

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION FILED BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONEOK, INC.'S 2012 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE NORTH TEXAS SERVICE AREA.</b>	§ § § § § §	<b>GAS UTILITIES DOCKET NO. 10309</b>
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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 (Vernon 2010). 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 Oneok, Inc., (TGS) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. TGS owns and operates a natural gas distribution system known as the North Texas Service Area (NTSA).
3. On October 3, 2013, TGS filed an application for an annual interim rate adjustment (IRA) applicable to the unincorporated customers located in the NTSA.
4. TGS requested that the IRA for all customer classes become effective on December 2, 2013.
5. On October 8, 2013, the Commission suspended implementation of TGS' proposed IRA until January 16, 2014, which is 45 days following the 60<sup>th</sup> day after the application.
6. On November 26, 2013, the statutory deadline was extended with consent from TGS until February 17, 2014 because of an unauthorized change by TGS in the corporate depreciation calculation.

7. It is not reasonable that TGS changed the method of calculating corporate depreciation expense in GUD No. 10309 than authorized in GUD No. 10094 and properly used in GUD No. 10246, the utility's first IRA filing.
8. It is reasonable that TGS continue to use the same method of calculation for corporate depreciation as was approved in GUD No. 10094.
9. On January 2, 2014, TGS submitted the revised schedules for GUD No. 10309. As a result of the revised schedules the NTSA system wide change in revenue requirement increased by \$16,850.
10. TGS is not seeking the increased revenue requirement. TGS is only requesting the *original* interim rate adjustment from the October 3, 2013 filing to save costs of having to resend notices and refile tariffs.
11. TEX. UTIL. CODE, §104.301 does not provide a remedy for parties that oppose an annual interim rate adjustment.
12. 16 TEX. ADMIN. CODE § 7.7101 (2010) allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
13. One letter of protest was received in the docket from an identified TGS NTSA environs area customer.
14. In response to the protest, the customer was contacted via correspondence by TGS which explained the interim rate review process, reasons for the interim rate adjustment, and contact information to address additional questions and comments.
15. No further questions or comments were received by the Commission from the protestant.
16. Neither TEX. UTIL. CODE § 104.301 (Vernon 2010) nor 16 TEX. ADMIN. CODE § 7.7101 (2010) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
17. This docket represents the second annual IRA for TGS in the NTSA since GUD No. 10094, the most recent rate case for the environs or unincorporated areas of TGS' NTSA.
18. Until promulgation of TEX. UTIL. CODE § 104.301 (Vernon 2010), 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.
19. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10094, without the necessity

of filing a statement of intent rate case and without review by the Commission of TGS' comprehensive cost of service.

Applicability

- 20. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' NTSA.
- 21. As of December 31, 2012, TGS had approximately 1,815 customers in the unincorporated areas of the NTSA. Of these, 1,609 are residential customers, 175 are commercial customers, 0 large volume commercial customers, 0 industrial customers, 1 is a large volume industrial customer, 30 are public authority customers, and 0 large volume public authority customers.

Most Recent Comprehensive Rate Case

- 22. TGS' most recent rate case for the area in which the IRA will be implemented is GUD No. 10094, *Statement of Intent Filed by Texas Gas Service Company to Change Rates within the Environs of the North Texas Service Area*.
- 23. GUD No. 10094 was filed on June 23, 2011.
- 24. The data used in GUD No. 10094 was based on a test-year ending December 31, 2010.
- 25. The Commission signed the GUD No. 10094 Final Order on June 26, 2012, and the rates became effective the same day.
- 26. The following chart shows the factors that were established in GUD No. 10094<sup>1</sup> to calculate the return on investment, depreciation expense, and incremental federal income taxes for TGS:

**Table 1.0  
Key IRA Factors**

Rate of Return – IRA Filings	8.5840%
Depreciation Rate <sup>2</sup>	Various
Federal Income Tax Rate	35%

Interim Rate Adjustment

- 27. 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, Exhibit B.

