

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

PETITION FOR REVIEW OF MUNICIPAL RATE ACTION OF THE CITY OF EL PASO REGARDING TEXAS GAS SERVICE COMPANY, A DIVISION OF ONEOK, INC.'S INTERIM RATE ADJUSTMENT FOR CALENDAR YEAR 2012	§ § § § § § §	GAS UTILITIES DOCKET NO. 10292
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FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE 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 ONEOK, 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 natural gas distribution system known as the El Paso Service Area (EPSA).
3. The EPSA includes six cities and towns, including the city of El Paso, Texas (City), and the surrounding unincorporated areas.
4. On April 2, 2013, TGS filed with the EPSA cities, including the City, an application for an annual interim rate adjustment (IRA) to its rates for gas service to customers located in its EPSA.
5. On April 22, 2013, TGS filed an application with the Commission for an IRA to its rates for gas service applicable to the unincorporated customers located in the EPSA.
6. The application for an IRA filed with the Commission and the cities retaining original jurisdiction, including the City, was identical in all material respects.

7. On April 2, 2013, TGS requested that the IRA become effective on June 1, 2013 for all customer classes in the cities retaining original jurisdiction in its EPSA.
8. On April 22, 2013, TGS requested that the IRA become effective on June 21, 2013 for all customer classes in the unincorporated areas of its EPSA.
9. On June 18, 2013, the Commission in GUD No. 10270 found that TGS's proposed IRA complied with TEX. UTIL. CODE § 104.301 and approved TGS's proposed IRA for those customers in the unincorporated areas of the Company's EPSA.
10. The City suspended implementation of the Company's proposed IRA until July 16, 2013, which would be 45 days following the 60th day after the application would be considered complete.
11. The City requested an extension of time to consider the proposed IRA, and the Company voluntarily extended the City's jurisdiction until July 24, 2013.
12. On July 23, 2013, the City of El Paso issued a Resolution denying TGS's requested IRA in all respects.
13. On August 2, 2013, TGS timely filed with the Commission a Petition for Review of Municipal Rate Action of the City of El Paso Regarding Texas Gas Service Company, a division of ONEOK, Inc.'s Interim Rate Adjustment for Calendar Year 2012 which was docketed at the Commission as GUD No. 10292.
14. On August 7, 2013, the Commission suspended implementation of TGS's proposed IRA on appeal until November 14, 2013, which is 45 days following the 60th day after the application was complete.
15. Neither TEX. UTIL. CODE § 104.301 nor 16 TEX. ADMIN. CODE § 7.7101 provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA or on appeal from municipal action on an application for an annual IRA.
16. 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
17. No comments or protests concerning this application have been received by the Commission.
18. Until promulgation of TEX. UTIL. CODE § 104.301, a utility could not increase its rates applicable to customers located within a municipality without filing with the regulatory authority 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 a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure

investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the regulatory authority of TGS's comprehensive cost of service.

Applicability

20. This docket applies to only those rates over which the Commission has appellate jurisdiction, which includes customers located within the City.
21. The same rates approved by this Order have already been approved by the Commission and the other EPSA cities and are currently in effect in all areas of the EPSA except the City.

Most Recent Comprehensive Rate Case

22. TGS's most recent rate case for the area in which the IRA will be implemented is **GUD No. 9988**, *Petition of the De Novo Review of the Denial of the Statements of Intent Filed by Texas Gas Service Company by the Cities of El Paso, Anthony, Clint, Horizon City, Socorro, and Village of Vinton, Texas*.
23. **GUD No. 9988** was filed on May 12, 2010.
24. The data used in **GUD No. 9988** was based on a test-year ending June 30, 2010.
25. This docket represents the third annual IRA for TGS in the City since **GUD No. 9988**, the most recent rate case for the incorporated areas of TGS's EPSA.
26. The rates currently charged by TGS to customers within the City were set by the Commission in **GUD No. 9988**, as modified by TGS's first and second approved annual IRAs.
27. The rates currently charged by TGS to customers within the unincorporated areas of the El Paso Service Area City were set by the Commission in **GUD No. 10069**, as modified by TGS's first, second and third approved annual IRAs.
28. In **GUD No. 10069**, TGS proposed rates for gas service for its customer classes which were identical to the rates approved for its customer classes in **GUD No. 9988**.
29. The following chart shows the factors that were established in **GUD No. 9988** and adopted in **GUD No. 10069**¹ to calculate the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes for TGS in this proceeding:

¹ Docket No. 10069 Final Order.

