



# RAILROAD COMMISSION OF TEXAS

## HEARINGS DIVISION

**GAS UTILITY DOCKET NO. 10656**  
**PROPOSAL FOR DECISION**

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**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 RIO GRANDE VALLEY SERVICE AREA**

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### **PARTIES**

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**PROCEDURAL HISTORY:**

Statement of Intent Filed:	October 12, 2017
Suspension Order:	November 7, 2017
Rate Case Expenses Severed:	November 2, 2017
Amended Statement of Intent:	November 17, 2017
Settlement Agreement Filed:	January 25, 2018
Hearing on the Merits/Settlement:	January 31, 2018
Rate Case Expense Docket Consolidated:	February 9, 2018
Record Closed:	March 1, 2018
Proposal for Decision Issued:	March 2, 2018
Statutory Deadline:	April 16, 2018

Heard By:	Dana Lewis, Administrative Law Judge James Currier, Technical Examiner Rose Ruiz, Technical Examiner
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### **SUMMARY STATEMENT OF THE CASE**

Texas Gas Service Company ("TGS") filed this proceeding to increase gas utility rates within the environs areas of the Rio Grande Valley Service Area ("RGVSA") by \$630,373, which is an increase of 24 percent including gas costs and 32 percent excluding gas costs. TGS seeks to align the RGVSA environs rates with the RGVSA incorporated rates that resulted from a settlement with the RGVSA cities supporting a service area-wide increase of \$4.1 million.

On June 15, 2017, TGS requested the cities approve a service area-wide increase of \$5.17 million, based upon a system-wide revenue requirement of \$31.89 million, of which, \$630,373 was attributable to the environs. On September 28, 2017, the cities and TGS agreed to a reduced increase of \$4.1 million, with \$630,373 attributable to the environs. TGS filed this Statement of Intent ("SOI") on November 17, 2017.

TGS and Staff of the Railroad Commission—the only intervenor—filed a Unanimous Settlement Agreement ("Settlement"), resolving all issues. In the Settlement, the parties agree to the following:

- An increase of an additional \$500,882 in annual revenues for TGS, which is an increase of 13 percent including gas costs and 15 percent excluding gas costs for residential customers;
- The \$500,882 revenue increase consists of \$253,516 for base rates, which is a "black box" figure not specific to any element in TGS's underlying cost of service, and a Pipeline Integrity Testing ("PIT") Rider recovering an average of \$247,367 annually;
- TGS's revenue calculations incorporate the Tax Cuts and Jobs Act of 2017 ("TCJA") that reduced corporate federal income tax rates from 35 percent to 21 percent;
- A commodity charge of \$0.34028 per Ccf for residential customers and a customer charge of \$15.52 for residential customers;
- Depreciation rates for distribution and general plant in the RGVSA and for TGS Division plant and corporate plant;
- TGS's capital investment booked to plant through the test year end, December 31, 2016, including investment identified in TGS's Interim Rate Adjustment filings ("IRA"), is prudent except for the misclassified truck net investment of \$121,760;
- A rate of return of 7.35 percent using a 9.5 percent return on equity, 3.94 percent cost of debt, and capital structure consisting of 61 percent equity and 39 percent debt are reasonable;

- IRA factors, including a 21 percent federal income tax rate and net plant in service in the amount of \$112,368,795;
- Rate case expense amounts limited to \$63,602; and
- All other items agreed to as listed in the Settlement.

After review and consideration of the SOI, the Settlement documents, and evidentiary record, the Examiners recommend that the Commission approve the terms and rate elements contained in the Settlement.

**The deadline for Commission action is April 16, 2018.**

Included in this consolidated docket are GUD Nos. 10656 and 10662.

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### ATTACHMENTS:

- 1) Unanimous Settlement Agreement with attachments
- 2) Map of TGS Service Areas
- 3) Exhibit List
- 4) Current versus Proposed Service Fees
- 5) Proposed Order (without separate attachments)

## I. INTRODUCTION

TGS is a division of ONE Gas, which was spun out of ONEOK in January 2014.<sup>1</sup> ONE Gas – headquartered in Tulsa, Oklahoma – operates as an independent natural gas distribution company in Texas, Oklahoma, and Kansas.<sup>2</sup> TGS is the third largest natural distribution company in Texas, serving more than 650,000 customers in 100 communities.<sup>3</sup>

TGS provides gas distribution service to more than 66,500 customers within the RGVSA through a system that includes 2,220 miles of distribution mains, 220 miles of transmission mains, and 1,036 miles of service lines.<sup>4</sup> Of the 66,500 customers in the RGVSA, 3,791 are in the environs.<sup>5</sup> The environs customers are comprised of 3,514 residential customers, 166 commercial customers, 16 industrial customers, 73 public authority customers, and 22 transportation customers.<sup>6</sup>

The Company's RGVSA includes the incorporated cities and surrounding environs of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, along with the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties (collectively, the RGVSA).<sup>7</sup>

In addition to Rio Grande Valley, TGS has five more service areas in Texas, including Central Texas, North Texas, Borger/Skellytown, Gulf Coast, and West Texas.<sup>8</sup> A map showing TGS's current service areas is provided as Attachment 2 to this Proposal for Decision.

TGS and Staff filed a Unanimous Settlement Agreement ("Settlement")<sup>9</sup>, resolving all issues. The parties in this proceeding have agreed to the Settlement terms and rate elements for TGS customers in the unincorporated areas of the RGVSA.

After review and consideration of the Settlement and the supporting evidentiary record, the Examiners recommend that the Commission approve the terms and rate elements in the Settlement. The statutory deadline for Commission action is April 16, 2018.

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<sup>1</sup> TGS Ex. 1, Direct Testimony of Stacey L. McTaggart on Behalf of Texas Gas Service Company ("McTaggart Test."), at 3.

<sup>2</sup> TGS Ex. 1, (McTaggart Test.), at 3.

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 6.

<sup>5</sup> *Id.* at 5.

<sup>6</sup> *Id.*

<sup>7</sup> "Unincorporated" and "environs" are used interchangeably in this Proposal for Decision.

<sup>8</sup> See TGS response to Examiners' RFI at hearing, dated November 20, 2017.

<sup>9</sup> TGS Ex. 3, Proposal for Decision, Attachment 1.

## II. PROCEDURAL HISTORY

On October 12, 2017, TGS filed its SOI with the Commission, requesting an original effective date of November 16, 2018. The Commission published notice of TGS's SOI application in *Gas Utilities Information Bulletin No. 1069* on October 13, 2017.<sup>10</sup>

On October 16, 2017, Staff filed a Motion to Intervene and be designated as a party "to assert its interest in seeing that the rules and regulations of the Commission together with the appropriate statutes have been followed."<sup>11</sup> Staff's motion was granted on October 17, 2017.

On November 7, 2017, the Commission suspended TGS's proposed rate change for a period of 150 days—from November 16, 2017, to April 16, 2018—in accordance with Section 104.107 (Rate Suspension; Deadline) of the Texas Utilities Code.<sup>12</sup>

A properly noticed prehearing conference was held on November 6, 2017, to consider various preliminary matters.

On November 17, 2017, TGS filed an Amended SOI with the Commission to include the correct amount the proposed environs increase is expected to have on TGS's revenues.<sup>13</sup>

TGS provided public notice of its SOI by direct mail on December 18, 2017.<sup>14</sup>

On January 3, 2018, TGS filed a Joint Motion to Abate the procedural schedule to allow the parties to complete settlement negotiations. The motion was granted on January 4, 2018.<sup>15</sup>

On January 25, 2018, the parties filed a Unanimous Settlement Agreement, signed by TGS and Staff.

On January 31, 2018, the parties appeared at the previously scheduled hearing on the merits to admit the Settlement and other exhibits in the record.

On February 1, 2018, the Administrative Law Judge ("ALJ") issued a Notice of Hearing for February 13, 2018, which was published in the *Gas Utilities Information Bulletin* on January 31, 2018, in accordance with Commission Rule §

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<sup>10</sup> See *Gas Utilities Information Bulletin No. 1069*, published by the Railroad Commission of Texas Oversight and Safety Division on October 13, 2017.

<sup>11</sup> Staff of the Railroad Commission of Texas' Motion to Intervene, filed on October 16, 2017.

<sup>12</sup> See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision . . . the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

<sup>13</sup> Amended SOI, filed November 17, 2017.

<sup>14</sup> TGS Ex. 1, Settlement, at 2; see also TGS Ex.2, Affidavit of Damon Tucker.

<sup>15</sup> Examiners' Letter No. 11.

7.235 (Publication and Service of Notice).<sup>16</sup> The same day, the ALJ sent the Notice of Hearing to the governing body of the affected county, in accordance with Section 104.105(c) of the Texas Utilities Code.

Gas Utility Docket Nos. 10656 and 10662 were consolidated by order dated February 9, 2018.

A hearing was called on February 13, 2018, to afford the public an opportunity to participate. No non-party participants appeared. The hearing was captured by audio recording.

On March 1, 2018, the evidentiary record was closed.<sup>17</sup> The exhibits admitted prior to the close of the record are reflected on the TGS Exhibit List.<sup>18</sup>

### **III. JURISDICTION, BURDEN OF PROOF, AND NOTICE**

#### ***Jurisdiction***

The Commission has jurisdiction over TGS, which is a gas utility as defined in Section 101.003(7) of the Texas Utilities Code. Pursuant to Section 102.001(a) of the Texas Utilities Code, the Commission has exclusive original jurisdiction to set the rates TGS requests for customers in and around the unincorporated community of TGS. The Commission has jurisdiction over all matters at issue in this proceeding pursuant to Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities), 103 (Jurisdiction and Powers of Municipality), and 104 (Rates and Services) of the Texas Utilities Code. The statutes and rules involved in this proceeding include, but are not limited to, those contained in Chapters 102, 103, and 104 of the Texas Utilities Code, 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.

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

As the party proposing gas utility rate changes, TGS has the burden of proving that the rate changes are just and reasonable.<sup>19</sup>

#### ***Notice***

Proper notice has been issued to affected customers in this proceeding in accordance with applicable statutes and rules.<sup>20</sup> On October 13, 2017, the Commission published notice of TGS's SOI application in *Gas Utilities Information*

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<sup>16</sup> See *Gas Utilities Information Bulletin No. 1076*, published by the Railroad Commission of Texas Oversight and Safety Division on January 31, 2018, pgs. 4-6.

<sup>17</sup> See Examiners' Letter No. 17.

<sup>18</sup> Proposal for Decision, Attachment 3.

<sup>19</sup> Tex. Util. Code § 104.008 (Burden of Proof).

<sup>20</sup> TGS Ex. 1, Settlement, p. 1; see also TGS Ex.2, Affidavit of Damon Tucker.



*Bulletin No. 1069.*<sup>21</sup> TGS provided public notice of its SOI by direct mail to its customers.<sup>22</sup> On February 1, 2018, the ALJ issued a Notice of Hearing, which the Commission published in the *Gas Utilities Information Bulletin No. 1076* on January 31, 2018, in accordance with Commission Rule § 7.235 (Publication and Service of Notice).<sup>23</sup> The same day, the ALJ sent the Notice of Hearing to the governing body of the affected county, in accordance with the Texas Utilities Code, Section 104.105(c) (Determination of Propriety of Rate Change; Hearing).<sup>24</sup> On November 16, 2017, the Commission received a letter of protest from one resident potentially within the service area.<sup>25</sup> Subsequently, the complainant was mailed a Complaint and Statement of Intent to Participate Form, in accordance with Commission Rule § 7.240 (Statement of Intent to Participate).<sup>26</sup> The Complainant did not return the form to the Commission nor request to participate in the case in any other manner.

The Examiners find that all notice requirements have been satisfied.

#### IV. BOOKS AND RECORDS

Commission Rule 7.310 (System of Accounts) 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 USAO) for all operating and reporting purposes.”<sup>27</sup> “The FERC Uniform System of Accounts shall be applicable to all gas utility and gas utility related operations regardless of location.”<sup>28</sup> Stacey McTaggart, Rates and Regulatory Director for TGS, testified that TGS maintains its books and records in accordance with Commission Rule 7.310.<sup>29</sup> She further testified that the amounts included in TGS’s books and records are therefore subject to the presumption that they are reasonable and necessary.<sup>30</sup> TGS established that it has complied with the requirements of Rule 16 Tex. Admin. Code § 7.310, and the Examiners find that the amounts noted therein are subject to the presumption encapsulated in Rule 16 Tex. Admin. Code § 7.503.

#### V. TGS’S REQUEST

TGS filed an amended SOI on November 17, 2017.<sup>31</sup> The main components of TGS’s request are:

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<sup>21</sup> See *Gas Utilities Information Bulletin No. 1069*, published by the Railroad Commission of Texas Oversight and Safety Division on October 13, 2017, p. 2.

<sup>22</sup> TGS Ex. 1, at 1; see also Affidavit of Damon Tucker.

<sup>23</sup> See *Gas Utilities Information Bulletin No. 1076*, published by the Railroad Commission of Texas Oversight and Safety Division on January 31, 2018, pgs. 4-6.

<sup>24</sup> Letters to County Judges: Judge Eddie Trevino, Jr. of Cameron County; Judge Ramon Garcia of Hidalgo County; Judge Huberto Gonzalez of Jim Hogg County; Judge Eloy Vera of Starr County and Judge Aurelio Guerra of Willacy County.

<sup>25</sup> Letter of protest from Hernan Rodriguez, received November 16, 2017.

<sup>26</sup> Examiners’ Letter to Allow Participation of Protestant, issued November 28, 2017.

<sup>27</sup> 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

<sup>28</sup> *Id.*

<sup>29</sup> TGS Ex. 1, (McTaggart Test.), at 11-14.

<sup>30</sup> *Id.* at 13-14.

<sup>31</sup> TGS corrected the proposed increased revenue from environs customers to \$630,373 from \$492,912. In the amended SOI, TGS revised its original pleading, proposed Notice, and testimony. TGS did not revise the rates.

- An increase of its gas utility rates that would increase TGS's revenues in the RGVSA environs by approximately \$630,373, which is an increase of 24 percent including gas costs or 32 percent, excluding gas costs;<sup>32</sup>
- A prudence determination regarding its capital investment booked to plant in the environs areas of the RGVSA through December 31, 2016, including all capital investment reflected in TGS's IRA filings made in the RGVSA environs since the last RGVSA environs SOI proceeding;<sup>33</sup>
- New depreciation rates for distribution and general plant within the environs areas in the RGVSA as well as TGS Division and ONE Gas corporate plant assets allocated to the environs areas in the RGVSA;<sup>34</sup>
- Recovery of reasonable rate case expenses through a rate surcharge;<sup>35</sup> and
- Revisions to its RGVSA environs Rules of Service and other environs rate schedules to reflect the terms of the Settlement Agreement related to TGS's RGVSA incorporated SOI, revisions, and corrections approved in GUD Nos. 10488, 10506, and 10526, and to provide clarity regarding TGS's current policies and procedures.<sup>36</sup>

## VI. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD 10656. The signatories—TGS and Staff—have engaged in discovery regarding the issues in dispute. The parties agree that resolution of this docket under the terms of this Settlement will significantly reduce the amount of reimbursable rate case expenses associated with this docket.

The Examiners have reviewed and considered the Settlement and evidentiary record. The Examiners find that the terms of the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend approval of the Settlement.

### A. Revenue Requirement

TGS filed the *Statement of Intent* based upon a test year ending December 31, 2016.<sup>37</sup> TGS seeks to increase the RGVSA environs rates by \$630,373 to align with the incorporated rates resulting from a settlement with the RGVSA cities supporting a service area-wide increase of \$4.1 million.<sup>38</sup> In the SOI, TGS calculates a test-year revenue requirement of \$31.89 million and test-year revenue of \$26.72

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<sup>32</sup> TGS Ex. 1, SOI, at 3.

<sup>33</sup> *Id.* at 4.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 3-4.

<sup>37</sup> *Id.* at 3.

<sup>38</sup> *Id.* at 2.

million, leaving a revenue deficiency of \$5.17 million, of which, \$630,373 is attributable to the environs.<sup>39</sup> TGS's current rates for customers in the RGVSA environs are the base rates approved in 2013 as adjusted by IRA filings approved in 2015, 2016, and 2017.<sup>40</sup> For the test year, these base rates produced \$1.9 million.<sup>41</sup> The proposed rates will affect all customer classes, which includes residential, commercial and church, industrial, public authority, and transportation.<sup>42</sup>

The Settlement contemplates an increase of \$500,882, which is a \$129,491 decrease, or 21 percent, from TGS's proposed deficiency of \$630,373.<sup>43</sup> The increase is 19 percent over test-year revenues including gas costs and 26 percent excluding gas costs.<sup>44</sup>

The Settlement provides that the \$500,882 revenue increase consist of \$253,516 for base rates and \$247,367 to be recovered through the Pipeline Integrity Testing Rider ("PIT").<sup>45</sup> Except as specifically provided in the Settlement, the parties agree that the revenue increase is a "black box" figure, meaning that it is not specific to any element in the underlying cost of service in the RGVSA.<sup>46</sup> The parties agree that the rates, terms, and conditions reflected in Exhibit A to the Settlement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.<sup>47</sup> The parties agree that, subject to Commission approval, the rates, terms, and conditions be effective for the RGVSA environs for meters read on or after March 27, 2018.<sup>48</sup> A worksheet showing proof of revenues is attached to the Settlement as Exhibit B.

Considering the Settlement and evidentiary record, the Examiners find the overall revenues for TGS in the Settlement to be just and reasonable and consistent with Chapter 104 (Rates and Services) of the Texas Utilities Code.

## **B. Rates**

The Settlement rates are designed to recover an annual base revenue requirement of \$2,155,493 from TGS's 3,791 total environs customers.<sup>49</sup> The Settlement provides for the following base rates:

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<sup>39</sup> *Id.* at 3.

<sup>40</sup> TGS Ex. 1, (McTaggart Test.), at 6.

<sup>41</sup> TGS Ex. 3, Settlement, at Exhibit B, line 56, column j.

<sup>42</sup> TGS Ex. 1, SOI, at 6.

<sup>43</sup> TGS Ex. 3, Settlement, at 2, ¶ 1.

<sup>44</sup> TGS Ex. 3, Settlement, at Exhibit B, line 56, columns t, u.

<sup>45</sup> TGS Ex. 3, Settlement, at 2, ¶ 1.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> TGS Ex. 3, Settlement, at Ex. B, line 56, column g.

**Table 1**  
**Settlement Rate Design**

<b>Customer Class</b>	<b>Customer Charge</b>	<b>Commodity Charge (Ccf)</b>
Residential	\$15.52	\$0.34028
Commercial	\$58.00	\$0.31650
Commercial – Church	\$40.00	\$0.31650
Public Authority	\$45.00	\$0.38068
Public Authority Transportation	\$400.00	First 5,000 \$0.38068 Over 5,000 \$0.01595
Industrial	\$150.00	\$0.30336
Industrial Transportation	\$400.00	First 5,000 \$0.30336 Over 5,000 \$0.03453
Commercial Transportation	\$400.00	First 5,000 \$0.31650 Over 5,000 \$0.01777

Residential customers will realize no increase to the monthly customer charge but will pay 16 cents more per Ccf. The table below compares the current rates to the Examiners' recommended rates.<sup>50</sup>

**Table 2**  
**Current to Proposed Customer Charge**

<b>Customer Class</b>	<b>Current</b>	<b>Proposed</b>	<b>Difference</b>
Residential	\$ 15.52	<b>\$ 15.52</b>	\$ 0
Commercial	\$ 71.82	<b>\$ 58.00</b>	\$ (13.82)
Commercial - Church	\$ 59.32	<b>\$ 40.00</b>	\$ (19.32)
Industrial	\$ 269.80	<b>\$ 150.00</b>	\$ (119.80)
Public Authority	\$ 74.69	<b>\$ 45.00</b>	\$ (29.69)
T-1 Transportation*	\$ 452.94	<b>Withdrawn</b>	
T-2 Transportation*	\$ 706.84		

\* Customers have been moved to one of the three new transportation classes.

**Table 3**  
**Current to Proposed Commodity Rate (Ccf)**

<b>Customer Class</b>	<b>Current</b>	<b>Proposed</b>	<b>Difference</b>
Residential	\$0.1784	<b>\$ 0.34028</b>	\$0.16188
Commercial	\$0.1796	<b>\$ 0.31650</b>	\$0.13690
Commercial - Church	\$0.1796	<b>\$ 0.31650</b>	\$0.13690
Industrial	\$0.1648	<b>\$ 0.30336</b>	\$0.13856
Public Authority	\$0.1869	<b>\$ 0.38068</b>	\$0.19378
T-1 Transportation*	\$0.1301	<b>Withdrawn</b>	
T-2 Transportation*	\$0.0548		

\* Customers have been moved to one of the three new transportation classes.

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<sup>50</sup> TGS Ex. 1, SOI, at 8. TGS Ex. 3, Settlement, at 2, ¶ 2.

The rates are designed for TGS to recover 13 percent more base revenue from its environs customers, which includes 9.6 percent more from residential customers. Residential customers comprise 93 percent of environs customers. The Examiners agree that TGS's proposed class revenue allocation is reasonable.<sup>51</sup> The table below compares the current revenue TGS receives from base rates to the revenue using the Examiners' recommended rates.<sup>52</sup>

**Table 4**  
**Annual Revenue Allocation**

<b>Customer Class</b>	<b>Current</b>	<b>Proposed</b>	<b>Difference</b>	<b>Percent</b>
Residential	\$752,238	<b>\$824,827</b>	\$72,589	9.6%
Commercial	\$341,980	<b>\$455,240</b>	\$113,260	33%
Industrial	\$222,256	<b>\$348,404</b>	\$126,148	57%
Public Authority	\$107,260	<b>\$122,182</b>	\$14,922	14%
Transportation	\$478,243	<b>\$404,837</b>	\$(73,407)	(15%)
<b>Total</b>	<b>\$1,901,978</b>	<b>\$2,155,490</b>	<b>\$253,512</b>	<b>13%</b>

In addition to the base rates, the Settlement includes a PIT Rider, which is a new rider designed to collect Pipeline Integrity Testing Expenses incurred in the previous calendar year. The Rider will be applied to all standard tariff customers, resulting in a uniform volumetric charge based on Ccf usage.<sup>53</sup> TGS does not currently know the exact rate that will be charged but estimates that the rider will recover \$247,367 from its standard tariff customers, which is approximately four cents per Ccf. The PIT Rider is expected to increase the average residential customer's monthly bill by 53 cents, bringing the total increase to \$2.63. The table below compares an average customer's current bill with the bill if the Commission accepts the Examiners' recommendation.

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<sup>51</sup> TGS Ex. 3, Settlement, at 3, ¶ 7.

<sup>52</sup> TGS Ex. 3, Settlement, Ex. B, columns j, h.

<sup>53</sup> TGS Ex. 3, Settlement, Ex. A, at 53-56.

**Table 5**  
**Typical Monthly Bill Impact<sup>54</sup>**

Customer Class	Average Usage (Ccf)	Bill		Increase	Percentage Increase	
		Current	Proposed		With Gas Cost	Without Gas Cost
Residential	13	\$20.88	<b>\$23.51</b>	\$2.63	13%	15%
Commercial	465	\$264.02	<b>\$332.89</b>	\$68.87	26%	44%
Commercial-Church	42	\$76.68	<b>\$64.83</b>	\$(11.85)	(15%)	(18%)
Industrial	3,395	\$1,623	<b>\$2,112</b>	\$490	30%	59%
Public Authority	385	\$236.64	<b>\$297.31</b>	\$60.67	26%	41%
<b>Transportation Service</b>						
T-1 to Commercial	7,364	\$3,046	<b>\$3,961</b>	\$915	30%	65%
T-1 to Industrial	8,373	\$3,401	<b>\$4,235</b>	\$834	25%	54%
T-1 to Public Authority	8,305	\$3,378	<b>\$4,540</b>	\$1,163	34%	76%
T-2 to Industrial	25,381	\$7,734	<b>\$9,295</b>	\$1,562	20%	74%

At the settlement hearing, TGS Witness Stacey McTaggart explained that the \$247,367 to be recovered through the PIT is an estimate of the annual testing expenses for the years 2017 through 2022.<sup>55</sup> Ms. McTaggart testified that TGS will only bill customers for the actual expenses incurred in the previous calendar year.<sup>56</sup> To calculate the rate charged to customers, TGS will divide the actual 2017 expenses by the expected 2018 Ccf volumes.<sup>57</sup> TGS plans to start billing customers from April 1, 2018, to March 31, 2019, to collect the 2017 actual testing expenses. TGS intends to file an updated rate for Staff's approval each year with the rate being charged from the first of April to the end of March to collect the previous calendar year's actual testing expenses.<sup>58</sup>

### C. Federal Tax Impact

TGS filed its amended SOI on November 17, 2017, which is more than a month before the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed on December 22, 2017 and became effective on January 1, 2018. Therefore, TGS's initial requested increase of \$630,373 was based off the 2017 corporate income tax rate of 35 percent, and not the 2018 rate of 21 percent. TGS and Staff attest that the agreed upon increase of \$500,882 incorporates the effects of the tax cut and that TGS allocated the cost of service reduction to its customer classes based on the base rate revenue allocation agreed to in Item 7 of the Settlement.<sup>59</sup>

<sup>54</sup> The typical monthly bill amounts include only the customer charge, commodity charge, gas cost adjustment, and estimated PIT Rider.

<sup>55</sup> Hearing Tr. (January 31, 2018) at 23-29.

<sup>56</sup> *Id.* at 24.

<sup>57</sup> *Id.* at 26.

<sup>58</sup> *Id.* at 27-32.

<sup>59</sup> TGS Ex. 3, Settlement, at 4, ¶ 11.

