

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION FILED BY TEXAS GAS SERVICE COMPANY FOR TEST YEAR 2018 ANNUAL INTERIM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA	§ § § § § § §	GAS UTILITIES DOCKET NO. 10874
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Texas Gas Service Company, a Division of ONE Gas, Inc, ("TGS") is a "gas utility," as that term is defined in the Texas Utilities Code and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. TGS owns and operates a gas distribution system.
3. On July 8, 2019, TGS filed an application for an annual interim rate adjustment ("IRA") to its rates for gas service customers located in the Rio Grande Valley Service Area ("RGVSA").
4. TGS requested that the IRA for all customer classes become effective on September 6, 2019.
5. On July 9, 2019, the Commission suspended implementation of TGS's proposed IRA until October 21, 2019, which would be 45 days following the 60th day after the application would be considered complete.

6. Neither TEX. UTIL. CODE § 104.301 nor 16 Texas Administrative Code § 7.7101 provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
7. 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest concerning the proposed IRA to be filed with Gas Services, Market Oversight Section.
8. As of the date of this order, one protest concerning this application was received by the Commission.
9. This docket represents the second annual IRA for the RGVSA customers subject to the Commission's jurisdiction following Gas Utilities Docket ("GUD") No. 10656.¹
10. Until promulgation of TEX. UTIL. CODE § 104.301, a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
11. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its most recent rate case, GUD No. 10656, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS's comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of the RGVSA.
13. In 2018, TGS's average monthly customer count was 61,091 residential customers, 3,605 commercial customers, 261 commercial church customers, 90 industrial customers and 527 public authority customers.²
14. In 2018, TGS's average monthly customer count subject to this order was 3,404 residential customers, 157 commercial customers, 8 commercial church customers, 34 industrial customers and 65 public authority customers.³

¹ *Statement of Intent of Texas Gas Service Company to Increase Rates within the Unincorporated Areas of Rio Grande Valley Service Area.*

² Response to Staff's Examiner's Letter No. 6 RFI No. 1-1.

³ Response to Staff's Examiner's Letter No. 6 RFI No. 1-1.

Most Recent Comprehensive Rate Case

15. TGS's most recent rate case for the area in which the IRA will be implemented is GUD No. 10656, *Statement of Intent of Texas Gas Service Company to Increase Rates within the Unincorporated Areas of Rio Grande Valley Service Area*.
16. GUD No. 10656 was filed on October 12, 2017.
17. The Commission signed the GUD No. 10656 Final Order on March 20, 2018.
18. The following chart shows the factors that were established in GUD No. 10656 to calculate the return on investment, depreciation expense, and incremental federal income tax for TGS's RGVSA as applied in this proceeding:

GUD No. 10656 CALCULATION FACTORS

Factor	Percentage
Rate of return	7.35%
Depreciation Rate	Varies
Federal Income Tax Rate	21%

Interim Rate Adjustment

19. The revenue amounts to be recovered through TGS's annual IRA are incremental to the revenue requirement established in TGS's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10656.
20. Under TEX. ADMIN. CODE § 7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
21. In GUD No. 10784, the first IRA following TGS's most recent rate case in this service area, GUD No. 10656, TGS adjusted its rates based on the difference between its invested capital at the end of its Statement of Intent rate case test year, December 31, 2016 to December 31, 2017.
22. In this docket, the second IRA, TGS adjusted its rates based on the difference between invested capital from test year end December 31, 2017 to December 31, 2018.
23. TGS seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this