GUD No. 9988 & 10069 CALCULATION FACTORS

Factor	TGS
Rate of Return – IRA Filings	8.651%
Rate of Return – Earnings Monitoring Report ²	2.99%
Depreciation Rate, composite ³	2.15%
Federal Income Tax Rate	35%

Interim Rate Adjustment

30. 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.
31. 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. 9988**, and subsequent approved interim rate adjustments.
32. TGS calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes for the twelve-months ended December 31, 2012. Revenue related taxes are not included in TGS's calculation of the IRA.
33. To support its IRA filed with the Commission and the EPSA cities, TGS submitted data for the calendar year ending December 31, 2012.
34. The value of TGS's invested capital for purposes of the Company's IRA 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.
35. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes 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, which in this case is **GUD No. 9988**.
36. 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

² Annual Earnings Monitoring Report for the 12 months ending December 31, 2012.

³ Schedule IRA – 8 Total Current.

- customer classes in its most recent rate case for the area in which the IRA is to be implemented (GUD No. 9988).
37. TGS proposed the IRA as a flat rate to be applied to the monthly customer charges and monthly meter charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit A).
 38. Under TEX. UTIL. CODE § 7.7101(l), TGS must file a rate case, Statement of Intent, supporting the IRAs not later than 180 days after the fifth anniversary of the date of its initial IRA, or by February 11, 2017.
 39. 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.
 40. When the current Customer Charge, the 2010 Interim Rate Adjustments, the 2011 Interim Rate Adjustments and proposed 2012 Interim Rate Adjustments (Columns B, C, D and E) are added, the resulting customer charge for affected customer classes is shown in Column F, Table 2.0 below.

Table 2.0
El Paso Service Area Customer Charges and Interim Rate Adjustments (IRA)

A	B	C	D	E	F
Customer Type	Customer Charge	2010 IRA	2011 IRA	<i>Proposed</i> 2012 IRA	Total <i>Proposed</i> Customer Charge
Residential	\$10.80	\$0.31	\$0.41	1.55	\$13.07
Commercial	\$18.30	\$1.00	\$1.33	5.01	\$25.64
Commercial A/C	\$18.30	\$1.00	\$1.33	5.01	\$25.64
Public Authority	\$32.71	\$3.57	\$4.70	17.35	\$58.33
Public Authority A/C	\$32.71	\$3.57	\$4.70	17.35	\$58.33
Municipal Water Pumping	\$121.75	\$15.73	\$21.12	80.50	\$239.10
Industrial	\$84.01	\$11.84	\$15.69	57.35	\$168.89
Standby	\$125.00	\$11.84	\$15.69	57.35	\$209.88
Transportation & Cogeneration	\$300.50	\$59.29	\$77.01	318.61	\$755.41
Docket No.	10069	10143	10223	10270* &10292	

* As approved in GUD No 10270, June 18, 2013.

41. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
1. Net capital additions included in this docket totaled \$ 33,910,516.⁴
 2. Gross capital project additions totaled \$ 36,280,415.⁵
 3. Safety-related improvements/infrastructure projects totaled \$ 22,216,273, or 61.23 % of total additions⁶.
 4. Integrity testing projects totaled \$ 61,051, or 0.17% of total additions.⁷
42. 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. 9988**.
43. TGS's proposed the IRA as a flat rate to be applied to the monthly Customer Charge rather than to the usage rate.
44. 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 incorporated areas of the El Paso Service Area

Customer Type	Allocation Factors
Residential	0.7782
Commercial and Commercial A/C	0.1421
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Industrial and Standby	0.0061
Transportation & Cogeneration	0.0321

45. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
46. 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 and determine whether it complies with TEX. UTIL. CODE §104.301
47. TGS's proposed IRA filed with the Commission and the EPSA cities complies with TEX. UTIL. CODE § 104.301.

⁴ Schedule IRA – 9 and Schedule 2 filed with the EPSA cities.

⁵ *Id.*

⁶ TGS's Response to Staff's RFI No. 1-3 (GUD 10270), and Schedule IRA – 9.

⁷ TGS's Response to Staff's RFI No. 1-4 (GUD 10270), and Schedule IRA – 9.

48. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

49. The Company provided adequate notice to its customers in the City by bill insert on or before May 17, 2013 or within 45 days of filing as required by TEX. UTIL. CODE § 104.301.

Comprehensive Rate Case Required

50. The Company is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.
51. 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.

Review of Interim Rate Adjustment

52. TGS presented its IRA calculation using the factors approved in **GUD No. 9988** for rate of return, depreciation, and federal income tax.
53. TGS's 2012 IRA is \$ 5,322,055, based on an incremental net utility plant investment increase of \$33,910,516.⁸
54. TGS's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101.

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. TEX. UTIL. CODE §104.301 does not require reimbursement of expense for a municipal regulatory authority.
57. After the Commission has finally acted on TGS's application for an IRA, the Director of the Gas Services Division will estimate TGS's proportionate share of the Commission's annual costs related to the processing of such applications.

⁸ Schedule IRA – 3 and Schedule 1 filed with the EPSA cities.

