

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION FILED BY TEXAS GAS SERVICE COMPANY FOR TEST YEAR 2017 ANNUAL INTERIM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE WEST TEXAS SERVICE AREA	§ § § § §	GAS UTILITIES DOCKET NO. 10710
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Texas Gas Service Company ("TGS" or "Company") is a "gas utility," as that term is defined in the Texas Utilities Code, and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. TGS owns and operates a natural gas distribution system.
3. On March 15, 2018, TGS filed an application for an annual interim rate adjustment ("IRA") to its rates for gas service to customers located in the unincorporated areas of the Company's West Texas Service Area.
4. TGS requested that the IRA for all customer classes become effective on May 14, 2017.
5. On March 19, 2018, the Commission suspended implementation of TGS's proposed IRA until June 28, 2018, which would be 45 days following the 60th day after the application would be considered complete.
6. Neither TEX. UTIL. CODE § 104.301 nor 16 Texas Administrative Code § 7.7101 provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
7. 16 TEX. ADMIN. CODE §7.7101 allows written comments or a protest concerning the proposed IRA to be filed with the Commission.

8. No letters of protest have been received as of the date of this order.
9. This docket represents the second annual IRA for TGS since Gas Utility Docket (“GUD”) No. 10506.¹
10. Until promulgation of TEX. UTIL. CODE § 104.301, a utility could not increase its rates subject to the Commission’s jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
11. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10506, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS’s comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the environs of the West Texas Service Area (“WTSA”).
13. In 2017, the average monthly number of customers for TGS in the WTSA was approximately 262,484 customers. Of these, 247,525 were residential customers, 13,660 were commercial customers, 1,225 were public authority customers, 54 were industrial customers, and 20 were water pumping customers.
14. In 2017, the average monthly number of customers for TGS in the WTSA unincorporated areas was approximately 20,913 customers. Of these, 20,129 were residential customers, 659 were commercial customers, 116 were public authority customers, 7 were industrial customers, and 2 were water pumping customers.

Most Recent Comprehensive Rate Case

15. TGS’s most recent rate case for the area in which the IRA will be implemented is GUD No. 10506, *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. to Increase Gas Utility Rates within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*.
16. GUD No. 10506 was filed on March 30, 2016.

¹ *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. to Increase Gas Utility Rates within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*.

17. The Commission signed the GUD No. 10506 Final Order on September 27, 2016, and the rates became effective 25 days after the order was signed.
18. The following chart shows the factors that were established in GUD No. 10506 to calculate the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes for TGS as applied in this IRA proceeding.

GUD No. 10506 CALCULATION FACTORS

Factor	Percentage
Rate of Return	7.28%
Depreciation Rate	By FERC Account ²
Federal Income Tax Rate	35%

Interim Rate Adjustment

19. The revenue amounts to be recovered through TGS's proposed annual IRA are incremental to the revenue requirement established in TGS's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10506, and subsequent rate adjustments.
20. Under TEX. ADMIN. CODE §7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
21. In GUD No. 10612, the first IRA following TGS' most recent statement of intent in the West Texas Service Area, TGS adjusted its rates based on the difference between its invested capital from the end of its Statement of Intent rate case test year, September 30, 2015 to December 31, 2016.
22. In this second IRA, TGS adjusted its rates based on the difference between its invested capital from December 31, 2016 to December 31, 2017.
23. TGS seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment with regard to the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$3,989,114** (Exhibit B), of which **\$304,599** is attributable to customers subject to this order.

² Staff review confirms that the Company used the appropriate depreciation rates as approved in GUD No. 10506 in this docket.

24. The value of TGS's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
25. TGS's incremental net utility plant investment increase is **\$32,027,339** (Exhibit B).
26. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, ad valorem taxes, and federal income taxes as those established or used in the final order setting rates in TGS's most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10506.
27. TGS filed the Commission's Annual Earnings Monitoring Report ("EMR") as required by 16 TEX. ADMIN. CODE §7.701. TGS's actual rate of return was 6.485% for the test year ending December 31, 2017, which is less than the 7.28% allowed rate of return established in GUD No. 10506.
28. GUD No. 10506, TGS's most recent Statement of Intent rate case for the unincorporated areas of the WTSA and the basis for the key factors in an IRA calculation, was approved by the Commission on September 27, 2016. Customer charges are shown in Column B below.
29. The interim rate adjustments approved in GUD No. 10612, the first IRA application for the unincorporated areas of the WTSA are shown in Column C below.
30. This docket, GUD No. 10710, is the second IRA application for the unincorporated areas of the WTSA. The proposed interim rate adjustments to the customer charges are shown in Column D below.
31. When the Customer Charge as established in GUD No. 10506, and the IRAs (Columns B, C and D) are added, the resulting customer charges for affected customer classes are as shown in Column E of the table below.

WTSA Customer Charges and IRA

A	B	C	D	E
Customer Type	GUD 10506	GUD 10612 (2016 IRA)	GUD 10710 (2017 IRA)	Total Customer Charge
Residential	\$15.70	\$1.15	\$1.05	\$17.90
Commercial	\$39.00	\$3.55	\$3.33	\$45.88
Public Authority	\$100.00	\$13.98	\$12.91	\$126.89
Industrial	\$200.00	\$89.14	\$80.97	\$370.11
Water Pumping	\$426.44	\$49.72	\$43.95	\$520.11

32. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
1. Net utility plant investment included in this docket totaled \$32,027,339.³
 2. Gross capital project additions totaled \$35,609,609.⁴
 3. The percentage of additions in this filing that are safety related is 44.43%.⁵
33. TGS proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates.
34. TGS is required to show its annual IRAs on its customers' monthly billing statements as a surcharge on a separate line item.
35. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE, §7.7101 require the regulatory authority to review a utility's method of calculating the IRA.
36. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

37. Adequate notice by TGS was provided to its applicable environs customer classes by bill insert and direct mail between April 5, 2018 and April 25, 2018, and thus completed within 45 days of the filing, fulfilling notice requirements under TEX. UTIL. CODE § 104.301(a)

² Schedule IRA-3.

