-9.

4 Response to Staff's RFI No. 1-10.

5 Response to Staff's RFI No. 1-11.

6 Response to Staff's RFI No. 1-12.

- Steel Pipe Replacement projects are included in DIMP projects.¹
29. TGS proposed the interim rate adjustment as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
 30. The Company is required to show its annual interim rate adjustments on its customers' monthly billing statements as a surcharge.
 31. The proposed interim rate adjustment does not require an evidentiary proceeding; rather, TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE, §7.7101 require the regulatory authority to review a utility's method of calculating the interim rate adjustment.
 32. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

33. Adequate notice by TGS was provided to its residential, church and commercial, public authority, industrial, and transportation customers by bill insert and direct mail on April 12, 2017, and thus completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE §104.301(a).

Comprehensive Rate Case Required

34. TGS is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA.
35. Under 16 TEX. ADMIN. CODE § 7.7101 (l), a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary.
36. TGS is required to file a statement of intent rate case for the Central Texas Service Area environs no later than December 3, 2022.
37. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an interim rate adjustment tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

¹ Response to Staff's RFI No. 1-13

38. TGS' proposed allocation methodology complies with TEX. UTIL. CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
39. It is reasonable for the Commission to approve use of the allocation methodology used to determine TGS' overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of TGS' interim rate adjustment are reasonable:

Customer Class	Allocation Factors
Residential	0.78204
Commercial	0.17786
Public Authority	0.03049
Industrial	0.00907
Compressed Natural Gas	0.00054
Total	1.00000

40. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2016 monthly summation of customer bills. The following total numbers of customer charges for use in the calculation of the interim rate adjustment are reasonable:

Customer Class	Annual Number of Customer Charges
Residential	2,881,985
Commercial	150,843
Public Authority	10,722
Industrial	677
Compressed Natural Gas	44
Total	3,044,271

41. It is reasonable for the Commission to approve TGS' application for an interim rate adjustment. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from Environs	Additional Customer Charge
Residential	\$3,839,132	\$325,457	\$1.33
Commercial	\$873,137	\$38,076	\$5.79
Public Authority	\$149,679	\$8,320	\$13.96
Industrial	\$44,526	\$3,552	\$65.77
Compressed Natural Gas	\$2,651	\$0	\$60.25
Total Increase	\$4,909,125	\$375,404	

Reimbursements of Expense

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

CONCLUSIONS OF LAW

1. TGS is a "gas utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) and §121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over TGS' applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301.
3. Under TEX. UTIL. CODE ANN. §102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, TGS is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. TGS filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. TGS' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
7. In accordance with 16 TEX. ADMIN. CODE §7.315, within thirty days of the effective date of any change to rates or services, TGS is required to file with the Oversight and Safety Division of the Commission its revised tariffs.

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

16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE §7.7101(e).
17. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE § 77101(b).
18. TGS' application for an interim rate adjustment, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE §7.7101.
19. TGS' interim rate adjustments set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE §7.7101.
20. In accordance with TEX. UTIL. CODE ANN. §104.301(h) and 16 TEX. ADMIN. CODE §7.7101(l), TGS shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective, or December 3, 2022.
21. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) and 16 TEX. ADMIN. CODE §7.7101(m), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

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

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** file with the Commission no later than December 3, 2022, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(l).

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

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

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this

order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

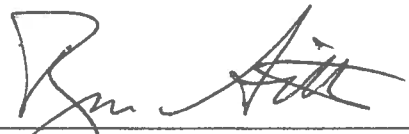
Any portion of TGS' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 6th day of June, 2017.

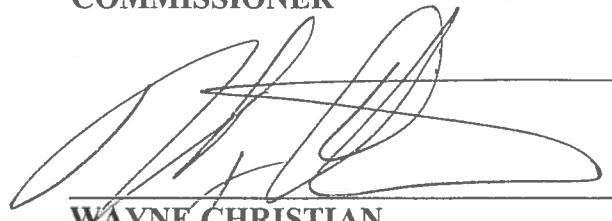
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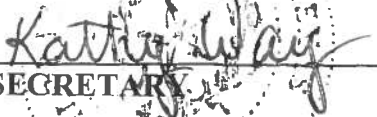
CHRISTI CRADDICK
CHAIRMAN



RYAN SITTON
COMMISSIONER



WAYNE CHRISTIAN
COMMISSIONER

ATTEST



SECRETARY

GUD NO. 10610

EXHIBIT A

Tariffs

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 Interim Rate Adjustments (IRA)	\$15.28 plus – \$1.33 per month (Footnote 1)
Total Customer Charge	\$16.61 per month

All Ccf per monthly billing period @	\$0.16032 per Ccf
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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.