<sup>1</sup> Docket No. 10094 Final Order.

<sup>2</sup> Schedule IRA – 9.

28. The revenue amounts to be recovered through the proposed annual IRA for TGS are incremental to the revenue requirement established in the most recent rate case for TGS for the area in which the IRA is to be implemented, GUD No. 10094, and subsequent approved interim rate adjustments.
29. In the first interim rate adjustment, GUD No. 10246, following the most recent rate case, GUD No. 10094, TGS adjusted its rates based on the difference between invested capital at the end of the most recent rate case test-year (December 31, 2010) and the invested capital at the end of the calendar year following the end of the most recent rate case test-year (December 31, 2011).
30. In this docket, the second interim adjustment following the most recent rate case, TGS adjusted its rates based on the difference between invested capital from test year end December 31, 2011 to test year end December 31, 2012.
31. The value of TGS' 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.
32. 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 for TGS in the most recent rate case for the area in which the IRA is to be implemented, GUD No. 10094.
33. TGS filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101 (2010). The Company's actual rate of return is 6.50%, which is less than 0.75% in excess of the 8.5840% allowed rate of return established in GUD No. 10094.
34. Gas Utilities Docket No. 10094, TGS' most recent Statement of Intent rate case for the unincorporated areas of the NTSA and the basis for the key factors in an Interim Rate Adjustment (IRA) calculation, was approved by the Commission on June 26, 2012. Customer Charges are shown in Table 2.0, Column B, below.
35. Gas Utilities Docket No. 10246, TGS' first IRA for the unincorporated areas of the North Texas service area, was approved by the Commission on June 13, 2013. Interim rate adjustments to the Customer Charges are shown in Table 2.0, Column C, below.
36. This docket, Gas Utilities Docket No. 10309, is the *second* IRA application for the unincorporated areas of the North Texas service area. The proposed 2012 IRA adjustments are shown in Table 2.0, Column D, below.
37. Under TEX. UTIL. CODE § 7.7101(l), TGS must file a rate case, Statement of Intent, supporting the IRA's not later than 180 days after the fifth anniversary of the effective date of its initial IRA, or by December 10, 2018.

- 38. Under TEX. ADMIN. CODE § 7.7101(j), “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” in the next rate case. Per TEX. ADMIN. CODE § 7.7101(i), “all amounts collected from customers under an interim rate adjustment tariff” are subject to refund until the conclusion of the next rate case.
- 39. When the Customer Charge, the 2011 Interim Rate Adjustments and proposed 2012 Interim Rate Adjustments (Columns B, C and D) are added, the resulting customer charge for affected customer classes is shown in Table 2.0, Column E, below.

**Table 2.0  
North Texas Service Area Customer Charges and Interim Rate Adjustments (IRA)**

Customer Class	Customer Charge (GUD 10094)	IRA – 2011 (GUD 10246)	IRA - 2012 (GUD 10309)	New Customer Charge
A	B	C	D	E
Residential	\$ 10.75	\$ 2.33	\$ 2.19	\$ 15.27
Commercial	\$ 22.50	\$ 7.80	\$ 7.36	\$ 37.66
Large Commercial	\$ 400.00	\$ 204.84	\$ 190.42	\$ 795.26
Industrial	\$ 50.00	\$ 50.35	\$ 39.89	\$ 140.24
Large Industrial	\$ 400.00	\$ 74.72	\$ 61.49	\$ 536.21
Public Authority	\$ 40.00	\$ 18.59	\$ 17.43	\$ 76.02
Large Public Authority	\$ 400.00	\$ 284.69	\$ 253.67	\$ 938.36

