

# Coffin | Renner

June 30, 2023

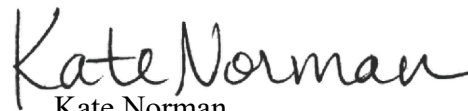
To the Honorable Mayors and Council Members:

Attached is a copy of the Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. (“TGS” or the “Company”), to change gas utility rates within the incorporated areas of the Rio Grande Valley Service Area (“RGVSA”). The Company requests that the proposed rates and tariffs contained in the Statement of Intent become effective on August 23, 2023, which is 54 days from the date of this filing. No action on the part of the RGVSA Cities is required to permit the Company’s proposed rates to take effect.

Simultaneous with this city-level filing, the Company is also making a Statement of Intent filing with the Railroad Commission of Texas for the unincorporated areas of the RGVSA in which it is requesting the same rates that are contained in the attached city-level filing. Although there is no requirement that the Company file testimony with a city-level Statement of Intent filing, the Company is providing the cities with a copy of the testimony that is being filed with the Commission.

If you have any questions, please do not hesitate to contact me.

Best regards,



Kate Norman

Attorney for Texas Gas Service Company

KWN:ssm  
Attachment

cc: Judy Jenkins Hitchye  
Stacey McTaggart

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.,  
STATEMENT OF INTENT TO CHANGE GAS UTILITY RATES WITHIN THE  
INCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA**

To All Cities Within Texas Gas Service Company’s Rio Grande Valley Service Area:

Texas Gas Service Company (“TGS” or the “Company”), a Division of ONE Gas, Inc. (“ONE Gas”) and a “gas utility” under Texas Utilities Code § 101.003(7), respectfully files this Statement of Intent, pursuant to Subchapter C of Chapter 104 of the Texas Utilities Code and the rules of the Railroad Commission of Texas (“Commission”), to change gas utility rates within the incorporated areas of the Rio Grande Valley Service Area (“RGVSA”), which includes the cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, Laguna Vista, La Joya, La Villa, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas (“RGV Cities”). Contemporaneously with this filing, TGS is also filing a Statement of Intent to Change Rates for the unincorporated areas of the RGVSA with the Commission.

The Company requests that the proposed rate schedules and tariffs for the RGV Cities, attached to this Statement of Intent as **Exhibit A** and incorporated herein by reference, become effective on August 23, 2023, which is 54 days from the date of this filing. No action on the part of the RGV Cities is required to permit these proposed rates to take effect. In support of its request, the Company respectfully shows as follows:

**I. INTRODUCTION AND SUMMARY OF THE RATE REQUEST**

TGS calculated the revenue requirement for this filing using the system-wide cost of providing service to all customers within the incorporated and unincorporated areas of the RGVSA. The proposed new rates will affect all customers in the RGVSA. Current rate schedules

include residential, commercial, commercial transportation, church, industrial, industrial transportation, public authority, and public authority transportation.

For the 12-month period ended December 31, 2022, the Company's overall, combined revenue requirement for the RGVSA on a system-wide basis totaled approximately \$47.6 million, as adjusted. The total revenue TGS received during the test year from customers within the RGVSA was approximately \$37.8 million, leaving a revenue deficiency on a combined basis of approximately \$9.8 million.

If approved, the requested rates will increase TGS's revenues in the RGVSA by \$9.81 million, which is an increase of 16.10% including gas costs, or 25.94% excluding gas costs. Because the proposed changes will increase TGS's total aggregate revenues within the RGVSA by more than 2.5%, the proposed rate changes constitute a "major change" in rates as that term is defined by Texas Utilities Code § 104.101. Additionally, the proposed rates will not exceed 115% of the average of all rates for similar services of all municipalities served by the Company within the same county.

As part of this Statement of Intent, the Company is requesting: (1) Commission approval of new depreciation rates for Direct and Division distribution and general plant within the RGVSA; (2) a finding from the Commission that the approvals of the administrative orders by the Gas Services Department of the Commission based on the Accounting Order in Gas Utilities Docket ("GUD") No. 10695 are reasonable and accurate and that TGS has fully complied with the requirements in GUD No. 10695; (3) a finding from the Commission that expenses for Winter Storm Uri and COVID-19 that are contained in regulatory assets authorized by the Commission are reasonable, necessary and accurate; (4) a prudence determination for capital investment made in the RGVSA through December 31, 2022, including capital investment in the Company's Interim Rate Adjustment ("IRA") filings made since the last rate cases in the RGVSA pursuant to Texas

Utilities Code § 104.301; (5) approval to include Excess Deferred Income Taxes (“EDIT”) in base rates, with discontinuance of the EDIT Rider, to return EDIT to customers; and (6) approval to recover the reasonable rate case expenses associated with this filing through a surcharge on rates, as provided by law. The exact amount will not be known until the case is complete.

The rate schedules and tariffs, attached hereto as **Exhibit A** to the Rate Filing Package and made a part hereof, support the rate changes proposed by the Company. The Company is proposing: (1) a new Small and Large Residential rate design and related rate schedules based on customer usage patterns; (2) a new Small and Large Commercial rate design and related rate schedules based on customer usage patterns; (3) new Rate Schedules C-1 and C-1-ENV for electric generation service; (4) new Rate Schedules 70 and 7Z for unmetered gas street lights; (5) new Rate Schedules RCE and RCE-ENV for a rate case expense surcharge to recover all reasonable rate case expenses incurred by the Company and cities in connection with the Statement of Intent filing that has been made with the cities and the Commission; and (6) revisions to the Rules of Service for consistency with Commission rules and other Company service areas. Additional proposed revisions to the Company’s rate schedules and tariffs are detailed in Section E of this Statement of Intent.

## II. JURISDICTION

TGS is a gas utility as that term is defined in § 101.003(7) of the Texas Utilities Code. Pursuant to Texas Utilities Code § 103.001, the cities have original jurisdiction to set the rates TGS requests for customers within their respective incorporated areas. Consistent with such jurisdiction, the proposed rates identified in **Exhibit A** are applicable to the Company’s natural gas service within the incorporated areas of the RGVSA.

### **III. DETAILS OF PROPOSED CHANGES**

#### **A. Rate Filing Package**

In addition to this Statement of Intent, the Rate Filing Package consists of the following:

- SOI Exhibit A Proposed Rate Schedules and Tariffs
- SOI Exhibit B Proposed Revenue Change by Class
- SOI Exhibit C Average Bill Impact by Class
- SOI Exhibit D Direct Testimony
- SOI Exhibit E Proposed Notice
- SOI Exhibit F Proposed Protective Agreement
- SOI Exhibit G Cost of Service Schedules
- SOI Exhibit H Workpapers

#### **B. Test Year**

The Company's proposed cost of service for the RGVSA as set forth in this Statement of Intent and Rate Filing Package is based on the 12-month period ended December 31, 2022, updated for known changes and conditions that are measurable with reasonable accuracy.

#### **C. Effective Date**

The Company requests that the proposed rates be effective for meters read on and after August 23, 2023.

#### **D. Class and Number of Customers Affected**

The proposed changes to the Company's rate schedules will affect all customers in the RGVSA. The table below shows the approximate number of existing customers by class who will be affected by the proposed rate changes:

Customer Class	RGVSA Customers	
	Incorporated	Environs
Residential	56,078	3,306
Commercial	3,574	164
Church	194	5
Industrial	20	14
Public Authority	449	55
Commercial Transportation	24	3
Industrial Transportation	17	20
Public Authority Transportation	3	3
Special Contract Transportation	2	1
Irrigation Transportation	1	8

**Exhibits B and C**, attached, show the amount of the proposed change and the effect of the proposed change on an average bill for each class of customers.

**E. Proposed Rate Schedules and Tariffs**

TGS seeks approval of the rate schedules and tariffs for the proposed RGVSA, attached to this Statement of Intent as **Exhibit A** and incorporated herein by reference. The following identifies the proposed revisions to rate schedules and tariffs:

1. All proposed incorporated Rate Schedules for General Sales and Transportation Customers include revisions to the “Other Adjustments” section to remove references to Rate Schedule EDIT-Rider, add references to Rate Schedules RCE and PSF, a revision to the “Cost of Service Rate” section to clarify the Company’s delivery charge and revisions to the “Territory” section in General Sales rate schedules and the “Availability” section in the Transportation rate schedule for consistency with other Company service areas.
2. All proposed environs Rate Schedules for General Sales and Transportation Customers include revisions to the “Other Adjustments” section to add references to Rate Schedules RCE-ENV and PSF, a revision to the “Cost of Service Rate” section to clarify the Company’s delivery charge and revisions to the “Territory” section in General Sales rate schedules and the “Availability” section in the Transportation rate schedule for consistency with other Company service areas.
3. Residential Rate Schedules 10, 15, 1Y and 1Z: Add residential builders to the “Applicability” sections, designate 10 and 1Z as Small Residential, add new 15 and

1Y Large Residential rate schedules and revisions to the “Applicability” section for consistency with other Company service areas.

4. Commercial Rate Schedules: Withdraw the rate for Church service, designate 20 and 2Z as Small Commercial, and add new 25 and 2Y Large Commercial rate schedules.
5. Public Authority Rate Schedules 40 and 4Z: Revisions to the “Applicability” section for consistency with other Company service areas.
6. Unmetered Gas Light Rate Schedules 70 and 7Z: New rate schedules that provide a mechanism to provide unmetered gas service to customers for gas lighting only.
7. Electric Generation Rate Schedules C-1 and C-1-ENV: New rate schedules that provide a mechanism to provide natural gas service to non-residential customers for the purpose of electric generation.
8. Transportation Rate Schedules T-1, T-1-ENV and T-TERMS: Add rates for Electric Generation service; revisions to section 1.2 to add definitions for “Firm Service” and “Force Majeure” to provide clarity for Customer and Company rights and responsibilities during a curtailment event and add a definition for “Electric Generation Service” to align with Commission Rule §7.455 and include distributed generation and backup power systems that are registered with the applicable balancing authorities; revisions to sections 1.4 and 1.6 to clarify Qualified Supplier and Company responsibilities for designating receipt points; add clarifying language to section 1.5(g) for Customer’s responsibility to provide written notice to the Company; revisions to the “Applicability,” “Availability,” “Additional Charges,” and “Subject To” sections in T-1 and T-1-ENV and sections 1.1, 1.2, 1.4, 1.5, 1.6 and 1.7 in T-TERMS for consistency with other Company service areas; and add sections 1.3 and 1.8 for consistency with other Company service areas.
9. Cost of Gas Clauses 1-INC and 1-ENV: Expand language in section B.3 to include other renewable sources of natural gas to make the language consistent with approved Cost of Gas clauses in Docket No. OS-22-00009896; add section B.4 for a Customer Rate Relief charge applicable to all RGVSA customers, authorized by the Commission’s Financing Order in Docket No. OS-21-00007061 and update sections B.1 and G to add references to the Customer Rate Relief charge; add clarifying language to sections B, C, F, and H consistent with approved Cost of Gas clauses in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766, and 10928; and add clarifying language for the use of financial instruments in sections B.3,

B.6, B.8, and H.4 in the incorporated tariff to make consistent with the recently approved Cost of Gas clauses in Docket No. OS-22-00009896 and GUD No. 10928.

10. Rate Schedule WNA: Revisions to the “Applicability” section to reference new Rate Schedules for Large Residential and Large Commercial; updated weather factors for each class consistent with weather normalization calculation in this case; removed reference to Commercial Church weather factor; and revisions to the “Applicability” and “Filing with the Cities and the Railroad Commission of Texas (RRC)” sections for consistency with the other Company service areas.
11. Rate Schedules RCE and RCE-ENV: Provides a mechanism to recover all reasonable rate case expenses incurred by the Company and cities in connection with the Statement of Intent filings that have been made with the cities and the Commission.
12. Rules of Service: Revisions for consistency with the Commission’s Quality of Service Rules and the approved Rules of Service in Docket No. OS-22-00009896. In addition, the Company proposes:
  - a. Updating the Company’s contact information on page 1 for customer inquiries;
  - b. Updating § 1.3, Definitions, to include all definitions of terminology in the Rules of Service consistent with approved Rules of Service in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766, and 10928 as well as add definitions for “Firm Service” and “Force Majeure” to provide clarity for Customer and Company rights and responsibilities during a curtailment event, while revising “Electrical Cogeneration Service” to “Electric Generation Service” and expand its definition to align with Commission Rule §7.455 and include distributed generation and backup power systems that are registered with the applicable balancing authorities;
  - c. Revisions to § 3 to include language for the availability of rate schedules on the Company’s website;
  - d. Revisions to § 4.4 to remove a reference to the Company’s previous filed curtailment plan and § 4.4(iv) to include curtailment language consistent with the new Commission Rule §7.455;
  - e. Revisions to § 4.9 to add language regarding force majeure situations to the limitation of liability provision;
  - f. Revisions to § 4.6, § 7.4, § 7.7, § 9.1 and § 9.6 to provide for electronic billing and notice;
  - g. Revisions to § 9.9 (previously § 20.1) to update the language to reflect the current plan description for Average Payment Plan;



- h. Making an administrative correction to § 12.9;
- i. Revisions to § 15 (previously § 21), Fees and Deposits, to establish greater consistency for service fees and deposits among the Company's service areas; and
- j. Withdraw the rules of service addenda RGVSA-Env 7-45 and RGVSA-Env 7-46, as these provisions have been included within the proposed RGVSA Rules of Service in Sections 7.7 and 8.3(e).

13. Withdraw the following incorporated rate schedules: Cost of Service Adjustment Clause, Rate Schedule 1-1; Franchise Fee and State Occupancy Tax Factors, Rate Schedule 1B; City Ordinance Listing, Rate Schedule ORD-RGV; and Excess Deferred Income Tax Credit, Rate Schedule EDIT-Rider.

**F. Effect of Proposed Rate Changes**

The specific proposed changes to the Company's rates are shown in the following side-by-side comparison of existing and proposed rates for customers in the proposed RGVSA:

Customer Class	Current Rates Incorporated and Unincorporated/Environs		Proposed RGVSA Rates
	RGVSA Incorporated Rates	RGVSA Environs Rates	
<b>Residential</b>			
No. of Customers Affected	56,078	3,306	
Customer Charge	\$18.02	\$21.87	
Volumetric Charge (per Ccf)	\$0.88854	\$0.34028	
Small Customer Charge			\$20.00
Small Volumetric Charge (per			\$2.33897
Large Customer Charge			\$35.00
Large Volumetric Charge (per			\$0.95435
<b>Commercial</b>			
No. of Customers Affected	3,574	164	
Customer Charge	\$141.62	\$117.13	
Volumetric Charge (per Ccf)	\$0.31650	\$0.31650	
Small Customer Charge			\$80.00
Small Volumetric Charge (per			\$0.61849
Large Customer Charge			\$250.00
Large Volumetric Charge (per			\$0.21049

Customer Class	Current Rates Incorporated and Unincorporated/Environs		Proposed RGVSA Rates
	RGVSA Incorporated Rates	RGVSA Environs Rates	
<b>Commercial Transportation</b>			
No. of Customers Affected	24	3	
Customer Charge	\$483.62	\$459.13	\$500.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.10163
First 5000	\$0.31650	\$0.31650	N/A
All Over 5000	\$0.01777	\$0.01777	N/A
<b>Church (Reclassified to Commercial)</b>			
No. of Customers Affected	194	5	
Customer Charge	\$123.62	\$99.13	\$80.00
Volumetric Charge (per Ccf)	\$0.31650	\$0.31650	\$0.61849
<b>Industrial</b>			
No. of Customers Affected	20	14	
Customer Charge	\$903.88	\$680.49	\$850.00
Volumetric Charge (per Ccf)	\$0.30336	\$0.30336	\$0.36782
<b>Industrial Transportation</b>			
No. of Customers Affected	17	20	
Customer Charge	\$1,153.88	\$930.49	\$1,000.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.11076
First 5000	\$0.30336	\$0.30336	N/A
All Over 5000	\$0.03453	\$0.03453	N/A
<b>Public Authority</b>			
No. of Customers Affected	449	55	
Customer Charge	\$132.93	\$106.36	\$200.00
Volumetric Charge (per Ccf)	\$0.38068	\$0.38068	\$0.33119
<b>Public Authority Transportation</b>			
No. of Customers Affected	3	3	
Customer Charge	\$487.93	\$461.36	\$2,500.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.04521
First 5000	\$0.38068	\$0.38068	N/A
All Over 5000	\$0.01595	\$0.01595	N/A
<b>Electric Generation</b>			
No. of Customers Affected	0	0	
Customer Charge	N/A	N/A	\$250.00
Volumetric Charge (per Ccf)	N/A	N/A	\$0.21049

Customer Class	Current Rates Incorporated and Unincorporated/Environs		Proposed RGVSA Rates
	RGVSA Incorporated Rates	RGVSA Environs Rates	
<b>Electric Generation Transportation</b>			
No. of Customers Affected	0	0	
Customer Charge	N/A	N/A	\$500.00
Volumetric Charge (per Ccf)			
All Ccf	N/A	N/A	\$0.10163

\*Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.

**Exhibit C** shows the average bill impact by customer class.

#### **G. Witness Testimony**

Although not required, the Company is including as **Exhibit D** to the Statement of Intent direct testimony supporting the Company’s requested revenue requirement. The attached testimony includes the following witnesses:

- *Jeff Husen* is Vice-President of Rates and Regulatory Affairs for ONE Gas. Mr. Husen provides an overview of the Statement of Intent filing, including an explanation of the relief TGS is requesting and sponsors the Company’s annual capital investment reports included with the Company’s IRA filings to support the Company’s requested prudence determination.
- *Alejandro Limón* is Vice-President of Operations for TGS. Mr. Limón provides an overview of operations within the RGVSA; addresses the reasonableness and necessity of capital investment and Operations and Maintenance (O&M) expenses; addresses ONE Gas’ response to Winter Storm Uri and COVID-19; and addresses the Company’s Pipeline Integrity Testing Program.
- *Anthony Brown* is the Manager of Rates and Regulatory Analysis for TGS. Mr. Brown provides an overview of the cost of service and overall revenue requirement calculation and supports TGS’s Direct rate base and Direct expense adjustments; addresses the Company’s compliance with certain regulatory and statutory requirements; affiliate cost recovery issues related to Utility Insurance Company (“UIC”); the Company’s recovery of pipeline integrity testing costs; the Company’s recovery of rate case expenses; and describes the proposed RGVSA rate schedules and tariffs as well as rate schedules and tariffs currently in effect for the RGVSA.

- *Stacey McTaggart* is the Rates and Regulatory Director for TGS. Ms. McTaggart describes the Company's proposed EDIT adjustment to return excess deferred income taxes to customers; the treatment of cloud-based computing costs; and TGS's recovery of costs associated with COVID-19 and Winter Storm Uri and another regulatory asset.
- *Allison Edwards* is the Manager of Rates and Regulatory Analysis for ONE Gas. Ms. Edwards addresses the cost allocation methodology used to determine TGS's share of allocated costs and certain Corporate expense adjustments; supports certain TGS Division and Corporate capital investment that is included in the RGVSA revenue requirement as well as Corporate depreciation and amortization expense; and explains Direct, TGS Division and Corporate expense adjustments related to payroll, employee benefits, and incentive compensation.
- *Jeff D. Branz* is the Director of Total Rewards for ONE Gas. Mr. Branz addresses the reasonableness of ONE Gas' compensation philosophy and structure, as well as related costs for base pay, incentive plans and benefits.
- *Cyndi King* is the Director of Treasury & Finance for ONE Gas. Ms. King supports the recovery of a return on the Company's prepaid pension asset and describes ONE Gas' captive insurance company, UIC.
- *Kenneth Eakens* is the Director of Tax Compliance and Financial Reporting for ONE Gas. Mr. Eakens describes the calculation of the Company's EDIT.
- *Timothy S. Lyons* is a Partner with the firm ScottMadden, Inc. Mr. Lyons sponsors TGS's lead-lag study that determines TGS's cash working capital requirement to be included in rate base.
- *Janet M. Simpson* is an accountant and Managing Member of Utility Regulatory Consulting, LLC. Ms. Simpson presents TGS's Accumulated Deferred Income Tax (ADIT) calculations.
- *Ronald E. White* is an engineer and President of Foster Associates Consultants, LLC. Dr. White sponsors a study of the depreciation rates for TGS plant located in the RGVSA and for common facilities shared among all TGS service areas, including Corporate assets.
- *Bruce H. Fairchild* is a financial accountant and former professor and regulator. Dr. Fairchild is a principal with Financial Concepts and Applications, Inc. Dr. Fairchild supports TGS's requested return on equity, cost of debt, capital structure, and overall return on invested capital.
- *Teresa Serna* is a Rates Specialist for TGS. Ms. Serna supports TGS's revenue adjustments, and describes the class cost of service study and supports TGS's proposed class revenue allocation.

- *Paul H. Raab* is an independent economic consultant, and describes and supports TGS's proposed rate design.

#### **IV. RATE CASE EXPENSES**

Pursuant to Texas Utilities Code § 104.051, TGS requests recovery of all reasonable and necessary rate case expenses from affected customers through a surcharge to the final approved rates.

#### **V. PUBLIC NOTICE**

The Company will promptly undertake to notify the public of the proposed change in its gas rates consistent with the requirements of Texas Utilities Code § 104.103. The public notice that TGS will provide regarding the requested change in rates for the RGVSA is attached as **Exhibit E** to the Statement of Intent. The Company will submit proof of notice promptly upon completion thereof along with a copy of the notice.

#### **VI. COMPANY REPRESENTATIVES FOR NOTIFICATION**

TGS's authorized representatives are:

Marie Michels  
Stacey L. McTaggart  
Judy Jenkins Hitchye  
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Please serve all pleadings, motions, orders, and other documents filed in this proceeding upon TGS's authorized representatives at the above-stated addresses.

## VII. PROTECTIVE AGREEMENT

The Company's Rate Filing Package includes certain confidential materials. In addition, the scope of discovery in this case may require the production of additional confidential material. Accordingly, TGS attaches as **Exhibit F** to this Statement of Intent a Protective Agreement to be used in this case. TGS will provide confidential material upon execution of Exhibit A attached to the Protective Agreement.

## VIII. CONCLUSION

TGS requests that: (1) rates are approved for the RGVSA consistent with those proposed herein, to become effective for meters read on and after August 23, 2023; (2) the Commission approve new depreciation rates for Direct and Division distribution and general plant; (3) a finding from the Commission that the approvals of the administrative orders by the Gas Services Department of the Commission based on the Accounting Order in GUD No. 10695 are reasonable and accurate and that TGS has fully complied with the requirements in GUD No. 10695; (4) the Commission find that expenses for Winter Storm Uri and COVID-19 that are contained in regulatory assets authorized by the Commission are reasonable, necessary and accurate; (5) capital investment made in the RGVSA through December 31, 2022, including capital investment in the

Company's IRA filings made since the last rate case in the RGVSA pursuant to Texas Utilities Code § 104.301, is deemed prudent; (6) including EDIT in base rates, with discontinuance of the EDIT Rider, to return EDIT to customers be approved; (7) all reasonable rate case expenses incurred in connection with this Statement of Intent filing are authorized for recovery by the Company; and (8) for such further relief to which the Company may be entitled.

Respectfully submitted,

By: Kate Norman

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**ATTORNEYS FOR TEXAS GAS  
SERVICE COMPANY**

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all gas sales service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all unincorporated areas in the Rio Grande Valley Service Area including Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the Customer Rate Relief Component, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas and the revenue associated fees and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, applicable line loss charges, storage, balancing including penalties, swing services, and any other related costs and expenses necessary for the movement of gas to the Company's city gate delivery points and customers. The Cost of Purchased Gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). RNG is the term used to describe pipeline-quality biogas produced from various biomass sources through a biochemical process that has been processed to purity standards and is interchangeable with conventional natural gas. The Cost of Purchased Gas may also include the cost of carbon "Environmental Attributes" purchased and retired in association with the purchase of RNG. Environmental Attributes means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the production and delivery of RNG, including but not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4) and other greenhouse gases; (3) displacement or avoidance of any amount of conventional gas or fossil energy generation resources; and (4) the reporting rights to these avoided emissions. The Cost of Purchased Gas shall not include the cost of financial instruments unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and Safety Division of the Railroad Commission of Texas. Such approval may be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June 15.



**COST OF GAS CLAUSE (Continued)**

4. Customer Rate Relief Component - The rate per billing unit charged in accordance with and specified on Rate Schedule CRR, the Customer Rate Relief Rate Schedule, which is a non-bypassable charge as defined in Tex. Util. Code § 104.362(7).
5. Reconciliation Component - The amount to be returned to or recovered from sales customers each month from December through August as a result of the Reconciliation Audit.
6. Reconciliation Audit - An annual review of the Company's books and records for each 12-month period ending with the production month of August to determine the amount of over or under collection occurring during such 12-month period. The audit shall determine: (a) the total prudently incurred amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its sales customers during the period, including prudently incurred gains or losses on the approved use of natural gas financial instruments; (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues; (c) the total amount of surcharges or refunds made to sales customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause; (d) the total amount accrued for imbalances under the transportation rate schedule(s) net of fees and applicable taxes; (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of 5 percent of purchases.
7. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes purchased for sales customers during the 12-month period ending June 30 by the sum of the sales volumes sold to sales customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - 0.05)$  unless expressly authorized by the applicable Regulatory Authority.
8. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Clause. Entries shall be made monthly to reflect: (a) the total prudently incurred amounts paid to the Company's supplier(s) for gas applicable to sales customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of approved natural gas financial instruments; (b) the revenues produced by the operation of this Cost of Gas Clause reduced by the amount of fees and taxes; (c) refunds, payments, or charges provided for herein or as approved by the Regulatory Authority; (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s); (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of 5 percent of purchases.
9. Uncollectible Cost of Gas - The amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to the Cost of Gas Clause. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting Reconciliation Component.

**COST OF GAS CLAUSE (Continued)**

**C. COST OF GAS**

In addition to the cost of service as provided under its gas sales rate schedules, the Company shall bill each sales customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

If the Reconciliation Audit reflects either an over-recovery or under-recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the December billing cycle through the August billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a 9-month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

**E. INTEREST ON FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6 percent per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return.

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's suppliers are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its sales customers. Similarly, the Company may surcharge its sales customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

**COST OF GAS CLAUSE (Continued)**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth: (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Customer Rate Relief Component; (e) the Reconciliation Component; (f) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (g) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (h) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the 12 months ending August 31.
2. A tabulation of gas units sold to sales customers and related Cost of Gas Clause revenues.
3. A tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the hedging activities conducted each month during the 12 months ending August 31, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
6. A tabulation of Uncollectible Cost of Gas during the period and its effect on the Cost of Gas Clause to date.

This report shall be filed concurrently with the Cost of Gas Statement for December. If the Regulatory Authority determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all gas sales service rate schedules of Texas Gas Service Company, a Division of ONE Gas Inc. ("Company") in the incorporated areas of its Rio Grande Valley Service Area including Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the Customer Rate Relief Component, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees (including franchise fees) and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, applicable line loss charges, storage, balancing including penalties, swing services, and any other related costs and expenses necessary for the movement of gas to the Company's city gate delivery points and customers. The Cost of Purchased Gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). RNG is the term used to describe pipeline-quality biogas produced from various biomass sources through a biochemical process that has been processed to purity standards and is interchangeable with conventional natural gas. The Cost of Purchased Gas may also include the cost of carbon "Environmental Attributes" purchased and retired in association with the purchase of RNG. Environmental Attributes means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the production and delivery of RNG, including but not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4) and other greenhouse gases; (3) displacement or avoidance of any amount of conventional gas or fossil energy generation resources; and (4) the reporting rights to these avoided emissions. The Cost of Purchased Gas shall also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments that are executed by the Company for the purpose of mitigating price volatility. Companies affiliated with the Company shall not be allowed to charge fees for transactions related to natural gas financial instruments utilized for purposes in this Cost of Gas Clause and hence cannot realize a profit in this regard.

