

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A DIVISION §  
OF ONE GAS, INC., TO INCREASE GAS §                   GUD NO. 10506, *consolidated*  
UTILITY RATES WITHIN THE §  
UNINCORPORATED AREAS OF THE EL §  
PASO SERVICE AREA (EPSA), PERMIAN §  
SERVICE AREA (PSA), AND DELL CITY §  
SERVICE AREA (DCSA) §**

**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 Chapter 551 (Open Meetings) of the Texas Government Code. The Railroad Commission of Texas (“Commission”) adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

***General***

1. On March 30, 2016, Texas Gas Service Company (“TGS”), a division of ONE Gas, Inc. (“ONE Gas”), filed with the Commission a Statement of Intent to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area, Permian Service Area, and Dell City Service Area (“SOI”). The filing was docketed as GUD No. 10506.
2. TGS filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) (“GURA”) of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility).
3. TGS’s SOI complied with the requirements of GURA Section 104.102 (Statement of Intent to Increase Rates).
4. The El Paso Service Area (“EPSA”) is comprised of the incorporated areas of Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro, and Vinton, Texas, and their associated environs, including Fabens, Texas.
5. The Permian Service Area (“PSA”) is comprised of the incorporated areas of Andrews, Barstow, Crane, McCamey, Monahans, Pecos, Pyote, Thorntonville, Wickett, and Wink, Texas, and their associated environs.

6. The Dell City Service Area (“DCSA”) is comprised of the incorporated areas of Dell City, and its associated environs.
7. Along with rate increases, TGS also seeks to consolidate the EPSA, PSA, and DCSA into a new, combined service area known as the West Texas Service Area (“WTSA”).
8. TGS’s proposed cost of service for unincorporated areas of the proposed WTSA as set forth in the SOI is based on the 12-month period ending September 30, 2015, updated for known changes and conditions that are measurable with reasonable accuracy, including capital investment in service through December 31, 2015.
9. TGS’s proposed rates constitute a major change as defined by GURA Section 104.101 (Definition).
10. TGS established that it maintains its books and records in accordance with the Commission’s regulatory requirements.
11. TGS’s requested rate change was warranted.
12. The deadline for Commission action in this docket is October 11, 2016.

### ***Parties***

13. Applicant TGS is a “gas utility” under GURA Section 101.003 (Definitions).
14. Intervenor Staff of the Railroad Commission (“Staff”) properly moved to intervene in this docket on March 30, 2016.
15. Intervenor City of El Paso (“CEP”) properly intervened in this docket on April 6, 2016.
16. Intervenor Coalition of Cities (“Coalition”), whose members include the Cities of Clint, Horizon City, and San Elizario, properly moved to intervene in this docket on May 17, 2016.
17. On May 19, 2016, the CEP and Coalition municipalities were aligned for purposes of discovery.

### ***Procedural Background***

18. On March 30, 2016, TGS filed with the Commission its SOI to increase gas utility rates within the unincorporated areas of the EPSA, PSA, and DCSA, and to consolidate these three service areas into a new, combined WTSA.
19. Subsequently, Staff, CEP, and Coalition properly intervened.

20. On April 12, 2016, the Commission suspended TGS's proposed rate change for a period of 150 days—from May 4, 2016, to October 1, 2016. Subsequently, TGS voluntarily extended this deadline from October 1 to October 11, 2016.
21. Prehearing conferences were held on April 12 and May 5, 2016, to consider various procedural matters and technical issues.
22. On May 11, 2016, TGS filed certain errata to its original SOI (the "Errata Filing").
23. On May 19, 2016, the CEP and Coalition municipalities properly were aligned for purposes of discovery.
24. On May 25, 2016, TGS properly provided public notice of its SOI to each TGS customer within the EPSA, PSA, and DCSA by direct mail ("Public Notice").
25. From May 25-31, 2016, the Commission received four comment letters from the public, each voicing opposition to TGS's proposed rate amounts as contained in the Public Notice. On June 8, 2016, each was mailed a "Complaint and Statement of Intent to Participate Form" in compliance with Commission Rule 7.240 (Statement of Intent to Participate). No form was returned to the Commission, timely or otherwise.
26. On May 27, 2016, the ALJ severed the rate case expenses portion of GUD No. 10506 into a separate docket, GUD No. 10521.
27. On June 10, 2016, the ALJ issued a Notice of Hearing in GUD No. 10506, which set the hearing on the merits for July 19-21, 2016 ("Notice of Hearing").
28. On June 14, 2016, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1037*.
29. By June 22, 2016, the ALJ provided the Notice of Hearing to the governing body of each affected municipality and county, in compliance with Section 104.105 (Determination of Propriety of Rate Change; Hearing) of the Texas Utilities Code.
30. On July 18, 2016, the ALJ issued rulings that granted three TGS motions to seal certain highly-sensitive and confidential material.
31. The hearing on the merits was held on July 19-21, 2016 (the "Hearing").
32. All parties—TGS, Staff, CEP, and Coalition—participated in the Hearing.
33. The evidentiary record in this docket consists of the parties' exhibits listed in Attachment A to the PFD. Also included in the evidentiary record, per official notice taken by the ALJ during the Hearing, are previous Commission Final Orders and PFDs referenced by the parties' witnesses in their testimonies.

