RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION

GUD NO. 10766
Proposal for Decision

STATEMENT OF INTENT OF TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC. (TGS), TO CHANGE GAS UTILITY RATES WITHIN THE BORGER-SKELLYTOWN SERVICE AREA (BSSA)

Administrative Law Judge: John Dodson

Technical Examiners: James Currier, Rose Ruiz

PARTIES

APPLICANT: **Texas Gas Service (TGS)**

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INTERVENORS: **Staff of the Railroad Commission of Texas (Staff)**
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***PROCEDURAL HISTORY*:**

Statement of Intent Filed:	August 30, 2018
150-Day Suspension Order:	September 18, 2018
Settlement Filed:	December 17, 2018
Hearing on the Merits:	December 18, 2018
Evidentiary Record Closed:	January 18, 2019
PFD Issued:	January 18, 2019
Deadline for Commission Action:	March 3, 2019

STATEMENT OF THE CASE

On August 30, 2018, Texas Gas Service (TGS) filed with the Railroad Commission a statement of intent to change gas utility rates for its approximately 450 total environs customers in the Borger-Skellytown Service Area (BSSA).

Two parties intervened—Commission Staff and the City of Borger. The parties reached a settlement agreement resolving all their issues. In the settlement, the parties agree to the following:

- A revenue increase of $127,088 for BSSA environs customers. This increase is a reduced settled amount and is not tied to any specific expense or methodology in the underlying cost of service in the BSSA;
- Cost of equity set at 9.75 percent;
- TGS's capital investment booked to plant through December 31, 2017, is prudent except for a disallowance from net plant of $2,605.62;
- Certain affiliate expenses;
- A reduction of the corporate income tax rate from 35 percent to 21 percent to reflect the Tax Cuts and Jobs Act of 2017;
- TGS will issue a one-time refund in the amount of approximately $12.11 to each environs customer, consistent with the Commission's February 2018 Accounting Order; and
- Actual and estimated rate case expense amounts for TGS totaling $19,374.48.

The Commission has original jurisdiction only—over environs rates. The Commission does not have jurisdiction in this proceeding over TGS's rates in cities.

RECOMMENDATION

The Administrative Law Judge (ALJ) and Technical Examiners recommend that the Commission approve the parties' settlement.

The deadline for Commission action is March 3, 2019.

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PROPOSAL FOR DECISION

I. INTRODUCTION

On August 30, 2018, Texas Gas Service, a Division of ONE Gas, Inc. ("TGS"), filed with the Railroad Commission of Texas ("Commission") a statement of intent to change gas utility rates for its unincorporated customers in its Borger-Skellytown Service Area (the "SOI"). TGS filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility). The SOI was docketed as GUD No. 10766.

The Commission has original jurisdiction only—over environs rates. The Borger-Skellytown Service Area ("BSSA")[1] includes approximately 450 total environs customers.[2] The Commission does not have jurisdiction in this proceeding over TGS's rates in cities.

Two parties intervened—Commission Staff ("Staff") and the City of Borger. The parties reached a Unanimous Settlement Agreement resolving all their issues (the "Settlement"). In the Settlement, the parties agree to the following:

- A revenue increase of $127,088 for BSSA environs customers. This increase is a reduced settled amount and is not tied to any specific expense or methodology in the underlying cost of service in the BSSA;
- Cost of equity set at 9.75 percent;
- TGS's capital investment booked to plant through December 31, 2017, is prudent except for a disallowance from net plant of $2,605.62;
- Certain affiliate expenses;
- A reduction of the corporate income tax rate from 35 percent to 21 percent to reflect the Tax Cuts and Jobs Act of 2017;
- TGS will issue a one-time refund in the amount of approximately $12.11 to each environs customer, consistent with the Commission's February 2018 Accounting Order; and
- Actual and estimated rate case expense amounts for TGS totaling $19,374.48.

Environs customers in the BSSA have not had a rate increase since 1993.[3] Under the Settlement, the average monthly bill for environs residential customers will increase by $12.46 to equal that of their city counterparts.[4]

The Administrative Law Judge ("ALJ") and Technical Examiners (together with the ALJ, the "Examiners") recommend that the Commission approve the Settlement.

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[1] A map showing TGS's service areas is attached to this PFD as Attachment 1.

[2] 410 residential customers, 38 commercial customers, two public authority customers, and one school/municipal customer. *See* TGS Ex. 2 attachment (Public Notice of Proposed Rate Change), p. 1.

[3] TGS Ex. 4 (McTaggart Test.) at 3-4.

[4] $51.12. *See id*. at Exhibit C (Customer Bill Impacts).

II. PARTIES

The parties in this proceeding are Applicant TGS and two intervenors—Staff and the City of Borger.

Applicant TGS is a "gas utility" under GURA Section 101.003 (Definitions).[5] TGS last sought to increase rates for BSSA environs customers in 1992.[6] Since that time, TGS has not adjusted rates for customers in the BSSA environs, while customers in the BSSA incorporated areas have experienced regular rate adjustments.[7] TGS now seeks to bring the environs rates into alignment with those in the incorporated areas.[8] Additionally, TGS filed this SOI to comply with the Commission's February 2018 Accounting Order, GUD No. 10695 (together with the March 2018 Order Nunc Pro Tunc, the "Accounting Order"), accounting for the lower federal corporate tax rate.[9]

Intervenor Staff participated in this docket "to assert its interest in assuring that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed."[10]

Intervenor City of Borger participated in this docket as an affected municipality under GURA Section 103.023 (Municipal Standing), which grants municipalities standing in each case that relates to rates and services within the municipality.[11]

III. PROCEDURAL BACKGROUND

On August 30, 2018, TGS filed with the Commission its SOI.[12] Subsequently, Staff and City of Borger timely intervened. On September 18, 2018, the Commission timely suspended the effective date of TGS's proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).[13]

By October 10, 2018, TGS provided notice of its intent to change rates to each affected TGS customer by direct mail.[14] The Commission received no comments or

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[5] Tex. Util. Code § 101.003(7) (Definitions) (defining "gas utility" as "a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.").

[6] GUD No. 8302. *See* TGS Ex. 4 (McTaggart Test.) at 9.

[7] *Id*. at 9-10.

[8] *Id*. at 10.

[9] *Id*.

[10] Motion to Intervene by Staff, filed August 31, 2018, ¶ 1; *see also* Hearings Letter No. 01 (Motion to Intervene by Commission Staff), issued September 10, 2018 (granting Staff's motion).

[11] Motion to Intervene by City of Borger, filed October 23, 2018; *see also* Hearings Letter No. 06 (City of Borger's Motion to Intervene Granted), issued November 5, 2018 (granting City of Borger's motion).

[12] TGS Ex. 1 (SOI).

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

[14] TGS Ex. 2 (Affidavit of Marie Masson, sworn to on October 11, 2018, attesting to TGS providing public notice to affected customers by direct mail); *see also* Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

protests from the public. On November 13, 2018, TGS notified the ALJ of a settlement in principle with Staff and the City of Borger.[15]

On November 20, 2018, the Notice of Hearing was issued, setting the hearing on the merits to commence on December 18, 2018 ("Notice of Hearing").[16] On November 30, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1096*.[17] On December 4, 2018, the Notice of Hearing was provided to the governing body of each affected county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).[18]

On December 17, 2018, TGS filed the Settlement.[19]

The hearing on the merits was held on December 18, 2018 (the "Hearing"). The evidentiary exhibit list is attached to this PFD as Attachment 2. Also included in the evidentiary record are TGS's filings responding to Examiner Request for Information ("RFI") requests 1-1 through 1-14.[20]

On January 18, 2019, the ALJ closed the evidentiary record.[21]

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over TGS, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates TGS requests for its customers located within the unincorporated areas of the BSSA.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities) and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

[15] Letter to the ALJ from Kate Norman, counsel for TGS, dated November 13, 2018.

[16] *See* Hearings Letter No. 10 (Notice of Hearing), issued November 20, 2018 (attaching the Notice of Hearing).

[17] *See Gas Utilities Information Bulletin No. 1096*, published by the Railroad Commission of Texas Oversight and Safety Division on November 30, 2018 ("Bulletin"), pp. 4-6.

[18] *See* letters from ALJ to county judges for the counties of Carson and Hutchinson, both dated December 4, 2018 (attaching the Notice of Hearing); *see also* Tex. Util. Code § 104.105(c) ("The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.").

[19] Letter to the ALJ from Kate Norman, counsel for TGS, dated December 17, 2018 (attaching the Settlement).

[20] *See* Hearings Letter No. 14 (Close of Evidentiary Record), issued January 18, 2019 (ALJ taking official notice of TGS's January 11, 2019 filing responding to these Examiner RFIs).

[21] *Id*.

Burden of Proof

As the party proposing gas utility rate changes, TGS has the burden of proving that the rate changes are just and reasonable.[22]

Notice

By October 10, 2018, TGS provided notice of its intent to increase rates to each affected TGS customer by direct mail—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).[23]

On November 20, 2018, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On September 14, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1096*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).[24] Pursuant to GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing), the ALJ provided a copy of the Notice of Hearing to the governing body of each affected county.[25]

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

TGS presented evidence that it maintains its books and records in accordance with Commission requirements.[26] TGS maintains its books and records in accordance with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to "utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USOA) for all operating and reporting purposes."[27] The information contained within TGS's books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).[28] TGS is in compliance with

[22] Tex. Util. Code § 104.008 (Burden of Proof) ("In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.").

[23] TGS Ex. 2 (Affidavit of Marie Masson, sworn to on October 11, 2018, attesting to TGS providing public notice to affected customers by direct mail); *see also* Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

[24] *See* Bulletin, pp. 4-6 (containing the GUD No. 10766 Notice of Hearing); *see also* 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) ("The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.").

[25] Tex. Util. Code § 104.105(c) (Determination of Propriety of Rate Change; Hearing) ("The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.").

[26] *See* TGS Ex. 4 (McTaggart Test.) at 11-17.

[27] *Id*. at 11-12; *see* 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

[28] TGS Ex. 4 (McTaggart Test.) at 14; *see* 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

Commission Rule § 7.501 (Certain Matters to be Submitted in Rate Hearings), which requires the separate presentation in a rate proceeding of evidence related to certain types of financial transactions, and in some cases, exclusion of these costs from rates,[29] and with Commission Rule § 7.5414 (Advertising, Contributions, and Donations), which states that actual expenditures for advertising will be allowed as a cost-of-service item for ratemaking purposes, provided that the total sum of such expenditures shall not exceed one-half of one (1) percent of the gross receipts of the utility for utility services rendered to the public.[30]

No party disputes that TGS maintains its books and records in accordance with Commission requirements.

Considering the evidence, the Examiners find that TGS has established that it complied with these Commission rules. Accordingly, TGS is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.[31]

VI. TERMS OF THE SETTLEMENT

The Settlement proposes a revenue increase of $127,088 for BSSA environs customers. The increase is an agreed reduced amount that is not tied to any specific expense or methodology in the underlying cost of service in the BSSA. A copy of the Settlement is attached to this PFD as Attachment 3.[32]

The Settlement resolves all issues among the parties. TGS, Staff, and the City of Borger represent diverse interests and have engaged in significant discovery regarding the issues in dispute.[33] The parties agree that the Settlement resolves all issues in a manner consistent with the public interest and that resolution of this docket under the terms of this Settlement will significantly reduce the amount of reimbursable rate case expenses that would, if further litigation is pursued, be allocated to customers within Borger and the unincorporated areas of the BSSA affected by this docket.[34] The parties agree that the rates, terms, and conditions

[29] TGS Ex. 4 (McTaggart Test.) at 15-16; *see* 16 Tex. Admin. Code § 7.501 (Certain Matters to be Submitted in Rate Hearings).

[30] TGS Ex. 4 (McTaggart Test.) at 16-17; *see* 16 Tex. Admin. Code § 7.5414 (Advertising, Contributions, and Donations).

[31] *See* 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) ("In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.").

[32] Excludes voluminous receipts and invoices related to TGS's incurred rate case expenses, treated later in the PFD.

[33] TGS Ex. 3 (Settlement), pp. 1-2.

[34] *Id*.

reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).[35]

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

Specific components of the Settlement are treated separately, below.

A. Revenue Requirement

The Texas Utilities Code requires that "the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility 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."[36]

Under the Settlement, TGS will receive a $127,088 base rate revenue increase for the unincorporated portion of the BSSA.[37] The increase is a reduction of $991, or 0.77 percent, from TGS's original request of $128,079.[38] The base rate increase is 31.96 percent over adjusted test-year revenues including gas costs, and 100.45 percent excluding gas costs.[39] The environs customers will contribute $249,201 in base rates, an apportioned amount reflecting 10.1 percent of the total system-wide BSSA net base revenue requirement.[40]

The system-wide net base revenue requirement is $2,460,742, plus an $89,565 increase in service fees for a total revenue requirement of $2,550,307.[41] This revenue requirement reflects a reduction of the federal corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act").[42] The revenue requirement excludes all expenses associated with the payment of administrative penalties related to the operation of the BSSA, as well as the amortization of any related insurance deductible.[43] The revenue requirement incudes affiliate expenses, discussed separately below.

Considering the Settlement and evidence, the Examiners find the overall revenues apportioned to the BSSA environs to be just and reasonable and consistent with GURA Section 104.051 (Establishing Overall Revenues).