**COST OF GAS CLAUSE (Continued)**

4. Customer Rate Relief Component - The rate per billing unit charged in accordance with and specified on Rate Schedule CRR, the Customer Rate Relief Rate Schedule, which is a non-bypassable charge as defined in Tex. Util. Code § 104.362(7).
5. Reconciliation Component - The amount to be returned to or recovered from sales customers each month from December through August as a result of the Reconciliation Audit.
6. Reconciliation Audit - An annual review of the Company's books and records for each 12-month period ending with the production month of August to determine the amount of over or under collection occurring during such 12-month period. The audit shall determine: (a) the total prudently incurred amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its sales customers during the period, including prudently incurred gains or losses on the use of natural gas financial instruments; (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of revenue associated fees (including franchise fees) and taxes paid by the Company on those revenues; (c) the total amount of surcharges or refunds made to sales customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause; (d) the total amount accrued for imbalances under the transportation rate schedule(s) net of fees and applicable taxes; (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of 5 percent of purchases.
7. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes purchased for sales customers during the 12-month period ending June 30 by the sum of the sales volumes sold to sales customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e.  $1/(1 - 0.05)$  unless expressly authorized by the applicable Regulatory Authority.
8. Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Clause. Entries shall be made monthly to reflect: (a) the total prudently incurred amounts paid to the Company's supplier(s) for gas applicable to sales customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of natural gas financial instruments; (b) the revenues produced by the operation of this Cost of Gas Clause reduced by the amount of fees (including franchise fees) and taxes; (c) refunds, payments, or charges provided for herein or as approved by the Regulatory Authority; (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s); (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of 5 percent of purchases.
9. Uncollectible Cost of Gas - The amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to the Cost of Gas Clause. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting Reconciliation Component.

**COST OF GAS CLAUSE (Continued)**

**C. COST OF GAS**

In addition to the cost of service as provided under its gas sales rate schedules, the Company shall bill each sales customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

If the Reconciliation Audit reflects either an over-recovery or under-recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the December billing cycle through the August billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a 9-month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

**E. INTEREST ON FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6 percent per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return.

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's suppliers are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its sales customers. Similarly, the Company may surcharge its sales customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

**COST OF GAS CLAUSE (Continued)**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth: (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Customer Rate Relief Component; (e) the Reconciliation Component; (f) the revenue associated fees (including franchise fees) and taxes to be applied to revenues generated by the Cost of Gas; (g) the Cost of Gas calculation, including gains and losses from hedging activities for the month; and (h) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the 12 months ending August 31.
2. A tabulation of gas units sold to sales customers and related Cost of Gas Clause revenues.
3. A tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. A description of the hedging activities conducted each month during the 12 months ending August 31, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
6. A tabulation of Uncollectible Cost of Gas during the period and its effect on the Cost of Gas Clause to date.

This report shall be filed concurrently with the Cost of Gas Statement for December. If the Regulatory Authority determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1Y  
Page 1 of 2**

**LARGE RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a large residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development and builders prior to sale or re-sale of a property for domestic purposes.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$35.00 plus

A delivery charge per monthly billing period @ \$0.95435 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 130 Ccf	Small Residential, Rate Schedule 1Z
Annual Normalized Volume 130 Ccf or Greater	Large Residential, Rate Schedule 1Y

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Initial Rate Schedule

Meters Read On and After  
TBD



**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 1Y**  
**Page 2 of 2**

**LARGE RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1Z  
Page 1 of 2**

**SMALL RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a small residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development and builders prior to sale or re-sale of a property for domestic purposes.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$20.00 plus

A delivery charge per monthly billing period @ \$2.33897 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 130 Ccf	Small Residential, Rate Schedule 1Z
Annual Normalized Volume 130 Ccf or Greater	Large Residential, Rate Schedule 1Y

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 1Z**  
**Page 2 of 2**

**SMALL RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 2Y  
Page 1 of 2**

**LARGE COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to large commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$250.00 plus

A delivery charge per monthly billing period @ \$0.21049 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 5,000 Ccf	Small Commercial, Rate Schedule 2Z
Annual Normalized Volume 5,000 Ccf or Greater	Large Commercial, Rate Schedule 2Y

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 2Y**  
**Page 2 of 2**

**LARGE COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 2Z  
Page 1 of 2**

**SMALL COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to small commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$80.00 plus

A delivery charge per monthly billing period @ \$0.61849 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 5,000 Ccf	Small Commercial, Rate Schedule 2Z
Annual Normalized Volume 5,000 Ccf or Greater	Large Commercial, Rate Schedule 2Y

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 2Z**  
**Page 2 of 2**

**SMALL COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 3Z  
Page 1 of 2**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- Division B - Mining - all Major Groups
- Division D - Manufacturing - all Major Groups
- Divisions E and J - Utility and Government - facilities generating power for resale only

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$850.00 plus

A delivery charge per monthly billing period @ \$0.36782 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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD



**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 3Z**  
**Page 2 of 2**

**INDUSTRIAL SERVICE RATE (Continued)**

**CONDITIONS**

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

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 4Z  
Page 1 of 2**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying public authority, public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$200.00 plus

A delivery charge per monthly billing period @ \$0.33119 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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 4Z**  
**Page 2 of 2**

**PUBLIC AUTHORITY SERVICE RATE (Continued)**

**CONDITIONS**

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

Supersedes Rate Schedule Dated  
October 11, 2022  
(Billing implementation October 27, 2022)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 7Z**

**UNMETERED GAS LIGHT SERVICE RATE**

**APPLICABILITY**

Applicable to any Customer on Texas Gas Service Company, a Division of ONE Gas, Inc.'s system requiring natural gas service for gas lighting only, without the use of metering device. Gas service is only available to Customers utilizing standard gas lighting equipment manufactured with an orifice burner assembly or equivalent that is intended for lighting of sidewalks and other walkways. The Company, in its sole discretion, shall determine if Customer's lighting equipment qualifies for this tariff and shall contract with Customer for the appropriate monthly charge based upon Customer's complete installation of gas lighting equipment. Gas service under this rate schedule is available only with the Company as the sole supplier of gas for Customer and is not available for resale to others or for standby or supplemental service. This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc.

**TERRITORY**

Environs of the Rio Grande Valley Service Area, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

The total hourly rated consumption of all gas lighting equipment included, expressed in Ccf at the location, shall be multiplied by 730 for gas lighting equipment that runs continuously or 365 for gas lighting equipment with a light sensor, to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf, shall then be billed the rates provided in this rate schedule:

Residential	\$2.33897 per Ccf
Commercial	\$0.61849 per Ccf
Industrial	\$0.36782 per Ccf
Public Authority	\$0.33119 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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Taxes: Plus applicable taxes and fees related to above.

**CONDITIONS**

The Customer shall ensure that the installation of lighting equipment conforms to industry safety standards. The Company reserves the right to review Customer's installation of lighting equipment from time to time to determine if it conforms to terms and conditions as set forth in this tariff and the executed service agreement with the Customer. Customer shall notify Company in writing within 30 days of any change in number of gas lights or other material changes made to the gas lighting installation.

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

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 10  
Page 1 of 2**

**SMALL RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a small residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development and builders prior to sale or re-sale of a property for domestic purposes.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$20.00 plus

A delivery charge per monthly billing period @ \$2.33897 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 130 Ccf	Small Residential, Rate Schedule 10
Annual Normalized Volume 130 Ccf or Greater	Large Residential, Rate Schedule 15

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Energy Efficiency Program: The billing shall reflect adjustments in accordance with provisions of the Energy Efficiency Program, Rate Schedules EEP and IEE.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Supersedes Rate Schedule Dated  
July 27, 2022

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 10**  
**Page 2 of 2**

**SMALL RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 15  
Page 1 of 2**

**LARGE RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a large residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development and builders prior to sale or re-sale of a property for domestic purposes.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$35.00 plus

A delivery charge per monthly billing period @ \$0.95435 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 130 Ccf	Small Residential, Rate Schedule 10
Annual Normalized Volume 130 Ccf or Greater	Large Residential, Rate Schedule 15

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Energy Efficiency Program: The billing shall reflect adjustments in accordance with provisions of the Energy Efficiency Program, Rate Schedules EEP and IEE.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 15**  
**Page 2 of 2**

**LARGE RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Initial Rate Schedule

Meters Read On and After  
TBD



**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 20  
Page 1 of 2**

**SMALL COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to small commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$80.00 plus

A delivery charge per monthly billing period @ \$0.61849 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 5,000 Ccf	Small Commercial, Rate Schedule 20
Annual Normalized Volume 5,000 Ccf or Greater	Large Commercial, Rate Schedule 25

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Energy Efficiency Program: The billing shall reflect adjustments in accordance with provisions of the Energy Efficiency Program, Rate Schedules EEP and 1EE.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 20**  
**Page 2 of 2**

**SMALL COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 25  
Page 1 of 2**

**LARGE COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to large commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$250.00 plus

A delivery charge per monthly billing period @ \$0.21049 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer’s service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

Annual Normalized Volume Less than 5,000 Ccf	Small Commercial, Rate Schedule 20
Annual Normalized Volume 5,000 Ccf or Greater	Large Commercial, Rate Schedule 25

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer’s next scheduled bill.

**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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Energy Efficiency Program: The billing shall reflect adjustments in accordance with provisions of the Energy Efficiency Program, Rate Schedules EEP and 1EE.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 25**  
**Page 2 of 2**

**LARGE COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Initial Rate Schedule

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 30**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- Division B - Mining - all Major Groups
- Division D - Manufacturing - all Major Groups
- Divisions E and J - Utility and Government - facilities generating power for resale only

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

- A customer charge per meter per month of \$850.00 plus
- A delivery charge per monthly billing period @ \$0.36782 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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

**CONDITIONS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 40**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying public authority, public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge per meter per month of \$200.00 plus

A delivery charge per monthly billing period @ \$0.33119 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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 70**

**UNMETERED GAS LIGHT SERVICE RATE**

**APPLICABILITY**

Applicable to any Customer on Texas Gas Service Company, a Division of ONE Gas, Inc.'s system requiring natural gas service for gas lighting only, without the use of metering device. Gas service is only available to Customers utilizing standard gas lighting equipment manufactured with an orifice burner assembly or equivalent that is intended for lighting of sidewalks and other walkways. The Company, in its sole discretion, shall determine if Customer's lighting equipment qualifies for this tariff and shall contract with Customer for the appropriate monthly charge based upon Customer's complete installation of gas lighting equipment. Gas service under this rate schedule is available only with the Company as the sole supplier of gas for Customer and is not available for resale to others or for standby or supplemental service. This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc.

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

The total hourly rated consumption of all gas lighting equipment included, expressed in Ccf at the location, shall be multiplied by 730 for gas lighting equipment that runs continuously or 365 for gas lighting equipment with a light sensor, to determine the average monthly consumption of the service. The result, rounded to the next highest Ccf, shall then be billed the rates provided in this rate schedule:

Residential	\$2.33897 per Ccf
Commercial	\$0.61849 per Ccf
Industrial	\$0.36782 per Ccf
Public Authority	\$0.33119 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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

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

**CONDITIONS**

The Customer shall ensure that the installation of lighting equipment conforms to industry safety standards. The Company reserves the right to review Customer's installation of lighting equipment from time to time to determine if it conforms to terms and conditions as set forth in this tariff and the executed service agreement with the Customer. Customer shall notify Company in writing within 30 days of any change in number of gas lights or other material changes made to the gas lighting installation.

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

Initial Rate Schedule

Meters Read On and After  
TBD

**ELECTRIC GENERATION SERVICE RATE**

**APPLICABILITY**

Service under this rate schedule is available to any customer who enters into a contract with Texas Gas Service Company, a Division of ONE Gas, Inc. to use natural gas for the purpose of electric generation. Electric generation is defined as facilities registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and or backup power systems.

**TERRITORY**

This rate shall be available in the unincorporated areas of the Rio Grande Valley Service Area which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge of \$250.00 plus

A delivery charge per monthly billing period @ \$0.21049 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 provisions of the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.



**ELECTRIC GENERATION SERVICE RATE (Continued)**

**CONDITIONS**

1. Gas taken under this rate shall be used exclusively for the purpose of electric generation as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.
2. For the purpose of this rate, the annual load factor must be 60 percent or greater. The annual load factor is defined as the customer's total annual consumption divided by the customer's peak month consumption times twelve. If less than 60 percent load factor occurs for a twelve-month period, the rate charged will revert back to the rate that the customer would have otherwise been served under. A continuous twelve-month period of 60 percent or better load factor must precede a return to the electric generation rate.
3. To qualify for the summer discounts, the customers' peak summer months load must be at least 75 percent of the customers' peak winter months load. Failure to meet this requirement will result in an adjustment to the customers' October bill equal to the difference between the winter and summer rates times that year's total May through September consumption by that customer.
4. Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE C-1  
Page 1 of 2**

**ELECTRIC GENERATION SERVICE RATE**

**APPLICABILITY**

Service under this rate schedule is available to any customer who enters into a contract with Texas Gas Service Company, a Division of ONE Gas, Inc. to use natural gas for the purpose of electric generation. Electric generation is defined as facilities registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and or backup power systems.

**TERRITORY**

This rate shall be available in the incorporated areas of the Rio Grande Valley Service Area which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A customer charge of \$250.00 plus

A delivery charge per monthly billing period @ \$0.21049 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 provisions of the Cost of Gas Clause, Rate Schedule 1-INC.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Initial Rate Schedule

Meters Read On and After  
TBD

**ELECTRICAL COGENERATION SERVICE RATE (Continued)**

**CONDITIONS**

1. Gas taken under this rate shall be used exclusively for the purpose of electric generation as defined in the Applicability section of this rate schedule and not for other purposes. The gas taken under this rate will be separately metered.
2. For the purpose of this rate, the annual load factor must be 60 percent or greater. The annual load factor is defined as the customer's total annual consumption divided by the customer's peak month consumption times twelve. If less than 60 percent load factor occurs for a twelve-month period, the rate charged will revert back to the rate that the customer would have otherwise been served under. A continuous twelve-month period of 60 percent or better load factor must precede a return to the electric generation rate.
3. To qualify for the summer discounts, the customers' peak summer months load must be at least 75 percent of the customers' peak winter months load. Failure to meet this requirement will result in an adjustment to the customers' October bill equal to the difference between the winter and summer rates times that year's total May through September consumption by that customer.
4. Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

## PIPELINE INTEGRITY TESTING (PIT) RIDER

### PURPOSE

The purpose of this Pipeline Integrity Testing Rider is to promote the public interest in pipeline safety by enabling Texas Gas Service Company, a Division of ONE Gas, Inc. ("TGS" or the "Company") to recover the reasonable and necessary Pipeline Integrity Safety Testing expenses incurred by the Company during the prior year (including contractor costs but excluding the labor cost of TGS employees. These legally mandated operating and maintenance expenses shall be recovered through a separate monthly volumetric charge (the Pipeline Integrity Testing or "PIT" Surcharge) that shall be shown as a separate line item on the customer's monthly bill and calculated for each customer class as described below. Capital expenditures associated with the Pipeline Integrity Program shall continue to be recovered through base rates and any interim rate adjustments implemented pursuant to Section 104.301 of the Gas Utility Regulatory Act.

### APPLICABILITY

This Rider shall be applied to all gas sales and transportation customers within the service territory designated below, except special contract customers.

### TERRITORY

This Rider shall apply to the following gas sales and standard transportation rate schedules of the Company's Rio Grande Valley Service Area ("RGVSA"), within the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos, and the unincorporated areas of Jim Hogg and Starr counties, Texas: 10, 15, 20, 25, 30, 40, C-1, 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, C-1-ENV, T-1, and T-1-ENV.

### QUALIFYING EXPENSES

This Rider applies only to the legally mandated safety testing of the Company's transmission lines in the RGVSA under the Pipeline Integrity Safety Testing Program. The operating and maintenance expense items that qualify for recovery under this Rider shall include the contractor costs associated with land and leak survey, permitting, and job order preparation and completion; the clearing of right-of-way; any needed notifications to adjacent businesses and residences; traffic control equipment and personnel; Direct Current Voltage Gradient ("DCVG"), Close Interval ("CI"), and other surveys to ensure the integrity of the pipeline system; any required rigid bypasses; flushing of the lines and testing and disposal of the flush water; hydrostatic testing of the lines and analysis and disposal of the test water; any required "pigging" of the lines in connection with safety testing; any required x-ray welding; metallurgical testing of the pipeline or components thereof; site restoration, painting, and clean-up; expenses associated with providing a supply of compressed natural gas ("CNG") to ensure uninterrupted service to customers during testing; and any other

Supersedes Rate Schedule Dated  
October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

Meters Read On and After  
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**PIPELINE INTEGRITY TESTING (PIT) RIDER  
(Continued)**

operating and maintenance expenses reasonably necessary to safely and effectively perform required safety testing of the Company's pipelines in the RGVSA. Neither capital expenditures by the Company, nor the labor cost of TGS employees, shall be recovered under this Rider.

**CALCULATION OF PIT SURCHARGES**

The Pipeline Integrity Testing Surcharges established under this Rider shall be designed so as to recover the Total Testing Expense incurred in the prior year for Pipeline Integrity Safety Testing, and shall be calculated as follows:

The Total Annual Testing Expense shall be divided by the estimated average annual usage to produce the annual PIT Surcharge.

$$\text{PIT Surcharge} = \frac{\text{Total Annual Testing Expense}}{\text{Estimated Annual Usage}}$$

Based upon customer data for the prior calendar year and any other relevant factors, the estimated annual usage may be revised annually to account for customer growth, and the resulting revised PIT Surcharge shall be applied to each class for the ensuing 12-month recovery period.

**ANNUAL RECONCILIATION**

After completion of each annual recovery period, the total revenues collected under this Rider for that year shall be reconciled against the revenues previously calculated to be collected for that year, and the PIT Surcharge for each class shall be adjusted upward or downward so that the Company recovers any underrecoveries or refunds any overrecoveries that may have accrued under the Rider, plus monthly interest on those underrecoveries or overrecoveries at the cost of long-term debt approved in the Company's most recent general rate case in which rates were set for application to customers in the RGVSA. The reconciliation shall be filed with the regulatory authority on or before February 1st of each year, and the regulatory authority shall complete its review of the reconciliation on or before March 21st of each year, so that the Company can implement the reconciled PIT Surcharges beginning with the first billing cycle for April of each succeeding year.

**DEFERRED ACCOUNTING**

The Company is authorized and directed to defer, as a regulatory asset, all Pipeline Integrity Safety Testing expenses incurred during the testing cycle starting on January 1, 2016 and all revenues specifically collected under this Rider shall be applied to the deferred expense account. The Company shall not earn a return on any regulatory asset created under this provision, and no such regulatory asset shall be included in the Company's invested capital (rate base) for ratemaking purposes.

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**PIPELINE INTEGRITY TESTING (PIT) RIDER  
(Continued)**

**ANNUAL REPORT & APPLICABLE PSCC**

On or before February 1st after each calendar year, the Company shall file a report with the Commission and the RGVSA Cities showing all Pipeline Integrity Safety Testing expenses incurred during the previous calendar year and verifying the prior year's collections and any underrecoveries or overrecoveries accruing to date under this Rider. The report shall separately identify and list such expenses by account number and project number. Prior to the effective date of this Rider and on or before February 1st of each succeeding year while this Rider is in effect, the Company shall also file an Addendum to this Rider with the Commission and the RGVSA Cities (a) identifying the PIT Surcharges that will be applied during the ensuing 12-month recovery period from April through March billing cycles, and (b) providing the underlying data and calculations on which each PIT Surcharge for that period is based.

The Company shall file the report with the Commission electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Director of Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

**NOTICE TO AFFECTED CUSTOMERS**

In addition to the annual report and Addendum to this Rider required above, the Company shall provide, on or before March 31st after each calendar year, written notice to each affected customer of (a) the PIT Surcharge that will be applied during the ensuing 12-month period from April through March billing cycles, and (b) the effect the PIT Surcharge is expected to have on the average monthly bill for each affected customer class. The written notice shall be provided in both English and Spanish, shall be the only information contained on the piece of paper on which it is printed, and may be provided either by separate mailing or by insert included with the Company's monthly billing statements, including electronic billing statements. The Company shall also electronically file an affidavit annually with the Commission and the RGVSA Cities certifying that notice has been provided to customers in this manner. The notice shall be presumed to be complete three calendar days after the date the separate mailing or billing statement is deposited in a postage-paid, properly addressed wrapper in a post office or official depository under care of the United States Postal Service. The initial notice shall be filed with, reviewed, and approved by the regulatory authority, and each subsequent notice shall follow the same format as that of the approved initial notice.

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October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

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**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE PIT-RIDER**

**PIPELINE INTEGRITY TESTING (PIT) SURCHARGE RIDER**

**A. APPLICABILITY**

The Pipeline Integrity Testing Surcharge (PIT) rate as set forth in Section (B) below is for the recovery of costs associated with pipeline integrity testing as defined in Rate Schedule PIT. This rate shall apply to the following gas sales and standard transportation rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. currently in force in the Company's Rio Grande Valley Service Area ("RGVSA") within the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.: 10, 15, 20, 25, 30, 40, C-1, T-1, 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, C-1-ENV, and T-1-ENV.

**B. PIT RATE**

\$0.04923 per Ccf

This rate will be in effect until all approved and expended pipeline integrity testing expenses are recovered under the applicable rate schedules.

**C. OTHER ADJUSTMENTS**

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

**D. CONDITIONS**

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

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

## RULES OF SERVICE

### RIO GRANDE VALLEY SERVICE AREA

Effective for Meters Read On and After TBD

Communications Regarding this Tariff Should Be Addressed To:

Customer Relations

401 N. Harvey

Oklahoma City, OK 73102

[customerrelations@onegas.com](mailto:customerrelations@onegas.com)

(405) 551-6752

Supersedes and Replaces Rules and Regulations for “Incorporated Rio Grande Valley Service Area” (Incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas) dated October 18, 2017 and “Unincorporated Rio Grande Valley Service Area” (Unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties) dated March 27, 2018



Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

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Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

SECTION 1 — GENERAL STATEMENT AND DEFINITIONS

1.1 TARIFF APPLICABILITY

Texas Gas Service Company, a Division of ONE Gas, Inc. (the “Company”) operates as a gas utility under Texas Utilities Code § 101.003(7) within the State of Texas. This Tariff applies to all incorporated areas, unincorporated areas and census designated places in the Company’s Rio Grande Valley Service Area comprised of the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties.

Service under this Tariff is subject to the original jurisdiction of the municipalities in the Rio Grande Valley Service Area and the Railroad Commission of Texas. The Company will provide service to any person and/or business within its service area in accordance with the rates, terms and conditions provided for in its Tariff and regulations.

1.2 RATE SCHEDULES

All Customers shall be served under rate schedules filed with the municipality or Railroad Commission of Texas. Customers shall be assigned to rate schedules in accordance with the class of the particular Customer, the usage which will be made of the gas and that Customer’s volume requirements. The Company shall advise an Applicant or Customer regarding the most economical rate for their usage if more than one rate is applicable. A Customer assigned to a rate schedule shall remain on that schedule for a minimum of one year except that an assignment made in error may be corrected immediately. In the event of a question regarding the Customer’s classification, the questions shall be resolved by reference to the coding of the Customer’s primary business in the latest edition of the Standard Industrial Classification Manual of the United States Government’s Office Management and Budget.

1.3 DEFINITIONS

The following definitions shall apply to the indicated words as used in this Tariff:

Adder: Shall mean the Company’s incremental cost to purchase natural gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Agricultural Service: Service to Consumers engaged in agricultural production.

Applicant: Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

<u>Automated Meter Reading (AMR):</u>	The process of remotely reading a gas meter.
<u>Average Day Usage:</u>	The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.
<u>Blanket Builder:</u>	A builder or someone acting for a builder who requests the installation of service lines.
<u>Btu:</u>	Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.
<u>Commercial Service:</u>	Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.
<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a Division of ONE Gas, Inc.
<u>Consumer:</u>	Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (Central Standard Time) on one calendar day and ending at 9:00 a.m. (Central Standard Time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Domestic Service:</u>	Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.
<u>Electric Generation Service:</u>	Electric generation assets that are registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and/or backup power systems.
<u>Electronic Document:</u>	Any document sent electronically via email or the internet.
<u>Electronic Flow Measurement (EFM):</u>	An electronic means of obtaining readings on a gas meter.
<u>Electronic Fund Transfer (EFT):</u>	The process to convert a paper check or electronic bill payment request to an electronic transfer. Paper checks received by Company or their agents are destroyed.
<u>Electronic Radio Transponder (ERT):</u>	A device that assists with remotely reading a gas meter.
<u>Excess Flow Valve (EFV):</u>	A safety device installed on a natural gas service line. The EFV is designed to automatically shut off the flow of natural gas in the service line and mitigate the impact of a significant break, puncture or severance in the line. EFVs are not designed to shut off the flow of gas in the line breaks at the connection of a gas appliance in a residence or in the customer's piping system (interior or exterior) on the customer's side of the gas meter.
<u>Expedited Service:</u>	Customer request for same day service or service during non-business hours for connection or reconnection of gas service.
<u>Firm Service:</u>	Services offered to Customers (regardless of class of service) under schedules or contracts that anticipate no interruptions. Service may be interrupted or curtailed at the discretion of the Company during Force Majeure events.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

Force Majeure:

If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

General Rate Schedule:

A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.

Industrial Service:

Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

<u>Irrigation or Irrigation Pumping Service:</u>	(SIC Division A - Major Group 01) who use gas for operating engine-driven pumping equipment.
<u>Master Meter:</u>	A single large volume gas measurement device by which gas is metered and sold to a single purchaser who distributes the gas to one or more additional persons downstream from that meter. Master meter operators shall comply with the minimum safety standards in 49 CFR Part 192.
<u>Mcf:</u>	Shall mean one thousand (1,000) cubic feet of Gas.
<u>Month:</u>	Shall mean the period beginning at 9:00 a.m. Central Standard Time on the first Day of each calendar month and ending at 9:00 a.m. Central Standard Time on the first Day of the next succeeding calendar month.
<u>Monthly Tolerance Limit:</u>	Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.
<u>Optional Rate Schedule:</u>	A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require installation of special equipment.
<u>Overtime Rate:</u>	The fee charged by the Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside the Company's normal business hours.
<u>Payment in Kind (PIK):</u>	Shall mean a reimbursement for lost and unaccounted for gas.
<u>PDA:</u>	Shall mean a predetermined allocation method.
<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of the Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.
<u>Point of Receipt:</u>	Shall mean the point or points where the Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

<u>Qualified Supplier:</u>	Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Rio Grande Valley Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Special Rate Schedule:</u>	A rate schedule designed for a specific Customer.
<u>System:</u>	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over the Company or the services provided hereunder.
<u>Temporary Service:</u>	Any service which will not be utilized continuously at the same location for a period of two or more years.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.
<u>Transportation Rate Schedule:</u>	A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.
<u>Transportation Service:</u>	The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	Shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. Central Standard Time on each Monday and ending at the same time on the next succeeding Monday.
<u>Year:</u>	Shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

SECTION 2. [Reserved for future rules]



Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

SECTION 3. RATES AND UTILITY CHARGES

Current Rate Schedules are on file with each applicable Regulatory Authority and available on the Company's website at <https://www.texasgasservice.com/rateinformation/home>.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

SECTION 4 — CONDITIONS OF SERVICE

4.1 PROVISION OF SERVICE

The Company will provide gas service to any person or organization located within the Rio Grande Valley Service Area from the Company's facilities or in certain cases, the facilities of its supplier, in accordance with the provisions of this Tariff and other applicable Rate Schedules.

4.2 FEES AND CHARGES

All fees and charges assessed by the Company to provide and maintain utility services are as provided for in this Tariff. If the Customer elects transportation service, the commodity cost of gas shall be determined between the Customer and the Customer's selected supplier.

4.3 RESALE OF GAS

Gas delivered by the Company shall not be redelivered or resold for the use thereof by others unless otherwise expressly agreed to in writing by the Company; provided, however, that those Customers receiving gas for redistribution to the Customer's tenants may separately meter each tenant's distribution point for the purpose of prorating the Customer's actual amount of gas delivered among the various tenants on a per unit basis.

4.4 CONTINUITY OF SERVICE

a) Service interruptions

- i) The Company shall make all reasonable efforts to prevent interruptions of Firm Service. When interruptions occur, the Company shall reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of Customers are affected.
- ii) The Company shall make reasonable provisions to meet emergencies resulting from failure of service and shall issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.
- iii) In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.
- iv) Curtailment of Firm Service will be done in accordance with Texas Administrative Code Title 16, Part 1, Chapter 7, Subchapter D, Rule §7.455 Curtailment Standards.

- b) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of interruptions, date, time duration, location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence, if applicable.

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- c) Report to Railroad Commission of Texas. The Commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four hours. The notice shall also state the Company's belief as to the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this Section.
- d) The Company does not guarantee uninterrupted service to any Customer and shall not be liable for damages resulting from any loss of service to any Customer.