³ Schedule IRA-10 and IRA-10a.

⁵ Response to Staff's RFI No. 1-10.

Comprehensive Rate Case Required

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

Review of Interim Rate Adjustment

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

Customer Class	Allocation Factors
Residential	78%
Commercial	14%
Public Authority	4.8%
Industrial	1.3%
Water Pumping	0.26%
Fort Bliss	2.2%

44. TGS's proposed customer counts comply with TEX. UTIL. CODE, § 104.301, and with 16 TEX. ADMIN. CODE, § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2017 customer counts. The following total number of customer charges for use in the calculation of the IRA are reasonable:

Customer Class	Annual Number of Customer Charges
Residential	2,970,301
Commercial	163,918
Public Authority	14,698
Industrial	651
Water Pumping	240
Fort Bliss	n/a*
Total	3,149,808

*Fort Bliss is included in the WTSA and properly allocated a share of the rate increase, however as a contract customer, rates for Fort Bliss will not change subject to this IRA filing. By contract, Fort Bliss is subject to a separate annual rate review process.

45. It is reasonable for the Commission to approve TGS's applications for an IRA. The following amounts of IRA revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from the Environs	Additional Customer Charge
Residential	\$3,104,027	\$252,427	\$1.05
Commercial	\$545,346	\$26,326	\$3.33
Public Authority	\$186,681	\$17,990	\$12.91
Industrial	\$52,710	\$6,801	\$80.97
Water Pumping	\$10,547	\$1,055	\$43.95
Fort Bliss	\$86,803	\$0	\$0
Total Increase	\$3,989,114	\$304,599	

Voluntary Rate Reduction to Reflect the Tax Cuts and Jobs Act of 2017

46. On March 28, 2018, in response to the Commission Accounting Order established in GUD No. 10695, TGS filed for Commission approval to implement a rate reduction to existing rates, including base rates set in GUD No. 10506 and interim rates set in GUD No. 10612, to reflect the impact of a 21% Federal Corporate Income Tax rate as set in the Tax Cuts and Jobs Act of 2017 ("TCJA"). This filing was docketed as GUD No. 10713. The requested reduced rates were administratively approved on April 30, 2018.
47. In this docket, TGS voluntarily requested a reduction to the change in revenue requirement based on implementation of the 21% Federal Corporate Income Tax rate as set in the TCJA.
48. As a result of the change, the Company filed revised schedules and TGS seeks approval from the Commission for a revised adjustment to its IRA revenue based on incremental net utility plant investment with regard to the following components: return on investment;

depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement, calculated using a 21% Federal Income Tax rate, to be recovered through this IRA filing from all rate classes using the approved component factors is **\$3,490,410** (Exhibit C), of which **\$266,519** is attributable to customers subject to this order.

49. GUD No. 10506, TGS's most recent Statement of Intent rate case for the unincorporated areas of the West Texas Service Area and the basis for the key factors in an IRA calculation, was approved by the Commission on September 27, 2016. Customer charges, as reduced in GUD No. 10713 to reflect the impact of the TCJA, are shown in Column B of the table below.
50. GUD No. 10612, the first IRA application for the unincorporated areas of the West Texas Service Area, as reduced in GUD No. 10713, is shown in Column C, below.
51. When the Customer Charge, as established in Gas Utilities Docket No. 10506 and reduced in GUD No. 10713, the first IRA set in GUD No. 10612 and reduced in GUD No. 10713, and the revised test year 2017 Interim Rate Adjustment are added, the resulting customer charges for affected customer classes are as shown in Column E of the table below.

West Texas Service Area Customer Charges and IRA

A	B	C	D	E
Customer Type	GUD 10506	GUD 10612 (2016 IRA)*	GUD 10710 (2017 IRA)	Total Customer Charge
Residential	\$15.70	\$1.02	\$0.91	\$17.63
Commercial	\$39.00	\$3.16	\$2.91	\$45.07
Public Authority	\$100.00	\$12.44	\$11.29	\$123.73
Industrial	\$200.00	\$79.31	\$70.85	\$350.16
Water Pumping	\$426.44	\$44.24	\$38.45	\$509.13

*Rates as adjusted in GUD No. 10713.

52. It is reasonable for the Commission to approve TGS's revised application for an IRA calculated using a 21% Federal Income Tax rate as requested by TGS in this docket. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from the Environs	Additional Customer Charge
Residential	\$2,715,973	\$220,869	\$0.91
Commercial	\$477,169	\$23,035	\$2.91
Public Authority	\$165,968	\$15,741	\$11.29
Industrial	\$46,121	\$5,951	\$70.85
Water Pumping	\$9,228	\$923	\$38.45
Fort Bliss	\$75,951	\$0	\$0
Total Increase	\$3,490,410	\$266,519	

Reimbursements of Expense

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

CONCLUSIONS OF LAW

1. Texas Gas Service Company, a division of ONE Gas, Inc ("TGS") is a "gas utility" as defined in TEX. UTIL. CODE §§101.003(7), and 121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. The Commission has jurisdiction over TGS; TGS's applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, and 104.301.

3. Under TEX. UTIL. CODE. § 102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, TGS is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. TGS filed its application for interim rate adjustments for changes in investment in accordance with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. TGS's application for an interim rate adjustment was processed in accordance with the requirements of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
7. In accordance with 16 TEX. ADMIN. CODE § 7.315, within thirty days of the effective date of any change to rates or services, TGS is required to file with the Commission its revised tariffs.
8. In accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of TGS's most recent rate case, in which there is a final order setting rates for the area in which the interim rate adjustment will apply, was no more than two years prior to the date TGS filed its initial interim rate adjustment.
9. TGS is required, under TEX. UTIL. CODE § 104.301(e) and 16 TEX. ADMIN. CODE § 7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
10. TGS shall include in all future annual interim rate adjustment filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
11. TGS is required, under TEX. UTIL. CODE § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating Texas Gas Service's earnings during the preceding calendar year.
12. TGS is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved interim rate adjustments annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous interim rate adjustment application.