Footnote 1: 2016 IRA - \$1.33

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated
Areas of the Central Texas Service Area)

Meters Read On or After
June 6, 2017

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 –
Interim Rate Adjustments (IRA)	\$5.79 per month (Footnote 1)
Total Customer Charge	\$43.79 per month

All Ccf per monthly billing period @	\$0.13174 per Ccf
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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.

Footnote 1: 2016 IRA - \$5.79

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated Areas
of the Central Texas Service Area)

Meters Read On or After
June 6, 2017

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 -
Interim Rate Adjustments (IRA)	\$65.77 per month (Footnote 1)
Total Customer Charge	\$215.77 per month

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.

Footnote 1: 2016 IRA - \$65.77

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated
Areas of the Central Texas Service Area)

Meters Read On or After
June 6, 2017

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 Interim Rate Adjustments (IRA)	\$47.00 plus - \$13.96 per month (Footnote 1)
Total Customer Charge	\$60.96 per month

All Ccf per monthly billing period @	\$0.12529 per Ccf
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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.

Footnote 1: 2016 IRA - \$13.96

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 Interim Rate Adjustments (IRA)	\$100.00 plus - \$13.96 per month (Footnote 1)
Total Customer Charge	\$113.96 per month

All Ccf per monthly billing period @	\$0.11000 per Ccf.
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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.

Footnote 1: 2016 IRA - \$13.96

Supersedes Rate Schedule Dated
November 23, 2016 (Unincorporated
Areas of the Central Texas Service Area)

Meters Read On or After
June 6, 2017

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		
plus Interim Rate Adjustments	\$5.79 (Footnote 1)	Total Rate	\$255.79
Industrial	\$ 350.00 per month		
plus Interim Rate Adjustments	\$65.77 (Footnote 2)	Total Rate	\$415.77
Public Authority	\$ 70.00 per month		
plus Interim Rate Adjustments	\$13.96 (Footnote 3)	Total Rate	\$83.96
Public Schools Space Heat	\$ 200.00 per month		
plus Interim Rate Adjustments	\$13.96 (Footnote 4)	Total Rate	\$213.96

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated Areas of
the Central Texas Service Area)

Meters Read On and After:
June 6, 2017

TRANSPORTATION SERVICE RATE
(Continued)

Compressed Natural Gas	\$ 75.00	per month		
plus Interim Rate Adjustments	\$60.25	(Footnote 5)	Total Rate	\$135.25
Electrical Cogeneration	\$ 70.00	per month		
plus Interim Rate Adjustments	\$13.96	(Footnote 6)	Total Rate	\$83.96

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.

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated Areas of
the Central Texas Service Area)

Meters Read On and After:
June 6, 2017

TRANSPORTATION SERVICE RATE
(Continued)

SUBJECT TO

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

Footnote 1: 2016 IRA - \$5.79

Footnote 2: 2016 IRA - \$65.77

Footnote 3: 2016 IRA - \$13.96

Footnote 4: 2016 IRA - \$13.96

Footnote 5: 2016 IRA - \$60.25

Footnote 6: 2016 IRA - \$13.96

Supersedes Rate Schedule Dated:
November 23, 2016 (Unincorporated Areas of
the Central Texas Service Area)

Meters Read On and After:
June 6, 2017

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 Interim Rate Adjustments (IRA)	\$70.00 plus \$13.96 per month (Footnote 1)
Total Customer Charge	\$83.96 per month
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:
November 23, 2016 (Unincorporated
Areas of the Central Texas Service
Area)

Meters Read On and After
June 6, 2017

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.

Footnote 1: 2016 IRA - \$13.96

Supersedes Rate Schedule C-1 Dated:
November 23, 2016 (Unincorporated
Areas of the Central Texas Service
Area)

Meters Read On and After
June 6, 2017

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 Interim Rate Adjustments (IRA)	\$50.00 plus – \$60.25 per month (Footnote 1)
Total Customer Charge	\$110.25 per month
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.