34. From July 7-26, 2016, each of the Cities of Anthony, Clint, Dell City, El Paso, Horizon City, San Elizario, Socorro, and Vinton (the “Appellate Cities”) timely took municipal action denying TGS’s rate request.
35. On July 15, 2016, TGS timely filed with the Commission a petition for review from El Paso’s denial, which was docketed as GUD No. 10536.
36. On July 22, 2016, the rate case expense portion of GUD No. 10536 was consolidated into GUD No. 10521, and the remainder of GUD No. 10536 was consolidated into GUD No. 10506.
37. On August 5, 2016, TGS timely filed with the Commission a petition for review from the denials of the Cities of Anthony, Clint, Dell City, Horizon City, San Elizario, Socorro, and Vinton, which was docketed as GUD No. 10539.
38. On August 16, 2016, the rate case expense portion of GUD No. 10539 was consolidated into GUD No. 10521, and the remainder of GUD No. 10539 was consolidated into GUD No. 10506.
39. On August 16, 2016, the ALJ issued rulings that granted two TGS motions to seal certain highly-sensitive and confidential materials filed in conjunction with TGS’s July 15 and August 5, 2016 petitions for review.
40. On August 31, 2016, the evidentiary record closed and the Proposal for Decision (“PFD”) was issued.
41. On September 9, 2016, TGS, CEP, and Coalition each timely filed exceptions to the PFD.
42. On September 16, 2016, the evidentiary record was re-opened briefly for the limited purpose of admitting into evidence TGS Exhibit 30b, which is a copy of the signed minutes from the City of Socorro’s July 7, 2016 council meeting noting the denial of TGS’s rate request. The evidentiary record was again closed the same day, prior to issuance of the First Amended PFD.
43. On September 16, 2016, the First Amended PFD (“Amended PFD”), along with an Amended Proposed Final Order, was issued and served on all parties.
44. The deadline for Commission action is October 11, 2016.

#### ***Consolidation of Service Areas***

45. Consolidation of the EPSA, PSA, and DCSA into a single WTSA is likely to result in numerous administrative and regulatory efficiencies, and those efficiencies will benefit WTSA customers.

46. Consolidation of the EPSA, PSA, and DCSA into a single WTSA likely will reduce the number of cost-of-service analyses and rate-filing packages that TGS and the public must consider and address. This is more economical, efficient, and cost-effective for TGS and the public.
47. Consolidation of the EPSA, PSA, and DCSA into a single WTSA likely will result in greater uniformity and consistency for TGS and its customers.
48. Consolidation of the EPSA, PSA, and DCSA into a single WTSA better reflects TGS's existing centralized operations, management, and decision-making processes.
49. Consolidation of the EPSA, PSA, and DCSA into a single WTSA is appropriate and in the public interest.

### ***Revenue Requirement***

50. An overall revenue requirement of \$78,171,546 for the WTSA is just and reasonable, and permits TGS a reasonable opportunity to earn a reasonable return on TGS's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expense.

### **Rate Base**

51. A rate base amount totaling \$266,006,743 is just and reasonable.
52. The Journey program ("Journey") is used and useful in providing service to customers.
53. Journey currently is in service.
54. Journey increases the safety and reliability of the system, including assets in the WTSA.
55. Journey benefits customers, and those benefits will increase over time.
56. Including Journey in rate base will allow TGS an opportunity to earn a reasonable return on capital investment for projects that are used and useful in providing service.
57. TGS improperly overcharged customers \$32,262 in duplicative sales tax. It is just and reasonable to return this amount to affected customers through a bill credit.
58. TGS's proposed CWC is just and reasonable, including the calculation methods used.
59. The weight of the evidence supports TGS's proposed CWC amount, and that interest on long-term debt should be excluded.
60. The test-year level of pension-related and other post-employment benefits expenses are just, reasonable, and necessary.