13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under TGS's interim rate adjustment tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an interim rate adjustment and shall be the subject of specific findings of fact in the Commission's final order setting rates.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that TGS files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
16. TGS provided adequate notice, in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. TGS's application for interim rate adjustments, as proposed, complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. TGS's interim rate adjustments established in the findings of fact and conclusions of law, comply with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), TGS shall file a comprehensive rate case for the areas in which the interim rate adjustment is implemented, no later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from TGS the Utility's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Texas Gas Service's interim rate adjustment as recommended for approval in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for bills rendered on or after the date of this order.

IT IS FURTHER ORDERED THAT within 30 days of this order in accordance with 16 TEX. ADMIN. CODE § 7.315 Texas Gas Service **SHALL** electronically file its interim rate adjustment tariffs in proper form that accurately reflect the rates, as expressed in Exhibit A, approved by the Commission in this Order.

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** file with the Commission no later than December 3, 2022, a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(1).

IT IS FURTHER ORDERED THAT any incremental change in rates approved by this order and implemented by Texas Gas Service shall be subject to refund unless and until Texas Gas Service's interim rate adjustment tariffs are electronically filed and accepted by Gas Services in accordance with 16 TEX. ADMIN. CODE § 7.315.

IT IS FURTHER ORDERED THAT Texas Gas Service **SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this Order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

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

SIGNED this 5th day of June, 2018.

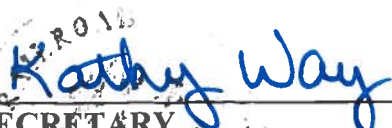
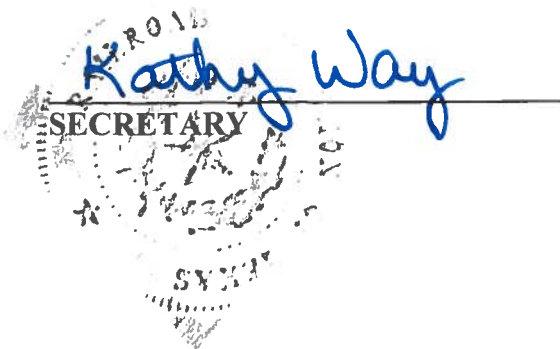
RAILROAD COMMISSION OF TEXAS


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CHAIRMAN


RYAN SITTON
COMMISSIONER


WAYNE CHRISTIAN
COMMISSIONER

ATTEST


SECRETARY


GUD NO. 10710

EXHIBIT A

Tariffs

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes, including any public housing project and including apartment houses where service for more than one dwelling unit is served through a master meter. This rate is only available to full requirements customers of Texas Gas Service, a division of ONE Gas, Inc..

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thortonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$15.70 plus - \$1.93 per month (Footnote 1)
Total Customer Charge	\$17.63 per month
All Ccf per monthly billing period @	
All Ccf @	\$0.09317 per Ccf (Footnote 2)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

RESIDENTIAL SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge, Texas Gas Service, a division of ONE Gas, Inc. will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2016 IRA - \$1.15 (GUD No. 10612) revised to \$1.02 (GUD No. 10713); 2017 IRA - \$0.91 (GUD No. 10710)

Footnote 2: \$0.12237 (GUD No. 10506) revised to \$0.09317 (GUD No. 10713)

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, a division of ONE Gas, Inc.

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of
Interim Rate Adjustment (IRA)
Total Customer Charge

\$39.00 plus -
\$6.07 per month (Footnote 1)
\$45.07 per month

All Ccf per monthly billing period @

First 500 Ccf @

All Over Ccf @

\$0.08223 per Ccf (Footnote 2)

\$0.06223 per Ccf (Footnote 3)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

COMMERCIAL SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge, Texas Gas Service, a division of ONE Gas, Inc. will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2016 IRA - \$3.55 (GUD No. 10612) revised to \$3.16 (GUD No. 10713); 2017 IRA - \$2.91 (GUD No. 10710)

Footnote 2: \$0.09520 (GUD No. 10506) revised to \$0.08223 (GUD No. 10713)

Footnote 3: \$0.07520 (GUD No. 10506) revised to \$0.06223 (GUD No. 10713)

COMMERCIAL AIR CONDITIONING SERVICE RATE

APPLICABILITY

Applicable to all commercial consumers who have and regularly operate a gas fired air conditioning system.

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$39.00 plus - \$6.07 per month (Footnote 1)
Total Customer Charge	\$45.07 per month

All Ccf per monthly billing period @

		Winter <u>Oct. – April</u>	Summer <u>May – Sept.</u>
The First	500 Ccf @	\$0.08223 per Ccf (Footnote 2)	\$0.06223 per Ccf (Footnote 3)
All Over	500 Ccf @	\$0.06223 per Ccf(Footnote 4)	\$0.04223 per Ccf(Footnote 5)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

COMMERCIAL AIR CONDITIONING SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 2Z.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified company personnel.

Footnote 1: 2016 IRA - \$3.55 (GUD No. 10612) revised to \$3.16 (GUD No. 10713); 2017 IRA - \$2.91 (GUD No. 10710)

Footnote 2: \$0.09520 (GUD No. 10506) revised to \$0.08223 (GUD No. 10713)

Footnote 3: \$0.07520 (GUD No. 10506) revised to \$0.06223 (GUD No. 10713)

Footnote 4: \$0.07520 (GUD No. 10506) revised to \$0.06223 (GUD No. 10713)

Footnote 5: \$0.05520 (GUD No. 10506) revised to \$0.04223 (GUD No. 10713)

INDUSTRIAL SERVICE RATE

APPLICABILITY

Applicable to industrial 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, a division of ONE Gas, Inc.

