

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

RATE CASE EXPENSES SEVERED	§	
FROM GUD NO. 10506, STATEMENT	§	
OF INTENT OF TEXAS GAS SERVICE	§	
COMPANY, A DIVISION OF ONE GAS,	§	
INC. (TGS), TO INCREASE GAS	§	GAS UTILITIES DOCKET NO.
UTILITY RATES WITHIN THE	§	10521, CONSOLIDATED
UNINCORPORATED AREAS OF THE EL	§	
PASO SERVICE AREA (EPSA),	§	
PERMIAN SERVICE AREA (PSA), AND	§	
DELL CITY SERVICE AREA (DCSA)	§	

FINAL ORDER

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

FINDINGS OF FACT

General

1. On March 30, 2016, Texas Gas Service Company ("TGS"), a division of ONE Gas, Inc., filed with the Railroad Commission of Texas ("Commission") a statement of intent to increase gas utility rates within the unincorporated areas of the El Paso Service Area ("EPSA"), Permian Service Area ("PSA"), and Dell City Service Area ("DCSA"). The filing was docketed as GUD No. 10506 (the "SOI").
2. TGS filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility). Subsequently, the rate case expense portion of GUD No. 10506 was severed into this separate docket, GUD No. 10521, along with the rate case expense portions of two related municipal appeals dockets.
3. The consolidated rate case, GUD No.10506, was litigated extensively in 2016, including a multi-day merits hearing and several rounds of briefing by the parties, with numerous contested issues.

4. The Commission determined at the conclusion of the consolidated rate case, GUD No. 10506, that TGS's request for a rate change was warranted.
5. TGS, City of El Paso ("El Paso"), and a coalition of cities ("Coalition") each incurred rate case expenses in GUD No. 10506 and in this docket.
6. This docket is to consider and approve rate case expenses incurred during the completed rate case docket and this docket.

Parties

7. The parties in this proceeding are TGS, El Paso, Staff, and Coalition, which is comprised of the cities of Clint, Horizon City, and San Elizario. TGS is a "gas utility" under GURA Section 101.003 (Definitions).

Procedural Background

8. On March 30, 2016, TGS filed its SOI.
9. Subsequently, three parties properly intervened: Staff, El Paso, and Coalition.
10. On May 27, 2016, the rate case expense portion of GUD No. 10506 was severed into this separate docket, GUD No. 10521.
11. On July 22 and August 16, 2016, the rate case expense portions of two related dockets—petition for review GUD Nos. 10536 and 10539, respectively—were consolidated into GUD No. 10521.
12. On September 27, 2016, the Commission issued its Final Order in the consolidated rate docket, GUD No. 10506.
13. On April 21, 2017, the GUD No. 10521 parties filed a Unanimous Settlement Agreement ("Settlement"), resolving all issues among the parties with respect to rate case expenses associated with GUD Nos. 10506, 10536, 10539, and this docket. The Settlement was supplemented with filings by Coalition, El Paso, and TGS on April 24, April 28, and June 21, 2017, respectively.
14. On June 14, 2017, the Notice of Hearing was issued, setting the hearing to commence on June 27, 2017 ("Notice of Hearing").
15. On June 15, 2017, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1061*.
16. The hearing on the merits was held on June 27, 2017 (the "Hearing").

17. On July 10, 2017, the evidentiary record closed.
18. On August 1, 2017, the Proposal for Decision ("PFD") was issued.

Terms of the Settlement

19. The Settlement resolves all issues in GUD No. 10521. A copy of the Settlement, without attachments, is attached to this Order as Attachment 1.
20. The parties—TGS, El Paso, Coalition, and Staff—represent diverse interests.
21. The 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 avoid a time-consuming and costly contested merits hearing.
22. TGS, El Paso, and Coalition request reimbursement/recovery of reasonable rate case expenses incurred for the completed rate case, GUD No. 10506, and for this docket.