The Commission, on January 23, 2018, directed Staff to analyze the impact of the TCJA on current gas utility rates and to develop recommendations to ensure that beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the TCJA.<sup>60</sup> To comply with this directive, the Parties agree that by January 1, 2019, TGS will calculate, defer, and begin refunding to customers the rate reduction that would have occurred between January 1, 2018, and the effective date of the new rates set in this case.<sup>61</sup> TGS agrees to submit its proposed calculation to Staff for review at least 45 days prior to implementing the refund.<sup>62</sup> The parties agree that if the Commission develops a different method, then the Commission's method would be used.<sup>63</sup>

The Parties agree that the impact of the TCJA on TGS's deferred income tax and Accumulated Deferred Income Tax ("ADIT") has yet to be measured.<sup>64</sup> TGS agrees to accrue on its books and records regulatory liabilities or assets to reflect the change in the corporate income tax rate under the Act, effective from January 1, 2018.<sup>65</sup> The Parties explain that this action preserves the impacts of the tax rate change on deferred income tax and excess ADIT for consideration in TGS's next SOI, including consideration of a line-item credit on customers' bills.<sup>66</sup> The parties agree that if the Commission develops a different method, then the Commission's method would be used.<sup>67</sup>

#### **D. Cost of Capital**

As indicated in Ms. Borgstadt's amended direct testimony, in its original filing with the RGV cities, TGS requested a rate of return ("ROR") of 7.66 percent based on a 10 percent rate of return on equity ("ROE"), a 3.94 percent cost of debt, and a capital structure of 61.3 percent equity and 38.7 percent debt.<sup>68</sup> Ms. Borgstadt testified that TGS and the RGV cities agreed to a 7.35 percent ROR based on a reduced ROE of 9.5 percent.<sup>69</sup>

In this Settlement, the parties agree to the following actual capital structure and weighted cost of capital, including the pre-tax return, as shown below<sup>70</sup>:

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<sup>60</sup> *Id.* at 4, ¶ 12.

<sup>61</sup> *Id.* at 4, ¶ 13.

<sup>62</sup> *Id.* at 4-5, ¶ 14.

<sup>63</sup> *Id.* at 4-5, ¶ 14.

<sup>64</sup> *Id.* at 5, ¶ 15.

<sup>65</sup> *Id.* at 5, ¶ 15.

<sup>66</sup> *Id.* at 5, ¶ 15.

<sup>67</sup> *Id.* at 5, ¶ 15.

<sup>68</sup> TGS Ex. 1, Direct Testimony of Stacey R. Borgstadt on Behalf of Texas Gas Service Company ("Borgstadt Test."), at 7.

<sup>69</sup> TGS Ex. 1, (Borgstadt Test.), at 7.

<sup>70</sup> TGS Ex. 3, Settlement, at 3, ¶ 6.

**Table 6**  
**Capital Structure**

<b>Capital Component</b>	<b>Capital Structure</b>	<b>Cost</b>	<b>Weighted Cost of Capital</b>	<b>Pre-Tax Return</b>
Long-Term Debt	38.71%	3.94%	1.53%	1.53%
Common Equity	61.29%	9.50%	5.82%	7.37%
Rate of Return	100.00%		<b>7.35%</b>	<b>8.90%</b>

After review and consideration of the Settlement and evidentiary record, the Examiners find the proposed capital structure, cost of debt and equity, as well as the overall return contained in the Settlement are just and reasonable.

## **E. Depreciation Rates**

### **1) Background**

Foster Associates was engaged by Texas Gas Service (TGS), a division of ONE Gas, Inc., to conduct a 2015 Depreciation Rate Study and a 2017 Technical Update of depreciation rates study for a) plant located in the Rio Grande Valley Service Area (RGVSA); and b) a 2015 study for common facilities shared among all TGS service areas (the TGS Division). Dr. Ronald E. White sponsored the depreciation studies and update conducted by Foster Associates.<sup>71</sup>

Dr. White testified that the current depreciation rates for the RGVSA and the TGS Division were developed in the 2008 study and approved under a Settlement Agreement (dated August 14, 2009) between TGS and cities served by TGS within the RGVSA. The database used in the 2015 study was assembled by appending 2013 and 2014 plant and reserve activity to the database used in conducting a 2013 study. A study of all TGS Service Areas was conducted by Foster Associates in 2013, based on December 31, 2012 plant and depreciation reserve balances. The 2013 study was not filed in any Service Area.<sup>72</sup>

The 2015 study was initially tailored to the West Texas Service Area (previously El Paso/Dell City/Fort Bliss and Permian) in which parameters (i.e., projection curves, projection lives, and future net salvage rates) were derived from a combined analysis of all TGS Service Areas. The WTSA study was filed with the Railroad Commission of Texas on March 30, 2016, and docketed as GUD No. 10506. A Final Order was issued on September 27, 2016, with the following Findings of Fact regarding the 2015 study:<sup>73</sup>

1. Except for TGS's proposed life parameters for Account 391.90 (Computers and Electronic Equipment) and Account 380 (Distribution Services), and TGS's proposed net salvage value for Account 367 (Transmission Mains), TGS's proposed rates and methods of depreciation, amortization, and

<sup>71</sup> TGS Ex. 1, , SOI—Ex. K, Direct Testimony of Dr. Ronald E. White on Behalf of Texas Gas Service Company ("White Test."), at 415.

<sup>72</sup> *Id.* at 419.

<sup>73</sup> *Id.* at 422.



- depletion are proper and adequate, just and reasonable, and supported by the evidence.
2. For Account 391.90 (Computers and Electronic Equipment), a 10–year amortization period is proper and adequate, just and reasonable, and supported by the evidence.
  3. For Account 380 (Distribution Services), a 59–year service life is proper and adequate, just and reasonable, and supported by the evidence.
  4. For Account 367 (Transmission Mains), a negative 10 percent net salvage value is proper and adequate, just and reasonable, and supported by the evidence.

The 2015 study was subsequently tailored to the Central Texas Service Area (“CTSA”). The CTSA study was filed with the Railroad Commission of Texas on June 20, 2016, and docketed as GUD No. 10526. On October 11, 2016, the parties filed a Unanimous Settlement Agreement with the Commission. A Final Order approving the Settlement Agreement was issued on November 15, 2016. The Settlement Agreement retained the above Findings of Fact ordered by the Commission in Docket No. 10506. In the interest of consistency and avoiding controversy over statewide parameters estimated by Foster Associates in the 2015 study, the current RGVSA study retains the statewide parameters found by the Commission in Docket No. 10506.<sup>74</sup> The depreciation and amortization rates for RGVSA direct, TGS division, and ONE Gas Corporate have been attached to the PFD as Exhibit C to the Settlement.

Dr. White testified that factors that might suggest the need for a full study include: significant changes in the composition of plant categories; a controlled reduction or elimination of an identifiable force of retirement; emergence of forces of retirement not previously observed; and operational changes that would predictably shift the timing of future retirements. Similar consideration should be given to the incurrence of future net salvage. He also testified that in the case of the RGVSA, none of the above factors have changed between 2014 and 2016 to a degree that would warrant conducting a full study reflecting 24 months of additional plant activity. It is appropriate, however, to update depreciation rates for known and measurable changes in the age distributions of surviving plant, depreciation reserves, and average net salvage rates due to the passage of time. At the request of TGS, depreciation rates developed for the TGS Division in the 2015 study were retained in the 2017 update for the RGVSA.<sup>75</sup>

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<sup>74</sup> *Id.* at 419.

<sup>75</sup> *Id.* at 427.

## 2) Settlement Proposed Depreciation Rates

The Signatories agree that the depreciation rates for distribution and general plant in the RGVSA, as well as TGS Division plant and corporate plant depreciation rates, as shown on Settlement Exhibit C, are reasonable.<sup>76</sup>

After review and consideration of the Settlement and evidentiary record, the Examiners find the depreciation rates reflected on Exhibit C of the Settlement to be just and reasonable.

### F. Capital Investment Prudence

The Commission last approved new rates for customers in the RGVSA environs following a full rate proceeding in 2013 in GUD No. 10285. Since that case, incorporated rates have been adjusted by annual Cost of Service Adjustment filings in the RGVSA Cities. The environs rates have since been adjusted by three interim rate adjustment ("IRA") filings covering plant invested from January 1, 2013, through December 31, 2015.<sup>77</sup> At the January 31, 2018 hearing to review the Settlement, the Administrative Law Judge took official notice of GUD Nos. 10389, 10473, and 10560.

**Table 7**  
**Past RGVSA Environs Interim Rate Adjustment Filings**

Docket No.	Calendar Year	Interim Approval Date	Investment*
GUD No. 10389	2013	January 27, 2015	\$ 8,401,010
GUD No. 10473	2014	January 12, 2016	\$10,358,308
GUD No. 10560	2015	January 24, 2017	\$11,471,318

\*Capital Additions RGV Direct plus allocated TGS Division and Corporate including depreciation and amortization.

TGS seeks a finding supporting the reasonableness and prudence of the IRA capital investments from January 1, 2013, through December 31, 2016. Until the issuance of a final order, all amounts collected under the interim adjustment rate increases are subject to refund at the next rate case.<sup>78</sup> Once the Commission issues a final order in the full rate case following the interim adjustments, the revenues that the utility received from interim rate adjustments from capital investments will no longer be subject to refund. Thus, Commission rules<sup>79</sup> provide for a prudence review related to the reasonableness and prudence of the capital expenditures contained in the interim rate adjustment filings.

In support of its investment, Ms. Stacey McTaggart sponsors the reasonableness and necessity of capital investments including the investments reflected in TGS's Interim Rate Adjustment ("IRA" or "GRIP") filings, which are part of the Company's requested prudence determination regarding capital

<sup>76</sup> TGS Ex. 3, Settlement at 3, ¶ 3.

<sup>77</sup> TGS Ex. 1, (McTaggart Test.), at 18, SLM-3, SLM-4, and SLM-5.

<sup>78</sup> Tex. Util. Code Ann. § 104.301(a).

<sup>79</sup> 16 Tex. Admin. Code § 7.7101(j).

investment.<sup>80</sup> Ms. McTaggart provided testimony of all capital expenditures and provided a detailed list of every capital project undertaken from January 1, 2013, through December 31, 2015.

Ms. Borgstadt testified that the adjusted rate base for the RGVSA is \$98,464,562 and TGS's adjusted test year net plant in service as reflected on Schedule B is \$112,490,555. The parties to the RGV Settlement Agreement with the Cities agreed to reduce net plant by \$121,760, resulting in a total net plant in service of \$112,368,795.<sup>81</sup>

The Signatories agree that the Company's capital investment booked to plant through December 31, 2016, including investment identified in the Company's Interim Rate Adjustment filings, is prudent except for the misclassified truck<sup>82</sup> net investment of \$121,760.<sup>83</sup>

The Signatories agree that in future Interim Rate Adjustment filings and in future Statement of Intent filings TGS will separate, by project, adjustments to capital investment in its project reports.<sup>84</sup>

### **G. Future Interim Rate Adjustment Factors**

TGS and Staff agree that any Interim Rate Adjustment filing in the unincorporated areas of the RGVSA pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:

- The capital structure and related components shall be as shown above in Section VI. (D).
- For the initial Interim Rate Adjustment filing and for all subsequent Interim Rate Adjustment filings, the depreciation rate for each account shall be as shown on Settlement Exhibit C.<sup>85</sup>
- For the initial Interim Rate Adjustment filing, the net plant in service shall be \$112,368,795 as shown on Settlement Exhibit D.<sup>86</sup>
- For the initial Interim Rate Adjustment filing, the customer charges as shown in Table 6 below will be the starting rates to which any IRA adjustment is applied.
- Federal income taxes will be calculated using a 21% rate.

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<sup>80</sup> TGS Ex. 1, (McTaggart Test.), at 18.

<sup>81</sup> TGS Ex. 1, (Borgstadt Test.), at 8.

<sup>82</sup> TGS clarified that the misclassified truck was not included in any IRA filing; therefore, a refund is not required. The truck was placed into service in the test-year 2016. See Hearing Tr. (January 31, 2018) at 36.

<sup>83</sup> TGS Ex. 3, Settlement at 3, ¶ 4.

<sup>84</sup> *Id.* at 3, ¶ 5.

<sup>85</sup> TGS Ex. 3, Settlement, Ex. C.

<sup>86</sup> TGS Ex. 3, Settlement, Ex. D.

- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	55.71%
Commercial	33.42%
Public Authority	4.68%
Industrial	6.19%
Total Allocation	100%

After review and consideration of the Settlement and the supporting evidentiary record, the Examiners find these Settlement terms to be just, reasonable, and prudent.

## H. Affiliate Transactions

The parties agree, and the Examiners find that TGS does not have any affiliate transactions as an affiliate is defined in Tex. Util. Code §§ 101.003(2) and 101.004, and as such, it is not necessary to address whether the statutory standard in Tex. Util. Code § 104.055(b) for recovery of affiliate costs has been met.<sup>87</sup>

## I. Tariffs

### 1) Introduction

TGS RGVSA serves Residential, Commercial - Commercial and Church, Industrial, Public Authority, and Transportation customers. The Settlement includes agreement on the following tariffs and riders<sup>88</sup> as shown in Table 5, below. The tariffs and riders are applicable to the unincorporated areas of the RGVSA served by TGS and will go into effect as of the date of the Final Order in this case.<sup>89</sup>

**Table 8**  
**Unincorporated Tariffs and Riders**

Environs Rate Schedule	Customer Class / Purpose
1Z	Residential Service Rate
2Z	Commercial Service Rate / Commercial Service Rate – Church
3Z	Industrial Service Rate
4Z	Public Service Authority Rate
T-1-ENV	Transportation Service Rate
T-Terms	General Terms and Conditions for Transportation Service
1-ENV	Cost of Gas Clause
Rules and Regulations	Rio Grande Valley Service Area
WNA	Weather Normalization Adjustment Clause
RCE-ENV	Rate Case Expense Surcharge
PIT and PIT Rider	Pipeline Integrity Testing Surcharge

<sup>87</sup> TGS Ex. 3, Settlement, at 4, ¶ 10.

<sup>88</sup> *Id.* at 2, ¶ 1, Exhibit A.

<sup>89</sup> TGS proposes no changes to Rate Schedule PSF, Pipeline Safety and Regulatory Fees, which recovers the annual fee to support the pipeline safety functions of the Commission. (TGS Ex. 1 p. 7) Therefore TGS's Rate Schedule PSF has not been included with the tariffs in this docket.

TGS proposes RGVSA Environs tariffs sponsored in the direct testimony of Stacey L. McTaggart. Other than the actual rate changes included in the proposed tariffs, TGS also requests approval of a new recovery method for pipeline integrity testing expenses (Rate Schedule PIT), revised tariffs for transportation service (Rate Schedules T-1 and T-TERMS), and minor changes in language to its sales tariffs and its Rules of Service to be consistent with the rate schedules in place for the incorporated customers in the RGVSA. Implementing similar tariff language throughout the RGVSA will allow TGS to be consistent and efficient in the administration of the Company's tariffs, which will ultimately benefit customers.<sup>90</sup> TGS also proposes a Rate Schedule RCE-ENV Rider for the reimbursement of rate case expenses. Table 1 above shows the settlement/recommended customer charges and commodity charges. A table comparing current to proposed rates is found above in table 2.

The originally proposed environs rate schedules contained the same rates included in the Settlement Agreement for customers in the incorporated areas of the RGVSA. However, the Settlement rates for environs are lower than the current incorporated rates because the RGV Incorporated rate case was resolved prior to the passage of the federal Tax Cuts and Jobs Act of 2017 ("TCJA"), so the tariffs attached to the RGV Incorporated settlement do not reflect a reduction in TGS's rates due to the change in the corporate tax rate. The settlement in the RGV Environs rate case was reached after the passage of the Act, so the rates reflected in the RGV Environs settlement reflect the change in the corporate tax rate.

Since October 18, 2017, TGS has been charging TGS incorporated customers the rates attached to the RGV Incorporated settlement. Due to the change in the corporate tax rate, TGS will be filing new tariffs with the RGV cities that will reflect the change in expense associated with the new corporate tax rate. These new incorporated rates for the RGV cities will be consistent with the rates and tariffs that are attached to the RGV Environs settlement agreement and will be effective on the same day as the environs rates (which is proposed to be March 27, 2018).<sup>91</sup>

The parties *agree to* rates, terms and conditions that supersede the rate schedules currently in effect in the environs and unincorporated areas of the RGVSA, effective for meters read on or after March 27, 2018. The proposed tariffs will allow TGS an additional \$500,882 in annual revenue from the environs customers, which represents the amount of the environs' share of the system-wide revenue deficiency.<sup>92</sup> Approximately 49% of the Settlement revenue is designed to be collected through Rider PIT. The PIT Rider revenue is based on an average annual cost of \$247,367. The PIT Rider is discussed separately below.

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<sup>90</sup> TGS Ex. 1, (McTaggart Test.), at 19.

<sup>91</sup> TGS Response to Examiners' Letter 16; RFI 2.

<sup>92</sup> TGS Ex. 3, Settlement, at 2, ¶ 1.

## Sales Rate Schedules

Rate Schedules 1Z, 2Z, 3Z, and 4Z are based on the existing RGVSA unincorporated gas sales rate schedules and are consistent in terms with the gas sales rate schedules approved in GUD Nos. 10488, 10506, and 10526. The following revisions were made to the existing RGVSA sales tariffs.<sup>93</sup>

1. Provide clarification in the residential tariff "Applicability" section that the rate schedules are applicable for individually-metered dwelling units that are operated by a public housing agency that is acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development and for a multiple unit dwelling comprised of four or fewer units with one collective meter;
2. Provide clarification to the "Applicability" section of the commercial and industrial tariffs regarding which customers qualify for the tariff;
3. Add the names of the RGVSA Cities, unincorporated towns and areas to the "Territory" section;
4. Add a reference to the pipeline integrity testing cost recovery rider, Rate Schedule PIT, under "Other Adjustments"; and
5. Add a reference to the rate case expense recovery rider, Rate Schedule RCE, under "Other Adjustments."

## Transportation Service Tariffs

TGS proposes to replace RGVSA unincorporated Rate Schedule T-GTC Rate Schedule T-TERMS, which contains the general terms and conditions for transportation service. Rate Schedule T-TERMS is consistent with T-TERMS tariffs approved in GUD Nos. 10488, 10506 and 10526. The following revisions were made to the existing RGVSA transportation terms and conditions.<sup>94</sup>

1. Provisions relating to electronic flow measurement;
2. A required term of service of 12 months or more; and
3. Balancing requirements and provisions.

## Cost of Gas Clause

The proposed Rate Schedule 1-ENV is based on the current cost of gas clause in the RGVSA unincorporated areas with the following revisions.<sup>95</sup>

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<sup>93</sup> TGS Ex. 1, (McTaggart Test.), at 21.

<sup>94</sup> *Id.* at 23.

<sup>95</sup> *Id.*

1. Add the names of the RGVSA Cities, unincorporated towns and areas to the "Applicability" section;
2. Simplify the definition of Cost of Gas, §B.1;
3. Add renewable natural gas and required Commission authorization for use of financial instruments to the definition of "Cost of Gas";
4. Simplify "Determination and Application of the Reconciliation Component," §D;
5. Add a "Surcharge or Refund Procedures" section, which simply codifies the current practice of including applicable suppliers' surcharges or refunds in the cost of gas calculation; and
6. Remove the section titled "Sale of Excess Gas Supply" because the Company no longer makes such sales in the RGVSA.

In addition to the revisions above, the proposed cost of gas clause contains non-substantive language revisions to make the language of the tariff consistent with the cost of gas clause that is in effect in the Company's other service areas.<sup>96</sup>

## Rules of Service

The existing RGVSA unincorporated Rules of Service were last updated in 1993. For this filing, the Company developed proposed Rules of Service based on the existing RGVSA incorporated Rules of Service. These existing rules are consistent with those in effect in many of the Company's other service areas. The proposed changes provide clarity regarding the Company's current policies and procedures and ensure consistency among the Company's service areas. Creating consistent Rules of Service will lead to more consistent application and more efficient administration of the Company's tariffs, which benefits all the Company's customers. The proposed Rules of Service have also been revised to reflect revisions and corrections approved in GUD Nos. 10488, 10506, and 10526. Material differences between the proposed Settlement and existing RGVSA Rules of Service include:<sup>97</sup>

1. Addition of §1.3, Definitions, which provides definitions of important terms within the Rules;
2. Revisions in §4.8, Limitation of Liability, which provides clarity to the customers as to who is legally responsible for the customers' piping and appliances;
3. Addition of §5.5 e) through g) to specify additional reasons for a waiver of deposit, including credit rating, guaranty and family violence status;

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<sup>96</sup> *Id.*

<sup>97</sup> TGS Letter dated February 7, 2018.

4. Revision of provisions in §8, Extension of Facilities, to clarify the rights and obligations of the customer and the Company;
5. Addition of §13.6 and §13.7 to provide for e-bill and alternative payment options;
6. Addition of §9, Customer Owned System, §11, Gas Measurement, §15, Service Work, and §16 Maintenance of Equipment, which clarify customer and Company rights and obligations relating to equipment, service work and gas quality and which allow the Company to safely, effectively, and efficiently serve the RGVSA;
7. Revisions to §21, Fees and Deposits, as shown in as PFD attachment 4,<sup>98</sup> to establish greater consistency for service fees and deposits among the Company's service areas; and
8. The addition of a fee for customer-requested installation of an excess flow valve to §21.

TGS's proposed service fees are similar to those currently in effect for the RGVSA incorporated areas and to those approved for the Company's Gulf Coast Service Area in GUD No. 10488, the West Texas Service Area in GUD No. 10506, and the Central Texas Service Area in GUD No. 10526. As with all service charges, only customers requesting and receiving a service will be charged for that service. Implementation of these service fee changes is expected to generate an additional \$137,177 in revenue on a service-area-wide basis.<sup>99</sup>

### **Rate Schedule PIT / Rider PIT**

TGS currently incurs pipeline integrity testing costs in the RGVSA. These costs are incurred pursuant to federal and state regulations that require the Company to regularly test its pipelines and only seeks to recover the actual costs it incurs in meeting the requirements of the pipeline integrity testing program. TGS proposes to recover costs incurred to comply with the Commission's Pipeline Integrity Assessment and Management Plan Rule, Rule 8.101, and other future Commission rules related to integrity management plans, through a rider similar to the pipeline integrity testing rider previously approved by the Commission in GUD Nos. 9988, 10506, and 10526.

TGS requests implementation of Rate Schedules PIT and PIT-Rider to recover pipeline integrity testing costs incurred in each calendar year through a volumetric rate to be applied to customer bills during the following April through March. Rate Schedule PIT sets forth the calculation and requirements, while Rate Schedule PIT-Rider contains the rate currently in effect. It is appropriate to recover pipeline integrity testing costs via an annual rider because the annual amount of pipeline

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<sup>98</sup> TGS Ex. 1, (McTaggart Test.), SLM-2, PFD Attachment 4.

<sup>99</sup> TGS Ex. 1, Exhibit I and K, Schedule G-3.



integrity testing costs varies greatly from year to year depending upon the testing schedule, making it challenging to determine an appropriate amount of expense to be included in base rates.<sup>100</sup>

## WNA

Rate Schedule WNA provides a mechanism whereby customer bills are adjusted up or down each billing cycle to reflect differences in actual weather compared to normal weather, as defined in the rate case. When weather is colder than normal, customer bills reflect a small decrease. Conversely, when weather is warmer than normal, customer bills include a small surcharge. Rate Schedule WNA protects both the customer and the Company from unusually high or low bills due to unusual weather. The Commission has approved similar WNA clauses in GUD Nos. 9770, 9839, 10285, 10488, 10506, and 10526.<sup>101</sup>

TGS currently has a WNA clause in the RGVSA and proposes to continue the WNA with updates to the applicability section, factors, and monthly filing requirements. TGS will file with the Commission monthly reports showing the rate adjustments for each applicable rate schedule. TGS will also file an annual report verifying the past year's WNA collection or refunds.<sup>102</sup> The WNA applies to Residential, Commercial, and Public Authority classes of the incorporated and unincorporated areas.

## Rate Case Expenses

The Company is requesting approval of rate case expense rider Rate Schedule RCE-ENV to enable the Company to recover all rate case expenses determined to be reasonable for this environs-only filing. The Settlement is for recovery of actual and estimated rate case expenses not to exceed \$63,602 which results in a per Ccf charge of \$0.01071 over an approximately one-year period. Rate case expenses are addressed in detail in below.

After review and consideration of the Settlement and evidentiary record, the Examiners recommend approval of the proposed tariffs.

### J. Rate Case Expenses

TGS requests reimbursement and recovery of reasonable rate case expenses.<sup>103</sup> In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.<sup>104</sup> Any gas utility and/or municipality claiming reimbursement for

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<sup>100</sup> TGS Ex. 1, (McTaggart Test.), at 26.

<sup>101</sup> *Id.* at 28.

<sup>102</sup> TGS Ex. 3, Ex. A, at 50.

<sup>103</sup> TGS Ex. 3, at 6, ¶ 18.

<sup>104</sup> 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), and 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).

its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.<sup>105</sup> Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

1. the amount of work done;
2. the time and labor required to accomplish the work;
3. the nature, extent, and difficulty of the work done;
4. the originality of the work;
5. the charges by others for work of the same or similar nature; and
6. any other factors considered in setting the amount of the compensation.<sup>106</sup>

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase granted.<sup>107</sup>

TGS filed an affidavit and supporting evidence for reimbursement of rate case expenses.<sup>108</sup> The amounts include reasonable rate case expenses incurred through December 31, 2017, and estimated rate case expenses incurred through completion of this case.

### *1. Amounts*

TGS in the Settlement requests recovery of rate case expenses of \$63,602, comprised of its reasonable rate case expenses incurred through December 31, 2017, of \$38,602 and future estimated expenses of \$25,000.<sup>109</sup>

TGS 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 affidavit and

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<sup>105</sup> 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

<sup>106</sup> *Id.*

<sup>107</sup> *Id.*

<sup>108</sup> TGS Ex. 3, Exhibit E, Affidavit of Kate Norman.

<sup>109</sup> *Id.*

invoices provided by Ms. Norman to support the rate case expenses requested by TGS. The Examiners found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or other prohibited charges.

The Examiners find: (1) the request for a rate change was reasonable; (2) there was no duplication of services or testimony by any party; (3) the work performed by all parties was relevant and reasonably necessary to the proceeding; and (4) the complexity and expense of the work by all parties was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted. The Examiners further find that the terms in the Settlement relating to the reimbursement, recovery, and reporting of rate case expenses are reasonable and appropriate.<sup>110</sup>

After review and consideration of the Settlement and evidentiary record, the Examiners find that rate case expenses incurred as of December 31, 2017 of \$38,602 and future estimated rate case expenses of \$25,000 is just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve TGS's recoverable rate case expenses limited to \$63,602 as contained in the Settlement.