- 40. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101 (2010).  
 Net capital additions included in this docket totaled \$ 4,715,429.<sup>1</sup>  
 Gross capital project additions totaled \$ 4,216,899.<sup>2</sup>  
 Safety-related improvements/infrastructure projects are 85.64% of total net additions.<sup>3</sup>  
 Integrity testing projects are 0.00% of total net additions.<sup>4</sup>  
 Distribution Integrity Management Program (DIMP) projects are included in Safety-related projects.<sup>5</sup>  
 Pipeline Integrity Management Program (IMP) projects are 0.00% of the total net additions.<sup>1</sup>

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1 Schedule IRA – 3.  
 2 Schedule IRA – 9.  
 3 Response to Staff’s RFI No. 1-18.  
 4 Response to Staff’s RFI No. 1-19.  
 5 Response to Staff’s RFI No. 1-20.

Steel Pipe Replacement Program (SPRP) projects are included in Safety-related projects.<sup>2</sup>

- 41. TGS is required to allocate the revenue to be collected through the IRA among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented, GUD No. 10094.
- 42. TGS' proposed the IRA as a flat rate to be applied to the monthly Customer Charge rather than to the usage rate.
- 43. The following allocation among customer classes is used to allocate the interim rate adjustment, Table 3.0 below:

**Table 3.0  
Revenue Requirement Allocation for the unincorporated areas  
of the North Texas Service Area**

Customer Class	Allocation Factors
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145
Total	0.9978*

\*The customer class allocation percentage does not equal 100%. It is an error in the allocation approved in GUD No. 10094. A correction cannot be made until the next Statement of Intent rate case.

- 44. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
- 45. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010) require the regulatory authority to review a utility's method of calculating the IRA.
- 46. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

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1 Response to Staff's RFI No. 1-21.

2 Response to Staff's RFI No. 1-22.

47. The Company provided adequate notice to customers via direct mailing in the unincorporated areas of TGS' NTSA on October 23, 2013.

Comprehensive Rate Case Required

48. The Company is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA.
49. Under 16 TEX. ADMIN. CODE § 7.7101 (I) (2010) 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 not later than the 180th day after that anniversary. TGS is required to file a statement of intent rate case not later than December 10, 2018.

Review of Interim Rate Adjustment

50. TGS presented its IRA calculation using the factors approved in GUD No. 10094 for rate of return, depreciation, and federal income tax.
51. TGS' 2012 IRA is \$664,792, based on an incremental net utility plant investment increase of \$4,715,429<sup>1</sup>, of which approximately \$64,939 is attributed to the unincorporated area.
52. TGS will only recover \$663,330 of the \$664,792 system wide total change in revenue requirement as a result of an error in GUD No. 10094 customer class allocation.
53. The net effect of the customer class allocation error in GUD No. 10094 attributable to the environs is less than \$150, system wide environs amount of \$64,939 compared to \$64,796.
54. TGS' proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 (Vernon 2010), and with 16 TEX. ADMIN. CODE § 7.7101 (2010).

Reimbursements of Expense

55. 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.
56. After the Commission has finally acted on TGS' application for an IRA, the Director of the Gas Services Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.

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<sup>1</sup> Schedule IRA – 3.

57. In making the estimate of TGS' 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.
58. TGS is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, within thirty days after receipt of notice of the amount of the reimbursement.

### CONCLUSIONS OF LAW

1. Texas Gas Service Company (TGS) is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) (Vernon 2010) and § 121.001 (Vernon 2010), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over TGS' applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2010), 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 ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010), TGS is required to seek Commission approval before implementing an IRA tariff to TGS' customers.
5. TGS filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
6. TGS' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
7. In accordance with 16 TEX. ADMIN. CODE § 7.315 (2010), within thirty days of the effective date of any change to rates or services, TGS is required to file with the Gas Services Division of the Commission its revised tariffs.
8. TGS may not charge any rate that has not been successfully electronically filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§ 102.151 and 104.002 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.315 (2010).