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[35] TGS Ex. 3 (Settlement) ¶ 1.
[36] Tex. Util. Code § 104.051 (Establishing Overall Revenues).
[37] TGS Ex. 3 (Settlement) ¶ 1.
[38] TGS Ex. 1 (SOI) at 2.
[39] TGS Ex. 3 (Settlement) at Exhibit B.
[40] *Id.*
[41] TGS Ex. 3 (Settlement) ¶ 1.
[42] *Id.* ¶ 12.
[43] *Id*. ¶ 2.

B. Rates

The Settlement provides for the following customer charges and volumetric rates:[44]

TGS BSSA Environs Base Rates

Customer Class	Customer Charge	Commodity Charge (per Ccf)
Residential	$15.50	$0.21548
Commercial	$35.00	$0.29344
Public Authority	$45.00	$0.23148
School and Municipal	$45.00	$0.37651

Environs customers in the BSSA have not had a rate increase since 1993.[45] Under the Settlement, residential environs customers will pay $7.50 more for the monthly customer charge and, on average, nine cents more per Ccf for the usage charge, as shown below.[46]

Customer Charge

Customer Class	Current[47]	Settled	Difference
Residential	$ 8.00	$15.50	$7.50
Commercial	$ 11.50	$35.00	$23.50
Public Authority	$ 10.00	$45.00	$35.00
School and Municipal	$ 10.00	$45.00	$35.00

Usage Charge (Ccf)

Customer Class	Current[48]	Settled
Residential	*Block*	$ 0.21548
First 10	$ 0.1490	
Next 140	$ 0.1190	
Next 150	$ 0.0990	
Over 300	$ 0.0729	
Commercial	*Block*	$ 0.29344
First 10	$ 0.2626	
Next 290	$ 0.1900	
Next 1700	$ 0.1350	
Over 2000	$ 0.1054	
Public Authority	*Block*	$ 0.23148
First 10	$ 0.2458	
Next 290	$ 0.1900	
Next 1700	$ 0.1320	
Over 2000	$ 0.1000	

[44] *Id*. ¶ 3.

[45] TGS Ex. 4 (McTaggart Test.) at 3-4.

[46] Currently, usage is priced with a four-block declining rate for each of TGS's BSSA environs customer classes. *See* TGS Ex. 20 (Turner Test.) at 5. According to TGS, using a single rate simplifies the rate structure and allows customers to more easily understand and calculate their bill. *Id*. at 8.

[47] TGS Ex. 1 (SOI) at 8.

[48] TGS Ex. 1 (SOI) at 8.

School and Municipal	*Block*	
First 10	$ 0.2486	$ 0.37651
Next 290	$ 0.1850	
Next 1700	$ 0.1420	
Over 2000	$ 0.1000	

The rates are designed for TGS to recover 0.81 percent *less* base revenue from all its BSSA customers.[49] Residential customers are 90 percent of the customer base and use 63 percent of the volumes.[50] The parties agree that the below class revenue allocation is reasonable.[51]

Annual Revenue Allocation

Customer Class	Current	Settled	Difference	Percent Change	Allocation Percentage
Residential	$1,640,047	$1,626,825	$ (13,222)	-0.81%	66.1%
Commercial	$661,192	$655,861	$ (5,331)	-0.81%	26.7%
Public Authority	$14,916	$14,796	$ (120)	-0.81%	0.6%
School & Municipal	$164,584	$163,257	$ (1,327)	-0.81%	6.6%
Total	**$2,480,739**	**$2,460,739**	**$ (20,000)**	**-0.81%**	**100%**

The table below compares an average usage environs customer's current bill/rates with the Settlement rates.

Bill Impact[52]

Customer Class	Ccf	Current Bill	Proposed Bill	Change	Percentage Change	Change excluding gas[53]
Residential	55	$ 38.65	$ 51.12	$ 12.46	32%	84%
Commercial	265	$ 178.65	$ 228.87	$ 50.21	28%	80%
Public Authority	276	$ 183.45	$ 229.32	$ 45.87	25%	73%
School & Municipal	691	$ 423.85	$ 607.35	$ 183.50	43%	151%

Considering the evidence, the Examiners find that the Settlement rates comply with GURA Section 104.003 (Just and Reasonable Rates) because the rates are not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer. The Examiners also find that the Settlement rates are just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited) because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service.

[49] Calculated from TGS Ex. 3 (Settlement) at Exhibit B.
[50] *Id*.
[51] *Id*. ¶¶ 1,9.
[52] TGS Ex. 3 (Settlement) at Exhibit C.
[53] TGS's response to Examiner RFI 1-4, filed January 11, 2019 (official notice taken by ALJ).

C. Federal Tax Impact

The Settlement reflects a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes due to the Tax Cuts and Jobs Act, and the parties agree that TGS has complied with the Commission's Accounting Order.[54] Specifically:

- TGS's cost of service calculations include a reduction of the corporate income tax rate from 35 percent to 21 percent;
- TGS will issue a one-time bill credit of approximately $12.11 for each environs customer during the first billing cycle of March 2019. This one-time credit includes amounts collected through base rates that were set based on a 35-percent federal income tax rate;[55] and
- TGS will flow back excess deferred income taxes ("EDIT") resulting from the Tax Cuts and Jobs Act through the new EDIT-Rider. The protected EDIT adjustment will be computed based on the average rate assumption method ("ARAM") for those amounts required under Internal Revenue Service ("IRS") normalization rules. The nonprotected portion of TGS's regulatory liability for EDIT will be amortized over 10 years.

Considering the evidence, the Examiners find these terms to be reasonable and consistent with the requirements in the Commission's Accounting Order.

D. Capital Investment Prudency

TGS requests a prudency determination for the capital investment booked to plant in the BSSA through December 31, 2017. TGS provided evidence supporting the prudency of these investments,[56] and the parties agree that TGS's capital investment booked to plant through December 31, 2017, is prudent except for a disallowance from net plant of $2,605.62.[57]

The parties further agree that in any 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.[58]

Considering the evidence, the Examiners find that TGS's capital investment booked to plant in the BSSA through December 31, 2017, is reasonable and prudent, and used and useful, except for a disallowance from net plant of $2,605.62.

[54] TGS Ex. 3 (Settlement) ¶¶ 11-15.
[55] TGS's response to Examiner RFI 1-7, filed January 11, 2019 (official notice taken by ALJ).
[56] TGS Ex. 5 (Norman Test.) at 15-21.
[57] TGS Ex. 3 (Settlement) ¶ 5.
[58] TGS Ex. 3 (Settlement) ¶ 6.

E. Cost of Capital

The parties agree to the below capital structure and weighted cost of capital, including the pre-tax return.[59]

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	37.84%	3.94%	1.49%	1.49%
Common Equity	62.16%	9.75%	6.06%	7.67%
Weighted Average Cost of Capital	100%		**7.55%**	**9.16%**

Considering the evidence, the Examiners find the rate of return contained in the Settlement—including the capital structure, cost of debt, and cost of equity—to be just and reasonable. TGS presented quantitative analysis supporting that a 9.75-percent return on equity ("ROE") is reasonable and appropriate for TGS.[60] Accordingly, TGS met its burden in proving that the above capital structure and cost of capital are just and reasonable.

F. Depreciation Rates

The parties agree that the depreciation rates for distribution and general plant in the BSSA, as well as TGS Division plant and corporate plant depreciation rates, as shown in Exhibit D to the Settlement.[61]

Considering the evidence, the Examiners find the depreciation rates reflected in the Settlement are proper and adequate, just and reasonable, supported by the evidence, and are consistent with the requirements in GURA Section 104.054 (Depreciation, Amortization, and Depletion). Accordingly, the Examiners recommend their approval.

G. Future Interim Rate Adjustment (IRA) Factors

The parties agree that any IRA filing for the BSSA environs pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment) shall use the following factors until changed by a subsequent general rate proceeding:[62]

- The capital structure and related components shall be:

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	37.84%	3.94%	1.49%	1.49%
Common Equity	62.16%	9.75%	6.06%	7.67%
Weighted Average Cost of Capital	100%		**7.55%**	**9.16%**

[59] *Id*. ¶ 7.
[60] *See* TGS Ex. 19 (Fairchild Test.).
[61] TGS Ex. 3 (Settlement) ¶ 4.
[62] *Id*. ¶ 8.

- For the initial IRA filing and for all subsequent IRA filings, the depreciation rate for each account shall be as shown on Exhibit D to the Settlement;
- For the initial IRA filing, the beginning balance of system-wide net plant in service shall be $10,942,963.62 as shown on Exhibit E to the Settlement;
- For the initial IRA filing, the below customer charges and commodity charges will be the starting rates to which any IRA adjustment is applied;

Customer Class	Customer Charge	Commodity Charge (per Ccf)
Residential	$15.50	$0.21548
Commercial	$35.00	$0.29344
Public Authority	$45.00	$0.23148
School and Municipal	$45.00	$0.37651

- Federal income taxes will be calculated using a 21-percent rate, unless the federal income tax rate is changed, in which case the new rate will be applied; and
- 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	66.11%
Commercial	26.65%
Public Authority	0.60%
School & Municipal	6.64%

Considering the evidence, the Examiners find these factors, including the above class revenue allocation, to be just and reasonable.

H. Tariffs

The parties agree to the rates, terms, and conditions reflected in the tariffs in Exhibit A to the Settlement, and that the tariffs replacing and superseding the current tariffs within the BSSA comply with the requirements of GURA Chapter 104 (Rates and Services).[63] The tariffs will become effective for meters read on or after the first billing cycle of the month following the date of the Commission's Final Order.[64] The tariffs are listed in the below table.

Environs Tariffs

Rate Schedule	Customer Class / Purpose
1Z	Residential Service Rate – Environs
2Z	Commercial Service Rate – Environs
4Z	Public Authority Service Rate – Environs
4H	School and Municipal Service Rate – Environs
T-1-ENV	Transportation Service Rate - Environs

[63] *Id*. ¶ 1.
[64] *Id*.

T-Terms	General Terms and Conditions for Transportation Service
1-ENV	Cost of Gas Clause - Environs
Rules of Service	Borger/Skellytown Service Area
WNA	Weather Normalization Adjustment Clause
RCE-ENV	Rate Case Expense Surcharge - Environs
EDIT-Rider	Excess Deferred Income Tax Credit
PSF	Pipeline Safety and Regulatory Program Fees

Noteworthy tariff changes include:[65]

- Revising the BSSA Rules of Service and other rate schedules, something TGS believes will clarify TGS's current policies and procedures and reflect revisions recently approved in TGS's other service areas;
- Withdrawing Rate Schedule 3Z for Industrial service because there are no customers;
- Implementing a new transportation rate schedule, T-1-ENV, with a $250 monthly customer charge and the following volumetric charges:
  - Commercial - $0.29344 per Ccf
  - Public Authority - $0.23148 per Ccf
  - School & Municipal - $0.37651 per Ccf
- Revising Rate Schedule WNA to add environs customers to the applicability section;
- Implementing Rate Schedule EDIT-Rider to provide a mechanism for the flow back to customers of the annual amortization of EDIT; and
- Setting a minimum deposit of $75 for residential customers and $250 for non-residential customers.

Considering the evidence, the Examiners find the Settlement's tariffs to be just and reasonable and recommend their approval.

I. Services Provided by Affiliates

The Commission is required to make specific findings related to affiliate transactions before rates may be adopted.[66] Those findings include: (1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.[67]

Here, TGS requests recovery of certain affiliate expenses. During the test year, services were provided to TGS by an affiliate, Utility Insurance Company ("UIC"), which provided insurance coverage to TGS.[68] TGS provided evidence supporting reasonable and necessary affiliate expenses totaling $16,757[69] and rate

[65] *Id*. at Exhibit A; *see also* TGS Ex. 4 (McTaggart Test.) at 28-36.
[66] *See* Tex. Util. Code § 104.055 (Net Income; Allowable Expenses).
[67] *Id*. § 104.055(b).
[68] *See* TGS Ex. 4 (McTaggart Test.) at 18, *and* TGS Ex. 12 (Smith Test.) at 3-11.
[69] *See* TGS Ex. 10 (Davidson Test.).

base affiliate costs totaling $23,479.[70] TGS also provided evidence that the prices charged by UIC are no higher than the prices charged by the supplying affiliate to other affiliates or divisions of TGS, or to a non-affiliated person for the same item or class of items.[71] According to TGS, it is necessary for TGS and ONE Gas to maintain insurance coverage, and the premiums charged by UIC are developed according to a risk-based methodology common to the insurance industry that results in a reasonable amount of insurance costs.[72] The rates charged by UIC to the divisions of ONE Gas are developed according to the same methodology for each division.[73]

The parties agree that these affiliate costs are reasonable, necessary, and recoverable consistent with the provisions of GURA Section 104.055 (Net Income; Allowable Expenses).[74]

Considering the evidence, the Examiners find that TGS has established that the services provided to it by its affiliate, UIC, are reasonable and necessary. The associated expenses are reasonable and necessary costs of providing gas utility service, and the prices charged to TGS are no higher on a risk-adjusted basis than the prices charged by the supplying affiliate to other affiliates or divisions of TGS, or to a non-affiliated person for the same item or class of items. Accordingly, the Examiners recommend that these affiliate expenses be approved, per the Settlement.

J. Rate Case Expenses

In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.[75] Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.[76] Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

(1) the amount of work done;

(2) the time and labor required to accomplish the work;

(3) the nature, extent, and difficulty of the work done;

(4) the originality of the work;

(5) the charges by others for work of the same or similar nature; and

(6) any other factors taken into account in setting the amount of the compensation.[77]

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[70] *See* TGS Ex. 9 (Edwards Test.).