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$200.00 plus - \$150.16 per month (Footnote 1)
Total Customer Charge	\$350.16 per month

All Ccf per monthly billing period @

The First	500 Ccf @	\$0.12458 per Ccf (Footnote 2)
All Over	500 Ccf @	\$0.10458 per Ccf (Footnote 3)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

INDUSTRIAL SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirements customer, pays a standby charge, Texas Gas Service, a division of ONE Gas, Inc. will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2016 IRA - \$89.14 (GUD No. 10612) revised to \$79.31 (GUD No. 10713); 2017 IRA - \$70.85 (GUD No. 10710)

Footnote 2: \$0.13202 (GUD No. 10506) revised to \$0.12458 (GUD No. 10713)

Footnote 3: \$0.11202 (GUD No. 10506) revised to \$0.10458 (GUD No. 10713)

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all 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, a division of ONE Gas, Inc.

TERRITORY

Environs of the West Texas Service Area which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)		\$100.00 plus -
Total Customer Charge		\$23.73 per month (Footnote 1)
		\$123.73 per month

All Ccf per monthly billing period @		
The First	500 Ccf @	\$0.11461 per Ccf (Footnote 2)
All Over	500 Ccf @	\$0.09461 per Ccf (Footnote 3)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

PUBLIC AUTHORITY SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirements customer, pays a standby charge, Texas Gas Service, a division of ONE Gas, Inc. will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2016 IRA - \$13.98 (GUD No. 10612) revised to \$12.44 (GUD No. 10713); 2017 IRA - \$11.29 (GUD No. 10710)

Footnote 2: \$0.12499 (GUD No. 10506) revised to \$0.11461 (GUD No. 10713)

Footnote 3: \$0.10499 (GUD No. 10506) revised to \$0.09461 (GUD No. 10713)

PUBLIC AUTHORITY AIR CONDITIONING SERVICE RATE

APPLICABILITY

Applicable to all 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 who have and regularly operate a gas fired central air conditioning system.

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of
Interim Rate Adjustment (IRA)
Total Customer Charge

\$100.00 plus -
\$23.73 per month (Footnote 1)
\$123.73 per month

All Ccf per monthly billing period @

The First 500 Ccf @

All Over 500 Ccf @

Winter

Oct. – April

\$0.11461 per Ccf (Footnote 2)

\$0.09461 per Ccf (Footnote 4)

Summer

May – Sept.

\$0.08461 per Ccf (Footnote 3)

\$0.06461 per Ccf (Footnote 5)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

PUBLIC AUTHORITY AIR CONDITIONING SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 4Z.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified company personnel.

Footnote 1: 2016 IRA - \$13.98 (GUD No. 10612) revised to \$12.44 (GUD No. 10713); 2017 IRA - \$11.29 (GUD No. 10710)

Footnote 2: \$0.12499 (GUD No. 10506) revised to \$0.11461 (GUD No. 10713)

Footnote 3: \$0.09499 (GUD No. 10506) revised to \$0.08461 (GUD No. 10713)

Footnote 4: \$0.10499 (GUD No. 10506) revised to \$0.09461 (GUD No. 10713)

Footnote 5: \$0.07499 (GUD No. 10506) revised to \$0.06461 (GUD No. 10713)

MUNICIPAL WATER PUMPING SERVICE RATE

APPLICABILITY

Applicable to gas used in internal combustion engines by various municipal agencies in the WTSA environs area. This rate is only available to full requirements customers of Texas Gas Service, a division of ONE Gas, Inc.

TERRITORY

Environs of the West Texas Service Area, which includes the unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett, and Wink, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)		\$426.44 plus -
Total Customer Charge		\$82.69 per month (Footnote 1)
		\$509.13 per month

All Ccf per monthly billing period @

The First	5000 Ccf @	\$0.06111 per Ccf (Footnote 2)
All Over	5000 Ccf @	\$0.05111 per Ccf (Footnote 3)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

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: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Taxes: Plus applicable taxes and fees related to above.

MUNICIPAL WATER PUMPING SERVICE RATE (Continued)

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge, Texas Gas Service, a division of ONE Gas, Inc. will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2016 IRA - \$49.72 (GUD No. 10612) revised to \$44.24 (GUD No. 10713); 2017 IRA - \$38.45 (GUD No. 10710)

Footnote 2: \$0.06817 (GUD No. 10506) revised to \$0.06111 (GUD No. 10713)

Footnote 3: \$0.05817 (GUD No. 10506) revised to \$0.05111 (GUD No. 10713)

ELECTRICAL COGENERATION

APPLICABILITY

Service under this rate schedule is available to any customer who enters into a contract with the Company to use natural gas for the purpose of cogeneration. Cogeneration is defined as the use of thermal energy to produce electricity with recapture of by-product heat in the form of steam, exhaust heat, etc. for industrial process use, space heating, food processing or other purposes.

TERRITORY

This rate shall be available in the unincorporated areas of the West Texas Service Area which includes Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thortonville, Wickett, Wink and Vinton, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$300.50 plus -
Interim Rate Adjustment (IRA)	\$6.07 per month (Footnote 1)
Total Customer Charge	\$306.57 per month

	<u>Oct. - April</u> Winter	<u>May - Sept.</u> Summer
The First 5,000 Ccf	\$0.05696 per Ccf (Footnote 2)	\$0.04695 per Ccf (Footnote 3)
The Next 95,000 Ccf	\$0.04696 per Ccf (Footnote 4)	\$0.03694 per Ccf (Footnote 5)
The Next 300,000 Ccf	\$0.03696 per Ccf (Footnote 6)	\$0.02695 per Ccf (Footnote 7)
All Over 400,000 Ccf	\$0.02696 per Ccf (Footnote 8)	\$0.01694 per Ccf (Footnote 9)

OTHER ADJUSTMENTS

Cost of Gas Component: In addition to the Cost of Service set forth above, each customer's bill shall include an amount equal to the Cost of Gas for the billing month as determined in accordance with Rate Schedule No. 1-ENV or Rate Schedule No. 1-ENV-DC, as applicable, multiplied by the total Ccf consumed during the billing month.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Gas taken under this rate shall be used exclusively for the purpose of cogeneration as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.
2. This rate will not be available for standby use.
3. For the purpose of this rate, the annual load factor must be 60 percent or greater. The annual load factor is defined as the customer's total annual consumption divided by the customer's peak month consumption times twelve. If less than 60 percent load factor occurs for a twelve-month period, the rate charged will revert back to the rate that the customer would have otherwise been served under. A continuous twelve-month period of 60 percent or better load factor must precede a return to the cogeneration rate.
4. To qualify for the summer discounts, the customers' peak summer months load must be at least 75 percent of the customers' peak winter months load. Failure to meet this requirement will result in an adjustment to the customers' October bill equal to the difference between the winter and summer rates times that year's total May through September consumption by that customer.
5. Subject in all respects to applicable laws, rules and regulations from time to time in effect.