58. 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.
59. TGS is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, and approved by the Commission, 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 Commission.
2. The Commission has jurisdiction over TGS's appeal from the City's denial of its IRA for incremental changes in investment under TEX. UTIL. CODE §102.001, §104.001, §104.002, and §104.301.
3. Under TEX. UTIL. CODE §102.001, the Commission has exclusive appellate jurisdiction to review an order or ordinance of a municipality regarding the rates and services of a gas utility that distributes natural gas in areas inside a municipality.
4. TGS filed its application for an IRA in accordance with the provisions of TEX. UTIL. CODE § 104.301.
5. The jurisdiction of a regulatory authority in reviewing a proposed IRA filed pursuant to TEX. UTIL. CODE §104.301 does not extend to making substantive modifications to the calculation of the IRA.
6. Requiring a utility to adjust its net plant balance to account for incremental accumulated deferred income tax is a substantive modification that is not contemplated by TEX. UTIL. CODE § 104.301.
7. A utility is entitled to implement an annual IRA within the time frame allowed in TEX. UTIL. CODE § 104.301.
8. The Railroad Commission's rule, 16 TEX. ADMIN. CODE §7.7101, Interim Rate Adjustments, governs applications for IRA over which the Commission is exercising its original jurisdiction pursuant to TEX. UTIL. CODE §102.001. Applying the provisions of the Commission's rule results in an IRA in this docket that is consistent with the interim rate set by the Commission's June 18, 2013 order in the corresponding environs docket, GUD No. 10270, Texas Gas Service Company, a division of ONEOK, Inc.'s 2012 Gas

Reliability Infrastructure Program Rate Adjustment for the Unincorporated Areas of the El Paso Service Area.

9. TGS's appeal for review of its proposed IRA was processed in accordance with the requirements of TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE §7.7101.
10. 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 Gas Services Division of the Commission its revised tariffs.
11. 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 IRA will apply, was no more than two years prior to the date TGS filed its initial IRA.
12. 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. This annual project report shall be for the EPSA as a whole.
13. 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. This additional information shall be for the EPSA as a whole.
14. 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. This annual earnings monitoring report shall be for the EPSA as a whole.
15. 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. This recalculation of the Company's approved IRA and application for an annual adjustment shall be for the EPSA as a whole.
16. In accordance with TEX. UTIL. CODE §104.301(a) and 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 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.

17. In accordance with TEX. UTIL. CODE §104.301(a) and 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.
18. 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).
19. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
20. TGS's IRA established in the findings of fact and conclusions of law in this Order comply with the provisions of TEX UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
21. 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 IRA became effective.
22. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from TGS the Company'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 IRA as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED** to be effective for bills rendered on or after September 10, 2013 for customers within the municipal boundaries of El Paso, Texas.

IT IS FURTHER ORDERED THAT TGS SHALL file with the regulatory authority no later than April 12, 2014, a system-wide EPSA 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 abandonment during the preceding calendar year.

IT IS FURTHER ORDERED THAT TGS SHALL file with the regulatory authority no later than April 12, 2014, a system wide EPSA relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT TGS SHALL file with the regulatory authority no later than April 12, 2014, a system wide EPSA annual earnings monitoring report demonstrating TGS's earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT TGS SHALL file with the regulatory authority no later than April 12, 2014, recalculations of its approved IRA and an application for an annual IRA for the preceding calendar year. These recalculations shall be for TGS's EPSA as a whole.

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

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

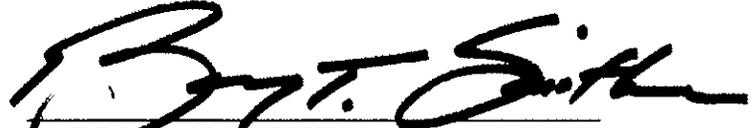
IT IS FURTHER ORDERED THAT TGS SHALL reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division and must be approved by the Commission.

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.

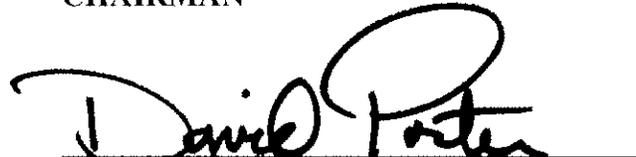
Any portion of TGS's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 10th day of September, 2013.

RAILROAD COMMISSION OF TEXAS



BARRY T. SMITHERMAN
CHAIRMAN

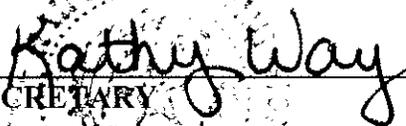


DAVID PORTER
COMMISSIONER



CHRISTI CRADDICK
COMMISSIONER

ATTEST

SECRETARY

GUD NO. 10292

EXHIBIT A

Tariff

INTERIM RATE ADJUSTMENT

A. APPLICABILITY

This Interim Rate Adjustment (IRA) applies to all general service rate schedules of Texas Gas Service Company (Company) currently in force in the incorporated areas of El Paso, Anthony, Clint, Vinton, Socorro, and Horizon City, Texas. Applicable rate schedules include 10, 20, 21, 25, 26, 27, 40, SS, and T-1.