[71] *See* TGS Ex. 4 (McTaggart Test.) at 18-19, *and* TGS Ex. 12 (Smith Test.) at 3-11.

[72] TGS Ex. 4 (McTaggart Test.) at 18.

[73] *Id*.

[74] TGS Ex. 3 (Settlement) ¶ 10.

[75] *See* 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

[76] 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

[77] *Id*.

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase that may be granted.[78]

Here, TGS requests recovery of its rate case expenses totaling no more than $19,374.48.[79] TGS provided evidence supporting reimbursement of this amount under Commission Rule § 7.5530 (Allowable Rate Case Expenses).[80]

The amounts and agreed allocation are treated separately below.

1. Amounts

TGS represents that its recoverable rate case expenses are as follows:

Actual Regulatory Expenses	Actual Litigation Expenses	Invoices Due and Est. to Completion	Total Recoverable Expenses
$5,264.08	$11,575.75	$2,534.66	$19,374.48

TGS provided evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation.[81]

Attorney hourly rates ranged from $280 to $485, with the bulk of attorney work for TGS billed at $445 per hour. Consultant hourly rates ranged from approximately $290 to $450.

The Examiners reviewed the testimony and documentation supporting the rate case expense amounts shown above. Considering the above factors, the Examiners find that the above rate case expense amounts for TGS are reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses), and that TGS proved the reasonableness of its rate case expenses by a preponderance of the evidence. Accordingly, the Examiners recommend these amounts be approved.

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[78] *Id*. § 7.5530(b).
[79] TGS Ex. 3 (Settlement) ¶ 16.
[80] *Id*. at Exhibit F (Affidavit of Kate Norman, counsel for TGS, sworn to on December 14, 2018, and supporting invoices and receipts (the "Norman Aff.")); *see also* TGS Ex. 3a (Supplemental Affidavit of Kate Norman, counsel for TGS, sworn to on January 11, 2019, and supporting invoices and receipts (the "Norman Supp. Aff.")).
[81] *Id*.

2. Allocation and Surcharge

The parties agree to an allocation consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).[82] TGS's required regulatory expenses will be allocated uniformly to all customers affected by the rate change, and TGS's litigation and estimated expenses will be allocated to affected customers in the City of Borger and environs customers.[83]

The parties further agree that TGS may recover the above rate case expense amounts from BSSA environs customers through a uniform volumetric surcharge of $0.0104 per Ccf for a period of approximately 36 months.[84] TGS's estimated rate case expenses are recoverable only to the extent they are actually incurred.[85]

Consistent with the Settlement, the Examiners find the parties' proposed allocation and surcharge to be just and reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

3. Compliance

The parties agree to the below compliance terms.[86]

- TGS shall file annually a rate case expense recovery compliance filing with the Commission's Oversight and Safety Division, referencing GUD No. 10766, within 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered. The compliance filing shall include:
  - the volumes used by month by customer class during the applicable period;
  - the amount of rate case expense recovered by month; and
  - the outstanding balance by month as set out in Rate Schedule RCE-ENV.
- TGS shall 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 November 30, 2018, plus approved estimated expenses of $2,534.66 to complete the case.
- TGS's annual rate case expense compliance filing shall detail 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.

Consistent with the Settlement, the Examiners find these terms to be just and reasonable and recommend their approval.

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[82] *See* 16 Tex. Admin. Code § 7.5530(c)-(e) (speaking to allocation).
[83] TGS Ex. 3 (Settlement) ¶ 17.
[84] *Id.* and at Exhibit A, pp. 71-72 (Rate Schedule RCE-ENV).
[85] *Id.* ¶ 17.
[86] *See id*. ¶ 18.

VII. CONCLUSION

The Examiners find that TGS's request for a rate change pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve the Settlement.

VIII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, attached to this PFD as Attachment 5, are incorporated herein by reference.

Signed on January 18, 2019.

John Dodson
Administrative Law Judge

James Currier
Technical Examiner

Rose Ruiz
Technical Examiner

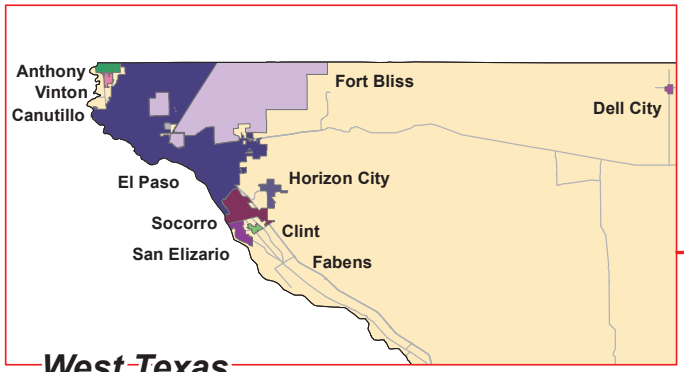
GUD No. 10766

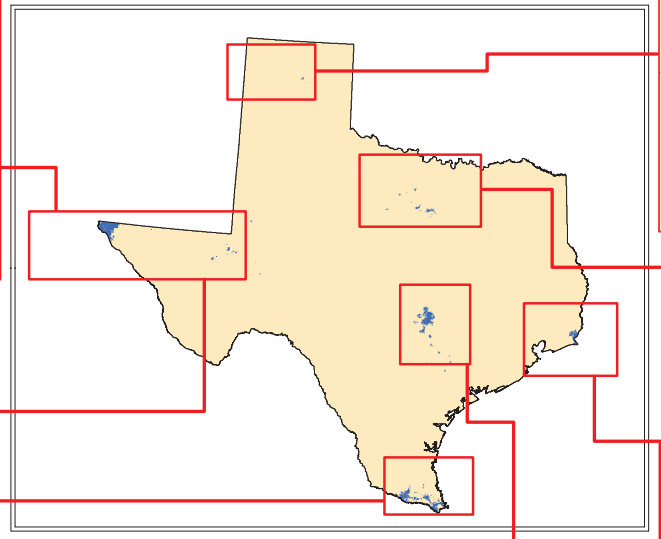
Proposal for Decision

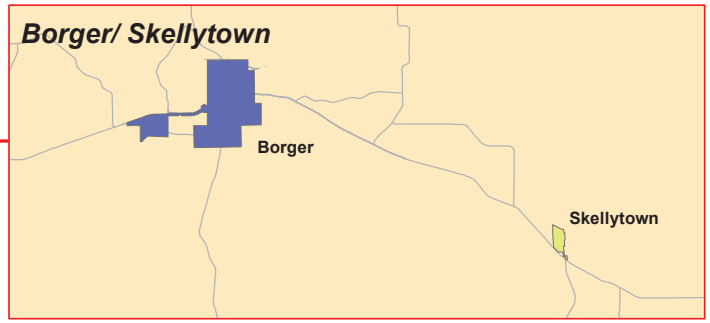
ATTACHMENT 1

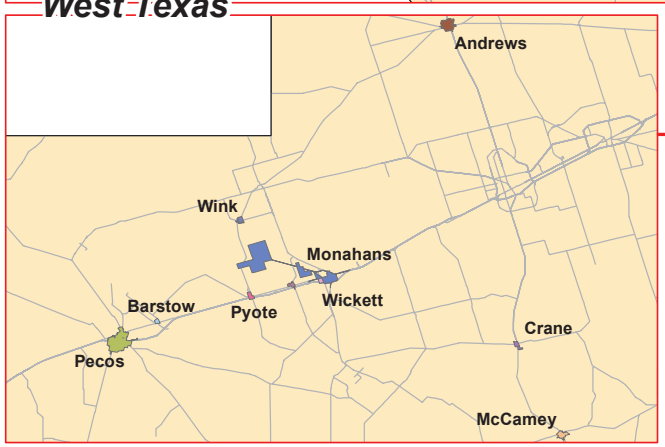
TGS's Service Area Map

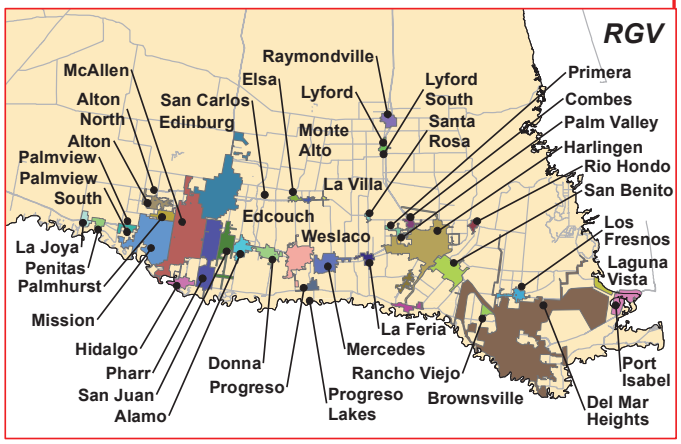
TGS SERVICE AREAS

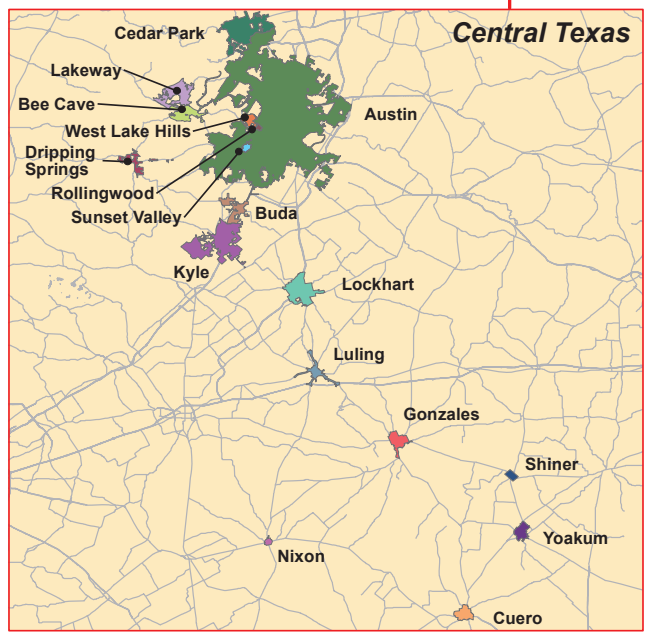


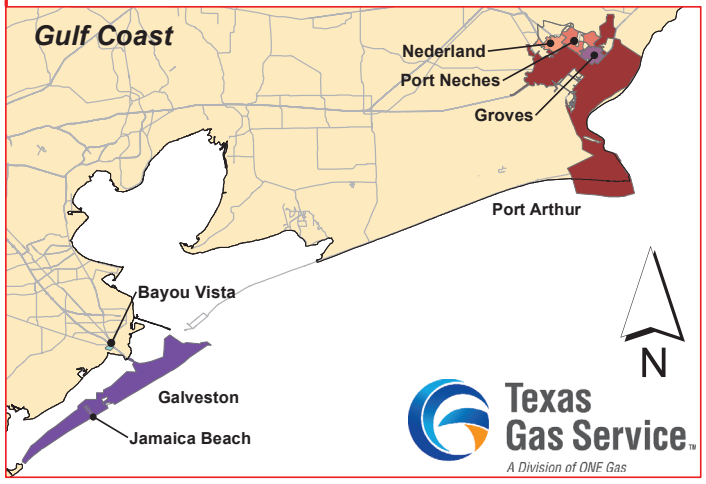












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GUD No. 10766

Proposal for Decision

ATTACHMENT 2

Evidentiary Exhibit List

GAS UTILITIES DOCKET NO. 10766

STATEMENT OF INTENT OF TEXAS GAS SERVICE, (TGS) A DIVISION OF ONE GAS, INC., TO INCREASE GAS UTILITY RATES WITHIN THE BORGER-SKELLYTOWN SERVICE AREA (BSSA)