4.5 AVAILABILITY OF TARIFFS

A copy of this Tariff and other Rate Schedules can be requested through TGS's customer service number at 1-800-700-2443 (non-emergency number) or requested under the 'Contact Us' section of [www.texasgasservice.com](http://www.texasgasservice.com) and are available on the Company's website at <https://www.texasgasservice.com/rateinformation/home>.

4.6 CUSTOMER INFORMATION

The Company shall:

- a) Maintain a current set of maps showing the physical locations of its facilities. All distribution facilities shall be labeled to indicate the size or any pertinent information which will accurately describe the Company's facilities. These maps, or such other maps as may be required by the Regulatory Authority, shall be kept by the Company in a central location and will be available for inspection by the Regulatory Authority during normal working hours. Each business office or service center shall have available up-to-date maps, plans or records of its immediate area, with such other information as may be necessary to enable the Company to advise applicants and others entitled to the information as to the facilities available for serving that locality;
- b) Assist the Customer or Applicant in selecting the most economical rate schedule;
- c) In compliance with applicable law or regulations, notify customers affected by a change in rates or schedule or classification;
- d) Post a notice in a conspicuous place in each business office of the utility where applications for service are received informing the public that copies of the rate schedules and rules relating to the service of the utility as filed with the Commission are available for inspection;
- e) Upon request inform its customers as to the method of reading meters;
- f) Make available, during normal business hours, such additional information on rates and services as any Customer or Applicant may reasonably request; and
- g) Provide to new customers, at the time service is initiated or as an insert in the first billing, a pamphlet or information packet containing the following information. The Company may provide this notification to customers electronically. This information shall be provided in English and Spanish as necessary to adequately inform the customers; provided, however, the

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Regulatory Authority upon application and a showing of good cause may exempt the Company from the requirement that the information be provided in Spanish:

- i) the Customer's right to information concerning rates and services and the Customer's right to inspect or obtain at reproduction cost a copy of the applicable tariffs and service rules;
  - ii) the Customer's right to have their meter checked without charge under Section (7) of the Commission's Rule 7.45, if applicable;
  - iii) the time allowed to pay outstanding bills;
  - iv) grounds for termination of service;
  - v) the steps the Company must take before terminating service;
  - vi) how the Customer can resolve billing disputes with the Company and how disputes and health emergencies may affect termination of service;
  - vii) information on alternative payment plans offered by the Company;
  - viii) the steps necessary to have service reconnected after involuntary termination;
  - ix) the appropriate Regulatory Authority with whom to register a complaint and how to contact such authority;
  - x) the hours, addresses and telephone numbers of utility offices where bills may be paid and information may be obtained; and
  - xi) the Customer's right to be instructed by the Company how to read their meter.
- h) At least once each calendar year, the Company shall notify Customers that information is available upon request, at no charge to the Customer, concerning the items listed in subsection (g) above. This notice may be accomplished by use of a billing insert or a printed statement upon the bill itself. The Company may provide this notification to Customers electronically.

4.7 CUSTOMER COMPLAINTS

Upon complaint to the Company by residential or small commercial customers either at its office, by letter, or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof. The Company shall keep a record of all complaints which shall show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint.

4.8 COMPANY RESPONSE

Upon receipt of a complaint, either by letter or by telephone, from the Regulatory Authority on behalf of a customer, the utility shall make a suitable investigation and advise the Regulatory Authority and

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complainant of the results thereof. An initial response must be made by the next working day. The Company must make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period. The Commission encourages all customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of the Company; however, telephone communications will be acceptable.

4.9 LIMITATION OF LIABILITY

**THE CUSTOMER ASSUMES ALL RESPONSIBILITY FOR ALL FACILITIES AND THEIR INSTALLATION, MAINTENANCE, OPERATION, FUNCTIONALITY, TESTING AND CONDITION THEREOF ON THE CUSTOMER'S SIDE OF THE POINT OF DELIVERY OF GAS TO THE PROPERTY OF THE CUSTOMER OR TO THE PREMISES OF THE CONSUMER, AS DEFINED IN SECTION 12.11. THE COMPANY IS NOT LIABLE TO A CUSTOMER, AND CUSTOMER SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND THE COMPANY AND ITS EMPLOYEES OR AGENTS FROM ANY AND ALL CLAIMS OR LIABILITY FOR DAMAGES OF ANY KIND OR NATURE INCLUDING, BUT NOT LIMITED TO, PERSONAL INJURY, DAMAGE TO PROPERTY, ANY INCIDENTAL, CONSEQUENTIAL, BUSINESS INTERRUPTION, OR OTHER ECONOMIC OR OTHER DAMAGES OR LOSSES IN ANY MANNER DIRECTLY, INDIRECTLY OR ARISING FROM, OR CAUSED BY ACTS OR OMISSIONS OF ANY PERSON OR PARTY ON THE CUSTOMER'S SIDE OF SAID POINT OF DELIVERY OF GAS TO THE PROPERTY OF THE CUSTOMER OR TO THE PREMISE OF THE CONSUMER, AS DEFINED IN SECTION 12.11.**

The Company shall be liable to the Customer or Consumer only for personal injury or property damages directly caused by the negligent acts or omissions of the Company or its employees occurring on the Company's side of the point of delivery. The Company shall not be liable or responsible for damages of any kind or nature including, but not limited to, personal injury, property damages, or any other loss or damages arising from or caused by the acts or conduct, negligence or intentional act or omission of any person, other than an employee of the Company, who adjusts, repairs, disconnects, changes, alters, or tampers with the Company's meter or facilities in any way.

In no event shall the Company or its employees be liable for any indirect, incidental, consequential, business interruption, or other economic damages or losses of Customer, Consumer, or third parties including, but not limited to, lost time, lost money, lost profits, or out of pocket expenses whether in contract, tort, or otherwise, and whether such damages are seen or unforeseen in any manner, directly or indirectly, arising from, caused by, or growing out of the interruption or termination of gas utility service.

If Company becomes unable to provide gas utility service, either wholly or in part, by an event of Force Majeure, the obligations affected by the event of Force Majeure will be suspended only during the continuance of that inability. The term "Force Majeure" means acts of God, extreme weather events, industrial disturbances, acts of public enemies, wars, blockades, insurrections, riots, epidemics, pandemics, earthquakes, fires, priority allocations of gas services, restraints or prohibitions by any court, board, department, commission or agency of the United States or of any States, any restraints, civil disturbances, explosions, or other occurrence beyond the control and without the fault or negligence of the Company and which the Company is unable to prevent or provide against by the exercise of

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reasonable diligence. Company will remedy its inability to provide gas utility service as soon as possible.

The Customer shall make or procure, and hereby agrees to make or procure, conveyance to the Company of perpetual right-of-way across the property owned or controlled by the Customer that is satisfactory to the Company, provides clear access to Company's facilities, and enables the Company to provide service to Customer's property or the premises of the Consumer.

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SECTION 5 — INITIATION OF SERVICE

5.1 REGULAR SERVICE

Application for service can be made by telephone or through the internet. Each Applicant must comply with the appropriate requirements of this Tariff before service shall be instituted. No written agreement shall be required for residential service under the standard provisions of this Tariff; commencement of service by the Company and the use of gas service by the Customer shall be evidence of such agreement. Any Customer requesting service under any special provision of this Tariff must execute a written agreement for service in the form prescribed by the Company designating those provisions which shall apply. Each Applicant may be required to produce two forms of verifiable identification; one being a government-issued identification card bearing a photograph of Applicant; and verifiable proof of their right to occupy a specific service address as of a specific date of occupancy.

5.2 RESPONSE TO REQUEST FOR SERVICE

Every gas utility must serve each qualified applicant for service within its service area as rapidly as practical. As a general policy, those applications not involving line extensions or new facilities should be filled within seven working days. Those applications for individual residential service requiring line extensions should be filled within 90 days unless unavailability of materials or other causes beyond the control of the Company result in unavoidable delays. In the event the residential service is delayed in excess of 90 days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report must be made to the Regulatory Authority listing the name of the applicant, location and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the utility, a delay in excess of 90 days may be found to constitute a refusal to serve.

5.3 SPECIAL CONTRACTS

Under certain special conditions, the Company may agree to rates, terms or conditions of service other than those provided in this Tariff. Such service must be established under the terms of a special contract or service agreement. To the extent that the provisions of any special contract are at variance with this Tariff, the provisions of the contract shall apply.

5.4 TEMPORARY SERVICE

Temporary Service shall be furnished under the same rate schedules applicable to regular service of a similar kind.

5.5 FEES AND CHARGES

The Company shall charge a non-refundable fee to each Applicant to compensate for the cost involved in initiation or reconnection of service or when service is transferred from one name to another at any location, or whenever a meter is reset or relocated on the same premises at the request of the Customer, all as specified in Section 15 of this Tariff.

Whenever the Applicant requests expedited service, the Company will accomplish the work as expeditiously as possible and the Customer will be charged at the Company's approved rate for service work. Expedited service and the charges therefore shall be made only on request of the Applicant. Whenever service is furnished from the facilities of a third party and the Company must pay any special

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fees to that third party, the Company may, at its option, pass that charge plus 20% for handling through to the Applicant requesting service. See Section 15 relating to fees.



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## SECTION 6 — REFUSAL OF SERVICE

### 6.1 COMPLIANCE BY APPLICANT

The Company may decline to serve an Applicant for whom service is available from previously installed facilities until such Applicant has complied with the state and municipal regulations and approved rules and regulations of the Company on file with the Commission governing the service applied for or for the following reasons:

- a) If the Applicant's installation or equipment is known to be hazardous or of such character that satisfactory and safe service cannot be given. The existence of an unsafe condition, such as a leak in the Applicant's piping system, shall be in the Company's sole opinion of endangerment to life or property;
- b) If the Applicant is indebted to the Company for the same kind of service as that applied for; provided, however, that in the event the indebtedness of the Applicant for service is in dispute, the Applicant shall be served upon complying with the applicable deposit requirement;
- c) For refusal to make a deposit if Applicant is required to make a deposit under this Tariff;
- d) Failure to pay fees, advances or contributions required for service under this Tariff;
- e) Delinquency in payment for gas service by another occupant if that person still resides at the premises to be served;
- f) To any Applicant who refuses Company or Company's representatives access to or entry for observation or whose facilities do not comply with the applicable provision of this Tariff.
- g) Failure of the Applicant to furnish any service or meter location specified for service under this Tariff; or
- h) Failure of the Applicant to provide satisfactory identifying information as required by the Federal Trade Commission's Red Flag Rules and the Company's Identity Theft Prevention Program.

The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve in a manner satisfactory to the Company.

### 6.2 APPLICANT'S RECOURSE

In the event that the Company shall refuse to serve an Applicant under this Section, the Company must inform the Applicant of the basis of its refusal and that the Applicant may file a complaint with the municipal regulatory authority or Commission, whichever is appropriate. The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve.

### 6.3 INSUFFICIENT GROUNDS FOR REFUSAL TO SERVE

The following shall not constitute sufficient cause for refusal of service to a present Customer or Applicant:

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- a) Delinquency in payment for service by a previous occupant of the premises to be served;
- b) Failure to pay for merchandise or charges for nonutility service purchased from the utility;
- c) Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six months prior to the date of application;
- d) Violation of the Company's rules pertaining to operation of nonstandard equipment or unauthorized attachments which interfere with the service of others unless the customer has first been notified and been afforded reasonable opportunity to comply with these rules;
- e) Failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the Company as a condition precedent to service; and
- f) Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of the Company's bill.

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SECTION 7 — DISCONTINUANCE OF SERVICE

7.1 CUSTOMER REQUESTED DISCONTINUANCE

The Customer shall be responsible for all charges and amounts billed from the time Customer gives notice of their intention to discontinue service until the Company has read the meter, or for 5 working days from the date of such notice, whichever is the shorter period of time.

7.2 DUE DATE OF BILL

The due date of the bill for the Company's service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the Regulatory Authority. A bill for the Company's service is delinquent if unpaid by the due date.

7.3 DELINQUENT ACCOUNT

A Customer's utility service may be disconnected if the bill or other charges authorized by this Tariff or the applicable rate schedules have not been paid or a deferred payment plan pursuant to this Tariff has not been entered into within five (5) working days after the bill has become delinquent and proper notice has been given. Proper notice consists of a deposit in the United States mail, postage prepaid, or hand delivery to the Customer at least five (5) working days prior to the stated date of disconnection, with the words "TERMINATION NOTICE" or similar language prominently displayed on the notice. The notice shall be provided in English and Spanish as necessary to adequately inform the Customer, and shall include the date of termination, the hours, address, and telephone number where payment may be made, and a statement that if a health or other emergency exists, the Company may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customers as specified in Section 15.

7.4 REASONS FOR DISCONNECTION

The Company's service may be disconnected for any of the following reasons:

- a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists or where a known dangerous condition exists for as long as the condition exists;
- b) Without notice for willful destruction or damage to or tampering with or bypassing the Company's meter or equipment by the Consumer or by others with knowledge or negligence of the Consumer;
- c) Within 5 working days after written notice for violation of the Company's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.
- d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in higher priority classes pursuant to applicable Commission rules;

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- e) 5 working days after written notice from the Company for refusal to grant Company personnel or its designee's access to the Consumer's premises at any reasonable time for any lawful purpose;
- f) 5 working days after written notice from the Company for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;
- g) For Customers on transportation service, the Company may discontinue service upon request of a Qualified Supplier, provided however, that the Qualified Supplier represents to the Company that notice has been given to the Customer by the Qualified Supplier of delinquency in payment at least 5 working days prior to Qualified Supplier's request for disconnection, and provided that Qualified Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;
- h) failure to pay a delinquent account or failure to comply with the terms a deferred payment plan for installment payment of a delinquent account;
- i) Failure to comply with deposit or guarantee arrangements where required by this Tariff; or
- j) Within 5 working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.

7.5 DISCONNECTION NOT ALLOWED

The Company's service may not be disconnected for any of the following reasons:

- a) Within a period of 5 working days after mailing of the notice or the day following the date indicated in the notice, whichever is the later time.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) delinquency in payment for service by a previous occupant of the premises.
- d) failure to pay for merchandise or charges for nonutility service by the Company.
- e) failure to pay for a different type or class of utility service unless fee for such service is included on the same bill.
- f) failure to pay the account of another customer as guarantor thereof, unless the Company has in writing the guarantee as a condition precedent to service.
- g) failure to pay charges arising from an underbilling occurring due to any misapplication of rates more than six months prior to the current billings.

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- h) failure to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due.
- i) failure to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the Company is unable to read the meter due to circumstances beyond its control.
- j) The Company may not discontinue service to a delinquent residential Customer permanently residing in an individually metered dwelling unit when that Customer establishes that discontinuance of service will result in some person residing at that residence becoming seriously ill or more seriously ill in the service is discontinued. Any Customer seeking to avoid termination of service under this Section must make a written request supported by a written statement from a licensed physician. Both the request and the statement must be received by the Company not more than five (5) working days after the date of delinquency of the bill. The prohibition against service termination provided by this Section shall last twenty (20) days from the date of receipt by the Company of the request and statement or such lesser period as may be agreed upon by the Company and the Customer. The Customer who makes such request shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.

7.6 TIME OF DISCONNECTIONS

Unless a dangerous condition exists, or unless the Customer requests disconnection, service shall not be disconnected before 7:00 AM or after 7:00 PM on any day, or on Friday, Saturday, Sunday, Holiday, or day before a Holiday unless Company personnel are available the following day for the purpose of making collections or reconnecting service.

7.7 SUSPENSION OF DISCONNECTIONS DURING EXTREME WEATHER EMERGENCY

Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, the Company shall not disconnect natural gas service to:

- a) A delinquent residential customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.
- b) A delinquent residential customer for a billing period in which the Company receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service.
- c) A delinquent residential customer on a weekend day, unless personnel or agents of the Company are available for the purpose of receiving payment or making connections and reconnecting service.

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The Company shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over and shall work with customers to establish a payment schedule for deferred bills.

Beginning in the September or October billing periods, the Company shall give notice as follows:

- a) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to the social service agencies that distribute funds from the Low Income Home Energy Assistance Program within the Company's service areas. The Company may provide a copy electronically.
- b) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to any other social service agency of which the Company is aware that provides financial assistance to low income customers in the Company's service areas. The Company may provide a copy electronically.
- c) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to all residential customers of the Company and customers who are owners, operators or managers of master metered systems. Owners, operators or managers of master metered systems shall provide a copy of this rule to all their customers. The Company may provide a copy electronically.

7.8 RECONNECTION OF SERVICE

- a) When service has been disconnected for non-payment, the Company shall require that the Customer pay the total amount of their account then due plus the prescribed reconnect fee or make satisfactory arrangements for that payment before service is reinstated. In addition, the Company shall require that the Customer re-establish satisfactory credit in accordance with this Tariff.
- b) If disconnection has been made by the Company for reasons other than non-payment, service shall not be reinstated until the condition for which it was terminated has been corrected to the Company's satisfaction. The Customer shall also be required to pay a reconnect fee before service is turned on. When service has been disconnected at the Customer's request for a period of one year or more, the request for service shall be treated as a new application. When service has been disconnected for less than one year, the request shall be treated in the same manner as a disconnection for non-payment.
- c) The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Tariff. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 15. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 15. Customer shall be advised that an additional fee will be charged and must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected,

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the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 15 for fees.

7.9 RIGHT OF ENTRY TO DISCONNECT SERVICE

The Company shall have the right to enter the Consumer's premises at any reasonable time to shut off service in accordance with this Tariff and to remove its meter and any other Company property. If the Company is required to take legal action to enforce its rights hereunder, the Company shall be entitled to recover all of its necessary expenses and fees including, but not limited to attorneys' fees, police escort fees, the cost to discontinue service at the main, and/or the cost to relocate the meter at the Customer's expense.

7.10 ABANDONMENT OF SERVICE

The Company may not abandon a Customer without written approval from the Regulatory Authority. The Company will comply with Commission Rule 7.465.

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SECTION 8 — SECURITY DEPOSITS

8.1 ESTABLISHMENT OF CREDIT FOR RESIDENTIAL APPLICANT

The Company may require a residential Applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the Customer from complying with the rules and Tariff requirements for prompt payment of bills.

8.2 DEPOSIT REQUIRED

- a) The Company shall require a security deposit from any present or prospective Customer in accordance with this Tariff to guarantee payment of bills and
- b) From any present Customer who during the last 12 consecutive months has on more than one occasion paid its utility bill after becoming delinquent.

8.3 RESIDENTIAL DEPOSIT NOT REQUIRED

A residential Applicant shall not be required to pay a deposit:

- a) if the residential Applicant has been a Customer of any utility for the same kind of service within the last two years and is not delinquent in payment of any such utility service account and during the last 12 consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment;
- b) if the residential Applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required; or
- c) if the residential furnishes in writing a satisfactory credit rating by appropriate means, including, but not limited to, the production of generally acceptable credit cards, letters of credit references, the names of credit references which may be quickly and inexpensively contacted by the Company, or ownership of substantial equity.
- d) All Applicants for residential service who are 65 years of age or older will be considered as having established credit if such Applicant does not have an outstanding balance with the Company or another utility for the same utility service which accrued within the last two years. No cash deposit shall be required of such Applicant under these conditions.
- e) Each gas utility shall waive any deposit requirement for residential service for an Applicant who has been determined to be a victim of family violence as defined in Texas Family Code, §71.004, by a family violence center, by treating medical personnel, by law enforcement agency personnel, or by a designee of the Attorney General in the Crime Victim Services Division of the Office of the Attorney General. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site.

8.4 OTHER EXEMPTIONS FROM DEPOSIT

The Company may not require a deposit if:



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- a) The Applicant has been a Customer for the same kind of service within the last two (2) years and does not have more than one (1) occasion in which a bill for service from any such utility service account was delinquent and never had service disconnected for nonpayment;
- b) The Applicant furnishes a letter of credit acceptable and satisfactory to the Company; or
- c) The application for service is made for or guaranteed by an agency of the federal, state or local government.

8.5 REESTABLISHMENT OF CREDIT

Every Applicant who has previously been a Customer of the Company and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all amounts due to the Company or execute a written deferred payment agreement, if offered, and reestablish credit as provided in Section 8.6.

8.6 AMOUNT OF DEPOSIT

The required deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two (2) days. If such additional deposit is not made, the Company may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.

8.7 INTEREST ON DEPOSITS

- a) Each utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits according to the rate as established by law. If a refund of deposit is made within 30 days of receipt of deposit, no interest payment is required. If the Company retains the deposit more than 30 days, payment of interest shall be made retroactive to the date of deposit.
- b) Payment of interest to the Customer shall be annually or at the time the deposit is returned or credited to the Customer's account.
- c) The deposit shall cease to draw interest on the date it is returned or credited to the Customer's account.

8.8 RECORDS OF DEPOSITS

- a) The Company shall keep records to show:
  - i) the name and address of each depositor;
  - ii) the amount and date of the deposit; and
  - iii) each transaction concerning the deposit.
- b) The Company shall issue a receipt of deposit to each Applicant from whom a deposit is received and shall provide means whereby a depositor may establish claim if the receipt is lost.

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- c) A record of each unclaimed deposit must be maintained for at least four (4) years, during which time the Company shall make a reasonable effort to return the deposit.

8.9 REFUND OF DEPOSITS

Deposits on residential accounts returned to the Customer in accordance with Section 8.6 above shall be applied in the first calendar quarter following the month in which the good payment record is established. Whenever the deposit of any Customer is returned to the Customer, the Company shall pay all previously unpaid interest with the payment.

- a) If service is not connected or after disconnection of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest on the balance, if any, in excess of the unpaid bills for service furnished. The transfer of service from one premise to another within the service area of the Company shall not be deemed a disconnection within the meaning of these rules and no additional deposit may be demanded unless permitted by these rules.
- b) When a residential Customer has paid bills for service for twelve (12) consecutive residential bills without having service disconnected for nonpayment of bill and without having more than two (2) occasions in which a bill was delinquent and when the Customer is not delinquent in the payment of the current bills, the Company shall promptly and automatically refund the deposit plus accrued interest to the Customer in the form of cash, check or credit to a Customer's account.

8.10 ACCEPTABLE FORMS OF DEPOSIT

Any one of the following forms of credit security may be accepted from Customers and Applicants for service:

- a) A cash deposit of as much as one-sixth (1/6) the estimated annual billings for service requested; but no less than the minimum deposit set forth in Section 15;
- b) For commercial customers only, a nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one-sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 15; or
- c) For commercial customers only, a surety bond issued by a reputable insurance company which can be drawn on for a minimum of 2 years

8.11 DEPOSITS FOR TEMPORARY OR SEASONAL SERVICE

The Company may require a deposit for temporary or seasonal service and for weekend or seasonal residences sufficient to reasonably protect it against the assumed risk, provided such a policy is applied in a uniform and nondiscriminatory manner.

8.12 SALE OR TRANSFER OF COMPANY

Upon the sale or transfer of the Company or operating units thereof, the Company shall file with the Commission under oath, in addition to other information, a list showing the names and addresses of all

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customers served by the Company or unit who have to their credit a deposit, the date such deposit was made, the amount thereof, and the unpaid interest thereon.

8.13 COMPLAINT

The Company shall direct its personnel engaged in initial contact with an Applicant or Customer for service seeking to establish or reestablish credit under the provisions of these rules to inform the Customer, if dissatisfaction is expressed with the Company's decision, of the Customer's right to file a complaint with the regulatory authority thereon.

8.14 FRANCHISE AGREEMENTS

To the extent the terms of a franchise agreement are inconsistent with this Section, the terms of the franchise agreement control. Applicable to customers inside the corporate limits of an incorporated municipality that imposes a franchise fee to Company for the gas service provided to Customer.

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SECTION 9 — BILLING AND PAYMENT OF BILLS

9.1 RENDERING OF BILLS

Bills for gas service shall be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills shall be rendered as promptly as possible following the reading of meters.

Bills shall be due and payable in full on or before the due date, which shall be stated on the face of the bill and shall not be earlier than fifteen (15) days after the bill is mailed (including electronic mail). Bills shall be considered to have been rendered when deposited in the United States Mail with postage prepaid thereon or, when the customer has elected to receive billings via electronic mail, when the electronic document has been sent. Payment shall be considered received when the correct amount has been received through a company authorized payment method. If not paid by the date due, the bill shall be considered delinquent.

9.2 REQUIRED BILL INFORMATION

The Customer's bill must show all the following information. The information must be arranged and displayed in such a manner as to allow the customer to compute their bill with the applicable rate schedule. The applicable rate schedule must be mailed to the Customer on request of the customer.

- a) if the meter is read by the utility, the date and reading of the meter at the beginning and end of the period for which rendered;
- b) the number and kind of units billed;
- c) the applicable rate schedule title or code;
- d) the total base bill;
- e) the total of any adjustments to the base bill and the amount of adjustments per billing unit;
- f) a distinct marking to identify an estimated bill.

9.3 ESTIMATED BILLS

Where there is good reason for doing so, estimated bills may be submitted, provided that an actual meter reading is taken at least every six months. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, the utility must provide the customer with a postcard and request that the customer read the meter and return the card to the utility if the meter is of a type that can be read by the customer without significant inconvenience or special tools or equipment. If such a postcard is not received by the utility in time for billing, the utility may estimate the meter reading and render the bill accordingly.

9.4 DISPUTED BILLS

- a) In the event of a dispute between the Customer and the Company regarding the bill, the Company must make such investigation as is required by the particular case and report the

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results to the Customer. If the Customer wishes to obtain the benefits of subsection b) of this Section, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate Regulatory Authority.

- b) Notwithstanding any other subsection of this Section, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60-day period beginning on the day the disputed bill is issued. For purposes of this Section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two (2) years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar customers and under similar conditions.

9.5 PAYMENT RE-PROCESSING FEE

The Company may charge or add to the Customer's account and collect a fee (as provided in Section 15) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit and credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.

9.6 ELECTRONIC BILLING STATEMENTS

The Customer may at their option receive bills via electronic mail. Customers shall provide current, accurate and complete information to the Company and shall update their information as necessary so that it remains current, accurate and complete. The Company may verify Customer information at any time.

9.7 PAYMENT OPTIONS

The Company, at its option and discretion, may contract with payment vendors to provide various payment options and authorize these vendors to accept payments from Customers on the Company's behalf. Payment options may be electronic, telephonic, in person, or by mail and may include automatic bank draft, credit/debit card, check or cash. Contracted payment vendors may charge Customers an additional fee for the use of that payment option and the contracted payment vendor shall be solely responsible for collecting any fee from the Customer.

9.8 DEFERRED PAYMENT PLANS

The Company, at its sole discretion, may offer a deferred payment plan for delinquent Customer accounts. Deferred payment plans shall conform to the following guidelines:

- a) Every deferred payment plan entered into due to the Customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.
- b) For purposes of determining reasonableness, the following shall be considered:
  - i) size of delinquent account;

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- ii) Customer’s ability to pay;
  - iii) Customer’s payment history;
  - iv) time that the debt has been outstanding;
  - v) reasons why debt has been outstanding; and
  - vi) other relevant factors concerning the circumstances of the Customer.
- c) A deferred payment plan, if reduced to writing, shall state immediately preceding the space provided for the Customer’s signature and in bold-face print at least two sizes larger than any other used that, “If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the Company’s failure or refusal to comply with the terms of this agreement.”
- d) A deferred payment plan may include a one-time penalty up to 5.0% for late payment on the original amount of the outstanding bill except in cases where the outstanding bill is unusually high as a result of the Company's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan shall not include a finance charge.
- e) If a Customer for utility service has not fulfilled the terms of a deferred payment agreement or refuses to sign the same if it is reduced to writing, the utility shall have the right to disconnect pursuant the disconnection rules in this Tariff, and under such circumstances, it shall not be required to offer a subsequent negotiation of a deferred payment agreement prior to disconnection.
- f) The Company shall not refuse a Customer participation in a deferred payment plan on the basis of race, color, creed, sex, marital status, age, or any other form of discrimination prohibited by law.

9.9 AVERAGE PAYMENT PLAN

Any residential Customer or non-residential Customer with annual usage less than 500 Ccf may elect to participate in the Company’s Average Payment Plan (also known as the Average Bill Calculation Plan) (“APP Plan”). The terms, conditions, and other information regarding the Average Payment Plan are set forth on the Company’s website at [www.texasgasservice.com](http://www.texasgasservice.com), which is incorporated herein by reference.

