

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF TEXAS GAS SERVICE COMPANY FOR TEST YEAR 2018 ANNUAL INTERIM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE NORTH TEXAS SERVICE AREA.	§ § § § §	GAS UTILITIES DOCKET NO. 10875
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Texas Gas Service Company, a division of ONE Gas, Inc., ("TGS" or the "Company") is a "gas utility," as that term is defined in the Texas Utilities Code and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. TGS owns and operates a natural gas distribution system.
3. On July 12, 2019, TGS filed an application for an annual interim rate adjustment ("IRA") to its rates for gas service to customers of the environs of the Company's North Texas Service Area.
4. TGS proposed the IRA for all customer classes become effective on September 10, 2019.
5. On July 24, 2019, the Commission suspended implementation of TGS's proposed IRA until October 25, 2019, which would be 45 days following the 60th day after the application was 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.

8. No letters of protest have been received as of the date of this order.
9. This docket represents the first annual IRA for TGS since Gas Utility Docket (“GUD”) No. 10739.¹
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. 10739, 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 within the North Texas Service Area.
13. TGS’s average monthly customer count in the North Texas Service Area for 2018 was 13,922 residential customers, 1,950 commercial customers, 214 public authority customers, and nine industrial customers.
14. TGS’s average monthly customer count in the North Texas Service Area for 2018 subject to this order was 1,414 residential customers, 150 commercial customers, 31 public authority customers, and zero industrial customers.

Most Recent Comprehensive Rate Case

15. TGS’s most recent rate case for the area in which the IRA will be implemented is GUD No. 10739, *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. (TGS), to Increase Gas Utility Rates in the North Texas Service Area (NTSA)*.
16. GUD No. 10739 was filed on June 20, 2018.
17. The Commission signed the GUD No. 10739 Final Order on November 13, 2018.

¹ *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc. (TGS), to Increase Gas Utility Rates in the North Texas Service Area (NTSA)*.

18. The following chart shows the factors that were established in GUD No. 10739 to calculate the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes for TGS as applied in this IRA proceeding.

GUD No. 10739 CALCULATION FACTORS

Factor	Percentage
Rate of Return	7.55%
Depreciation Rate	By FERC Account ²
Federal Income Tax Rate	21%

Interim Rate Adjustment

19. The revenue amounts to be recovered through TGS's proposed annual IRA are incremental to the revenue requirement established in TGS's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10739, and subsequent IRAs.
20. Under 16 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 this docket, the first IRA following TGS's most recent rate case in this service area, TGS adjusted its rates based on the difference between invested capital at the end of its Statement of Intent rate case test year, December 31, 2017, and the incremental invested capital at the end of December 31, 2018.
22. TGS seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment with regard to the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$400,332** (Exhibit B), of which **\$37,967** is recoverable from customers subject to this order.
23. 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 TGS's IRAs.
24. TGS's incremental net utility plant investment is **\$3,371,148** (Exhibit B).
25. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, ad valorem taxes, and federal income taxes as those established or

² Staff review confirms that the Company used the appropriate depreciation rates as approved in GUD No. 10739 in this docket.

used in the final order setting rates in TGS's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10739.

26. 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 7.53% for the test year ending December 31, 2018, which is lower than the 7.55% allowed rate of return established in GUD No. 10739.
27. GUD No. 10739, TGS's most recent Statement of Intent rate case for the North Texas Service Area environs and the basis for the key factors in an IRA calculation, was approved by the Commission on November 13, 2018. Customer Charges are shown in Column B of the table below.
28. This docket, GUD No. 10875, is the first IRA for the North Texas Service Area environs. The proposed IRA charges are shown in Column C below.
29. When the Customer Charge as established in Gas Utilities Docket No. 10739 and Interim Rate Adjustments (Columns C) are added, the resulting customer charges for affected customer classes are as shown in Column D of the table below.

North Texas Service Area Customer Charges and Interim Rate Adjustment (IRA)

A	B	C	D
Customer Class	GUD 10739	GUD 10875 (2018 IRA)	Total Customer Charge
Residential	\$ 17.00	\$ 1.29	\$ 18.29
Commercial	\$ 40.00	\$ 6.23	\$ 46.23
Public Authority	\$ 85.00	\$ 13.07	\$ 98.07
Industrial	\$ 250.00	\$ 42.93	\$ 292.93
Commercial Transportation	\$ 250.00	\$ 6.23	\$ 256.23
Public Authority Transportation	\$ 250.00	\$ 13.07	\$263.07
Industrial Transportation	\$ 250.00	\$ 42.93	\$292.93

30. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
 1. Net utility plant investment included in this docket totaled \$3,371,148.³
 2. Gross capital project additions totaled \$4,086,128.⁴
 3. The percentage of additions in this filing that are safety related is 59.74%.⁵
31. 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.
32. TGS is required to show its annual IRAs on its customers' monthly billing statements as a surcharge.
33. 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.
34. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

35. Adequate notice by TGS was provided to each TGS customer within the North Texas Service Area environs by direct mail on August 12, 2019, or by bill insert between August 7, 2019 and August 21, 2019. As a result, notice was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).