TGS EXHIBIT LIST

EX. NO.	DESCRIPTION	OFFERED	ADMITTED/DATE
1	GUD No. 10766 – Statement of Intent of Texas Gas Service, (TGS) a Division Of One Gas, Inc., to Change Gas Utility Rates Within The Unincorporated Areas Of The Borger-Skellytown Service Area (BSSA), Filed on August 30, 2018 (Includes Electronic Files, Workpapers and all Attachments Except Testimony)	**12/18/18**	**12/18/18**
1a	TGS's Confidential Schedule Workpapers	**12/18/18**	**12/18/18**
2	Affidavit of Marie Masson attesting to Completion of Public Notice, Filed October 15, 2018	**12/18/18**	**12/18/18**
3	Unanimous Settlement Agreement (Includes All Attachments)	**12/18/18**	**12/18/18**
3a	TGS Supplemental Rate Case Expense Affidavit	**1/11/19**	**1/18/19**
4	Direct Testimony, Exhibits and Workpapers of Stacey L. McTaggart	**12/18/18**	**12/18/18**
5	Direct Testimony and Exhibits of Shantel Norman	**12/18/18**	**12/18/18**
6	Direct Testimony of Gracie Guerra	**12/18/18**	**12/18/18**
7	Direct Testimony of Eric Hart	**12/18/18**	**12/18/18**
8	Direct Testimony and Exhibit of Stacey R. Borgstadt	**12/18/18**	**12/18/18**
9	Direct Testimony and Exhibits of Allison Edwards	**12/18/18**	**12/18/18**
10	Direct Testimony and Exhibits of Ashley Davidson including errata	**12/18/18**	**12/18/18**
11	Direct Testimony, Exhibits and Workpapers of Cyndi King	**12/18/18**	**12/18/18**
12	Direct Testimony and Exhibits of Mark W. Smith	**12/18/18**	**12/18/18**
12a	Confidential Exhibits of Mark W. Smith	**12/18/18**	**12/18/18**
13	Direct Testimony and Exhibits of Jeff D. Branz	**12/18/18**	**12/18/18**
13a	Confidential Exhibits of Jeff D. Branz	**12/18/18**	**12/18/18**
13b	Confidential Workpapers of Jeff D. Branz	**12/18/18**	**12/18/18**
14	Direct Testimony of Anthony Brown	**12/18/18**	**12/18/18**
15	Direct Testimony, Exhibit and Workpapers of Jeffrey J. Husen	**12/18/18**	**12/18/18**
16	Direct Testimony, Exhibits and Workpapers of Janet M. Simpson	**12/18/18**	**12/18/18**
17	Direct Testimony, Exhibits and Workpapers of Timothy S. Lyons including errata	**12/18/18**	**12/18/18**
18	Direct Testimony, Exhibits and Workpapers of Ronald E. White	**12/18/18**	**12/18/18**
19	Direct Testimony, Exhibits and Workpapers of Bruce H. Fairchild	**12/18/18**	**12/18/18**
20	Direct Testimony and Exhibits of Crystal D. Turner	**12/18/18**	**12/18/18**

GUD No. 10766

Proposal for Decision

ATTACHMENT 3

Settlement Agreement

(excludes voluminous receipts and invoices)

GAS UTILITIES DOCKET NO. 10766

STATEMENT OF INTENT OF TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC., TO CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED AREAS OF THE BORGER-SKELLYTOWN SERVICE AREA	**§**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

UNANIMOUS SETTLEMENT AGREEMENT

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

WHEREAS, on August 30, 2018, TGS filed a Statement of Intent to Change Rates with the Railroad Commission of Texas ("Commission") within the unincorporated areas of the Borger-Skellytown Service Area ("BSSA") and filed a Statement of Intent with each of the cities in the BSSA retaining original jurisdiction; and

WHEREAS, the Commission docketed the rate request as GUD No. 10766; and

WHEREAS, Staff and Borger sought intervention and were granted party status in GUD No. 10766; and

WHEREAS, the Commission suspended the implementation of the Company's rate request until March 3, 2019; and

WHEREAS, Borger suspended the implementation of the Company's rate request until January 2, 2019; and

WHEREAS, TGS has filed direct testimony and errata to its Statement of Intent; and

WHEREAS, TGS provided public notice by direct mail on October 10, 2018, to all affected customers in the form approved by the Administrative Law Judge ("ALJ") and Examiner; and

WHEREAS, direct testimony of Borger was due on November 13, 2018, and direct testimony of Staff was due on November 20, 2018, but Borger and Staff will not file direct testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, the intervenors in this docket and TGS (collectively, "the Parties") have engaged in significant discovery regarding the issues in dispute; and

WHEREAS, the Signatories agree that resolution of this docket by settlement agreement will significantly reduce the amount of reimbursable rate case expenses that would, if further

litigation is pursued, be allocated to customers within Borger and the unincorporated areas of the BSSA affected by this docket;[1] and

WHEREAS, the Signatories represent diverse interests and the Unanimous Settlement Agreement resolves the issues in GUD No. 10766 in a manner that the Signatories agree is consistent with the public interest; and

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

Settlement Terms

1. The Signatories agree to the rates, terms and conditions reflected in the rate schedules attached to this Unanimous Settlement Agreement as Exhibit A. The rate schedules attached as Exhibit A replace and supersede the rate schedules currently in effect in Borger and in the environs and unincorporated areas of the BSSA. These tariffs are based on an overall decrease in system-wide revenues of $20,000, as illustrated in the proof of revenues attached as part of Exhibit B to this Settlement Agreement. The environs portion of the system-wide revenue change is $127,088 as reflected in Exhibit B. The incorporated portion, which includes Borger, of the system-wide revenue change is a $147,088 decrease as reflected in Exhibit B. The system-wide net base revenue requirement is $2,460,742 reflected in Exhibit B plus an $89,565 increase in service fees for a total revenue requirement of $2,550,307. Except as specifically provided herein, the Signatories agree that the revenue increase is a "black box" figure and is not tied to any specific expense or methodology in the underlying cost of service in the BSSA. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Unanimous Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Unanimous Settlement Agreement shall, subject to approval of Borger for its incorporated area and the Commission for the unincorporated areas of the BSSA, be effective for the incorporated and unincorporated areas of the BSSA for meters read on or after the first billing cycle of the month following the date of the city's approval for Borger and the Commission's issuance of a Final Order for the environs areas, respectively.

2. Signatories agree that the total revenue requirement in Item 1 excludes all expenses associated with the payment of administrative penalties related to the operation of the BSSA, as well as the amortization of any related insurance deductible.

3. The Signatories agree to the following customer charges and volumetric rates. These rates are reflected in the rate schedules attached as Exhibit A, and average customer bill impacts are reflected in Exhibit C.

[1] "Unincorporated" and "environs" are used interchangeably in this Unanimous Settlement Agreement.

	Customer Charge	Commodity Charge (per Ccf)
Residential	$15.50	$0.21548
Commercial	$35.00	$0.29344
Public Authority	$45.00	$0.23148
School and Municipal	$45.00	$0.37651

4. The Signatories agree that the depreciation rates for distribution and general plant in the BSSA, as well as TGS Division plant and corporate plant depreciation rates, as shown on Exhibit D, are reasonable.

5. The Signatories agree that the Company's capital investment booked to plant through December 31, 2017, is prudent except for a disallowance from net plant of $2,605.62.

6. The Signatories agree that in any 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.

7. The Signatories agree to the following actual capital structure and weighted cost of capital, including the pre-tax return, as shown below:

	Capital Structure	Debt/Equity Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	37.84%	3.94%	1.49%	1.49%
Common Equity	62.16%	9.75%	6.06%	7.67%
Rate of Return			**7.55%**	**9.16%**

8. The Signatories agree that any Interim Rate Adjustment filing in the unincorporated areas of the BSSA pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:

- The capital structure and related components shall be as shown above in Item 7.
- For the initial Interim Rate Adjustment filing and for all subsequent Interim Rate Adjustment filings, the depreciation rate for each account shall be as shown on Exhibit D.
- For the initial Interim Rate Adjustment filing, the beginning balance of system-wide net plant in service shall be $10,942,963.62 as shown on Exhibit E.
- For the initial Interim Rate Adjustment filing, the customer charges and commodity charges as noted in Item 3 above will be the starting rates to which any IRA adjustment is applied.
- Federal income taxes will be calculated using a 21% rate, unless the federal income tax rate is changed, in which case the new rate will be applied.
- 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	66.11%
Commercial	26.65%
Public Authority	0.60%
School and Municipal	6.64%
Total Allocation	100.000%

9. The Signatories agree that the Company's proposed class revenue allocation is reasonable and should be approved.

10. The Signatories agree that the affiliate costs included in the black box amount above are reasonable and necessary and recoverable consistent with the provisions in Section 104.055 of the Gas Utility Regulatory Act.

11. On February 27, 2018, the Commission issued an Accounting Order in GUD No. 10695 that reflects the Commission's directives regarding changes to utility rates to account for the change in the federal corporate income tax rate due to the Federal Tax Cut and Jobs Act of 2017 ("Act").

12. The Signatories agree that TGS's cost of service calculations include a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Act. TGS has allocated the cost of service reduction to its customer classes based on the base rate revenue allocation agreed to in Item 8 and reflected in the proof of revenues attached hereto as Exhibit B.

13. The Signatories agree that TGS will issue a one-time refund in the amount of approximately $11.25 (final amount to be calculated based on the date of the Final Order) for each environs and in the amount of approximately $28.25 for each Borger customer for the period of January 1 to the first billing cycle of the month following the Final Order, consistent with requirements in the Accounting Order issued in GUD No. 10695. This one-time refund includes amounts collected through base rates that were set based on a 35% federal income tax rate.

14. The Signatories agree that TGS's proposal to flow back excess deferred income taxes ("EDIT") resulting from the Act through Rate Schedule EDIT is reasonable. The protected EDIT adjustment will be computed based on the average rate assumption method ("ARAM") for those amounts required under Internal Revenue Service ("IRS") normalization rules. The nonprotected portion of the Company's regulatory liability for EDIT will be amortized over ten (10) years. This treatment of EDIT is consistent with the requirements in the Accounting Order issued in GUD No. 10695.

15. The Signatories agree that the issues addressed in Items 13 through 14 reflect all impacts associated with calculation of taxes under the Act and comply with GUD No. 10695, Gas Utilities Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (Mar. 20, 2018).

16. TGS represents that its reasonable rate case expenses incurred through November 30, 2018, and estimated rate case expenses incurred through completion of this case and allocated to environs customers, are as follows:

	Actual Regulatory Expenses	Actual Litigation Expenses	Invoices Due and Est. to Completion	Total Recoverable Expenses
TGS	$5,264.08	$11,575.75	$2,534.66	$19,374.48

17. TGS attaches, as Exhibit F, an affidavit and invoices in support of the rate case expense amounts and will supplement with additional invoices as they are processed. Staff and TGS agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 103.022. Recovery of rate case expenses will follow 16 Tex. Admin. Code § 7.5530 to allocate rate case expenses to the party or parties that caused such expenses. TGS's Required Regulatory expenses shall be allocated uniformly to all customers affected by the rate change, and TGS's Litigation and Estimated expenses shall be allocated to affected customers in the City of Borger and environs customers. Signatories agree that the recovery period for the applicable surcharge to recover rate case expenses shall be applied for a period of approximately 36 months and that the surcharge shall be volume based. TGS shall recover estimated rate case expenses only to the extent they are actually incurred. TGS and Staff intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.

18. TGS shall file annually a rate case expense recovery compliance filing with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10766, within ninety (90) days after each calendar year end. The compliance filing shall include the volumes used by month by customer class during the applicable period, the amount of rate case expense recovered by month, and the outstanding balance by month as set out in Rate Schedule RCE-ENV. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:

- Finding of Fact: It is reasonable that TGS submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of November 30, 2018, plus the approved estimated expenses of $2,534.66.

- Finding of Fact: It is reasonable that TGS file an annual Rate Case Expense Compliance Filing with Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

- Ordering Paragraph: IT IS THEREFORE ORDERED that TGS file an annual Rate Case Expense Compliance Filing with Staff detailing recovery of rate case expenses as described in Finding of Fact __ within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

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

- Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, TGS SHALL electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order.

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

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

- Texas Gas Service, a Division of ONE Gas, Inc.'s Statement of Intent to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area, filed on August 30, 2018, as amended in the errata filings as of October 16 and October 19, 2018, inclusive of all attachments and including the direct testimony of the following witnesses:
    - Stacey McTaggart
    - Shantel Norman
    - Gracie Guerra
    - Eric Hart
    - Stacey Borgstadt
    - Allison Edwards
    - Ashley Davidson
    - Cyndi King
    - Mark W. Smith
    - Jeff Branz
    - Anthony Brown
    - Jeffrey Husen
    - Janet Simpson
    - Tim Lyons
    - Ronald E. White
    - Bruce H. Fairchild
    - Crystal Turner

- Affidavit of Marie Masson attesting to Public Notice (filed October 15, 2018).

- Affidavit of Kate Norman attesting to the reasonableness of TGS's rate case expenses, attached as Exhibit F to this Unanimous Settlement Agreement.

21. The Signatories agree to support and seek approval by the Commission and Borger of this Unanimous Settlement Agreement. Borger agrees to make every effort to present its city council with this Unanimous Settlement Agreement at city council meetings during December 2018, and to the extent it is not possible to so do, to expressly noted in its approval the effective date of the change in rates shall be coincident with the effective date for the change in rates approved by the Commission.

22. The Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with the Statement of Intent filed on August 30, 2018.

23. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Unanimous Settlement Agreement.

24. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Unanimous Settlement Agreement or its subsequent withdrawal.

25. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.

26. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 14th day of December 2018.

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

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

STAFF OF THE RAILROAD COMMISSION OF TEXAS

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

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 10**

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, a Division of ONE Gas, Inc.

TERRITORY

The incorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$ 15.50 plus
All Ccf per monthly billing period @	$ 0.21548 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 for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

Taxes: Plus applicable taxes and fees (including franchise 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 Rate Schedule dated
June 27, 2017

Meters Read On and After
December 31, 2018

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 20**

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to all 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

The incorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$35.00 plus
All Ccf per monthly billing period @	$0.29344 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 for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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

CONDITIONS

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

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 40**

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to any qualifying public authority 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

The incorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$45.00 plus
All Ccf per monthly billing period @	$0.23148 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 for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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

CONDITIONS

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

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 48**

SCHOOL AND MUNICIPAL RATE

APPLICABILITY

Applicable to school and municipal buildings.

TERRITORY

The incorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$45.00 plus
All Ccf per monthly billing period @	$0.37651 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 for the billing month computed in accordance with the provisions of Rate Schedule 1-INC.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Rate Schedule RCE: Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider.

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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

CONDITIONS

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

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown 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, a Division of ONE Gas, Inc.