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SECTION 10 — FACILITIES AND EQUIPMENT

10.1 STANDARDS OF CONSTRUCTION

The Company is to construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with the provisions of such codes and standards that are generally accepted by the industry as modified by rule or regulation of the Regulatory Authority or otherwise by law, and in such a manner to best accommodate the public and prevent interference with service furnished by other public utilities insofar as practical.

10.2 COMPANY OWNED FACILITIES

The Company shall maintain all facilities owned by it and shall be responsible for the safe conduct and handling of the gas until it passes the point of delivery. The Company's representative shall have the right to enter the Customer's premises at any reasonable time, in the event of an emergency at any time, to read the meter or make any necessary inspection, repair, adjustment, or replacement of any property owned by the Company.

10.3 CUSTOMER OWNED FACILITIES

- a) The Customer shall maintain all facilities owned by them and shall be responsible for the safe conduct and handling of the gas after it passes the point of delivery. Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of Section 10.8 of this Tariff. New facilities will continue to be installed pursuant to Sections 10.5 and 10.6 of this Tariff.
- b) The Customer shall remove, repair or adjust any Customer-owned property which may pose a threat of damage to the property of the Company. The Customer shall take all reasonable means to assure that no one other than an employee of the Company shall adjust, repair, disconnect or change the meter or other Company facilities in any way.
- c) Nothing in this Section shall make the Company responsible for the safe upkeep of any Customer or Consumer-owned facilities.
- d) In case of loss or damage to the Company's property from the negligence or willful acts of the Customer or Consumer or the Customer's or Consumer's representatives, the Customer will reimburse the Company for all costs of repairing or replacing the damaged property, including any costs of collection such as attorney's fees.

10.4 LEAKS

The Customer or Consumer shall give the Company notice of any leaking or escaping gas as soon as it is detected. Upon receipt of this notice, the Company shall investigate the matter as promptly as feasible under the circumstances. If the Company's test indicates leakage in the Customer's or Consumer's facilities, the Company shall have the right to disconnect service immediately until the Customer or Consumer has had the condition corrected. If leakage is found to be from Company owned facilities, the Company shall have the right to disconnect service for a reasonable period of time until the leakage can be corrected by the Company. The Company shall have the right to disconnect service immediately if

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any of the Customer's or Consumer's appliances or equipment is, in the Company's opinion, operating in an unsafe manner.

10.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

- a) The Company shall furnish and install at its expense, the service pipe from the Company's existing main to the property line nearest the meter and the equipment related thereto, including meter valve and service regulator. Although affixed to or buried in the Customer's property, the entire service line and meter set shall become the property of the Company and shall be operated and maintained by the Company.
- b) Whenever the meter is located at any point other than the property line, the Company shall determine the estimated cost of that portion of the service between the property line and the meter set. This estimate shall be based on the size and footage to be installed and charged in accordance with Section 11 and other applicable provisions of this Tariff. This estimated amount shall be contributed by the Applicant to the Company before construction, unless the Applicant is a qualified Blanket Builder.

10.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

- a) The Applicant shall furnish and install at their expense all piping, equipment and appliances required to conduct and utilize the gas furnished by the Company and conversions of existing equipment and appliances required to conduct and utilize the gas furnished by the Company from the outlet of the meter set to the point(s) of utilization and those portions of the service line and meter set not furnished by the Company as described in Section 10.5.
- b) The adequacy, safety and compliance with applicable codes and ordinances of piping, conversion equipment and appliances shall be the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility for the facilities installed or furnished by them. All piping, installations, and conversion equipment owned by the Applicant shall comply with all applicable federal, state, and county requirements and municipal ordinances, or otherwise, and shall be properly designed for the pressures and volumes to be handled. Where there are none, the most current International Fuel Gas Code shall apply.

10.7 RELOCATION OF COMPANY FACILITIES

- a) A charge of not more than actual cost may be made for relocating a meter or other Company equipment on the same premises at the request of the Customer or Consumer.
- b) If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.

10.8 REPLACEMENT OF CUSTOMER-OWNED PIPING

- a) When repair or replacement of Customer-owned piping becomes necessary due to deterioration of the Company's line, damage to the Company's line (except when caused by Customer or Customer's agent), relocation of the Company's distribution main, or for other safety reasons determined by the Company, the Company may relocate the Customer's meter to the exterior of



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- the building wall, as close as possible to the existing stub out (where piping exits the structure), and may replace the service piping up to the stub out. The Company will own and be responsible for all service piping from the main line to the meter, and Customer will own and be responsible for all piping from the meter to the building.
- b) The Customer may be billed for all costs of the meter relocate and pipeline replacement.
  - c) In the absence of any provision contained in a deed of dedication authorizing the Company to install the service piping and meter on Customer's premises, the owner of the premises shall execute an agreement establishing the meter location, authorizing the Company to install or replace the line, and granting Company access for such work. If the Customer or owner of the premises refuses to give Company personnel or Company authorized personnel appropriate access to the property for purposes of installation, the Customer will retain responsibility for their facilities and shall bear the expense of any replacement or repairs.

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SECTION 11 — EXTENSION OF FACILITIES

11.1 LINE EXTENSION AND CONSTRUCTION CHARGES

- a) Every utility must file its extension policy. The policy must be consistent, nondiscriminatory, and is subject to the approval of the Regulatory Authority. No contribution in aid of construction may be required of any customer except as provided for in the extension policy.
- b) The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) and Company must mutually agree to terms that justify the installation.

11.2 DESIGN AND COST OF FACILITIES

As soon as practical after a completed application for service is received, the Company shall determine the extent of the facilities required to serve the new customer and the cost thereof. This cost shall include all amounts to be spent for system improvements necessary to deliver the required gas, in accordance with the Company's current practice. Whenever the Company chooses to install facilities of greater capacity than would be required to serve the new customer for which the application is being made or to permit supply from another source, the estimate of costs shall be based on only the size and capacity normally used to serve requirements similar to that of the Applicant.

11.3 ALLOWANCE FOR NEW BUSINESS

The Company shall also determine the number of existing permanent Customers located along the route of the extension expected to be served therefrom. To be included, the occupant of each premise must request service and demonstrate capability for using such service through a major gas burning appliance. Single or groups of individually owned mobile homes shall be included only if the wheels and hitch have been removed from each mobile home and/or substantial improvements have been made to the property. Mobile home parks may be served either through a master meter or individual meters served by a Company-owned system, provided that required mains can be installed and dedicated streets or rights-of-way have been provided to the Company for installation of facilities as evidenced by agreement executed on the Company's form. An allowance to be determined by the Company may be given for each Customer whose premises exist at the time of application to be served from the proposed main extension. In order to qualify for this allowance, the Customer must file an application and agree to initiate gas service upon completion of the Company's facilities.

11.4 ADVANCES

The mutually agreed upon terms will determine the amount of advance required. The Applicant shall have 30 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.

11.5 CONSTRUCTION OF FACILITIES

As soon as practical after the advance has been paid or it has been determined that no advance will be required, the Company shall begin construction of the required facilities and thereafter prosecute the work with reasonable diligence. The Company shall not be responsible for delays in the construction of

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the facilities occasioned by events or conditions reasonably beyond the Company's control. Whenever the construction of the new facilities requires the acquisition of rights-of-way across the Applicant(s) land(s), these rights-of-way shall be provided by the Applicant(s) in the Company's name and on its form at no cost to the Company (except for fees involved in the recording of documents).

11.6 REVIEW OF ADVANCES

The Company shall review each extension agreement on the first anniversary of the signing of that agreement. Upon the Applicant(s) request if the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth execution dates. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund, shall be given for each additional Customer served, based on mutually agreed upon terms provided that the total of the refunds given does not exceed the cost of the extension of facilities.

11.7 REFUND LIMITATIONS

The Company may, at its sole option, make a refund at any time. In no case, however, shall a refund be given unless the number of Customers then served is greater than the number for whom refunds have previously been given. No refund shall be given which shall cause the total refunds to be greater than the total amount of the advance. No interest shall be paid on any advance made under the provisions of this Section. At the end of the five-year period, any remaining amount of the advance shall be retained by the Company as a contribution in aid of construction.

11.8 DELIVERY OF REFUNDS

Upon Applicant(s) request, when a refund is due, a check in the appropriate amount and a letter setting forth the method of calculation of the refund and the balance remaining un-refunded shall be made to the person or business in whose name the extension agreement is made or to their assignee. If that letter is returned undelivered, the check shall be cancelled and the next review made without regard to that refund. All sums described in this Section which are returned undelivered and remain unclaimed in the Company's possession for a period of six months following expiration of the five-year period of the extension agreement shall be retained by the Company and considered a contribution in aid of construction.

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SECTION 12 — METERS

12.1 METER REQUIREMENTS

- a) All gas sold by the Company must be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the Regulatory Authority, or tariff.
- b) Unless otherwise authorized by the Regulatory Authority, the Company must provide and install and will continue to own and maintain all meters necessary for measurement of gas delivered to its customers.
- c) The Company may not furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.

12.2 METER READING

Meters shall be read as nearly as may be practical on the same day of each calendar month. Whenever a reading of a general service meter is missed or the meter is not registering, the Company shall estimate the amount of gas used during the period. Such estimates shall be based on either -

- a) That Customer's use of gas during the same period(s) in previous years;
- b) That Customer's normal use of gas during preceding months; or
- c) The use of a similar Customer for the period missed.

If practical, an actual reading shall be made after two consecutive estimated bills. All meters in Special Service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Service Customer only. The Company will make a special reading of any meter upon request and may assess a service charge in accordance with Section 15. The time of the special reading shall be agreed upon with the Customer so that they may be present. If the original reading was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.

12.3 METER LOCATION

The Company shall have the sole right to determine the location of the meter in accordance with the needs of the service.

Each Applicant shall furnish and subsequently maintain a suitable location on his or her premises for the Company's meter and related facilities at a point selected by the Company. Meters shall be located where they will be safely accessible for reading and service, adequately ventilated, and not subject to damage. Meters shall not be located within any enclosed area unless the enclosure is solely intended as a meter house or in the Company's opinion, conditions prohibit installation outside. It may be necessary for the Company to install bollards or guard posts around the meters for safety.

12.4 METER RECORDS

The Company must keep the following records:

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- a) The Company must keep a record of all its meters, showing the Customer's address and date of the last test.
- b) All meter tests must be properly referenced to the meter record provided for therein. The record of each test made on request of a Customer must show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made, the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.
- c) In general, each meter must indicate clearly the units of service for which charge is made to the Customer.

12.5 METER ACCURACY

The accuracy limit of all Company meters is established at two percent (2%) fast or slow. Any meter found to be registering outside of the limits of accuracy shall immediately be removed or repaired. As long as the meter is operating within the limits of accuracy, it shall be the conclusive determination as to the quantities of gas delivered to the Customer on whose service it is set.

12.6 PERIODIC TESTS

The Company shall make periodic tests of meters, associated devices and instruments to assure their accuracy. Such tests shall be scheduled within the calendar year or earlier, when the interval is stated in years; or within the calendar month, or earlier when the interval is stated in months. The basic periodic test interval shall be no longer than provided for in the manufacturer's recommendations, a copy of which is available upon request.

12.7 ACCESS TO THE METER

The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 5 working days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 15.

12.8 METER TESTING AT CUSTOMER REQUEST

- a) The Company must, upon request of a Customer, make a test of the accuracy of the meter serving that Customer. The Company must inform the Customer of the time and place of the test and permit the Customer or his authorized representative to be present if the Customer so desires. If no such test has been performed within the previous four (4) years for the same Customer at the same location, the test is to be performed without charge. If such a test has been performed for the same Customer at the same location within the previous four (4) years, the Company is entitled to charge a fee for the test not to exceed \$15 or such other fee for the testing of meters as may be set forth in Section 15 of this Tariff properly on file with the Regulatory Authority. The Customer must be properly informed of the result of any test on a meter that serves him.
- b) Notwithstanding subsection (a) of this Section, if the meter is found to be more than nominally defective, to either the Customer's or the Company's disadvantage, any fee charged for a meter

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test must be refunded to the Customer. More than nominally defective means a deviation of more than 2.0% from accurate registration.

12.9 BILLING ADJUSTMENTS DUE TO METER ERROR

- a) If any meter test reveals a meter to be more than nominally defective, the Company must correct previous readings consistent with the inaccuracy found in the meter for the period of either:
  - i) the last six months; or
  - ii) the last test of the meter, whichever is shorter. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be foregone by the Company if the error is to the Company's disadvantage.
- b) If a meter is found not to register for any period of time, the Company may make a charge for units used but not metered for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated customers, when not available.

12.10 PROVISIONS FOR SPECIAL SERVICE

The following modifications shall apply to the provisions of this Section for all Special Service rate schedules and service under special written agreements:

- a) Turbine meters shall be tested at least once each calendar year. Orifice meters shall be tested at a minimum: every 6 months for 0-500 Mcf/d; every 3 months for volumes 500-2000 Mcf/d; and every month for volumes 2000 Mcf/d and greater. Should the Customer so elect, tests shall be made in the presence of his or her representative.
- b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:
  - i) by using registration of Customer's check meter(s);
  - ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or
  - iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.

12.11 POINT OF DELIVERY

The point of delivery of gas sold by the Company to the Customer shall be at the outlet side of the Company's meter, provided that in those cases in which the Customer owns a section of the underground pipe between the Customer's property line and the meter, the point of delivery shall be at the property

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line. The title of all gas sold by the Company to the Consumer shall pass from the Company at the point of delivery. The point(s) of delivery and point(s) of redelivery for Transportation Service shall be as provided in the contract entered into between the Customer and the Company.

12.12 CONNECTION TO COMPANY FACILITIES

No Consumer shall make any connection or alteration of any kind on any of the Company's facilities upstream of the Company's meter or shall permit any other person to make such connection or alteration.

12.13 MULTIPLE METERS

Each Customer or group of Customers located on the same lot or tract of land may be served from a single meter location. The Company may, at its option, permit additional meter locations to simplify installation of facilities or provide better service. Whenever more than one meter location is permitted for the same Customer, the Company shall bill the usage through each meter separately, provided that any combined billings in effect at the time of adoption of this Tariff may be continued until the affected Customer discontinues service or upon order by the Regulatory Authority.

12.14 INDIVIDUALLY METERED SYSTEMS

The Company shall not render service to any Customer through a meter not connected to a system owned by the Company or one of the Company's suppliers.

12.15 MASTER METERS

The Company shall provide service through a master meter into the piping systems of others to be distributed to more than one Consumer, except when the gas served is resold to those Consumers on either a commodity or separate cost of service basis; provided, however, that those Customers purchasing gas for redistribution to the Customer's own tenants only on the Customer's premises may separately meter each tenant distribution point for the purpose of prorating the Consumer's actual purchase price of gas delivered among the various tenants on a per unit basis, and further provided that the provisions of this Section shall not preclude the Company from supplying natural gas to a third party for resale to the public as fuel for natural gas powered vehicles (NGV's).

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SECTION 13 — GAS MEASUREMENT

13.1 PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7” Water Column above the standard atmospheric pressure in the area served. The atmospheric pressure and standard serving pressure determined to be the average in the cities and environs of the Rio Grande Valley Service Area are 14.40 psia and 14.65 psia, respectively.

The Consumer and the Company may, at the Company’s option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer’s facilities shall not be permitted.

13.2 UNIT OF MEASUREMENT

The standard unit of measurement shall be one hundred cubic feet (Ccf). A cubic foot shall be defined as the amount of gas which occupies a volume of one cubic foot at the standard serving pressure and at a temperature of 60 degrees Fahrenheit. Whenever the Company delivers gas at any pressure other than the standard serving pressure, volumes shall be corrected to the standard serving pressure in the manner provided in this Tariff, provided however, that such correction may be made to any other standard provided in the rate schedules or special agreement under which the Customer is served. The Company may, at its sole option, waive the correction of measurement for temperature deviation.

13.3 BILLING UNIT

Unless otherwise specified on the rate schedules or by special agreement, Customers shall be billed on the basis of Ccf measured at or corrected to the standard serving pressure. The index of the meter shall be the sole determinant of volumes passing through the meter. Whenever the meter reads directly in hundreds or smaller units, a reading of one-half a billing unit or more (500 Ccf or more) shall be considered a whole billing unit. Readings of less than one-half a unit shall be disregarded for billing. In those cases in which heating value is used as the billing unit, the calculation of the heating value in BTU’s shall be made in accordance with Section 13.7 of this Tariff.

13.4 PRESSURE CORRECTION - STANDARD METERING

Whenever gas is delivered to any Customer served under a rate schedule which provides for standard metering, the Company shall correct actual volumes measured to volumes which would have been measured if the gas had been delivered at the standard serving pressure. Corrections shall be made by one of the following methods.

- a) The Company may install pressure or pressure and temperature compensating measurement equipment whenever the cost of this equipment is justified by the volumes served. Such measurements shall be equipped with devices which mechanically or electronically correct the actual measured volumes in accordance with Boyle’s Law. Variations in actual atmospheric pressure shall not be considered.
- b) The Company may use factor billing whenever the volumes to be delivered are too small to justify special metering. The factor shall be determined by dividing the actual serving pressure by the standard serving pressure, both expressed in absolute units based on the standard



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atmospheric pressure in the area as specified in Section 13.1 hereof. This factor shall be applied to the measured volumes to determine the correct number of billing units.

13.5 METERING - SPECIAL POSITIVE DISPLACEMENT

Whenever gas is delivered to any Customer served under a rate schedule which provides for special metering and positive displacement or turbine type metering is used, all volumes shall be determined in accordance with the recommendations of the manufacturer of the meter. Meters may be read in actual volumes which shall then be corrected to the standard billing unit or may be furnished with devices designed to correct the actual volumes to the standard billing units. The following criteria shall be used in the correction of volumes or design and calibration of correcting devices.

- a) Pressure correction shall be made in accordance with Boyle's Law. Calculations based on pressure reading on a continuously recording chart shall use the average pressure indicated thereon applied to the measured volumes. Correcting devices shall be set at the specified serving pressure and the service regulators shall be adjusted as close to that pressure as practical. Corrections for deviations from Boyle's Law ("supercompressibility") may be made whenever the volumes delivered justify the cost of making such corrections.
- b) The flowing temperature of the gas shall be assumed to be 60 degrees Fahrenheit unless temperature correction is provided. Corrections shall be made in accordance with Charles' Law.
- c) Whenever a continuously recording instrument is used, the average temperature indicated thereon shall be applied to the measured volumes. The specific gravity of the gas shall be assumed to be the value last indicated by test or reported by the upstream pipeline supplier prior to the installation of the metering facilities. Whenever subsequent reports or test indicate significant changes in gravity, volume calculations shall be changed prospectively to reflect the new gravity.

13.6 METERING - SPECIAL ORIFICE

Whenever gas is delivered to any Customer served under a rate schedule with provisions for special metering and orifice metering is used, all volumes shall be determined in accordance with the recommendations for measuring gas contained in the American Gas Association's Gas Measurement Committee Report No. 3, Orifice Metering of Natural Gas (1992), and subsequent revisions thereof. Orifice meter charts shall be calculated using a standard integrating device or other method recognized in the industry. The following criteria shall be used in the correction of volumes or design and calibration of orifice metering:

- a) Correction for deviation of gas from Boyle's Law shall be made in accordance with Report No. 3.
- b) Temperature of gas passing the meter shall be assumed to be 60 degrees Fahrenheit unless suitable equipment has been installed to measure actual flowing temperature. The arithmetical average of the temperature recorded during each meter charge period while the gas is flowing shall be used in the computations of volumes during the period.

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- c) The standard atmospheric pressure for the area served shall be used for measurement irrespective of any variation in the actual barometric pressure.
- d) The specific gravity of the gas shall be assumed to be the value last obtained in a spot test made with a gravity balance, impact type unit or other acceptable method. Tests shall be made as frequently as found necessary to assure accurate measurement.

13.7 BTU MEASUREMENT

The heating value of gas for use in billing shall be defined as the gross thermal value of one cubic foot of gas at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit on a dry basis. The number of billing units delivered shall be determined by multiplying the heating value determined in accordance with this Section by the volumes delivered during the period, expressed in the same units and measured at, or corrected to 14.73 psia and 60 degrees Fahrenheit, and multiplying by the factor necessary to convert the heating value/measurement units to the billing units provided in the appropriate rate schedule. The heating value of the gas shall be determined using one of the following methods:

- a) Processing a continuous sample of the main stream at the meter location through a recording calorimeter of a standard type;
- b) Analysis of gas samples accumulated from the main stream at the meter location in a sample bottle of an approved type;
  - i) passing the sample through a recording calorimeter of a standard type;
  - ii) passing the sample through a flow calorimeter of a standard type; or
  - iii) passing the sample through a chromatograph to determine the chemical composition and calculating the total heating value from the sum of the constituents.

13.8 CUSTOMER-INSTALLED AND OPERATED METERS

A Customer may install and operate a meter or any other device to measure gas volumes, pressure, temperature, BTU content or specific gravity downstream of the point of delivery. Unless expressly otherwise agreed to by the Company and Customer, however, the Company's meter and equipment shall be the sole determinant of volumes for Company's billing purposes.

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SECTION 14 — QUALITY OF GAS

14.1 HEATING VALUE

Gas delivered to Consumers in all service areas shall have an average gross heating value of at least 900 British Thermal Units per cubic foot measured when saturated with water vapor at a pressure of 14.73 psia and temperature of 60 degrees Fahrenheit. Gas of lesser heating value may be delivered for short periods, provided that the average heating value for the calendar month in which the reduction occurs is equal to or greater than the standard and that the burning characteristics of the gas are not significantly altered.

14.2 CHARACTER OF GAS

All gas furnished to Consumers in the Rio Grande Valley Service Area shall be of merchantable quality suitable for use in standard gas burning appliances. Merchantable quality shall mean that the gas must be commercially free from dust, resins, water and hydrocarbons in liquid form at the pressure and temperature at which the gas is delivered.

14.3 ODORIZATION

All gas shall be odorized with a chemical odorant at a sufficient rate to make it readily detectable. Gas containing enough natural odorant as prescribed by the Railroad Commission of Texas need not be odorized unless the odorant level drops below the acceptable level.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rules of Service – Rio Grande Valley Service Area

SECTION 15 — SERVICE FEES AND DEPOSIT AMOUNTS

15.1 ADJUSTMENTS TO FEES AND CHARGES

All fees and charges shall be adjusted by taxes and fees (including franchise fees) where applicable. In the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco only, all fees and charges (excluding advances, contributions in aid of construction and deposits) shall be adjusted by the amount which represents the actual gross receipts, occupation, revenue taxes and franchise fees paid by Texas Gas Service Company, a Division of ONE Gas, Inc.

15.2 LEAKAGE AND PRESSURE INVESTIGATION

When a Customer or Consumer smells or detects natural gas and contacts the Company, the Company shall provide to the Consumer, at no-charge to the Customer or Consumer, leakage and pressure investigations to ensure that unsafe conditions do not exist. Where leakage or unsafe conditions are determined by the Company to be in the Customer’s or Consumer’s piping or equipment, the Customer or Consumer will be so advised and service will be discontinued until such time that all leakage and other unsafe conditions have been properly corrected by the Customer or Consumer. In addition, when service is initiated, gas air adjustments on a standard domestic and commercial gas range and water heater will be made. Any other work performed on any Consumer’s appliances or house piping will be on a charge basis.

15.3 SERVICE WORK ON CHARGE BASIS

The Company may have personnel available for and may undertake other service work on the Consumer’s premises on a charge basis, as time permits. Charges shall be made at the Company’s standard rate in the Service Area and such service work and any associated revenues and costs shall be considered non-utility.

15.4 EXPEDITED SERVICE REQUEST

A Customer may request an expedited service. Charges may apply.

15.5 SPECIFIC SERVICE TIME REQUEST

A no access fee may be charged to a Customer who requests a specific time for service if the Company agrees to the time and sends appropriate personnel to the appointed location and the Customer is not present to allow access to the premises.

15.6 SERVICE FEES

All fees and charges shall be adjusted by taxes and fees (including franchise fees) where applicable.

a)	<u>Connection Fee</u>	A connection fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.	\$38.00
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b)	<u>Read-In Fee</u>	A read-in fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.	\$18.00
c)	<u>Special Handling &amp; Expedited Service</u>	In addition to initiation of service fee, a fee may be charged to any Applicant whose request to initiate service cannot be worked during normal business hours or requires special handling. Applicant must be advised that an additional fee will be charged and must agree to pay such charge.	
		<u>Special Handling Fee</u> - The Company may, at Applicant or Customer's request, provide special handling in order to meet the Applicant or Customer's requirements. Special handling <u>does not</u> include calling the Applicant/Customer in advance or A.M. or P.M. scheduling	\$18.00
		<u>Expedited Service Fee and Overtime Rate</u> - The Applicant or Customer's request for expedited service may be scheduled at any time to fit the Company's work schedule, and an Expedited Service charge shall be collected. The Company shall not be obligated to provide Expedited Service when the personnel and resources to do so are not reasonably available.	\$70.00
d)	<u>Services from Others</u>	Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.	Actual cost plus 20% for handling
e)	<u>Customer Requested Meter Test</u>	Positive Displacement Up to 1500 cubic feet per hour Over 1500 cubic feet per hour  Orifice Meters All sizes	\$150.00 \$225.00  \$200.00
f)	<u>Payment Re-processing Fee</u>		\$25.00
g)	<u>Collection Fee</u>	A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice necessitates the dispatch of a Company representative to attempt collection of payment from Customer.	\$18.00
h)	<u>Reconnect Fees</u>	A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service. Related, non-routine services including but not limited to high bill investigations and building meter loops may be charged.  Regular Labor Rate After Hours Rate	\$38.00  \$50.00 \$70.00

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i)	<u>Special Read Fee</u>	A special read fee shall be charged for customer requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.8.	\$20.00
j)	<u>Meter Exchange Fee - Customer Request</u>	A fee will be charged for customer requested meter exchanges when a meter is working properly or done for the Customers convenience.	\$180.00
k)	<u>Meter Tampering Fee - Residential</u>	A fee will be charged to Customers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).	\$180.00
l)	<u>Unauthorized Consumption Fee</u>	Charges for the replacement of an illegally broken meter seal or locking device to the Customer who could be reasonably expected to benefit from gas service received through said meter.	\$30.00 plus expenses
m)	<u>No Access Fee</u>	A fee charged to a Customer who schedules an appointment but fails to appear.	\$18.00
n)	<u>Meter Removal Fee</u>		\$25.00
o)	<u>Account Research Fee</u>	A fee will be charged for Customer account information requiring research of accounting/billing information.	\$20.00/hour
p)	<u>Police Escort Fee</u>	A fee charged when the Company is required to use law enforcement personnel to escort it into locked sites or sites requiring animal control in order for the Company to access a meter or other equipment.	Actual cost
q)	<u>Excess Flow Valve Installation Fee</u>	Pursuant to Code of Federal Regulations, §192.383(d) a fee for installation of an excess flow valve (EFV) will be assessed when a Customer requests such installation on the Customer's service line. The EFV will be installed at a date mutually agreeable to both Company and Customer, but after January 1, 2018. The Company reserves the sole right to conduct any required maintenance that may result from the installation. The customer shall be assessed a one-time installation fee.	\$400.00

15.7 DEPOSIT AMOUNTS

a)	<u>Advances Deposit</u>	Estimated expenditure to serve the premises of new business beyond the existing distribution facilities of the Company.	Actual cost
b)	<u>Residential Customer Deposit</u>		Minimum \$75.00
c)	<u>Non-Residential Deposit</u>		Minimum \$250.00

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE RCE**

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to City Ordinance. This rate shall apply to the following rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. in the incorporated areas of the Rio Grande Valley Service Area which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas: 10, 15, 20, 25, 30, 40, C-1, and T-1.

**B. RCE RATE**

All Ccf during each billing period:                      \$0.XXXX per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company, a Division of ONE Gas, Inc. will recover \$XX.XX in actual expense and no more than \$XX.XX in estimated expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

**C. OTHER ADJUSTMENTS**

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

**D. CONDITIONS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE RCE - ENV**

**RATE CASE EXPENSE SURCHARGE**

**A. APPLICABILITY**

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to Gas Utilities Case No. XXXXX: Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area, Final Order Finding of Fact No. XX-XX. This rate shall apply to the following rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. in the unincorporated areas of the Rio Grande Valley Service Area which includes Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas: 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, C-1-ENV, and T-1-ENV.