Footnote 1: 2016 IRA - \$3.55 (GUD No. 10612) revised to \$3.16 (GUD No. 10713); 2017 IRA - \$2.91 (GUD No. 10710)

Footnote 2: \$0.06993 (GUD No. 10506) revised to \$0.05696 (GUD No. 10713)

Footnote 3: \$0.05992 (GUD No. 10506) revised to \$0.04695 (GUD No. 10713)

Footnote 4: \$0.05993 (GUD No. 10506) revised to \$0.04696 (GUD No. 10713)

Footnote 5: \$0.04991 (GUD No. 10506) revised to \$0.03694 (GUD No. 10713)

Footnote 6: \$0.04993 (GUD No. 10506) revised to \$0.03696 (GUD No. 10713)

Footnote 7: \$0.03992 (GUD No. 10506) revised to \$0.02695 (GUD No. 10713)

Footnote 8: \$0.03993 (GUD No. 10506) revised to \$0.02696 (GUD No. 10713)

Footnote 9: \$0.02991 (GUD No. 10506) revised to \$0.01694 (GUD No. 10713)

TRANSPORTATION SERVICE RATE

Applicability

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing delivery receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

Availability

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company's unincorporated areas of the West Texas Service Area distribution system which includes the environs of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett and Wink, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

Cost of Service Rate

During each monthly billing period, a customer charge per meter per month listed by customer class as follows:

Commercial	\$400.00 per month		
plus Interim Rate Adjustments	\$6.07 (Footnote 1)	Total Rate	\$406.07
Cogeneration	\$400.00 per month		
plus Interim Rate Adjustments	\$6.07 (Footnote 2)	Total Rate	\$406.07
Industrial	\$400.00 per month		
plus Interim Rate Adjustments	\$150.16 (Footnote 3)	Total Rate	\$550.16
Public Authority	\$400.00 per month		
plus Interim Rate Adjustments	\$23.73 (Footnote 4)	Total Rate	\$423.73

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

Commercial	The First 500 Ccf @	\$0.08223 per Ccf (Footnote 5)
	All Over 500 Ccf @	\$0.06223 per Ccf (Footnote 6)
Cogeneration	<u>Oct. – Apr. (Winter)</u>	
	First 5,000 Ccf @	\$0.05696 per Ccf (Footnote 7)
	Next 95,000 Ccf @	\$0.04696 per Ccf (Footnote 8)
	Next 300,000 Ccf @	\$0.03696 per Ccf (Footnote 9)
	All Over 400,000 Ccf @	\$0.02696 per Ccf (Footnote 10)
	<u>May – Sept. (Summer)</u>	
	First 5,000 Ccf @	\$0.04695 per Ccf (Footnote 11)
	Next 95,000 Ccf @	\$0.03694 per Ccf (Footnote 12)
	Next 300,000 Ccf @	\$0.02695 per Ccf (Footnote 13)
	All Over 400,000 Ccf @	\$0.01694 per Ccf (Footnote 14)
Industrial	The First 500 Ccf @	\$0.12458 per Ccf (Footnote 15)
	All Over 500 Ccf @	\$0.10458 per Ccf (Footnote 16)
Public Authority	The First 500 Ccf @	\$0.11461 per Ccf (Footnote 17)
	All Over 500 Ccf @	\$0.09461 per Ccf (Footnote 18)

Additional Charges:

- 1) A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover the cost of any applicable taxes.
- 3) In the event the Company incurs a demand charge, balancing service rate, or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the West Texas Service Area, the customer may be charged its proportionate share of the demand charge, balancing service rate, or reservation charge based on benefit received by the customer.
- 4) Rate Schedule RCE-ENV: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.
- 5) Pipeline Integrity Testing Rider: 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.

Footnote 1: 2016 IRA - \$3.55 (GUD No. 10612) revised to \$3.16 (GUD No. 10713); 2017 IRA - \$2.91 (GUD No. 10710)

Footnote 2: 2016 IRA - \$3.55 (GUD No. 10612) revised to \$3.16 (GUD No. 10713); 2017 IRA - \$2.91 (GUD No. 10710)

Footnote 3: 2016 IRA - \$89.14 (GUD No. 10612) revised to \$79.31 (GUD No. 10713); 2017 IRA - \$70.85 (GUD No. 10710)

Footnote 4: 2016 IRA - \$13.98 (GUD No. 10612) revised to \$12.44 (GUD No. 10713); 2017 IRA - \$11.29 (GUD No. 10710)

Footnote 5: \$0.09520 (GUD No. 10506) revised to \$0.08223 (GUD No. 10713)

Footnote 6: \$0.07520 (GUD No. 10506) revised to \$0.06223 (GUD No. 10713)

Footnote 7: \$0.06993 (GUD No. 10506) revised to \$0.05696 (GUD No. 10713)

Footnote 8: \$0.05993 (GUD No. 10506) revised to \$0.04696 (GUD No. 10713)

Footnote 9: \$0.04993 (GUD No. 10506) revised to \$0.03696 (GUD No. 10713)

Footnote 10: \$0.03993 (GUD No. 10506) revised to \$0.02696 (GUD No. 10713)

Footnote 11: \$0.05992 (GUD No. 10506) revised to \$0.04695 (GUD No. 10713)

Footnote 12: \$0.04991 (GUD No. 10506) revised to \$0.03694 (GUD No. 10713)