Amounts

23. The parties represent that their reasonable rate case expenses are as follows:

	Actual Invoices Received	Invoices Due and Est. to Completion	Total
TGS	\$1,274,567.19	\$30,000	\$1,304,567.19
El Paso	\$363,283.52	\$20,000	\$383,283.52
Coalition	\$18,260.96	\$2,203.50	\$20,464.46
TOTAL	\$1,656,111.67	\$52,203.50	\$1,708,315.17

24. TGS's rate case expenses total, broken down categorically, are as follows:

Required Regulatory Expenses	Litigation Expenses	Estimated Expenses	Total TGS Expenses
\$662,935.69	\$611,631.50	\$30,000	\$1,304,567.19

25. TGS, El Paso, and Coalition 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.
26. After the Settlement was filed, Coalition submitted additional documentation supporting that its actually-incurred expenses through April 24, 2017, totaled \$20,464.46.
 27. TGS supplemented the Settlement with additional documentation supporting that its actually-incurred expenses through April 2017 totaled \$1,291,883.35.
 28. The above rate case expense amounts for TGS, El Paso, and Coalition are reasonable and necessary. The rate case docket, GUD No. 10506, involved numerous complex and contested issues, a multi-day merits hearing, and several rounds of legal briefing. This severed rate case expense docket, GUD No. 10521, involved negotiation among the parties, several required filings, and attendance at a merits hearing.
 29. TGS proved by a preponderance of the evidence the reasonableness of its actual and estimated rate case expenses totaling \$1,304,567.19—including \$1,291,883.35 actually incurred through April 2017.
 30. El Paso proved by a preponderance of the evidence the reasonableness of its actual and estimated rate case expenses totaling \$383,283.52—including \$363,283.52 actually incurred through April 21, 2017.
 31. Coalition proved by a preponderance of the evidence the reasonableness of its actual and estimated rate case expenses totaling \$20,464.46—including \$20,464.46 actually incurred through April 24, 2017.
 32. It is reasonable that TGS, El Paso, and Coalition submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. The total actual expenses shall not exceed the actual expenses submitted to the Commission as of April 2017, plus approved estimated expenses of \$52,203.50.
 33. It is reasonable that TGS file an annual Rate Case Expense Report with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance on or before December 31st.

Allocation and Surcharge

34. It is reasonable to allocate the above expenses consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses). Following this rule, the following allocation applies:
- TGS's required regulatory expenses totaling \$662,935.69 are allocated uniformly to all customers affected by the rate change;
 - TGS's litigation expenses, including estimated expenses, totaling no more than \$641,631.50 are allocated to environs customers and to customers in the municipalities or coalitions of municipalities participating in the appellate proceeding;
 - El Paso's expenses totaling no more than \$383,283.52 are recoverable by TGS through rates effective only within the City of El Paso; and
 - Coalition's expenses totaling no more than \$20,464.46 are recoverable by TGS through rates effective only within the municipalities belonging to Coalition—the Cities of Clint, Horizon City, and San Elizario.
35. Use of a surcharge is a reasonable mechanism for recovering rate case expenses and a 24-month recovery period is reasonable in this case.
36. Rate Schedule RCE-COC, Rate Schedule RCE-ENV, Rate Schedule RCE-EP, and Rate Schedule RCE-OTH, per the Settlement, are reasonable for TGS to use to recover the above expense amounts. These four surcharge tariffs are attached to this Order as Attachment 2.
37. Consistent with the above allocation, the following recovery under these four surcharge tariffs is reasonable:
1. Rate Schedule RCE-ENV (environs) (TGS will recover up to \$96,178 in actual and estimated expenses, not to exceed actual expense);
 2. Rate Schedule RCE-EP (El Paso) (TGS will recover up to \$1,506,612 in actual and estimated expenses, not to exceed actual expense);
 3. Rate Schedule RCE-COC (Coalition cities) (TGS will recover up to \$55,652 in actual and estimated expenses, not to exceed actual expense); and
 4. Rate Schedule RCE-OTH (other cities) (TGS will recover \$49,873).
38. It is reasonable that, within 60 days after issuance of this Order, TGS, El Paso, and Coalition each shall file a report, including invoices, reconciling the estimated expense approved to the total actual and final rate case expense amount.

39. It is reasonable that TGS reimburse El Paso and Coalition the amount of actual rate case expenses incurred by El Paso and Coalition, not to exceed total amounts approved in this Order, within 30 days of the issuance of this Order.