### *2. Allocation and Surcharge*

The parties agree that it is reasonable to allow TGS to implement a rate surcharge to recover rate case expenses incurred up to \$63,602 from environs and unincorporated TGS customers. Attached to the Settlement is a Rate Case Expense Tariff, which sets the terms for recovery. The surcharge will be \$0.01071 per Ccf until the entire rate case expense amount is collected, or approximately 12 months, not to exceed actually incurred expenses or \$63,602.<sup>111</sup>

After review and consideration of the Settlement and evidentiary record, the Examiners find that the terms in the Settlement relating to reimbursement, allocation, and recovery of rate case expenses are just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve the terms in the Settlement relating to reimbursement, allocation, and recovery by TGS of its rate case expenses.

### *3. Compliance*

The parties agree that TGS shall comply with the following:<sup>112</sup>

- TGS will submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the

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<sup>110</sup> TGS Ex. 3, Settlement, at 6, ¶ 18.

<sup>111</sup> *Id.*

<sup>112</sup> *Id.* at 6, ¶ 19.

purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of December 2017, plus the approved estimated expenses of \$25,000.

- TGS will file an annual Rate Case Expense Report with 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 within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

#### *4. Conclusion*

Considering the Settlement and evidentiary record, the Examiners find that the terms in the Settlement relating to the amounts, reimbursement, allocation, and recovery of rate case expenses are just and reasonable and consistent with Commission Rule 7.5530 (Allowable Rate Case Expenses). Accordingly, the Examiners recommend that the Commission approve these terms in the Settlement.

### **VII. 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 fully incorporated herein by reference.

### **VIII. CONCLUSION**

The Examiners find that the terms and rate elements in the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend that the terms and rate elements set forth in the Settlement Agreement be approved.

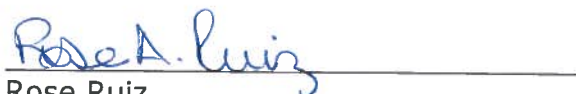
**SIGNED March 2, 2018.**



Dana Avant Lewis  
Administrative Law Judge



James Currier  
Technical Examiner



Rose Ruiz  
Technical Examiner

**GUD No. 10656**  
**Proposal for Decision**  
**ATTACHMENT 1**  
**Settlement Agreement**

# Coffin Renner

A Limited Liability Partnership

Post Office Box 13366  
Austin, Texas 78711  
Telephone (512) 879-0900  
Fax (512) 879-0912

January 25, 2018

***Via Hand Delivery***

Ms. Dana Avant Lewis, Administrative Law Judge  
Ms. Rose A. Ruiz, Technical Examiner  
Mr. James Currier, Technical Examiner  
Hearings Division  
Railroad Commission of Texas  
1701 N. Congress Ave., 12<sup>th</sup> Floor  
Austin, Texas 78701

Re: GUD No. 10656; *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 Rio Grande Valley Service Area*

Dear ALJ and Examiners:

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

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

Please do not hesitate to contact me if you have any questions.

Respectfully,



Kate Norman  
Attorney for Texas Gas Service Company

KWN:ssm  
Attachment

cc: Mark Evarts – Market Oversight Section Director  
Stephanie Houle  
Stacey McTaggart  
Stacey Borgstadt

# Coffin Renner

A Limited Liability Partnership

January 25, 2018

Page 2

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document and related attachment were served on all parties of record as listed below on January 25, 2018 by email and United States first-class mail, hand delivery, or facsimile.

Natalie Dubiel (*via email and hand delivery*)

Railroad Commission of Texas

1701 N. Congress Ave., 12<sup>th</sup> Floor

Austin, Texas 78701

512-463-6684 (fax)

email: natalie.dubiel@rrc.texas.gov

Kate Norman

Kate Norman

**GAS UTILITIES DOCKET NO. 10656**

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

**UNANIMOUS SETTLEMENT AGREEMENT**

This Unanimous Settlement Agreement is entered into by and between Texas Gas Service Company, a division of ONE Gas, Inc. (“TGS” or the “Company”) and the Staff of the Railroad Commission of Texas (“Staff”), (collectively, the “Signatories”).

WHEREAS, on October 12, 2017, TGS filed a Statement of Intent to Increase Rates with the Railroad Commission of Texas (“Commission”), which TGS amended on November 17, 2017; and

WHEREAS, the Commission docketed the rate request as GUD No. 10656; and

WHEREAS, Staff sought intervention and was granted party status in GUD No. 10656; and

WHEREAS, the rate case expense issues were severed from the original filing and were docketed as GUD No. 10662; and

WHEREAS, the Commission suspended the implementation of the Company’s rate request until April 17, 2018; and

WHEREAS, TGS provided public notice by direct mail on December 18, 2017, to all affected customers in the form approved by the Examiners; and

WHEREAS, direct testimony of Staff was due on January 12, 2018, but Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, Staff and TGS have engaged in significant discovery regarding the issues in dispute; and

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers within the Rio Grande Valley (“RGV”) unincorporated or environs areas affected by this docket;<sup>1</sup> and

---

<sup>1</sup> “Unincorporated” and “environs” are used interchangeably in this Unanimous Settlement Agreement.



WHEREAS, the Signatories represent diverse interests and the Unanimous Settlement Agreement resolves the issues in GUD No. 10656 in a manner that the Signatories agree is consistent with the public interest; and

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

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the rate schedules attached to this Unanimous Settlement Agreement as Exhibit A. The environs portion of the total system-wide revenue deficiency in the Rio Grande Valley Service Area (“RGVSA”) is \$630,373. The rate schedules attached as Exhibit A replace and supersede the rate schedules currently in effect in the environs and unincorporated areas of the RGVSA. These rate schedules represent the environs portion, in the amount of \$500,882, and as illustrated in the proof of revenues attached as Exhibit B, of a system-wide revenue increase of an additional \$4.1 million in annual revenues for the entire RGV service area. The \$500,882 is composed of \$253,516 to be recovered through a base rate increase and a Pipeline Integrity Testing Rider which will recover an average of \$247,367 annually. Except as specifically provided herein, the Signatories agree that the \$500,882 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 RGVSA. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Unanimous Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Unanimous Settlement Agreement shall, subject to approval of the Commission, be effective for the unincorporated areas of the RGVSA for meters read on or after March 27, 2018.
2. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A.

	Customer Charge	Commodity Charge	
Residential	\$15.52	\$0.34028	
Commercial	\$58.00	\$0.31650	
Commercial – Church	\$40.00	\$0.31650	
Public Authority	\$45.00	\$0.38068	
Public Authority Transportation	\$400.00	First 5,000	\$0.38068
		Over 5,000	\$0.01595
Industrial	\$150.00	\$0.30336	
Industrial Transportation	\$400.00	First 5,000	\$0.30336
		Over 5,000	\$0.03453
Commercial Transportation	\$400.00	First 5,000	\$0.31650
		Over 5,000	\$0.01777

3. The Signatories agree that the depreciation rates for distribution and general plant in the RGVSA, as well as TGS Division plant and corporate plant depreciation rates, as shown on Exhibit C, are reasonable.
4. The Signatories agree that the Company's capital investment booked to plant through December 31, 2016, including investment identified in the Company's Interim Rate Adjustment filings, is prudent except for the misclassified truck net investment of \$121,760.
5. The Signatories agree that in future Interim Rate Adjustment filings and in future Statement of Intent filings TGS will separate, by project, adjustments to capital investment in its project reports.
6. The Signatories agree to the following actual capital structure and weighted cost of capital, including the pre-tax return, as shown below:

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	38.71%	3.940%	1.53%	1.53%
Common Equity	61.29%	9.50%	5.82%	7.37%
Rate of Return	100.000%		<b>7.35%</b>	<b>8.90%</b>

7. The Signatories agree that any Interim Rate Adjustment filing in the unincorporated areas of the RGVSA pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:
  - The capital structure and related components shall be as shown above in Item 6.
  - For the initial Interim Rate Adjustment filing and for all subsequent Interim Rate Adjustment filings, the depreciation rate for each account shall be as shown on Exhibit C.
  - For the initial Interim Rate Adjustment filing, the net plant in service shall be \$112,368,795 as shown on Exhibit D.
  - For the initial Interim Rate Adjustment filing, the customer charges as noted in Item 2 above will be the starting rates to which any IRA adjustment is applied.
  - Federal income taxes will be calculated using a 21% rate.
  - The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	55.71%
Commercial	33.42%
Public Authority	4.68%
Industrial	6.19%
Total Allocation	100.000%

8. The Signatories agree that the Company's proposed class revenue allocation is reasonable and should be approved.
9. To give effect to Texas Utilities Code § 104.059, the Signatories agree that the base year level of pension-related and other post-employment benefits expenses shall be as follows:

Description	Total
Pension	\$664,185
OPEB	\$19,365
Grand Total	\$683,550

10. Because there are no affiliate costs included in TGS's rate request, the Commission does not need to address whether the statutory standard in Texas Utilities Code § 104.055(b) for recovery of affiliate costs has been met.
11. The Signatories agree that TGS's cost of service calculations include a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017. TGS has allocated the cost of service reduction to its customer classes based on the base rate revenue allocation agreed to in Item 7 and reflected in the proof of revenues attached hereto as Exhibit B.
12. On January 23, 2018, the Commission directed the Commission Staff to analyze the impact of the Federal Tax Cut and Jobs Act of 2017 ("Act") on current gas utility rates and to develop recommendations to ensure that beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Act.
13. TGS will calculate, defer, and begin refunding to customers the rate reduction resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018 and the effective date of new rates under this Agreement no later than January 1, 2019. The method of calculation shall be determined by the Commission as a result of the action taken as described in Item 12. If the Commission has not expressed a preferred method of calculation at least forty-five (45) days prior to implementation of the refund, TGS shall still submit to Staff its proposed calculation no later than forty-five (45) days prior to the implementation of the refund.
14. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraphs in the Final Order in this docket:
  - Finding of Fact: On January 23, 2018, the Commission directed the Commission Staff to analyze the impact of the Federal Tax Cut and Jobs Act of 2017 ("Act") on current gas utility rates and to develop recommendations to ensure that beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Act.
  - Finding of Fact: It is reasonable that TGS submit to Staff no later than forty-five (45) days prior to implementation of the refund its proposed calculation resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018 and the effective date of the rates set by this Order.

- Finding of Fact: It is reasonable that TGS defer and begin refunding to customers no later than January 1, 2019, the rate reduction resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018, and the effective date of new rates set by this Order, subject to Staff's approval of the calculation. If the Commission takes action inconsistent with this Finding of Fact, the Commission's actions will control.
  - Ordering Paragraph: IT IS THEREFORE ORDERED that TGS submit to Staff no later than forty-five (45) days prior to implementation of the refund its proposed calculation resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018, and the effective date of the rates set by this Order. The proposed calculation shall be subject to Staff approval.
  - Ordering Paragraph: IT IS THEREFORE ORDERED that TGS shall defer and begin refunding to customers no later than January 1, 2019, the rate reduction resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018, and the effective date of new rates set by this Order, subject to Staff's approval of the calculation. If the Commission takes action inconsistent with this Ordering Paragraph, the Commission's actions will control.
15. The Signatories agree that the final impact of the reduction of the corporate income tax rate on deferred income tax and excess Accumulated Deferred Income Tax (ADIT) has not been measured at this time. TGS shall accrue on its books and records regulatory liabilities or assets to reflect the change in the corporate income tax rate under the Act. TGS shall accrue in such deferred accounts, effective from January 1, 2018, the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT. Such accounting will preserve the impacts of the tax rate change on deferred income tax and excess ADIT due to the Act for consideration in the next appropriate rate proceeding consistent with the Gas Utility Regulatory Act for TGS's Rio Grande Valley Service Area, including consideration of a line-item credit on customers' bills. The purpose of this requirement is to require gas utilities to track and record these amounts and does not constitute a determination that such amounts shall be included in rates established in a future rate proceeding. If the Commission takes action inconsistent with this provision as a result of Item 12, the Commission's actions will control.
16. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraphs in the Final Order in this docket:
- Finding of Fact: It is reasonable that TGS accrue on its books and records regulatory liabilities or assets to reflect the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.
  - Finding of Fact: It is reasonable that TGS shall accrue in such deferred accounts, effective from January 1, 2018, the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.

- Finding of Fact: It is reasonable that TGS accrue in deferred accounts the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT to preserve the impacts of the tax rate change due to the Act for consideration in the next appropriate rate proceeding consistent with the Gas Utility Regulatory Act for TGS's Rio Grande Valley Service Area, unless the Commission takes action inconsistent with this Finding of Fact, in which case, the Commission's actions will control.
- Ordering Paragraph: IT IS THEREFORE ORDERED that, effective from January 1, 2018, TGS shall accrue on its books and records regulatory liabilities or assets to reflect the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.
- Ordering Paragraph: IT IS THEREFORE ORDERED that the impacts of the Act on deferred income tax and excess ADIT will be preserved for consideration in the next appropriate rate proceeding consistent with the Gas Utility Regulatory Act for TGS's Rio Grande Valley Service Area, unless the Commission takes action inconsistent with this Ordering Paragraph, in which case, the Commission's actions will control.

17. TGS represents that its reasonable rate case expenses incurred through December 31, 2017, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Invoices Received	Invoices Due and Est. to Completion	Total
TGS Rate Case Expenses	\$38,602	\$25,000	\$63,602

18. TGS attaches as Exhibit E affidavits and invoices in support of the rate case expense amounts, and will supplement with additional invoices as they are processed. Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. Signatories agree that the recovery period for the applicable surcharge to recover rate case expenses shall be applied to environs and unincorporated customers in the RGVSA for a period of 12 months and that the surcharge shall be volume based. TGS shall recover estimated rate case expenses only to the extent they are actually incurred. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.
19. TGS shall file annually a rate case expense recovery report with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10656, within ninety (90) days after each calendar year end. The report shall include the volumes used by month by customer class during the applicable period, the amount of rate case expense recovered by month, and the outstanding balance by month as set out in Rate Schedule RCE-ENV. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:

- Finding of Fact: It is reasonable that TGS submit to 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. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of December 2017, plus the approved estimated expenses of \$25,000.
- Finding of Fact: It is reasonable that TGS file an annual Rate Case Expense Report with 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 within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
- 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 \_\_ within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

20. The Signatories agree to and propose the inclusion of the following Ordering Paragraphs in the Final Order in this docket:

- Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, TGS SHALL electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order.
- Ordering Paragraph: IT IS FURTHER ORDERED that any incremental change in rates approved by this Final Order and implemented by TGS shall be subject to refund unless and until TGS's tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315.

21. The Signatories agree to the admission of the following items, including any confidential portions:

- Texas Gas Service Company, a division of ONE Gas, Inc.'s Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area, filed on October 12, 2017, as amended on November 17, 2017, inclusive of all attachments and including the direct testimony of the following witnesses:
  - Stacey McTaggart
  - Stacey Borgstadt
- Affidavit of Damon Tucker attesting to Public Notice (filed January 3, 2018).
- Affidavit of Kate Norman attesting to the reasonableness of TGS's rate case expenses, attached as Exhibit E to this Unanimous Settlement Agreement.

22. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on October 12, 2017 and amended on November 17, 2017.
23. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Unanimous Settlement Agreement.
24. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous Settlement Agreement, then any Signator 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 Signator's entry into the Unanimous Settlement Agreement or its subsequent withdrawal.
25. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signator only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Unanimous Settlement Agreement governs a Signator's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signator outside this proceeding.
26. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 25<sup>TH</sup> day of January 2018.

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

By: Stephanie G. Houle by KWN  
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



**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 1Z**

**RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The unincorporated areas of the Rio Grande Valley Service Area include Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A Customer Charge per meter per month of	\$15.52 plus -
All Ccf @	\$0.34028 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-ENV.

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-ENV: 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 applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Supersedes Same Sheet Dated  
January 24, 2017

Meters Read On and After  
March 27, 2018

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 2Z**

**COMMERCIAL SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The unincorporated areas of the Rio Grande Valley Service Area include Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A Customer Charge per meter per month of \$58.00 plus (For Commercial Service)

\$40.00 plus (For Church Service)

All Ccf @ 0.31650 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-ENV.

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-ENV: 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.

Meters Read On and After  
March 27, 2018

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 4Z**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The unincorporated areas of the Rio Grande Valley Service Area include Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A Customer Charge per meter per month of	\$ 45.00 plus
All Ccf @	\$0.38068 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-ENV.

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

Taxes: Plus applicable taxes and fees related to above.

**CONDITIONS**

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

Supersedes Same Sheet Dated  
January 24, 2017

Meters Read On and After  
March 27, 2018

## **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 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, nonresidential customer for the transportation of customer owned natural gas through the Company's Rio Grande Valley distribution system which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, 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 month listed by customer class as follows:

Commercial	\$ 400.00 per month
Industrial	\$ 400.00 per month
Public Authority	\$ 400.00 per month

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

Commercial	The First 5000 Ccf @	\$ 0.31650 per Ccf
	All Over 5000 Ccf @	\$ 0.01777 per Ccf

**TRANSPORTATION SERVICE RATE**

**(Continued)**

Industrial	The First 5000 Ccf @	\$ 0.30336 per Ccf
	All Over 5000 Ccf @	\$ 0.03453 per Ccf
Public Authority	The First 5000 Ccf @	\$ 0.38068 per Ccf
	All Over 5000 Ccf @	\$ 0.01595 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 the provision of 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 Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 3) Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider RCE - ENV.
- 4) The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

**SUBJECT TO**

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation.
- 2) Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, 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.

**TEXAS GAS SERVICE COMPANY**  
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**RATE SCHEDULE T-TERMS**  
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**GENERAL TERMS AND CONDITIONS**  
**FOR TRANSPORTATION SERVICE**

**1.1 REQUIREMENTS FOR TRANSPORTATION SERVICE**

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

**1.2 DEFINITIONS**

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

<u>Adder:</u>	Shall mean the Company's incremental cost to purchase natural gas.
<u>Aggregation Areas:</u>	Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.
<u>Btu:</u>	Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a division of ONE Gas, Inc.
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.

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Electronic Flow Measurement (EFM):

A device that remotely reads a gas meter.

Gas or Natural Gas:

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

Mcf:

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

Month:

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

Monthly Tolerance Limit:

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

Payment in Kind (PIK):

Shall mean a reimbursement for lost and unaccounted for gas.

PDA:

Shall mean a predetermined allocation method.

Pipeline System:

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

Point of Delivery:

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

Point of Receipt:

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

Point Operator:

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

Qualified Supplier:

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

Regulatory Authority:

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

Service Area:

The area receiving gas utility service provided by the Company under the terms of this Tariff.

Tariff:

Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.

Transportation Form:

Shall mean the Company approved selection of transportation service document.

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Transportation Rate Schedule:

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

Transportation Service:

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

Week:

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

Year:

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

**1.3 COMPANY'S RESPONSIBILITY**

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

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

**1.4 CUSTOMER'S RESPONSIBILITY**

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

- a) Gas received by Company for the Customer shall be free from all adverse claims, liens, and encumbrances;
- b) Customer shall indemnify and hold Company harmless from and against all suits, actions, causes of action, claims and demands, including attorneys' fees and costs, arising from or out of any adverse claims by third parties claiming ownership of, or an interest in said gas caused by the failure to provide clear title to the gas;
- c) Customer acknowledges Company shall not be responsible in any way for damages or claims relating to the Customer's gas or the facilities of the Customer or others containing such gas prior to receipt into Company's facilities or after delivery to the Customer;
- d) Customer must provide Company with a signed Transportation Form identifying its Qualified Supplier. Customer may designate no more than one Qualified Supplier. This authorization shall be in a form agreeable to Company and shall remain in effect until a signed replacement is received by Company;
- e) Customer acknowledges the Qualified Supplier's responsibilities under Section 1.5;

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- f) Transportation Service is not available for a term less than twelve (12) months. Termination of transportation service may, at the Company's sole discretion, delay Customer's request to resume transportation service;
- g) Electronic flow measurement (EFM) may be required for Customers under transportation service, at the Company's sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any ongoing maintenance, repair, or communications costs;
- h) In the event Customer's source of gas supply is terminated by Customer's Qualified Supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the first of the month after thirty (30) calendar days advance notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond.

**1.5 QUALIFIED SUPPLIER'S RESPONSIBILITY**

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

- a) Qualified Suppliers shall aggregate their Customers' volumes for balancing purposes, into Aggregation Areas, as determined, in the Company's sole discretion.
- b) Qualified Supplier shall submit nominations to the Company's gas scheduling department, in accordance with their currently effective nomination process, which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities. Qualified Supplier shall not intentionally nominate more or less gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination.
- c) Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.
- d) Daily Quantity of Transportation Service Gas: Company shall receive and deliver gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, gas control limitations and other operating conditions, to stay in zero (0) imbalance each hour and each day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Customer shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero (0) imbalance as practicable.
- e) Quality of Transportation Service Gas: The gas procured by a Qualified Supplier, for receipt by Company, shall conform to the standards prescribed in Company's applicable rate schedules, Agreements, and applicable local, state or federal laws, rules and/or regulations.

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**1.6 IMBALANCES**

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

- a) If Company receives less Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, then Qualified Supplier shall purchase such under-delivered volumes at 105% of the applicable index, plus the Adder.
- b) If Company receives more Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, Qualified Supplier shall sell such excess Gas to Company at 95% of the applicable index.
- c) The applicable index and Adder will be defined in the Qualified Supplier Agreement and amended from time to time.
- d) A proportional share of any upstream pipeline transportation service charges and penalties incurred by the Company, that in whole or in part, are the result of Qualified Supplier's scheduling and/or managing the upstream transportation of the Customer's gas to Company's interconnection point(s) with the upstream pipeline(s). Proceeds from this charge will be credited to the Reconciliation Account. The Company will bill Qualified Supplier for these charges and penalties manually on a separate bill. Payment shall be required in accordance with applicable Rules of Service.
- e) The Company will provide monthly imbalance statements along with calculations of the charges in accordance with the aforementioned provisions to the Qualified Supplier each month.
- f) Payments for imbalance settlements will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the imbalance settlement provisions each month and only require periodic settlement rather than monthly payments.
- g) On or about fifteen (15) days after the Company receives necessary volumetric information from other parties for each Consumption Period after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Consumption Period showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the sixth (6th) Day of the Month in which the statement requiring such data is to be rendered.
- h) Both parties hereto shall have the right at any and all reasonable times within twenty four (24) months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.

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**RATE SCHEDULE NO. 1-ENV**  
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**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("Company") in its unincorporated areas in the Rio Grande Valley Service Area including the unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas and the revenue associated fees and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus an adjustment for any known and quantifiable under or over collection prior to the end of the reconciliation period.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of purchased gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments that were entered into after April 15, 2018, unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15th.
4. Reconciliation Component - The amount to be returned to or recovered from customers each month from December through August as a result of the Reconciliation Audit.

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**RATE SCHEDULE NO. 1-ENV**  
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5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on approved use of natural gas financial instruments, (b) the revenues received from operation of the provisions of this cost of gas clause reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues, (c) the total amount of refunds made to customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued during the period for imbalances under the transportation rate schedule(s) net of fees and applicable taxes, (e) the total amount of net Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to remove lost and unaccounted for gas during the period for volumes in excess of five (5) percent of purchases.
6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased by general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - .05)$  unless expressly authorized by the applicable regulatory authority.
7. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the cost of gas clause. Entries shall be made monthly to reflect, (a) the total amounts paid to the Company's supplier(s) for gas applicable to general service customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of approved natural gas financial instruments, (b) the revenues produced by the operation of this cost of gas clause, and (c) refunds, payments, or charges provided for herein or as approved by the regulatory authority, (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s), and (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.
8. Uncollectible Cost of Gas-The amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to the cost of gas clause. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting reconciliation component.

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**C. COST OF GAS**

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

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

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

**E. INTEREST ON FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6% per annum compounded monthly; or, (2) an amount equal to the outstanding under collected balance multiplied by interest of 6% per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return of 7.35%.

**F. SURCHARGE OR REFUND PROCEDURES**

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

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

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**RATE SCHEDULE NO. 1-ENV**  
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**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (g) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**H. ANNUAL RECONCILIATION REPORT**

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

1. A tabulation of volumes of gas purchased and costs incurred by month for the twelve months ending August 31.
2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues.
3. A description of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
5. A description of Uncollectible Cost of Gas during the period and its effect on the Cost of Gas Clause to date.

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

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TEXAS GAS SERVICE COMPANY

RULES AND REGULATIONS

RIO GRANDE VALLEY SERVICE AREA

Incorporated and unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties.

Effective for Meters Read On and After October 18, 2017 (Inc.) and March 27, 2018 (Env.)

Supersedes and Replaces Rules and Regulations pages dated January 27, 2014

Communications Regarding this Tariff  
Should Be Addressed To:

Texas Gas Service Company  
P. O. Box 531827  
Harlingen, Texas 78553-1827



TEXAS GAS SERVICE COMPANY  
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Applicant: Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

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<u>Automated Meter Reading (AMR):</u>	A device that remotely reads a gas meter.
<u>Average Day Usage:</u>	The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.
<u>Blanket Builder:</u>	A builder or someone acting for a builder who is invoiced for the installation of yardlines.
<u>Btu:</u>	Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
<u>Commercial Service:</u>	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company.
<u>Consumer:</u>	Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.

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<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (central clock time) on one calendar day and ending at 9:00 a.m. (central clock time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Domestic Service:</u>	Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.
<u>Electronic Document:</u>	Any document sent electronically via email or the internet.
<u>Electronic Flow Measurement (EFM):</u>	A device that remotely reads a gas meter.
<u>Electronic Fund Transfer (EFT):</u>	The process to convert a paper check or electronic bill payment request to an electronic transfer. Paper checks received by Company or their agents are destroyed.
<u>Electronic Radio Transponder (ERT):</u>	A device that remotely reads a gas meter.
<u>Excess Flow Valve (EFV):</u>	A safety device installed below ground inside the natural gas service line between the main and the meter intended to reduce the risk of accidents in limited situations.
<u>Expedited Service:</u>	Customer request for same day service or service during non-business hours for connection or reconnection of gas service.
<u>Gas or Natural Gas:</u>	Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.
<u>General Rate Schedule:</u>	A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.
<u>Industrial Service:</u>	Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.
<u>Irrigation or Irrigation Pumping Service:</u>	(SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.