TERRITORY

The unincorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$15.50 plus
All Ccf per monthly billing period @	$0.21548 per Ccf

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 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.

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

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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 Rate Schedule Dated
January 14, 1993

Meters Read On and After
January 28, 2019

Texas Gas Service, a Division of ONE Gas, Inc
Borger/Skellytown 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, a Division of ONE Gas, Inc.

TERRITORY

The unincorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$35.00 plus
All Ccf per monthly billing period @	$0.29344 per Ccf

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 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.

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

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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 Rate Schedule Dated
January 14, 1993

Meters Read On and After
January 28, 2019

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 4Z**

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to any qualifying public authority, 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

The unincorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$45.00 plus
All Ccf per monthly billing period @	$0.23148 per Ccf

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 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.

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

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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 Rate Schedule Dated
January 14, 1993

Meters Read On and After
January 28, 2019

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE 4H**

SCHOOL AND MUNICIPAL SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools, to all facilities operated by Governmental Agencies, and to any customer not specifically provided for in other rate schedules.

TERRITORY

The unincorporated areas of Borger and Skellytown, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	$45.00 plus
All Ccf per monthly billing period @	$0.37651 per Ccf

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 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.

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

Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.

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.

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, non-residential customer for the transportation of customer owned natural gas through the Company's distribution system in the Borger/Skellytown Service Area which includes the incorporated areas of Borger and Skellytown, 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:

All Classes $250.00 per month

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

Commercial	-	$0.29344 per Ccf
Public Authority	-	$0.23148 per Ccf
School and Municipal	-	$0.37651 per Ccf

Initial Rate Schedule

Meters Read On and After
December 31, 2018

TRANSPORTATION SERVICE RATE
(Continued)

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 franchise fees paid to the cities.

3) 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 Borger/Skellytown Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.

4) Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider RCE.

5) The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Tax Rider (EDIT-Rider).

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.

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, non-residential customer for the transportation of customer owned natural gas through the Company's distribution system in the Borger/Skellytown Service Area which includes the unincorporated areas of Borger and Skellytown, 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:

All Classes	$250.00 per month

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

Commercial	-	$0.29344 per Ccf
Public Authority	-	$0.23148 per Ccf
School and Municipal	-	$0.37651 per Ccf

Initial Rate Schedule

Meters Read On and After
January 28, 2019

TRANSPORTATION SERVICE RATE
(Continued)

ADDITIONAL CHARGES

1) A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.

2) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the Borger/Skellytown 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 Excess Deferred Income Tax Rider (EDIT-Rider).

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.

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. This rate schedule shall apply to customers who have elected Transportation Service through the Company's distribution system in the Borger/Skellytown Service Area which includes the incorporated and unincorporated areas of Borger and Skellytown, Texas.

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, 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.
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 Borger/Skellytown 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.

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;

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.

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.

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service, a Division of ONE Gas, Inc. ("Company") in all its incorporated areas in the Borger/Skellytown Service Area including Borger and Skellytown, 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 also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments which are executed by the Company in an effort to mitigate price volatility.

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.

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 the 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 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.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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 natural gas financial instruments, (b) the revenues produced by the operation of this Cost of Gas Clause, (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), (e) total amount of Uncollectible Cost of Gas during the period and (f) an adjustment, if necessary, to exclude 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied 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.

COST OF GAS CLAUSE
(Continued)

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. If, on the average, the Company had over collected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on the average, the Company had under collected during the period, it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period times the authorized rate of return.

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 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.

COST OF GAS CLAUSE
(Continued)

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 for the twelve months ending August 31.

3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.

4. A tabulation 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.

Texas Gas Service, a Division of ONE Gas, Inc. **RATE SCHEDULE 1-ENV**
Borger/Skellytown Service Area **Page 1 of 4**

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service, a Division of ONE Gas, Inc. ("Company") in its unincorporated areas in the Borger/Skellytown Service Area including Borger and Skellytown, 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 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 15.

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.

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 for imbalances under the transportation rate schedule(s) net of fees and applicable taxes, (e) the total amount of 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.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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, to exclude 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 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied 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.

COST OF GAS CLAUSE
(Continued)

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. If on the average the Company had overcollected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on average the Company had undercollected during the period it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's suppliers 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.

COST OF GAS CLAUSE
(Continued)

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 for the twelve months ending August 31.

3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.

4. A tabulation 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 thereafter 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.

RULES OF SERVICE

BORGER/SKELLYTOWN SERVICE AREA

Incorporated and Unincorporated Areas of Borger and Skellytown, Texas

Effective for Meters Read On and After December 31, 2018 for (Inc.) and January 28, 2019 (Env.)

Supersedes and Replaces "Gas Tariff Municipalities of Borger and Skellytown, Texas" dated November 4, 2008;
"Gas Tariff Environs of Borger, Texas" dated February 1, 1989

Communications Regarding this Tariff Should Be Addressed To:

Texas Gas Service, a Division of ONE Gas, Inc.
P.O. Box 3240
Borger, Texas 79008-3240

Replaces Tariff for Borger dated 8/24/01
Replaces Tariff for Skellytown dated 8/24/01

Meters Read On and After
December 31, 2018 for Incorporated
January 28, 2019 for Environs

Texas Gas Service, a Division of ONE Gas, Inc.
Rules of Service – Borger/Skellytown Service Area

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Texas Gas Service, a Division of ONE Gas, Inc.
Rules of Service – Borger/Skellytown Service Area

GENERAL STATEMENT

1.1 TARIFF APPLICABILITY

Texas Gas Service, a Division of ONE Gas, Inc. is a gas utility operating within the State of Texas. This Tariff applies to Texas Gas Service, a Division of ONE Gas, Inc.'s Borger/Skellytown Service Area comprised of the incorporated and unincorporated areas of Borger and Skellytown, Texas. 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 Borger/Skellytown 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:

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.
Agricultural Service:	Service to Consumers engaged in agricultural production.
Applicant:	Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.
Automated Meter Reading (AMR):	The process of remotely reading a gas meter.

Average Day Usage:	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.
Blanket Builder:	A builder or someone acting for a builder who is invoiced for the installation of service lines.
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.
Commercial Service:	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
Commission or The Commission:	The Railroad Commission of Texas.
Company:	Texas Gas Service, a Division of ONE Gas, Inc.
Consumer:	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.)
Consumption Period:	Shall mean a volumetric billing period.
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.
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.
Domestic Service:	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.
Electronic Document:	Any document sent electronically via email or the internet.
Electronic Flow Measurement (EFM):	An electronic means of obtaining readings on a gas meter.
Electronic Fund Transfer (EFT):	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.
Electronic Radio Transponder (ERT):	A device that assists with remotely reading a gas meter.
Excess Flow Valve (EFV):	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.
Expedited Service:	Customer request for same day service or service during non-business hours for connection or reconnection of gas service.
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.
General Rate Schedule:	A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.
Industrial Service:	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.
Irrigation or Irrigation Pumping Service:	(SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.

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.
Optional Rate Schedule:	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.
Overtime Rate:	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.
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 the 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 the 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.
Power Generation Service:	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.
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 Borger/Skellytown 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.
Special Rate Schedule:	A rate schedule designed for a specific Customer.
System:	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.
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 the Company or the services provided hereunder.
Temporary Service:	Any service which will not be utilized continuously at the same location for a period of two or more years.
Transportation Form:	Shall mean the Company approved selection of transportation service document.
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.

Section 2. [Reserved for future rules]

Texas Gas Service, a Division of ONE Gas, Inc.
Rules of Service – Borger/Skellytown Service Area

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 Borger/Skellytown 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. In the incorporated areas of Borger and Skellytown only, all fees and charges (excluding advances, contributions in aid of construction and deposits) shall be adjusted by the amount which represents the actual gross receipts, occupation, revenue taxes and franchise fees paid by the Company.

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 are 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 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 two forms of verifiable identification; one being a government-issued 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 satisfactory credit. 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 or guaranteed by an agency of the federal, state or local government; or

f) 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.

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.

Texas Gas Service, a Division of ONE Gas, Inc.
Rules of Service – Borger/Skellytown Service Area

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 18.1 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 in the form of cash or credit to a customer's account 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
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 Borger/Skellytown Service Area are 13.18 and 13.35 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;

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.

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.

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 PAYMENT OPTIONS

The Company, at its option and discretion, may contract with payment vendors to provide various payment options and authorize these vendors to accept payments from Customers on the Company's behalf. Payment options may be electronic, telephonic, in person, or by mail and may include automatic bank draft, credit/debit card, check, or cash. Contracted payment vendors may charge Customers an additional fee of the use of that payment option and shall be solely responsible for collecting that fee from the Customer.

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 14.73 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 Borger/Skellytown 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:

a) 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.

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 Consumer's 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 the 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 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 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

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.

Texas Gas Service, a Division of ONE Gas, Inc.
Rules of Service – Borger/Skellytown Service Area

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
Up to 1500 cubic feet per hour	$80.00

Over 1500 cubic feet per hour	$100.00
Orifice Meters	
All sizes	$100.00

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

ADDENDUM TO SERVICE RULES

EFFECTIVE MAY 12, 2002, THE FOLLOWING RULE APPLIES TO ENVIRONS CUSTOMERS IN THE SERVICE AREA:

TAC, TITLE 16, PART 1, CHAPTER 7, SUBCHAPTER D, RULE 7.460 Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency

(a) Applicability and scope. This rule applies to gas utilities, as defined in Texas Utilities Code, Section 101.003(7) and Section 121.001, and to owners, operators, and managers of mobile home parks or apartment houses who purchase natural gas through a master meter for delivery to a dwelling unit in a mobile home park or apartment house, pursuant to Texas Utilities Code, Sections 124.001-124.002, within the jurisdiction of the Railroad Commission pursuant to Texas Utilities Code, Section 102.001. For purposes of this section, all such gas utilities and owners, operators and managers of master meter systems shall be referred to as "providers." Providers shall comply with the following service standards. A gas distribution utility shall file amended service rules incorporating these standards with the Railroad Commission in the manner prescribed by law.

(b) Disconnection prohibited. Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, a provider shall not disconnect natural gas service to:

(1) a delinquent residential customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.
(2) a delinquent residential customer for a billing period in which the provider receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service; or
(3) a delinquent residential customer on a weekend day, unless personnel or agents of the provider are available for the purpose of receiving payment or making collections and reconnecting service.

(c) Payment plans. Providers shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over, and shall work with customers to establish a payment schedule for deferred bills as set forth in paragraph (2)(D) of Section 7.45 of this title, relating to Quality of Service.

(d) Notice. Beginning in the September or October billing periods utilities and owners, operators, or managers of master metered systems shall give notice as follows:

(1) Each utility shall provide a copy of this rule to the social services agencies that distribute funds from the Low Income Home Energy Assistance Program within the utility's service area.
(2) Each utility shall provide a copy of this rule to any other social service agency of which the provider is aware that provides financial assistance to low income customers in the utility's service area.
(3) Each utility shall provide a copy of this rule to all residential customers of the utility and customers who are owners, operators, or managers of master metered systems.
(4) Owners, operators, or managers of master metered systems shall provide a copy of this rule to all of their customers.

(e) In addition to the minimum standards specified in this section, providers may adopt additional or alternative requirements if the provider files a tariff with the Commission pursuant to Section 7.44 of this title (relating to Filing of Tariffs). The Commission shall review the tariff to ensure that at least the minimum standards of this section are met.

Texas Gas Service, a Division of ONE Gas, Inc. **RATE SCHEDULE WNA**
Borger/Skellytown Service Area **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, a Division of ONE Gas, Inc. in the incorporated and unincorporated areas of Borger and Skellytown, Texas: Rate Schedules 10, 20, 40, 48, 1Z, 2Z, 4H 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:

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

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

WNAD = (HDD Diff* CB * WF) * 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.

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

Residential 0.14142; Commercial 0.60798; Public Authority 1.06740; School & Municipal 2.03303

Supersedes Same Rate Schedule dated
November 4, 2008 (Borger/Skellytown Incorporated Areas)

Meters Read On and After
December 31, 2018 for Incorporated
January 28, 2019 for Environs

CV = Current Volumes for the billing period.

WEATHER NORMALIZATION ADJUSTMENT CLAUSE

(Continued)

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.

Texas Gas Service, a Division of ONE Gas, Inc.
Borger/Skellytown Service Area **RATE SCHEDULE RCE - B**

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinance. This rate shall apply to the following rate schedules of Texas Gas Service, a Division of ONE Gas, Inc. in the following incorporated areas of Borger, Texas: 10, 20, 40, 48 and T-1.

B. RCE RATE

All Ccf during each billing period: $0.0105 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, a Division of ONE Gas, Inc. will recover $109,858.52 in actual expense and no more than $30,860.18 in estimated expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

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.10766: Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc. to Increase Gas Utility Rates Within the Unincorporated Areas of the Borger/Skellytown Service Area, Final Order Finding of Fact No. __. This rate shall apply to the following rate schedules of Texas Gas Service, a Division of ONE Gas, Inc. in the following unincorporated Areas of Borger and Skellytown, Texas: 1Z, 2Z, 4Z, 4H and T-1-ENV.

B. RCE RATE

All Ccf during each billing period: $ 0.0104 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, a Division of ONE Gas, Inc. will recover $16,839.83 in actual expense and $2,534.66 in estimated expenses. 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.