9. In accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(a) (2010), the filing date of TGS' most recent rate case, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date TGS filed its initial IRA.
10. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(e) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(d) (2010), 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.
11. 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.
12. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(f) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010), to file with the Commission an annual earnings-monitoring report demonstrating TGS' earnings during the preceding calendar year.
13. TGS is required, under 16 TEX. ADMIN. CODE § 7.7101(h) (2010), 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.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i) (2010), all amounts collected from customers under TGS' 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 a gas utility 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.
15. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j) (2010), 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.
16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010).

17. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(b) (2010).
18. TGS' application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
19. TGS' IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010), 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 IRA became effective, or December 10, 2018.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(m) (2010), 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** Texas Gas Service Company's IRA for the unincorporated areas of the North Texas Service Area, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

**IT IS FURTHER ORDERED THAT** Texas Gas Service **SHALL** file with the Commission no later than December 10, 2018, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010).

**IT IS FURTHER ORDERED THAT** within 30 days of this order Texas Gas Service **SHALL** electronically file its IRA tariff, Exhibit A, in proper form that accurately reflect the rates approved by the Commission in this Order.

**IT IS FURTHER ORDERED THAT** Texas Gas Service **SHALL** not charge any rate that has not been electronically filed and accepted by the Commission as a tariff.

**IT IS FURTHER ORDERED THAT** Texas Gas Service **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services 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

**GUD NO. 10309**

**EXHIBIT A**

**Tariffs**

**RESIDENTIAL SERVICE RATE**

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 10.75 plus
Interim Rate Adjustments (IRA)	\$ 4.52 per month (Footnote 1)
Total Customer Charge	\$ 15.27

All Ccf per monthly biling period @ \$ .29090 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Residential service shall have priority in supply.

Footnote 1: 2011 IRA - \$2.33; 2012 IRA - \$2.19

**COMMERCIAL SERVICE RATE**

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule, with monthly usage of 2,900 Ccf or less, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 22.50 plus
Interim Rate Adjustment (IRA)	\$ 15.16 per month (Footnote 1)
Total Customer Charge	\$ 37.66

All Ccf at \$ 0.28200 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 consumers served.

Footnote 1: 2011 IRA - \$7.80; 2012 IRA - \$7.36

**LARGE VOLUME COMMERCIAL SERVICE RATE**

APPLICABILITY

Applicable to commercial customers and to customers not otherwise specifically provided for under any other rate schedule, with monthly usage greater than 2,900 Ccf, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 395.26 per month (Footnote 1)
Total Customer Charge	\$ 795.26

All Ccf at \$ 0.26200 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 Clause, Rate Schedule WNA.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 customers served.

Footnote 1: 2011 IRA – 204.84; 2012 IRA - \$190.42

**INDUSTRIAL SERVICE RATE**

APPLICABILITY

Service under this rate schedule is available to any 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, with monthly usage of 2,900 Ccf or less, on average.

- 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

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 50.00 plus
Interim Rate Adjustment (IRA)	\$ 90.24 per month (Footnote 1)
Total Customer Charge	\$ 140.24

All Ccf at \$ 0.24500 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 consumers served.

Footnote 1: 2011 IRA - \$50.35; 2012 IRA - \$39.89

**LARGE VOLUME INDUSTRIAL SERVICE RATE**

APPLICABILITY

Service under this rate schedule is available to any 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, with monthly usage greater than 2,900 Ccf, on average.

- 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

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 136.21 per month (Footnote 1)
Total Customer Charge	\$ 536.21

All Ccf at \$ 0.22500 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 consumers served.

Footnote 1: 2011 IRA – \$74.72; 2012 IRA - \$61.49

## PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts, with monthly usage of 2,900 Ccf or less, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 40.00 plus
Interim Rate Adjustment (IRA)	\$ 36.02 per month (Footnote 1)
Total Customer Charge	\$ 76.02

All Ccf at \$ 0.27490 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 consumers served.