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<u>Mcf:</u>	Shall mean one thousand (1,000) cubic feet of Gas.
<u>Month:</u>	Shall mean the period beginning at 9:00 a.m. central clock time on the first Day of each calendar month and ending at 9:00 a.m. Central clock time on the first Day of the next succeeding calendar month.
<u>Monthly Tolerance Limit:</u>	Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.
<u>Optional Rate Schedule:</u>	A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require installation of special equipment.
<u>Overtime Rate:</u>	The fee charged by the Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside the Company's normal business hours.
<u>Payment in Kind (PIK):</u>	Shall mean a reimbursement for lost and unaccounted for gas.
<u>PDA:</u>	Shall mean a predetermined allocation method.
<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of the Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.
<u>Point of Receipt:</u>	Shall mean the point or points where the Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
<u>Power Generation Service:</u>	Service to Consumers for the purpose of generating electricity. This service may be further divided into direct generation in which the gas is used to power the prime mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.
<u>Qualified Supplier:</u>	Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.

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<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Rio Grande Valley Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Special Rate Schedule:</u>	A rate schedule designed for a specific Customer.
<u>System:</u>	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over the Company or the services provided hereunder.
<u>Temporary Service:</u>	Any service which will not be utilized continuously at the same location for a period of two or more years.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.
<u>Transportation Rate Schedule:</u>	A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.
<u>Transportation Service:</u>	The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	Shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. Central clock time on each Monday and ending at the same time on the next succeeding Monday.
<u>Year:</u>	Shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

Section 2. [Reserved for future rules]

Section 3: RATES AND UTILITY CHARGES

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

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CONDITIONS OF SERVICE

4.1 PROVISION OF SERVICE

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

4.2 FEES AND CHARGES

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

4.3 RESALE OF GAS

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

4.4 CONTINUITY OF SERVICE

- a) Service interruptions
  - i) The Company shall make all reasonable efforts to prevent interruptions of service. When interruptions occur, the Company will reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of Customers is affected.
  - ii) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and will issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
  - iii) In the event of emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
- b) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of interruptions, date, time

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

- c) Report to Railroad Commission of Texas. The Commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four continuous hours. The notice shall also state the Company's belief as to the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this paragraph.
- d) The procedure under which curtailments of service will be made is described in the Curtailment Plan on file with the Railroad Commission of Texas.
- e) The Company does not guarantee uninterrupted service to any Customer and shall not be liable for damages resulting from any loss of service to any Customer.

4.5 AVAILABILITY OF TARIFF

A copy of this Tariff including all applicable rates can be requested through TGS's customer service number at 1-800-700-2443 (non-emergency number) or requested under the 'Contact Us' section of [www.texasgasservice.com](http://www.texasgasservice.com). Upon the request of any Customer or Applicant, the Company shall make copies of the Tariff which may be purchased by the Customer or Applicant through TGS's customer service. The Company may charge a fee for each copy not in excess of the Company's reasonable cost to reproduce the material.

4.6 CUSTOMER INFORMATION

The Company shall make available, during normal business hours, such additional information on Rates and Services as any Customer or Applicant may reasonably request. Upon any Customer's request, the Company shall inform the Customer how to read the Customer's meter. The Company shall annually provide each Customer with notice of the availability of a concise description in English and Spanish of the Customer's rights and the Company's obligations under this Tariff. A new Customer shall be provided with an informational brochure in the mail after requested service initiation or included with the first bill mailed.

4.7 CUSTOMER COMPLAINTS

Upon receipt of a complaint, either in writing or by telephone, from the Regulatory Authority on behalf of a Customer, the Company will make a suitable investigation and advise the Regulatory Authority and complainant of the results thereof. An initial response must be made by the next business day. The Company must make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period. Each complainant shall be advised of his or her right to file the complaint with the Regulatory Authority if not satisfied by the Company.

4.8 LIMITATION OF LIABILITY

The Customer assumes all responsibility for all facilities and their installation, maintenance, operation, functionality, testing and condition thereof on the Customer's side of the point of delivery of gas to the property of the Customer or to the premises of the Consumer, as defined in Section 6.2. The Company



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is not liable to a Customer, and Customer shall indemnify, hold harmless, and defend the Company and its employees or agents from any and all claims or liability for personal injury, damage to property, or any incidental, consequential, business interruption, or other economic damages or losses in any manner directly or indirectly connected to, arising from, or caused by acts or omissions of any person or party on the Customer's side of said point of delivery, as defined in Section 6.2.

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

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

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

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

## INITIATION OF SERVICE

### 5.1 REGULAR SERVICE

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

### 5.2 SPECIAL CONTRACTS

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

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5.3    TEMPORARY SERVICE

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

5.4    FEES AND CHARGES

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

Whenever the Applicant requests expedited service, the Company will accomplish the work as expeditiously as possible and the Customer will be charged at the Company's approved rate for service work. Expedited service and the charges therefore shall be made only on request of the Applicant. Whenever service is furnished from the facilities of a third party and the Company must pay any special fees to that third party, the Company may, at its option, pass that charge plus 20 percent for handling through to the Applicant requesting service. See Section 21.1 relating to fees for the above.

5.5    ESTABLISHMENT OF CREDIT

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

These deposits shall be computed in the same manner for the same class of service, provided however, that a deposit shall be waived if:

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

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5.6 GROUND FOR REFUSAL TO SERVE

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

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

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

5.7 REASONABLE TIME

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

METERING AND DELIVERY OF GAS

6.1 METER LOCATION

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

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

6.2 POINT OF DELIVERY

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

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Company at the point of delivery. The point(s) of delivery and point(s) of redelivery for Transportation Service shall be as provided in the contract entered into between the Customer and the Company.

6.3 MULTIPLE METERS

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

6.4 CONNECTION TO COMPANY FACILITIES

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

INSTALLATION OF EQUIPMENT

7.1 EQUIPMENT FURNISHED BY THE COMPANY

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

7.2 EQUIPMENT FURNISHED BY THE APPLICANT

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

7.3 STATUTES, CODES AND ORDINANCES

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

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7.4 CHECKS AND TESTS

The Company shall have the right to check new installations prior to initiation of service and to make any test of the Applicant's facilities it deems necessary, at no charge to the customer.

7.5 REFUSAL TO SERVE

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

EXTENSION OF FACILITIES

8.1 EXTENSION OF MAINS

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

8.2 DESIGN AND COST OF FACILITIES

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

8.3 ALLOWANCE FOR NEW BUSINESS

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

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8.4 ADVANCES

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

8.5 CONSTRUCTION OF FACILITIES

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

8.6 REVIEW OF ADVANCES

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

8.7 REFUND LIMITATIONS

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

8.8 DELIVERY OF REFUNDS

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

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CUSTOMER-OWNED SYSTEMS

9.1 INDIVIDUALLY METERED SYSTEMS

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

9.2 MASTER METERS

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

SECURITY DEPOSITS

10.1 REQUIREMENTS

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

10.2 RECEIPTS

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

10.3 INTEREST

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

- a) The deposit is held 30 days or less;
- b) Notice is sent to the Customer's last known address that the deposit is no longer required;
- c) The service to which the deposit relates has been discontinued; or

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- d) All or any part of the deposit has been applied to a delinquent account.

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

10.4 RETURN OF DEPOSITS

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

10.5 ACCEPTABLE FORMS OF DEPOSIT

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

- a) A cash deposit of as much as one-sixth (1/6) the estimated annual billings for service requested; but no less than the minimum deposit set forth in Section 21.2;
- b) A nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one-sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 21.2; or
- c) A surety bond issued by a reputable insurance company which can be drawn on for a minimum of 2 years.

10.6 FRANCHISE AGREEMENTS

To the extent the terms of a franchise agreement are inconsistent with this Section, the terms of the franchise agreement controls. Applicable to customers inside the corporate limits of an incorporated municipality that imposes a municipal franchise fee to Company for the gas service provided to Customer.

GAS MEASUREMENT

11.1 PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7" Water Column above the standard atmospheric pressure in the area served. The atmospheric pressure and the standard serving pressure determined to be the average in the cities and environs of the Rio Grande Valley Service Area are 14.40 psia and 14.65 psia, respectively.

The Consumer and the Company may, at the Company's option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load



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condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer's facilities shall not be permitted.

11.2 UNIT OF MEASUREMENT

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

11.3 BILLING UNIT

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

11.4 PRESSURE CORRECTION - STANDARD METERING

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

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

11.5 METERING - SPECIAL POSITIVE DISPLACEMENT

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

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devices designed to correct the actual volumes to the standard billing units. The following criteria shall be used in the correction of volumes or design and calibration of correcting devices:

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

11.6 METERING - SPECIAL ORIFICE

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

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

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11.7 BTU MEASUREMENT

The heating value of gas for use in billing shall be defined as the gross thermal value of one cubic foot of gas at a pressure of 14.65 psia and temperature of 60 degrees Fahrenheit on a dry basis. The number of billing units delivered shall be determined by multiplying the heating value determined in accordance with this Section by the volumes delivered during the period, expressed in the same units and measured at, or corrected to 14.65 psia and 60 degrees Fahrenheit, and multiplying by the factor necessary to convert the heating value/measurement units to the billing units provided in the appropriate rate schedule. The heating value of the gas shall be determined using one of the following methods:

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

11.8 CUSTOMER-OWNED METERS

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

METER READING AND ACCURACY

12.1 METER READING

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

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

If practical, an actual reading shall be made after two consecutive estimated bills. All meters in Special Service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Service Customer only. The Company will make a special reading of any meter upon request and payment of a service charge will be made in accordance with Section 21.1. The time of the special reading shall be agreed upon with the Customer so that he or she may be present. If the original reading

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was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.

12.2 ACCESS TO THE METER

The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 20 days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 21.1.

12.3 METER ACCURACY

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

12.4 METER TESTING AT CUSTOMER REQUESTS

The Company shall have the right to remove and/or test the meter used to determine the quantity of gas delivered. The Customer may request that the Company make a special test of the meter through which he or she is served. Requests for such tests shall be made in writing and the Company shall have 10 days after receipt of the request to remove the meter for testing or to test the meter in place. Tests on removed meters shall be conducted within a reasonable time. If the test is to be performed after the period of presumed accuracy listed by the manufacturer or if the test is to be performed for a residential or small commercial Customer for whom no such test has been performed within the previous four (4) years for the same Customer at the same location, no service charge will be assessed. Otherwise, the Customer shall pay a service charge for such test as specified in Section 21.1.

12.5 BILLING ADJUSTMENTS - GENERAL SERVICE

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

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12.6 PROVISIONS FOR SPECIAL SERVICE

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

- a) Orifice and turbine meters shall be tested at least four times per year at intervals not to exceed 120 days. Should the Customer so elect, tests shall be made in the presence of his or her representative.
- b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:
  - i) by using registration of Customer's check meter(s);
  - ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or
  - iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.

12.7 PERIODIC TESTS

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

BILLING AND PAYMENT OF BILLS

13.1 RENDERING OF BILLS

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

13.2 BILLING PERIOD

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

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13.3 ESTIMATED BILLS

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

13.4 DISPUTED BILLS

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

13.5 PAYMENT RE-PROCESSING FEE

The Company may charge or add to the Customer's account and collect a fee (as provided in Section 21.1d) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit and credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.

13.6 E-BILL

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

13.7 ALTERNATIVE PAYMENT OPTIONS

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

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QUALITY OF GAS

14.1 HEATING VALUE

Gas delivered to Consumers in all service areas shall have an average gross heating value of at least 900 British Thermal Units per cubic foot measured when saturated with water vapor at a pressure of 14.65 psia and temperature of 60 degrees Fahrenheit. Gas of lesser heating value may be delivered for short periods, providing that the average heating value for the calendar month in which the reduction occurs is equal to or greater than the standard and that the burning characteristics of the gas are not significantly altered.

14.2 CHARACTER OF GAS

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

14.3 ODORIZATION

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

SERVICE WORK

15.1 CERTAIN SERVICES PROVIDED AT NO CHARGE

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

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

15.2 OTHER SERVICE

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

15.3 EXPEDITED SERVICE

A Customer may request an expedited service. Charges may apply. (See Section 21 – Fees and

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Deposits)

15.4 NO ACCESS

A fee may be charged to a Customer who requests a specific time for service, if the Company agrees to the time, sends appropriate personnel to the appointed location and the Customer is not present to allow access to the premises. (See Section 21 – Fees and Deposits)

15.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

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

15.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

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

15.7 CODES AND ORDINANCES

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

15.8 INSPECTIONS AND TESTS

The Company shall have the right to inspect new installations and/or conversions of appliances and equipment prior to initiation of service and to require any test or repair of the Applicant's facilities it deems necessary, at no charge to the customer.

15.9 REFUSAL TO SERVE

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



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MAINTENANCE OF EQUIPMENT

16.1 MAINTENANCE BY COMPANY

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

16.2 MAINTENANCE BY THE CUSTOMER

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

16.3 LEAKS - RIGHT TO DISCONNECT FOR

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

16.4 FACILITIES CURRENTLY OWNED BY THE CUSTOMER

Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of Section 16.7 of this Tariff. New facilities will continue to be installed pursuant to Sections 7.1 and 7.2 of this Tariff.

16.5 RESPONSIBILITY

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

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16.6 RELOCATION OF COMPANY FACILITIES

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

16.7 REPLACEMENT OF CUSTOMER-OWNED PIPING

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

DISCONTINUANCE OF SERVICE

17.1 BY CUSTOMER

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

17.2 FOR NON-PAYMENT

The Company shall have the right to discontinue service to any Customer for non-payment of bills or other charges authorized by this Tariff or the applicable rate schedules, following the due date specified in Section 13.1 hereof. Before discontinuing service for non-payment, the Company shall mail a separate written notice to the Customer in English and Spanish with the words "TERMINATION NOTICE" or similar language prominently displayed. This notice shall include a telephone number to contact the Company, the amount of the delinquent bill and the date by which the bill must be paid to avoid disconnection; and a statement of how to contact the Company in case of illness or other emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customers as specified in Section 21.1.

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No Customer shall be disconnected for non-payment:

- a) Within a period of 5 working days after mailing of the notice or the day following the date indicated in the notice, whichever is the later time.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) Before 7:00 AM or after 7:00 PM on any day or on Friday, Saturday, Sunday, Holiday, or day before a holiday unless Company personnel are available the following day for the purpose of making collections or reconnecting service.
- d) If within 5 working days after the date of delinquency of the bill the Company receives a written request from the Customer not to discontinue service for health reasons and the request is accompanied by a written statement from a licensed physician. Upon receipt of such request, the Company will suspend termination of service for a period up to 20 days. The Customer shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

17.3 SPECIAL CONDITIONS

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

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

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prior to Supplier's request for disconnection, and provided that Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;

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

17.4 RIGHT OF ENTRY

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

17.5 ABANDONMENT OF SERVICE

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

RE-ESTABLISHMENT OF SERVICE

18.1 FOR NON-PAYMENT

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

18.2 FOR OTHER REASONS

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

18.3 RECONNECTION

The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Section. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 21.1. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 21.1. Customer shall be advised that an additional fee will be charged and

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must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected, the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 21.1 for fees.

NOTICE

19.1 GENERAL

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

AVERAGE BILL CALCULATION PLAN

20.1 DESCRIPTION-RESIDENTIAL

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

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

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- g) If any Customer in the ABC Plan shall cease, for any reason, to participate in the ABC Plan, then the Company may deny that Customer's reentry into the ABC Plan until the following year.

FEES AND DEPOSITS

21.1 FEES

a) Initiation of Service:

- i) Connect: (Section 5.4) \$35.00

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

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

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

- iii) Special Handling & Expedited Service: (Sections 5.4 and 15.3)

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

- 1) Special Handling \$6.00

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

- 2) Expedited Service and Overtime Rate \$67.50

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

- b) Services - Others As stated below

Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.

- c) Customer Requested Meter Test: (Section 12.4)

Positive Displacement	<u>Charge</u>
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Up to 1500 cubic feet per hour	\$80.00
Over 1500 cubic feet per hour	\$100.00

Orifice Meters

All sizes	\$100.00
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d) Payment Re-processing Fee: (Section 13.5) \$25.00

e) Collection Fee: (Section 17.2) \$12.00

A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice necessitates the dispatch of a Company representative to attempt collection of payment from Customer.

f) Reconnect Fees: (Section 13.3) \$35.00

A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service.

(i) Regular Labor and After Hours Rates \$45.00 (Regular)  
\$67.50 (After Hours)

Charge for non-routine services including but not limited to repeat high bill investigations and building meter loops.

g) Special Read: (Section 12.1) \$10.00

A special read fee shall be charged for customer requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.4.

h) Meter Exchange (Customer Request): (Section 16.6) \$100.00 without ERT  
\$150.00 with ERT

A fee will be charged for customers requested meter exchanges when a meter is working properly or is done for the customer's convenience.

i) Unauthorized Consumption (Section 16.2) \$20 plus expenses

Charges for the replacement of an illegally broken meter seal or locking device to the Customer who could be reasonably expected to benefit from gas service received through said meter.

j) No Access Fee (Section 15.4) \$10.00

A fee charged to a Customer who schedules an appointment but fails to appear.

k) Meter Removal Fee (Section 12.2) \$50.00

TEXAS GAS SERVICE COMPANY  
Rio Grande Valley Service Area

- l) Account Research Fee \$25.00/hr

A fee will be charged for Customer account information requiring research of accounting/billing information.

- m) Excess Flow Valve Installation Fee \$400.00

Pursuant to Code of Federal Regulations, §192.383(d) a fee for installation of an excess flow valve (EFV) will be assessed when a Customer requests such installation on the Customer's service line. The EFV will be installed at a date mutually agreeable to both Company and Customer, but after January 1, 2018. The Company reserves the sole right to conduct any required maintenance that may result from the installation. The customer shall be assessed a one-time installation fee.

- n) Meter Tampering – Residential: (Section 16.2) \$100.00

A fee will be charged to repeat customers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).

21.2 DEPOSITS

- a) Advances: (Section 8.4) As stated below

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

- b) Customer Deposits: (Section 10.1) As stated below

Minimum deposit residential: \$75.00  
Minimum non residential deposit: \$250.00



**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE WNA**  
**Page 1 of 2**

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**

**APPLICABILITY**

The Weather Normalization Adjustment Clause (WNA) shall apply to the following general service rate schedules of Texas Gas Service Company in the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. Texas Rate Schedules 10, 20, and 40 1Z, 2Z and 4Z The WNA shall be effective during the September through May billing cycles.

**PURPOSE**

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

**WNA MECHANISM**

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

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

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

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

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

CB = Number of customers billed for the billing period.

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE WNA**  
**Page 2 of 2**

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**

**(Continued)**

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

Residential 0.07259; Commercial 0.98320; Church 0.09139; Public Authority 1.42468

CV = Current Volumes for the billing period.

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

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

Supersedes same Rate Schedule dated  
September 1, 2009 (Incorporated)  
April 30, 2007 (Environs)

Meters Read On and After  
October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE RCE-ENV**

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to Gas Utilities Docket No. 10656: 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 Rio Grande Valley 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 of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas: 1Z, 2Z, 3Z, 4Z, and T-1-ENV.

**B. RCE RATE**

All Ccf during each billing period:                      \$0.01071 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 \$38,602 in actual expense and up to \$25,000 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

**C. OTHER ADJUSTMENTS**

Taxes: Plus applicable taxes and fees 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

Meter Read On and After  
March 27, 2018

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE RCE-ENV**

**E. Compliance**

The Company shall file an annual rate case expense reconciliation report within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered. The Company shall file the report with the Commission addressed to the Director of Oversight and Safety Division and referencing Gas Utilities Docket No. 10656. Rate Case Expense Recovery Report. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Compliance Filing  
Oversight and Safety Division  
Gas Services Dept.  
Railroad Commission of Texas  
P.O. Drawer 12967  
Austin, TX 78711-2967

Initial Rate Schedule

Meter Read On and After  
March 27, 2018

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE PIT**  
**Page 1 of 3**

**PIPELINE INTEGRITY TESTING (PIT) RIDER**

**PURPOSE**

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

**APPLICABILITY**

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

**TERRITORY**

This Rider shall apply throughout the Company’s Rio Grande Valley Service Area (“RGVSA”), in the Incorporated and Unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**QUALIFYING EXPENSES**

This Rider applies only to the legally mandated safety testing of the Company’s transmission lines in the RGVSA under the Pipeline Integrity Safety Testing Program. The operating and maintenance expense items that qualify for recovery under this Rider shall include the contractor costs associated with land and leak survey, permitting, and job order preparation and completion; the clearing of right-of-way; any needed notifications to adjacent businesses and residences; traffic control equipment and personnel; Direct Current Voltage Gradient (“DCVG”), Close Interval (“CI”), and other surveys to ensure the integrity of the pipeline system; any required rigid bypasses; flushing of the lines and testing and disposal of the flush water; hydrostatic testing of the lines and analysis and disposal of the test water; any required “pigging” of the lines in

Initial Rate Schedule

Meters Read On and After  
October 18, 2017 (Incorp.)  
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**RATE SCHEDULE PIT**  
**Page 2 of 3**

connection with safety testing; any required x-ray welding; metallurgical testing of the pipeline or components thereof; site restoration, painting, and clean-up; expenses associated with providing a supply of compressed natural gas ("CNG") to ensure uninterrupted service to customers during testing; and any other operating and maintenance expenses reasonably necessary to safely and effectively perform required safety testing of the Company's pipelines in the RGVSA. In addition, unrecovered 2016 PIT expenses shall be included for recovery. Neither capital expenditures by the Company, nor the labor cost of TGS employees, shall be recovered under this Rider.

**CALCULATION OF PIT SURCHARGES**

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

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

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

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

**ANNUAL RECONCILIATION**

After completion of each annual recovery period, the total revenues collected under this Rider for that year shall be reconciled against the revenues previously calculated to be collected for that year, and the PIT Surcharge for each class shall be adjusted upward or downward so that the Company recovers any under recoveries or refunds any over recoveries that may have accrued under the Rider, plus monthly interest on those under recoveries or over recoveries at the cost of long-term debt approved in the Company's most recent general rate case in which rates were set by the regulatory authority for application to customers in the RGVSA. The reconciliation report shall be filed with the regulatory authority on or before February 1 of each year. The regulatory authority shall review the reconciliation report and may request additional data supporting the reconciliation. The regulatory authority shall complete its review of the reconciliation within sixty days of each year's filing, and will authorize the succeeding PIT Surcharge after ordering any necessary adjustments based on its review of the reconciliation report so that the Company can implement the reconciled PIT Surcharges beginning with the first billing cycle for April of each succeeding year.

**DEFERRED ACCOUNTING**

Initial Rate Schedule

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## **TEXAS GAS SERVICE COMPANY**

### **Rio Grande Valley Service Area**

## **RATE SCHEDULE PIT**

### **Page 3 of 3**

The Company is authorized and directed to defer, as a regulatory asset, all Pipeline Integrity

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

### **ANNUAL REPORT**

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

### **NOTICE TO AFFECTED CUSTOMERS**

In addition to the annual report and Addendum to this Rider required above, the Company shall provide, on or before March 31 after each calendar year, written notice to each affected customer of (a) the PIT Surcharge that will be applied during the ensuing 12-month period from April 1st through March 31, and (b) the effect the PIT Surcharge is expected to have on the average monthly bill for each affected customer class. The written notice shall be provided in both English and Spanish, shall be the only information contained on the piece of paper on which it is printed, and may be provided either by separate mailing or by insert included with the Company's monthly billing statements. The Company shall also file an affidavit annually with the Commission and the RGVSA Cities certifying that notice has been provided to customers in this manner. The notice shall be presumed to be complete three calendar days after the date the separate mailing or billing statement is deposited in a postage-paid, properly addressed wrapper in a post office or official depository under care of the United States Postal Service. The initial notice shall be filed with, reviewed, and approved by the regulatory authority, and each subsequent notice shall follow the same format as that of the approved initial notice.

Initial Rate Schedule

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**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE PIT-RIDER**

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

**A. APPLICABILITY**

The Pipeline Integrity Testing Surcharge (PIT) rate as set forth in Section (B) below is pursuant to Rate Schedule PIT. This rate shall apply to the following rate schedules of Texas Gas Service Company in the incorporated and unincorporated areas of and adjacent the Rio Grande Valley Service Area (RGVSA): 10, 20, 30, 40, T-1, 1Z, 2Z, 3Z, 4Z, and T-1-ENV.

**B. PIT RATE**

\$0.00 per Ccf

This rate will be in effect until all approved and expended pipeline integrity testing expenses are recovered under the applicable rate schedules.

**C. OTHER ADJUSTMENTS**

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

**D. CONDITIONS**

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

Initial Rate Schedule

Meters Read On and After  
March 27, 2018



## **PIPELINE SAFETY AND REGULATORY PROGRAM FEES**

### **TEXAS ADMINISTRATIVE CODE**

**TITLE 16** ECONOMIC REGULATION

**PART 1** RAILROAD COMMISSION OF TEXAS

**CHAPTER 8** PIPELINE SAFETY REGULATIONS

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

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

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

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

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

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

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

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

PIPELINE SAFETY PROGRAM FEES  
(Continued)

- (B) shall not be billed before the operator remits the pipeline safety and regulatory program fee to the Commission;
- (C) shall be applied in the billing cycle or cycles immediately following the date on which the operator paid the Commission;
- (D) shall not exceed \$1.00 per service or service line (*For calendar year 2016 the annual pipeline safety program fee, billed effective with meters read on and after March 29, 2017, Texas Gas Service Company will bill all customers a one-time customer charge per bill of \$0.94, based on \$1.00 per service line*); and
- (E) shall not be billed to a state agency, as that term is defined in Texas Utilities Code, §101.003.
- (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each operator of a natural gas distribution system shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
- (A) the pipeline safety and regulatory program fee amount paid to the Commission;
  - (B) the unit rate and total amount of the surcharge billed to each customer;
  - (C) the date or dates on which the surcharge was billed to customers; and
  - (D) the total amount collected from customers from the surcharge.
- (5) Each operator of a natural gas distribution system that is a utility subject to the jurisdiction of the Commission pursuant to Texas Utilities Code, Chapters 101 - 105, shall file a generally applicable tariff for its surcharge in conformance with the requirements of §7.315 of this title, relating to Filing of Tariffs.
- (6) Amounts recovered from customers under this subsection by an investor-owned natural gas distribution system or a cooperatively owned natural gas distribution system shall not be included in the revenue or gross receipts of the system for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122, nor shall such amounts be subject to a sales and use tax imposed by Chapter 151, Tax Code, or Subtitle C, Title 3, Tax Code.
- (c) Natural gas master meter systems. The Commission hereby assesses each natural gas master meter system an annual pipeline safety and regulatory program fee of \$100 per master meter system.
- (1) Each operator of a natural gas master meter system shall remit to the Commission the annual pipeline safety and regulatory program fee of \$100 per master meter system no later than June 30 of each year.