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, Gas Services Department and referencing Gas Utilities Docket No. 10766 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
Director of Oversight and Safety Division
Gas Services Dept.
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

Texas Gas Service, a Division of ONE Gas, Inc. **RATE SCHEDULE EDIT-RIDER**
Borger/Skellytown Service Area

EXCESS DEFERRED INCOME TAX CREDIT

A. APPLICABILITY

This Excess Deferred Income Tax Credit applies to all general service rate schedules of Texas Gas Service, a Division of ONE Gas, Inc., currently in force in the Company's Borger/Skellytown Service Area within the incorporated and unincorporated areas of Borger and Skellytown, Texas including Rate Schedules 10, 20, 40, 48, 1Z, 2Z, 4Z, 4H, T-1 and T-1-ENV.

B. CALCULATION OF CREDIT

The annual amortization of the regulatory liability for excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695, will be credited to customers annually on a one-time, per bill basis and will show as a separate line item on the customer's bill until fully amortized.

EDIT CREDIT – The total amount, if any, of the credit in a given year will be determined by:

- The average rate assumption method ("ARAM") as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for the protected portion of the regulatory liability for excess deferred income taxes; and
- A 10-year amortization for the nonprotected portion of the regulatory liability for excess deferred income taxes.

TRUE-UP ADJUSTMENT – The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the amount of that year's EDIT Credit and the amount actually credited to customers.

EDIT CREDIT PER CUSTOMER – The EDIT credit per customer will be determined by allocating that year's credit, plus/minus any prior year true up adjustment, among the customer classes utilizing the same class revenue allocation as approved in the most recent general rate case, and then by dividing each class's portion by the number of customers in that class.

C. EDIT CREDIT PER CUSTOMER

Residential:	$0.00
Commercial:	$0.00
Industrial:	$0.00
Public Authority:	$0.00

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

D. OTHER ADJUSTMENTS

Texas Gas Service, a Division of ONE Gas, Inc. **RATE SCHEDULE EDIT-RIDER**
Borger/Skellytown Service Area

EXCESS DEFERRED INCOME TAX CREDIT

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

E. ANNUAL FILING

The Company shall make a filing each year no later than December 31, including the following information:

a. the total dollar amount of that year's EDIT Credit;
b. the total dollar amount actually credited to customers;
c. true-up amount, if any, due to the difference between items a. and b., above;
d. the amount of the upcoming year's EDIT Credit; and
e. the amounts of the upcoming year's EDIT Credit Per Customer.

F. CONDITIONS

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

TEXAS GAS SERVICE, a division of ONE Gas, Inc.
All Service Areas

RATE SCHEDULE PSF
Page 1 of 3

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;

TEXAS GAS SERVICE, a division of ONE Gas, Inc. **RATE SCHEDULE PSF**
All Service Areas **Page 2 of 3**

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 the calendar year 2017 annual pipeline safety and regulatory program fee, billed effective with meters read on and after March 27, 2018, Texas Gas Service, a division of ONE Gas, Inc. will bill all customers a one-time customer charge per bill of $1.00, 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.

TEXAS GAS SERVICE, a division of ONE Gas, Inc.
All Service Areas

RATE SCHEDULE PSF
Page 3 of 3

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

Proposed Revenue Change by Class

Line	Description	Bills		Volumes	Recommended Rates: Customer Charge	Recommended Rates: Usage Charges	Recommended Revenue	Assigned Revenue	Rounding Diff.	Test Year As Adjusted Revenue	Revenue Change	Service Charges and Other Revenue	Cost of Gas	% Change (Non Gas Revenue)	% Change (Total Revenue)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Residential														
2	Incorporated	54,773	All Ccf	2,913,644	$15.50	$0.21548	$1,476,815	$1,476,814		$1,561,173	(84,359.01)				
3	Environs	4,914		342,667	$15.50	$0.21548	150,011	150,011		78,874	71,136.77				
4	Residential Total	59,687		3,256,311			$1,626,826	$1,626,825	$1	$1,640,047	(13,222.24)				
5															
6	Commercial														
7	Incorporated	5,351	All Ccf	1,271,798	$ 35.00	$0.29344	$560,494	$560,492		$619,695	(59,202.86)				
8	Environs	461		270,041	$35.00	$0.29344	95,369	95,369		41,497	53,872.25				
9	Commercial Total	5,812		1,541,839			$655,863	$655,861	$2	$661,192	(5,330.61)				
10															
16	Public Authority														
17	Incorporated	111	All Ccf	33,384	$ 45.00	$0.23148	$12,718	$12,718		$13,857	(1,138.95)				
18	Environs	25		4,095	$ 45.00	$0.23148	2,078	2,078		1,059	1,018.70				
19	Public Authority Total	136		37,479			$14,796	$14,796	$0	$14,916	(120.25)				
20															
21	School and Municipal														
22	Incorporated	523	All Ccf	366,487	$ 45.00	$0.37651	$161,515	$161,515		$163,902	(2,387.18)				
23	Environs	12		3,178	$ 45.00	$0.37651	1,743	1,743		682	1,060.28				
24	School and Municipal Total	535		369,665			$163,258	$163,257	$0	$164,584	(1,326.90)				
25															
26															

		Proposed Revenue	Assigned Revenue	Rounding Diff.	Test Year As Adjusted Revenue	Revenue Change	Service Charges and Other Revenue	Cost of Gas	% Change (Non Gas Revenue)	% Change (Total Revenue)
27	Borger/Skellytown Revenue									
28	Incorporated	$2,211,542	$2,211,539		$2,358,627	(147,088.00)	$85,156	$2,005,450	-6.02%	-3.31%
29	Environs	249,201	249,200		122,112	127,088.00	4,409	271,157	100.45%	31.96%
30	Total Revenue	$2,460,742	$2,460,739	$3	$2,480,739	(20,000.00)	$89,565	$2,276,607	-0.78%	-0.41%

Exhibit C

TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC.
BORGER/SKELLYTOWN SERVICE AREA
Test Year Ended December 31, 2017
Customer Bill Impacts (1)

	Year-Round Average Bill				Average January Bill			
			Change				Change	
Description	Current	Recommended	Dollars	%	Current	Recommended	$	%
(a)	(b)	(c)	(d)	(e)	(g)	(h)	(i)	(j)
Residential								
Incorporated	$ 52.74	$ 51.12	$ (1.62)	-3.1%	$ 113.66	$ 105.04	$ (8.62)	-7.6%
Environs	$ 38.65	$ 51.12	$ 12.46	32.2%	$ 84.61	$ 105.04	$ 20.43	24.1%
Commercial								
Incorporated	$ 241.57	$ 228.87	$ (12.71)	-5.3%	$ 548.08	$ 509.72	$ (38.37)	-7.0%
Environs	$ 178.65	$ 228.87	$ 50.21	28.1%	$ 400.52	$ 509.72	$ 109.19	27.3%
Public Authority								
Incorporated	$ 237.04	$ 229.32	$ (7.72)	-3.3%	$ 759.60	$ 673.11	$ (86.49)	-11.4%
Environs	$ 183.45	$ 229.32	$ 45.87	25.0%	$ 562.65	$ 673.11	$ 110.46	19.6%
School & Municipal								
Incorporated	$ 611.81	$ 607.35	$ (4.46)	-0.7%	$ 1,699.06	$ 1,676.62	$ (22.45)	-1.3%
Environs	$ 423.85	$ 607.35	$ 183.50	43.3%	$ 1,184.82	$ 1,676.62	$ 491.80	41.5%

(1) The test year cost of gas in the service area is included in the bill calculations. Bills under current and recommended rates do not include revenue-related taxes and are based on the following usage levels:

	Year-Round	January
Residential	55	137
Commercial	265	650
Public Authority	276	939
School & Municipal	691	2,005

TEXAS GAS SERVICE COMPANY
BORGER SKELLYTOWN SERVICE AREA
SETTLED DEPRECIATION/AMORTIZATION RATES FOR RATE FILING GUD NO. 10766 WITH TEST YEAR END DECEMBER 31, 2017

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

LINE NO.	DESCRIPTION	BSSA DIRECT ANNUAL DEPR/AMORT RATES	TGS DIVISION ANNUAL DEPR/AMORT RATES	ONE GAS CORPORATE ANNUAL DEPR/AMORT RATES
	INTANGIBLE PLANT			
1	(301) Organization	3.3330%		
2	(302) Franchises & Consents	4.0000%		
3	(303) Misc. Intangible	3.3330%		
	GATHERING AND TRANSMISSION PLANT			
4	(366) Meas/Reg Station Structures			
5	(367) Mains			
6	(368) Compressor Station Equip			
7	(369) Measure/Reg. Station Equipment			
8	(371) Other Equipment			
	DISTRIBUTION PLANT			
9	(375.1) Structures & Improvements	4.4100%		
10	(375.2) Other Distr Systems Structures	2.7000%		
11	(376) Mains	1.9500%		
12	(376.9) Mains - Cathodic Protection Anodes	6.6667% (Note 1)		
13	(378) Meas. & Reg. Station - General	2.2200%		
14	(379) Meas. & Reg. Station - C.G.	1.7100%		
15	(380) Services	3.0700%		
16	(381) Meters	4.4400%		
17	(383) House Regulators	2.7000%		
18	(385) Indust. Meas. & Reg. Stat. Equipment	2.2500%		
19	(386) Other Property on Customer Premises	9.6600%		
	GENERAL PLANT			
20	(390.1) Structures & Improvements	2.6300%	2.7700%	
21	(390.2) Leasehold Equipment		17.3913%	10.1500%
22	(391.1) Office Furniture & Fixtures	6.6667% (Note 1)	6.6667%	6.6667%
23	(391.19) Airplane Hanger Furniture			6.6667%
24	(391.3) Office Machines			5.0000%
25	(391.4) Audio Visual Equipment			20.0000%
26	(391.6) Purchased Software			7.6923%
27	(391.6) Banner Software			7.6923%
28	(391.6) PowerPlant System			7.6923%
29	(391.6) Riskworks			7.6923%
30	(391.6) Maximo			7.6923%
31	(391.6) Dynamic Risk Assessment			7.6923%
32	(391.6) Concur Project			7.6923%
33	(391.6) Journey-Employee Count			7.6923%
34	(391.6) Journey-Employee-ODC Distrigas			7.6923%
35	(391.6) Ariba Software			7.6923%
36	(391.8) Micro Computer Software			20.0000%
37	(391.9) Computer & Equipment	14.2857% (Note 2)	14.2857%	
38	(392) Transportation Equipment	9.1200%		
39	(392.6) Aircraft			6.2800%
40	(393) Stores Equipment	6.6667% (Note 1)		
41	(394) Tools, Shop & Garage	5.03% (Note 1)	6.6667%	
42	(394.1) Tools, Shop & Garage			
43	(396) Major Work Equipment	7.2200%		
44	(397) Communication Equipment	6.6667% (Note 1)	6.6667%	5.0000%
45	(398) Miscellaneous General Plant		6.6667%	

1) Dr. White's recommended amortization period for Accounts 376.9, 391.1, 393, 394, and 397 is 15 years.
2) Dr. White's recommended amortization period for Account 391.9 is 7 years. An amortization rate of 14.2857% (the reciprocal of 7 years) was utilized.