Footnote 1: 2016 IRA - \$60.25

GUD NO. 10610

EXHIBIT B

Schedules

TEXAS GAS SERVICE COMPANY
CENTRAL TEXAS SERVICE AREA
FOR THE PERIOD BEGINNING JANUARY 1, 2016 AND ENDING DECEMBER 31, 2016
ENVIRONS GRIP FILING

Line No.	Description (a)	12/31/2015 Previous Year (b)	12/31/2016 Current Year (c)	Reference (d)	
1	Net Investment	\$ 327,393,663	\$ 361,021,547	(b) IRA-7 line 89 col (h); (c) IRA-8 lines 89 col (h)	
2	Increase in Net Investment		\$ 33,627,885	IRA-9 line 90 col (h)	
3	Authorized Return on Capital		7.308%	IRA-15 line 6 col (d)	
4					
5	Change in Return on Net Investment		\$ 2,457,442	Line 2 * Line 3	
6	Change in Depreciation Expense		\$ 1,115,506	IRA-9 line 90 col (f)	
7	Change in Federal, Revenue and Other Taxes		\$ 1,336,177	IRA-5 line 13 col (g) plus IRA-6 line 14 (c)	
8	Change in Revenue Requirement		\$ 4,909,125	Sum of Lines 5 - 7	
9					
10	Annual Number of Bills		3,044,271		
11	Increase Per Bill Per Month		See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					
16					
17					
18	Current and Proposed Bill Information - With Gas Cost				
19					
20					
21	Residential				
22	Average Monthly Bill @ 3.0 Mcf*	\$ 30.91	\$ 32.24	\$ 1.33 4.30%	
23					
24	Commercial				
25	Average Monthly Bill @ 24.4 Mcf*	\$ 157.45	\$ 163.24	\$ 5.79 3.68%	
26					
27	Public Authority				
28	Average Monthly Bill @ 42.3 Mcf*	\$ 251.55	\$ 265.51	\$ 13.96 5.55%	
29					
30	Public School Space Heating				
31	Average Monthly Bill @ 157.9 Mcf*	\$ 839.57	\$ 853.53	\$ 13.96 1.66%	
32					
33	Industrial				
34	Average Monthly Bill 158.3 Mcf*	\$ 894.09	\$ 959.86	\$ 65.77 7.36%	
35					
36	Compressed Natural Gas				
37	Average Monthly Bill @ 1.6 Mcf*	\$ 57.05	\$ 117.30	\$ 60.25 105.60%	
38					
39					
40					
41					
42	Current and Proposed Bill Information - Without Gas Cost				
43					
44					
45	Residential				
46	Average Monthly Bill @ 3.0 Mcf*	\$ 20.11	\$ 21.44	\$ 1.33 6.61%	
47					
48	Commercial				
49	Average Monthly Bill @ 24.4 Mcf*	\$ 70.11	\$ 75.90	\$ 5.79 8.26%	
50					
51	Public Authority				
52	Average Monthly Bill @ 42.3 Mcf*	\$ 100.00	\$ 113.96	\$ 13.96 13.96%	
53					
54	Public School Space Heating				
55	Average Monthly Bill @ 157.9 Mcf*	\$ 273.73	\$ 287.69	\$ 13.96 5.10%	
56					
57	Industrial				
58	Average Monthly Bill 158.3 Mcf*	\$ 327.04	\$ 392.81	\$ 65.77 20.11%	
59					
60	Compressed Natural Gas				
61	Average Monthly Bill @ 1.6 Mcf*	\$ 51.17	\$ 111.42	\$ 60.25 117.74%	
62					
63	Commercial Transportation				
64	Average Monthly Bill @ 346.4 Mcf*	\$ 706.39	\$ 712.18	\$ 5.79 0.82%	
65					
66	Industrial Transportation				
67	Average Monthly Bill @ 969.7 Mcf*	\$ 1,434.75	\$ 1,500.52	\$ 65.77 4.58%	
68					
69	Public Authority Transportation				
70	Average Monthly Bill @ 147.5 Mcf*	\$ 254.82	\$ 268.78	\$ 13.96 5.48%	
71					
72	Public Schools Space Heating Transportation				
73	Average Monthly Bill @ 94.1 Mcf*	\$ 303.50	\$ 317.46	\$ 13.96 4.60%	
74					
75	Electrical Cogeneration Transportation				
76	Average Monthly Bill @ 29,443.9 Mcf*	\$ 16,885.64	\$ 16,899.60	\$ 13.96 0.08%	
77					
78	Compressed Natural Gas Transportation				
79	Average Monthly Bill @ 4,235.9 Mcf*	\$ 3,102.79	\$ 3,163.04	\$ 60.25 1.94%	
80					
81					
82	*Average bill usage per GUD 10526 filing.				
83	*Average bills exclude revenue related taxes. The cost of gas is computed using a 12 month average for CY 2016.				