Footnote 13: \$0.03992 (GUD No. 10506) revised to \$0.02695 (GUD No. 10713)

Footnote 14: \$0.02991 (GUD No. 10506) revised to \$0.01694 (GUD No. 10713)

Footnote 15: \$0.13202 (GUD No. 10506) revised to \$0.12458 (GUD No. 10713)

Footnote 16: \$0.11202 (GUD No. 10506) revised to \$0.10458 (GUD No. 10713)

Footnote 17: \$0.12499 (GUD No. 10506) revised to \$0.11461 (GUD No. 10713)

Footnote 18: \$0.10499 (GUD No. 10506) revised to \$0.09461 (GUD No. 10713)

STANDBY SERVICE RATE

APPLICABILITY

Applicable to all customers who have alternative natural gas transmission or distribution facilities physically conformed to supply natural gas service to them and who are not full requirements Texas Gas Service, a division of ONE Gas, Inc. customers.

TERRITORY

The incorporated and unincorporated areas of Andrews, Anthony, Barstow, Canutillo, Clint, Crane, Dell City, El Paso, Fabens, Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thorntonville, Vinton, Wickett and Wink, Texas.

RATE

During each monthly billing period:

A customer charge per meter per month of	\$125.00 plus –
Interim Rate Adjustments (IRA)	\$150.16 per month (Footnote 1)
Total Customer Charge	\$275.16 per month

plus \$20.00 per Mcf/Hour of connected rated capacity of natural gas consuming equipment

OTHER ADJUSTMENTS

None

CONDITIONS

1. This charge shall cause the Company to maintain a connection with the customer including metering and regulation facilities. The Company will also arrange with suppliers for sufficient gas reserve assurance so that the customer can resume service upon reasonable notice to the Company.
2. Company engineers shall have the right and be afforded the opportunity by the customer to inspect the facilities to properly ascertain the gas-using capacity on the customer's premises.
3. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.

Footnote 1: 2016 IRA - \$89.14 (GUD 10612) revised to \$79.31 (GUD 10713); 2017 IRA - \$70.85 (GUD No. 10710)

GUD NO. 10710

EXHIBIT B

Schedules

TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC. - WEST TEXAS SERVICE AREA
 INTERIM RATE ADJUSTMENT - TWELVE MONTH PERIOD ENDING DECEMBER 31, 2017
 IRA 3 - SUMMARY AT 35% FIT

Line No.	Description	12/31/2016 Previous Year	12/31/2017 Current Year	Reference	
	(a)	(b)	(c)	(d)	
1	Net Investment	\$335,537,501	\$367,564,840	(b) IRA-7 line 89 col (h), (c) IRA-8 lines 89 col (h)	
2	Increase in Net Investment		\$32,027,339	IRA-9 line 90 col (h)	
3	Authorized Return on Capital		7.285%	IRA-15 line 6 col (d)	
4					
5	Change in Return on Net Investment		\$2,333,125	Line 2 * Line 3	
6	Change in Depreciation Expense		\$368,046	IRA-9 line 90 col (f)	
7	Change in Federal, Revenue and Other Taxes		\$1,287,943	IRA-5 line 13 col (g) plus IRA-6 line 14 (c)	
8	Change in Revenue Requirement		\$3,989,114	Sum of Lines 5 - 7	
9					
10	Annual Number of Bills		3,149,808		
11	Increase Per Bill Per Month		See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					
16					
17					
18	Current and Proposed Bill Information - With Gas Cost				
19					
20		Current with VRR	Proposed	Difference	
21	Residential			% Change	
22	Average Monthly Bill @ 3.9 Mcf*	\$36.41	\$37.45	\$1.05	
23				2.87%	
24	Commercial				
25	Average Monthly Bill @ 22.8 Mcf*	\$154.79	\$158.12	\$3.33	
26				2.15%	
27	Commercial A/C				
28	Average Monthly Bill @ 28.6 Mcf*	\$181.85	\$185.18	\$3.33	
29				1.83%	
30					
31	Public Authority				
32	Average Monthly Bill @ 82.2 Mcf*	\$539.00	\$551.90	\$12.90	
33				2.39%	
34	Public Authority A/C				
35	Average Monthly Bill @ 216.6 Mcf*	\$1,215.64	\$1,228.54	\$12.91	
36				1.06%	
37	Industrial				
38	Average Monthly Bill 390.7 Mcf*	\$1,889.57	\$1,970.54	\$80.97	
39				4.28%	
40					
41	Municipal Water Pumping				
42	Average Monthly Bill @ 657.9 Mcf*	\$3,568.18	\$3,612.13	\$43.95	
43				1.23%	
44					
45					
46					
47	Current and Proposed Bill Information - Without Gas Cost				
48					
49		Current	Proposed	Difference	
50	Residential			% Change	
51	Average Monthly Bill @ 3.9 Mcf*	\$20.35	\$21.40	\$1.05	
52				5.14%	
53	Commercial				
54	Average Monthly Bill @ 22.8 Mcf*	\$60.90	\$64.22	\$3.33	
55				5.46%	
56	Commercial A/C				
57	Average Monthly Bill @ 28.6 Mcf*	\$63.99	\$67.32	\$3.33	
58				5.20%	
59	Public Authority				
60	Average Monthly Bill @ 82.2 Mcf*	\$200.22	\$213.12	\$12.91	
61				6.45%	
62	Public Authority A/C				
63	Average Monthly Bill @ 216.6 Mcf*	\$323.71	\$336.62	\$12.91	
64				3.99%	
65	Industrial				
66	Average Monthly Bill 309.7 Mcf*	\$613.22	\$694.18	\$80.97	
67				13.20%	
68	Municipal Water Pumping				
69	Average Monthly Bill @ 657.9 Mcf*	\$856.96	\$900.90	\$43.95	
70				5.13%	
71	Commercial Transportation				
72	Average Monthly Bill @ 2,834.4 Mcf*	\$2,176.99	\$2,180.31	\$3.33	
73				0.15%	
74	Industrial Transportation				
75	Average Monthly Bill @ 3,592.6 Mcf*	\$4,246.40	\$4,327.37	\$80.97	
76				1.91%	
77	Public Authority Transportation				
78	Average Monthly Bill @ 5,470.6 Mcf*	\$5,598.14	\$5,611.05	\$12.91	
79				0.23%	
80	Electrical Cogeneration Transportation				
81	Average Monthly Bill @ 9,008.2 Mcf*	\$4,303.45	\$4,306.78	\$3.33	
82				0.08%	
83					
84					
85	*Average bill usage per GUD 10506 filing. Average bills exclude revenue related taxes. The cost of gas is computed using a 12 month average for CY 2017.				