61. Inclusion in rate base of the prepaid pension asset totaling \$9,145,462 is just and reasonable. This investment benefits ratepayers by reducing expenses, by more than the rate of return earned on the asset, and also avoids future additional costs and restrictions being placed on the pension plan.
62. Allowing only customers in unincorporated areas to pay Cost In Aid of Construction (“CIAC”) amounts in monthly “tapping fee” installments does not amount to a “preference,” “advantage,” “prejudice,” or “disadvantage”—unreasonable or otherwise.
63. The evidence does not show that monthly tapping fee payments would result in lesser total payment of CIAC amounts for those customers paying tapping fees, or that the monthly tapping fee payments would differ from the terms of the rate schedules on file with the Commission.
64. The tapping fee provision constitutes a “difference concerning rates of service.” This difference, however, is reasonable and in the public interest.
65. Allowing WTSA customers to pay CIAC amounts in installments, rather than lump-sum payments, benefits underdeveloped and impoverished communities by providing a quicker and easier path to reliable utility service.
66. If revised with the below replacement language, the tapping fee provision would not be unreasonably preferential, advantageous, or prejudicial:

#### 8.9 TAPPING FEE

The Company may, at its option, extend lines to serve a group of new Customers outside or inside the incorporated areas of the West Texas Service Area (WTSA) by the use of Contribution In Aid of Construction (CIAC). Unless not economical or reasonable, the Company shall allow payment of the CIAC amount in the form of a monthly Tapping Fee charged to the existing and subsequent Customers in the area to be served. The fee will continue to be charged to all Customers connecting to the Extension of Facilities each month until the Company recovers the amount of CIAC required to serve the area. At least fifty (50) percent of the existing homes in the area must be under contract for service for this type of Extension of Facilities to be available to the area.

67. Unchallenged amounts shown on TGS’s books and records, as well as summaries and excerpts therefrom, are presumed to have been reasonably and necessarily incurred.

#### Rate of Return

68. A rate of return of 7.28 percent, calculated using the below components, is just and reasonable, supported by the facts and evidence unique to this case, and will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public.

69. TGS's proposed capital structure of 60.1 percent equity and 39.9 percent long-term debt is just and reasonable and supported by the weight of the evidence.
70. TGS demonstrated that this equity ratio reflects TGS's actual capital structure, is within the range of industry norms, and that TGS has maintained an equity ratio of approximately 60 percent since 2014.
71. A 3.95-percent cost of debt is just and reasonable and supported by the weight of the evidence.
72. TGS demonstrated that a 3.95-percent cost of debt is the average cost at September 30, 2015, of the \$1.2 billion of long-term debt issued by ONE Gas in connection with its spinoff from ONEOK in 2014.
73. A return on equity ("ROE") of 9.5 percent is just and reasonable and supported by the facts and evidence unique to this case.
74. TGS's proposed 10-percent ROE is not supported by the weight of quantitative evidence.
75. An ROE set at 9.5 percent is unlikely to harm TGS in attracting capital.

#### Operations and Maintenance Expense

76. Operations and maintenance expenses totaling \$50,503,100 is reasonable and necessary and supported by the evidence.
77. Except for TGS's proposed life parameters for Account 391.90 (Computers and Electronic Equipment) and Account 380 (Distribution Services), and TGS's proposed net salvage value for Account 367 (Transportation Mains), TGS's proposed rates and methods of depreciation, amortization, and depletion are proper and adequate, just and reasonable, and supported by the evidence.
78. For Account 391.90 (Computers and Electronic Equipment), a 10-year amortization period is proper and adequate, just and reasonable, and supported by the evidence.
79. For Account 380 (Distribution Services), a 59-year service life is proper and adequate, just and reasonable, and supported by the evidence.
80. For Account 367 (Transportation Mains), a negative 10 percent net salvage value is proper and adequate, just and reasonable, and supported by the evidence.
81. Portions of both short-term incentive ("STI") compensation and long-term incentive ("LTI") compensation are reasonable and necessary expenses.
82. A total STI amount of \$817,095 is a reasonable and necessary expense.