B. PURPOSE

Section 104.301, Subchapter G of the Texas Utility Code, effective on September 1, 2003, provides for an interim adjustment in a gas utility's monthly customer charge or initial block usage rate to recover the cost of changes in the utility's infrastructure investment and related expenses and revenues for providing gas utility service. The filing date of the utility's most recent rate case establishing rates for the area in which the interim rate adjustment will apply shall be no more than two years prior to the date the utility files its initial interim rate adjustment application for that area. The interim adjustment shall be recalculated on an annual basis, unless the utility files a written request and obtains approval from the regulatory authority to suspend the operation of the interim adjustment rate schedule for any year. This rate schedule establishes the interim adjustment provisions consistent with Section 104.301, Subchapter G of the Texas Utility Code.

C. COMPUTATION OF IRA RATE

The amount the Company shall adjust its utility rates upward or downward under this rate schedule each calendar year is based on the difference between the value of the invested capital for the preceding calendar year and the value of the invested capital for the calendar year preceding that calendar year. The value of the 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.

Based on the difference between the values of the invested capital amounts as determined above, the Company may adjust only the following related components of its revenue requirement: return on investment, depreciation expense, ad valorem taxes, revenue related taxes and incremental federal income taxes. The factors for these components shall be the same as those established in the Company's most recent rate case for the service area in which this interim rate adjustment is to be implemented.

The revenue requirement calculated pursuant to this rate schedule shall be allocated among the Company's customer classes for this service area in the same manner as the cost of service was allocated among customer classes in the Company's latest effective rates for this area.

D. FILING WITH THE REGULATORY AUTHORITY

1. The Company shall file either the initial interim adjustment or the annual interim adjustment with the regulatory authority at least 60 days before the proposed implementation date. During the 60-day period, the regulatory authority may act to suspend implementation of the adjustment.
2. The Company shall provide notice to customers by bill insert or direct mail not later than the 45th day after the date of filing the interim adjustment.
3. The Company shall file with the regulatory authority an annual report 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. The annual report shall also state the cost, need, and customers benefited by the change in investment.

Supersedes same sheet dated:
July 30, 2012

Meters Read On and After:
September 10, 2013

**INTERIM RATE ADJUSTMENT
(Continued)**

4. In addition, the Company shall file with the regulatory authority an annual earnings monitoring report demonstrating the Company's earnings during the preceding calendar year. Should the Company earn a return of more than 75 basis points above the return established in the latest effective rates implemented under this rate schedule, the Company shall file a statement stating the reasons why the rates are not unreasonable or in violation of the law.
5. After the issuance of a final order or decision by a regulatory authority in a rate case that is filed after the implementation of a tariff or rate schedule under this section, any change in investment that has been included in an approved interim adjustment shall no longer be subject to subsequent review for reasonableness or prudence. All amounts collected under this rate schedule are subject to refund until the issuance of a final decision in the next rate case filing for this service area.
6. The Company shall file a rate case no later than the 180th day after the fifth anniversary date its initial interim rate adjustment for this service area became effective.
7. The provisions under Section 104.301, Subchapter G of the Texas Utility Code for this interim adjustment do not limit the power of the regulatory authority under Section 104.151.

Supersedes same sheet dated:
July 30, 2012

Meters Read On and After:
September 10, 2013

RESIDENTIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$10.80 plus -
Interim Rate Adjustment (IRA)	\$.27 per month (Footnote 1)
Total Customer Charge	\$13.07 per month
All Ccf per monthly billing period @	
The First 200 Ccf	No Charge
All Over 200 Ccf	\$.38103 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

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

Footnote 1: 2010 IRA - \$0.31; 2011 IRA - \$0.41; 2012 IRA - \$1.55

COMMERCIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$18.30 plus -
Interim Rate Adjustment (IRA)	\$7.34 (Footnote 1)
Total Customer Charge	\$25.64

All Ccf per monthly billing period @

The First	100 Ccf	No Charge
The Next	400 Ccf	\$.10901 per Ccf
The Next	2500 Ccf	.08901 per Ccf
All Over	3000 Ccf	.06901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

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

Footnote 1: 2010 IRA - \$1.00; 2011 IRA - \$1.33; 2012 IRA - \$5.01

Supersedes Same Rate Schedule Dated
January 19, 2011

Meters Read On and After
September 10, 2013

COMMERCIAL AIR CONDITIONING SERVICE RATE

APPLICABILITY

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

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$18.30 plus -
Interim Rate Adjustment (IRA)	\$7.34 (Footnote 1)
Total Customer Charge	\$25.64

All Ccf per monthly billing period @

		<u>Oct. - April</u> Winter	<u>May - Sept.</u> Summer
The First	100 Ccf	No Charge	No Charge
The Next	400 Ccf	\$.10901 per Ccf	\$.08901 per Ccf
The Next	2500 Ccf	.08901 per Ccf	.06901 per Ccf
All Over	3000 Ccf	.06901 per Ccf	.04901 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 20.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified Company personnel.