Footnote 1: 2011 IRA – \$18.59; 2012 IRA - \$17.43

Supersedes Same Sheet Dated:  
June 21, 2013

Meters Read On and After

**LARGE VOLUME PUBLIC AUTHORITY SERVICE RATE**

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts, with monthly usage greater than 2,900 Ccf, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 538.36 per month (Footnote 1)
Total Customer Charge	\$ 938.36

All Ccf at \$ 0.25490 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.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of 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 customers served.

Footnote 1: 2011 IRA – \$ 284.69; 2012 IRA - \$253.67

**GUD NO. 10309**

**EXHIBIT B**

**Schedules**

SUMMARY

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012  
 ENVIRONS GRIP FILING

Line No.	Description	12/31/2011 Previous Year (a)	12/31/2012 Current Year (b)	Reference (c)	(d)
1	Net Investment	\$ 33,959,077	\$ 38,674,506	(b) IRA-7 lines 69 col (h), (c) IRA-8 lines 69 col (h)	
2	Increase in Net Investment		\$ 4,715,429	IRA-9 lines 69 col (h)	
3	Rule 8.209 Regulatory Asset Balance through December 2012		\$ 136,863	(c) 8.209 Database	
4	Total Increase in Net Investment		\$ 4,852,292	(c) Sum Line 2 & Line 3	
5	Authorized Return on Capital		8.584%	IRA-15 line 6 col (d)	
6					
7	Change in Return on Net Investment		\$ 416,521	Line 4 * Line 5	
8	Change in Depreciation Expense		\$ 76,855	IRA-9 line 69 col (f)	
9	Change in Federal, Revenue and Other Taxes		\$ 171,416	IRA-5 line 13 col (g) plus IRA-6 line 20 (c)	
10	Change in Revenue Requirement		\$ 664,792	Sum of Lines 7 - 9	
11					
12	Annual Number of Bills		201,640		
13	Increase Per Bill Per Month		See Below		
14	(to be applied to monthly customer charge or initial block rate, check on)				
15	<input checked="" type="checkbox"/> Monthly Customer Charge				
16	<input type="checkbox"/> Initial Block Rate				
17					

Current and Proposed Bill Information - With Gas Cost					
	Current	Proposed	Difference	% Change	
23 Residential					
24 Average Monthly Bill @ 3.2 Mcf	\$ 33.91	\$ 36.10	\$ 2.19	6.5%	
26 Commercial					
27 Average Monthly Bill @ 15.9 Mcf	\$ 134.04	\$ 141.40	\$ 7.36	5.5%	
29 Large Commercial					
30 Average Monthly Bill @ 619.8 Mcf	\$ 4,511.99	\$ 4,702.41	\$ 190.42	4.2%	
32 Industrial					
33 Average Monthly Bill @ 162.6 Mcf	\$ 1,098.01	\$ 1,137.90	\$ 39.89	3.6%	
34 Large Industrial					
35 Average Monthly Bill @ 161.3 Mcf	\$ 1,431.90	\$ 1,493.39	\$ 61.49	4.3%	
37 Public Authority					
38 Average Monthly Bill @ 36.3 Mcf	\$ 282.86	\$ 300.29	\$ 17.43	6.2%	
40 Large Public Authority					
41 Average Monthly Bill @ 798.9 Mcf	\$ 5,664.34	\$ 5,918.01	\$ 253.67	4.5%	