- IRA filing from all rate classes using the approved component factors is **\$1,558,673** (Exhibit B) of which **\$116,230** is attributable to customers subject to this order.
24. The value of TGS's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for the Company's interim rate adjustments.
 25. TGS's incremental adjusted net utility plant investment increase is **\$12,196,581** (Exhibit B) for the RGVSA.
 26. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates in TGS's most recent rate case for the RGVSA in which the IRA is to be implemented, GUD No. 10656.
 27. TGS filed the Commission's annual Earnings Monitoring Report ("EMR") as required by 16 TEX. ADMIN. CODE § 7.7101. TGS's actual rate of return was 4.507% for the test year ending December 31, 2018, which is less than the 7.35% allowed rate of return established in GUD No. 10656.
 28. GUD No. 10656, TGS's most recent statement of intent rate case for the RGVSA and the basis for the key factors in an IRA calculation, was approved by the Commission on March 20, 2018. Customer charges are shown in Column B of the table below.
 29. GUD No. 10784, the first IRA for the RGVSA subject to the Commission's jurisdiction are shown in Column C of the table below.
 30. This docket, GUD No. 10874, the second IRA application for the RGVSA are shown in Column D of the table below.
 31. When the Customer Charge as established in GUD No. 10656 (Column B) and the Interim Rate Adjustments (Column C and D) are added, the resulting customer charge for affected customer classes are as shown in Column E of the table below.

RGVSA Customer Charges and Interim Rate Adjustment

A	B	C	D	E
Customer Class	Customer Charge (GUD 10656)	IRA - 2017 (GUD 10784)	IRA - 2018 (GUD 10874)	New Customer Charge
Residential	\$ 15.52	\$ 0.68	\$ 1.18	\$ 17.38
Commercial	\$ 58.00	\$ 6.58	\$11.23	\$ 75.81
Commercial Church	\$ 40.00	\$ 6.58	\$11.23	\$ 57.81
Public Authority	\$ 45.00	\$ 6.66	\$11.54	\$ 63.20
Industrial	\$150.00	\$54.40	\$89.58	\$293.98

Commercial Transport	\$400.00	\$ 6.58	\$11.23	\$417.81
Public Authority Transport	\$400.00	\$ 6.66	\$11.54	\$418.20
Industrial Transport	\$400.00	\$54.40	\$89.58	\$543.98

32. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101(d).
- Net capital additions included in this docket totaled \$133,884,030.⁴
 - Gross capital project additions totaled \$12,425,053.⁵
 - Safety-related improvements/infrastructure projects are 54.65% of total additions.⁶
 - Distribution Integrity Management Program related activities included in this docket account for 43.44% of the increase in Net Investment.⁷
33. TGS proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
34. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
35. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101 require the regulatory authority to review a utility's method of calculating the IRA.
36. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

37. TGS provided adequate notice to customers via direct mail in the RGVSA subject to the Commission's jurisdiction on August 12, 2019, or by bill insert with the monthly billing statement beginning on July 23, 2019, and completed August 16, 2019 and as a result, adequate notice was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).

Comprehensive Rate Case Required

38. TGS is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.

4 Schedule IRA – 5.

5 Schedule IRA-8, IRA-11a, and IRA-11b.

6 Response to Staff's Examiner Letter No. 1 RFI No. 1-6.

7 Response to Staff's Examiner Letter No. 1 RFI No. 1-8.

39. Under 16 TEX. ADMIN. CODE § 7.7101(l), a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case no later than the 180th day after that anniversary.
40. TGS is required to file a statement of intent rate case no later than August 5, 2024.
41. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an IRA tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

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

Customer Class	Allocation Factors
Residential	55.71%
Commercial (includes Church Commercial)	33.42%
Public Authority	4.68%
Industrial	6.18%

44. TGS's proposed customer counts comply with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of TGS's 2018 actual number of customer charges. The following total number of customer charges for use in the calculation of the IRA are reasonable:

Customer Class	Annual Number of Customer Charges
Residential	733,088
Commercial	43,254
Commercial Church	3,128
Public Authority	6,326
Industrial	1,076
Total	786,872

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

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from RRC Jurisdiction	Additional Customer Charge
Residential	\$868,367	\$48,197	\$ 1.18
Commercial (includes Church Commercial)	\$520,942	\$22,247	\$11.23
Public Authority	\$ 72,978	\$9,059	\$11.54
Industrial	\$ 96,385	\$ 36,728	\$89.58

Reimbursements of Expense

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

CONCLUSIONS OF LAW

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

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

12. TGS is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under TGS's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case TGS files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the IRA under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
16. TGS provided adequate notice of its IRA in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. TGS's application for an IRA, complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. TGS's IRA established in the findings of fact and conclusions of law complies with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), TGS shall file a comprehensive rate case for the areas in which the IRA is implemented, not later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective, or August 5, 2024.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT TGS's interim rate adjustments as recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

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

IT IS FURTHER ORDERED THAT TGS **SHALL** file with the Commission no later than August 5, 2024 a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l).