CONCLUSIONS OF LAW

General & Jurisdiction

1. TGS is a gas utility as defined in GURA and therefore is subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over rates for all TGS environs customers in the West Texas Service Area ("WTSA").
3. The Commission has jurisdiction over rates for all TGS municipal customers in the following WTSA cities: Anthony, Clint, Dell City, El Paso, Horizon City, San Elizario, Socorro, and Vinton, Texas.

Notice and Procedure

4. Required notices were issued and/or provided in accordance with the requirements of GURA, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
5. This proceeding was conducted in accordance with the requirements of GURA, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.

Rate Case Expenses: Amounts, Allocation, and Surcharge

6. The rate case expense amounts approved herein are reasonable and comply with GURA Section 103.022(b) (Rate Assistance and Cost Reimbursement) and Commission Rule § 7.5530(a)-(b) (Allowable Rate Case Expenses).
7. Allocation of rate case amounts approved herein is reasonable and complies with Commission Rule § 7.5530(c)-(e) (Allowable Rate Case Expenses).
8. Recovery by TGS via the four surcharge tariffs described herein is reasonable and complies with Commission Rule § 7.5530(c)-(e) (Allowable Rate Case Expenses).

IT IS THEREFORE ORDERED that all terms in the Settlement are **APPROVED**.

IT IS FURTHER ORDERED that TGS file an annual Rate Case Expense Report with Staff detailing recovery of rate case expenses as described in Finding of Fact No. 23 on or before December 31st.

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

IT IS FURTHER ORDERED this Order will not be final and effective until 25 days after the Commission's Order is signed. 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. The time allotted for Commission action on a motion for rehearing in this docket prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

SIGNED this 15th day of August, 2017.

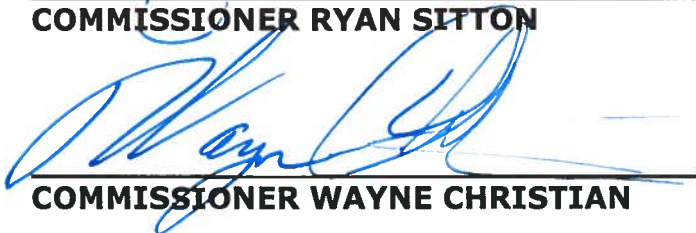
RAILROAD COMMISSION OF TEXAS




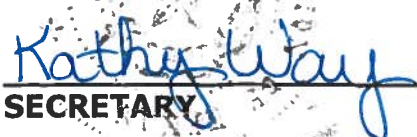
CHAIRMAN CHRISTI CRADDICK



COMMISSIONER RYAN SITTON



COMMISSIONER WAYNE CHRISTIAN

ATTEST:



SECRETARY

GUD No. 10521 FINAL ORDER

ATTACHMENT 1

Settlement

FILED

2017 APR 21 PM 2:05

RATE CASE EXPENSES SEVERED FROM §
 GUD NO. 10506, STATEMENT OF INTENT §
 OF TEXAS GAS SERVICE COMPANY, A §
 DIVISION OF ONE GAS, INC., TO §
 INCREASE GAS UTILITY RATES WITHIN §
 THE UNINCORPORATED AREAS OF THE §
 EL PASO SERVICE AREA, PERMIAN §
 SERVICE AREA, AND DELL CITY §
 SERVICE AREA §

BEFORE THE
 RAILROAD COMMISSION
 OF TEXAS

REGISTRY SERVICES
 RAILROAD COMMISSION
 OF TEXAS

UNANIMOUS SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the parties of record in GUD No. 10521, Texas Gas Service Company, a Division of ONE Gas, Inc. ("TGS" or the "Company"), the City of El Paso ("El Paso"), the Coalition of Cities Served by Texas Gas Service Company ("Coalition"), and the Staff of the Railroad Commission of Texas ("Staff").

