

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION FILED BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., 2014 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE NORTH TEXAS SERVICE AREA.</b>	§ § § § § § §	<b>GAS UTILITIES DOCKET NO. 10467</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 (2013). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders:

**FINDINGS OF FACT**

*Background*

1. Texas Gas Service Company, a Division of ONE Gas, Inc., (“TGS” or the “Company”) is a “gas utility,” as that term is defined in the TEXAS UTILITIES CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (“Commission”).
2. TGS owns and operates a natural gas distribution system.
3. On September 3, 2015, TGS filed an application for an annual interim rate adjustment (“IRA”) to its rates for gas service to customers located in the unincorporated areas of the Company’s North Texas Service Area (“NTSA”).
4. On September 3, 2015, TGS requested that the IRA become effective on November 2, 2015.
5. On September 11, 2015, the Commission suspended implementation of the Company’s proposed IRA until December 17, 2015, which would be 45 days following the 60<sup>th</sup> day after the application would be considered complete.
6. Neither TEX. UTIL. CODE §104.301(2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2010) provides the opportunity for parties to intervene in the Commission’s review of an application for an annual interim rate adjustment.

7. 16 TEX. ADMIN. CODE §7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
8. As of the date of this interim order, no comments or protests concerning this application have been received by the Commission.
9. This docket represents the fourth annual IRA for TGS in the NTSA since Gas Utilities Docket (“GUD”) No. 10094.<sup>1</sup>
10. GUD No. 10246 was the first annual IRA for TGS in the NTSA.
11. Until promulgation of TEX. UTIL. CODE §104.301 (2007), 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.
12. 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, without the necessity of filing a statement of intent rate case and without review by the Commission of the Company’s comprehensive cost of service.

#### Applicability

13. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of NTSA.
14. TGS’ average monthly customer count for 2014 in the NTSA was 14,129 residential customers, 1,934 commercial customers, 20 large volume commercial customers, 6 industrial customers, 3 large volume industrial customers, 215 public authority customers, and 3 large volume public authority customers.
15. TGS’ average monthly customer count for 2014 in the NTSA subject to this order was 1,531 residential customers, 164 commercial customers, 0 large volume commercial customers, 0 industrial customers, 1 large volume industrial customer, 30 public authority customers, and 0 large volume public authority customers.

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<sup>1</sup> *Statement of Intent filed by Texas Gas Service Company to Change Rates within the Environs of the North Texas Service Area.*

Most Recent Comprehensive Rate Case

16. 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*.
17. GUD No. 10094 was filed on June 23, 2011.
18. TGS and the interveners in GUD No. 10094 reached a settlement in this proceeding.
19. The Commission signed the GUD No. 10094 Final Order on June 26, 2012, approving and adopting the settlement.
20. The following chart shows the factors that were established in GUD No. 10094 to calculate the return on investment, depreciation expense, and incremental federal income taxes for the Company as applied in this IRA proceeding:

**GUD No. 10094 CALCULATION FACTORS**

<b>Factor</b>	<b>TGS</b>
Rate of Return	8.5840%
Depreciation Rate	Various <sup>2</sup>
Federal Income Tax Rate	35%

Interim Rate Adjustment

21. The revenue amounts to be recovered through TGS' proposed annual IRA are incremental to the revenue requirement established in the Company's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10094, and subsequent approved interim rate adjustments.
22. Under TEX. UTIL. CODE §7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
23. In GUD No. 10246, the first interim rate adjustment following the most recent rate case in GUD No. 10094, TGS adjusted its rates based on the difference between its invested capital at the end of its Statement of Intent rate case test year ended December 31, 2010 and the incremental invested capital at the end of December 31, 2011.
24. In GUD No. 10309, the second interim rate adjustment, TGS adjusted its rates based on the difference between invested capital from December 31, 2011 and December 31, 2012.

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<sup>2</sup> Staff review confirms that the Company used the appropriate depreciation rates as approved in GUD No. 10094 in this docket.