Comprehensive Rate Case Required

36. TGS is not required to initiate a statement of intent rate case at the time it applies for an IRA.
37. 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.
38. TGS is required to file a statement of intent rate case for the North Texas Service Area no later than April 20, 2025.
39. 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.

³ Schedule IRA 5.

⁴ Schedules IRA-8, IRA-11a, and IRA-11b.

⁵ TGS's Response to Staff's RFI No. 1-1.

Review of Interim Rate Adjustment

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

Customer Class	Allocation Factors
Residential	54.008%
Commercial	36.451%
Public Authority	8.372%
Industrial	1.169%

42. TGS's proposed customer counts comply with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2017 customer 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	167,060
Commercial	23,405
Public Authority	2,565
Industrial	109
Total	193,139

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

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from the Environs	Additional Customer Charge
Residential	\$216,211	\$21,891	\$1.29
Commercial	\$145,925	\$11,214	\$6.23
Public Authority	\$33,516	\$4,862	\$13.07
Industrial	\$4,680	\$0	\$42.93
Total Increase	\$400,332	\$37,967	

Reimbursements of Expense

44. 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.
45. 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.
46. 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.
47. TGS is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Texas Gas Service Company, a division of ONE Gas, Inc., ("TGS" or the "Company") is a "gas utility" as defined in TEX. UTIL. CODE §§ 101.003(7), and 121.001.
2. The Commission has jurisdiction over TGS, TGS's applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, and 104.301.
3. Under TEX. UTIL. CODE § 102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, TGS is required to seek Commission approval before implementing an 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 interim rate adjustments annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous interim rate adjustment application.
13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under TGS's interim rate adjustment tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an interim rate adjustment and shall be the subject of specific findings of fact in the Commission's final order setting rates.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that TGS files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.

15. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
16. TGS provided adequate notice, in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. TGS's application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. TGS's IRA, as 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, no later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from TGS the Utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT TGS's interim rate adjustments 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 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 the Gas Services Department in accordance with 16 TEX. ADMIN. CODE § 7.315.

IT IS FURTHER ORDERED THAT TGS SHALL file with the Commission no later than April 20, 2025, a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(1).

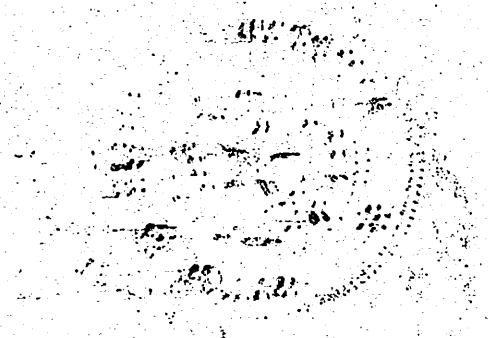
IT IS FURTHER ORDERED THAT TGS SHALL reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order 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 the 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.

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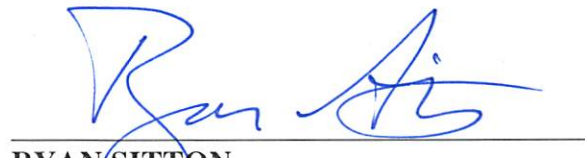


SIGNED this 22nd day of October, 2019.

RAILROAD COMMISSION OF TEXAS



WAYNE CHRISTIAN
CHAIRMAN

CHRISTI CRADDICK
COMMISSIONER

RYAN SITTON
COMMISSIONER

ATTEST

Deputy 

SECRETARY



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RATE SCHEDULE 1A

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer or builder 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 and builders prior to sale or re-sale of a property for domestic purposes. 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 North Texas Service Area include Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt and Willow Park, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$17.00 plus
Interim Rate Adjustment (IRA)	<u>\$ 1.29 per month (Footnote 1)</u>
Total Customer Charge	\$18.29 per month

All Ccf per monthly billing period at	\$0.59366 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.

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.

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2018 IRA - \$1.29 (GUD No.10875)

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 North Texas Service Area include Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt and Willow Park, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$40.00 plus
Interim Rate Adjustment (IRA)	<u>\$ 6.23 per month (Footnote 1)</u>
Total Customer Charge	\$46.23 per month

All Ccf per monthly billing period at	\$0.60165 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.