Footnote 1: 2010 IRA - \$1.00; 2011 IRA - \$1.33; 2012 IRA - \$5.01

Supersedes Same Rate Schedule Dated
January 19, 2011

Meters Read On and After
September 10, 2013

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

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

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$32.71 plus -
Interim Rate Adjustment (IRA)	\$25.62 (Footnote 1)
Total Customer Charge	\$58.33
All Ccf per monthly billing period @	
The First 100 Ccf	No Charge
The Next 400 Ccf	\$.11409 per Ccf
The Next 2500 Ccf	.09409 per Ccf
All Over 3000 Ccf	.08409 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

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

Footnote 1: 2010 IRA - \$3.57; 2011 IRA - \$4.70; 2012 IRA - \$17.35

PUBLIC AUTHORITY AIR CONDITIONING SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts who have and regularly operate a gas fired air conditioning system.

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of	\$32.71 plus -
Interim Rate Adjustment (IRA)	\$25.62 (Footnote 1)
Total Customer Charge	\$58.33

All Ccf per monthly billing period @

	Oct. - April <u>Winter</u>	May - Sept. <u>Summer</u>
The First 100 Ccf	No Charge	No Charge
The Next 400 Ccf	\$.11409 per Ccf	\$.08409 per Ccf
The Next 2500 Ccf	.09409 per Ccf	.06409 per Ccf
All Over 3000 Ccf	.08409 per Ccf	.05409 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

1. Subject in all respects to applicable laws, rules, and regulations from time to time in effect.
2. Service under this schedule applies only to usage from a separately metered gas fired air conditioning system. Non-air conditioning usage is subject to the cost of service rate on Rate Schedule No. 25.
3. Air conditioning equipment must be inspected and verified as to capacity by qualified Company personnel.

Footnote 1: 2010 IRA - \$3.57; 2011 IRA - \$4.70; 2012 IRA - \$17.35

MUNICIPAL WATER PUMPING SERVICE RATE

APPLICABILITY

Applicable to gas used in internal combustion engines by various municipal agencies in El Paso County, Texas. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of Interim Rate Adjustment (IRA)	\$121.75 plus - \$117.35 (Footnote 1)
Total Customer Charge	\$239.10

All Ccf per monthly billing period @

The First 5000 Ccf	\$.06817 per Ccf
All Over 5000 Ccf	.05817 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

1. 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 other consumers.
2. The applicability section of this rate notwithstanding, if a customer, other than a full requirement customer, pays a standby charge pursuant to Rate Schedule S.S., Texas Gas Service Company will maintain facilities and supply capability to serve said customer. If standby payments are current, the customer will qualify for this rate.

Footnote 1: 2010 IRA – 15.73; 2011 IRA - \$21.12; 2012 IRA - \$80.50

Supersedes Same Rate Schedule Dated
January 19, 2011

Meters Read On and After
September 10, 2013

INDUSTRIAL SERVICE RATE

APPLICABILITY

Applicable to industrial consumers and to consumers not otherwise specifically provided for under any other rate schedule. This rate is only available to full requirements customers of Texas Gas Service Company.

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro, and Vinton, Texas

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of

\$84.01 plus -

Interim Rate Adjustment (IRA)

\$84.88 (Footnote 1)

Total Customer Charge

\$168.89

All Ccf per monthly billing period @

The First 100 Ccf

No charge

The Next 400 Ccf

\$.14528 per Ccf

The Next 2500 Ccf

.13528 per Ccf

All Over 3000 Ccf

.06528 per Ccf

Prompt Payment Provision: None. Above rates are net.

OTHER ADJUSTMENTS

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

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-El Paso-IS.

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

CONDITIONS

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

Footnote 1: 2010 IRA - \$11.84; 2011 IRA - \$15.69; 2012 IRA - \$57.35

Supersedes Same Rate Schedule Dated
January 19, 2011

Meters Read On and After
September 10, 2013

STANDBY SERVICE RATE

APPLICABILITY

Applicable to all customers who have alternative natural gas transmission or distribution facilities physically conformed to supply natural gas service to them and who are not full requirements Texas Gas Service Company customers.

TERRITORY

The incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro and Vinton, Texas.