25. In GUD No. 10387, the third interim rate adjustment, TGS adjusted its rates based on the difference between invested capital from December 31, 2012 and December 31, 2013.
26. In this fourth interim rate adjustment, TGS adjusted its rates based on the difference between invested capital from December 31, 2013 and December 31, 2014.
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. The incremental change in the revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$576,536** (Exhibit B), of which **\$55,199** is attributable to customers subject to this order.
28. As a result of an error in calculating the customer class allocation percentages approved in GUD No. 10094, TGS will recover **\$575,267** of the system wide calculation of **\$576,536**, or **\$1,269** less.
29. The resulting effect of the error in calculating the customer class allocations in GUD No. 10094 attributable to the unincorporated areas is approximately **\$121**; TGS will recover **\$55,078** of the **\$55,199**.
30. 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 for the Company's interim rate adjustments.
31. TGS' incremental net utility plant investment increase is **\$4,385,224** (Exhibit B).
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. The Company's actual rate of return is 3.89% for the test year ended December 31, 2014, which is less the 8.5840% allowed rate of return established in GUD No. 10094.
34. GUD 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 IRA calculation, was approved by the Commission on June 26, 2012. Customer Charges are shown in Column B of the table below.
35. The IRA approved for GUD No. 10246, the *first* IRA application for the unincorporated areas of the NTSA are shown in Column, below.

36. The IRA approved for GUD No. 10309, the *second* IRA for the unincorporated areas of the NTSA are shown in Column D, below.
37. The IRA approved for GUD No. 10387, the *third* IRA for the unincorporated area of the NTSA are shown in Column E, below.
38. The IRA approved for this GUD No. 10467, the *fourth* IRA application for the unincorporated areas of the NTSA are show in Column F, below.
39. When the Customer Charge, the 2011 Interim Rate Adjustments, the 2012 Interim Rate Adjustments, the 2013 Interim Rate Adjustments, and proposed 2014 Interim Rate Adjustments (Columns B, C, D, E, and F) are added, the resulting customer charge for affected customer classes is shown in Table 2.0, Column G, below.

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

A	B	C	D	E	F	G
Customer Type	GUD 10094	GUD 10246	GUD 10309	GUD 10387	GUD 10467	Total Customer Charge
Residential	\$ 10.75	\$ 2.33	\$ 2.19	\$ 1.80	\$ 1.96	\$ 19.03
Commercial	\$ 22.50	\$ 7.80	\$ 7.36	\$ 6.05	\$ 6.59	\$ 50.30
Large Commercial	\$ 400.00	\$ 204.84	\$ 190.42	\$ 157.95	\$ 163.76	\$ 1,116.97
Industrial	\$ 50.00	\$ 50.35	\$ 39.89	\$ 31.49	\$ 33.17	\$ 204.90
Large Industrial	\$ 400.00	\$ 74.72	\$ 61.49	\$ 55.47	\$ 57.65	\$ 649.33
Public Authority	\$ 40.00	\$ 18.59	\$ 17.43	\$ 13.80	\$ 15.06	\$ 104.88
Large Public Authority	\$ 400.00	\$ 284.69	\$ 253.67	\$ 211.53	\$ 232.22	\$ 1,382.11

Note: Applicable to the unincorporated areas of the North Texas Service Area.

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 \$4,385,224.<sup>3</sup>
  - Gross plant totaled \$53,412,949.<sup>4</sup>
  - Safety-related improvements/infrastructure projects are 69.81% of total net additions.<sup>5</sup>
  - Integrity testing projects are 0.00% of total net additions.<sup>6</sup>
  - Distribution Integrity Management Program (DIMP) projects are included in Safety-related projects and total the 69.81% of total net additions.<sup>7</sup>
  - Pipeline Integrity Management Program (IMP) projects are 0.00% of the total net additions.<sup>8</sup>

<sup>3</sup> Schedule IRA – 3 and IRA - 9.