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.

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2018 IRA - \$6.23 (GUD No.10875)

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 North Texas Service Area include Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt and Willow Park, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$250.00 plus
Interim Rate Adjustment (IRA)	<u>\$ 42.93 per month (Footnote 1)</u>
Total Customer Charge	\$292.93 per month

All Ccf per monthly billing period at \$0.55395 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.

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.

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2018 IRA - \$42.93 (GUD No.10875)

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 North Texas Service Area include Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt and Willow Park, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$85.00 plus
Interim Rate Adjustment (IRA)	<u>\$13.07 per month (Footnote 1)</u>
Total Customer Charge	\$98.07 per month

All Ccf per monthly billing period at	\$0.54101 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.

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.

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

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

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

Footnote 1: 2018 IRA - \$13.07 (GUD No.10875)

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 North Texas distribution system which includes the unincorporated areas of Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt, and Willow Park, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

COST OF SERVICE RATE

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

Commercial	\$250.00 per month
Interim Rate Adjustment (IRA)	<u>\$ 6.23 per month (Footnote 1)</u>
Total Customer Charge	\$256.23 per month
Industrial	\$250.00 per month
Interim Rate Adjustment (IRA)	<u>\$ 42.93 per month (Footnote 2)</u>
Total Customer Charge	\$292.93 per month
Public Authority	\$250.00 per month
Interim Rate Adjustment (IRA)	<u>\$ 13.07 per month (Footnote 3)</u>
Total Customer Charge	\$263.07 per month

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

Commercial	-	\$0.57978 per Ccf
Industrial	-	\$0.55395 per Ccf
Public Authority	-	\$0.54101 per Ccf

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 North Texas 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.
- 5) The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule 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.

Footnote 1: 2018 IRA - \$ 6.23 (GUD No.)
Footnote 2: 2018 IRA - \$42.93 (GUD No.)
Footnote 3: 2018 IRA - \$13.07 (GUD No.)

Texas Gas Service Company, a Division of ONE Gas, Inc. - North Texas Service Area
Interim Rate Adjustment Application
12 Month Period Ending December 31, 2018
Interim Rate Adjustment Summary

Line No.	Description	Per GUD No. 10739 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	\$ 63,609,929	\$ -		\$ 67,593,876	\$ 3,983,948
12	Direct Accumulated Depreciation	5,590,317			6,241,843	651,526
13	Allocated Utility Plant Investment (If applicable)	1,196,398			1,298,578	102,181
14	Allocated Accumulated Depreciation (If applicable)	349,284			412,739	63,455
15	Miscellaneous Adjustments					-
16	Net Utility Plant Investment (Ln 11 - 12 + 13 - 14 + 15)	<u>\$ 68,866,725</u>	<u>\$ -</u>		<u>\$ 62,237,872</u>	<u>\$ 3,371,148</u>
17						
18	Calculation of the Interim Rate Adjustment Amount:					
19	Rate of Return					7.5515%
20	Return					\$ 254,572
21	Depreciation Expense					75,628
22	Property-related Taxes (Ad Valorem)					15,820
23	Revenue-related Taxes and State Margin Tax					-
24	Federal Income Tax					54,311
25	Interim Rate Adjustment Amount (Sum of Ln 19 through Ln 24)					<u>\$ 400,332</u>
26						
Allocation Factors per GUD No. 10739:						
27	Interim Rate Adjustment Amount per Rate Class:				Total Service Area:	RRC Jurisdiction:
28	Residential	54.0080%			\$ 216,211	\$ 21,691
29	Commercial	36.4510%			145,925	11,214
30	Public Authority	8.3720%			33,516	4,862
31	Industrial	1.1690%			4,680	-
32	Total (Sum of Ln 28 through Ln 31)	<u>100.0000%</u>			<u>\$ 400,332</u>	<u>\$ 37,967</u>
33						
Annual Service Area Bill Count:						
34	Monthly Customer Charge Adjustment:				Annual RRC Jurisdiction Bill Count:	Monthly Customer Charge Adjustment:
35	Residential	167,060			16,970	\$ 1.29
36	Commercial	23,405			1,800	\$ 6.23
37	Public Authority	2,565			372	\$ 13.07
38	Industrial	109			-	\$ 42.93
39		<u>193,139</u>			<u>19,142</u>	
40	- OR -					
Annual Service Area Volumes:						
41	Monthly Initial Block Rate Adjustment:				Annual RRC Jurisdiction Volumes:	Monthly Initial Block Rate Adjustment:
42	Residential					-
43	Commercial					-
44	Public Authority					-
45	Industrial					-