Current and Proposed Bill Information - Without Gas Cost					
	Current	Proposed	Difference	% Change	
49 Residential					
50 Average Monthly Bill @ 3.2 Mcf	\$ 22.27	\$ 24.46	\$ 2.19	9.8%	
52 Commercial					
53 Average Monthly Bill @ 15.9 Mcf	\$ 75.28	\$ 82.64	\$ 7.36	9.8%	
54 Large Commercial					
55 Average Monthly Bill @ 619.8 Mcf	\$ 2,228.71	\$ 2,419.13	\$ 190.42	8.5%	
57 Industrial					
58 Average Monthly Bill @ 162.6 Mcf	\$ 498.84	\$ 538.73	\$ 39.89	8.0%	
60 Large Industrial					
61 Average Monthly Bill @ 161.3 Mcf	\$ 837.66	\$ 899.15	\$ 61.49	7.3%	
63 Public Authority					
64 Average Monthly Bill @ 36.3 Mcf	\$ 154.43	\$ 171.86	\$ 17.43	11.3%	
66 Large Public Authority					
67 Average Monthly Bill @ 798.9 Mcf	\$ 2,721.16	\$ 2,974.83	\$ 253.67	9.3%	

74 Average bills exclude revenue related taxes. The Cost of Gas is computed using a 12 month average for CY 2012

REVENUE RELATED AND OTHER TAXES

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012  
 ENVIRONS GRIP FILING

Line No.	Description	Total (a)	Adjustments (c)	12 Month End As Adjusted (at Present Rates) (d)	Adjustments (1) (e)	12 Month End As Adjusted (at Proposed Rates) (f)	Change (g)
1	Non Revenue - Related						
2	Ad Valorem Tax	\$ 167,291	\$ 26,822	\$ 194,113	\$ 26,822	\$ 220,934	\$ 26,822
3	Revenue - Related						
4	Slate Gross Receipts - Tax	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
5	Local Gross Receipts - Tax	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
6	Railroad Commission - Gas Utility Tax	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
7	Total Revenue Related Taxes	Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
8	TOTAL TAXES OTHER THAN INCOME	\$ 167,291	\$ 26,822	\$ 194,113	\$ 26,822	\$ 220,934	\$ 26,822
9							
10							
11							
12							
13							
14							
15							
16							
17							
18	Note 1 - Adjustment is the net change in investment multiplied by the ad valorem effective rate factor based on property tax payments paid in Calendar Year 2012. Also see Company's ICR Sch 5 in Attachment B.						
19	Note 2 - Revenue related taxes are collected separately on the Customer's bill and are not part of the Company's revenue requirement.						

FEDERAL INCOME TAX

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012  
 ENVIRONS GRIP FILING

Line No.	Description	Prior Year <sup>a</sup> (b)	Amount (c)	Current Year <sup>b</sup> (d)	Amount (e)
1	Return on Investment				
2	Invested Capital (Rate Base) Rule 8.209 Regulatory Asset Balance through December 2012	\$ 33,959,074		\$ 38,674,506	
3	Rate of Return	8.5840%		\$ 136,863	
4	Return on Investment		\$ 2,915,047	\$ 38,811,369	
5				8.5840%	\$ 3,331,568
6	Interest Expense				
7	Invested Capital (Rate Base)	\$ 33,959,074		\$ 38,811,369	
8	Weighted Cost of Debt	3.0500%		3.0500%	
9	Interest Expense		\$ 1,035,752		\$ 1,183,747
10					
11	After Tax Income		\$ 1,879,295		\$ 2,147,821
12					
13	Gross-Up Factor		1.538		1.538
14					
15	Before Tax Return		\$ 2,891,223		\$ 3,304,340
16					
17	Federal Income Tax Rate		35%		35%
18					
19	Net Income Tax Expense		\$ 1,011,928		\$ 1,156,519
20	CHANGE IN FEDERAL INCOME TAX		\$ 144,591		

WEIGHTED AVERAGE COST OF CAPITAL

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012  
 ENVIRONS GRIP FILING

Per Last Rate Case:  
 Docket No. 10094

Line No.	Description	Investment Balance (a)	Percent of Total (b)	Cost (c)	Weighted Cost (d)
1	Common Equity	\$ 11,896,128	0.5100	10.850%	5.53400%
2	Preferred Stock				
3	Preferred Trust Securities				
4	Long-Term Debt	\$ 11,429,614	0.4900	6.220%	3.05000%
5	Short-Term Debt				
6	Total	\$ 23,325,742	100%		8.58400%