WHEREAS, it is agreed that the terms of this Settlement Agreement represent a fair and reasonable compromise and settlement of the rate case expenses that have or are expected to be incurred in connection with Company's Statement of Intent proceeding in GUD No. 10506 (consolidated) in a manner that TGS, El Paso, the Coalition, and Staff (collectively "the Signatories") believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that a fully contested hearing in this case would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an order consistent with the Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Railroad Commission of Texas ("Commission") the following Settlement Terms as a means of fully resolving all issues in this proceeding without the need for additional litigation:

Settlement Terms

- Actual and Estimated Expenses: The Signatories stipulate that their reasonably and necessarily incurred rate case expenses and the estimated rate case expenses that will be incurred through completion of this case are as follows:

	Actual Invoices Received	Invoices Due and Est. to Completion	Total
TGS	\$1,274,567.19	\$30,000	\$1,304,567.19
El Paso	\$363,283.52	\$20,000	\$383,283.52
Coalition	\$18,260.96	\$2,203.50	\$20,464.46

These amounts are supported by the invoices, expense reports, affidavits from counsel, and other supporting documentation included as Exhibit A to this Settlement Agreement. TGS's estimate presumes approval of the Settlement Agreement and no appeal of the Commission's Final Order.

2. **Estimated Expenses:** The Signatories agree that reimbursement of future estimated expenses represent the amounts expected to be incurred for the completion of GUD No. 10521. Estimated future expenses will be reimbursed upon presentation of invoices evidencing that the amounts were actually incurred. Signatories further agree that reimbursement for estimated expenses associated with GUD No. 10506 and GUD No. 10521 will not exceed the figures presented in the chart above on behalf of each of the Signatories.

3. **Surcharge & Amortization:** The Signatories agree that the total reimbursable rate case expenses of \$1,708,315.17 agreed upon herein shall be recovered over an approximate 24-month period by application of a volumetric surcharge on the customer's bill commencing within a reasonable period from the date a final order in GUD No. 10521 becomes effective. Use of a surcharge is a reasonable mechanism for recovering rate case expenses and a 24-month recovery period is reasonable in this case. The Signatories further agree that:
 - a. Rate Schedule RCE-COC, Rate Schedule RCE-ENV, Rate Schedule RCE-EP and Rate Schedule RCE-OTH included herein at Exhibit B, authorizing the recovery of rate case expenses are reasonable and should be approved; and
 - b. Within 60 days after the issuance of a final order in GUD No. 10521, TGS, El Paso, and the Coalition shall each file a report, including invoices, which reconciles the estimated expense approved to the total actual and final rate case expense amount.

4. **Allocation:** The Signatories agree that rate case expenses shall be allocated and recovered pursuant to the provisions of Commission Rule 7.5530(c)-(e). The Signatories stipulate that, in accordance with Commission Rule 7.5530(d), TGS's reasonably and necessarily incurred required regulatory expenses, litigation expenses, and estimated expenses, are as follows:

TGS's Required Regulatory Expenses	TGS's Litigation Expenses	TGS's Estimated Expenses	Total TGS Expenses
\$662,935.69	\$611,631.50	\$30,000	\$1,304,567.19

5. **Reimbursement of Municipal Expenses:** TGS agrees to reimburse El Paso and the Coalition the amount of actual rate case expenses set forth in Item 1 within 30 days of the issuance of an order authorizing recovery of those expenses.

6. **Evidentiary Support for Settlement Agreement:** In support of this Agreement, the Signatories agree that the invoices, expense reports, affidavits and other supporting documentation attesting to expenses and future estimated expenses that have been submitted by TGS, El Paso, and the Coalition, included herein at Exhibit A shall be admitted into the evidentiary record of GUD No. 10521. The parties shall supplement with

additional invoices as they are processed. The Signatories further agree that, if requested by the Examiner, the Signatories shall offer respective witnesses to appear before the Examiner to respond to any clarifying questions regarding the expenses at issue in this proceeding, the treatment of these expenses under the terms of this Agreement, and why Commission approval of this Agreement is reasonable and in the public interest.