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 interim rate adjustment tariffs are electronically filed and accepted by Gas Services in accordance with 16 TEX. ADMIN. CODE § 7.315.

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

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

SIGNED this 1st day of October 2019.

RAILROAD COMMISSION OF TEXAS



WAYNE CHRISTIAN
CHAIRMAN



CHRISTI CRADDICK
COMMISSIONER



RYAN SITTON
COMMISSIONER

ATTEST

Deputy 

SECRETARY

Texas Gas Service Company, a Division of ONE Gas, Inc.
Rio Grande Valley Service Area

RATE SCHEDULE 1Z

RESIDENTIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

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

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of Interim Rate Adjustment (IRA)	\$15.52 plus <u>\$ 1.86 per month (Footnote 1)</u>
Total Customer Charge	\$17.38 per month
All Ccf @	\$0.34028 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

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

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.

Footnote 1: 2017 IRA - \$0.68 (GUD No. 10784); 2018 IRA - \$1.18 (GUD No. 10874)

Texas Gas Service Company, a Division of ONE Gas, Inc.
Rio Grande Valley Service Area

RATE SCHEDULE 2Z

COMMERCIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

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

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of Interim Rate Adjustment (IRA)	\$58.00 plus (For Commercial Service) <u>\$17.81 per month (Footnote 1)</u>
Total Customer Charge	\$75.81 per month

A Customer Charge per meter per month of Interim Rate Adjustment (IRA)	\$40.00 plus (For Church Service) <u>\$17.81 per month (Footnote 1)</u>
Total Customer Charge	\$57.81 per month

All Ccf @	\$0.31650 per Ccf
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OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2017 IRA - \$6.58 (GUD No. 10784); 2018 IRA - \$11.23 (GUD No. 10874)

Texas Gas Service Company, a Division of ONE Gas, Inc.
Rio Grande Valley Service Area

RATE SCHEDULE 4Z

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

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

TERRITORY

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

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of	\$ 45.00 plus
Interim Rate Adjustment (IRA)	<u>\$ 18.20 per month (Footnote 1)</u>
Total Customer Charge	\$ 63.20 per month

All Ccf @	\$0.38068 per Ccf
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OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2017 IRA - \$6.66 (GUD No. 10784); 2018 IRA - \$11.54 (GUD No. 10874)

Texas Gas Service Company, a Division of ONE Gas, Inc.
Rio Grande Valley Service Area

RATE SCHEDULE 3Z

INDUSTRIAL SERVICE RATE

APPLICABILITY

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

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

TERRITORY

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

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge per meter per month of	\$150.00 plus
Interim Rate Adjustment	<u>\$143.98 per month (Footnote 1)</u>
Total Customer Charge	\$293.98 per month
All Ccf @	\$0.30336 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2017 IRA - \$54.40 (GUD No. 10784); 2018 IRA - \$89.58 (GUD No. 10874)

Texas Gas Service Company, a Division of ONE Gas, Inc
Rio Grande Valley Service Area

Rate Schedule T-1-ENV
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TRANSPORTATION SERVICE RATE

APPLICABILITY

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

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

AVAILABILITY

Natural gas service under this rate schedule is available to any individually metered, nonresidential customer for the transportation of customer owned natural gas through the Company's Rio Grande Valley distribution system which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

COST OF SERVICE RATE

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

Commercial	\$ 400.00 per month	
Plus Interim Rate Adjustment	\$17.81 (Footnote 1)	Total \$417.81
Industrial	\$ 400.00 per month	
Plus Interim Rate Adjustment	\$143.98 (Footnote 2)	Total \$543.98
Public Authority	\$ 400.00 per month	
Plus Interim Rate Adjustment	\$18.20 (Footnote 3)	Total \$418.20