83. A total LTI amount of \$110,720 is a reasonable and necessary expense.
84. Incentive compensation in the total amount of \$927,815 is a reasonable and necessary expense.
85. Recovery of pipeline integrity expenses totaling \$531,670 through a PIT Rider, and consequently adjusting TGS's total operating expenses downward by this amount, is just and reasonable.
86. TGS's Supplemental Employee Retirement Plan ("SERP") is beneficial to recruit and retain executives, which benefits both shareholders and ratepayers.
87. Recovery only of the portion of SERP expenses directly assigned to the WTSA direct payroll—\$1,805—is reasonable and necessary and supported by the evidence.
88. TGS's requested base payroll and overtime expenses are reasonable and necessary and supported by the evidence.
89. TGS's requested payroll adjustment is known and measurable and reflects ongoing expenses.
90. TGS's base salary is below the market median.
91. TGS's requested overtime adjustment is related to the payroll adjustment.
92. TGS's requested total for injuries and damages—\$217,495—is reasonable and necessary and supported by the evidence.
93. The evidence shows that injuries and damages expenses can vary from year to year, and using a four-year average is a reasonable approach to mitigate that variance.
94. Journey-related assets are used and useful in providing service to customers, currently in service, and increase the safety and reliability of the system, including assets in the WTSA.
95. Journey benefits customers, and those benefits will increase over time.
96. Journey-related expenses are reasonable and necessary operating expenses.
97. Unchallenged expenses shown on TGS's books and records, as well as summaries and excerpts therefrom, are reasonable and necessary.

***Class Cost of Service Study, Revenue Allocation, and Rate Design***

98. TGS's class cost of service ("CCOS") study is reasonable to use.

99. TGS's CCOS study classifies and allocates costs in a fair, just, and reasonable manner.
100. Using the Allocation 3 method, described in the PFD, to allocate the revenue requirement to WTSA customer classes is just and reasonable and supported by the evidence.
101. The evidence shows that WTSA non-residential classes are currently assigned revenues 133 percent to 446 percent above their cost of service, while residential classes are assigned only 75 percent of their cost of service.
102. The evidence also shows that the revenue-to-cost ratio of the residential class moves closer to 1.0—from 0.7873 to 0.9191—under the Allocation 3 method, and that the revenue-to-cost ratios for the other classes stays constant.
103. Eliminating the residential minimum bill structure in the WTSA is just and reasonable and supported by the evidence.
104. Eliminating the residential minimum bill structure in the WTSA follows cost causation principles because it charges for all Ccf usage and is a conventional rate structure.
105. A residential customer charge set at \$15.70 for WTSA customers is just and reasonable and supported by the evidence.
106. The evidence supports that a \$15.70 residential customer charge fairly and reasonably balances the interests of TGS and its WTSA customers, and would allow recovery for approximately 80 percent of the customer costs identified in TGS's CCOS study.
107. TGS's proposed formulas for calculating non-residential customer charges and the associated volumetric charges are just and reasonable and supported by the evidence.
108. The evidence does not support CEP's recommendations with respect to non-residential customer charges.

#### ***Rate Schedules and Tariffs***

109. TGS's proposed rate schedules and tariffs, as revised to reflect Staff's recommendations, are just and reasonable and supported by the evidence.

#### ***Review for Reasonableness and Prudence***

110. Capital investment in the WTSA made through December 31, 2015, was reasonable and prudent, with the exception of \$32,262 of duplicative sales tax.

111. It is just and reasonable to refund the \$32,262 of duplicative sales tax to affected customers in the form of a one-time bill credit, in the amounts listed below.

Customer Class	Average Bills at 12/31/10	Refund per Customer	Total
Residential	2,570,256	\$0.12	\$26,539
Commercial and A/C	148,524	\$0.39	\$4,847
Industrial & Stand-By	533	\$4.66	\$207
Public Authority & A/C	11,021	\$1.41	\$1,291
Municipal Water Pumping	239	\$6.19	\$123
Transportation Standard – T-1	564	\$23.33	\$1,096
<b>TOTAL REFUND</b>			<b>\$34,104</b>

#### *Future Interim Rate Adjustments*

112. The following interim rate adjustment (“IRA”) factors are just and reasonable until changed by a subsequent general rate proceeding:

- The capital structure and related components reflected in this Order;
- For the initial filing, the Net Investment, including the detail of Plant in Service amounts—along with the associated depreciation rate for each account—as reflected in this Order;
- For the initial filing, the net plant in service shall be \$303,583,671;
- For the initial filing, the customer charges or volumetric rates reflected in this PFD will be the starting rates to apply to any IRA adjustment; and
- The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Examiners' Revenue	Percentage
Residential	\$58,808,059	78%
Commercial	\$10,331,980	14%
Industrial	\$ 998,634	1.3%
Public Authority	\$ 3,593,639	4.8%
Water Pumping	\$ 199,817	0.26%
Fort Bliss	\$ 1,644,545	2.2%
<b>Total</b>	<b>\$75,576,674</b>	<b>100%</b>

***Other Issues***

113. In the GUD No. 10488 Final Order, issued May 3, 2016, the Commission made the following findings of fact and conclusions of law:
- Finding of Fact No. 47: “TGS complied with the reporting requirements contained in Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) of the Texas Utilities Code when TGS separated from ONEOK to ONE Gas.”;
  - Finding of Fact No. 48: “The separation of TGS from ONEOK to ONE Gas is in the public interest.”;
  - Conclusion of Law No. 29: “TGS complied with the reporting requirements contained in Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) of the Texas Utilities Code when TGS separated from ONEOK to ONE Gas.”; and
  - Conclusion of Law No. 30 “The separation of TGS from ONEOK to ONE Gas is in the public interest.”
114. TGS is not an affiliate of ONE Gas and did not incur any affiliate expenses during the test year.
115. The rate case expenses associated with GUD Nos. 10506, 10536, and 10539 were consolidated into GUD No. 10521.

**CONCLUSIONS OF LAW*****Jurisdiction***

1. TGS is a gas utility as defined in GURA and therefore is subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over all matters decided in this docket.
3. The Commission has exclusive original jurisdiction over the rates and services of TGS for customers located in the unincorporated areas of the current EPSA, PSA, and DCSA, and the proposed consolidated WTSA.
4. The Commission has exclusive appellate jurisdiction over the rates and services of TGS for customers located in the following cities: Anthony, Clint, El Paso, Horizon City, San Elizario, Socorro, Vinton, and Dell City.

***Notice and Procedure***

5. All required notices were issued and/or provided in accordance with the requirements of GURA, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
6. This proceeding was conducted in accordance with the requirements of GURA, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
7. The Commission properly suspended the operation of TGS's proposed rate schedule for 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).
8. The Amended PFD was served on all parties for purposes of Commission Rule § 1.141(d) (Proposals for Decision). Accordingly, amendments adopted by the Commission, if any, do not need to be noted or embodied with specificity in this Order.

***Books and Records***

9. TGS established it maintains its books and records in accordance with the Commission's regulatory requirements. Therefore, TGS is entitled to the presumption that the unchallenged amounts included therein are reasonable and necessary.

***Burden of Proof***

10. TGS met its burden in establishing that consolidation of the EPSA, PSA, and DCSA into a single WTSA is appropriate and in the public interest.
11. TGS did not meet its burden of proving that its proposed rate changes for the WTSA are just and reasonable.

***Consolidation of Service Areas***

12. Consolidation of the EPSA, PSA, and DCSA into a single WTSA is just and reasonable and in the public interest.

***Rates and Services***

13. The revenue, rates, rate design, and service charges reflected in this Order are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by GURA.
14. The overall revenues reflected in this Order are just and reasonable, fix an overall level of revenues that will permit TGS a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its

reasonable and necessary operating expenses, as required by GURA Section 104.051 (Establishing Overall Revenues), and otherwise comply with GURA Chapter 104 (Rates and Services).