PIPELINE SAFETY PROGRAM FEES  
(Continued)

- (2) The Commission shall send an invoice to each affected natural gas master meter system operator no later than April 30 of each year as a courtesy reminder. The failure of a natural gas master meter system operator to receive an invoice shall not exempt the natural gas master meter system operator from its obligation to remit to the Commission the annual pipeline safety and regulatory program fee on June 30 each year.
- (3) Each operator of a natural gas master meter system shall recover as a surcharge to its existing rates the amounts paid to the Commission under paragraph (1) of this subsection.
- (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each natural gas master meter system operator shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
- (A) the pipeline safety and regulatory program fee amount paid to the Commission;
  - (B) the unit rate and total amount of the surcharge billed to each customer;
  - (C) the date or dates on which the surcharge was billed to customers; and
  - (D) the total amount collected from customers from the surcharge.
- (d) Late payment penalty. If the operator of a natural gas distribution system or a natural gas master meter system does not remit payment of the annual pipeline safety and regulatory program fee to the Commission within 30 days of the due date, the Commission shall assess a late payment penalty of 10 percent of the total assessment due under subsection (b) or (c) of this section, as applicable, and shall notify the operator of the total amount due to the Commission.

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

### Recommended Rates

Total Impact of Changing Federal Income Tax Rate to 21% and Rate Base Adjustment																			RGVSA Incorporated Settlement	Service Charges and Other Revenue	Cost of Gas	% Change (Non Gas Revenue)	% Change (Total Revenue)
Line	Description	Bills	Volumes	Customer Charge	Usage Charges	Calculated Revenue at Recommended Rates	Assigned Revenue	Rounding Diff.	Test Year As Adjusted Revenue	Revenue Change Excluding PIT	PIT	Revenue Change With PIT	Regulatory Expenses	Total Revenue Change									
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(k)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)					
1	Residential																						
2	Incorporated	704,248	All Ccf	8,443,800	\$15.52	0.34028	\$13,803,189.38	\$13,803,195.69	\$12,803,962.89	\$999,226.49													
3	Environs	42,173		500,456	\$15.52	0.34028	824,827	824,827	752,238	72,589													
4	Total Residential	746,422		8,944,256			\$14,628,016	\$14,628,023	\$13,556,201	\$1,071,815													
5																							
6	Commercial																						
7	Incorporated	40,084	All Ccf	16,788,881	\$58.00	0.31650	\$7,638,556.68	\$7,649,110.26	\$8,302,763.76	-\$664,207.08													
8	Environs	1,846.75		1,074,085	\$58.00	0.31650	447,060	446,272	333,960	113,100													
9		41,931		17,862,966			\$8,085,616	\$8,095,382	\$8,636,723	\$(551,107)													
10	Church																						
11	Incorporated	3,252	All Ccf	108,104	\$40.00	0.31650	164,290	153,724.63	106,341	57,949													
12	Environs	150		6,916	40.00	0.31650	8,182	8,969	8,021	161													
13		3,402		115,020			172,472	162,693	114,362	58,110													
14	Total Commercial																						
15	Incorporated	43,336	All Ccf	16,896,985			\$7,802,847	\$7,802,825.93	\$8,409,105	\$(606,258)													
16	Environs	1,997		1,081,001			455,241	455,240	341,980.43	113,261													
17	Total Commercial	45,333		17,977,986			\$8,258,088	\$8,258,066	\$8,751,085	\$(492,997)													
18																							
19	Industrial																						
20	Incorporated	377	All Ccf	733,645	\$150.00	0.30336	\$279,053.75	\$279,052	\$421,191.56	-\$142,137.80													
21	Environs	186		1,056,606	\$150.00	0.30336	348,407	348,404	222,256	126,151													
22	Total Industrial	562		1,790,252			\$627,461	\$627,456	\$643,447	\$(15,987)													
23																							
24	Public Authority																						
25	Incorporated	5,435	All Ccf	1,747,951	\$45.00	0.38068	\$909,967.60	\$909,970.05	\$978,966.54	-\$68,998.94													
26	Environs	872		217,830	\$45.00	0.38068	122,182	122,260	107,260	14,921													
27	Total Public Authority	6,307		1,965,782			\$1,032,149	\$1,032,152	\$1,086,227	\$(54,078)													
28																							
29	Transportation - Commercial		Incorporated																				
30	Incorporated	157	First 5000	932,685.46	\$400.00	0.31650	\$394,580	\$394,580															
31	Environs	83	Over 5000	2,053,872		0.01777																	
32			Environs																				
33			First 5000	252,329.54	\$400.00	0.31650	\$122,849	\$122,849															
34			Over 5000	555,656.27		0.01777																	
35																							
36	Transportation - Industrial		Incorporated																				
37	Incorporated	291	First 5000	1,406,220	\$400.00	0.30336	\$760,631	\$760,631															
38	Environs	153	Over 5000	6,304,612		0.03453																	
39			Environs																				
40			First 5000	380,440	\$400.00	0.30336	\$235,564	\$235,564															
41			Over 5000	1,705,655		0.03453																	
42																							
43	Transportation - Public Authority		Incorporated																				
44	Incorporated	55	First 5000	322,633	\$400.00	0.38068	\$150,770	\$150,770															
45	Environs	29	Over 5000	372,371		0.01595																	
46			Environs																				
47			First 5000	87,286	\$400.00	0.38068	\$46,424	\$46,424															
48			Over 5000	100,741		0.01595																	
49																							
50	Total Incorporated Transportation	503		11,392,392			\$1,305,981	\$1,305,981	\$1,217,827.98	\$88,153.33													
51	Total Environs Transportation	265		3,082,108			\$404,836.87	\$404,837	478,243	(73,407)													
52	Total Transportation	768		14,474,500			\$1,710,818	\$1,710,818	\$1,696,071.46	\$14,746.73													
53																							

[illegible]

**TEXAS GAS SERVICE COMPANY  
RIO GRANDE SERVICE AREA  
SETTLED DEPRECIATION/AMORTIZATION RATES FOR RATE FILING GUD NO. 10656 WITH TEST YEAR END DECEMBER 31, 2016**

**DEPRECIATION/AMORTIZATION RATES FOR RGVSA DIRECT, TGS DIVISION AND ONE GAS CORPORATE**

LINE NO.	DESCRIPTION	RGVSA DIRECT ANNUAL DEPR/AMORT RATES (a)	TGS DIVISION ANNUAL DEPR/AMORT RATES (b)	ONE GAS CORPORATE ANNUAL DEPR/AMORT RATES (c)
<b>GATHERING AND TRANSMISSION PLANT</b>				
1	(366) Meas/Reg Station Structures	2.7900%		
2	(367) Mains	2.2900%		
3	(368) Compressor Station Equip	2.3500%		
4	(369) Measure/Reg. Station Equipment 2)	4.0500%		
5	(371) Other Equipment	5.0400%		
<b>DISTRIBUTION PLANT</b>				
6	(375.1) Structures & Improvements	2.4200%		
7	(376) Mains	1.8500%		
8	(376.9) Mains - Cathodic Protection Anodes 3)	6.6667% (Note 1)		
9	(378) Meas. & Reg. Station - General	2.1400%		
10	(379) Meas. & Reg. Station - C.G.	1.7000%		
11	(380) Services	2.3100%		
12	(381) Meters	3.8600%		
13	(382) Meter Installations	3.8600%		
14	(383) House Regulators	2.8800%		
15	(385) Indust. Meas. & Reg. Stat. Equipment	2.1100%		
16	(386) Other Property on Customer Premises	2.4400%		
<b>GENERAL PLANT</b>				
17	(390.1) Structures & Improvements	3.5100%	2.7700%	
18	(390.2) Leasehold Equipment		17.3913%	10.1500%
19	(391.1) Office Furniture & Fixtures	6.6667%	6.6667%	6.6667%
20	(391.3) Office Machines			5.0000%
21	(391.4) Audio Visual Equipment			20.0000%
22	(391.6) Purchased Software			7.6923%
23	(391.6) Banner Software			7.6923%
24	(391.6) PowerPlant System			7.6923%
25	(391.6) Riskworks			7.6923%
26	(391.6) Maximo			7.6923%
27	(391.6) Dynamic Risk Assessment			7.6923%
28	(391.6) Concur Project			7.6923%
29	(391.6) Journey-Employee Count			7.6923%
30	(391.6) Journey-Employee-ODC Distrigas			7.6923%
31	(391.6) Ariba Software			7.6923%
32	(391.8) Micro Computer Software			20.0000%
33	(391.9) Computer & Equipment	10.0000%	14.2857%	
34	(392) Transportation Equipment	12.3000%		
35	(393) Stores Equipment	6.6667%		
36	(394) Tools, Shop & Garage	6.6667% (Note 2)	6.6667%	
37	(394.1) Tools, Shop & Garage	6.6667% (Note 2)		
38	(396) Major Work Equipment	11.6800%		
39	(397) Communication Equipment	6.6667%	6.6667%	5.0000%
40	(398) Miscellaneous General Plant		6.6667%	

Note 1: The recommended amortization period for Acct 376.9 is 15 years. The test year plant balance includes vintages older than the amortization period of 15 years; therefore, an accrual rate of 5.4800% was utilized in the cost of service schedules. Once the amortization period is approved, the retirements will be made and Dr. White's recommended amortization of 15 years (or rate of 6.6667%) will be utilized to calculate depreciation expense.

Note 2: The recommended amortization period for Acct 394 and 394.1 is 15 years. The test year plant balance includes vintages older than the amortization period of 15 years; therefore, an accrual rate of 6.6200% was utilized in the cost of service schedules. Once the amortization period is approved, the retirements will be made and Dr. White's recommended amortization of 15 years (or rate of 6.6667%) will be utilized to calculate depreciation expense.

**RIO GRANDE VALLEY SERVICE AREA  
SETTLED NET PLANT FOR RATE FILING WITH TEST YEAR END DECEMBER 31, 2016**

**NET PLANT FOR RGVSA DIRECT, TGS DIVISION AND ONEGAS CORPORATE**

LINE NO.	DESCRIPTION	TOTAL RGVSA PLANT (a)	TOTAL RGVSA CCNC (b)	TOTAL RGVSA PLANT AND CCNC (c)	TOTAL RGVSA ACCUMULATED RESERVES (d)	TOTAL RGVSA NET PLANT (e)
<b>INTANGIBLE PLANT</b>						
1 (301) Organization	\$	-	\$	-	\$	-
2 (302) Franchises & Consents		-	-	-	-	-
3 (303) Misc. Intangible		-	-	-	-	-
4 Total Intangible Plant	\$	-	\$	-	\$	-
<b>GATHERING AND TRANSMISSION PLANT</b>						
5 (325) Land & Land Rights	\$	-	\$	-	\$	-
6 (327) Field Comprss Station Strcutres		-	-	-	-	-
7 (328) Field Meas/Reg Station Structures		-	-	-	-	-
8 (329) Other Structures		-	-	-	-	-
9 (332) Field Lines		-	-	-	-	-
10 (333) Field Compressor Station Equip		-	-	-	-	-
11 (336) Purification Equipment		-	-	-	-	-
12 (337) Other Equip		-	-	-	-	-
13 (365) Land & Land Rights		60,856	-	60,856	-	60,856
14 (366) Meas/Reg Station Structures		27,231	-	27,231	(7,345)	19,886
15 (367) Mains		15,196,063	1,654,346	16,850,409	3,499,208	20,349,617
16 (368) Compressor Station Equip		19,687	-	19,687	(6,277)	13,410
17 (369) Measure/Reg. Station Equipment		5,814,167	486,056	6,300,223	606,042	6,906,265
18 (371) Other Equipment		53,866	1,638	55,504	298	55,802
19 (334) Field Meas/Reg Station Equipment		-	-	-	0	0
20 Total Gathering and Transmission Plant	\$	21,171,871	\$	2,142,040	\$	4,091,926
<b>DISTRIBUTION PLANT</b>						
21 (374) Land & Land Rights	\$	-	\$	-	\$	-
22 (374.1) Land & Land Rights		4,952	-	4,952	-	4,952
23 (374.2) Land & Land Rights		35,457	-	35,457	(38,497)	(3,040)
24 (375) Structures & Improvements		-	-	-	(91,633)	(91,633)
25 (375.1) Structures & Improvements		114,218	-	114,218	-	114,218
26 (375.2) Other Distr Systems Struct		-	-	-	-	-
27 (376) Mains		39,253,191	2,119,017	41,372,208	(11,736,272)	29,635,936
28 (376.9) Mains - Cathodic Protection Anodes		6,330,140	-	6,330,140	-	6,330,140
29 (377) Compressor Station Equipment		-	-	-	-	-
30 (378) Meas. & Reg. Station - General		2,923,018	127,404	3,050,421	(43,120)	3,007,301
31 (379) Meas. & Reg. Station - C.G.		799,981	692,538	1,492,519	21,378	1,513,897
32 (380) Services		28,084,419	359,200	28,443,619	(6,290,501)	22,153,118
33 (380.1) Ind Service Line Equip		-	53,820	53,820	-	53,820
34 (380.2) Comm Service Line Equip		(3,147)	79,584	76,437	-	76,437
35 (380.4) Yard Lines-Customer Svc		-	5,615	5,615	-	5,615
36 (380.6) Services - Tie-Ins Total		-	-	-	-	-
37 (381) Meters		10,999,635	103,163	11,102,797	(5,548,068)	5,554,729
38 (382) Meter Installations		-	3,245	3,245	(3,572)	(327)
39 (383) House Regulators		3,361,895	4,175	3,366,069	(2,006,332)	1,359,738
40 (385) Indust. Meas. & Reg. Stat. Equipment		623,549	208,813	832,362	167,365	999,728
41 (386) Other Property on Customer Premises		6,144	-	6,144	(6,144)	-
42 (387) Meas. & Reg. Stat. Equipment		-	-	-	-	-
43 Total Distribution Plant	\$	92,533,451	\$	3,756,573	\$	(25,575,397)
<b>GENERAL PLANT</b>						
44 (389) Land & Land Rights		-	-	-	-	-
45 (389.1) Land & Land Rights		127,368	-	127,368	-	127,368
46 (390) Structures & Improvements		-	-	-	-	-
47 (390.1) Structures & Improvements		1,650,526	-	1,650,526	(784,317)	866,209
48 (390.2) Leasehold Improvements		116,353	442	116,795	(27,605)	89,190
49 (391) Office Furniture & Equipment		-	(22)	(22)	-	(22)
50 (391.1) Office Furniture & Equipment		306,706	-	306,706	(116,735)	189,970
51 (391.19) Airplane Hanger Furniture		-	-	-	-	-
52 (391.2) Data Processing Equipment		-	-	-	-	-
53 (391.3) Office Machines		79,669	-	79,669	(6,173)	73,496
54 (391.4) Audio Visual Equipment		32,544	81,776	114,321	(8,973)	105,348
55 (391.5) Artwork		-	-	-	-	-
56 (391.6) Ariba Software		1,891	-	1,891	(749)	1,143

**RIO GRANDE VALLEY SERVICE AREA  
SETTLED NET PLANT FOR RATE FILING WITH TEST YEAR END DECEMBER 31, 2016**

**NET PLANT FOR RGVSA DIRECT, TGS DIVISION AND ONEGAS CORPORATE**

LINE NO.	DESCRIPTION	TOTAL RGVSA	TOTAL RGVSA CCNC	TOTAL RGVSA	TOTAL RGVSA	TOTAL RGVSA NET
		PLANT		PLANT AND CCNC	ACCUMULATED RESERVES	
		(a)	(b)	(c)	(d)	(e)
57 (391.6) Banner Software		1,527,018	125,770	1,652,788	(1,329,195)	323,593
58 (391.6) Concur Project		1,341	-	1,341	(1,341)	-
59 (391.6) Dynamic Risk Assessment		-	-	-	-	-
60 (391.6) Journey-Employee Count		52,025	-	52,025	(12,456)	39,570
61 (391.6) Journey-Employee-ODC Dstrigas		1,751,039	-	1,751,039	(290,901)	1,460,138
62 (391.6) Maximo		79,272	-	79,272	(40,528)	38,744
63 (391.6) PowerPlant System		20,832	-	20,832	(4,253)	16,579
64 (391.6) Purchased Software		1,215,411	161,375	1,376,786	(340,474)	1,036,312
65 (391.6) Riskworks		-	-	-	-	-
66 (391.8) Micro Computer Software		76,210	-	76,210	(31,766)	44,444
67 (391.9) Computer & Equipment		1,782,687	-	1,782,687	(915,925)	866,762
68 (392) Transportation Equipment		3,018,607	202,674	3,221,281	(5,244)	3,216,037
69 (392.2) Pickup Trucks & Vans		-	32,868	32,868	-	32,868
70 (392.6) Aircraft		-	-	-	-	-
71 (393) Stores Equipment		13,701	-	13,701	(9,357)	4,344
72 (394) Tools, Shop & Garage		2,509,410	6,475	2,515,885	(1,086,779)	1,429,106
73 (394.1) Tools		-	66,822	66,822	-	66,822
74 (394.2) Shop Equipment		-	-	-	-	-
75 (395) CNG Equipment		-	-	-	-	-
76 (396) Major Work Equipment		367,978	26,348	394,326	-	394,326
77 (397) Communication Equipment		4,432,667	-	4,432,667	(607,313)	3,825,354
78 (397.2) Telephone Equipment		-	-	-	-	-
79 (398) Miscellaneous General Plant		-	-	-	631	631
80 Total General Plant		<u>\$ 19,163,254</u>	<u>\$ 704,528</u>	<u>\$ 19,867,782</u>	<u>\$ (5,619,451)</u>	<u>\$ 14,248,331</u>
81 Total Plant In Service		<u>\$ 132,868,576</u>	<u>\$ 6,603,141</u>	<u>\$ 139,471,717</u>	<u>\$ (27,102,922)</u>	<u>\$ 112,368,795</u>



**GAS UTILITIES DOCKET NO. 10656**

<b>STATEMENT OF INTENT OF</b>	<b>§</b>	
<b>TEXAS GAS SERVICE COMPANY, A</b>	<b>§</b>	<b>BEFORE THE</b>
<b>DIVISION OF ONE GAS, INC. TO</b>	<b>§</b>	
<b>INCREASE GAS UTILITY RATES</b>	<b>§</b>	<b>RAILROAD COMMISSION</b>
<b>WITHIN THE UNINCORPORATED</b>	<b>§</b>	
<b>AREAS OF THE RIO GRANDE</b>	<b>§</b>	<b>OF TEXAS</b>
<b>VALLEY SERVICE AREA</b>	<b>§</b>	

**AFFIDAVIT OF KATE NORMAN**

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

1. “My name is Kate Norman. I am over 18 years of age, of sound mind and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a partner with the Austin, Texas law firm of Coffin Renner LLP and have practiced law in Travis County since 2005. I have extensive experience representing and defending clients before the Railroad Commission of Texas (“Commission”) and Public Utility Commission of Texas.
3. I am counsel of record for Texas Gas Service Company, a division of ONE Gas, Inc. (“TGS” or the “Company”) for its Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area (“RGVSA”). My firm was engaged to assist in the presentation of the Company’s rate filing that was made on October 12, 2017. Attached to this Affidavit are invoices supporting the \$38,602 in rate case expenses incurred by TGS in this proceeding and which TGS seeks to recover from environs customers through a surcharge for Company and legal expenses through December 31, 2017. This amount includes legal expenses incurred preparing the filing, public notice costs, and incidental expenses. The invoices are detailed and itemized and support the Company’s recovery of its actual legal and Company expenses.
4. I have reviewed the billings of Coffin Renner LLP submitted to TGS for legal services performed in this proceeding, and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on TGS’s behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The hours spent to perform the tasks assigned to Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a rate proceeding such as this case. The nature of this work included the preparation of testimony and other aspects of the Company’s rate filing package, answering discovery questions, and addressing settlement issues. There was no duplication

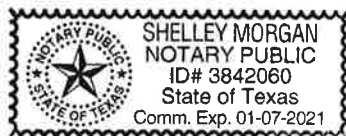
of services, and the Company's request for a rate change was warranted. Further, the work was relevant and reasonably necessary to the proceeding, and the complexity and expense of the work was commensurate with both the complexity of the issues in the proceedings and the amount of the rate increase sought and granted.

5. In addition to the amounts incurred through December 31, 2017, TGS has and will continue to incur additional expenses for work performed to finalize settlement documents and seek Commission approval of the settlement agreement. Based on my experience in administrative proceedings, including proceedings in which the parties seek approval of a Unanimous Settlement Agreement as in this case, I estimate those expenses from January 1, 2018 through completion of the case will be approximately \$25,000, bringing the total amount of actual and estimated TGS costs necessary to complete this proceeding to \$63,602.
6. In addition to legal expenses, TGS incurred other rate case expenses, which included expenses incurred for public notice and incidental expenses. Actual detailed and itemized invoices supporting these expenses through December 31, 2017 are attached.
7. No portion of the fees or expenses that TGS seeks to recover is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.
8. TGS's total amount of rate case expenses as reflected in the Unanimous Settlement Agreement and for which TGS requests recovery is \$63,602, which includes \$25,000 in estimated expenses.
9. TGS seeks recovery only of those expenses that are actually incurred, and any rate case expense surcharge and will collect from ratepayers only the amount actually incurred and authorized for recovery. I note, however, that the estimated expenses presume approval of the Unanimous Settlement Agreement. TGS reserves the right to revise this estimate to the extent that additional litigation becomes necessary."

*Kate Norman*

Kate Norman

**SWORN TO AND SUBSCRIBED** before me on this 24<sup>th</sup> day of January 2018, by Kate Norman.



*Shelley Morgan*  
Notary Public, State of Texas

# INVOICE

## Invoice Information

Firm/Vendor: Parsley Coffin  
Office: Austin  
Invoice Number: 6621  
Date of Invoice: 10/24/2017  
Billing Period: 09/14/2017 - 09/30/2017  
Date Posted: 10/24/2017  
Invoice Description/Comment: 2017 RGV SA OS Rate Case TYE Dec 2016

## Amount Approved

Approved Total \$225.00

Invoice Currency: USD

Date Approved: 10/27/2017

Final Approver:

Approved Fees \$225.00

Approved Expenses \$0.00

Comments to AP:

## Accounting Code Allocations

<u>OM or PROJECT</u>	<u>GL Account</u>	<u>Task Code</u>	<u>Expenditure Org</u>	<u>Expense Type</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
PROJECT	091.082.7700.010003	718662			\$225.00	100%	

## Vendor Address & Tax Information in Legal Tracker

Parsley Coffin  
98 San Jacinto Blvd., Ste. 1450  
Austin, Texas 78701

Tel:

Fax:

## Remittance Address

Vendor Tax ID:

VAT ID: --

GST ID: --

HST ID: --

PST ID: --

Sales Tax ID: --  
QST ID: --  
Withholding Tax ID: --

**Amount Billed**

**Billed Total**      **\$225.00**  
Invoice Currency: USD  
Billed Fees        \$225.00  
Billed Expenses   \$0.00

**Approval History**

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
[REDACTED]	Posted	10/24/2017	\$225.00	
[REDACTED]	Approved	10/25/2017	\$225.00	
[REDACTED]	Approved	10/26/2017	\$225.00	
[REDACTED]	Approved	10/27/2017	\$225.00	
[REDACTED]	AP Batch Run	10/27/2017	\$225.00	Batch ID: 003000234 (Sent to AP: 10/27/2017 3:01:34 PM)

**Additional Financial Information**

Oracle ERP Vendor Number: 75208  
Site Code:                    AUSTIN  
Name of Invoice File in .Zip: Parsley Coffin - 6621.html  
Comments to Firm:  
AP Route:                    Default

**Matter Information**

Matter Name (Short): 2017 RGV SA OS Rate Case TYE Dec 2016  
Matter ID: 201700011  
Lead Company Person: [REDACTED]  
Organizational Unit: ONE Gas, Inc. > 091 - TGS  
Practice Group: Legal Department > Rates & Regulatory  
Law Firm Matter No.: 500.088  
Country (in Matter): United States

**Invoice Line Items:**

<u>Date</u>	<u>Description</u>	<u>Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
09/14/2017 -	Review/Analyze issues re environs SOI	Norman, Kate	0.6		\$375.00				\$225.00

# INVOICE

## Invoice Information

Firm/Vendor: Parsley Coffin  
Office: Austin  
Invoice Number: 6642  
Date of Invoice: 11/20/2017  
Billing Period: 10/02/2017 - 10/31/2017  
Date Posted: 11/20/2017  
Invoice Description/Comment: 2017 RGV SA OS Rate Case TYE Dec 2016

## Amount Approved

**Approved Total**      **\$13,104.22**

**Invoice Currency:**    **USD**

Date Approved: 12/06/2017

Final Approver:

Approved Fees      \$11,862.50

Approved Expenses \$1,241.72

Comments to AP:

## Accounting Code Allocations

<u>OM or PROJECT</u>	<u>GL Account</u>	<u>Task Code</u>	<u>Expenditure Org</u>	<u>Expense Type</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
PROJECT	091.082.7700.010003	718662			\$13,104.22	100%	

## Vendor Address & Tax Information in Legal Tracker

Parsley Coffin  
98 San Jacinto Blvd., Ste. 1450  
Austin, Texas 78701

Tel:

Fax:

*Remittance Address*

Vendor Tax ID:

VAT ID: --

GST ID: --

HST ID: --

PST ID: --

Sales Tax ID: --  
QST ID: --  
Withholding Tax ID: --

**Amount Billed**

**Billed Total**      **\$13,104.22**  
Invoice Currency: USD  
Billed Fees        \$11,862.50  
Billed Expenses   \$1,241.72