RATE

During each monthly billing period:

A customer charge per meter per month of	\$125.00 plus -
Interim Rate Adjustment (IRA)	\$84.88 (Footnote 1)
Total Customer Charge	\$209.88

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

OTHER ADJUSTMENTS

In addition to the Cost of Service charges set forth above, each customer's bill shall include the following:

1. Adjustments in accordance with the provisions of the Interim Rate Adjustment, Rate Schedule IRA-El Paso-IS.

CONDITIONS

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

Footnote 1: 2010 IRA - \$11.84; 2011 IRA - \$15.69; 2012 IRA - \$57.35

TRANSPORTATION SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer for the transportation of customer-owned natural gas through the Company's distribution system. The customer must arrange with the customer's gas supplier to have its gas delivered to one of the Company's existing delivery points for transportation by the Company to the customer's facilities at the customer's service point.

TERRITORY

El Paso Service Area consisting of the incorporated areas of El Paso, Anthony, Clint, Horizon City, Socorro and Vinton, Texas.

RATE

This rate shall be the sum of Part A and Part B as described below:

Part A:	A customer charge per month of	\$300.50
	Interim Rate Adjustment (IRA)	\$454.91 (Footnote 1)
	Total Customer Charge	\$755.41

Part B: All volumes of natural gas transported during each month in accordance with this schedule shall be billed at a rate calculated as follows:

1. Determine the bill for the quantity of customer-owned gas metered and delivered to the customer at the Company's volumetric Cost of Service Rate on the gas sales tariff which would otherwise be applicable;
2. Add a balancing service rate for any applicable portion of incremental cost of the Company's transportation reservation costs received from its upstream pipelines that is deemed at the Company's sole discretion to directly or indirectly benefit the transportation service customers through scheduling balancing flexibility. The balancing service rate will be recalculated annually in conjunction with the Cost of Gas annual reconciliation audit and/or as the upstream pipeline changes the rates being charged to the Company. In addition the Company will charge system sales customers as of the date of this Rate Schedule that become transportation customers after the effective date of this Rate Schedule, a rate representing the cost of stranded capacity, incurred by the Company for upstream transportation and reservation costs as determined by the Company. Proceeds from these rates will be credited to the Reconciliation Account.
3. See the "Additional Charges to Cost of Service Rate" Pursuant to Rate Schedule T-GEN (General Charges and Provisions).

SPECIAL PROVISIONS

1. Transportation volumes delivered under this schedule shall be considered first through customer's meter for billing purposes.
2. Gas transported under this schedule shall be for use only by the customer.
3. See the "Additional Charges to Cost of Service Rate" pursuant to Rate Schedule T-GEN (General Charges and Provisions).

Footnote 1: 2010 IRA - \$59.29; 2011 IRA - \$77.01; 2012 IRA - \$318.61

TRANSPORTATION SERVICE RATE
(Continued)

SPECIAL PROVISIONS (Cont'd)

4. Prior to the execution of a Gas Transportation Service Agreement, customer must represent and certify that its usage shall average at least five hundred (500) Mcf of gas per month or six thousand (6,000) Mcf annually. The Company shall have the right at all reasonable times, upon prior notice to Customer, to enter onto Customer's premises and inspect Customer's facilities and operations to verify such capability. Customer must agree to notify the Company within a reasonable time if there is any change in Customer's usage. Should Customer's usage average less than five hundred (500) Mcf per month or six thousand (6,000) Mcf annually, Customer must so notify the Company and the Company may discontinue service hereunder, except as may otherwise be provided in the Gas Transportation Service Agreement between the Company and customer, and provide service under the general service rate applicable to Customer.
5. Customers that qualify for and elect service under this tariff must remain on transportation service for a minimum of twelve months. If a customer chooses to leave transportation service under this tariff after twelve months, the customer may not return to transportation service for at least twelve months. If a customer requests to leave transportation service under this tariff and return to the appropriate general service rate, the Company may at its sole discretion decline the request until adequate upstream pipeline capacity can be procured.
6. Transportation of customer-owned natural gas under this tariff will require telemetry or electronic flow measurement that meets the Company's required specifications at the customer's point (s) of re-delivery. The Company may require the customer to reimburse the Company for the cost of telemetry at its sole discretion.

CONDITIONS

1. Transportation of customer-owned natural gas hereunder shall be subject in all respects to applicable laws, rules and regulations from time to time in effect.
2. Transportation of customer-owned natural gas hereunder shall be limited to natural gas of equal or higher quality than natural gas currently available from the Company's supplier(s). All gas delivered by the Company to the customer shall be deemed to be the same quality as that gas received by the Company for transportation.
3. Transportation of customer-owned natural gas hereunder is subject in all respects to terms and conditions of the Gas Transportation Service Agreement entered into between the customer and Company prior to commencement of service and all amendments and modifications thereto.
4. With respect to the Company's capacity to deliver gas at any particular time, 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.