ALLOCATION OF INVESTMENT RECOVERY

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012  
 ENVIRONS GRIP FILING

Allocation Factors Per Rate Case - Docket Nos. 10094	
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145
Standard Transportation	0.0000
Total System	<u>0.9978</u>

Allocation Factors Requested in this filing	
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145
Standard Transportation	0.0000
Total System	<u>0.9978</u>

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 664,792
Residential	0.5752	382,388
Commercial	0.2652	176,303
Large Commercial	0.0676	44,940
Industrial	0.0042	2,792
Large Industrial	0.0037	2,460
Public Authority	0.0674	44,807
Large Public Authority	0.0145	9,639
Standard Transportation	0.0000	0
Total System	<u>0.9978</u>	<u>\$ 663,330</u>

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 INTERIM COST RECOVERY AND RATE ADJUSTMENT  
 CHANGES FROM JANUARY 1, 2012 THROUGH DECEMBER 31, 2012

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

NO.	CUSTOMER CLASS	REVENUES PER RATE CASE TYE 12/31/2010 (a)	PERCENT OF REVENUES PER RATE CASE TYE 12/31/2010 (b)	REV. REQ. INCREASE (SCH 1) (c)	ANNUAL BILLS CY 2012 (d)	CUSTOMER CHARGE INCREASE (e)
<u>Gas Sales</u>						
1	Residential	\$3,973,843	57.52%	\$382,357	174,721	\$2.19
2	Commercial	\$1,824,109	26.52%	\$176,288	23,964	\$7.36
3	Large Volume Commercial	\$465,392	6.76%	\$44,936	236	\$190.41
4	Industrial	\$29,118	0.42%	\$2,792	70	\$39.88
5	Large Volume Industrial	\$25,693	0.37%	\$2,460	40	\$61.49
6	Public Authority	\$463,553	6.74%	\$44,803	2,571	\$17.43
7	Large Volume Public Authority	\$99,617	1.45%	\$9,639	38	\$253.65
<u>Transportation</u>						
8	Standard (T-1)	0	0.00%	\$0	0	\$0
Grand Total		\$6,881,325	99.78%	\$664,738	201,640	

less than Total Change of Revenue Requirement \$1,462

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.

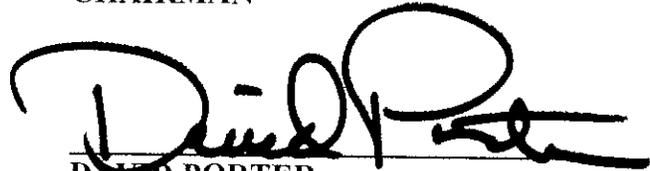
Any portion of TGS' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 4<sup>th</sup> day of February, 2014.

RAILROAD COMMISSION OF TEXAS



BARRY T. SMITHERMAN  
CHAIRMAN

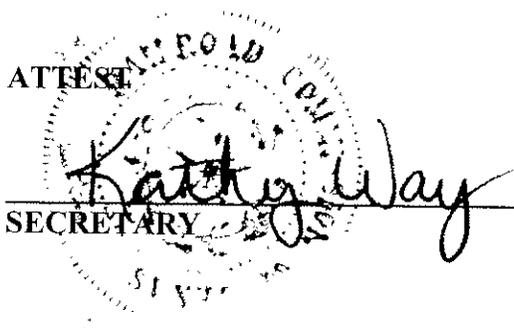
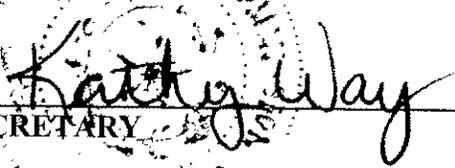


DAVID PORTER  
COMMISSIONER



CHRISTI CRADDICK  
COMMISSIONER

ATTEST

  
  
SECRETARY