BORGER SKELLYTOWN SERVICE AREA
SETTLED NET PLANT FOR RATE FILING WITH TEST YEAR END DECEMBER 31, 2017

NET PLANT FOR BSSA DIRECT, TGS DIVISION AND ONEGAS CORPORATE

LINE NO.	DESCRIPTION	TOTAL BSSA PLANT	TOTAL BSSA CCNC	TOTAL BSSA PLANT AND CCNC	TOTAL BSSA ACCUMULATED RESERVES	TOTAL BSSA NET PLANT
		(a)	(b)	(c)	(d)	(e)
	INTANGIBLE PLANT					
1	(301) Organization	$ -	$ -	$ -	$ -	$ -
2	(302) Franchises & Consents	2,170	-	2,170	$ (4,577)	(2,407)
3	(303) Misc. Intangible	34,801	-	34,801	$ (34,801)	-
4	(303.1) Misc. Intangible	-	-	-	$ -	-
5	Total Intangible Plant	$ 36,971	$ -	$ 36,971	$ (39,378)	$ (2,407)
	GATHERING AND TRANSMISSION PLANT					
6	(325) Land & Land Rights	$ -	$ -	$ -	$ -	$ -
7	(327) Field Comprss Station Strucutres	-	-	-	$ -	-
8	(328) Field Meas/Reg Station Structures	-	-	-	$ -	-
9	(329) Other Structures	-	-	-	$ -	-
10	(332) Field Lines	-	-	-	$ -	-
11	(333) Field Compressor Station Equip	-	-	-	$ -	-
12	(334) Field Meas/Reg Station Equipment	-	-	-	$ -	-
13	(336) Purification Equipment	-	-	-	$ -	-
14	(337) Other Equip	-	-	-	$ -	-
15	(365) Land & Land Rights	-	-	-	$ -	-
16	(366) Meas/Reg Station Structures	-	-	-	$ -	-
17	(367) Mains	-	-	-	$ -	-
18	(368) Compressor Station Equip	-	-	-	$ -	-
19	(369) Measure/Reg. Station Equipment	-	-	-	$ -	-
20	(371) Other Equipment	-	-	-	$ -	-
21	Total Gathering and Transmission Plant	$ -	$ -	$ -	$ -	$ -
	DISTRIBUTION PLANT					
22	(374) Land & Land Rights	$ -	$ -	$ -	$ -	$ -
23	(374.1) Land & Land Rights	-	-	-	$ -	-
24	(374.2) Land & Land Rights	444	-	444	$ (18)	426
25	(375.1) Structures & Improvements	7,451	-	7,451	$ (7,451)	-
26	(375.2) Other Distr Systems Struct	-	-	-	$ -	-
27	(376) Mains	5,241,694	163,496	5,405,190	$ (2,448,032)	2,957,158
28	(376.9) Mains - Cathodic Protection Anodes	1,358,190	-	1,358,190	$ 744,768	2,102,958
29	(377) Compressor Station Equipment	-	-	-	$ -	-
30	(378) Meas. & Reg. Station - General	70,569	21	70,590	$ (54,899)	15,692
31	(379) Meas. & Reg. Station - C.G.	91,216	-	91,216	$ (72,274)	18,942
32	(380) Services	2,657,628	100,020	2,757,649	$ (127,263)	2,630,386
33	(380.1) Ind Service Line Equip	-	320	320	$ -	320
34	(380.2) Comm Service Line Equip	-	418	418	$ -	418
35	(380.4) Yard Lines-Customer Svc	-	-	-	$ -	-
36	(381) Meters	1,216,808	566	1,217,374	$ 80,439	1,297,813
37	(382) Meter Installations	-	-	-	$ (752)	(752)
38	(383) House Regulators	382,770	-	382,770	$ (142,065)	240,705
39	(385) Indust. Meas. & Reg. Stat. Equipment	160,514	2,185	162,699	$ (76,442)	86,257
40	(386) Other Property on Customer Premises	4,576	-	4,576	$ (3,173)	1,403
41	(387) Meas. & Reg. Stat. Equipment	-	-	-	$ -	-
42	Total Distribution Plant	$ 11,191,860	$ 267,027	$ 11,458,887	$ (2,107,160)	$ 9,351,726
	GENERAL PLANT					
43	(389) Land & Land Rights	$ -	$ -	$ -	$ -	$ -
44	(389.1) Land & Land Rights	40,325	-	40,325	$ -	40,325
45	(390) Structures & Improvements	-	-	-	$ -	-
46	(390.1) Structures & Improvements	545,241	37,144	582,385	$ (89,883)	492,502
47	(390.2) Leasehold Improvements	9,936	551	10,487	$ (2,319)	8,168
48	(391) Office Furniture & Equipment	-	-	-	$ (915)	(915)
49	(391.1) Office Furniture & Equipment	19,018	308	19,325	$ (37,421)	(18,096)
50	(391.19) Airplane Hanger Furniture	-	-	-	$ -	-
51	(391.2) Data Processing Equipment	-	-	-	$ -	-
52	(391.3) Office Machines	77	-	77	$ (24)	54
53	(391.4) Audio Visual Equipment	2,726	-	2,726	$ (1,297)	1,429
54	(391.5) Artwork	-	-	-	$ -	-

LINE NO.	DESCRIPTION	TOTAL BSSA PLANT	TOTAL BSSA CCNC	TOTAL BSSA PLANT AND CCNC	TOTAL BSSA ACCUMULATED RESERVES	TOTAL BSSA NET PLANT
55	(391.6) Ariba Software	61	-	61	$ (47)	14
56	(391.6) Banner Software	27,726	12,060	39,785	$ (21,634)	18,151
57	(391.6) Concur Project	113	-	113	$ (113)	-
58	(391.6) Dynamic Risk Assessment	-	-	-	$ -	-
59	(391.6) Journey-Employee Count	4,387	-	4,387	$ (1,388)	3,000
60	(391.6) Journey-Employee-ODC Distrigas	146,677	-	146,677	$ (35,651)	111,026
61	(391.6) Maximo	6,628	-	6,628	$ (3,898)	2,730
62	(391.6) PowerPlant System	1,490	-	1,490	$ (426)	1,063
63	(391.6) Purchased Software	128,372	1,749	130,121	$ (37,741)	92,379
64	(391.6) Riskworks	-	-	-	$ -	-
65	(391.8) Micro Computer Software	9,631	-	9,631	$ (4,951)	4,679
66	(391.9) Computer & Equipment	144,837	-	144,837	$ (48,121)	96,716
67	(392) Transportation Equipment	364,194	-	364,194	$ (180,359)	183,835
68	(392.2) Pickup Trucks & Vans	-	-	-	$ -	-
69	(392.6) Aircraft	-	-	-	$ -	-
70	(393) Stores Equipment	-	-	-	$ (3,701)	(3,701)
71	(394) Tools, Shop & Garage	252,790	-	252,790	$ (48,567)	204,223
72	(394.1) Tools	-	-	-	$ -	-
73	(394.2) Shop Equipment	-	-	-	$ -	-
74	(395) CNG Equipment	-	-	-	$ (5)	(5)
75	(396) Major Work Equipment	113,061	-	113,061	$ (33,794)	79,267
76	(397) Communication Equipment	316,732	28	316,760	$ (39,995)	276,765
77	(397.2) Telephone Equipment	-	-	-	$ -	-
78	(398) Miscellaneous General Plant	-	-	-	$ 34	34
79	Total General Plant	$ 2,134,021	$ 51,839	$ 2,185,860	$ (592,215)	$ 1,593,644
80	Total Plant In Service	$ 13,362,851	$ 318,866	$ 13,681,718	$ (2,738,754)	$ 10,942,963.62

GAS UTILITIES DOCKET NO. 10766

STATEMENT OF INTENT OF TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC., TO CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED AREAS OF THE BORGER-SKELLYTOWN SERVICE AREA	§ § § § § §	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

AFFIDAVIT OF KATE NORMAN

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

1. "My name is Kate Norman. I am over 18 years of age, of sound mind and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.

2. I am a partner with the Austin, Texas law firm of Coffin Renner LLP and have practiced law in Travis County since 2005. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas.

3. I am counsel of record for Texas Gas Service Company, a division of ONE Gas, Inc. ("TGS" or the "Company") in GUD No. 10766. My firm was engaged to assist in the presentation of the Company's rate filing involving the Borger-Skellytown Service Area ("BSSA") that was filed with the cities and Commission on August 30, 2018. Attached to this Affidavit are invoices supporting the $89,184.47 in rate case expenses incurred by TGS in this proceeding through November 30, 2018. This amount includes legal expenses incurred preparing the filing, expenses incurred by professional consultants retained to provide testimony, public notice costs, and incidental expenses. The invoices are detailed and itemized and support the Company's recovery of its actual expenses.

4. Of TGS's total actual amount of rate case expenses for this proceeding, $64,359.47 are required regulatory expenses and $24,825.00 are litigation expenses. The amounts of required regulatory expenses and litigation expenses to be recovered from environs customers were determined in accordance with the allocation provisions in 16 TEX. ADMIN. CODE §7.5530 requiring regulatory expenses to be allocated equally among all BSSA customers affected by the rate filing. In addition, the amount of litigation expenses was determined based on allocation of costs to customers affected by the litigation activities.

5. I am familiar with the Commission Rule on Rate Case Expenses, 16 TEX. ADMIN. CODE §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expense recovery.

6. I have reviewed the billings of Coffin Renner LLP submitted to TGS for legal services performed in this proceeding, and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on TGS's behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The hours spent to perform the tasks assigned to Coffin Renner LLP were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a rate proceeding such as this case. The nature of this work included the preparation of testimony and other aspects of the Company's rate filing package, answering discovery questions, and addressing settlement issues. There was no duplication of services, and the Company's request for a rate change was warranted. Further, the work was relevant and reasonably necessary to the proceeding, and the complexity and expense of the work was commensurate with both the complexity of the issues in the proceedings and the amount of the rate increase sought and granted.

7. In addition to the amounts incurred through November 30, 2018, TGS has and will continue to incur additional expenses for additional legal work performed through the issuance of a Final Order in this docket. The nature of this work includes finalizing settlement documents, presentation of the settlement to the Administrative Law Judge and Examiners, potential discovery and briefing before the Examiners, and attending Commission conferences. Based on my experience in administrative proceedings, including proceedings in which the parties seek approval of a Unanimous Settlement Agreement as in this case, I estimate those expenses from November 30, 2018 through completion of the case will be approximately $30,000, bringing the total amount of actual and estimated TGS costs necessary to complete this proceeding to $119,184.47.

8. In addition to legal expenses, TGS incurred other rate case expenses, which included expenses incurred by professional consultants retained to provide testimony, preparation of the filing, public notice, responding to discovery, and incidental expenses. Actual detailed and itemized invoices supporting these other expenses through November 30, 2018 are attached. The total amount of rate case expenses for consultants is $28,676.25 and for Company expenses is $4,552.27.

9. No portion of the fees or expenses that TGS seeks to recover is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.

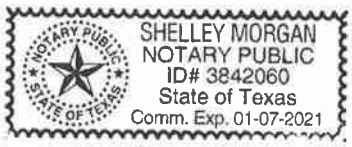
10. TGS's total amount of rate case expenses is $119,184.47, which includes $30,000 in estimated expenses. As reflected in the Unanimous Settlement Agreement, TGS seeks approval to recover the environs portion of these rate case expenses as allocated in accordance with 16 TEX. ADMIN. CODE §7.5530. TGS requests that the Commission authorize recovery of its rate case expenses from environs customers related to this docket in the amount of $19,374.48. TGS will supplement this filing with additional invoices as they are processed.

11. TGS seeks recovery only of those expenses that are actually incurred, and any rate case expense surcharge and will collect from ratepayers only the amount actually incurred and authorized for recovery. I note, however, that the estimated expenses presume approval of the Unanimous Settlement Agreement. TGS reserves the right to revise this estimate to the extent that additional litigation becomes necessary."

Kate Norman

Kate Norman

SWORN TO AND SUBSCRIBED before me on this 14th day of December 2018, by Kate Norman.



Shelley Morgan

Notary Public, State of Texas

GUD No. 10766

Proposal for Decision

ATTACHMENT 4

TGS's Supplemental Rate Case Expense Affidavit

GAS UTILITIES DOCKET NO. 10766

STATEMENT OF INTENT OF TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC., TO CHANGE GAS UTILITY RATES WITHIN THE UNICORPORATED AREAS OF THE BORGER-SKELLYTOWN SERVICE AREA	§ § § § § § §	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

SUPPLEMENTAL AFFIDAVIT OF KATE NORMAN

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

1. "My name is Kate Norman. I am over 18 years of age, of sound mind and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.

2. I am a partner with the Austin, Texas law firm of Coffin Renner LLP and have practiced law in Travis County since 2005. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas.

3. I am counsel of record for Texas Gas Service Company, a division of ONE Gas, Inc. ("TGS" or the "Company") in GUD No. 10766. My firm was engaged to assist in the presentation of the Company's rate filing involving the Borger-Skellytown Service Area ("BSSA") that was filed with the cities and Commission on August 30, 2018. On December 17, 2018, I submitted an affidavit and invoices in support of TGS's rate case expense amounts contained in the Unanimous Settlement Agreement in this docket that was agreed to and executed by TGS and Commission Staff.

4. I am familiar with the Commission Rule on Rate Case Expenses, 16 TEX. ADMIN. CODE §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expense recovery.

5. I have reviewed the invoices submitted by consultants who performed necessary tasks in support of the Company's rate filing. The consultant hourly rates ranged from $290 to $450, which are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The hours spent to perform the tasks assigned to the consultants were necessary to complete those tasks in a professional manner on a timely basis and the nature of the work performed is typical of a rate proceeding such as this case. The nature of this work included the preparation of testimony and other aspects of the Company's rate filing package and answering discovery questions. There was no duplication of services, and the Company's request for a rate change was warranted. Further, the work was relevant and reasonably

necessary to the proceeding, and the complexity and expense of the work was commensurate with both the complexity of the issues in the proceedings and the amount of the rate increase sought and granted.

6. In all instances, the consultants who performed necessary tasks in support of the Company's rate filing have previously provided testimony and analysis in prior Company rate filings, which leads to efficiencies in the work performed by the consultants.

7. Following the hearing held on December 18, 2018, the Examiner requested information related to Company expenses in the amount of $4,552.27. Those expenses are for reasonable and necessary costs associated with the provision of notice to affected customers. The attached invoices from CSI in the amount of $3,585.02 and TexHahn Media in the amount of $967.25 support the $4,552.27 in expenses. TGS provided the requested information to the Commission on January 11, 2019."

Kate Norman

Kate Norman

SWORN TO AND SUBSCRIBED before me on this 11th day of January 2019, by Kate Norman.

Shelley Morgan

Notary Public, State of Texas

SHELLEY MORGAN
NOTARY PUBLIC
ID# 3842060
State of Texas
Comm. Exp. 01-07-2021

GUD No. 10766

Proposal for Decision

ATTACHMENT 5

Proposed Final Order

RAILROAD COMMISSION OF TEXAS

STATEMENT OF INTENT OF TEXAS GAS SERVICE, A DIVISION OF ONE GAS, INC., TO CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED AREAS OF THE BORGER-SKELLYTOWN SERVICE AREA	**§**	**GAS UTILITIES DOCKET NO. 10766**

PROPOSED FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551, *et seq*. (Vernon 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 that term is defined in the TEX. UTIL. CODE § 101.003(7) and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").

2. On August 30, 2018, TGS filed a Statement of Intent ("SOI") to change gas utility rates within unincorporated areas in which it provides service within the Borger-Skellytown Service Area ("BSSA"). The filing was docketed as GUD No. 10766.