GUD NO. 10292

EXHIBIT B

Schedules

SUMMARY

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

Line No	Description	12/31/2010		12/31/2011		Reference
		(a)	(b)	(c)	(d)	
1	Net Investment		\$ 160,022,871.00	\$ 193,933,387		(b) IRA-7 lines 62+77 col (h); (c) IRA-8 lines 62+73 col (h)
2	Increase in Net Investment			\$ 33,910,516		(h) IRA-8 lines 62 + 74 col (g)
3	Authorized Return on Capital			8.651%		IRA-15 line 8 col (d)
4						
5	Change in Return on Net Investment			\$ 2,933,493		Line 2 * Line 3
6	Change in Depreciation Expense			\$ 793,321		IRA-8 line 62 col (f)
7	Change in Federal, Revenue and Other Taxes			\$ 1,595,241		IRA-5 line 13 col (g) plus IRA-6 line 26 (c)
8	Change in Revenue Requirement			\$ 5,322,055		Sum of Lines 5-7
9						
10	Annual Number of Bills			219,623		
11	Increase Per Bill Per Month			See Below		
12	(to be applied to monthly customer charge or initial block rate, check on)					
13	<input checked="" type="checkbox"/> Monthly Customer Charge					
14	<input type="checkbox"/> Initial Block Rate					
15						

Current and Proposed Bill Information - With Gas Cost						
		Current	Proposed	Difference	% Change	
21	Residential Customers					
22	Average Monthly Bill @ 6 Mcf	\$ 62.33	\$ 63.88	\$ 1.55	2.5%	
23	Average Monthly Bill @ 4.2Mcf	\$ 47.08	\$ 48.63	\$ 1.55	3.3%	
24						
25	Commercial and Commercial A/C Customers					
26	Average Monthly Bill @ 30 Mcf	\$ 161.91	\$ 166.92	\$ 5.01	3.1%	
27	Average Monthly Bill @ 22.6 Mcf	\$ 126.79	\$ 131.80	\$ 5.01	4.0%	
28						
29	Industrial Customers					
30	Average Monthly Bill @ 300 Mcf	\$ 1,898.08	\$ 1,955.43	\$ 57.35	3.0%	
31	Average Monthly Bill @ 306.2 Mcf	\$ 1,930.87	\$ 1,988.22	\$ 57.35	3.0%	
32						
33	Public Authority and Public Authority A/C Customers					
34	Average Monthly Bill @ 300 Mcf	\$ 1,712.84	\$ 1,730.19	\$ 17.35	1.0%	
35	Average Monthly Bill @ 107.7 Mcf	\$ 649.68	\$ 667.03	\$ 17.35	2.7%	
36						
37	Stand By Customers					
38	Average Monthly Bill @ 300 Mcf	\$ 7,543.53	\$ 7,600.88	\$ 57.35	0.8%	
39	Average Monthly Bill @ 114.0 Mcf	\$ 2,961.11	\$ 3,018.46	\$ 57.35	1.9%	
40						
41	Municipal Water Pumping Customers					
42	Average Monthly Bill @ 300 Mcf	\$ 1,754.11	\$ 1,834.61	\$ 80.50	4.6%	
43	Average Monthly Bill @ 658 Mcf	\$ 3,642.28	\$ 3,722.78	\$ 80.50	2.2%	
44						
45	Standard Transportation Customers					
46	Average Monthly Bill @ 3000 Mcf	\$ 16,504.88	\$ 16,823.49	\$ 318.61	1.9%	
47	Average Monthly Bill @ 4373.2 Mcf	\$ 23,768.36	\$ 24,086.97	\$ 318.61	1.3%	
48						
49						
50						