<sup>4</sup> Schedule IRA – 8.

<sup>3</sup> Response to Staff's RFI No. 1-9.

<sup>4</sup> Response to Staff's RFI No. 1-10.

<sup>7</sup> Response to Staff's RFI No. 1-11.

- g. TGS does not have a formal Steel Pipe Replacement Program (SPRP), however steel pipe replacement projects are included in Safety-related projects. Within TGS' DIMP project, 80.12% of the mains replaced were steel and cast iron and 90.41% of the services replaced were steel.<sup>9</sup>
41. TGS proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
42. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
43. 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.
44. Due process protections are deferred until TGS files its next full statement of intent rate case.

#### Notice

45. Adequate notice by TGS was provided to its residential, commercial, large volume commercial, industrial, large volume industrial, public authority, and large volume public authority customers by direct mailing on October 15, 2015, and, as a result, was completed within 45 days of the filing, fulfilling the requirements of under Tex. Util. Code §104.301(a).

#### Comprehensive Rate Case Required

46. TGS is not required to initiate a statement of intent rate case at the time it applies for an IRA.
47. 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.
48. TGS is required to file a statement of intent rate case for the NTSA no later than December 10, 2018.
49. Under 16 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 16 TEX. ADMIN.

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<sup>8</sup> Response to Staff's RFI No. 1-12.

<sup>9</sup> Response to Staff's RFI No. 1-13.

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.

Review of Interim Rate Adjustment

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

<b>Customer Class</b>	<b>Allocation Factors</b>
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.*

52. TGS' proposed customer counts comply with TEX. UTIL. CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2014 monthly summation of customer bills. The following total numbers of customer charges for use in the calculation of the IRA are reasonable:

<b>Customer Class</b>	<b>Annual Number of Customer Charges</b>
Residential	169,551
Commercial	23,205
Large Volume Commercial	238
Industrial	73
Large Volume Industrial	37
Public Authority	2,580
Large Volume Public Authority	36
Total	195,720

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

<b>Customer Class</b>	<b>Interim Rate Adjustment Revenue</b>	<b>IRA Revenue From Environs and Ceded Jurisdiction Cities</b>	<b>Additional Customer Charge</b>
Residential	\$331,623	\$35,928	\$1.96
Commercial	\$152,897	\$12,961	\$6.59
Large Volume Commercial	\$38,974	\$0	\$163.76
Industrial	\$2,421	\$0	\$33.17
Large Volume Industrial	\$2,133	\$692	\$57.65
Public Authority	\$38,859	\$5,497	\$15.06
Large Volume Public Authority	\$8,360	\$0	\$232.22
<b>Total Increase</b>	<b>\$575,267</b>	<b>\$55,078</b>	

Note: The revenue amounts include the error in the allocations factors that was approved in GUD 10094.

#### Reimbursements of Expense

54. 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.
55. After the Commission has finally acted on TGS' application for an IRA, the Director of the Oversight and Safety Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.
56. 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.
57. TGS is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division, within thirty days after receipt of notice of the amount of the reimbursement.

**CONCLUSIONS OF LAW**

1. TGS is a “gas utility” as defined in TEX. UTIL. CODE §§101.003(7), and 121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas (“Commission”).
2. The Commission has jurisdiction over TGS’ applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§102.001, 104.001, 104.002, AND 104.301.
3. Under TEX. UTIL. CODE ANN. §102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE §7.7101, TGS is required to seek Commission approval before implementing an IRA tariff to environs 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 and 16 TEX. ADMIN. CODE §7.7101.
6. TGS’ application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 and 16 TEX. ADMIN. CODE §7.7101.
7. In accordance with 16 TEX. ADMIN. CODE §7.315, within thirty days of the effective date of any change to rates or services, the Company is required to file with the Commission its revised tariffs.
8. TGS may not charge any rate that has not been successfully filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§102.151 and 104.002 and 16 TEX. ADMIN. CODE §7.315.
9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE §7.7101(a), 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 the Company filed its initial IRA.
10. The Company is required, under TEX. UTIL. CODE ANN. §104.301(e) and 16 TEX. ADMIN. CODE §7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

11. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(f) and 16 TEX. ADMIN. CODE §7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating the Company's earnings during the preceding calendar year.
12. TGS is required, under 16 TEX. ADMIN. CODE §7.7101(h), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
13. In accordance with 16 TEX. ADMIN. CODE §7.7101(i), all amounts collected from customers under TGS' 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.
14. In accordance with 16 TEX. ADMIN. CODE §7.7101(j), in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that the Company files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE §7.7101(e).
16. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. §104.301(a) and 16 TEX. ADMIN. CODE §7.7101(b).
17. The Company's application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. §104.301 and 16 TEX. ADMIN. CODE §7.7101.
18. 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 and 16 TEX. ADMIN. CODE §7.7101.
19. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) and 16 TEX. ADMIN. CODE §7.7101(l), the Company 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.
20. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) and 16 TEX. ADMIN. CODE §7.7101(m), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** Texas Gas Service Company'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 the date of this order.

**IT IS FURTHER ORDERED THAT** Texas Gas Service Company **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) and 16 TEX. ADMIN. CODE §7.7101(l).

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

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

Any portion of the Utility'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.

**GUD NO. 10467**

**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)	\$ 8.28 per month (Footnote 1)
Total Customer Charge	\$ 19.03

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; 2013 IRA - \$1.80; 2014 IRA - \$1.96

## 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)	\$ 27.80 per month (Footnote 1)
Total Customer Charge	\$ 50.30

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; 2013 IRA - \$6.05; 2014 IRA - \$6.59

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)	\$ 716.97 per month (Footnote 1)
Total Customer Charge	\$ 1,116.97

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; 2013 IRA - \$157.95; 2014 IRA - \$163.76

**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)	\$ 154.90 per month (Footnote 1)
Total Customer Charge	\$ 204.90

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; 2013 IRA - \$31.49; 2014 IRA - \$33.17

**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)	\$ 249.33 per month (Footnote 1)
Total Customer Charge	\$ 649.33

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; 2013 IRA - \$55.47; 2014 IRA - \$57.65

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)	\$ 64.88 per month (Footnote 1)
Total Customer Charge	\$ 104.88

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; 2013 IRA - \$13.80; 2014 IRA - \$15.06

Supersedes Same Sheet Dated:  
January 27, 2015

Meters Read On and After  
November 2, 2015

**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)	\$ 982.11 per month (Footnote 1)
Total Customer Charge	\$ 1,382.11

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; 2013 IRA - \$211.53; 2014 IRA - \$232.22

Supersedes Same Sheet Dated:  
January 27, 2015

Meters Read On and After  
November 2, 2015

**GUD NO. 10467**

**EXHIBIT B**

**Schedules**

SUMMARY  
 TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
 ENVIRONS GRIP FILING