**B. RCE RATE**

All Ccf during each billing period:                      \$ 0.XXXX per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company, a Division of ONE Gas, Inc. will recover \$XX.XX in actual expense and up to \$XX.XX in estimated expenses. The Rate Case Expense Surcharge will be a separate line item on the bill.

**C. OTHER ADJUSTMENTS**

Taxes: Plus applicable taxes and fees related to above.

**D. CONDITIONS**

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

**E. COMPLIANCE**

The Company shall file an annual rate case expense reconciliation report within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered. The Company shall file the report with the Commission addressed to the Director of Oversight and Safety Division, Gas Services Department and referencing Gas Utilities Case No. XXXXX Rate Case Expense Recovery Report. The report shall detail the monthly collections for RCE surcharge by customer class and show the outstanding balance. Reports for the Commission should be filed electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Compliance Filing  
Director of Oversight and Safety Division  
Gas Services Dept.  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

Initial Rate Schedule

Meters Read On and After  
TBD



**TRANSPORTATION SERVICE RATE**

**APPLICABILITY**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through Texas Gas Service Company, a Division of ONE Gas, Inc.'s (the "Company") distribution system. The customer must arrange with its gas supplier to have the customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**AVAILABILITY**

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company's unincorporated areas of the Rio Grande Valley Service Area distribution system which includes the environs of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**COST OF SERVICE RATE**

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

Commercial	\$500.00 per month
Industrial	\$1,000.00 per month
Public Authority	\$2,500.00 per month
Electric Generation	\$500.00 per month

**TRANSPORTATION SERVICE RATE  
(Continued)**

Plus – A delivery charge per monthly billing period listed by customer class as follows:

Commercial	\$0.10163 per Ccf
Industrial	\$0.11076 per Ccf
Public Authority	\$0.04521 per Ccf
Electric Generation	\$0.10163 per Ccf

**ADDITIONAL CHARGES**

1. A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
2. A charge will be made each month to recover the cost of any applicable taxes.
3. In the event the Company incurs a demand charge, balancing service rate, or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand charge, balancing service rate, or reservation charge based on benefit received by the customer.
4. The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.
5. The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.
6. The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

**SUBJECT TO**

1. Tariff T-TERMS, General Terms and Conditions for Transportation Service.
2. Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.
3. The Agreement is subject to all valid orders, laws, rules, and regulations of duly constituted State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.
4. The Agreement shall be interpreted under Texas law.

**TRANSPORTATION SERVICE RATE**

**APPLICABILITY**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through Texas Gas Service Company, a Division of ONE Gas, Inc.’s (the “Company”) distribution system. The customer must arrange with its gas supplier to have the customer’s gas delivered to one of the Company’s existing receipt points for transportation by the Company to the customer’s facilities at the customer’s delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**AVAILABILITY**

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company’s Rio Grande Valley Service Area distribution system which includes the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas. Such service shall be provided at any point on the Company’s System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**COST OF SERVICE RATE**

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

Commercial	\$500.00 per month
Industrial	\$1,000.00 per month
Public Authority	\$2,500.00 per month
Electric Generation	\$500.00 per month

Plus – A delivery charge per monthly billing period listed by customer class as follows:

Commercial	\$0.10163 per Ccf
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**TRANSPORTATION SERVICE RATE**  
**(Continued)**

Industrial	\$0.11076 per Ccf
Public Authority	\$0.04521 per Ccf
Electric Generation	\$0.10163 per Ccf

**ADDITIONAL CHARGES**

1. A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
2. A charge will be made each month to recover the cost of any applicable taxes and fees, including franchise fees paid to the cities.
3. In the event the Company incurs a demand charge, balancing service rate, or reservation charge from its gas supplier(s) or transportation providers in the incorporated areas of the Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand charge, balancing service rate, or reservation charge based on benefit received by the customer.
4. The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.
5. The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate Schedules PIT and PIT-Rider.
6. The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

**SUBJECT TO**

1. Tariff T-TERMS, General Terms and Conditions for Transportation Service.

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

2. Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.
3. The taking of service under this rate schedule is subject to all valid orders, laws, rules, and regulations of duly constituted State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.
4. The Agreement shall be interpreted under Texas law.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE**

**1.1 REQUIREMENTS FOR TRANSPORTATION SERVICE**

Nothing shall be deemed to supersede the respective rights and obligations of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") and Customer as provided by Texas statutes, rules, and/or regulations. The Company reserves the right to seek modification or termination of transportation service or any of the tariffs to which it applies and the unilateral right to seek regulatory approval to make any changes to, or to supersede, the rates, charges and terms of transportation service. This rate schedule shall apply to customers who have elected Transportation Service through the Company's Rio Grande Valley distribution system within the Incorporated and Unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos, and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**1.2 DEFINITIONS**

The following definitions shall apply to the indicated words as used in this Tariff:

Adder: Shall mean the Company's incremental cost to purchase natural gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Agreement: Shall mean any Gas Transportation Agreement (including any gas transportation orders, forms or other exhibit(s) which are incorporated into and become a part of the same) to which the General Terms and Conditions for Transportation apply.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of 60° Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean 1,000,000 Btu.

Commercial Service: Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a Division of ONE Gas, Inc.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<u>Customer:</u>	Any person or organization now being billed for gas service whether used by him or her, or by others.
<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. (Central Standard Time) on one calendar day and ending at 9:00 a.m. (Central Standard Time) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Electronic Flow Measurement (EFM):</u>	A device that remotely reads a gas meter.
<u>Electric Generation Service:</u>	Electric generation assets that are registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and/or backup power systems.
<u>Firm Service:</u>	Services offered to Customers (regardless of class of service) under schedules or contracts that anticipate no interruptions. Service may be interrupted or curtailed at the discretion of the Company during Force Majeure events.
<u>Force Majeure:</u>	If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make



**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

Industrial Service:

Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Mcf:

Shall mean 1,000 cubic feet of Gas

Month:

Shall mean the period beginning at 9:00 a.m. Central Standard Time on the first Day of each calendar month and ending at 9:00 a.m. Central Standard Time on the first Day of the next succeeding calendar month.

Monthly Tolerance Limit:

Shall mean 5% of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.

Payment in Kind (PIK):

Shall mean a reimbursement for lost and unaccounted for gas.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

<u>PDA:</u>	Shall mean a predetermined allocation method.
<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.
<u>Point of Receipt:</u>	Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
<u>Qualified Supplier:</u>	Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Rio Grande Valley Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.
<u>Transportation Rate Schedule:</u>	A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.
<u>Transportation Service:</u>	The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.
<u>Week:</u>	Shall mean a period of 7 consecutive Days beginning at 9:00 a.m. Central Standard Time on each Monday and ending at the same time on the next succeeding Monday.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

Year: Shall mean a period of 365 consecutive Days, or 366 consecutive Days when such period includes a February 29.

**1.3 RESTRICTIONS AND RESERVATIONS**

- a) It is understood and agreed that Customer has only the right to transportation service in the Pipeline System and all equipment, including (but not in any way limited thereto) all pipe, valves, fittings, and meters comprising the Pipeline System and all other property and capacity rights and interests, shall at all times during the term of the Agreement remain the property of Company. Customer agrees not to cause or permit any liens or encumbrances to be filed with respect to the Pipeline System by reason of Customer's actions. Customer's Gas shall at all times remain the property of Customer, and Company shall have no right or property interest therein.
- b) Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System, nor shall Customer bear any cost of any alterations, additions, repairs, maintenance or replacements made to or on said Pipeline System initiated by and to the benefit of the Company.
- c) Customer agrees not to connect or cause the connection of any third party to the Pipeline System for any purpose without the express written approval and consent of Company to be granted in Company's sole discretion. Customer further agrees not to transport or cause to be transported any Gas for any third party. If either of these conditions is breached by Customer, Company shall have the right and option, notwithstanding any other provision of the Agreement, to terminate the Agreement.
- d) Company presently is transporting Gas to third parties on the Pipeline System and shall have the right in the future to transport additional Gas for such purposes and to transport Gas to additional third parties as it may desire, and Company shall have the right to make additional connections to the Pipeline System as may be required to serve presently existing and new customers, all of which is subject to the provisions of the Agreement. Company's transportation of Gas hereunder shall not obligate Company in any manner beyond the terms of the Agreement and any Exhibits attached thereto.
- e) Company shall own any and all liquids which are recovered from the Pipeline System and may use, sell or transfer all liquids without having to account in any manner, or pay any monies or other consideration to Customer.
- f) The Company reserves the unilateral right from time to time to seek Commission approval to make any changes to, or to supersede, the rates, charges and any terms stated in the tariffs, rate schedules, the agreements, and the General Terms and Conditions.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

**1.4 COMPANY'S RESPONSIBILITY**

Company shall deliver to Customer, at the Point of Delivery, volumes of gas, as received from designated Qualified Supplier, for the Customer, at a Company designated Point of Receipt, less Payment in Kind (PIK).

**1.5 CUSTOMER'S RESPONSIBILITY**

Customer, by selecting service under a transportation service rate schedule by completing a Transportation Form, warrants and agrees that:

- a) Customer shall indemnify and hold Company harmless from and against all suits, actions, causes of action, claims and demands, including attorneys' fees and costs, arising from or out of any adverse claims by third parties claiming ownership of, or an interest in said gas caused by the failure to provide clear title to the gas;
- b) Customer acknowledges Company shall not be responsible in any way for damages or claims relating to the Customer's gas or the facilities of the Customer or others containing such gas prior to receipt into Company's facilities or after delivery to the Customer;
- c) Customer must provide Company with a signed Transportation Form identifying its Qualified Supplier. Customer may designate no more than one Qualified Supplier. This authorization shall be in a form agreeable to Company and shall remain in effect until a signed replacement is received by Company;
- d) Customer acknowledges the Qualified Supplier's responsibilities under Section 1.6;
- e) Transportation Service is not available for a term less than 12- months. Termination of transportation service may, at the Company's sole discretion, delay Customer's request to resume transportation service;
- f) Electronic flow measurement (EFM) may be required for Customers under transportation service, at the Company's sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any ongoing maintenance, repair, or communications costs; and

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

- g) In the event Customer's source of gas supply is terminated by Customer's Qualified Supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the first of the month after 30-calendar days advance written notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond.

**1.6 QUALIFIED SUPPLIER'S RESPONSIBILITY**

Qualified Supplier shall act on behalf of the Customer to procure gas supplies, deliver gas supplies plus Payment in Kind volume, into Company designated Points of Receipt and shall act as the Customer's agent with respect to nominations, operational notices and resolution of imbalances.

- a) Qualified Suppliers shall aggregate their Customers' volumes for balancing purposes, into Aggregation Areas, as determined, in the Company's sole discretion.
- b) Qualified Supplier shall submit nominations to the Company's gas scheduling department, in accordance with their currently effective nomination process, which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities. Qualified Supplier shall not intentionally nominate more or less gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination.
- c) Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.
- d) Daily Quantity of Transportation Service Gas: Company shall receive and deliver gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, gas control limitations and other operating conditions, to stay in zero imbalance each hour and each day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and Qualified Supplier shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero imbalance as practicable.
- e) Quality of Transportation Service Gas: The gas procured by a Qualified Supplier, for receipt by Company, shall conform to the standards prescribed in Company's applicable rate schedules, Agreements, and applicable local, state or federal laws, rules and/or regulations.

**GENERAL TERMS AND CONDITIONS**  
**FOR TRANSPORTATION SERVICE**  
**(Continued)**

**1.7 IMBALANCES**

Qualified Supplier shall, to the extent practicable, not deliver into the Pipeline System more or less Dths of Gas than Company delivers to the Aggregation Area of Customers, at the Points of Delivery, during a Consumption Period. The following imbalance provisions shall be applied to the Qualified Supplier for its Aggregation Area of Customers.

- a) If Company receives less Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, then Qualified Supplier shall purchase such under-delivered volumes at 105% of the applicable index, plus the Adder.
- b) If Company receives more Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, Qualified Supplier shall sell such excess Gas to Company at 95% of the applicable index.
- c) The applicable index and Adder will be defined in the Qualified Supplier Agreement and amended from time to time.
- d) A proportional share of any upstream pipeline transportation service charges, additional commodity charges, and penalties incurred by the Company, that in whole or in part, are the result of Qualified Supplier's scheduling and/or managing the upstream transportation of the Customer's gas to Company's interconnection point(s) with the upstream pipeline(s). The proportional share will be calculated using the Qualified Supplier's receipts and deliveries and the upstream pipeline invoices for the applicable period. Proceeds from this charge will be credited to the Reconciliation Account. The Company will bill Qualified Supplier for these charges and penalties manually on a separate bill. Payment shall be required in accordance with applicable Rules of Service.
- e) The Company will provide monthly imbalance statements along with calculations of the charges in accordance with the aforementioned provisions to the Qualified Supplier each month.
- f) Payments for imbalance settlements will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the imbalance settlement provisions each month and only require periodic settlement rather than monthly payments.
- g) On or about 15 days after the Company receives necessary volumetric information from other parties for each Consumption Period after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Consumption Period showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the 6th Day of the Month in which the statement requiring such data is to be rendered.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

- h) Both parties hereto shall have the right at any and all reasonable times within 24 months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.

**1.8 LACK OF LIABILITY**

- a) **Furnishing of Gas.** The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connections and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.
- b) **After Point of Delivery.** Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the point of delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the point of delivery shall be assumed by the Customer or consumer, his agents, servants, employees, or other persons.
- c) **Reasonable Diligence.** The Company agrees to use reasonable diligence in rendering continuous gas service to all Customers or Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.
- d) **Force Majeure.** If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

- e) If a portion of the Pipeline System required to make the transportation service available is partially damaged by fire or other casualty, the damage may be repaired by Company, at its option and in its sole discretion, as speedily as practicable, due allowance being made for the time taken for the settlement of insurance claims. Until such repairs are made, the payments shall be apportioned in proportion to the portion of the capacity of the Pipeline System which is still available for the purposes hereof, such determination to be made in the sole discretion of Company. If the damage is so extensive as to render the Pipeline System wholly unusable, in Company's sole opinion, the payments, if any, shall cease until such time as the Pipeline System is again useable. In case the damage shall, in Company's sole opinion, amount substantially to a destruction of the portion of the Pipeline System available for the transportation of Gas and Company shall elect not to repair the damage, then the Agreement shall terminate at the time of such damage, and Company shall not be liable to Customer for any liability, damage, or claim which arises out of any failure to make repairs.



**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**

**APPLICABILITY**

The Weather Normalization Adjustment Clause (WNA) shall apply to the following general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (the "Company") in the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas: Rate Schedules 10, 15, 20, 25, 40, 1Z, 1Y, 2Z, 2Y, and 4Z. The WNA shall be effective during the September through May billing cycles.

**PURPOSE**

The WNA refunds over-collections or surcharges under-collections of revenue due to colder or warmer-than-normal weather, as established in the Company's most recent rate filing.

**WNA MECHANISM**

In order to reflect weather effects in a timely and accurate manner, the WNA adjustment shall be calculated separately for each billing cycle and rate schedule. The weather factor, determined for each rate schedule in the most recent rate case, shows the effect of one heating degree day on consumption for that rate schedule. During each billing cycle, the weather factor is multiplied by the difference between normal and actual heating degree days for the billing period and by the number of customers billed. This WNA volume adjustment is priced at the current cost of service rate per Ccf to determine a WNA revenue adjustment, which is spread to the customers in the billing cycle on a prorata basis. The WNA for each billing cycle and rate schedule shall be based on the following formula:

$$\text{WNA Rate} = \frac{\text{WNAD}}{\text{CV}}, \text{ where}$$

WNAD = Weather Normalization Adjustment Dollars to be collected from each billing cycle and rate schedule. This factor shall be based on the following formula:

$$\text{WNAD} = (\text{HDD Diff} * \text{CB} * \text{WF}) * \text{COS rate}, \text{ where}$$

HDD Diff = (Normal HDD – Actual HDD), the difference between normal and actual heating degree days for the billing period.

CB = Number of customers billed for the billing period.

Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area

RATE SCHEDULE WNA  
Page 2 of 2

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE  
(Continued)**

WF = Weather factor determined for each rate schedule in the most recent rate case.

Residential 0.05963; Commercial 0.58296; Public Authority 1.67184

CV = Current Volumes for the billing period.

**FILING WITH THE CITIES AND THE RAILROAD COMMISSION OF TEXAS (RRC)**

The Company will file monthly reports showing the rate adjustments for each applicable rate schedule. Supporting documentation will be made available for review upon request. By each October 1, the Company will file with the Cities and the RRC an annual report verifying the past year's WNA collections or refunds.

The Company shall file the report with the RRC electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Director of Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

Supersedes Rate Schedule Dated  
October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

Meters Read On and After  
TBD



Exhibit C

Average Bill Impact By Class  
 (Including Cost of Gas)

Customer Class and Location	Current Average Monthly Bill Including Cost of Gas	Proposed Average Monthly Bill Including Cost of Gas	Proposed Monthly Dollar Change	Proposed Percentage Change with Gas Cost
<b>Sales Service: (1) (2)</b>				
<b>Residential - Small (3)</b>				
Incorporated	\$ 26.63	\$ 36.31	\$ 9.68	36.3%
Environs	\$ 27.56	\$ 36.31	\$ 8.75	31.7%
<b>Residential - Large (3)</b>				
Incorporated	\$ 46.52	\$ 64.66	\$ 18.14	39.0%
Environs	\$ 40.72	\$ 64.66	\$ 23.94	58.8%
<b>Commercial - Small (3)</b>				
Incorporated	\$ 283.08	\$ 262.25	\$ (20.83)	-7.4%
Environs	\$ 258.59	\$ 262.25	\$ 3.66	1.4%
<b>Commercial - Large (3)</b>				
Incorporated	\$ 1,258.55	\$ 1,253.87	\$ (4.68)	-0.4%
Environs	\$ 1,234.06	\$ 1,253.87	\$ 19.81	1.6%
<b>Church (Withdrawing/Proposed Reclass to Commercial)</b>				
Incorporated	\$ 147.71	\$ 111.04	\$ (36.67)	-24.8%
Environs	\$ 123.22	\$ 111.04	\$ (12.18)	-9.9%
<b>Industrial</b>				
Incorporated	\$ 4,992.15	\$ 5,193.08	\$ 200.93	4.0%
Environs	\$ 4,768.76	\$ 5,193.08	\$ 424.32	8.9%
<b>Public Authority</b>				
Incorporated	\$ 447.50	\$ 500.56	\$ 53.06	11.9%
Environs	\$ 420.93	\$ 500.56	\$ 79.63	18.9%
<b>Electric Generation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A
<b>Transportation Service: (4)</b>				
<b>Commercial Transportation</b>				
Incorporated	\$ 11,603.26	\$ 11,259.61	\$ (343.65)	-3.0%
Environs	\$ 11,578.77	\$ 11,259.61	\$ (319.16)	-2.8%
<b>Industrial Transportation</b>				
Incorporated	\$ 17,222.20	\$ 17,264.17	\$ 41.97	0.2%
Environs	\$ 16,998.81	\$ 17,264.17	\$ 265.36	1.6%
<b>Public Authority Transportation</b>				
Incorporated	\$ 12,130.31	\$ 12,723.22	\$ 592.91	4.9%
Environs	\$ 12,103.74	\$ 12,723.22	\$ 619.48	5.1%
<b>Electric Generation Transportation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A

(1) Bill impacts are shown for those schedules with customers during the test year. The test year cost of gas in each area is included in the bill calculations. Bills under current and recommended rates do not include revenue-related taxes. These taxes vary across different locations in the service area.

(2) Bills are based on the following average usage levels:

	Year-Round
Residential - Small	5
Residential - Large	18
Commercial - Small	135
Commercial - Large	1,066
Church	23
Industrial	3,953
Public Authority	283

(3) Calculations for residential and commercial are based on usage at the Small and Large amounts shown in Note 2 (Residential: 5 Ccf for Small and 18 Ccf for Large/Commercial: 135 Ccf for Small and 1,066 for Large).

(4) Transportation customers secure their own gas. While the Company has no way of knowing the customer's cost of gas, these bill comparisons assume that customers obtain their gas at a cost that is five percent less than the Company's gas cost. These transportation bill comparisons are only illustrations of the level of total bills and the percentage changes in those bills. Bills are based on the following average usage levels:

	Year-Round
Commercial Transportation	13,518
Industrial Transportation	20,202
Public Authority Transportation	13,824

(5) Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.

**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**JEFFREY J. HUSEN**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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**LIST OF EXHIBITS**

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EXHIBIT JJH-2	Cost of Service Schedules Table of Contents
EXHIBIT JJH-3	Rio Grande Valley Service Area Investment Reports for January 2017 – December 2022

**DIRECT TESTIMONY OF JEFFREY J. HUSEN**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Jeffrey J. Husen. My business address is 15 E. 5th Street Tulsa, Oklahoma 74103.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am Vice-President, Rates and Regulatory, for ONE Gas, Inc. (“ONE Gas”). I have responsibility for the rates and regulatory functions at ONE Gas. These responsibilities include selection of rate and regulatory filing strategies and oversight and administration of rate and regulatory filing processes for ONE Gas and its divisions, including Texas Gas Service Company (“TGS” or the “Company”).

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I earned a Bachelor of Science in Accounting from Oklahoma State University. For more than 29 years, I have worked in accounting and financial reporting roles. Prior to my current position, I was Chief Accounting Officer and Controller for ONE Gas responsible for accounting, financial reporting, federal and state income tax and budgeting processes and controls for ONE Gas. I also served as Assistant Controller - Corporate Accounting and Reporting for ONEOK, Inc. (“ONEOK”) and ONEOK Partners, L.P. where I was responsible for corporate accounting, Securities and Exchange Commission reporting, Sarbanes Oxley compliance and enterprise risk management processes. During my tenure at ONEOK, I also served

1 as the Director of Accounting for the Gathering and Fractionation portion of  
2 ONEOK Partners' natural gas liquids business, and as Director of Accounting for  
3 Oklahoma Natural Gas, which is now a division of ONE Gas. Prior to joining  
4 ONEOK, I was a Senior Manager in the audit practice with KPMG LLP in Tulsa,  
5 Oklahoma. In that role, I audited accounting policies and practices for companies  
6 in the utility, transportation and manufacturing industries. I am licensed as a  
7 Certified Public Accountant in Oklahoma. I also am certified as a Chartered Global  
8 Management Accountant by the American Institute of Certified Public  
9 Accountants.

10 **Q. WAS THIS TESTIMONY, INCLUDING ITS EXHIBITS, PREPARED BY**  
11 **YOU OR UNDER YOUR DIRECT SUPERVISION?**

12 A. Yes, it was.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
14 **COMMISSIONS?**

15 A. Yes, I filed testimony before the Railroad Commission of Texas ("Commission")  
16 in Gas Utilities Docket ("GUD") Nos. 10739, 10766, 10928 and Docket No. OS-  
17 22-00009896; before the Kansas Corporation Commission in 18-KGSG-560-RTS;  
18 and before the Oklahoma Corporation Commission in Cause No. PUD 202100063.

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 A. My testimony provides an overview and explanation of TGS's Statement of Intent  
21 ("SOI") filing and of ONE Gas and its operations in Texas. I explain the issues that  
22 are driving the timing of the Company's filing for the Rio Grande Valley Service  
23 Area ("RGVSA") and the relief TGS seeks through this case. I also identify the  
24 witnesses who are providing testimony in support of this SOI. In addition, I address



1 the annual RGVSA capital investment reports TGS has filed with the Commission  
2 as part of its Interim Rate Adjustment (“IRA” or “GRIP”) filings since the last rate  
3 cases,<sup>1</sup> which supports the Company’s request for a determination that the capital  
4 investment (Direct, TGS Division and Corporate) that has been made through  
5 December 31, 2022, is used and useful and was prudently incurred.

6 **Q. PLEASE IDENTIFY THE WITNESSES SUBMITTING TESTIMONY IN**  
7 **THIS RATE CASE ON BEHALF OF TGS.**

8 A. In addition to my testimony, the Company’s witnesses and the subjects addressed  
9 in the testimony are identified Exhibit JJH-1.

10 **II. OVERVIEW OF THE STATEMENT OF INTENT FILING**

11 **Q. PLEASE BRIEFLY DESCRIBE TGS’S PARENT COMPANY, ONE GAS.**

12 A. TGS is one of three divisions operated by ONE Gas, which is an independent  
13 natural gas distribution company focusing on delivering natural gas safely and  
14 reliably to customers through its divisions in Oklahoma, Kansas and Texas. ONE  
15 Gas has approximately 3,750 employees, 900 of which are in Texas. As a 100%  
16 regulated company focused solely on delivering natural gas safely and reliably, all  
17 costs ONE Gas incurs support providing that service to its customers, including  
18 those in the RGVSA.

19 **Q. WHY IS TGS FILING A SOI AT THIS TIME?**

20 A. The Company’s current base rates within the RGVSA cities were last changed in  
21 September 2017 and current base rates for the RGVSA environs were established

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<sup>1</sup> The Company last filed a rate case with the RGVSA cities on June 15, 2017, and filed a rate case with the Commission for the RGVSA environs on October 12, 2017 (GUD No. 10656).

1 in March 2018.<sup>2</sup> Although the Company has been able to update rates within the  
2 cities through annual Cost of Service Adjustment filings and made five GRIP  
3 filings with the Commission since that last environs rate case, the Company's rates  
4 are not sufficient to recover the cost of providing service at this time. In addition,  
5 if the Company was not filing at this time, it would be required to file a base rate  
6 case in 2024 following its final GRIP filing. The filing is intended to address the  
7 recovery of investments in the Company's distribution system, changes in  
8 expenses, including depreciation expense and address excess deferred taxes since  
9 the last rate case and to better align each customer class's contribution to the overall  
10 revenue requirement based the cost of providing service.

11 The Company's top priority is maintaining a safe and reliable natural gas  
12 system, which includes annual investments to improve the natural gas system and  
13 expenses incurred in order to operate safely and reliably. Since the last rate cases  
14 in the RGVSA, the Company's net plant has increased over \$75 million as the result  
15 of investments in its natural gas distribution system by replacing aging  
16 infrastructure supporting the safe and reliable delivery of natural gas to residential  
17 and business customers and extending service to new customers. This case  
18 provides an opportunity to realign rates to support these and future investments  
19 allowing the Company to continue to provide safe and reliable service to RGVSA  
20 customers and to update the Company's tariffs accordingly.

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<sup>2</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10656, Final Order (Mar. 20, 2018). Base rates within the RGV cities were changed in September 2017 following a settlement reached between TGS and the RGVSA cities.

1 **Q. WHAT IS DRIVING TGS'S REQUEST FOR AN INCREASE IN RATES IN**  
2 **THIS SOI?**

3 A. In terms of revenue requirement, the Company's cost of service calculations show  
4 that TGS is experiencing a revenue deficiency primarily driven by plant investment  
5 and related depreciation and ad valorem tax expense, payroll-related expenses, and  
6 regulatory and safety requirements. In addition to an increase of over \$75 million  
7 in net plant since base rates were last changed in the RGVSA, TGS must also  
8 continue to invest in its employees and has experienced increases in reasonable and  
9 necessary personnel-driven expense items, such as wages, salaries, and employee  
10 benefits. Regulatory and safety requirements to document, test, survey, repair, plan  
11 and replace system assets also continue to increase. The increasing costs associated  
12 with these requirements include operating expenses for activities such as leak  
13 repair, leak survey, line locating and distribution integrity management. TGS also  
14 made additional capital investments in its natural gas distribution system for  
15 technology that enhances the Company's ability to provide safe and reliable  
16 service. The Company continues to incur these types of costs annually due to aging  
17 infrastructure, compliance with natural gas pipeline safety and system integrity  
18 regulations, and the need to invest in technology that allows the Company to  
19 increase operational capabilities and improve customer service. These issues have  
20 resulted in a revenue deficiency that does not provide the Company with a  
21 reasonable opportunity to earn a reasonable return on its investment in the current  
22 economic environment.

1 **Q. ARE THERE OTHER FACTORS INFLUENCING TGS'S REQUEST FOR**  
2 **AN INCREASE IN RATES IN THIS SOI?**

3 A. Yes. TGS is being impacted by unusually high inflation rates due to several factors  
4 including labor shortages coupled with wage increases, supply chain issues across  
5 multiple industries, and the ongoing war in Ukraine. Inflation rates continue to  
6 impact the Company's costs. The Company observed that prices for equipment,  
7 materials, supplies, employee labor and contractor services have increased.  
8 Accordingly, these external factors contribute to the need to increase rates to be  
9 able to provide safe and reliable service.