**Approval History**

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
[REDACTED]	Posted	11/20/2017	\$13,104.22	
[REDACTED]	Approved	11/21/2017	\$13,104.22	
[REDACTED]	Approved	11/21/2017	\$13,104.22	
[REDACTED]	Approved	12/01/2017	\$13,104.22	
[REDACTED]	Approved	12/01/2017	\$13,104.22	
[REDACTED]	Approved	12/02/2017	\$13,104.22	
[REDACTED]	Approved	12/06/2017	\$13,104.22	
[REDACTED]	AP Batch Run	12/06/2017	\$13,104.22	Batch ID: 003000254 (Sent to AP: 12/06/2017 3:01:31 PM)

**Additional Financial Information**

Oracle ERP Vendor Number: 75208  
Site Code:                    AUSTIN  
Name of Invoice File in .Zip: Parsley Coffin - 6642.html  
Comments to Firm:  
AP Route:                    Default

**Matter Information**

Matter Name (Short): 2017 RGV SA OS Rate Case TYE Dec 2016  
Matter ID:                201700011  
Lead Company Person: [REDACTED]  
Organizational Unit:    ONE Gas, Inc. > 091 - TGS

Practice Group: Legal Department > Rates & Regulatory  
Law Firm Matter No.: 500.088  
Country (in Matter): United States

**Invoice Line Items:**

<u>Date</u>	<u>Description</u>	<u>Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
10/02/2017 -		Communicate with client S. Houle re SOI, notice and protective order	Norman, Kate	0.2	\$375.00				\$75.00
10/02/2017 -		Review/Analyze SOI, notice and protective order	Norman, Kate	4.3	\$375.00				\$1,612.50
10/03/2017 -		Review/Analyze rate filing package issues	Norman, Kate	0.7	\$375.00				\$262.50
10/04/2017 -		Communicate with client S. Houle re testimony	Norman, Kate	0.4	\$375.00				\$150.00
10/05/2017 -		Review/Analyze issues re SOI and notice	Norman, Kate	0.3	\$375.00				\$112.50
10/05/2017 -		Communicate with client S. Houle re testimony	Norman, Kate	0.4	\$375.00				\$150.00
10/05/2017 -		Review/Analyze S. McTaggart and S. Borgstadt testimony	Norman, Kate	4.6	\$375.00				\$1,725.00
10/06/2017 -		Review/Analyze issues re environs filing format	Norman, Kate	0.4	\$375.00				\$150.00
10/06/2017 -		Communicate with client S. Houle, et al. re SOI, notice and testimony review	Norman, Kate	3.2	\$375.00				\$1,200.00
10/08/2017 -		Review/Analyze issues re testimony and filing package materials	Norman, Kate	0.3	\$375.00				\$112.50
10/09/2017 -		Review/Analyze issues to finalize rate filing package	Norman, Kate	0.7	\$375.00				\$262.50
10/09/2017 -		Review/Analyze rate filing package	Norman, Kate	3.2	\$375.00				\$1,200.00
10/09/2017 -		Review/Analyze S. McTaggart testimony exhibits	Azarani, Emma	1.1	\$175.00				\$192.50
10/09/2017 -		Communicate with client S. Houle re rate filing package	Norman, Kate	0.2	\$375.00				\$75.00
10/10/2017 -		Review/Analyze issues re SOI filing	Norman, Kate	1.4	\$375.00				\$525.00
10/10/2017 -		Draft/Revise and finalize exhibits for SOI package	Azarani, Emma	4.1	\$175.00				\$717.50
10/11/2017 -		Review/Analyze issues re final SOI package	Norman, Kate	0.4	\$375.00				\$150.00
10/17/2017 -		Draft/Revise proposed procedural schedule	Azarani, Emma	0.8	\$175.00				\$140.00
10/17/2017 -		Review/Analyze procedural schedule issues	Norman, Kate	0.3	\$375.00				\$112.50
10/17/2017 -		Communicate w/other external RCT Staff re notice, protective order, schedule and prehearing conference	Norman, Kate	0.4	\$375.00				\$150.00
10/18/2017 -		Review/Analyze notice and procedural schedule issues	Norman, Kate	1.2	\$375.00				\$450.00
10/19/2017 -		Review/Analyze issues re notice and schedule	Norman, Kate	0.9	\$375.00				\$337.50
10/19/2017 -		Communicate w/other external RCT Staff re scheduling prehearing conference	Azarani, Emma	0.5	\$175.00				\$87.50
10/19/2017 -		Draft/Revise pleadings re notice and schedule	Norman, Kate	0.5	\$375.00				\$187.50
10/19/2017 -		Review/Analyze Staff's 1st RFI	Norman, Kate	0.6	\$375.00				\$225.00
10/20/2017 -		Review/Analyze discovery issues for Staff's 1st RFI	Norman, Kate	0.2	\$375.00				\$75.00
10/20/2017 -		Draft/Revise and finalize joint proposed procedural schedule	Norman, Kate	0.2	\$375.00				\$75.00
10/20/2017 -		Review/Analyze revised notice	Norman, Kate	0.3	\$375.00				\$112.50
10/23/2017 -		Communicate w/other external RCT Staff re revised notice	Norman, Kate	0.2	\$375.00				\$75.00



10/23/2017 -	Review/Analyze issues for responses to Staff discovery	Norman, Kate	0.2	\$375.00	\$75.00
10/24/2017 -	Review/Analyze issues re responses to Staff discovery	Norman, Kate	0.2	\$375.00	\$75.00
10/24/2017 -	Review/Analyze issues re response to Examiners' Letter No. 1 re notice	Norman, Kate	0.4	\$375.00	\$150.00
10/25/2017 -	Review/Analyze issues re response to Staff discovery	Norman, Kate	0.3	\$375.00	\$112.50
10/27/2017 -	Review/Analyze draft discovery responses	Norman, Kate	1.1	\$375.00	\$412.50
10/31/2017 -	Review/Analyze draft discovery responses	Norman, Kate	0.9	\$375.00	\$337.50
10/12/2017 E102 - Outside Printing	Outside printing - Rainmaker - TGS RGV Environs SOI	Norman, Kate	1	\$1,148.32	\$1,148.32
10/12/2017 E107 - Delivery Services/Messengers	Delivery services/messengers - Federal Express - S. Borgstadt	Norman, Kate	1	\$65.30	\$65.30
10/31/2017 E101 - Copying	Photocopies	Norman, Kate	281	\$0.10	\$28.10



**PLEASE PAY FROM THIS INVOICE**

**Remit Payment to:**  
**301 Congress Avenue**  
**Suite 250**  
**Austin, Texas 78701**

**Invoice**

Date 10/12/2017 Invoice # 42404

<b>Bill To</b>
Parsley Coffin Renner Attn: Accounts Payable 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

<b>Ship To</b>
Parsley Coffin Renner 98 San Jacinto Blvd. Suite 1450 Austin, TX 78701

Ordered By	Reference Number	Terms	Rep	Project Number	Delivery Date	
Shelley Morgan	500.087	Due on receipt	AG	10170070	10/12/2017	
Description of Services Provided				Qty	Rate	Amount
Digital Black and White Prints - x17, two sided for three sections and single sided for the others, custom tabs inserted, 3-hole punched and placed in provided pressboard binds Custom Tabs				9,503	0.10	950.30T
				221	0.50	110.50T
Customer Signature				Subtotal		\$1,060.80
				Sales Tax (8.25%)		\$87.52
Thank you for choosing Rainmaker Document Technologies!!				Total		\$1,148.32
Phone Number	Fax Number	Federal Tax ID Number		Payments/Credits		\$0.00
512.472.9911	512.472.6161	43-2033387		Balance Due		\$1,148.32



FedEx Billing Online

Tracking ID Details

[Back](#)

Tracking ID Summary

[Help](#) [Hide](#)

Billing Information

Tracking ID no. [<Prev](#) 770488168450 [Next>](#)  
Invoice no. 2-481-96786  
Account no. 4851-0094-6  
Bill date 10/12/2017  
Total Billed \$65.30  
Tracking ID Balance due \$0.00  
Status Paid CC

Messages

Distance Based Pricing, Zone 4  
Fuel Surcharge - FedEx has applied a fuel surcharg [Read More..](#)

[View Invoice History](#)

[View signature proof of delivery](#)

Transaction Details

[Help](#) [Hide](#)

Sender Information

Shelley Morgan  
Parsley Coffin Renner LLP  
98 San Jacinto Blvd.  
AUSTIN TX 78701  
US

Recipient Information

Stacey Borgstadt  
ONE Gas, Inc.  
15 East Fifth Street  
TULSA OK 74103  
US

Shipment Details

Ship date 10/12/2017  
Payment type Shipper  
Service type FedEx Standard Overnight  
Zone 04  
Package type FedEx Box  
Rated weight 6.00lbs  
Pieces 1  
Meter No. 101188998  
Declared value \$0.00

Charges

Transportation Charge	74.39
Fuel Surcharge	2.81
Weekday Delivery	0.00
Automation Bonus Discount	-11.90
<b>Total charges</b>	<b>\$65.30</b>

Original Reference

Customer reference no. 500.087  
Department no.  
Reference #2  
Reference #3

Proof of Delivery

Delivery date 10/13/2017 11:26  
Service area code A1  
Signed by R.GANN

[View signature proof of delivery](#)

[Back](#)

Dept. ID	User Name	Total Print: Color	Total Black & W/	Color Copy	Color Scan	Color Print	Black & W/	Black & W/	B&W Print
201001		0	0	0	0	0	0	0	0
201002		0	0	0	0	0	0	0	0
201003		0	0	0	0	0	0	0	0
201012		0	0	0	0	0	0	0	0
201030		0	0	0	0	0	0	0	0
201076		0	0	0	0	0	0	0	0
201103		0	0	0	0	0	0	0	0
201105		120	0	120	0	0	0	0	120
201108		0	0	0	0	0	0	0	0
201109		0	0	0	0	0	0	0	0
201110		0	0	0	0	0	0	0	0
201111		0	0	0	0	0	0	0	0
201112		0	0	0	0	0	0	0	0
300000		444	444	0	0	0	444	0	0
300001		0	0	0	0	0	0	0	0
300006		404	0	404	0	0	404	0	0
300008		0	0	0	0	0	0	0	0
300026		2461	0	2461	0	0	15	3	2446
300027		0	0	0	0	0	0	0	0
300028		65	0	65	0	0	65	13	0
300029		0	0	0	0	0	0	0	0
400000		0	0	0	0	0	0	0	0
500000		0	0	0	0	0	0	0	0
500083		0	0	0	0	0	0	0	0
500085		0	0	0	0	0	0	0	0
500087		0	0	0	0	0	0	0	0
500088		281	0	281	0	0	281	2	0
600000		0	0	0	0	0	0	0	0
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603005		0	0	0	0	0	0	0	0
603010		0	0	0	0	0	0	0	0
604000		0	0	0	0	0	0	0	0
604001		0	0	0	0	0	0	0	0
605000		0	0	0	0	0	0	0	0
615000		0	0	0	0	0	0	0	0
621002		0	0	0	0	0	0	0	0
622000		0	0	0	0	0	0	0	0
628000		0	0	0	0	0	0	0	0
630000		0	0	0	0	0	0	0	0
631000		0	0	0	0	0	0	0	0
631001		0	0	0	0	0	0	0	0
633000		0	0	0	0	0	0	0	0
636008		0	0	0	0	0	0	0	0
636009		0	0	0	0	0	0	0	0
639000		0	0	0	0	0	0	0	0
639001		0	0	0	0	0	0	0	0
639002		199	0	199	0	0	199	0	0
640000		0	0	0	0	0	0	0	0
642001		0	0	0	0	0	0	0	0

# INVOICE

## Invoice Information

Firm/Vendor: Parsley Coffin  
Office: Austin  
Invoice Number: 6662  
Date of Invoice: 12/19/2017  
Billing Period: 11/01/2017 - 11/30/2017  
Date Posted: 12/19/2017  
Invoice Description/Comment: 2017 RGV SA OS Rate Case TYE Dec 2016

## Amount Approved

**Approved Total**      **\$17,839.30**

**Invoice Currency:**   **USD**

Date Approved: 01/02/2018

Final Approver: XXXXXXXXXX

Approved Fees      \$16,970.00

Approved Expenses \$869.30

Comments to AP:

## Accounting Code Allocations

<u>OM or PROJECT</u>	<u>GL Account</u>	<u>Task Code</u>	<u>Expenditure Org</u>	<u>Expense Type</u>	<u>Amount</u>	<u>Percentage</u>	<u>Comment</u>
PROJECT	091.082.7700.010003	718662			\$17,839.30	100%	

## Vendor Address & Tax Information in Legal Tracker

Parsley Coffin  
98 San Jacinto Blvd., Ste. 1450  
Austin, Texas 78701

Tel:

Fax:

## Remittance Address

Vendor Tax ID:

VAT ID: --

GST ID: --

HST ID: --

PST ID: --

Sales Tax ID: --  
QST ID: --  
Withholding Tax ID: --

**Amount Billed**

**Billed Total**      **\$17,839.30**  
Invoice Currency: USD  
Billed Fees        \$16,970.00  
Billed Expenses    \$869.30

**Approval History**

<u>User</u>	<u>Action</u>	<u>Date</u>	<u>Amount</u>	<u>Comment</u>
[REDACTED]	Posted	12/19/2017	\$17,839.30	
[REDACTED]	Approved	12/20/2017	\$17,839.30	
[REDACTED]	Approved	12/27/2017	\$17,839.30	
[REDACTED]	Approved	12/27/2017	\$17,839.30	
[REDACTED]	Approved	12/28/2017	\$17,839.30	
[REDACTED]	Approved	12/29/2017	\$17,839.30	
[REDACTED]	Approved	01/02/2018	\$17,839.30	
[REDACTED]	AP Batch Run 01/02/2018 \$17,839.30 Batch ID: 003000267 (Sent to AP: 01/02/2018 3:01:34 PM)			

**Additional Financial Information**

Oracle ERP Vendor Number: 75208  
Site Code:                    AUSTIN  
Name of Invoice File in .Zip: Parsley Coffin - 6662.html  
Comments to Firm:  
AP Route:                    Default

**Matter Information**

Matter Name (Short): 2017 RGV SA OS Rate Case TYE Dec 2016  
Matter ID:                    201700011  
Lead Company Person: [REDACTED]  
Organizational Unit:    ONE Gas, Inc. > 091 - TGS

Practice Group: Legal Department > Rates & Regulatory  
Law Firm Matter No.: 500.088  
Country (in Matter): United States

**Invoice Line Items:**

<u>Date</u>	<u>Description</u>	<u>Narrative</u>	<u>Timekeeper</u>	<u>Units</u>	<u>Rate</u>	<u>Adjust</u>	<u>Taxes</u>	<u>TaxType%</u>	<u>Amount</u>
11/01/2017 -		Communicate with client S. Houle, et al. re discovery issues	Norman, Kate	0.6	\$375.00				\$225.00
11/01/2017 -		Review/Analyze and finalize draft discovery responses and attachments	Azarani, Emma	2	\$175.00				\$350.00
11/01/2017 -		Review/Analyze draft discovery responses	Norman, Kate	0.6	\$375.00				\$225.00
11/02/2017 -		Draft/Revise and prepare discovery responses and attachments	Azarani, Emma	0.6	\$175.00				\$105.00
11/02/2017 -		Review/Analyze draft discovery responses	Norman, Kate	0.8	\$375.00				\$300.00
11/06/2017 -		Review/Analyze draft discovery responses	Norman, Kate	0.7	\$375.00				\$262.50
11/06/2017 -		Review/Analyze Examiners' questions from prehearing conference	Norman, Kate	0.6	\$375.00				\$225.00
11/06/2017 -		Appear for/attend prehearing conference	Norman, Kate	0.8	\$375.00				\$300.00
11/06/2017 -		Plan and prepare for prehearing conference	Norman, Kate	0.7	\$375.00				\$262.50
11/07/2017 -		Appear for/attend RCT Conference re suspension order	Norman, Kate	1.9	\$375.00				\$712.50
11/07/2017 -		Communicate with client S. Houle re prehearing conference issues	Norman, Kate	0.4	\$375.00				\$150.00
11/07/2017 -		Communicate with client S. Houle, et al. re SOI amendment issues	Norman, Kate	0.6	\$375.00				\$225.00
11/08/2017 -		Communicate with client S. Houle, et al. re discovery issues	Norman, Kate	1.3	\$375.00				\$487.50
11/08/2017 -		Review/Analyze and prepare discovery responses and attachments	Azarani, Emma	2.5	\$175.00				\$437.50
11/08/2017 -		Review/Analyze draft discovery responses	Norman, Kate	1.3	\$375.00				\$487.50
11/08/2017 -		Draft/Revise letter to ALJ re case status and prehearing conference	Norman, Kate	0.4	\$375.00				\$150.00
11/09/2017 -		Communicate with client S. Houle re revised SOI	Norman, Kate	0.5	\$375.00				\$187.50
11/09/2017 -		Review/Analyze revised SOI documents	Norman, Kate	1.2	\$375.00				\$450.00
11/09/2017 -		Review/Analyze issues re communications w/RCT Staff and Examiners re amended SOI filing	Norman, Kate	0.4	\$375.00				\$150.00
11/10/2017 -		Communicate w/other external RCT Staff re case status	Norman, Kate	0.2	\$375.00				\$75.00
11/10/2017 -		Communicate with client S. Houle and S. McTaggart re case status	Norman, Kate	0.3	\$375.00				\$112.50
11/13/2017 -		Review/Analyze and prepare documents for meeting w/RCT re amended SOI filing	Azarani, Emma	1	\$175.00				\$175.00
11/14/2017 -		Review/Analyze ALJ's request for status update	Norman, Kate	0.6	\$375.00				\$225.00
11/14/2017 -		Appear for/attend meeting w/RCT Staff, S. McTaggart, et al. re amended SOI filing	Norman, Kate	1.7	\$375.00				\$637.50
11/14/2017 -		Review/Analyze issues re amended SOI filing	Norman, Kate	0.6	\$375.00				\$225.00
11/14/2017 -		Communicate with client S. Houle, et al. re revised filing	Norman, Kate	0.6	\$375.00				\$225.00
11/15/2017 -		Review/Analyze discovery issues	Norman, Kate	0.4	\$375.00				\$150.00
11/16/2017 -		Communicate with client S. Houle, et al. re amended SOI	Norman, Kate	0.4	\$375.00				\$150.00
11/16/2017 -		Review/Analyze issues re responses to Examiners' questions	Norman, Kate	0.7	\$375.00				\$262.50
11/16/2017 -		Draft/Revise and finalize amended SOI filing	Norman, Kate	0.9	\$375.00				\$337.50

11/16/2017 -	Review/Analyze documents for amended SOI filing	Azarani, Emma	1	\$175.00	\$175.00
11/16/2017 -	Communicate with client S. Houle re amended SOI filing	Norman, Kate	0.5	\$375.00	\$187.50
11/17/2017 -	Review/Analyze and finalize documents for Examiners re prehearing conference request	Azarani, Emma	1.9	\$175.00	\$332.50
11/17/2017 -	Review/Analyze issues re amended SOI filing	Norman, Kate	0.4	\$375.00	\$150.00
11/17/2017 -	Communicate w/other external RCT Staff re case issues	Norman, Kate	0.2	\$375.00	\$75.00
11/17/2017 -	Review/Analyze issues re responses to Examiners' questions from prehearing conference	Norman, Kate	0.8	\$375.00	\$300.00
11/17/2017 -	Review/Analyze issues re tariff changes	Norman, Kate	0.5	\$375.00	\$187.50
11/17/2017 -	Communicate with client S. Houle, et al. re amended SOI filing	Norman, Kate	0.3	\$375.00	\$112.50
11/18/2017 -	Review/Analyze draft discovery responses	Norman, Kate	1.4	\$375.00	\$525.00
11/18/2017 -	Draft/Revise letter for filing with Examiners	Norman, Kate	0.3	\$375.00	\$112.50
11/20/2017 -	Review/Analyze draft discovery responses	Norman, Kate	0.6	\$375.00	\$225.00
11/20/2017 -	Review/Analyze discovery issues	Norman, Kate	0.8	\$375.00	\$300.00
11/20/2017 -	Communicate with client S. Borgstadt, et al. re discovery issues	Norman, Kate	1.3	\$375.00	\$487.50
11/20/2017 -	Review/Analyze issues re response to Examiners' questions	Norman, Kate	0.4	\$375.00	\$150.00
11/20/2017 -	Communicate w/other external RCT Staff re capital investment discovery issues	Norman, Kate	0.3	\$375.00	\$112.50
11/20/2017 -	Review/Analyze issues re capital investment discovery	Norman, Kate	0.7	\$375.00	\$262.50
11/21/2017 -	Review/Analyze and prepare discovery responses and attachments	Azarani, Emma	2.6	\$175.00	\$455.00
11/21/2017 -	Review/Analyze issues re ALJ inquiry re notice status	Norman, Kate	0.3	\$375.00	\$112.50
11/21/2017 -	Communicate with client S. Houle re discovery	Norman, Kate	0.2	\$375.00	\$75.00
11/21/2017 -	Review/Analyze and finalize responses to Staff's 3rd RFI	Norman, Kate	0.7	\$375.00	\$262.50
11/26/2017 -	Review/Analyze responses to Staff's 4th RFI	Norman, Kate	0.6	\$375.00	\$225.00
11/27/2017 -	Review/Analyze and prepare discovery responses and attachments	Azarani, Emma	1.7	\$175.00	\$297.50
11/27/2017 -	Review/Analyze and obtain outstanding ordinances	Azarani, Emma	0.5	\$175.00	\$87.50
11/27/2017 -	Review/Analyze draft discovery responses	Norman, Kate	1	\$375.00	\$375.00
11/28/2017 -	Review/Analyze and prepare responses and attachments re Examiners' requests	Azarani, Emma	1.1	\$175.00	\$192.50
11/28/2017 -	Review/Analyze and prepare supplemental response to Staff 1-2	Azarani, Emma	0.6	\$175.00	\$105.00
11/28/2017 -	Review/Analyze and prepare discovery responses and attachments	Azarani, Emma	1.1	\$175.00	\$192.50
11/28/2017 -	Draft/Revise draft discovery responses	Norman, Kate	0.2	\$375.00	\$75.00
11/28/2017 -	Review/Analyze issues re discovery responses	Norman, Kate	1.7	\$375.00	\$637.50
11/28/2017 -	Communicate with client S. Houle re discovery issues	Norman, Kate	0.7	\$375.00	\$262.50
11/29/2017 -	Communicate w/other external RCT Staff re supplement to Staff 1-2	Norman, Kate	0.2	\$375.00	\$75.00
11/29/2017 -	Communicate with client S. Houle re case issues	Norman, Kate	0.3	\$375.00	\$112.50
11/29/2017 -	Review/Analyze discovery issues	Norman, Kate	0.4	\$375.00	\$150.00
11/29/2017 -	Review/Analyze issues re ordinances	Norman, Kate	0.2	\$375.00	\$75.00
11/29/2017 -	Review/Analyze and prepare discovery responses and attachments to Staff's RFIs	Azarani, Emma	2.7	\$175.00	\$472.50
11/30/2017 -	Communicate w/other external RCT Staff re capital investment issues	Norman, Kate	0.2	\$375.00	\$75.00



11/30/2017 -	Review/Analyze and prepare discovery responses and attachments	Azarani, Emma	1.6	\$175.00	\$280.00
11/30/2017 -	Review/Analyze discovery issues	Norman, Kate	0.6	\$375.00	\$225.00
11/30/2017 -	Communicate with client S. Houle, et al. re settlement issues	Norman, Kate	0.5	\$375.00	\$187.50
11/06/2017 E116 - Trial Transcripts	Trial transcripts - 11-6-17 Prehearing Conference	Norman, Kate	1	\$600.00	\$600.00
11/30/2017 E101 - Copying	Photocopies	Norman, Kate	2693	\$0.10	\$269.30

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300008	0	0	0	0	0	0	0	0
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300029	544	42	502	42	0	0	502	0
400000	0	0	0	0	0	0	0	0
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605000	0	0	0	0	0	0	0	0
615000	0	0	0	0	0	0	0	0
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628000	0	0	0	0	0	0	0	0
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631001	0	0	0	0	0	0	0	0
633000	0	0	0	0	0	0	0	0

DAVE HOWARD & ASSOCIATES  
10917 SHADY HOLLOW DRIVE  
AUSTIN, TEXAS 78748  
OFFICE: 512-282-0313  
CELL: 512-653-3376

## Invoice

Number 2101

### Bill To

KATE NORMAN  
PARSLEY, COFFIN, RENNER  
98 SAN JACINTO BLVD.  
P. O. BOX 13366  
AUSTIN, TX, 78711

Date 11/21/2017

Description	Amount
GUD 10656 STATEMENT OF INTENT OF TGS IN THE RIO GRANDE VALLEY, PHC HELD 11/6/17 BEFORE THE TX RAILROAD COMMISSION. FOR: ORIGINAL AND ONE COPY OF THE TRANSCRIPT OF HEARING, INDEX AND RRC DELIVERY. MINIMUM HALF DAY CHARGE	\$600.00

TOTAL DUE UPON RECEIPT  
PLEASE REMIT TO ADDRESS ABOVE  
THANK YOU

Total \$600.00

# COFFIN RENNER LLP

P. O. Box 13366  
Austin, TX 78711  
512-879-0900

Federal I.D. No. 27-0934461

GUD No. 10656  
Exhibit E to Settlement Agreement  
Page 20 of 28

Joe McCormick  
ONE Gas, Inc. - Texas Gas Service Company  
First Place Tower  
15 E. 5th Street  
Tulsa, OK 74103

Statement Date: January 23, 2018  
Statement No. 6686  
Client No. 500.088  
Page: 1