Line No.	Description	12/31/2013 Previous Year	12/31/2014 Current Year	Reference	
	(a)	(b)	(c)	(d)	
1	Net Investment	\$ 43,324,819	\$ 47,710,043	(b) IRA-7 line 75 col (h), (c) IRA-8 line 75 col (h)	
2	Increase in Net Investment		\$ 4,385,224	IRA-9 lines 75 col (h)	
3					
4	Authorized Return on Capital		8.584%	IRA-15 line 6 col (d)	
5					
6	Change in Return on Net Investment		\$ 376,428	Line 2 * Line 4	
7	Change in Depreciation Expense		\$ 49,209	IRA-9 line 75 col (f)	
8	Change in Federal, Revenue and Other Taxes		\$ 150,899	IRA-5 line 13 col (g) plus IRA-6 line 20 col (c)	
9	Change in Revenue Requirement		\$ 576,536	Sum of Lines 6 - 8	
10					
11	Annual Number of Bills		195,720		
12	Increase Per Bill Per Month		See Below		
13	(to be applied to monthly customer charge or initial block rate, check on)				
14	<input checked="" type="checkbox"/> Monthly Customer Charge				
15	<input type="checkbox"/> Initial Block Rate				
16					
17					
18					
19	<b>Current and Proposed Bill Information - With Gas Cost</b>				
20					
21		Current	Proposed	Difference	% Change
22	Residential				
23	Average Monthly Bill @ 4.1Mcf	\$49.87	\$51.83	\$1.96	3.92%
24					
25	Commercial				
26	Average Monthly Bill @ 18.9 Mcf	\$193.23	\$199.82	\$6.59	3.41%
27					
28	Large Volume Commercial				
29	Average Monthly Bill @ 608.8 Mcf	\$5,647.67	\$5,811.43	\$163.76	2.90%
30					
31	Industrial				
32	Average Monthly Bill @ 181.1 Mcf	\$1,537.40	\$1,570.57	\$33.17	2.16%
33					
34	Large Volume Industrial				
35	Average Monthly Bill @ 148.5 Mcf	\$1,681.82	\$1,739.48	\$57.65	3.43%
36					
37	Public Authority				
38	Average Monthly Bill @ 51.3 Mcf	\$492.01	\$507.07	\$15.06	3.06%
39					
40	Large Volume Public Authority				
41	Average Monthly Bill @ 928.7 Mcf	\$8,245.15	\$8,477.37	\$232.22	2.82%
42					
43					
44					
45	<b>Current and Proposed Bill Information - Without Gas Cost</b>				
46					
47		Current	Proposed	Difference	% Change
48	Residential				
49	Average Monthly Bill @ 4.1Mcf	\$29.00	\$30.96	\$1.96	6.74%
50					
51	Commercial				
52	Average Monthly Bill @ 18.9 Mcf	\$97.01	\$103.60	\$6.59	6.79%
53					
54	Large Volume Commercial				
55	Average Monthly Bill @ 608.8 Mcf	\$2,548.27	\$2,712.03	\$163.76	6.43%
56					
57	Industrial				
58	Average Monthly Bill @ 181.1 Mcf	\$615.42	\$648.59	\$33.17	5.39%
59					
60	Large Volume Industrial				
61	Average Monthly Bill @ 148.5 Mcf	\$925.81	\$983.46	\$57.65	6.23%
62					
63	Public Authority				
64	Average Monthly Bill @ 51.3 Mcf	\$230.84	\$245.90	\$15.06	6.52%
65					
66	Large Volume Public Authority				
67	Average Monthly Bill @ 928.7 Mcf	\$3,517.14	\$3,749.36	\$232.22	6.60%
68					

70  
71  
72  
73

Average bills exclude revenue related taxes. The Cost of Gas is computed using a 12 month average which is \$0.5091 per Ccf for 2014.

REVENUE RELATED AND OTHER TAXES

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
 ENVIRONS GRIP FILING

Line No.	Description	(a)	Total	(b)	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	\$	194,319	\$	18,458	\$	212,777	\$	20,226	\$	233,003	\$	20,226	
3	Revenue - Related													
4	State Gross Receipts - Tax				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	
6	Railroad Commission - Gas Utility Tax				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	
8	TOTAL TAXES OTHER THAN INCOME	\$	194,319	\$	18,458	\$	212,777	\$	20,226	\$	233,003	\$	20,226	
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														

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 2014. Also see Company's ICR Sch 5 in Attachment B.  
 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, 2014 AND ENDING DECEMBER 31, 2014  
 ENVIRONS GRIP FILING