10 **Q. WHAT TEST YEAR WAS USED IN THIS SOI?**

11 A. The Company's SOI is based on the financial results for the test year ended  
12 December 31, 2022, with adjustments for some known and measurable changes as  
13 discussed in the direct testimonies of Company witnesses Anthony Brown, Allison  
14 Edwards and Stacey McTaggart.

15 **Q. PLEASE GENERALLY DESCRIBE THE RELIEF REQUESTED IN THIS**  
16 **SOI.**

17 A. The Company's cost of service demonstrates a total annual net revenue deficiency  
18 of \$9,813,240 for the RGVSA. The Company proposes to eliminate this annual  
19 earnings deficiency and to have its rates set at a level that provides TGS a return on  
20 equity of 10.25%. TGS is requesting recovery of necessary operating and  
21 maintenance costs it incurred as a result of COVID-19 in 2022, consistent with the

1 Regulatory Asset Notice issued in April 2020.<sup>3</sup> TGS is also seeking to recover  
2 extraordinary operating and maintenance costs it incurred as a result of Winter  
3 Storm Uri in 2021 and related interest costs that exceeded the amount authorized  
4 for recovery through securitization, consistent with the Regulatory Asset  
5 Determination Order in Docket No. OS-21-00007061, the Regulatory Asset Notice  
6 issued on February 13, 2021, Notice to Gas Utilities issued on June 17, 2021 and  
7 Financing Order in Docket No. OS-21-00007061.<sup>4</sup> In addition, TGS seeks  
8 recovery of compensation and benefit costs, in accordance with Gas Utility  
9 Regulatory Act (“GURA”) § 104.060, which is addressed by Company witnesses  
10 Jeff D. Branz and Ms. Edwards. The Company is also requesting new depreciation  
11 rates, as discussed in the testimony of Company witness Dr. Ronald E. White.

12 In addition to the rate relief requested in this SOI, the Company is proposing  
13 a small and large customer rate design for residential and commercial customers  
14 based on individual customer usage characteristics, as explained by Company  
15 witness Paul H. Raab, which the Commission recently approved for residential  
16 customers in TGS’s West North Service Area in Docket No. OS-22-00009896. In  
17 addition, TGS seeks a finding that it has correctly reflected changes to utility rates  
18 to account for all the impacts of the lowered federal corporate income tax rate  
19 consistent with the Accounting Order issued in GUD No. 10695. Finally, TGS is  
20 requesting a prudence determination for the capital investment made since the last

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<sup>3</sup> Notice of Authorization for Regulatory Asset Accounting for Gas Utilities Affected by the COVID-19 Outbreak (April 2020), [https://portalvhdszkzlf8q9lqr9.blob.core.windows.net/media/57195/nto-state-disaster-waiver-gas-utility-asset-accounting\\_04-08-2020.pdf](https://portalvhdszkzlf8q9lqr9.blob.core.windows.net/media/57195/nto-state-disaster-waiver-gas-utility-asset-accounting_04-08-2020.pdf).

<sup>4</sup> *Consolidated Applications for Customer Rate Relief and Related Regulatory Asset Determinations in Connection with the February 2021 Winter Storm*, Docket No. OS-21-00007061 consol., Financing Order (Feb. 8, 2022).

1 RGVSA environs rate case. A detailed list of witnesses and their testimony topics  
 2 is attached as Exhibit JJH-1. In addition, Exhibit JJH-2 is a copy of the Table of  
 3 Contents Summary to the RGVSA Cost of Service schedules, which lists all the  
 4 schedules and workpapers in this filing, along with the sponsor(s).

5 **Q. PLEASE DESCRIBE THE COMPANY'S SMALL AND LARGE RATE**  
 6 **DESIGN PROPOSAL.**

7 A. The Company is excited to propose a rate design that recognizes the differing usage  
 8 characteristics of customers in the residential and commercial classes and allows  
 9 customers who desire it some amount of choice in how they are billed for gas  
 10 service. The Company is proposing separate rates for small and large residential  
 11 and commercial customers. Mr. Raab explains in detail in his testimony, the  
 12 proposed rate design mitigates the potential rate increase for low-usage customers  
 13 as compared to a traditional rate design that applies the same customer charge and  
 14 usage charge to all customers within a rate class. The small customer rate benefits  
 15 customers with lower-than-average usage through a combination of a lower  
 16 monthly customer charge and a higher volumetric rate as follows:

Small	Residential	Commercial
Customer Charge	\$20.00	\$80.00
Volumetric Rate (All Ccf)	\$2.33897	\$0.61849

17 The large customer rate benefits customers with higher-than-average usage through  
 18 a higher monthly customer charge and a much lower volumetric rate.

Large	Residential	Commercial
Customer Charge	\$35.00	\$250.00
Volumetric Rate (All Ccf)	\$0.95435	\$0.21049

1           Both lower-use customers and higher-use customers benefit from the  
2 Company's proposed rate design as discussed in the testimony of Mr. Raab. Many  
3 of the lowest use commercial customers will, in fact, experience an overall rate  
4 decrease as shown in Exhibit PHR-7 to Mr. Raab's testimony, and the lowest-use  
5 residential use customer increases are mitigated with the small and large rate design  
6 approach as shown in Exhibit PHR-5. At the same time, the proposed rate design  
7 ensures that higher-use customers will not experience significantly higher bill  
8 impacts during the winter months. For example, the large customer rate, which has  
9 a higher customer charge but lower volumetric charge, helps to levelize monthly  
10 charges for higher-use customers throughout the year.

11           If the proposed rate design is approved, the Company will communicate  
12 with customers in advance of the new rates going into effect and will place  
13 customers on the rate that is most economical based on the customer's usage from  
14 the prior year, consistent with the Commission's Quality of Service Rules, which  
15 require the Company to "assist the customer or applicant in selecting the most  
16 economical rate schedule."<sup>5</sup> The customer will have the option to contact the  
17 Company and choose the alternate residential rate based on their own preference,  
18 provided that they remain on the rate they choose for a full year.

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<sup>5</sup> 16 Tex. Admin. Code § 7.45(2)(A)(ii).

1 **Q. IN ADDITION TO BEING IMPLEMENTED IN THE COMPANY’S WEST**  
2 **NORTH SERVICE AREA, HAS A SIMILAR RATE DESIGN BEEN**  
3 **IMPLEMENTED IN OTHER ONE GAS JURISDICTIONS?**

4 A. Yes. A similar rate design (called A/B rate design) was approved for ONE Gas’  
5 Oklahoma division, Oklahoma Natural Gas, and has been successfully  
6 implemented for eighteen years.

7 **Q. DID THE COMMISSION CONSIDER THIS INFORMATION TO BE**  
8 **PERSUASIVE IN DOCKET NO. OS-22-00009896 REGARDING SMALL**  
9 **AND LARGE RESIDENTIAL RATES?**

10 A. Yes. In recommending approval of Small and Large Residential rates, the  
11 Examiners noted:

- 12 • that the dual rate design will address impacts associated with revenue  
13 increases and benefits customers by applying a rate design that results  
14 in lower rates based on their typical usage;<sup>6</sup>
- 15 • the new rate structure can be implemented with transparency, and they  
16 were persuaded that Oklahoma Natural Gas has operated a similar  
17 structure with minimal complaints and confusion since 2005;<sup>7</sup> and
- 18 • the two-tier rate design will give small usage customers more control  
19 over their bill and will give large usage customers more stable bills.<sup>8</sup>

20 This analysis supports the decision in the Final Order in Docket No. OS-22-  
21 00009896 that the two-tiered rate structure for residential customers is just and  
22 reasonable.<sup>9</sup>

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<sup>6</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, the North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896 consol., Amended Proposal for Decision at 61 (Jan. 11, 2023).

<sup>7</sup> *Id.* at 62.

<sup>8</sup> *Id.*

<sup>9</sup> Docket No. OS-22-00009896, Final Order at Finding of Fact 103.



1 **Q. WHAT IMPACT WILL THE REQUESTED RATE INCREASE HAVE ON**  
 2 **AVERAGE MONTHLY RESIDENTIAL BILLS IN THE RGVSA?**

3 A. The proposed rate increase will result in changes to the average monthly bills for  
 4 the 56,078 residential customers in the incorporated areas of the RGVSA and the  
 5 3,306 residential customers in the environs areas of the RGVSA, as shown in the  
 6 table below.<sup>10</sup>

Line No	Description	Current	Recommended	Change	
				Dollars	%
	(a)	(b)	(c)	(d)	(e)
1	<b>Residential - Small</b>				
2	Incorporated	\$26.63	\$36.31	\$9.68	36.35%
3	Environs	\$27.56	\$36.31	\$8.75	31.75%
4	<b>Residential - Large</b>				
5	Incorporated	\$46.52	\$64.66	\$18.14	38.99%
6	Environs	\$40.72	\$64.66	\$23.94	58.79%

7 The proposed rates for all rate classes are identified in Mr. Raab's direct testimony  
 8 and are reflected in the tariffs sponsored by Mr. Brown. In addition to proposed  
 9 gas sales, transportation, and cost of gas tariffs, the Company's filing includes other  
 10 rate schedules such as a weather normalization clause, a rate case expense recovery  
 11 rider, and a pipeline integrity testing expense rider. In addition, the Company  
 12 proposes revised service fees and updated language in its transportation tariffs and  
 13 rules of service.

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<sup>10</sup> The changes in year-round average bills shown in Column (d) and (e) vary due to differences in current rates.

1 **Q. HAS TGS TAKEN REASONABLE ACTIONS TO MANAGE COSTS?**

2 A. The Company has taken, and continues to take, steps to ensure that resources are  
3 used wisely and that costs are reasonably managed. In addition, the Company's  
4 continued success relies in part on being efficient and cost-conscious and on its  
5 employees operating safely and in a responsible manner.

6 The ongoing evolution of the energy markets creates greater competition  
7 and, with that, greater customer choice. Therefore, TGS is motivated to reasonably  
8 manage its costs so that the Company remains competitive and customers continue  
9 to choose natural gas. TGS also strives to provide excellent customer service by  
10 improving performance through increased productivity and to balance personal  
11 interactions and technology to deliver efficient and satisfying experiences to our  
12 customers. For example, the Company was recognized as number one in Customer  
13 Satisfaction with Residential Natural Gas Service in the South among Large  
14 Utilities in the J.D. Power 2021 Gas Utility Residential Customer Satisfaction  
15 Study, receiving top rankings in the following study factors: Price, Corporate  
16 Citizenship, and Communications.

17 **Q. PLEASE PROVIDE EXAMPLES OF THE COMPANY'S EFFORTS**  
18 **RELATED TO CUSTOMER SERVICE ACTIVITIES.**

19 A. Examples of improved customer service since the last rate cases are:

- 20 1. Electronic Bill Statement Growth - Approximately 51% of ONE Gas  
21 customers receive electronic bill statements, which results in savings in  
22 postage and materials.
- 23 2. Enhanced Customer Communications - proactively putting information in  
24 customers' hands such as improved education through social media  
25 regarding weather, outages, safety tips, payment assistance, and social  
26 service agencies.

- 1                   3. New Payment Options - implemented new customer payment options  
2                   including Automatic Payments using a credit or debit card and advanced  
3                   payment options such as PayPal, Amazon Pay, and Venmo.
  
- 4                   4. Courtesy Collection Calls - payment reminder calls that are made when a  
5                   customer is past due on a bill, which gives customers another opportunity  
6                   to make a payment before being disconnected.
  
- 7                   5. Energy Assistance - in late 2020, TGS implemented an Energy Assistance  
8                   Portal for the Company's Energy Assistance Partners, which are agencies  
9                   that distribute available utility bill assistance to customers in need.  
10                  Previously, the Energy Assistance partners were required to call TGS to  
11                  submit pledges or receive copies of bills or notices. With the updated portal,  
12                  Energy Assistance partners are able to submit pledges online and retrieve  
13                  the necessary documentation. This portal expedited the processing of  
14                  Energy Assistance efforts, which has prevented disconnects and increased  
15                  customer satisfaction with the Energy Assistance experience.
  
- 16                  6. Interactive Voice Response ("IVR") Enhancements - upgraded phone and  
17                  IVR systems with enhanced capabilities and functionality provide more  
18                  ways for customers to find the answers they need without having to take the  
19                  time to talk to a customer service agent.
  
- 20                  7. Web Site Enhancements - Enhanced search functionality for customers to  
21                  more easily find what they are looking for, implemented a new blog section  
22                  that features up-to-date information for customers including answers to  
23                  recently asked questions, financial assistance information and community  
24                  involvement, refreshed and updated content on the TGS website including  
25                  more accessible and clear navigation regarding how to make payments, and  
26                  added additional "banner" alerts featured on the TGS homepage to share  
27                  information on payment assistance and payment options for customers  
28                  impacted by the winter storm and COVID-19 pandemic.

29                  These initiatives are designed to provide customers with greater flexibility and  
30                  more options other than speaking with a live customer service agent to address  
31                  customer account matters.

32       **Q.     PLEASE PROVIDE EXAMPLES OF THE COMPANY'S EFFORTS**  
33       **RELATED TO COST SAVINGS INITIATIVES.**

34       A.     A few examples of cost savings initiatives are:

- 35                  1. Implementation of Customer Service System (Banner) and Automated  
36                  Meter Reading ("AMR") technology to utilize stored readings captured by

- 1 our AMR technology to auto-close service orders that only need a meter  
2 reading. The initiative is estimated to reduce on-site visits by approximately  
3 3,700 per year with an estimated cost savings of \$26,000 per year.
- 4 2. Meals, travel, and training expenses decreased significantly during the  
5 COVID pandemic. Post pandemic, the Company has embraced  
6 enhancements in technology and has recognized the value of employees  
7 participating remotely when it is reasonable and meets the needs of the task  
8 or activity. The Company has maintained a level of expense in the current  
9 test year 2022 that is approximately 25% less (\$100,000) than 2019, pre-  
10 pandemic.
- 11 3. Several Human Resources and Benefit initiatives related to dental and  
12 insurance benefits that are saving and projected to continue to create cost  
13 savings of approximately \$15,000 for the RGVSA.

14 **III. CAPITAL INVESTMENT DETERMINATION**

15 **Q. WHAT CAPITAL INVESTMENT IS THE COMPANY SEEKING**  
16 **RECOVERY OF IN THIS RATE CASE?**

17 A. TGS requests recovery of the reasonable and necessary net capital investment made  
18 in the RGVSA since the last rate cases in the amount of approximately \$75 million.  
19 All capital investment included in this rate case is for natural gas distribution system  
20 assets, facilities or items that are currently used and useful in providing utility  
21 service as of the end of the test year, December 31, 2022, which Company witnesses  
22 Alejandro Limón, Anthony Brown and Allison Edwards address in more detail in  
23 their testimony. As addressed by Mr. Brown and Ms. Edwards, the Company has  
24 proposed adjustments to capital investment to remove costs for activities such as  
25 miscoded investment, costs for meals greater than \$25 per person, exclusive of  
26 taxes and tip amount, and hotel stays greater than \$175 per night, exclusive of taxes.

27 **Q. HOW DOES TGS RECOVER CAPITAL INVESTMENT AMOUNTS?**

28 A. Based on my understanding of applicable statutes and Commission rules, capital  
29 investment can be requested for recovery through a statement of intent filing like

1 this proceeding or through an IRA or GRIP filing. GURA § 104.301 establishes  
2 the state’s Gas Reliability Infrastructure Program and is commonly referred to as  
3 the “GRIP statute.” The purpose of the statute is to encourage the timely investment  
4 in needed system improvements and to reduce the frequency of traditional rate  
5 cases by providing a streamlined process for utilities to recover the costs of those  
6 investments on an interim basis between rate cases. Capital investment in a GRIP  
7 filing is not subject to a prudence review during the GRIP process. Instead, the  
8 prudence review, which involves a determination that capital investment is just and  
9 reasonable, occurs in the next general rate case for that service area.

10 **Q. IS TGS INCLUDING CAPITAL INVESTMENT FROM GRIP FILINGS IN**  
11 **THIS RATE CASE?**

12 A. Yes. The Company has made annual GRIP filings for the RGVSA environs since  
13 the last rate case for this service area, which includes investment from January 1,  
14 2017 through December 31, 2022.

15 **Q. IN ADDITION TO YOURS AND MR. LIMÓN’S TESTIMONY, WHAT**  
16 **SUPPORT IS THE COMPANY PROVIDING FOR THE ANNUAL**  
17 **CAPITAL INVESTMENT AMOUNTS?**

18 A. In Exhibit JJH-3, I am providing capital investments reports, including Corporate  
19 and TGS Division investment, for the test year and as provided in TGS’s GRIP  
20 filings since the last base rate case in the RGVSA.

21 These investment reports list projects and contain detailed support of TGS’s  
22 capital investment request. The investment reports are project activity summaries  
23 for plant in service and completed construction not classified. Each report includes

1 the project number, utility account, project in-service date, project description,  
2 function description, customers benefited and any adjustments.

3 **Q. WHAT RELIEF IS TGS SEEKING IN THIS RATE CASE WITH REGARD**  
4 **TO CAPITAL INVESTMENT?**

5 A. The Company is requesting a determination that the capital investment included in  
6 this rate case is prudent, just, and reasonable, including test year and GRIP capital  
7 investment amounts.

8 **Q. IS THE CAPITAL INVESTMENT INCLUDED IN THE COMPANY'S**  
9 **RATE CASE REASONABLE AND NECESSARY?**

10 A. Yes. Mr. Limón explains how each capital investment expenditure or project must  
11 be approved through a thorough decision-making process and the ways in which  
12 those investments are necessary for TGS to maintain a safe and reliable system and  
13 to provide an appropriate level and quality of gas utility service to customers. This  
14 is also true for TGS Division and Corporate capital investment amounts that are  
15 allocated to RGVSA. Ongoing capital investment is a necessary and critical aspect  
16 of the Company's ability to provide service.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes, it does.

<b>Witness</b>	<b>Title</b>	<b>Testimony Subjects</b>
Jeffrey J. Husen	Vice-President of Rates and Regulatory Affairs	Provides an overview of the Statement of Intent filing, including an explanation of the relief TGS is requesting and sponsors the Company's annual capital investment reports included with the Company's IRA filings to support the Company's requested prudence determination.
Alejandro Limon	Vice-President of Operations	Provides an overview of operations within the RGVSA; addresses the reasonableness and necessity of capital investment and Operations and Maintenance (O&M) expenses; addresses ONE Gas' response to Winter Storm Uri and COVID-19; and addresses the Company's Pipeline Integrity Testing Program.
Anthony Q. Brown	Manager of Rates and Regulatory Analysis for TGS	Provides an overview of the cost of service and overall revenue requirement calculation and supports TGS's Direct rate base and Direct expense adjustments; addresses the Company's compliance with certain regulatory and statutory requirements; affiliate cost recovery issues related to Utility Insurance Company ("UIC"); the Company's recovery of pipeline integrity testing costs; the Company's recovery of rate case expenses; and describes the proposed RGVSA rate schedules and tariffs as well as rate schedules and tariffs currently in effect for the RGVSA.
Stacey L. McTaggart	Rates and Regulatory Director for TGS	Describes the Company's proposed EDIT adjustment to return excess deferred income taxes to customers; the treatment of cloud-based computing costs; and TGS's recovery of costs associated with COVID-19 and Winter Storm Uri and another regulatory asset.
Allison N. Edwards	Manager of Rates and Regulatory Analysis for ONE Gas	Addresses the cost allocation methodology used to determine TGS's share of allocated costs and certain Corporate expense adjustments; supports certain TGS Division and Corporate capital investment that is included in the RGVSA revenue requirement as well as Corporate depreciation and amortization expense; and explains Direct, TGS Division and Corporate expense adjustments related to payroll, employee benefits, and incentive compensation.
Jeff D. Branz	Director of Total Rewards for ONE Gas	Addresses the reasonableness of ONE Gas' compensation philosophy and structure, as well as related costs for base pay, incentive plans and benefits.
Cyndi L. King	Director of Treasury and Finance for ONE Gas	Supports the recovery of a return on the Company's prepaid pension asset and describes ONE Gas' captive insurance company, UIC.
Kenneth E. Eakens	Director of Tax Compliance and Financial Reporting for ONE Gas	Describes the calculation of the Company's EDIT.
Timothy S. Lyons	Partner with ScottMadden, Inc.	Sponsors TGS's lead-lag study that determines TGS's cash working capital requirement to be included in rate base.
Janet M. Simpson	Accountant and Managing Member of Utility Regulatory Consulting, LLC	Presents TGS's Accumulated Deferred Income Tax (ADIT) calculations.
Ronald E. White	Engineer and President of Foster Associates Consultants, LLC	Sponsors a study of the depreciation rates for TGS plant located in the RGVSA and for common facilities shared among all TGS service areas, including Corporate assets.
Bruce H. Fairchild	Principal with Financial Concepts and Applications, Inc.	Supports TGS's requested return on equity, cost of debt, capital structure, and overall return on invested capital.
Teresa Serna	Rate Specialist for TGS	Supports TGS's revenue adjustments, and describes the class cost of service study and supports TGS's proposed class revenue allocation.
Paul H. Raab	Economic Consultant	Describes and supports TGS's proposed rate design.

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**TABLE OF CONTENTS**

LINE NO.	SCHEDULE OR WORKPAPER	DESCRIPTION	SPONSOR
(a)	(b)	(c)	
1	SCHEDULE A	Summary of Revenue Requirement	Anthony Brown
2	WKP A.a	Proof of Revenue Requirement	Anthony Brown
3	WKP A.b	Customer Allocation Factors	Anthony Brown
4	SCHEDULE B	Rate Base	Anthony Brown / Allison Edwards
5	WKP B.a	Summary of Plant Adjustments	Anthony Brown
6	SCHEDULE B-1	Materials and Supplies	Anthony Brown
7	SCHEDULE B-2	Prepayments	Anthony Brown / Allison Edwards
8	WKP B-2.a.1	Prepayments - TGS Division	Allison Edwards
9	WKP B-2.b.1	Prepayments - Corporate Allocated through Distrigas	Allison Edwards
10	SCHEDULE B-3	Rule 8.209 Regulatory Asset	Anthony Brown / Stacey McTaggart
11	WKP B-3.a	Rule 8.209 Regulatory Asset	Anthony Brown
12	SCHEDULE B-4	Pension and OPEB Regulatory Asset	Cyndi King
13	WKP B-4.a	Pension and OPEB Regulatory Asset	Cyndi King
14	SCHEDULE B-5	Prepaid Pension Asset	Mark Smith
15	SCHEDULE B-6	Cash Working Capital	Timothy Lyons
16	SCHEDULE B-7	Customer Deposits	Anthony Brown
17	SCHEDULE B-8	Customer Advances	Anthony Brown
18	SCHEDULE B-9	Accumulated Deferred Income Taxes	Janet Simpson
19	SCHEDULE B-10	Unamortized Excess Accumulated Deferred Income Taxes	Kenneth Eakens / Stacey McTaggart
20	SCHEDULE B-11	Regulatory Assets	Stacey McTaggart
21	SCHEDULE C	Total Plant in Service - Direct and Allocated	Anthony Brown / Allison Edwards
22	WKP C.a	Plant in Service - Service Area Direct	Anthony Brown
23	WKP Ca.1	N/A	N/A
24	WKP C.b	Plant in Service - TGS Division	Allison Edwards
25	WKP C.c	Plant in Service - Corporate	Allison Edwards
26	SCHEDULE C-1	Total Completed Construction Not Classified (CCNC) - Direct and Allocated	Anthony Brown / Allison Edwards
27	WKP C-1.a	CCNC - Service Area Direct	Anthony Brown
28	WKP C-1.a.1	N/A	N/A
29	WKP C-1.b	CCNC - TGS Division	Allison Edwards
30	WKP C-1.c	CCNC - Corporate	Allison Edwards
31	SCHEDULE D	Total Accumulated Reserves for Depreciation and Amortization - Direct and Allocated	Anthony Brown / Allison Edwards
32	WKP D.a	Total Accumulated Reserves for Depreciation and Amortization - Direct	Anthony Brown
33	WKP D.a.1	N/A	N/A
34	WKP D.b	Total Accumulated Reserves for Depreciation and Amortization - TGS Division	Allison Edwards
35	WKP D.c	Total Accumulated Reserves for Depreciation and Amortization - Corporate	Allison Edwards
36	SCHEDULE E	Cost of Capital	Bruce Fairchild
37	SCHEDULE F	Federal Income Tax	Anthony Brown
38	SCHEDULE G	Summary of Operating Revenue and Expense Adjustments	Anthony Brown / Allison Edwards
39	SCHEDULE G	Summary of Operating Revenue and Expenses	Anthony Brown / Allison Edwards / Teresa Serna
40	WKP G.a.1	Operating Revenue and Expense Adjustments	Anthony Brown / Allison Edwards
41	WKP G.a.2	Operating Revenue and Expense Per Book	Anthony Brown / Allison Edwards
42	WKP G.a.2.a	Supporting Workpaper for Operating Revenue and Expense Per Book, Including O & M Expense Factor for Shared Service, Including Costs Allocated Through Distrigas	Allison Edwards
43	SCHEDULE G-1	Remove Gas Revenue, Cost of Gas and Related Taxes	Teresa Serna
44	SCHEDULE G-2	Normalize Gas Sales Revenue	Teresa Serna
45	SCHEDULE G-3	Normalize Other Utility Revenue	Teresa Serna
46	SCHEDULE G-4	Base Payroll Adjustment	Allison Edwards
47	WKP G-4.a	Base Payroll Expense	Allison Edwards
48	WKP G-4.b	Test Year Payroll	Allison Edwards
49	WKP G-4.c	December Base Payroll	Allison Edwards
50	SCHEDULE G-5	Overtime Payroll Adjustment	Allison Edwards
51	WKP G-5.a	Overtime Payroll Expense	Allison Edwards
52	SCHEDULE G-6	Benefits and Payroll Tax Adjustment	Allison Edwards
53	WKP G-6.a	Benefits and Payroll Tax Expense	Allison Edwards
54	WKP G-6.b	Benefits and Taxes	Allison Edwards
55	WKP G-6.c	Base Level Pension and OPEB	Allison Edwards
56	SCHEDULE G-7	N/A	N/A



**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

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58	WKP G-8.a STI ADJUSTMENT	STI Adjustment	Allison Edwards
59	WKP G-8.b LTI ADJUSTMENT	LTI Adjustment	Allison Edwards
60	SCHEDULE G-9	Miscellaneous Adjustments	Anthony Brown / Allison Edwards
61	WKP G-9.a	Miscellaneous Adjustments - Direct Service Area	Anthony Brown
62	WKP G-9.b	Miscellaneous Adjustments - Shared Services	Allison Edwards
63	WKP G-9.c	Miscellaneous Adjustments - Dstrigas	Allison Edwards
64	SCHEDULE G-10	Rents and Leases	Anthony Brown / Allison Edwards
65	WKP G-10.a	Rents and Leases - Direct Service Area	Anthony Brown
66	WKP G-10.b	Rents and Leases - Shared Services	Allison Edwards
67	SCHEDULE G-11	Interest on Customer Deposits	Anthony Brown
68	SCHEDULE G-12	Uncollectible Expense	Anthony Brown
69	SCHEDULE G-13	Injuries and Damages	Allison Edwards
70	WKP G-13.a	Injuries and Damages Workpaper	Allison Edwards
71	SCHEDULE G-14	Advertising Expense	Anthony Brown / Allison Edwards
72	SCHEDULE G-15	Depreciation and Amortization Expense	Anthony Brown / Allison Edwards
73	WKP G-15.a.1	Depreciation and Amortization Expense - Direct Service Area	Anthony Brown
74	WKP G-15.a.2	Fully Depreciated Plant - Direct Service Area	Anthony Brown
75	WKP G-15.b.1	Depreciation and Amortization Expense - TGS Division	Allison Edwards
76	WKP G-15.b.2	Fully Depreciated Plant - TGS Division	Allison Edwards
77	WKP G-15.c.1	Depreciation and Amortization Expense - Corporate	Allison Edwards
78	WKP G-15.c.2	Fully Depreciated Plant - Corporate	Allison Edwards
79	SCHEDULE G-16	Ad Valorem Tax Expense	Anthony Brown
80	WKP G-16.a	Plant in Service - Direct, Ad Valorem Tax Workpaper	Anthony Brown
81	WKP G-16.b	CCNC - Direct, Ad Valorem Tax Workpaper	Anthony Brown
82	WKP G-16.c	Accumulated Reserves for Depreciation and Amortization - Direct, Ad Valorem Tax Workpaper	Anthony Brown
83	SCHEDULE G-17	Franchise ("Gross Margin") Tax Expense	Anthony Brown
84	SCHEDULE G-18	Stores Load Clearing	Anthony Brown
85	SCHEDULE G-19	Transportation and Work Equipment Clearing	Anthony Brown
86	SCHEDULE G-20	Regulatory Expense Amortization	Anthony Brown / Stacey McTaggart
87	SCHEDULE G-21	Dstrigas Allocation Percentage	Allison Edwards
88	WKP G-21.a	Dstrigas Allocation Percentage Workpaper	Allison Edwards
89	SCHEDULE G-22	Causal Allocation Percentage	Allison Edwards
90	WKP G-22.a	Causal Allocation Factor	Allison Edwards
91	SCHEDULE G-23	Pipeline Integrity Testing Expense	Anthony Brown
92	SCHEDULE G-24	Excess Deferred Income Tax Amortization	Anthony Brown / Kenneth Eakens / Stacey McTaggart
93	Study Summary	Class Cost of Service Study Summary	Teresa Serna
94	Classified Rate Base	Classified Rate Base	Teresa Serna
95	Classified Cost of Service	Classified Cost of Service	Teresa Serna
96	Classification Factors	Classification Factors	Teresa Serna
97	Allocated Rate Base	Allocated Rate Base	Teresa Serna
98	Allocated Cost of Service	Allocated Cost of Service	Teresa Serna
99	Allocation Factors	Allocation Factors	Teresa Serna
100	WKP Plant	Plant and Depreciation Workpaper	Teresa Serna
101	WKP Admin&Gen	Administrative & General Workpaper	Teresa Serna
102	WKP Selected Data	Selected Data Workpaper - Volumes, Bills, Margin, Odorization, Dstrigas, Allocation Factors, Mains (Customer) Percentage	Teresa Serna
103	903 Factors	Account 903 Factors Summary for CCOSS	Teresa Serna
104	904 Factors	Account 904 Factors Summary for CCOSS	Teresa Serna
105	Billing Determinants Summary	Billing Determinants Summary for CCOSS	Teresa Serna
106	Customer Deposit Factors	Customer Deposit Factors Summary for CCOSS	Teresa Serna
107	Mains Study Summary	Mains Study Summary for CCOSS	Teresa Serna
108	Meters & Regulator Factors	Meter & Regulator Factors Summary for COSS	Teresa Serna
109	Odorization Summary	Odorization Summary for COSS	Teresa Serna
110	Peak Demand	Peak Demand Summary for COSS	Teresa Serna
111	Service Charges Summary	Service Charges Summary for COSS	Teresa Serna

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

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114	Class Revenue Allocation	Class Revenue Allocation	Teresa Serna
115	Proof of Revenue	Proof of Revenue	Paul Raab
116	Current & Rec Rates	Current and Recommended Rates	Paul Raab
117	WKP Current & Rec Rates	Current and Recommended Rates Workpaper	Paul Raab
118	Customer Bill Impacts	Customer Bill Impacts	Paul Raab
119	Residential Bill Impacts Existing Rates	Annual Residential Bill Impacts - Proposed A/B Rate Structure compared to Existing Rate Structure	Paul Raab
120	Residential Bill Impacts New Rates	Annual Residential Bill Impacts - Proposed A/B Rate Structure compared to Traditional Rate Structure	Paul Raab
121	Commercial Bill Impacts Existing Rates	Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing Commercial Incorporated Rates	Paul Raab
122	Commercial Bill Impacts New Rates	Annual Bill Impacts of Small/Large Commercial Rate Relative to Traditional Commercial Incorporated Rates	Paul Raab
123	Transport Bill Impacts	Annual Bill Impacts of Flat Transport Rate Relative to Existing Commercial Transport Rates	Paul Raab
124	Residential	Residential Rate Design	Paul Raab
125	Commercial	Commercial Rate Design	Paul Raab
126	Industrial	Industrial Rate Design	Paul Raab
127	Public Authority	Public Authority Rate Design	Paul Raab

Exhibit JJH-3 is voluminous and is being provided  
in electronic format.