RE: 2017 RGV Environs SOI

## Fees

					Rate	Hours	
12/01/2017	KWN	L310	A104	Review/Analyze final responses to Staff 5th RFI	375.00	0.40	150.00
	KWN	L160	A104	Review/Analyze draft settlement agreement	375.00	0.60	225.00
	KWN	L120	A108	Communicate w/other external RCT Staff re case issues	375.00	0.20	75.00
	ERA	L310	A104	Review/Analyze and prepare discovery responses and attachments	175.00	1.00	175.00
12/05/2017	KWN	L210	A104	Review/Analyze notice and related issues	375.00	0.60	225.00
12/06/2017	ERA	L310	A104	Review/Analyze and prepare supplemental discovery responses and attachments	175.00	1.00	175.00
12/07/2017	KWN	L120	A108	Communicate w/other external RCT Staff, et al. re prudence issues	375.00	0.30	112.50
	KWN	L120	A106	Communicate with client S. Houle re prudence issues	375.00	0.80	300.00
	ERA	L310	A104	Review/Analyze and prepare supplemental discovery response to Staff 1-1	175.00	0.60	105.00
12/08/2017	KWN	L120	A106	Communicate with client S. Houle, et al. re prudence issues	375.00	1.10	412.50
	KWN	L120	A108	Communicate w/other external RCT Staff, et al. re prudence issues	375.00	0.60	225.00
	KWN	L160	A104	Review/Analyze settlement issues	375.00	0.40	150.00
	KWN	L160	A106	Communicate with client S. Houle re settlement issues	375.00	0.40	150.00
12/11/2017	KWN	L310	A104	Review/Analyze responses to Staff informal RFIs	375.00	2.20	825.00
	KWN	L310	A108	Communicate w/other external RCT Staff re responses to informal RFIs	375.00	0.20	75.00
	ERA	L310	A104	Review/Analyze and prepare discovery responses to Staff informal RFIs	175.00	1.20	210.00
	ERA	L310	A102	Research discovery re duplicate sales tax issue	175.00	0.90	157.50
	ERA	L160	A104	Review/Analyze and obtain documents for meeting w/RCT Staff	175.00	0.70	122.50

ONE Gas, Inc. - Texas Gas Service Co  
 Account No. 500.088  
 RE: 2017 RGV Environs SOI

GUD No. 10656  
 Exhibit E to Settlement Agreement  
 Page 21 of 28  
 Statement Date: 01/23/2018  
 Statement No. 6686  
 Page No. 2

					Rate	Hours	
12/12/2017	KWN	L160	A104	Review/Analyze settlement issues	375.00	0.40	150.00
	ERA	L160	A103	Draft/Revise rate case expense affidavit	175.00	0.80	140.00
12/13/2017	KWN	L160	A108	Communicate w/other external RCT Staff re settlement issues	375.00	1.80	675.00
	KWN	L160	A103	Draft/Revise settlement agreement	375.00	0.70	262.50
12/14/2017	KWN	L160	A106	Communicate with client S. Houle re settlement talks	375.00	0.40	150.00
	KWN	L160	A104	Review/Analyze settlement issues	375.00	0.60	225.00
12/15/2017	KWN	L160	A103	Draft/Revise letter to ALJ re settlement status	375.00	0.40	150.00
	KWN	L160	A106	Communicate with client S. Houle, et al. re settlement issues	375.00	0.80	300.00
	KWN	L160	A108	Communicate w/other external RCT Staff, et al. re settlement	375.00	1.50	562.50
	KWN	L160	A108	Communicate w/other external N. Dubiel re settlement	375.00	0.20	75.00
	KWN	L160	A104	Review/Analyze settlement issues	375.00	1.40	525.00
12/18/2017	KWN	L160	A106	Communicate with client S. Houle, et al. re settlement status	375.00	1.00	375.00
	KWN	L160	A104	Review/Analyze issues re settlement status	375.00	1.20	450.00
	KWN	L120	A106	Communicate with client S. Houle re prudence review issues	375.00	0.50	187.50
12/19/2017	KWN	L120	A104	Review/Analyze documents for RCT Staff prudence review	375.00	0.90	337.50
12/21/2017	KWN	L160	A108	Communicate w/other external N. Dubiel re settlement status	375.00	0.40	150.00
	KWN	L160	A104	Review/Analyze settlement issues	375.00	0.90	337.50
12/22/2017	KWN	L160	A104	Review/Analyze settlement issues	375.00	0.40	150.00
				For Current Services Rendered		27.50	9,072.50

#### Recapitulation

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
Kate Norman	21.30	\$375.00	\$7,987.50
Emma Azarani	6.20	175.00	1,085.00

#### Expenses

12/31/2017	L100	E101	Photocopies	51.20
			Total Expenses	51.20
			Total Current Work	9,123.70
			Balance Due	<u>\$9,123.70</u>

ONE Gas, Inc. - Texas Gas Service Co  
 Account No. 500.088  
 RE: 2017 RGV Environs SOI

Statement Date: 01/23/2018

Statement No. 6686

Page No. 3

Task Code Summary

		<u>Fees</u>	<u>Expenses</u>
L100		0.00	51.20
L120	Analysis/Strategy	1650.00	0.00
L160	Settlement/Non-Binding ADR	5325.00	0.00
L100		<u>6,975.00</u>	<u>51.20</u>
L210	Pleadings	225.00	0.00
L200	Pre-Trial Pleadings and Motions	225.00	0.00
L310	Written Discovery	1872.50	0.00
L300	Discovery	<u>1,872.50</u>	<u>0.00</u>

Dept. ID	User Name	Total Print: Color	Total Black & W/	Color Copy	Color Scan	Color Print	Black & W/	Black & W/
201001		0	0	0	0	0	0	0
201002		0	0	0	0	0	0	0
201003		0	0	0	0	0	0	0
201012		0	0	0	0	0	0	0
201030		342	0	342	0	0	0	0
201076		0	0	0	0	0	0	0
201103		0	0	0	0	0	0	0
201105		0	0	0	0	0	0	0
201108		0	0	0	0	0	0	0
201109		0	0	0	0	0	0	0
201110		362	65	297	65	0	297	1
201111		0	0	0	0	0	0	0
201112		0	0	0	0	0	0	0
300000		0	0	0	0	0	0	0
300001		0	0	0	0	0	0	0
300006		22	0	22	0	0	22	0
300008		0	0	0	0	0	0	0
300026		0	0	0	0	0	0	0
300027		0	0	0	0	0	0	0
300028		0	0	0	0	0	0	0
300029		264	7	257	7	0	257	0
400000		60	0	60	0	0	0	0
500000		0	0	0	0	0	0	0
500083		0	0	0	0	0	0	0
500085		0	0	0	0	0	0	0
500087		0	0	0	0	0	0	0
500088		512	0	512	0	0	512	2
500089		0	0	0	0	0	0	0
600000		0	0	0	0	0	0	0
602000		0	0	0	0	0	0	0
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603000		0	0	0	0	0	0	0
603005		0	0	0	0	0	0	0
603010		0	0	0	0	0	0	0
604000		0	0	0	0	0	0	0
604001		0	0	0	0	0	0	0
605000		0	0	0	0	0	0	0
615000		0	0	0	0	0	0	0
621002		0	0	0	0	0	0	0
622000		0	0	0	0	0	0	0
628000		0	0	0	0	0	0	0
630000		0	0	0	0	0	0	0
631000		0	0	0	0	0	0	0
631001		0	0	0	0	0	0	0



3901 Technology Drive  
Paducah, KY 42001  
Ph (270) 442-7361  
Fax (270) 575-9569  
www.csiweb.com

GUD No. 10656  
Exhibit E to Settlement Agreement  
Page 24 of 28

**Invoice** 093284  
**Date** 12/31/2017  
**Page:** 1

**Bill To:**

TEXAS GAS SERVICE  
ACCOUNTING DEPARTMENT  
ATTN: [REDACTED] OKE02708  
AUSTIN TX 78746

**Remit To:**

Computer Services, Inc  
3901 Technology Drive  
Paducah, KY 42001

Purchase Order No.		Customer ID	Payment Terms		Master No.
		M6152	NET 30		157,005
Qty	Item Number		Description	Unit Price	Ext. Price
			TGS RGV Public Notice Special Mailing Approved by Adriana Aceves/Customer Service		
1	DD7640		SPECIAL MAILINGS - Labor	250.00000	\$250.00
14,976	DD7642		SPECIAL MAILINGS - Forms & Other Consumables	0.08202	\$1,228.33
3.744	ENV #10-6148-INV		ONE GAS #10 Envelope (Pre-purchased)		
1	DD7074		Postage Used	1,433.10	\$1,433.10

Thank You!



Texas Gas Service  
1301 S. Mopac, Ste. 400

Invoice No.: 0046566-IN  
Date: 12/31/17

Austin, TX 78746

CONTACT: [REDACTED]

Employee ID# [REDACTED]

Page No.: 1

Job Number: TGS -0225

Job Name: RGV Public Notice Translation

For Professional Services Rendered:

	Hours	Amount
Account Service- Director	1.00	185.00
Account Service- Senior	.50	90.00
	-----	-----
Total:	1.50	275.00
	=====	

Reimbursable Expenses:

Total Amount Due:	-----
	275.00
	=====

Num	Line Type	Amou nt (USD)	GL Accou nt	GL Accou nt Text	Projec t	Task	Expen diture Type	Expen diture Org	Date of Expen diture	Descri ption	Tax Regim e	Tax	Tax Jurisdi ction	Tax Status	Amou nt undist ribute d (USD)
1	Item	275.00	091.7022.1860620.21.000000	TGS.TGS RGV GENE RAL.T GS PRICI NG.D EF DB RATE CASE. S &E.RF U	091.082.7700.010003	718662	Misc AP Invoic es	7022 TGS PRICI NG	12/31/ 2017	RGV enviro ns spanis h transla tion					0.00
1.1	Item	275.00	091.7022.1860620.21.000000	TGS.TGS RGV GENE RAL.T GS PRICI NG.D EF DB RATE CASE. S &E.RF U	091.082.7700.010003	718662	Misc AP Invoic es	7022 TGS PRICI NG	12/31/ 2017	RGV enviro ns spanis h transla tion					

House-reimbursement  
Parking - RRC conf. RGV rate  
case  
AMANO MCGANN  
PARKING SOLUTIONS

The Bob Bullock  
Texas State  
History Museum

LOST TICKET

F/C #01	L Payment No.00003521
T/D #00	Ticket No.003471
Cashier	ID #896 Rosa
Entry Time	11/07/2017 (Tue) 8:35
Paid Time	11/07/2017 (Tue) 8:53
Parking Time	0:18
Parking Fee	Rate A \$10.00
Cash Amount	\$10.00
=====	
Total	\$10.00

Thank you for  
Visiting the Museum  
Have a nice day  
=====

TX HISTORY MUSEUM PA  
1800 N CONGRESS AVE  
AUSTIN, TX 78701  
512-936-8746

Sale

XXXXXXXXXX  
VISA Entry Method: Chip  
Total: \$ 10.00  
11/07/17 08:53:33  
Inv #: 000000027 Appr Code: 224818  
Apprvd: Online  
INTL VISA  
AID:   
TVR: 00 00 00 00 00  
TSI: 60 00

Customer Copy  
THANK YOU!

Houle - reimbursement  
parking - pre-hearing conf. rate  
AMANO McGANN® case  
PARKING SOLUTIONS

TX HISTORY MUSEUM PA  
1800 N CONGRESS AVE  
AUSTIN, TX. 78701  
512-936-8746

**Sale**

XXXXXXXXXX  
VISA Entry Method: Chip  
**Total: \$ 10.00**  
11/06/17 08:29:06  
Inv #: 000000013 Appr Code: 610449  
Apprvd: Online  
INTL VISA  
ATD:   
TVR: 00 00 00 00 00  
TSI: 68 00

Customer Copy  
THANK YOU!

The Bob Bullock  
Texas State  
History Museum

**LOST TICKET**

F/C #01	L Payment No.00003379
T/D #00	Ticket No.003329
Cashier	ID #896 Rosa
Entry Time	11/06/2017 (Mon) 7:30
Paid Time	11/06/2017 (Mon) 8:28
Parking Time	0:58
Parking Fee	Rate A \$10.00
Cash Amount	\$10.00
=====	
Total	\$10.00

Thank you for  
Visiting the Museum  
Have a nice day  
=====

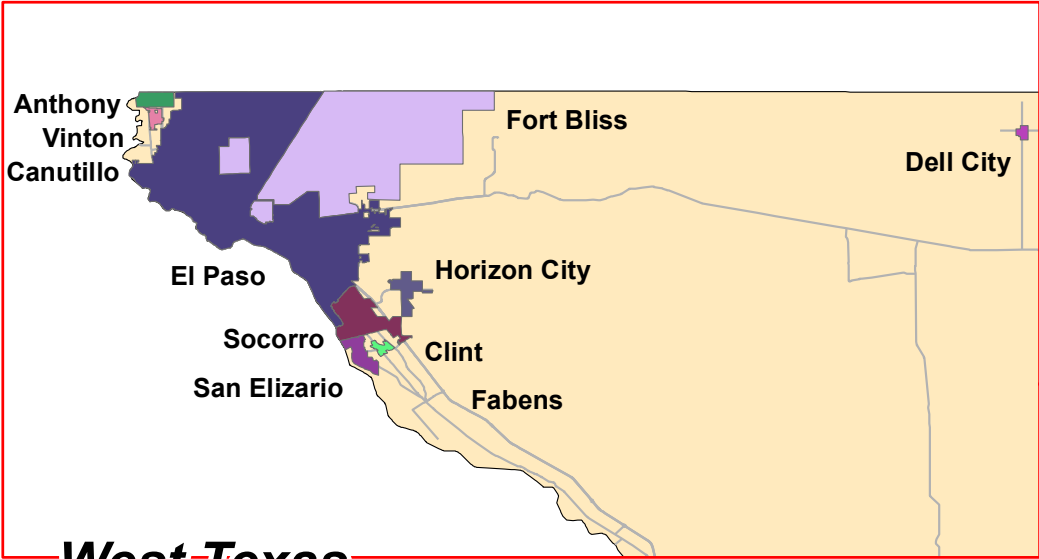
**GUD No. 10656**

**Proposal for Decision**

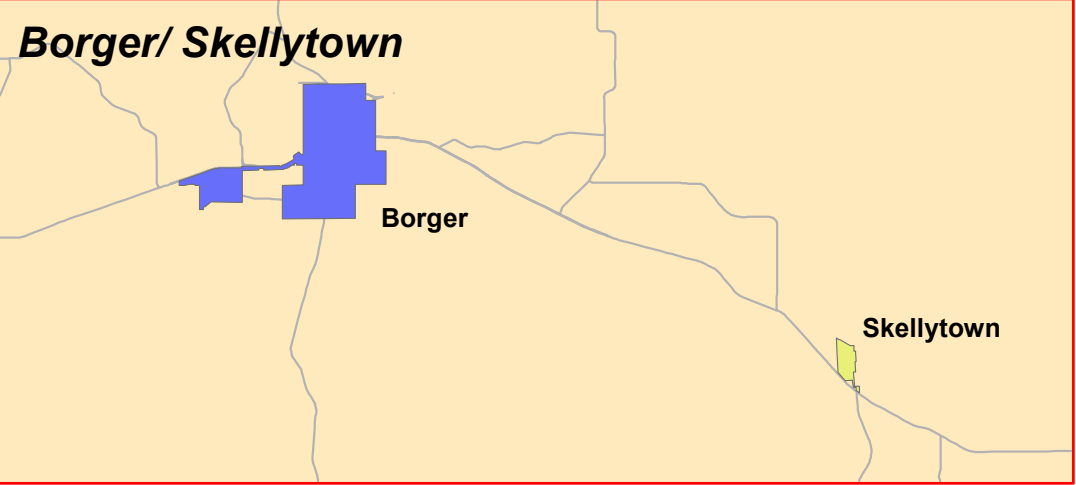
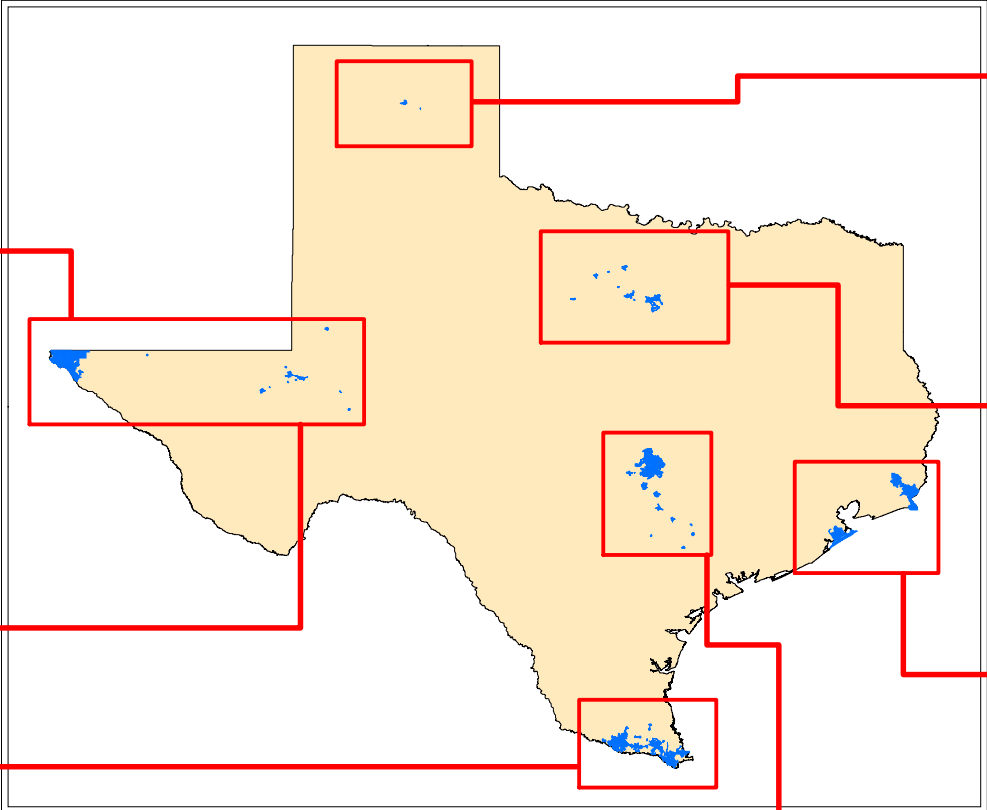
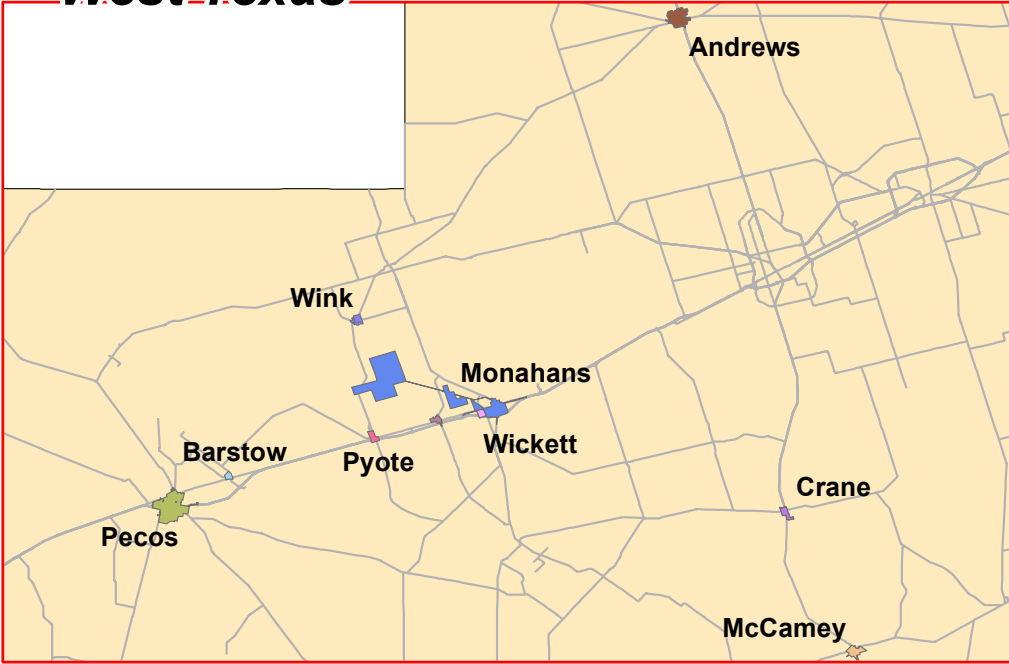
**ATTACHMENT 2**