Line No.	Description	Prior Year	Amount	Current Year	Amount
	(a)	(b)	(c)	(d)	(e)
1	Return on Investment				
2	Invested Capital (Rate Base)	\$ 43,324,819		\$ 47,710,043	
3	Rate of Return	8.5840%		8.5840%	
4	Return on Investment		\$ 3,719,002		\$ 4,095,430
5					
6	Interest Expense				
7	Invested Capital (Rate Base)	\$ 43,324,819		\$ 47,710,043	
8	Weighted Cost of Debt	3.050%		3.0500%	
9	Interest Expense		\$ 1,321,407		\$ 1,455,156
10					
11	After Tax Income		\$ 2,397,595		\$ 2,640,274
12					
13	Gross- Up Factor		1.538		1.538
14					
15	Before Tax Return		\$ 3,688,608		\$ 4,061,960
16					
17	Federal Income Tax Rate		35%		35%
18					
19	Net Income Tax Expense		\$ 1,291,013		\$ 1,421,686
20	CHANGE IN FEDERAL INCOME TAX		\$ 130,673		

## WEIGHTED AVERAGE COST OF CAPITAL

TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 FOR THE PERIOD BEGINNING JANUARY 1, 2014 AND ENDING DECEMBER 31, 2014  
 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, 2014 AND ENDING DECEMBER 31, 2014  
ENVIRONS GRIP FILING

Allocation Factors Per Rate Case - Docket No. 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	0.9978

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	0.9978

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 576,536
Residential	0.5752	331,623
Commercial	0.2652	152,897
Large Commercial	0.0676	38,974
Industrial	0.0042	2,421
Large Industrial	0.0037	2,133
Public Authority	0.0674	38,859
Large Public Authority	0.0145	8,360
Standard Transportation	0.0000	0
Total System	0.9978	\$ 575,267

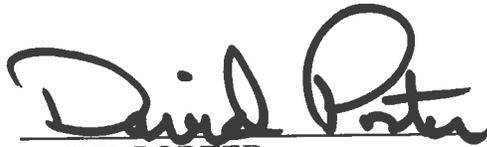
TEXAS GAS SERVICE COMPANY  
 NORTH TEXAS SERVICE AREA  
 INTERIM COST RECOVERY AND RATE ADJUSTMENT  
 CHANGES FROM JANUARY 1, 2014 THROUGH DECEMBER 31, 2014

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

LINE NO.	CUSTOMER CLASS	PERCENT OF REVENUES		REV. REQ. INCREASE (SCH 1)	ANNUAL BILLS CY 2014	CUSTOMER CHARGE INCREASE
		REVENUES PER RATE CASE TYE 12/31/2010	PER RATE CASE TYE 12/31/2010			
		(a)	(b)	(c)	(d)	(e)
<u>Gas Sales</u>						
1	Residential	\$3,973,843	57.52%	\$331,623	169,551	\$1.96
2	Commercial	\$1,824,109	26.52%	\$152,897	23,205	\$6.59
3	Large Volume Commercial	\$465,392	6.76%	\$38,974	238	\$163.76
4	Industrial	\$29,118	0.42%	\$2,421	73	\$33.17
5	Large Volume Industrial	\$25,693	0.37%	\$2,133	37	\$57.65
6	Public Authority	\$463,553	6.74%	\$38,859	2,580	\$15.06
7	Large Volume Public Authority	\$99,617	1.45%	\$8,360	36	\$232.22
<u>Transportation</u>						
8	Standard (T-1)	0	0.00%	\$0	0	\$0
Grand Total		\$6,881,325	99.78%	\$576,536	195,720	

SIGNED this 17th day of November, 2015.

RAILROAD COMMISSION OF TEXAS

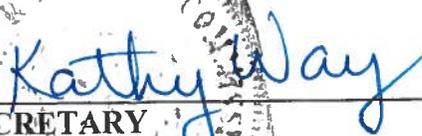
  
\_\_\_\_\_  
DAVID PORTER  
CHAIRMAN

  
\_\_\_\_\_  
CHRISTI CRADDICK  
COMMISSIONER

  
\_\_\_\_\_  
RYAN SITTON  
COMMISSIONER

ATTEST

SECRETARY

  
\_\_\_\_\_  