STATE OF OKLAHOMA §  
  §  
COUNTY OF TULSA       §

**AFFIDAVIT OF JEFFREY J. HUSEN**

BEFORE ME, the undersigned authority, on this day personally appeared Jeffrey J. Husen who having been placed under oath by me did depose as follows:

1.       “My name is Jeffrey J. Husen. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Vice-President of Rates and Regulatory Affairs for ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.


2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Jeffrey J. Husen

SUBSCRIBED AND SWORN TO BEFORE ME by the said Jeffrey J. Husen on this 13 day of June, 2023.



  
\_\_\_\_\_  
Notary Public in and for the State of Oklahoma

**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**ALEJANDRO LIMÓN**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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**LIST OF EXHIBITS**

EXHIBIT AL-1	Texas Gas Service Company Area Map
EXHIBIT AL-2	Safety Metric Charts
EXHIBIT AL-3	COVID-19 Response Level Chart

1                                   **DIRECT TESTIMONY OF ALEJANDRO LIMÓN**

2                                   **I.    INTRODUCTION AND QUALIFICATIONS**

3    **Q.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4    A.    My name is Alejandro Limón. My business address is 9228 Tuscany Way, Austin,  
5           Texas 78754.

6    **Q.    BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7    A.    I am the Vice-President of Operations for Texas Gas Service Company (“TGS” or  
8           the “Company”), which is a Division of ONE Gas, Inc. (“ONE Gas”).

9    **Q.    WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT**  
10           **POSITION?**

11   A.    As Vice-President of Operations, I have primary responsibility for Field Operations  
12           for the TGS division. These responsibilities include:

- 13           •    Construction and maintenance on TGS’s distribution systems;
- 14           •    Field customer service;
- 15           •    Meter reading;
- 16           •    Collections;
- 17           •    Compliance-related activities; and
- 18           •    Operations and maintenance (“O&M”) and capital budgets.

19   **Q.    PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
20           **PROFESSIONAL EXPERIENCE.**

21   A.    I received a Bachelor of Science Degree in Civil Engineering from the University  
22           of Texas at El Paso in 1992. Following graduation, I worked for three years as an  
23           engineer for the Texas Department of Transportation (“TxDOT”) where I worked  
24           in the Bridge Design Section on a series of major bridge projects in the El Paso

1 area. These assignments involved extensive coordination with gas, electric,  
2 telecommunications, water, and sewer utilities in order to minimize required utility  
3 relocation and related expense. As a member of the design team for the Cordova  
4 International Bridge, I additionally coordinated design and construction activities  
5 with both U.S. and Mexican representatives of the International Boundary and  
6 Water Commission.

7 In 1995, I joined El Paso Water Utilities (“EPWU”), where I initially  
8 worked in the New Development Section, dealing with developers on service  
9 availability issues and the design of new and expanded water and sanitary sewer  
10 facilities. After a year, I became EPWU’s in-house Master Water Modeling subject  
11 matter expert, a technical position in which I analyzed water distribution system  
12 flows. At EPWU, I utilized the Cybernet modeling program and worked with both  
13 the EPWU Engineering Department and outside engineering consultants in  
14 properly sizing the water distribution and transmission system to meet existing and  
15 projected demands for service. I prepared a \$201 million budget forecasting water  
16 infrastructure master plan improvements from 2000 to 2026. The plan consisted of  
17 12” water mains thru 60” water transmission pipelines and 30 million gallons of  
18 storage and pump stations.

19 In 1999, I left EPWU to accept a position with Southern Union Gas, whose  
20 Texas assets were purchased by ONEOK, Inc. in January 2003 and are now known  
21 as Texas Gas Service Company, which became a division of ONE Gas as of January  
22 2014. I have had responsibilities in various roles as the Regional Engineer  
23 Manager, Operations Manager, Director of Operations, and Director of Compliance  
24 with statewide responsibilities for the past 23 years with TGS. I served as the West



1 Texas Regional Engineer Manager from 1999 to 2006 with responsibilities in El  
2 Paso, Permian, and the Rio Grande Valley service areas and in 2001 managed both  
3 Engineering and Construction and Maintenance departments until 2006. As the  
4 manager of Operations, I oversaw engineering design, estimating, project  
5 coordination, project management for TxDOT, City of El Paso, and Governmental  
6 entities in roadway improvement projects. I also managed capital, operating and  
7 maintenance budgets. I was responsible for state and federal inspection audits,  
8 maintenance and operations standards, system replacement projects, and pipeline  
9 integrity design, estimating, bidding, construction, and inspection management.  
10 Starting in 2007, I was the Director of Operations for the El Paso and Permian  
11 service areas (now part of the West North Service Area) with responsibilities for  
12 Customer Service, Meter Reading, Construction and Maintenance, Inspections,  
13 Leak Survey, Cathodic Protection, Pressure & Measurement, Engineering, and  
14 Warehouse. In 2022, I became the Director of Compliance for TGS with statewide  
15 responsibilities overseeing Line Locating, Compliance, Leak Survey, Cathodic  
16 Protection, and Pressure & Measurement. I began serving in my current position  
17 as Vice President of Operations on January 1, 2023.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
19 **COMMISSIONS?**

20 A. Yes, I filed testimony with the Railroad Commission of Texas (“Commission”) in  
21 Gas Utilities Docket (“GUD”) No. 9988.

1 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
2 **DIRECTION?**

3 A. Yes, it was.

4 **Q. ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH**  
5 **YOUR TESTIMONY?**

6 A. Yes, I am sponsoring the exhibits listed in the table of contents.

7 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**  
8 **DIRECTION?**

9 A. Yes, they were.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My testimony provides an overview of the Company's current system and  
12 operations in its Rio Grande Valley Service Area ("RGVSA") and explains how  
13 the costs TGS incurs are necessary for maintaining a safe and reliable natural gas  
14 distribution system. My testimony, along with testimony of other TGS witnesses,  
15 supports the reasonableness and necessity of the Company's requested O&M  
16 expenses and capital investment that has been made in the RGVSA through  
17 December 31, 2022. My testimony and that of other witnesses also supports a  
18 determination that the requested capital investment amounts (Direct, TGS Division  
19 and Corporate) for the test year as well as amounts included in the Company's  
20 annual Gas Reliability Infrastructure Program ("GRIP") filings are prudent and  
21 used and useful. I also explain how TGS's operations and costs have been affected  
22 by the COVID-19 pandemic, Winter Storm Uri, a tight labor market, and economic  
23 conditions.

1                   **II. OVERVIEW OF TGS SYSTEM AND OPERATIONS**

2   **Q. PLEASE DESCRIBE TGS'S SYSTEM AND OPERATIONS IN TEXAS.**

3   A. TGS provides safe, clean and reliable natural gas service to approximately 695,000  
4       customers in 100 communities within three regulatory service areas in Texas. A  
5       map of the areas TGS currently serves is attached to my testimony as Exhibit AL-  
6       1. TGS and its predecessor utilities have served these areas for approximately 90  
7       years. Operational decisions for TGS are made at the statewide level in  
8       coordination with management decision-making based in Tulsa, Oklahoma.

9   **Q. PLEASE EXPLAIN HOW THE TGS SYSTEM IS MANAGED.**

10 A. The centralized approach to decision-making and management of TGS's gas  
11       service means that the employees within the regulatory service area boundaries do  
12       not represent the full scope of the activities, personnel and workload associated  
13       with its actual operations in the RGVSA. Instead, the centralized approach means  
14       that the regulatory service areas are actually operated on a statewide basis.

15               This functional operating approach has been utilized since 2013 and allows  
16       ONE Gas to operate the local distribution companies in each state as one company,  
17       rather than three separate companies. Many activities that affect the Company's  
18       operations are centralized at the corporate level in Tulsa, the TGS Division level  
19       statewide, and within specific regions of Texas. Under the functional model,  
20       employees across ONE Gas are organized by function, which allows ONE Gas to  
21       better align common processes across the enterprise, regardless of the state where  
22       that function is completed. For example, project planning and management is  
23       coordinated at the ONE Gas level to ensure that capital projects are evaluated and  
24       prioritized based on total system needs. This, in turn, enables the Company to

1 efficiently monitor and maintain its systems and ensure the provision of safe and  
2 reliable service in Texas. Examples of functions that are centralized at ONE Gas  
3 include Asset Management, Resource Management, Information Technology, and  
4 Human Resources. Examples of operations-related functions that are centralized  
5 at a statewide level include leak survey, pressure control and measurement, and  
6 cathodic protection. Examples of departments that are centralized at the statewide  
7 level include Operations, Engineering, Financial Accounting, Fleet, Customer  
8 Information Center, Dispatch, and Gas Supply. The Company has operated this  
9 way for approximately ten years, so all recent rate cases and related costs have  
10 reflected this approach.

11 In addition to organizing the workload by function, ONE Gas and TGS have  
12 also focused on integrating systems and process changes to support the  
13 implementation and use of technology relating to construction, maintenance and  
14 replacement of assets. This has led to more efficient operations as well as enhanced  
15 communication among necessary personnel at all levels of TGS and ONE Gas  
16 related to operation of the Texas system.

17 **Q. PLEASE DESCRIBE TGS'S RIO GRANDE VALLEY SERVICE AREA.**

18 A. TGS provides natural gas distribution service to approximately 65,000 customers  
19 in the RGVSA<sup>1</sup> and operates approximately 2,331 miles of distribution mains,  
20 approximately 205 miles of transmission mains, and approximately 636 miles of

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<sup>1</sup> The RGVSA includes the cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

1 service lines. These system assets combined represent more than \$180 million in  
2 net investment. As of the end of 2022, the Company directly employed  
3 approximately 205 TGS Division and 100 Direct RGVSA personnel with a  
4 combined annual payroll of over \$27 million. The Company remitted  
5 approximately \$1.3 million in annual property taxes to local taxing authorities in  
6 the RGVSA.

7 **Q. DESCRIBE ONE GAS' FOCUS ON SAFETY.**

8 A. ONE Gas continually seeks to improve processes for risk assessment and risk  
9 mitigation as part of its integrity management programs, as well as its procedures  
10 for ensuring full compliance with all laws and regulations. ONE Gas measures:  
11 (1) preventable vehicle incident rate (PVIR); (2) total recordable incident rate  
12 (TRIR); (3) days away, restricted and transferred (DART); and (4) emergency  
13 response time (ERT). Exhibit AL-2 shows ONE Gas' progress over the last several  
14 years with respect to the first three metrics compared to general industry  
15 achievement based on data gathered by the American Gas Association. The data  
16 in Exhibit AL-2 confirms that ONE Gas has improved significantly from being in  
17 the 4th quartile in 2009 to the 1st quartile in recent years. TGS has also  
18 implemented more stringent standards for leak classification and repairs. ONE Gas  
19 regularly reviews its leak classification and repair standards for enhancements to  
20 its procedures. The more stringent standards are appropriate for management of the  
21 system, and the resulting leak repair or system maintenance is a reasonable and  
22 necessary expense.

1 **Q. IS TGS REQUIRED TO COMPLY WITH STATE AND FEDERAL**  
2 **REGULATORY REQUIREMENTS?**

3 A. Yes. The Company is subject to many rules and regulations on both the federal and  
4 state levels that are focused on ensuring the safety and reliability of TGS's  
5 infrastructure throughout the state and safe operation of its equipment. Examples  
6 include integrity testing, leak surveys and replacing facilities that present risks to  
7 TGS's system, which I will describe in more detail below. TGS must employ  
8 qualified personnel or hire contractors and incur costs that are necessary to meet its  
9 regulatory compliance obligations. Those costs include both O&M expenses and  
10 capital investment, which are costs TGS proposes to recover through base rates or  
11 specific riders as part of this rate case.

12 **III. OPERATION AND MAINTENANCE EXPENSES**

13 **Q. PLEASE DESCRIBE THE O&M EXPENSES TGS INCURS.**

14 A. TGS's O&M expenses are the result of normal operating, maintenance and  
15 administrative activities necessary to operate the natural gas system in a safe and  
16 reliable manner and provide effective and efficient customer service. TGS's O&M  
17 expenses include maintenance activities, personnel-driven expenses, such as wages  
18 and salaries and employee benefits, and safety and regulatory compliance  
19 obligations. TGS also incurs O&M expenses for necessary tasks employees in the  
20 field are performing for safety and regulatory compliance such as cathodic  
21 protection, distribution integrity, leak survey, leak monitoring, leak repair, and line  
22 locating. Company technicians also perform or oversee tasks such as meter  
23 maintenance, pressure regulation, odorant testing, service initiation, and right-of-  
24 way maintenance. These operational functions are supported by back-office

1 functions such as Gas Supply, Accounting, Rates and Human Resources that are  
2 necessary to operate the natural gas distribution system.

3 **Q. DOES TGS UTILIZE A PLANNING PROCESS FOR O&M EXPENSES?**

4 A. Yes. Executive management works closely with local management to establish  
5 appropriate O&M budgets to maintain a safe and reliable system and provide  
6 effective customer service while also balancing the need to control O&M expenses.  
7 To control O&M costs, TGS regularly reviews various metrics. For example, TGS  
8 conducts periodic reviews of the personnel, including contractors, utilized in  
9 operations to ensure the efficient and effective use of resources. Overtime is  
10 reviewed on at least a monthly basis to determine whether adjustments are needed  
11 to staffing levels, scheduled work, and employee schedules to minimize total labor  
12 costs. The ability to share resources across the state also aids the Company in  
13 maximizing the productivity of its resources. The Company also regularly reviews  
14 its budget forecasts to assess variances between actual expenses and forecasted  
15 amounts. By utilizing a centralized purchasing department, the Company can make  
16 use of volume discounts through approved vendors. Direct purchases of materials  
17 are kept to a minimum.

18 **Q. PLEASE ELABORATE ON THE REGULATORY COMPLIANCE**  
19 **ACTIVITIES THAT ARE A NECESSARY PART OF OPERATING TGS'S**  
20 **SYSTEM.**

21 A. One example is requirements from the federal Pipeline and Hazardous Materials  
22 Safety Administration ("PHMSA") and Commission that are applicable to natural

1 gas distribution companies.<sup>2</sup> Specifically, the Company must establish a risk-based  
2 approach to pipeline maintenance and safety. Commission Rule 8.209 requires the  
3 Company to develop and implement a risk-based program for the removal or  
4 replacement of distribution facilities, including steel service lines. TGS's  
5 distribution integrity management program and its risk-based program use  
6 scheduled replacements to manage identified risks associated with the integrity of  
7 distribution facilities and comply with the requirements mentioned above.

8 TGS also conducts leak surveys pursuant to Commission Rule 8.206(g) no  
9 less frequently than: (1) annually for all systems within a business district; (2) every  
10 five years for non-business district polyethylene ("PE") systems or segments within  
11 a system; (3) every three years for all other non-business district, cathodically  
12 protected steel systems or segments within a system; and (4) every two years for all  
13 other non-business district systems or segments within a system.

14 **Q. ARE THERE OTHER REGULATORY COMPLIANCE ACTIVITIES**  
15 **THAT RESULT IN COSTS FOR TGS?**

16 A. Yes. Pipeline integrity testing is an important activity that is a combined federal  
17 and state regulatory initiative designed to ensure the safe transportation of natural  
18 gas by pipeline by requiring pipeline operators to regularly test the structural  
19 integrity of their gas pipelines. In Texas, the Commission has been delegated  
20 responsibility for administering and enforcing pipeline integrity requirements for  
21 intrastate pipelines and has adopted state regulations that supplement the applicable  
22 federal regulations and requirements of PHMSA. The Company's pipeline

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<sup>2</sup> See generally 49 C.F.R. § 192.1001-.10015 (2020) (distribution integrity management standards).



1 integrity testing program is specifically implemented to comply with these state and  
2 federal regulations that require TGS to assess its facilities at least once every seven  
3 years. Certain higher risk facilities are subject to more frequent testing. TGS  
4 assesses risks to its entire pipeline system across the state in order to determine the  
5 priority by which pipelines should be tested each year.<sup>3</sup> Once the risk assessment  
6 and testing schedule has been established statewide, TGS coordinates and  
7 schedules testing in an efficient and cost-effective manner. There can also be  
8 capital costs associated with testing, which are recovered in the Company's next  
9 GRIP filing, Cost of Service Adjustment, or as part of test year costs in a rate case.

10 **Q. ARE THE COSTS RELATED TO REGULATORY COMPLIANCE**  
11 **REASONABLE AND NECESSARY?**

12 A. Yes, the costs are reasonable and necessary. The Company is required to incur  
13 these costs pursuant to federal and state regulations that require the Company to  
14 maintain the safety of its system.

15 **Q. IS THE O&M EXPENSE REQUESTED FOR RECOVERY IN THIS RATE**  
16 **CASE REASONABLE AND NECESSARY?**

17 A. Yes. TGS is requesting recovery of nearly \$21 million of O&M expense that was  
18 incurred during the test year. Approximately \$15 million of O&M expense was  
19 directly incurred within the RGVSA, which Company witness Anthony Brown also  
20 addresses in his direct testimony. Company witness Allison Edwards also  
21 addresses the TGS Division and ONE Gas Corporate allocated O&M costs in the  
22 amount of \$6 million. The test year O&M expense requested for recovery in this

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<sup>3</sup> 16 Tex. Admin. Code ("TAC") §§ 8.101, 8.209 and 49 C.F.R. §§ 192.937 and 192.1001.

1 rate case is reasonable and necessary because it reflects costs TGS incurs to  
2 continue the safe and reliable operation of the system and to provide effective and  
3 efficient service to customers. The O&M costs in this rate case are the annual  
4 amount of costs TGS incurs for its employees, as well as TGS Division and  
5 Corporate employees, to perform the day-to-day functions necessary to operate the  
6 TGS system.

#### 7 **IV. CAPITAL INVESTMENT**

##### 8 **Q. WHAT IS CAPITAL INVESTMENT?**

9 A. Capital investment is funds TGS spends to acquire or install equipment or facilities  
10 that are expected to be used and useful to provide service and will be in service for  
11 an extended period of time before being replaced or retired. TGS makes ongoing  
12 capital investment in its infrastructure and other assets because doing so is  
13 necessary to maintain and expand the utility system in order to provide safe and  
14 reliable service to customers.

##### 15 **Q. PLEASE DESCRIBE TGS'S CAPITAL INVESTMENT ACTIVITIES.**

16 A. Generally, TGS's capital investments are made to replace pipeline facilities that  
17 have reached the end of their useful service lives; add pipeline for serving new  
18 customers; relocate pipeline facilities as required by city, county and state roadway  
19 projects; and comply with regulatory requirements.

20 Examples of capital investment activity include:

- 21 • In McAllen, three main extensions were completed in the Tres Lagos  
22 master planned community. Two of the extensions completed  
23 residential service for the Aqualina Phase I and Las Cascadas  
24 subdivisions. The third extension reached the commercial development  
25 known as the Shoppes at Tres Lagos.

- 1 • In Santa Rosa, a line was relocated along state highway 107 at two  
2 locations to accommodate new drainage structures and a roadway  
3 expansion required by TxDOT.
- 4 • In Lyford, three deteriorated low pressure systems were rebuilt to  
5 medium pressure to add reliability, adequate pressure, and redundancy  
6 to the system. The three regulator stations from the low pressure  
7 systems were retired.
- 8 • In Edinburg, due to city roadway expansions, over 2,500 feet of coated  
9 steel pipe were replaced with PE pipe along with approximately 13  
10 service replacements.

11 **Q. WHAT CAPITAL INVESTMENT IS THE COMPANY SEEKING TO**  
12 **RECOVER IN THIS RATE CASE?**

13 A. TGS requests recovery of the reasonable and necessary capital investment made in  
14 the RGVSA since the last rate cases in the amount of approximately \$75 million.<sup>4</sup>  
15 All capital investment included in this rate case is for facilities or items that are  
16 currently used and useful in providing utility service as of the end of the test year,  
17 December 31, 2022, which Company witnesses Jeffrey Husen, Mr. Brown and  
18 Ms. Edwards address in their direct testimony.

19 **Q. PLEASE EXPLAIN THE COMPANY'S CAPITAL INVESTMENT**  
20 **PLANNING PROCESS.**

21 A. The process by which TGS identifies, evaluates, prioritizes and approves capital  
22 investment projects is done on a systemwide basis for TGS rather than on an  
23 individual service area basis. ONE Gas' capital budget and procurement processes,  
24 which apply to TGS, along with managerial review and oversight, help control costs  
25 to ensure the reasonableness of the capital investment made annually to provide

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<sup>4</sup> The Company last filed a rate case with the RGVSA cities on June 15, 2017, and filed a rate case with the Commission for the RGVSA environs on October 12, 2017 (GUD No. 10656).

1 safe and reliable service. In addition, ONE Gas has centralized its capital project  
2 closing function to promote timeliness, accuracy and consistency in documentation.

3 ONE Gas' processes for capital projects are designed to ensure that every  
4 capital investment project or activity that affects the TGS system is necessary for  
5 providing safe and reliable service and reasonable in cost. Specifically, there is a  
6 dedicated ONE Gas work group that coordinates replacement activity and identifies  
7 capital projects for the TGS system. This work includes identifying potential  
8 projects utilizing a risk-based approach and prioritizing the proposed projects based  
9 on the relative risk. Additionally, annual and long-term work plans are developed  
10 by analyzing projects throughout the Company that maximize risk reduction under  
11 given financial, resource and regulatory constraints. For each proposed project,  
12 engineering alternatives are evaluated, the preferred course of action is selected,  
13 and average cost metrics are applied to develop and assign a cost estimate to each  
14 project. General plant expenditures are reviewed to identify and prioritize  
15 investment projects needed to maintain working equipment and structures, ensure  
16 safety, enhance efficiencies, and meet regulatory requirements. Once a project has  
17 been approved, the Company's capital budgeting process includes additional cost  
18 controls to ensure that construction projects remain within funded limits. Before  
19 the work on a capital project begins, and before payments are made, required  
20 managerial approvals are obtained. TGS senior management also meets on a  
21 regular basis to review capital spending levels and make adjustments as  
22 appropriate.

1 **Q. CAN ALL CAPITAL INVESTMENT BE PLANNED IN ADVANCE?**

2 A. No. Based on experience, some investment needs will arise during the year that are  
3 not specifically known in advance. For example, leaks can occur on the system at  
4 any time of year, and the Company must revise budgeted amounts and allocate  
5 capital accordingly. Likewise, state, county, and municipal officials submit  
6 relocation requests throughout the year. For example, a government agency may  
7 postpone or delay a project until later in the year if funds are not available for the  
8 project earlier in the year. The projected level of capital expenditures for these  
9 items is developed based on experience and by working with the appropriate  
10 planning departments. Growth project budgets are based on known projects and  
11 experience. TGS's investments in General Plant, like all other capital investments,  
12 are identified through Company work processes and are subject to capital funding  
13 evaluation.

14 **Q. DO ANY ADDITIONAL FACTORS AFFECT CAPITAL INVESTMENTS?**

15 A. Yes. Pipeline safety and system integrity requirements imposed by the federal  
16 government through statutes and regulations require significant capital investment  
17 and lead to increased operating costs. To satisfy these requirements, first and  
18 foremost, the Company invests capital to maintain and improve the safety,  
19 reliability and efficiencies of operating the system and serving customers. Aging  
20 asset replacement is also part of the Company's on-going capital investment. The  
21 Company has also implemented new technology to reduce risk, increase  
22 operational capabilities and efficiencies and improve customer service.

1 **Q. WHAT AMOUNT OF INVESTMENT HAS BEEN MADE SINCE THE**  
 2 **LAST RATE CASES?**

3 A. Since the last RGVSA rate cases, the Company has, on a combined basis, increased  
 4 its net plant in the RGVSA by approximately \$15 million per year, on average, or  
 5 10% per year, which totals approximately \$75 million as shown below:

<b>Annual Increases in Net Plant</b>			
<b>Year</b>	<b>Total RGVSA Net Adjusted Plant (Note 1)</b>	<b>Dollar Increase in Net Plant</b>	<b>Percentage Increase in Net Plant</b>
2017	\$121,687,448		
2018	\$133,884,030	\$12,196,582	10.02%
2019	\$145,369,687	\$11,485,657	8.58%
2020	\$163,521,920	\$18,152,233	12.49%
2021	\$179,115,307	\$15,593,387	9.54%
2022	\$196,718,708	\$17,603,401	9.83%
	Total Increase from 2017 to 2022	\$75,031,260	61.66%
	Average Increase in Net Plant between 2017 to 2022	\$15,006,252	10.09%

Note 1: Plant balances include Rule 8.209 regulatory assets through December 2022.