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

Commercial	The First 5000 Ccf @	\$ 0.31650 per Ccf
	All Over 5000 Ccf @	\$ 0.01777 per Ccf
Industrial	The First 5000 Ccf @	\$ 0.30336 per Ccf
	All Over 5000 Ccf @	\$ 0.03453 per Ccf
Public Authority	The First 5000 Ccf @	\$ 0.38068 per Ccf
	All Over 5000 Ccf @	\$ 0.01595 per Ccf

Supersedes Same Sheet Dated
February 28, 2019

Meters Read On and After
TBD

**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 the provision of TEXAS UTILITIES CODE, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) In the event the Company incurs a demand or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand or reservation charge based on benefit received by the customer.
- 3) Adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider RCE - ENV.
- 4) The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedule PIT.

SUBJECT TO

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation.
- 2) Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.
- 3) Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Footnote 1: 2017 IRA - \$6.58 (GUD No. 10784); 2018 IRA - \$11.23 (GUD No. 10874)

Footnote 2: 2017 IRA - \$54.40 (GUD No. 10784); 2018 IRA - \$89.58 (GUD No. 10874)

Footnote 3: 2017 IRA - \$6.66 (GUD No. 10784); 2018 IRA - \$11.54 (GUD No. 10874)

Texas Gas Service Company, a Division of ONE Gas, Inc. - Rio Grande Valley Service Area
Interim Rate Adjustment Application
12 Month Period Ending December 31, 2018
Interim Rate Adjustment Summary at 21%

Line No.	Description	Per GUD No. 10784 As of 12/31/2017	Adjustments	Ref	As of 12/31/2018	Change in Investment
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (f) - (c) + (d)
11	Direct Utility Plant Investment	\$ 139,173,907	\$ -	-	\$ 151,452,375	\$ 12,278,468
12	Direct Accumulated Depreciation	21,014,195	-	-	21,186,260	172,065
13	Allocated Utility Plant Investment (If applicable)	4,980,008	-	-	5,299,432	319,424
14	Allocated Accumulated Depreciation (If applicable)	1,452,271	-	-	1,681,517	229,246
15	Miscellaneous Adjustments	-	-	-	-	-
16	Net Utility Plant Investment (Ln 11 - 12 + 13 - 14 + 15)	<u>\$ 121,687,448</u>	<u>\$ -</u>	-	<u>\$ 133,884,030</u>	<u>\$ 12,196,581</u>
17						
18	Calculation of the Interim Rate Adjustment Amount:					
19	Rate of Return					7.3500%
20	Return					\$ 896,449
21	Depreciation Expense					377,357
22	Property-related Taxes (Ad Valorem)					96,174
23	Revenue-related Taxes and State Margin Tax					-
24	Federal Income Tax					188,692
25	Interim Rate Adjustment Amount (Sum of Ln 19 through Ln 24)					<u>\$ 1,558,673</u>
26						
27	Interim Rate Adjustment Amount per Rate Class:		Allocation Factors			Total Service Area: RRC Jurisdiction:
28	Residential		per GUD No. 10658:			\$ 868,367 \$ 48,197
29	Commercial		55.71%			520,942 22,247
30	Public Authority		33.42%			72,978 9,059
31	Industrial		4.68%			96,385 36,728
32	Total (Sum of Ln 18 through Ln 21)		6.18%			<u>\$ 1,558,673 \$ 116,230</u>
33			100.00%			
34	Monthly Customer Charge Adjustment:		Annual Service Area	Annual RRC	Monthly Customer	
35	Residential		Bill Count:	Jurisdiction Bill	Charge Adjustment:	
36	Commercial		733,088	Count:	\$ 1.18	
37	Public Authority		46,382	40,845	\$ 11.23	
38	Industrial		6,326	1,981	\$ 11.54	
39			1,076	410	\$ 89.58	
40	- OR -		786,872	44,021		
41	Monthly Initial Block Rate Adjustment:		Annual Service Area	Annual RRC	Monthly Initial Block	
42	Residential		Volumes:	Jurisdiction	Rate Adjustment:	-
43	Commercial			Volumes:	-	
44	Public Authority				-	
45	Industrial				-	
46					-	