

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	§	

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%		7.35%	8.90%

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:

	Actual Invoices Received	Invoices Due and Est. to Completion	Total
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 20th day of March, 2018.

RAILROAD COMMISSION OF TEXAS

Christi Craddick

CHAIRMAN CHRISTI CRADDICK

Ryan Sitton

COMMISSIONER RYAN SITTON

Wayne Christian

COMMISSIONER WAYNE CHRISTIAN

ATTEST:

Kathy Way

SECRETARY

GUD No. 10656
Final Order
ATTACHMENT 1
Depreciation Rates

**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)
GATHERING AND TRANSMISSION PLANT				
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%		
DISTRIBUTION PLANT				
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%		
GENERAL PLANT				
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 Dstrigas			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.

GUD No. 10656

Final Order

ATTACHMENT 2

Net Plant

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)
INTANGIBLE PLANT						
1 (301) Organization		\$ -	\$ -	\$ -	\$ -	\$ -
2 (302) Franchises & Consents		-	-	-	-	-
3 (303) Misc. Intangible		-	-	-	-	-
4 Total Intangible Plant		\$ -	\$ -	\$ -	\$ -	\$ -
GATHERING AND TRANSMISSION PLANT						
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	\$ 23,313,911	\$ 4,091,926	\$ 27,405,837
DISTRIBUTION PLANT						
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	\$ 96,290,024	\$ (25,575,397)	\$ 70,714,627
GENERAL PLANT						
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

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)
55 (391.5)	Artwork	-	-	-	-	-
56 (391.6)	Ariba Software	1,891	-	1,891	(749)	1,143
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 Distrigas	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	\$ 19,163,254	\$ 704,528	\$ 19,867,782	\$ (5,619,451)	\$ 14,248,331
81	Total Plant In Service	\$ 132,868,576	\$ 6,603,141	\$ 139,471,717	\$ (27,102,922)	\$ 112,368,795

GUD No. 10656

Final Order

ATTACHMENT 3

Tariffs

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.

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 3Z

INDUSTRIAL SERVICE RATE

APPLICABILITY

Applicable to any qualifying industrial customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

Division B - Mining - all Major Groups
Division D - Manufacturing - all Major Groups
Divisions E and J - Utility and Government - facilities generating power for resale only

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	\$150.00 plus
All Ccf @	\$ 0.30336 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.

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

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
Rio Grande Valley Service Area

RATE SCHEDULE T-TERMS
Page 1 of 5

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:

Adder: Shall mean the Company's incremental cost to purchase natural gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.

Commission or The Commission: The Railroad Commission of Texas.

Company: Texas Gas Service Company, a division of ONE Gas, Inc.

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

Cumulative Tolerance Limit: Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.

Consumption Period: Shall mean a volumetric billing period.

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

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

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Meters Read On and After
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TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE T-TERMS

Page 2 of 5

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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Meters Read On and After
March 27, 2018

TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE T-TERMS
Page 3 of 5

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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Meters Read On and After
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TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE T-TERMS

Page 4 of 5

- 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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Meters Read On and After
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TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE 1-TERMS
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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.

Initial

Meters Read On and After
March 27, 2018

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.

TEXAS GAS SERVICE COMPANY
Rio Grande Valley Service Area

RATE SCHEDULE NO. 1-ENV
Page 2 of 4

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.

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.

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

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GENERAL STATEMENT

1.1 TARIFF APPLICABILITY

Texas Gas Service Company is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service Company's Rio Grande Valley Service Area comprised of 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, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties. This Tariff supersedes and replaces all tariffs previously approved and applied in said service area.

Service under this Tariff is subject to the original jurisdiction of the municipalities in the Rio Grande Valley Service Area and the Railroad Commission of Texas. The Company will provide service to any person and/or business within its service area in accordance with the rates, terms and conditions provided for in its Tariff and regulations.

1.2 RATE SCHEDULES

All Customers shall be served under rate schedules filed with the municipality or Railroad Commission of Texas. Customers shall be assigned to rate schedules in accordance with the class of the particular Customer, the usage which will be made of the gas and that Customer's volume requirements. The Company shall advise an Applicant or Customer regarding the most advantageous rate for his usage if more than one rate is applicable. A Customer assigned to a rate schedule shall remain on that schedule for a minimum of one year except that an assignment made in error may be corrected immediately. In the event of a question regarding the Customer's classification, the questions shall be resolved by reference to the coding of the Customer's primary business in the latest edition of the Standard Industrial Classification Manual of the United States Government's Office Management and Budget.

1.3 DEFINITIONS

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

<u>Adder:</u>	Shall mean the Company's incremental cost to purchase natural gas.
<u>Aggregation Areas:</u>	Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.
<u>Agricultural Service:</u>	Service to Consumers engaged in agricultural production.
<u>Applicant:</u>	Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

<u>Automated Meter Reading (AMR):</u>	A device that remotely reads a gas meter.
<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.

<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.

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

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. 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.

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).

5.6 GROUNDS FOR REFUSAL TO SERVE

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

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

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

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.

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.

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

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

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.

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

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.

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

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.

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.

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

Charge

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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

- 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.

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.)

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.)

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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 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.)
March 27, 2018 (Env.)

TEXAS GAS SERVICE COMPANY
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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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October 18, 2017 (Incorp.)
March 27, 2018 (Env.)

TEXAS GAS SERVICE COMPANY

Rio Grande Valley Service Area

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

RATE SCHEDULE PIT

Page 3 of 3

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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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