GUD NO. 10710

EXHIBIT C

Schedules

TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC. - WEST TEXAS SERVICE AREA
 INTERIM RATE ADJUSTMENT - TWELVE MONTH PERIOD ENDING DECEMBER 31, 2017
 IRA 3 - SUMMARY AT 35% FIT

Line No	Description (a)	12/31/2016 Previous Year (b)	12/31/2017 Current Year (c)	Reference (d)	
1	Net Investment	\$335,537,501	\$367,564,840	(b) IRA-7 line 89 col (h), (c) IRA-8 lines 89 col (h)	
2	Increase in Net Investment		\$32,027,339	IRA-9 line 90 col (h)	
3	Authorized Return on Capital		7.285%	IRA-15 line 6 col (d)	
4					
5	Change in Return on Net Investment		\$2,333,125	Line 2 * Line 3	
6	Change in Depreciation Expense		\$368,046	IRA-9 line 90 col (f)	
7	Change in Federal, Revenue and Other Taxes		\$1,287,943	IRA-5 line 13 col (g) plus IRA-6 line 14 (c)	
8	Change in Revenue Requirement		\$3,989,114	Sum of Lines 5 - 7	
9					
10	Annual Number of Bills		3,150,053		
11	Increase Per Bill Per Month		See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					
16					
17					
18	Current and Proposed Bill Information - With Gas Cost				
19					
20					
21	Residential				
22	Average Monthly Bill @ 3.9 Mcf*	\$37.68	\$38.73	\$1.05 2.79%	
23					
24	Commercial				
25	Average Monthly Bill @ 22.8 Mcf*	\$158.14	\$161.47	\$3.33 2.11%	
26					
27	Commercial A/C				
28	Average Monthly Bill @ 28.6 Mcf*	\$185.95	\$189.28	\$3.33 1.79%	
29					
30					
31	Public Authority				
32	Average Monthly Bill @ 82.2 Mcf*	\$549.07	\$561.98	\$12.91 2.35%	
33					
34	Public Authority A/C				
35	Average Monthly Bill @ 216.6 Mcf*	\$1,239.65	\$1,252.56	\$12.91 1.04%	
36					
37	Industrial				
38	Average Monthly Bill 390.7 Mcf*	\$1,922.45	\$2,003.42	\$80.97 4.21%	
39					
40					
41	Municipal Water Pumping				
42	Average Monthly Bill @ 657.9 Mcf*	\$3,620.13	\$3,664.08	\$43.95 1.21%	
43					
44					
45					
46					
47	Current and Proposed Bill Information - Without Gas Cost				
48					
49					
50	Residential				
51	Average Monthly Bill @ 3.9 Mcf*	\$21.62	\$22.67	\$1.05 4.86%	
52					
53	Commercial				
54	Average Monthly Bill @ 22.8 Mcf*	\$64.24	\$67.57	\$3.33 5.18%	
55					
56	Commercial A/C				
57	Average Monthly Bill @ 28.6 Mcf*	\$68.09	\$71.42	\$3.33 4.89%	
58					
59	Public Authority				
60	Average Monthly Bill @ 82.2 Mcf*	\$210.29	\$223.20	\$12.91 6.14%	
61					
62	Public Authority A/C				
63	Average Monthly Bill @ 216.6 Mcf*	\$347.45	\$360.36	\$12.91 3.72%	
64					
65	Industrial				
66	Average Monthly Bill 309.7 Mcf*	\$646.09	\$727.06	\$80.97 12.53%	
67					
68	Municipal Water Pumping				
69	Average Monthly Bill @ 657.9 Mcf*	\$908.89	\$952.84	\$43.95 4.84%	
70					
71	Commercial Transportation				
72	Average Monthly Bill @ 2,834.4 Mcf*	\$2,544.99	\$2,548.32	\$3.33 0.13%	
73					
74	Industrial Transportation				
75	Average Monthly Bill @ 3,592.6 Mcf*	\$4,523.52	\$4,604.49	\$80.97 1.79%	
76					
77	Public Authority Transportation				
78	Average Monthly Bill @ 5,470.6 Mcf*	\$6,167.53	\$6,180.44	\$12.91 0.21%	
79					
80	Electrical Cogeneration Transportation				
81	Average Monthly Bill @ 9,008.2 Mcf*	\$5,472.21	\$5,475.54	\$3.33 0.06%	
82					
83					
84					
85	*Average bill usage per GUD 10506 filing. Average bills exclude revenue related taxes. The cost of gas is computed using a 12 month average for CY 2017.				