7. Annual Report: TGS shall file annually, due on or before December 31, a rate case expense recovery report with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10521. The report shall include the volumes used by month by customer class during the applicable period, the amount of rate case expense recovered by month, and the outstanding balance by month as set out in Rate Schedule RCE-COC, Rate Schedule RCE-ENV, Rate Schedule RCE-EP and Rate Schedule RCE-OTH. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
 - a. Finding of Fact: It is reasonable that TGS, El Paso, and the Coalition submit to Commission Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. The total actual expenses shall not exceed the actual expenses submitted to the Commission as of April 2017, plus the approved estimated expenses of \$52,203.50.
 - b. Finding of Fact: It is reasonable that TGS file an annual Rate Case Expense Report with Commission Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance on or before December 31st.
 - c. Ordering Paragraph: IT IS THEREFORE ORDERED that TGS file an annual Rate Case Expense Report with Staff detailing recovery of rate case expenses as described in Finding of Fact ___ on or before December 31st.
8. The Signatories agree to support and seek approval by the Commission of this Settlement Agreement.
9. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.
10. The Signatories agree that all negotiations, discussions and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues outside of those negotiations, discussions and conferences.
11. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose

other than as necessary to support the entry by the Commission of an order approving this Settlement Agreement.

12. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
13. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 21st day of April 2017.

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

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

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

COALITION OF CITIES SERVED BY TEXAS GAS SERVICE COMPANY

By: _____
Elizabeth Elleson

CITY OF EL PASO

By: _____
Norman Gordon

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

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

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

COALITION OF CITIES SERVED BY TEXAS GAS SERVICE COMPANY

By: _____
Elizabeth Elleson

CITY OF EL PASO

By: _____
Norman Gordon

GUD No. 10521 FINAL ORDER

ATTACHMENT 2

Surcharge Tariffs

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinances. This rate shall apply to the following rate schedules of Texas Gas Service Company in the following incorporated areas served in TGS's West Texas Service Area: Clint, Horizon City, San Elizario, Texas: 10, 20, 21, 30, 40, 41, 42, and T-1.

B. RCE RATE

All Ccf during each billing period: \$0.00582 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$52,607 in actual expense and up to \$3,045 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

Initial Rate Schedule

Meters Read On and After

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to Gas Utilities Docket No. 10506: Statement of Intent Filed by Texas Gas Service Company, a division of ONE Gas, Inc. to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area, Permian Service Area, and Dell City Service Area, Final Order Finding of Fact No. __. This rate shall apply to the following rate schedules of Texas Gas Service Company in the following unincorporated areas served in TGS's West Texas Service Area: Andrews, Anthony, Barstow, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thortonville, Vinton, Wickett, and Wink Texas: 1Z, 2Z, 2A, 3Z, 4Z, 4A, 4B, and T-1-ENV.

B. RCE RATE

All Ccf during each billing period: \$0.00368 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$93,878 in actual expense and up to \$2,300 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

E. COMPLIANCE

The Company will file annually, due on or before December 31, a rate case expense recovery report with the Railroad Commission of Texas ("Commission"), Oversight and Safety Division, referencing GUD No. 10521. The report shall detail the amount recovered by month by customer class, the amount of RCE recovered, and the outstanding balance by month. Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filings
Oversight and Safety Division
Gas Services Department
Railroad Commission of Texas
P.O. Box 12967
Austin, Texas 78711-2967

Effective Date:
Issuance date of Final Order in GUD No. 10521

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinances. This rate shall apply to the following rate schedules of Texas Gas Service Company in the following incorporated areas served in TGS's West Texas Service Area: El Paso, Texas: 10, 20, 21, 30, 40, 41, 42, and T-1.

B. RCE RATE

All Ccf during each billing period: \$0.00493 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$1,459,753 in actual expense and up to \$46,859 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

Initial Rate Schedule

Meters Read On and After

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinances. This rate shall apply to the following rate schedules of Texas Gas Service Company in the following incorporated areas served in TGS's West Texas Service Area: Andrews, Anthony, Barstow, Crane, Dell City, McCamey, Monahans, Pecos, Pyote, Socorro, Thortonville, Vinton, Wickett and Wink, Texas: 10, 20, 21, 30, 40, 41, 42, and T-1.

B. RCE RATE

All Ccf during each billing period: \$0.00180 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$49,873 in actual expense and up to \$0.00 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

Initial Rate Schedule

Meters Read On and After