TEXAS GAS SERVICE COMPANY
CENTRAL TEXAS SERVICE AREA
INTERIM COST RECOVERY AND RATE ADJUSTMENT
CHANGES FROM JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

SUMMARY

LINE NO.	DESCRIPTION	CHANGE THROUGH 12/31/2016
1	Change in Net Investment (Schedule 2, Line 8)	\$ 33,627,885
2	Authorized Return Approved in most recent Rate Case* (Schedule 4)	7.308%
3	Change in Return on Net Investment - (Line 1 times Line 2)	\$ 2,457,442
4	Change in Depreciation Expense - (Schedule 3, Line 61)	1,115,506
5	Change in Ad Valorem Tax (Schedule 5, Line 3)	295,459
6	Change in Federal Income Taxes - (Schedule 6, Line 10)	1,040,718
7	Total Change in Revenue Requirement	<u>\$ 4,909,125</u>

* Cost of Capital and Capital Structure approved in the 2016 CTSA rate case

TEXAS GAS SERVICE COMPANY
CENTRAL TEXAS SERVICE AREA
INTERIM COST RECOVERY AND RATE ADJUSTMENT
CHANGES FROM JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

CHANGE IN NET INVESTMENT

LINE NO.	DESCRIPTION	ADJUSTED BALANCE AT 12/31/2015 (a)	ADJUSTED BALANCE AT 12/31/2016 (b)	CHANGE IN NET INVESTMENT (c)
	<u>GROSS PLANT IN SERVICE</u>			
1	Intangible Plant	\$ 1,178,454	\$ 1,178,454	\$ 0
2	Transmission Plant	4,749,978	5,270,627	520,649
3	Distribution Plant	412,568,260	434,863,867	22,295,607
4	General Plant	51,433,873	57,338,574	5,904,701
5	Rule 8.209 Regulatory Asset Balance (Note 2)	<u>2,475,607</u>	<u>3,281,138</u>	<u>805,531</u>
6	Gross Plant in Service	<u>\$472,406,172</u>	<u>\$ 501,932,660</u>	<u>\$ 29,526,488</u>
7	Net Depreciation & Amortization Reserves	<u>(\$145,012,509)</u>	<u>\$ (140,911,112)</u>	<u>\$ 4,101,397</u> (NOTE1)
8	Net Plant in Service - Adjusted Direct and Allocated Corporate & Division	<u>\$327,393,663</u>	<u>\$ 361,021,548</u>	<u>\$ 33,627,885</u>

NOTE 1: Detail provided on Schedule 2a

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

TEXAS GAS SERVICE COMPANY
CENTRAL TEXAS SERVICE AREA
INTERIM COST RECOVERY AND RATE ADJUSTMENT
CHANGES FROM JANUARY 1, 2016 THROUGH DECEMBER 31, 2016

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

LINE NO.	CUSTOMER CLASS	REVENUES PER	PERCENT OF	REV. REQ. INCREASE (SCH 1)	ANNUAL BILLS CY	CUSTOMER CHARGE
		RATE CASE TYE 12/31/2015	REVENUES PER RATE CASE TYE 12/31/2015		2016	INCREASE
		(a)	(b)	(c)	(d)	(e)
	<u>Gas Sales and Transportation</u>					
1	Residential	\$57,506,068.91	78.204%	\$3,839,132	2,881,985	\$1.33
2	Commercial	13,078,371.03	17.786%	\$873,137	150,843	\$5.79
3	Public Authority	2,241,820.54	3.049%	\$149,679	10,722	\$13.96
4	Industrial	666,668.29	0.907%	\$44,526	677	\$65.77
5	Compressed Natural Gas	39,688.94	0.054%	\$2,651	44	\$60.25
	Grand Total	<u>\$73,532,618</u>	<u>100.000%</u>	<u>\$4,909,125</u>	<u>3,044,271</u>	