**Map of Service Areas**

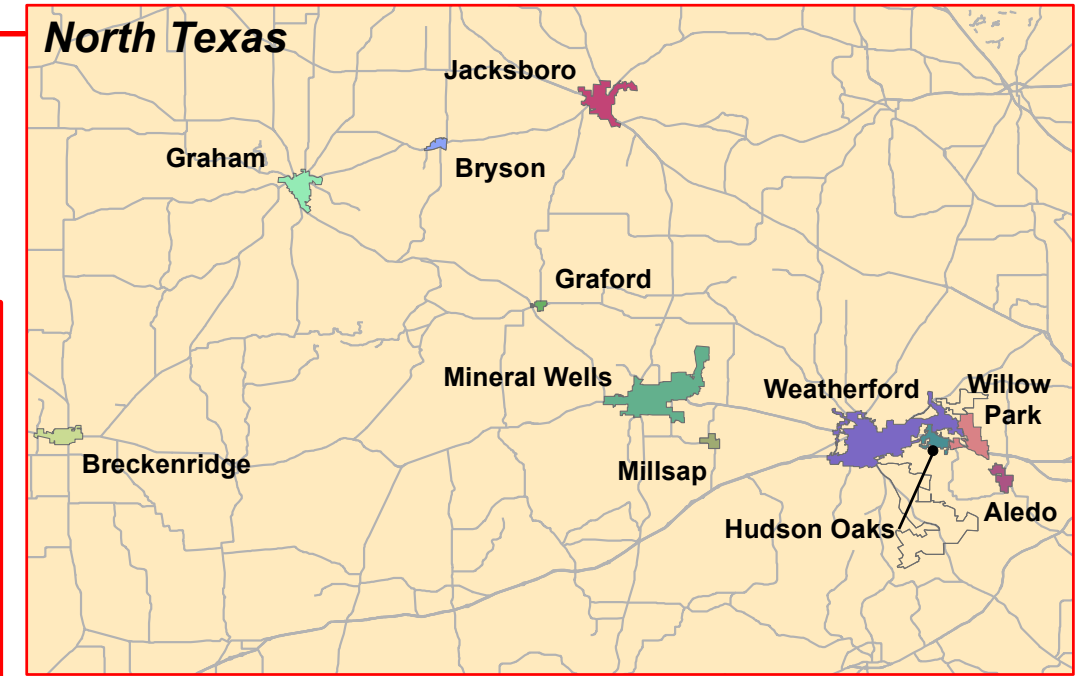
# TGS SERVICE AREAS



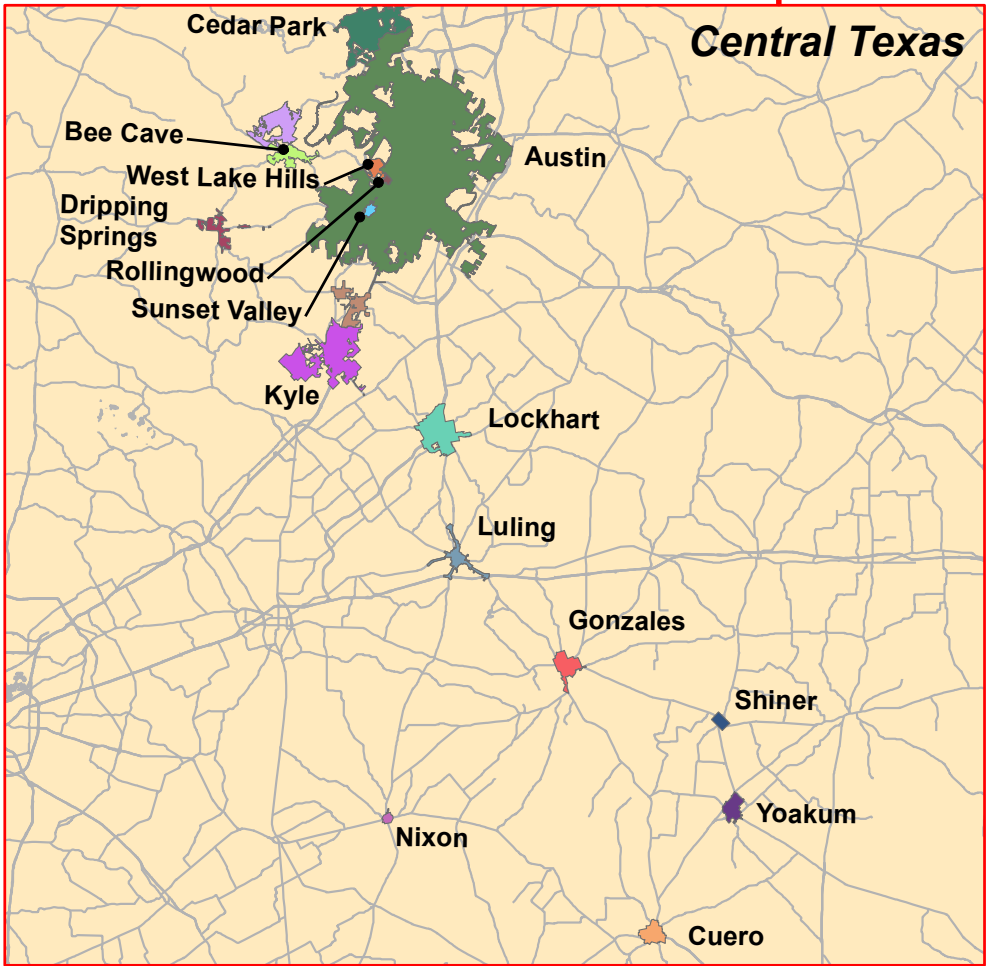
**West Texas**



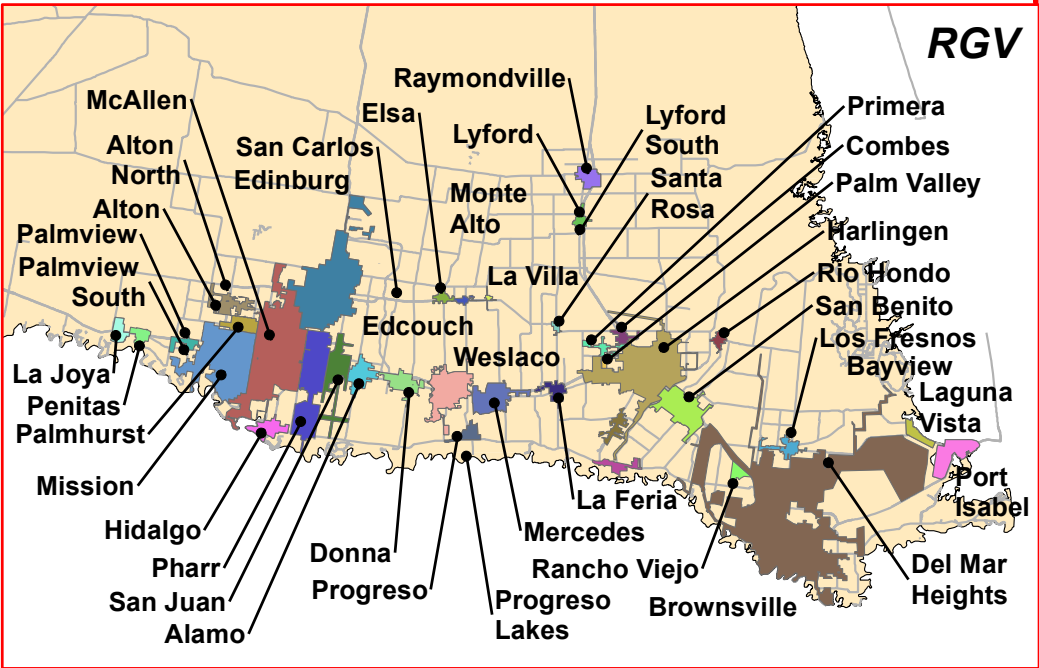
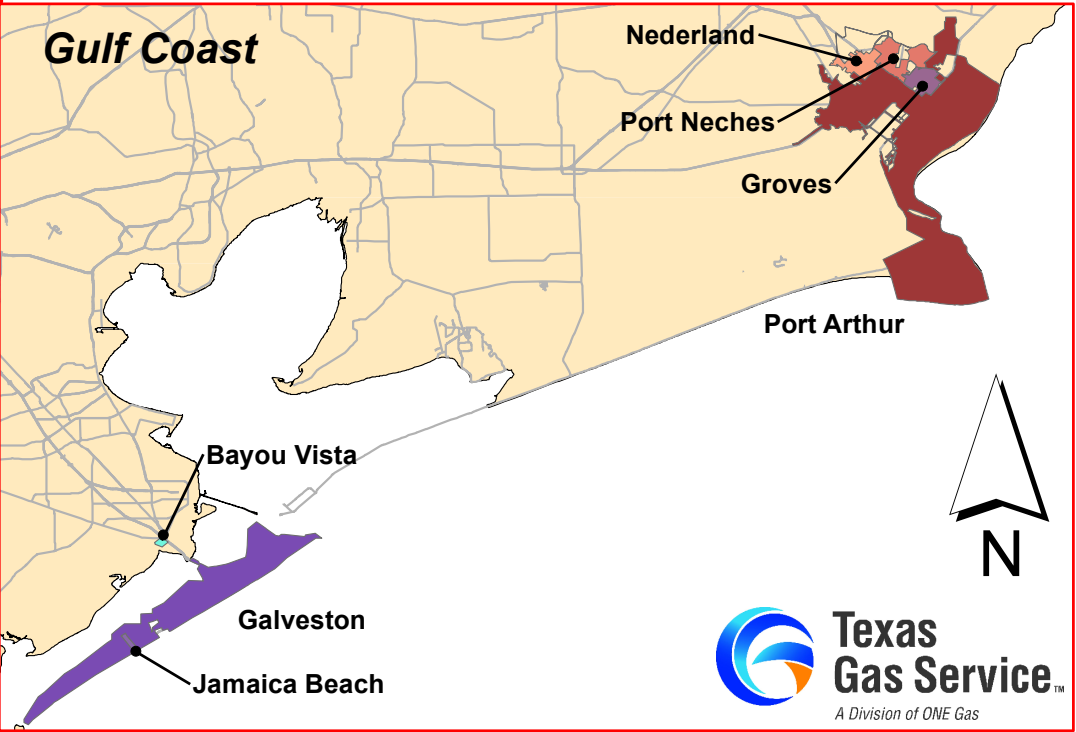
**North Texas**



**Central Texas**



**Gulf Coast**



**RGV**



**GUD No. 10656**

**Proposal for Decision**

**ATTACHMENT 3**

**Exhibit List**

**GAS UTILITIES DOCKET NO. 10656****STATEMENT OF INTENT OF TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., TO INCREASE UTILITY RATES WITHIN THE UNINCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA****TGS EXHIBIT LIST**

<b>EX. NO.</b>	<b>DESCRIPTION</b>	<b>OFFERED</b>	<b>ADMITTED/DATE</b>
1	GUD 10656 – Statement of Intent of Texas Gas Service Company, a Division of One Gas, Inc., to Increase Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area (includes all attachments) filed on October 12, 2017 as amended on November 17, 2017.	1/31/18	✓
1a	TGS's Confidential Schedule Workpapers	1/31/18	✓
1b	Confidential Exhibits to the Direct Testimony of Jeff D Branz, Exhibits JDB-1, JDB-2 and JDB-4 - JDB-13	1/31/18	✓
2	Affidavit of Damon Tucker attesting to Completion of Public Notice, filed January 3, 2018	1/31/18	✓
3	Unanimous Settlement Agreement (includes all attachments)	1/31/18	✓
3a	Supplemental Rate Case Expense Affidavit of Kate Norman		
4	Bill Impact Calculation	1/31/18	✓



**GUD No. 10656**

**Proposal for Decision**

**ATTACHMENT 4**

**Current and Proposed Service Fees**

Texas Gas Service Company  
Rio Grande Valley Service Area  
Test Year Ended December 31, 2016

Current and Proposed Service Fees

Fee or Deposit	Rio Grande Valley Service Area - Incorporated		Rio Grande Valley Service Area - Environs	
	Current Fee	Proposed Fee	Current Fee	Proposed Fee
Connect	\$20.00	\$35.00	\$9.00	\$35.00
Reconnect	\$20.00	\$35.00	\$9.00	\$35.00
Connect Fee - Read-Only (Read In)	\$15.00	\$10.00	\$15.00	\$10.00
Special Handling	N/A	\$6.00	N/A	\$6.00
Expedited Service/Overtime/After Hours	\$50.00	\$67.50	N/A	67.50
Regular Labor Rate	N/A	\$45.00	\$9.00	\$45.00
No Access Fee (Door Tag)	\$10.00	No Change	\$4.50	\$10.00
Meter Test Up to 1500 CFH	\$80.00	No Change	N/A	\$80.00
Meter Test Over 1500 CFH	\$100.00	No Change	N/A	\$100.00
Meter Test Orifice Meters (All Sizes)	\$100.00	No Change	N/A	\$100.00
Payment Re-processing Fee (Returned Check Fee)	\$25.00	No Change	\$10.00	\$25.00
Collection Fee (Residential)	\$10.00	Discontinue	N/A	N/A
All Other Class Customers	\$25.00	Discontinue	N/A	N/A
Collection Fee (All Classes)	N/A	\$12.00	N/A	\$12.00
Special Read	\$10.00	No Change	N/A	\$10.00
Temporary Service	The Greater of Estimated Cost or \$50.00		N/A	N/A
Meter Exchange without ERT (Customer Request)	\$100.00	No Change	N/A	\$100.00
Meter Exchange with ERT (Customer Request)	\$150.00	No Change	N/A	\$150.00
Unauthorized Consumption	N/A	\$20.00 plus expenses	N/A	\$20.00 plus expenses
Meter Removal Fee	\$50.00	No Change	N/A	\$50.00
Account Research Fee	N/A	\$25.00/hr.	N/A	\$25.00/hr.
Meter Tampering (Residential)	\$100.00	No Change	N/A	\$100.00
Excess Flow Valve Installation Fee	N/A	\$400.00	N/A	\$400.00
Installation of Service From Transmission Lines:				
Intermediate Services (Residential)	No Charge	Discontinue	No Charge	Discontinue
High Pressure Services (Residential)	\$500.00	Discontinue	\$200.00	Discontinue
Intermediate Services (Commercial & Industrial)	\$500.00	Discontinue	\$400.00	Discontinue
High Pressure Services (Commercial & Industrial)	\$1,000.00	Discontinue	No Charge	Discontinue
Yardline Replacement Credit (maximum)	\$500.00	Discontinue	N/A	N/A
Hourly Charge per Serviceman (Overtime Hours)	N/A	N/A	\$13.50	Discontinue
Hourly Charge per Serviceman (Call Out Overtime Hours)	N/A	N/A	\$22.50	Discontinue
Hourly Charge per Serviceman (Holiday Call Out Hours)	N/A	N/A	\$36.00	Discontinue
Minimum Charge per Call per Serviceman (Reg. Hours)	N/A	N/A	\$9.00	Discontinue
Minimum Charge per Call per Serviceman (Overtime Hours)	N/A	N/A	\$13.50	Discontinue
Minimum Charge per Call per Serviceman (Call Out Overtime Hours)	N/A	N/A	\$22.50	Discontinue

Texas Gas Service Company  
Rio Grande Valley Service Area  
Test Year Ended December 31, 2016

Current and Proposed Service Fees

Fee or Deposit	Rio Grande Valley Service Area - Incorporated		Rio Grande Valley Service Area - Environs	
	Current Fee	Proposed Fee	Current Fee	Proposed Fee
Minimum Charge per Call per Serviceman (Holiday Call Out Hours)	N/A	N/A	\$36.00	Discontinue
Charge after first hour - 1/2 hr. increments (Reg. Hours)	N/A	N/A	\$4.50	Discontinue
Charge after first hour - 1/2 hr. increments (Overtime Hours)	N/A	N/A	\$6.75	Discontinue
Charge after first hour - 1/2 hr. increments (Call Out Overtime Hours)	N/A	N/A	\$11.25	Discontinue
Charge after first hour - 1/2 hr. increments (Holiday Call Out Hours)	N/A	N/A	\$18.00	Discontinue
Reconnect - Turnoff for Non-Pay (Overtime Hours)	N/A	N/A	\$13.50	Discontinue
Reconnect - Turnoff for Non-Pay (Call Out Overtime Hours)	N/A	N/A	\$22.50	Discontinue
Reconnect - Turnoff for Non-Pay (Holiday Call Out Hours)	N/A	N/A	\$36.00	Discontinue
Reconnect - Repaired Customer Leak (Reg. Hours)	N/A	N/A	No Charge	Discontinue
Reconnect - Repaired Customer Leak (Overtime Hours)	N/A	N/A	\$13.50	Discontinue
Reconnect - Repaired Customer Leak (Call Out Overtime Hours)	N/A	N/A	\$22.50	Discontinue
Reconnect - Repaired Customer Leak (Holiday Call Out Hours)	N/A	N/A	\$36.00	Discontinue
Call-Back Charge (Reg. Hours)	N/A	N/A	\$4.50	Discontinue
Call-Back Charge (Overtime Hours)	N/A	N/A	\$4.50	Discontinue
Light-Up - Appointments made prior to 10/31 (Reg. Hours)	N/A	N/A	No Charge	Discontinue
Light-Up - Appointments made after 10/31 (Reg. Hours)	N/A	N/A	\$9.00	Discontinue
Light-Up Anytime (Overtime Hours)	N/A	N/A	\$13.50	Discontinue
Light-Up Anytime (Call Out Overtime Hours)	N/A	N/A	\$22.50	Discontinue
Light-Up Anytime (Holiday Call Out Hours)	N/A	N/A	\$36.00	Discontinue
Relocation of Meters:				
Minimum Charge	N/A	N/A	\$75.00	Discontinue
Per ft. Over Minimum Footage of 15 ft.	N/A	N/A	\$5.00	Discontinue
Delivery Pressure Charge (Residential)	N/A	N/A	\$20.00	Discontinue
Customer Deposit				
Residential Minimum <sup>1</sup>	\$50.00	\$75.00	\$50.00	\$75.00
Non-Residential Minimum <sup>1</sup>	1/6 of estimated annual billings for services rendered	\$250.00	N/A	\$250.00

<sup>1</sup> One sixth (1/6) of the estimated annual billings for services rendered - stated amounts are the minimums.

**GUD No. 10656**  
**Proposal for Decision**  
**ATTACHMENT 5**  
**Proposed Final Order**

## RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT OF TEXAS	§	
GAS SERVICE COMPANY, A DIVISION	§	
OF ONE GAS, INC., TO INCREASE GAS	§	GAS UTILITIES DOCKET
UTILITY RATES WITHIN THE	§	
UNINCORPORATED AREAS OF THE	§	NO. 10656
RIO GRANDE VALLEY SERVICE AREA	§	

### PROPOSED 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 TEX. GOV'T CODE ANN. Chapter 551 et. seq. (Vernon's 2017). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

### FINDINGS OF FACT

1. Texas Gas Service Company, a Division of ONE Gas, Inc., ("TGS") is a gas utility as defined by Texas Utilities Code §101.003(7) and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. On October 12, 2017, TGS filed with the Commission a Statement of Intent ("SOI") to increase its Rates within the unincorporated areas of the Rio Grande Valley Service Area ("RGVSA").
3. The environs of the RGVSA includes customers residing in the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, along with the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties.
4. TGS requested an effective date of November 16, 2017.
5. Staff of the Railroad Commission intervened on October 16, 2017. No other interventions were filed.
6. The Commission published notice of TGS's SOI application in *Gas Utilities Information Bulletin No. 1069* on October 13, 2017.
7. Rate case expenses were severed to Gas Utility Docket No. 10662 on November 2, 2017.
8. On November 7, 2017, the Commission suspended the implementation of TGS's proposed rates for 150 days beyond the proposed effective date, or until April 16, 2018.

9. On November 16, 2017, the Commission received a letter of protest from one resident potentially within TGS's service area; however, the complainant did not seek further participation in the docket.
10. On November 17, 2017, TGS filed an amended SOI.
11. TGS provided adequate notice of its SOI by sending a direct mailout to all customers on December 18, 2017.
12. The direct mail out to customers meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the Statement of Intent, in accordance with the Gas Utility Regulatory Act §104.103(a) and 16 TEX. ADMIN. CODE §§7.230 AND 7.235 (2016).
13. On January 25, 2018, the parties filed a Unanimous Settlement Agreement ("Agreement"), consented to by TGS and Staff.
14. A hearing to consider the Settlement was conducted on January 31, 2018.
15. Only TGS and Commission staff attended the hearing.
16. At the January 31, 2018, hearing to review the Settlement, official notice was taken of the Interim Rate Adjustment filings in GUD Nos. 10389, 10473, and 10560.
17. On February 1, 2018, Notice of Hearing for February 13, 2018, was issued and subsequently published in the Gas Utilities Information Bulletin on January 31, 2018, in accordance with Commission Rule § 7.235 (Publication and Service of Notice).
18. Notice of Hearing was sent to the governing body of the affected county, in accordance with Section 104.105(c) of the Texas Utilities Code.
19. On February 13, 2018, a hearing was called to allow public comment on the terms of the settlement; no one appeared at the hearing.
20. GUD No. 10662 (Rate Case Expenses) was consolidated with GUD No. 10656 by order on February 9, 2018.
21. The evidentiary record closed on March 1, 2018.
22. On January 23, 2018, the Commission directed the Commission Staff to analyze the impact of the Federal Tax Cut and Jobs Act of 2017 on current gas utility rates and to develop recommendations to ensure that beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Act.
23. TGS established that it has complied with the books and records requirements

of Commission Rule 7.310, and the amounts included therein are therefore subject to the presumption encapsulated in Commission Rule 7.503 that these amounts are reasonable and necessary.

24. The data submitted to the Commission in this docket encompasses a full test-year, ending December 31, 2016, adjusted for known and measurable changes.
25. The Settlement contemplates a \$500,882 revenue increase, consisting of a "black box" amount of \$253,516 for base rates (meaning that it is not the result of any specific element in TGS's underlying cost-of-service), and a Pipeline Integrity Testing Rider recovering an average of \$247,367 annually.
26. The \$500,882 increase is 19 percent over test-year revenues including gas costs and 26 percent excluding gas costs.
27. The base rates consisting of a customer charge and a volumetric charge designed to recover TGS's cost of service are just and reasonable and provide a reasonable return on its investment. The rate changes are set forth on the following table.

Customer Class	Customer Charge	Commodity Charge (Ccf)
Residential	\$15.52	\$0.34028
Commercial	\$58.00	\$0.31650
Commercial – Church	\$40.00	\$0.31650
Public Authority	\$45.00	\$0.38068
Public Authority Transportation	\$400.00	First 5,000 \$0.38068 Over 5,000 \$0.01595
Industrial	\$150.00	\$0.30336
Industrial Transportation	\$400.00	First 5,000 \$0.30336 Over 5,000 \$0.03453
Commercial Transportation	\$400.00	First 5,000 \$0.31650 Over 5,000 \$0.01777

28. The revenue increase of \$500,882, is just and reasonable.
29. The rate of return as shown in the table below is just and reasonable.

Capital Component	Capital Structure	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	38.71%	3.940%	1.53%	1.53%
Common Equity	61.29%	9.50%	5.82%	7.37%
Rate of Return	100%		<b>7.35%</b>	<b>8.90%</b>

30. For the purposes of calculating an interim rate adjustment under Tex. Util. Code § 104.301, the beginning invested capital, accumulated depreciation

amounts, service lives, depreciation rates, and applicable tax rates reflected below are just and reasonable:

- The capital structure and related components shall be as shown above in Finding of Fact 29.
- For the initial Interim Rate Adjustment filing and for all subsequent Interim Rate Adjustment filings, the depreciation rate for each account shall be as shown on Final Order Attachment 1.
- For the initial Interim Rate Adjustment filing, the net plant in service shall be \$112,368,795 as shown on Final Order Attachment 2.
- For the initial Interim Rate Adjustment filing, the customer charges as shown in Finding of Fact 27, will be the starting rates to which any IRA adjustment is applied.
- Federal income taxes will be calculated using a 21 percent rate.
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Allocation
Residential	55.71%
Commercial	33.42%
Public Authority	4.68%
Industrial	6.19%
Total Allocation	100.00%

31. It is reasonable that in future Interim Rate Adjustment filings and in future Statement of Intent filings, TGS will separate, by project, adjustments to capital investment in its project reports.
32. The terms of the Settlement provide TGS 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 as provided in Tex. Util. Code § 104.051.
33. On January 23, 2018, the Commission directed the Commission Staff to analyze the impact of the Federal Tax Cut and Jobs Act of 2017 on current gas utility rates and to develop recommendations to ensure that beginning January 1, 2018, all gas utility customers in Texas receive the full benefit of the Act.
34. It is reasonable that TGS defer and begin refunding to customers no later than January 1, 2019, the rate reduction resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018, and the effective date of new rates set by this Order. If the Commission takes action inconsistent with this Finding of Fact, the Commission's actions will control.
35. It is reasonable that TGS accrue on its books and records regulatory liabilities



- or assets to reflect the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.
36. It is reasonable that TGS shall accrue in such deferred accounts, effective from January 1, 2018, the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.
37. It is reasonable that TGS accrue in deferred accounts the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT to preserve the impacts of the tax rate change due to the Act for consideration in the next appropriate rate proceeding consistent with the Gas Utility Regulatory Act for TGS's Rio Grande Valley Service Area, unless the Commission takes action inconsistent with this Finding of Fact, in which case, the Commission's actions will control.
38. The depreciation rates for distribution and general plant, as shown on Final Order Attachment 1, are reasonable.
39. The capital investment booked to plant through the test year end, December 31, 2016, including investment identified in TGS's Interim Rate Adjustment filings is prudent, except for the misclassified truck net investment of \$121,760.
40. TGS does not have any affiliate transactions.
41. The Settlement does not include expenses for business gifts, entertainment, charitable donations, legislative advocacy, advertising expense that exceeds one-half of one percent of the gross receipts of the utility, funds for support or membership in social, recreational, fraternal, or religious organizations pursuant to Tex. Util. Code § 104.057 and 16 Tex. Admin. Code § 7.5414.
42. TGS's rate case expenses as reflected in the table below are reasonable expenses incurred through December 31, 2017, and estimated rate case expenses incurred through completion of this case, are as follows:

	<b>Actual Invoices Received</b>	<b>Invoices Due and Est. to Completion</b>	<b>Total</b>
TGS Rate Case Expenses	\$38,602	\$25,000	\$63,602

43. TGS provided billings, invoices, and evidence in support of its rate case expense request.
44. The billings, invoices, and evidence provided in support of its rate cases expenses do not evidence double-billing, excess charges, inappropriate documentation of work, or excessive entertainment and dining expenses.

45. It is reasonable that TGS submit to 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. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of December 2017, plus the approved estimated expenses of \$25,000.
46. It is reasonable that TGS file an annual Rate Case Expense Report with 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 within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
47. Findings of Fact are just and reasonable and allow the utility an opportunity to earn the cost of service approved herein.

### **CONCLUSIONS OF LAW**

1. TGS is a gas utility as defined in Tex. Util. Code Ann. § 101.003(7) and Tex. Util. Code Ann. § 121.001 and is subject to the Commission's jurisdiction under Tex. Util. Code Ann. §§ 104.002 and 121.051.
2. The Commission has exclusive original jurisdiction over TGS and TGS's statement of intent under Tex. Util. Code Ann. § 102.001.
3. This proceeding was conducted in accordance with the requirements of GURA §§101.001 et seq., (Vernon 2007 and Supp. 2016) and the Administrative Procedure Act, Tex. Gov't Code Ann. §§ 2001.001 et seq., (Vernon 2016 and Supp. 2017).
4. The proposed rates constitute a major change as defined by Tex. Util. Code Ann. §104.101 (Vernon 2016 and Supp. 2017).
5. TGS's direct mail of notice to all customers meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate increase in the Statement of Intent, in accordance with GURA §104.103(a) and 16 Tex. Admin. Code §§7.230 and 7.235 (2016).
6. The overall revenue requirement established in this Order will permit TGS a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses under Tex. Util. Code Ann. § 104.051 (Vernon 2016 and Supp. 2017).
7. The rates established in this Order will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to

the public, under Tex. Util. Code Ann. § 104.052 (Vernon 206 and Supp. 2017).

8. The rates and rate design reflected in the findings of fact are just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer, under Tex. Util. Code Ann. § 104.003 (Vernon 2016 and Supp. 2017).
9. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to TGS in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under Tex. Util. Code Ann. §101.002 (Vernon 2016 and Supp. 2017).
10. The rate case expenses approved herein are reasonable and comply with Tex. Util. Code §103.022(b) and 16 Tex. Admin. Code § 7.5530(a)-(b).

**IT IS THEREFORE ORDERED** that the schedule of rates proposed under the *Unanimous Settlement Agreement* is hereby **APPROVED**.

**IT IS FURTHER ORDERED** that the rates, rate design, and service charges established in the findings of fact, conclusions of law, and as shown on the attached tariffs for TGS are **APPROVED**.

**IT IS FURTHER ORDERED** that TGS shall defer and begin refunding to customers no later than January 1, 2019, the rate reduction resulting from changes to the corporate tax rate made in the Act that would have occurred between January 1, 2018, and the effective date of new rates set by this Order. If the Commission takes action inconsistent with this Ordering Paragraph, the Commission's actions will control.

**IT IS FURTHER ORDERED** that, effective from January 1, 2018, TGS shall accrue on its books and records regulatory liabilities or assets to reflect the impact of the reduction of the corporate income tax rate on deferred income tax and excess ADIT due to the Act.

**IT IS FURTHER ORDERED** that the impacts of the Act on deferred income tax and excess ADIT will be preserved for consideration in the next appropriate rate proceeding consistent with the Gas Utility Regulatory Act for TGS's Rio Grande Valley Service Area, unless the Commission takes action inconsistent with this Ordering Paragraph, in which case, the Commission's actions will control.

**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 46 within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

**IT IS FURTHER ORDERED** that TGS file on or before February 1 after each calendar year, TGS shall file a reconciliation report with the Commission and RGVSA Cities showing all Pipeline Integrity Safety Testing expenses incurred during the previous calendar year and verifying the prior year's collections and any under recoveries or over recoveries accruing to date under the Pipeline Integrity Testing (PIT) Rider. Prior to the effective date of the PIT Rider and on or before February 1st of each succeeding year while this Rider is in effect, the Company shall also file an Addendum to this Rider with the Commission, (a) identifying the PIT Surcharges that will be applied during the ensuing 12-month recovery period from April 1 through March 31, and (b) providing the underlying data and calculations on which each PIT Surcharge for that period is based.

**IT IS FURTHER ORDERED** that TGS shall provide, on or before March 31 after each calendar year, written notice to each affected customer of (a) the PIT Surcharge that will be applied during the ensuing 12-month period from April 1st through March 31, and (b) the effect the PIT Surcharge is expected to have on the average monthly bill for each affected customer class. TGS shall also file an affidavit annually with the Commission certifying that notice has been provided to customers in this manner.

**IT IS FURTHER ORDERED** that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, TGS shall electronically file its rate schedules in proper form that accurately reflect the rates in Attachment 3 approved in this Final Order.

**IT IS FURTHER ORDERED** that in future Interim Rate Adjustment filings and in future Statement of Intent filings, TGS will separate, by project, adjustments to capital investment in its project reports.

**IT IS FURTHER ORDERED** that any incremental change in rates approved by this Final Order and implemented by TGS shall be subject to refund unless and until TGS's tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315.

**IT IS FURTHER ORDERED** that all findings of fact and conclusions of law not specifically adopted in this Final Order are hereby **DENIED**.

**IT IS FURTHER ORDERED** that all pending motions and requests for relief not previously granted or granted herein 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 20<sup>th</sup> day of March, 2018.

**RAILROAD COMMISSION OF TEXAS**

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**CHAIRMAN CHRISTI CRADDICK**

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**COMMISSIONER RYAN SITTON**

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**COMMISSIONER WAYNE CHRISTIAN**

**ATTEST:**

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**SECRETARY**

# **GUD No. 10656**

## **Final Order**

### **LIST OF ATTACHMENTS**

(Hard copies are within PFD attachments.)

1. Depreciation Rates (Exhibit C to settlement)
2. Net Plant (Exhibit D to settlement)
3. Tariffs (Exhibit A to settlement)