Current and Proposed Bill Information - Without Gas Cost						
		Current	Proposed	Difference	% Change	
54	Residential Customers					
55	Average Monthly Bill @ 6 Mcf	\$ 34.51	\$ 36.06	\$ 1.55	4.5%	
56	Average Monthly Bill @ 4.2Mcf	\$ 27.61	\$ 29.16	\$ 1.55	5.6%	
57						
58	Commercial and Commercial A/C Customers					
59	Average Monthly Bill @ 30 Mcf	\$ 22.81	\$ 27.82	\$ 5.01	22.0%	
60	Average Monthly Bill @ 22.6 Mcf	\$ 22.00	\$ 27.01	\$ 5.01	22.8%	
61						
62	Industrial and Stand By Customers					
63	Average Monthly Bill @ 300 Mcf	\$ 507.08	\$ 564.43	\$ 57.35	11.3%	
64	Average Monthly Bill @ 306.2 Mcf	\$ 511.13	\$ 568.48	\$ 57.35	11.2%	
65						
66	Stand By Customers					
67	Average Monthly Bill @ 300 Mcf	\$ 6,152.53	\$ 6,209.88	\$ 57.35	0.9%	
68	Average Monthly Bill @ 114.0 Mcf	\$ 2,432.53	\$ 2,489.88	\$ 57.35	2.4%	
69						
70	Public Authority and Public Authority A/C Customers					
71	Average Monthly Bill @ 300 Mcf	\$ 321.84	\$ 339.19	\$ 17.35	5.4%	
72	Average Monthly Bill @ 176.7 Mcf	\$ 150.31	\$ 167.66	\$ 17.35	11.5%	
73						
74	Municipal Water Pumping Customers					
75	Average Monthly Bill @ 300 Mcf	\$ 363.11	\$ 443.61	\$ 80.50	22.2%	
76	Average Monthly Bill @ 658 Mcf	\$ 591.36	\$ 671.86	\$ 80.50	13.6%	
77						
78	Standard Transportation Customers					
79	Average Monthly Bill @ 3000 Mcf	\$ 2,584.90	\$ 2,913.51	\$ 318.61	12.3%	
80	Average Monthly Bill @ 4373.2 Mcf	\$ 3,481.32	\$ 3,809.93	\$ 318.61	9.1%	
81						
82						
83	*Average Bill usage per GUD 9988 and 10069 filings					
84	Average bills exclude revenue related taxes and are computed using a 12 month average Cost of Gas for CY 2012					

ALLOCATION OF INVESTMENT RECOVERY

TEXAS GAS SERVICE COMPANY
EL PASO SERVICE AREA

FOR THE PERIOD BEGINNING JANUARY 1, 2012 AND ENDING DECEMBER 31, 2012

Allocation Factors Per Rate Case - Docket Nos. 9988 & 10069	
Residential	0.7782
Commercial and Commercial A/C	0.1421
Industrial and Stand By	0.0061
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Standard Transportation	0.0321
Total System	<u>1.00</u>

Allocation Factors Requested in this filing	
Residential	0.7782
Commercial and Commercial A/C	0.1421
Industrial and Stand By	0.0061
Public Authority and Public Authority A/C	0.0379
Municipal Water Pumping	0.0036
Standard Transportation	0.0321
Total System	<u>1.00</u>

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 5,322,055
Residential	0.7782	4,141,508
Commercial and Commercial A/C	0.1421	756,407
Industrial and Stand By	0.0061	32,289
Public Authority and Public Authority A/C	0.0379	201,519
Municipal Water Pumping	0.0036	19,239
		0
Standard Transportation	0.0321	171,092
Total System	<u>1.00</u>	<u>\$ 5,322,055</u>

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

SUMMARY

LINE NO.	DESCRIPTION	CHANGE THROUGH 12/31/2012
1	Change in Net Investment (Schedule 2, Line 8)	\$33,910,516
2	Authorized Return Approved in most recent Rate Case* (Schedule 4)	8.651%
3	Change in Return on Net Investment - (Line 1 times Line 2)	\$2,933,493
4	Change in Depreciation Expense - (Schedule 3, Line 55)	793,321
5	Change in Ad Valorem Tax (Schedule 5, Line 3)	459,754
6	Change in Federal Income Taxes - (Schedule 6, Line 16)	1,135,487
	Total Change in Revenue Requirement	<u>\$5,322,055</u>

* Cost of Capital and Capital Structure approved in the most recent EL PASO SERVICE AREA rate case - TYE 12/31/09, GUD No. 9988

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

CHANGE IN NET INVESTMENT

LINE NO.	DESCRIPTION	ADJUSTED BALANCE AT 12/31/11 (a)	ADJUSTED BALANCE AT 12/31/12 (b)	CHANGE IN NET INVESTMENT (c)
	<u>GROSS PLANT IN SERVICE</u>			
1	Intangible Plant	\$195,755	\$195,755	\$0
2	Transmission Plant	4,738,113	16,556,641	11,818,528
3	Distribution Plant	216,383,637	237,109,270	20,725,632
4	General Plant	23,534,350	26,897,542	3,363,192
5	Rule 8.209 Regulatory Asset Balance through December 2012 (NOTE 2)	0	373,059	373,059
6	Gross Plant in Service	<u>\$244,851,855</u>	<u>\$281,132,266</u>	<u>\$36,280,411</u>
7	Net Depreciation & Amortization Reserves	<u>(\$84,828,984)</u>	<u>(\$87,198,880)</u>	<u>(\$2,369,896)</u>
8	Net Plant in Service - Adjusted Direct and Allocated Corporate & Division	<u>\$160,022,871</u>	<u>\$193,933,387</u>	<u>\$33,910,516</u>
		<u>\$160,022,871</u>	<u>\$193,933,387</u>	<u>\$33,910,516</u>

(NOTE 1)