3. The unincorporated areas of the BSSA includes customers residing in the unincorporated areas of Borger and Skellytown, Texas.

4. TGS requested an effective date of October 4, 2018.

5. TGS filed a Statement of Intent to change rates with the following municipalities with original jurisdiction in the BSSA: Borger and Skellytown.

6. TGS proposes to implement the proposed rates within all incorporated and unincorporated areas in which it provides service in the BSSA.

7. Staff of the Railroad Commission ("Staff") timely intervened on August 31, 2018.

8. The City of Borger ("Borger") timely intervened on October 23, 2018.

9. No other interventions were filed.

10. The Commission published notice of TGS's SOI application in Gas Utilities Information Bulletin No. 1090 on August 31, 2018.

11. On September 19, 2018, the Commission suspended the implementation of TGS's proposed rates for 150 days from the date on which the proposed rates would otherwise become effective, or until March 3, 2019.

12. The Commission received no written communications from the public voicing opposition to TGS's proposed rate changes.

13. On October 16, 2018, TGS filed an errata, and on October 19, 2018 TGS filed an additional errata.

14. For all customers located in incorporated and unincorporated areas within the BSSA, TGS provided public notice by direct mail on October 10, 2018, in accordance with TEX. UTIL. CODE § 104.103(a) and 16 TEX. ADMIN. CODE §§ 7.230 and 7.235 (2016).

15. The notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate change in the Statement of Intent, in accordance with TEX. UTIL. CODE § 104.103(a) and 16 TEX. ADMIN. CODE §§ 7.230 and 7.235.

16. On October 15, 2018, TGS filed an affidavit attesting to proof of notice.

17. On November 20, 2018, the Notice of Hearing was issued and subsequently published in Gas Utilities Information Bulletin No. 1096 on November 30, 2018, in accordance with 16 TEX. ADMIN. CODE § 7.235 (Publication and Service of Notice).

18. Notice of Hearing was sent to the governing bodies of affected counties, in accordance with TEX. UTIL. CODE § 104.105(c).

19. On November 13, 2018, TGS notified the ALJ that all parties to the proceeding had reached a settlement in principle and requesting an abatement of the proceeding.

20. On November 14, 2018, the ALJ granted the request to abate the proceeding.

21. On December 17, 2018, the parties filed a Unanimous Settlement Agreement ("Settlement"), consented to by TGS and Staff.

22. By December 18, 2018, the cities of Skellytown and Borger had taken action to approve new rates for TGS.

23. The merits hearing ("Hearing") was conducted on December 18, 2018.

24. The evidentiary record closed on January 18, 2019.

25. TGS established that it maintains its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") prescribed for natural gas companies.

26. TGS established that it has fully complied with the books and records requirements of 16 TEX. ADMIN. CODE § 7.310, and the amounts included therein are therefore entitled to the presumption in Commission Rule 7.503 that these amounts are reasonable and necessary.

27. The test year in this filing is based upon the financial data for the twelve-month period ending December 31, 2017, adjusted for known and measurable changes.

28. The Settlement contemplates an overall decrease in system-wide revenues of $20,000. The environs portion of the system-wide revenue change is an increase of $127,088. The incorporated portion of the system-wide revenue change is a decrease of $147,088. The system-wide net base revenue requirement is $2,460,742 plus $89,565 in service fees for a total revenue requirement of $2,550,307. Except as specifically provided herein, the overall decrease in system-wide revenue is an agreed amount that is not tied to any specific expense or methodology in the underlying cost of service in the BSSA.

29. The approximately $127,088 revenue increase to the unincorporated portion of the BSSA consisting of the base rate increase is 32 percent of test-year revenues, including gas costs, and 100 percent excluding gas costs.

30. The total revenue requirement in Item 28 excludes all expenses associated with the payment of administrative penalties related to the operation of the BSSA, as well as the amortization of any related insurance deductible.

31. 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 Charge	**Commodity Charge (Ccf)**
Residential	$15.50	$0.21548
Commercial	$35.00	$0.29344
Public Authority	$45.00	$0.23148
School & Municipal	$45.00	$0.37651

32. The revenue increase of $127,088 to be recovered through a base rate increase is just and reasonable.

33. The capital investment booked to plant through December 31, 2017, is prudent except for a disallowance from net plant of $2,605.62.

34. A net plant amount of $10,942,963.62 as of December 31, 2017, is prudent and appropriate for recovery.

35. The depreciation rates for distribution and general plant, consistent with Final Order Attachment 1, are reasonable.

36. The rate of return as shown in the table below is just and reasonable.

	Capital Structure	**Debt/Equity Cost**	**Weighted Cost of Capital**	**Pre-Tax Return**
Long-Term Debt	37.84%	3.94%	1.49%	1.49%
Common Equity	62.16%	9.75%	6.06%	7.67%
Rate of Return			**7.55%**	**9.16%**

37. For the purposes of calculating an interim rate adjustment under TEX. UTIL. CODE § 104.301, the beginning invested capital, accumulated depreciation amounts, 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 36.

- For the initial Interim Rate Adjustment filing and for all subsequent Interim Rate Adjustment filings, the depreciation rate for each account shall be consistent with Final Order Attachment 1.

- For the initial Interim Rate Adjustment filing, the beginning balance of system-wide net plant in service shall be $10,942,963.62, consistent with Final Order Attachment 1.

- For the initial Interim Rate Adjustment filing, the customer charges and commodity charges as shown in Finding of Fact 31 will be the starting rates to which any IRA adjustment is applied.

- Federal income taxes will be calculated using a 21 percent rate, unless the federal income tax rate is changed, in which case the new rate will be applied.

- 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	66.11%
Commercial	26.65%
Public Authority	0.60%
School and Municipal	6.64%
Total Allocation	100.00%

38. 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 reports.

39. The terms of the Settlement provide 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 as provided in TEX. UTIL. CODE § 104.051.

40. On February 27, 2018, the Commission issued an Accounting Order in GUD No. 10695 (together with the Order Nunc Pro Tunc, the "Accounting Order") that reflects the Commission's directives regarding changes to utility rates to account for the change in the federal corporate income tax rate due to the Federal Tax Cuts and Jobs Act of 2017 ("Tax Cuts and Jobs Act").

41. TGS's cost of service calculations include a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act.

42. It is reasonable that TGS issue a one-time refund in the amount of approximately $12.11, with the final amount to be calculated based on the date of this Order, for each unincorporated customer for the period of January 1 to the first billing cycle of the month following this Order, consistent with requirements in the Commission's Accounting Order. This one-time refund includes amounts collected through base rates and Interim Rate Adjustments that were set based on a 35 percent federal income tax rate.

43. It is reasonable that TGS flow back excess deferred income taxes ("EDIT") resulting from the Tax Cuts and Jobs Act through Rate Schedule EDIT. The EDIT adjustment will be computed based on the average rate assumption method ("ARAM") for those amounts required under Internal Revenue Service ("IRS") normalization rules. The nonprotected portion of TGS's regulatory liability for EDIT will be amortized over ten (10) years. The protected portion of TGS's regulatory liability for EDIT will be determined by ARAM. This treatment of EDIT is consistent with the requirements in the Commission's Accounting Order.

44. As a result of this proceeding, TGS is compliant with the Commission's Accounting Order and related Order Nunc Pro Tunc, dated March 20, 2018.

45. During the test year, services were provided to TGS by an affiliate, Utility Insurance Company ("UIC").

46. UIC provides insurance coverage to TGS and allows TGS to access the reinsurance market.

47. TGS has established that the services provided by UIC to TGS are reasonable and necessary.

48. The affiliate expenses charged by UIC to TGS are reasonable and necessary costs of providing gas utility service, and the prices charged to TGS are no higher on a risk-adjusted

basis than the prices charged by the supplying affiliate to other affiliates or divisions of TGS, or to a non-affiliated person for the same item or class of items.

49. 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.

50. TGS provided billings, invoices, and evidence in support of its rate case expense request.

51. The hourly rates charged by attorneys and consultants were reasonable rates charged by firms in cases addressing utility rate matters.

52. The attorneys and consultants did not charge any expenses for luxury items and did not incur any excessive airline, lodging, or meal expenses.

53. The amount of work done, and the time and labor required to accomplish the work, was reasonable given the nature of the issues addressed.

54. The complexity and expense of the work was relevant and reasonably necessary to the proceeding, was commensurate with the complexity of the issues involved, and was necessary.

55. TGS's rate case expenses as reflected in the table below are reasonable and recoverable expenses incurred through November 30, 2018, and estimated rate case expenses incurred through completion of this case, are as follows:

	Actual Regulatory Expenses	Actual Litigation Expenses	Invoices Due and Est. to Completion	Total Recoverable Expenses
TGS Rate Case Expenses	$5,264.08	$11,575.75	$2,534.66	$19,374.48

56. The above expenses reflect allocations consistent with 16 TEX. ADMIN. CODE § 7.5530 (Allowable Rate Case Expenses), which is reasonable.

57. It is reasonable that the recovery of rate case expenses shown above occur over an approximate 36-month period with the surcharge separately stated on each bill.

58. It is reasonable that, consistent with the Settlement, the rate case expense surcharges approved in this Order will continue until all authorized amounts are collected under those surcharges.

59. The billings, invoices, and evidence provided in support of its rate case expenses do not evidence double-billing, excess charges, or inappropriate documentation of work.

60. 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 November 30, 2018, plus approved estimated expenses of $2,534.66.

61. It is reasonable that TGS file an annual Rate Case Expense Compliance Filing 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 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

62. The tariffs attached to this Order are just and reasonable.

CONCLUSIONS OF LAW

1. 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 Commission under TEX. UTIL. CODE §§ 104.002 and 121.051.

2. The Commission has exclusive original jurisdiction over TGS and TGS's SOI affecting its customers residing in the unincorporated areas of the BSSA under TEX. UTIL. CODE § 102.001.

3. This proceeding was conducted in accordance with the requirements of TEX. UTIL. CODE §§ 101.001 et seq., and the Administrative Procedure Act, TEX. GOV'T CODE §§ 2001.001 et seq.

4. The proposed rates constitute a major change as defined by TEX. UTIL. CODE § 104.101.

5. TEX. UTIL. CODE § 104.107 provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.

6. 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 change in the SOI, in accordance with TEX. UTIL. CODE § 104.103(a) and 16 TEX. ADMIN CODE §§ 7.230 and 7.235.

7. TGS filed its SOI in accordance with TEX. UTIL. CODE § 104.102 and 16 TEX. ADMIN. CODE §§ 7.205 and 7.210.

8. In this proceeding, TGS has the burden of proof under TEX. UTIL. CODE § 104.008 to show that its proposed rate changes are just and reasonable.

9. 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 § 104.052.

10. 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 § 104.051.

11. TGS met its burden of proof in accordance with the provisions of TEX. UTIL. CODE § 104.008 on the elements of its requested rate change identified in this Order.

12. The revenue, rates, rate design, and service charges proposed by TGS in the Settlement, and identified in Attachment 1 to this Order: are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE § 101.003.

13. 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 § 101.002.

14. The rates established in this case comply with the affiliate transaction standard set out in TEX. UTIL. CODE § 104.055.

15. TGS proved by a preponderance of the evidence that its actual and estimated rate case expenses not to exceed $19,374.48 are reasonable, necessary, and consistent with the requirements of 16 TEX. ADMIN. CODE § 7.5530(a)-(b).

16. TGS is required by 16 TEX. ADMIN. CODE § 7.315 to file electronic tariffs incorporating rates consistent with this Order within 30 days of the date of this Order.

17. TGS established that its books and records conform with 16 TEX. ADMIN. CODE § 7.310 to utilize the FERC USOA, and TGS is thus entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with 16 TEX. ADMIN. CODE § 7.503.

IT IS THEREFORE ORDERED that the Settlement attached to this Order 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 file an annual Rate Case Expense Compliance Filing with Staff detailing recovery of rate case expenses as described in Finding of Fact 55 within 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 issue a one-time refund in the amount of approximately $12.11, with the final amount to be calculated based on the date of this Order, for each unincorporated customer for the period of January 1 to the first billing cycle of the month following this Order, consistent with requirements in the Commission's Accounting Order, GUD No. 10695. This one-time refund includes amounts collected through base rates and Interim Rate Adjustments that were set based on a 35-percent federal income tax rate.

IT IS FURTHER ORDERED that TGS flow back EDIT resulting from the Tax Cuts and Jobs Act through Rate Schedule EDIT. The EDIT adjustment will be computed based on ARAM for those amounts required under IRS normalization rules. The nonprotected portion of TGS's regulatory liability for EDIT will be amortized over 10 years. The protected portion of the TGS's regulatory liability for EDIT will be determined by the average rate assumption method ARAM.

IT IS FURTHER ORDERED that, within 30 days of this 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 approved in this 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 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 proposed findings of fact and conclusions of law not specifically adopted in this 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 that this Order will not be final and effective until 25 days after the date this Order is signed. If a timely motion for rehearing is filed by any party of 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 case prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

Signed on February 5, 2019.

RAILROAD COMMISSION OF TEXAS

_____

CHAIRMAN CHRISTI CRADDICK

_____

COMMISSIONER RYAN SITTON

_____

COMMISSIONER WAYNE CHRISTIAN

ATTEST:

_____

SECRETARY

GUD No. 10766

Final Order

ATTACHMENT 1

Settlement Agreement,

with Exhibits A, B, C, D, and E