15. The revenue, rates, rate design, and service charges reflected in this Order will not yield to TGS more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by GURA Section 104.052 (Establishing Fair Rate of Return).
16. The rates established in this Order comport with the requirements of GURA Section 104.053 (Components of Adjusted Value of Invested Capital) and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.
17. All unchallenged amounts shown on TGS's books and records, as well as summaries and excerpts therefrom, are presumed to have been reasonably and necessarily incurred.
18. TGS's request to recover its proposed capital investment related to Journey is proper under GURA Section 104.051 (Establishing Overall Revenues).
19. TGS's tapping fee provision—if revised with the replacement language contained in Finding of Fact 63—would not violate GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited).
20. The test-year level of pension-related and other post-employment benefits expenses are consistent with GURA Section 104.059 (Pension and Other Postemployment Benefits).
21. A rate of return of 7.28 percent, including the components in Findings of Fact Nos. 65–70, is consistent with the requirements of GURA Section 104.052 (Establishing Fair Rate of Return) and Chapter 104 (Rates and Services).
22. The rates and methods of depreciation, amortization, or depletion reflected in this Order meet the requirements of GURA Section 104.054 (Depreciation, Amortization, and Depletion) and Chapter 104 (Rates and Services).
23. The operations and maintenance expenses reflected in this Order meet the requirements of GURA Section 104.051 (Establishing Overall Revenues) and Chapter 104 (Rates and Services) and Chapter 104 (Rates and Services).
24. All unchallenged expenses shown on TGS's books and records, as well as summaries and excerpts therefrom, are presumed to have been reasonably and necessarily incurred.

***Rate Schedules and Tariffs***

25. TGS's proposed rate schedules and tariffs, as revised to reflect Staff's recommendations and the tapping fee language in Finding of Fact 66, are consistent with applicable GURA and Commission requirements.

***Review for Reasonableness and Prudence***

26. Capital investment in the WTSA made through December 31, 2015, was reasonable and prudent, with the exception of the \$32,262 of duplicative sales tax—discussed in Finding of Fact No. 107 and 108 consistent with GURA Chapter 104 (Rates and Services) and Commission Rule § 7.7101 (Interim Rate Adjustments).

***Future Interim Rate Adjustments***

27. In accordance with Commission Rule § 7.7101 (Interim Rate Adjustments), TGS may adjust its revenue in future IRA filings based on the difference between values of the investment amounts only by the constant factors set in this docket for: return on investment; depreciation expense, for those individual rates for each FERC account; ad valorem taxes; revenue related taxes; and federal income tax.

***Other Issues***

28. The Commission's determination in GUD No. 10488 that the transfer of TGS from ONEOK, Inc. ("ONEOK") to ONE Gas was in the public interest, pursuant to GURA Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) was final and resolved the issue. Accordingly, the Commission does not need to treat the issue in this docket.
29. Because there are no affiliate costs included in TGS's rate request, the Commission does not need to address whether the statutory standard in GURA Section 104.055(b) (Net Income; Allowable Expenses) has been met for recovery of affiliate costs.
30. Rate case expenses for GUD Nos. 10506, 10536, and 10539 will be considered by the Commission in accordance with applicable Texas law in a separate consolidated proceeding, GUD No. 10521.

**IT IS THEREFORE ORDERED** that TGS's proposed rate changes are **DENIED**.

**IT IS FURTHER ORDERED** that TGS's request to consolidate the EPSA, PSA, and DCSA into the single WTSA is **APPROVED**.

**IT IS FURTHER ORDERED** that the rates and rate elements established in this Order are **APPROVED**.

**IT IS FURTHER ORDERED** that TGS shall not change, modify, or otherwise recalculate the depreciation rates approved in this Order for its direct, division, or corporate plant accounts in future IRA filings.

**IT IS FURTHER ORDERED** that TGS shall refund \$32,262 in duplicative sales tax to affected customers in the form of a one-time bill credit no later than 60 days following the date this Order is signed. Confirmation of refund and a summary update of Vertex changes should be provided to the Commission's Market Oversight Division immediately upon completion.

**IT IS FURTHER ORDERED** that TGS shall comply with all tariff-filing requirements contained in 16 Tex. Admin. Code § 7.315 (Filing of Tariffs). The filed tariffs shall reflect the rates, rate design, tariffs, service charges, and other relevant provisions of this Order.

**IT IS FURTHER ORDERED** that all other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not specifically granted or approved in this Final Order, are hereby **DENIED**.

**IT IS FURTHER ORDERED** this Order will not be final and effective until 25 days after the Commission's Order is signed. 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. The time allotted for Commission action on a motion for rehearing in this docket prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

**SIGNED** this 27th day of September, 2016.

**RAILROAD COMMISSION OF TEXAS**



CHAIRMAN DAVID PORTER



COMMISSIONER CHRISTI CRADDICK



COMMISSIONER RYAN SITTON

ATTEST:

*Kathy Way*  
SECRETARY

The seal of the State of Michigan is partially visible behind the signature. It features a central figure holding a bow and arrow, surrounded by a circular border with the text "SEAL OF THE STATE OF MICHIGAN".