GUD NO. 10710

EXHIBIT C

Schedules

TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC. - WEST TEXAS SERVICE AREA
 INTERIM RATE ADJUSTMENT - TWELVE MONTH PERIOD ENDING DECEMBER 31, 2017
 IRA 3 - SUMMARY AT 21% FIT

Line No	Description (a)	12/31/2016 Previous Year (b)	12/31/2017 Current Year (c)	Reference (d)	
1	Net Investment	\$335,537,501	\$367,564,840	(b) IRA-7 line 89 col (h); (c) IRA-8 lines 89 col (h)	
2	Increase in Net Investment		\$32,027,339	IRA-9 line 90 col (h)	
3	Authorized Return on Capital		7.2855%	IRA-15 line 6 col (d)	
4					
5	Change in Return on Net Investment		\$2,333,125	Line 2 * Line 3	
6	Change in Depreciation Expense		\$368,046	IRA-9 line 90 col (f)	
7	Change in Federal, Revenue and Other Taxes		\$789,239	IRA-5 line 13 col (g) plus IRA-6 FIT Alt line 14 (i)	
8	Change in Revenue Requirement		\$3,490,410	Sum of Lines 5 - 7	
9					
10	Annual Number of Bills		3,150,053		
11	Increase Per Bill Per Month		See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					
16					
17					
18	Current and Proposed Bill Information - With Gas Cost				
19					
20					
21	Residential				
22	Average Monthly Bill @ 3.9 Mcf*	\$37.68	\$38.59	\$0.91 2.42%	
23					
24	Commercial				
25	Average Monthly Bill @ 22.8 Mcf*	\$158.14	\$161.05	\$2.91 1.84%	
26					
27	Commercial A/C				
28	Average Monthly Bill @ 28.6 Mcf*	\$185.95	\$188.86	\$2.91 1.56%	
29					
30					
31	Public Authority				
32	Average Monthly Bill @ 82.2 Mcf*	\$549.07	\$560.36	\$11.29 2.06%	
33					
34	Public Authority A/C				
35	Average Monthly Bill @ 216.6 Mcf*	\$1,239.65	\$1,250.94	\$11.29 0.91%	
36					
37	Industrial				
38	Average Monthly Bill 390.7 Mcf*	\$1,922.45	\$1,993.30	\$70.85 3.69%	
39					
40					
41	Municipal Water Pumping				
42	Average Monthly Bill @ 657.9 Mcf*	\$3,620.13	\$3,658.58	\$38.45 1.06%	
43					
44					
45					
46					
47					
48					
49					
50	Residential				
51	Average Monthly Bill @ 3.9 Mcf*	\$21.62	\$22.53	\$0.91 4.21%	
52					
53	Commercial				
54	Average Monthly Bill @ 22.8 Mcf*	\$64.24	\$67.15	\$2.91 4.53%	
55					
56	Commercial A/C				
57	Average Monthly Bill @ 28.6 Mcf*	\$68.09	\$71.00	\$2.91 4.27%	
58					
59	Public Authority				
60	Average Monthly Bill @ 82.2 Mcf*	\$210.29	\$221.58	\$11.29 5.37%	
61					
62	Public Authority A/C				
63	Average Monthly Bill @ 216.6 Mcf*	\$347.45	\$358.74	\$11.29 3.25%	
64					
65	Industrial				
66	Average Monthly Bill 309.7 Mcf*	\$646.09	\$716.94	\$70.85 10.97%	
67					
68	Municipal Water Pumping				
69	Average Monthly Bill @ 657.9 Mcf*	\$908.89	\$947.34	\$38.45 4.23%	
70					
71	Commercial Transportation				
72	Average Monthly Bill @ 2,834.4 Mcf*	\$2,544.99	\$2,547.90	\$2.91 0.11%	
73					
74	Industrial Transportation				
75	Average Monthly Bill @ 3,592.6 Mcf*	\$4,523.52	\$4,594.37	\$70.85 1.57%	
76					
77	Public Authority Transportation				
78	Average Monthly Bill @ 5,470.6 Mcf*	\$6,167.53	\$6,178.82	\$11.29 0.18%	
79					
80	Electrical Cogeneration Transportation				
81	Average Monthly Bill @ 9,008.2 Mcf*	\$5,472.21	\$5,475.12	\$2.91 0.05%	
82					
83					
84					
85	*Average bill usage per GUD 10506 filing. Average bills exclude revenue related taxes. The cost of gas is computed using a 12 month average for CY 2017.				

**TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC - WEST TEXAS SERVICE AREA
INTERIM RATE ADJUSTMENT - TWELVE MONTHS ENDED DECEMBER 31, 2017**

SCHEDULE 1 - SUMMARY

LINE NO.	DESCRIPTION	TWELVE MONTHS ENDED 12/31/2017
1	Change in Net Investment (Schedule 2, Line 8)	\$32,027,339
2	Authorized Return Approved in most recent Rate Case* (Schedule 4)	7.285%
3	Change in Return on Net Investment - (Line 1 times Line 2)	\$2,333,125
4	Change in Depreciation Expense - (Schedule 3, Line 60)	368,046
5	Change in Ad Valorem Tax (Schedule 5, Line 3)	303,002
6	Change in Federal Income Taxes - (Schedule 6, Line 10)	984,941
7	Total Change in Revenue Requirement AT 35% FIT Rate	\$3,989,114
8	Total Change due to change in FIT Rate	(498,704)
9	Total Change in Revenue Requirement AT 21% FIT Rate	<u>\$3,490,410</u>

* Cost of Capital and Capital Structure approved in W TSA rate case TYE 12/31/2015 - Final GUD No. 10506

TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC - WEST TEXAS SERVICE AREA
 INTERIM RATE ADJUSTMENT - TWELVE MONTHS ENDED DECEMBER 31, 2017

SCHEDULE 2 -CHANGE IN NET INVESTMENT

LINE NO.	DESCRIPTION	ADJUSTED BALANCE AT 12/31/2016 (a)	ADJUSTED BALANCE AT 12/31/2017 (b)	CHANGE IN NET INVESTMENT (c)
	<u>GROSS PLANT IN SERVICE</u>			
1	Intangible Plant	\$774,461	\$774,461	\$0
2	Transmission Plant	33,284,269	35,690,787	2,406,518
3	Distribution Plant	349,200,741	374,847,382	25,646,641
4	General Plant	49,477,110	47,169,056	(2,308,054)
5	Rule 8.209 Regulatory Asset Balance (Note 2)	1,628,705	1,384,135	(244,570)
6	Gross Plant in Service	\$434,365,286	\$459,865,821	\$25,500,535
7	Net Depreciation & Amortization Reserves	(\$98,827,785)	(\$92,300,981)	\$6,526,804
8	Net Plant in Service - Adjusted Direct and Allocated Corporate & Division	\$335,537,501	\$367,564,840	\$32,027,339

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