6 This investment is related to capital investment TGS has made to provide safe and  
 7 reliable service by replacing aging infrastructure, responding to relocation requests,  
 8 complying with regulatory requirements, accommodating growth and responding  
 9 to other system needs. This amount shows that TGS continues to make necessary  
 10 investment on an ongoing basis, year over year.

11 **Q. IS THE CAPITAL INVESTMENT INCLUDED IN THE COMPANY'S**  
 12 **RATE CASE REASONABLE AND NECESSARY?**

13 A. Yes. Each capital investment expenditure or project must be approved through a  
 14 thorough decision-making process. Each investment included in this rate case was  
 15 prudent, reasonable in amount, and necessary for TGS to maintain a safe and

1 reliable system and to provide an appropriate level and quality of gas utility service  
2 to customers. This is also true for TGS Division and Corporate capital investment  
3 amounts that are allocated to the RGVSA and contribute to the Company's ability  
4 to provide service in the RGVSA. These capital costs are necessary for the  
5 Company's operations and are reasonable and prudent.

6 **V. PIPELINE INTEGRITY TESTING PROGRAM**

7 **Q. WHAT IS THE PIPELINE INTEGRITY TESTING PROGRAM, AND**  
8 **WHAT AGENCIES ARE RESPONSIBLE FOR ITS ADMINISTRATION?**

9 A. Pipeline integrity testing is a combined federal and state regulatory initiative  
10 designed to ensure the safe transportation of natural gas by requiring pipeline  
11 operators to regularly test the structural integrity of their gas pipelines. It is part of  
12 a broader national regulatory program implemented by the Office of Pipeline Safety  
13 ("OPS") within PHMSA to ensure the safe transportation of natural gas, petroleum,  
14 and other hazardous materials. These regulations are found in 49 CFR Part 192,  
15 Subpart O. The OPS works in partnership with the Commission and its  
16 counterparts in other states to achieve the program's public safety objectives. In  
17 Texas, the Commission has been delegated responsibility for administering and  
18 enforcing pipeline integrity requirements for intrastate pipelines and, to that end,  
19 has adopted state regulations that supplement the applicable regulations and  
20 requirements of PHMSA. The Company's pipeline integrity testing program is  
21 specifically implemented to comply with these state and federal regulations.

1 **Q. WHEN DID TGS FIRST IMPLEMENT ITS PIPELINE INTEGRITY**  
2 **TESTING PROGRAM?**

3 A. The initial testing began in 2003. Under the program, TGS tested all transmission  
4 facilities subject to the regulations as part of a Baseline Assessment over a ten-year  
5 period. Since that Baseline Assessment was conducted, TGS is required to reassess  
6 its facilities at least once every seven years, with certain higher risk facilities  
7 subjected to more frequent testing. The Company has 205 miles of gas transmission  
8 mains in the RGVSA subject to this integrity testing.

9 **Q. DOES THE COMPANY TEST ROUGHLY THE SAME LENGTH OF**  
10 **PIPELINES EACH YEAR TO MEET THE PROGRAM'S**  
11 **REQUIREMENTS?**

12 A. No, it does not. Pursuant to state and federal regulations, the Company must assess  
13 risks to its entire pipeline across the state to determine the priority by which  
14 pipelines should be tested each year.<sup>5</sup> Once the risk assessment and testing  
15 schedule has been established statewide, TGS coordinates and schedules testing in  
16 the most efficient and cost-effective manner possible. Accordingly, the miles of  
17 pipe tested and the associated level of expense in each year may vary. Mr. Brown  
18 discusses the Company's proposal to account for and recover these necessary  
19 expenses through a rider, which the Commission approved in TGS's last RGVSA  
20 rate case.

---

<sup>5</sup> 16 TAC §§ 8.101, 8.209 and 49 C.F.R. §§ 192.937, 192.1001.



1 **Q. ARE PIPELINE INTEGRITY TESTING COSTS REASONABLE AND**  
2 **NECESSARY?**

3 A. Yes, they are reasonable and necessary. The Company is required to incur these  
4 costs pursuant to federal and state regulations that require the Company to regularly  
5 test its pipelines. The Company only seeks to recover the actual costs it incurs in  
6 meeting the requirements of the pipeline integrity testing program. Moreover,  
7 given the nature and focus of this important safety initiative, it is important that the  
8 Company recover those costs on a timely basis. Mr. Brown explains why it is  
9 appropriate to use a Pipeline Integrity Testing rider to recover these reasonable and  
10 necessary O&M costs that TGS must incur to comply with applicable regulations.

11 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE COMPANY'S**  
12 **REQUEST TO RECOVER PIPELINE INTEGRITY TESTING EXPENSES?**

13 A. Yes. Recently, in Docket No. OS-22-00009896, the Commission approved TGS's  
14 request to recover all of its requested pipeline integrity testing expenses through a  
15 separate rider.<sup>6</sup> As Mr. Brown notes in his testimony, the Commission also  
16 approved PIT Riders in TGS rate cases in GUD Nos. 9988, 10506, 10526, 10656,  
17 10739, and 10928.

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<sup>6</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896 consol., Final Order at Finding of Fact 88 (Jan. 18, 2023).

1 **VI. ISSUES THAT AFFECT TGS OPERATIONS**

2 **Q. ARE THERE ANY RECENT ISSUES THAT HAVE AFFECTED THE**  
3 **COMPANY'S OPERATIONS AND ITS SYSTEM?**

4 A. Yes. The Company provided safe and reliable natural gas throughout 2020 and  
5 2021 under unprecedented conditions, including COVID-19, Winter Storm Uri,  
6 changing economic factors, and a competitive labor market. Specifically, on  
7 March 13, 2020, the Governor of Texas declared a State of Disaster in all Texas  
8 counties related to COVID-19, which affected TGS's operations in 2020, 2021 and  
9 continues to do so through supply chain and labor market conditions I describe later  
10 in my testimony. Likewise, a national emergency was declared on March 13, 2020,  
11 due to COVID-19 on a federal level.<sup>7</sup> In addition, on February 12, 2021, the  
12 Governor of Texas declared a State of Disaster in Texas for all Texas counties in  
13 response to the unprecedented winter weather event known as Winter Storm Uri.  
14 Similarly, on February 14, 2021, a major disaster declaration was issued on a  
15 federal level due to Winter Storm Uri.<sup>8</sup> These major events, in addition to  
16 economic and labor market issues, affected the Company's operations and required  
17 TGS to incur costs that are included in this rate case.

18 **Q. WHAT COSTS DID TGS INCUR RELATED TO COVID-19 THAT ARE**  
19 **INCLUDED IN THIS RATE CASE?**

20 A. TGS incurred COVID-19 costs as a result of the implementation of protocols to  
21 ensure that employees, whose work was essential to provide and maintain service,

---

<sup>7</sup> Continued in effect beyond March 1, 2022 on February 18, 2022 (Coronavirus Disease 2019 (COVID-19) Pandemic; Continuation of National Emergency (Notice of February 18, 2022), 87 Fed. Reg. 10,289 (Feb. 23, 2022)).

<sup>8</sup> [President Joseph R. Biden, Jr. Approves Texas Emergency Declaration | The White House \(Feb. 14, 2021\)](#).

1 could safely continue their day-to-day tasks in the midst of the pandemic. The  
2 protocols included infection prevention measures and modifications across  
3 operating areas to reduce employee risk of exposure to COVID-19. These measures  
4 aligned with the guidance provided by the Centers for Disease Control and  
5 Prevention (“CDC”). More specifically, the COVID-19 related costs in this filing  
6 include:

- 7 • Increased cleaning and disinfecting services on high-contact  
8 touchpoints across all facilities to ensure employees and customers were  
9 as safe as possible. The cleaning and disinfecting services included  
10 cleaning and disinfecting elevators and elevator buttons, spray down of  
11 offices, desks, chairs, equipment, tools, and any other items employees  
12 touched or used.
- 13 • Air purifying systems were installed in each HVAC unit in all populated  
14 facilities to maintain air quality and remove bacteria. Additionally, all  
15 air filters have been updated and upgraded where applicable and were  
16 changed monthly in all facilities where personnel work instead of  
17 quarterly which was the practice prior to COVID-19.
- 18 • Disinfecting or cleaning supplies and hand sanitizer were provided to  
19 all operational employees.
- 20 • Safe work supplies were available at every facility entrance and  
21 throughout seating areas including masks, gloves, hand sanitizer and  
22 spray disinfectant.

23 **Q. PLEASE EXPLAIN HOW COVID-19 AFFECTED OPERATIONS AND**  
24 **THE MEASURES TGS TOOK TO CONTINUE TO PROVIDE SERVICE**  
25 **TO CUSTOMERS.**

26 A. TGS Operations were significantly affected by COVID-19. More specifically, TGS  
27 implemented a safety plan regarding the manner in which its essential employees  
28 operate when interacting with each other and customers. In that regard, TGS  
29 implemented a Field Operation Activities Per COVID-19 Response Level chart  
30 (provided as Exhibit AL-3) that details which field operational activities can be

1 performed depending on the current COVID-19 environment. TGS implemented  
2 these new protocols to better protect its employees and the communities it serves.  
3 COVID-19 also caused contract labor shortages, delayed delivery times, lower  
4 quantities of necessary materials and supplies, and fleet vehicle shortages.

5 Further, the Company required all employees who were able to work from  
6 home to do so in accordance with state and local orders issued in mid-March 2020.  
7 TGS also formed an internal COVID-19 task force to address safety measures  
8 required for continued operations. The added safety measures include a significant  
9 increase in personal protective equipment, which ranges from masks and gloves to  
10 sanitizing spray, and additional cleaning of facilities and vehicles where necessary.  
11 TGS has closely followed the guidelines recommended by the CDC and  
12 Occupational Safety and Health Administration.

13 **Q. PLEASE DESCRIBE THE MATERIAL SUPPLY CHAIN CONDITIONS**  
14 **AND HOW THEY AFFECTED TGS OPERATIONS.**

15 A. After the onset of COVID-19, many of our suppliers had to shut down material  
16 production lines due to lack of labor, raw materials, or both. However, demand for  
17 those materials never subsided. This created immediate backlogs for materials. For  
18 example, materials that traditionally had a 10-week lead time (time from order until  
19 delivery) now had over a six-month lead time. Despite the challenges we faced,  
20 the Company was able to leverage long-term relationships built over decades to  
21 keep our orders for materials a priority and identify new suppliers. Additionally,  
22 ONE Gas shared materials among its divisions at a higher rate than ever. If TGS  
23 was out of a material in Harlingen, Texas but Kansas Gas Service had it in storage  
24 in Topeka, Kansas, we made that transfer to TGS.

1 **Q. WHAT COSTS DID THE COMPANY INCUR RELATED TO WINTER**  
2 **STORM URI THAT ARE INCLUDED IN THIS RATE CASE?**

3 A. The costs included in the Winter Storm Uri regulatory asset include costs for direct  
4 service area overtime labor, supplies and expenses and financing costs.

5 **Q. PLEASE BRIEFLY EXPLAIN HOW THE COMPANY RESPONDED TO**  
6 **WINTER STORM URI AND THE ACTIONS TGS TOOK TO MAINTAIN**  
7 **SERVICE.**

8 A. In the midst of unprecedented weather conditions, TGS's priority was maintaining  
9 service to human needs customers. To do so, employees across ONE Gas and TGS  
10 worked tirelessly and collaborated on a daily (and sometimes hourly) basis  
11 including ONE Gas management, Operations, Engineering, Gas Supply,  
12 Communications, Rates and Legal. During the storm, TGS maintained service to  
13 99.9% of its residential customers throughout the state.

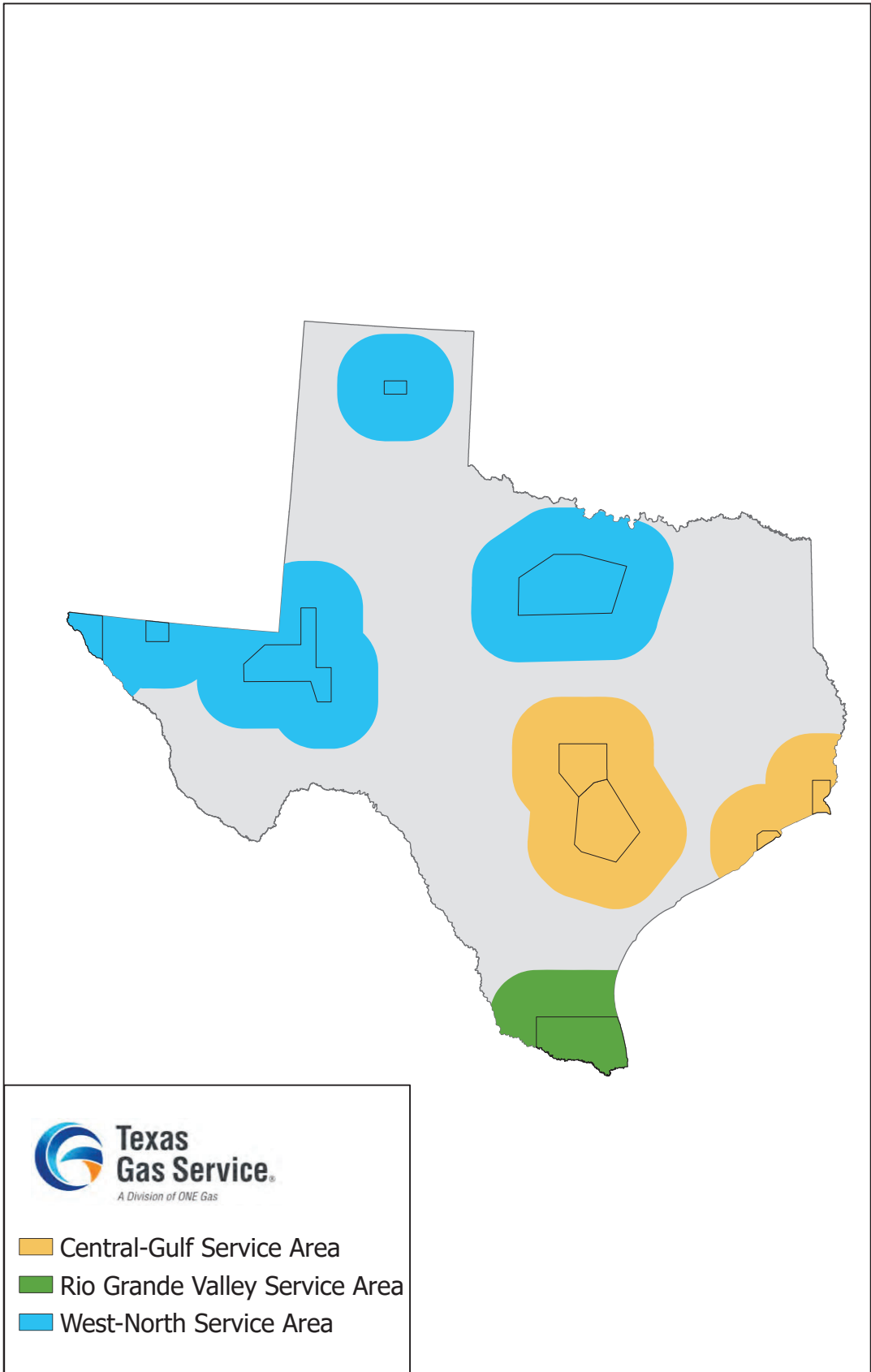
14 At the local levels, field technicians were deployed to locations throughout  
15 Texas to physically monitor critical equipment and address system constraints  
16 identified by Engineering. In the RGVSA, several field technicians were  
17 dispatched to assess and evaluate the major upstream supply stations. Fortunately,  
18 no major issues were found during the initial evaluations and field technicians  
19 continued to monitor pressures remotely during the storm. Expenses for the  
20 employees needed to monitor the situation and remedy issues as they arose are  
21 included in the regulatory asset as discussed by Company witness Stacey  
22 McTaggart.

1 **Q. PLEASE DESCRIBE THE LABOR MARKET CONDITIONS THAT HAVE**  
2 **AFFECTED TGS OPERATIONS.**

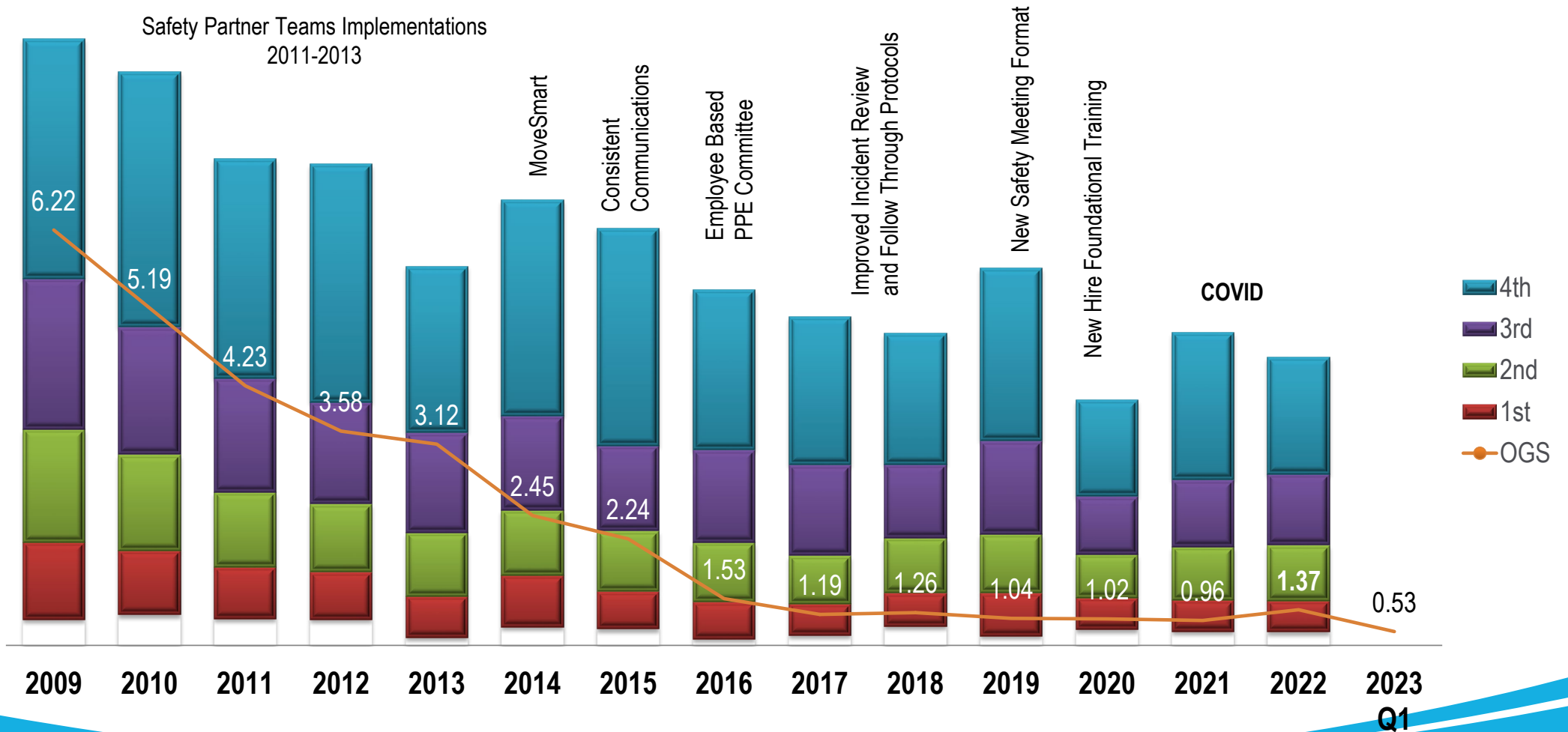
3 A. TGS employs qualified, experienced, and skilled operations employees to ensure  
4 that it provides safe and reliable service. As Company witness Jeff Branz testifies,  
5 due to recent market conditions, a tight labor force, and rising labor costs, TGS  
6 faces competition for employees from other industries. TGS pays a reasonable  
7 salary but cannot always compete with the salaries being offered by other  
8 employers. TGS must also invest in necessary training for new employees. For  
9 example, it can take six months to train a field technician before they are qualified  
10 to actually perform work on the system. There have been instances when TGS  
11 loses that newly trained employee to a better job opportunity, and TGS must start  
12 the hiring and training process over again. TGS also utilizes contract labor. In  
13 recent years, contractor costs have increased as the demand for contract labor has  
14 risen. Nevertheless, TGS must continue to directly employ qualified personnel or  
15 hire qualified contractors to perform work required to operate and maintain the  
16 system in a safe and reliable manner.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes, it does.

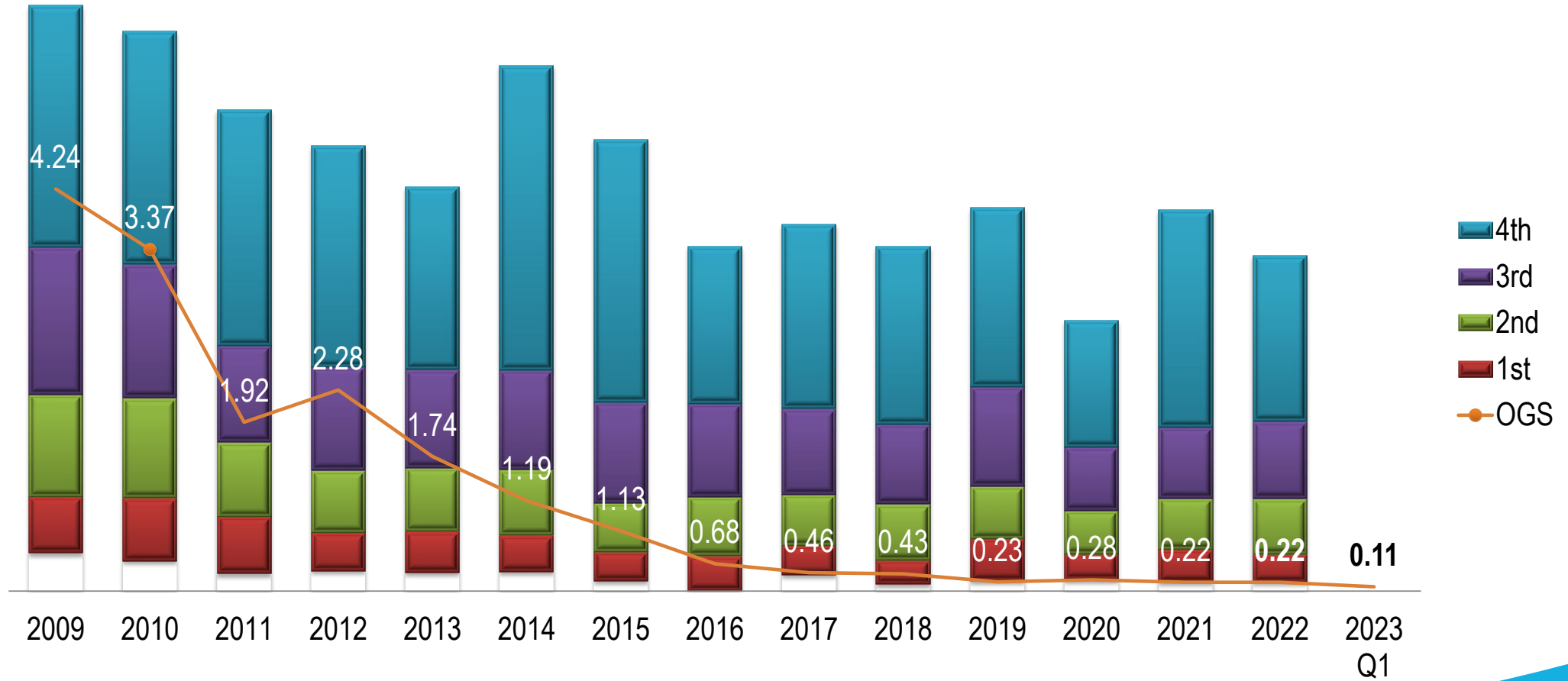


# TRIR Historical Performance & Supporting Programs

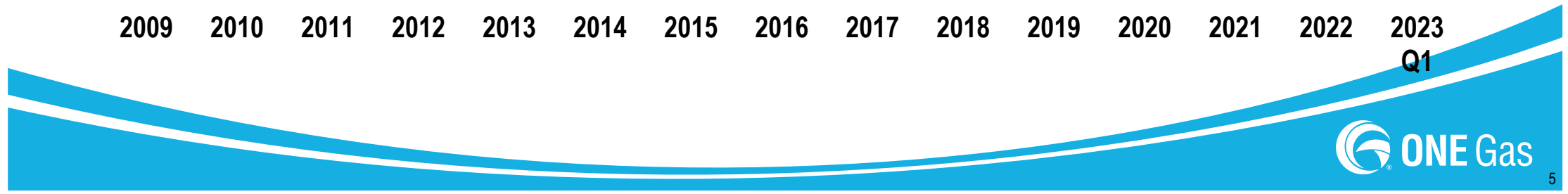
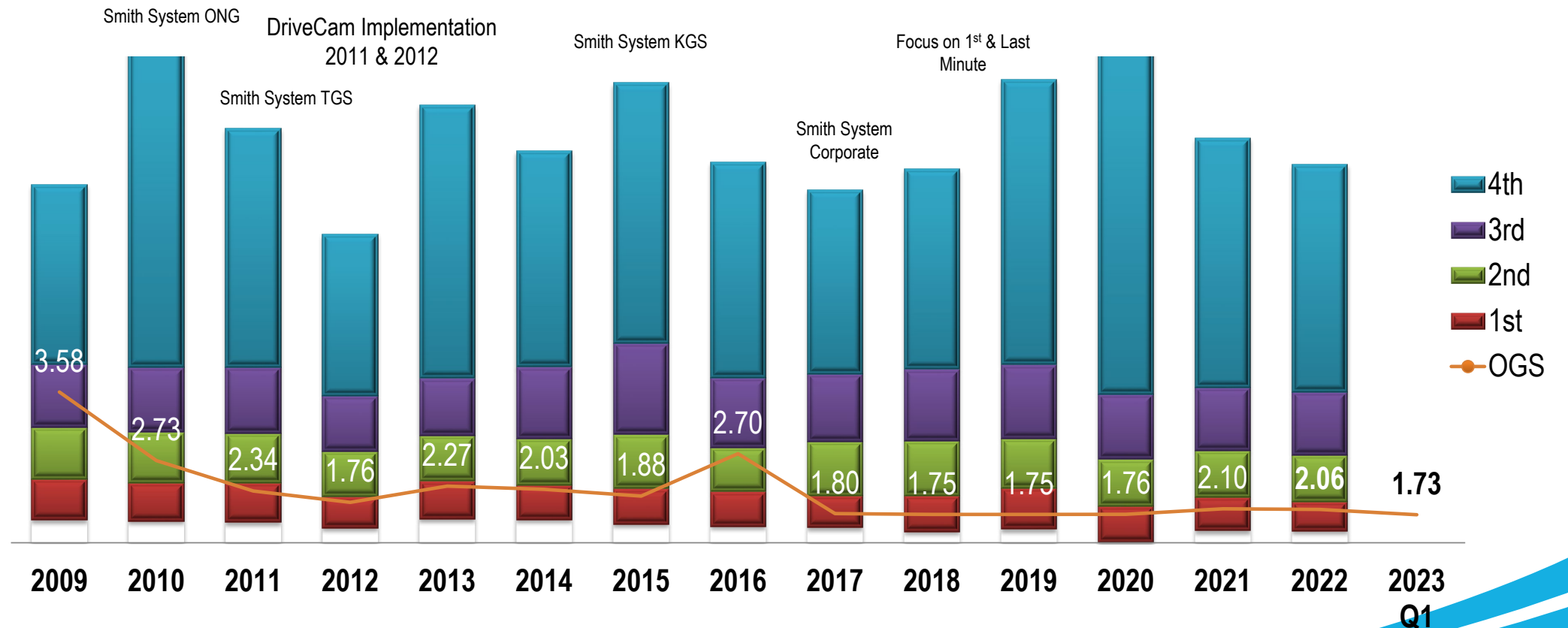




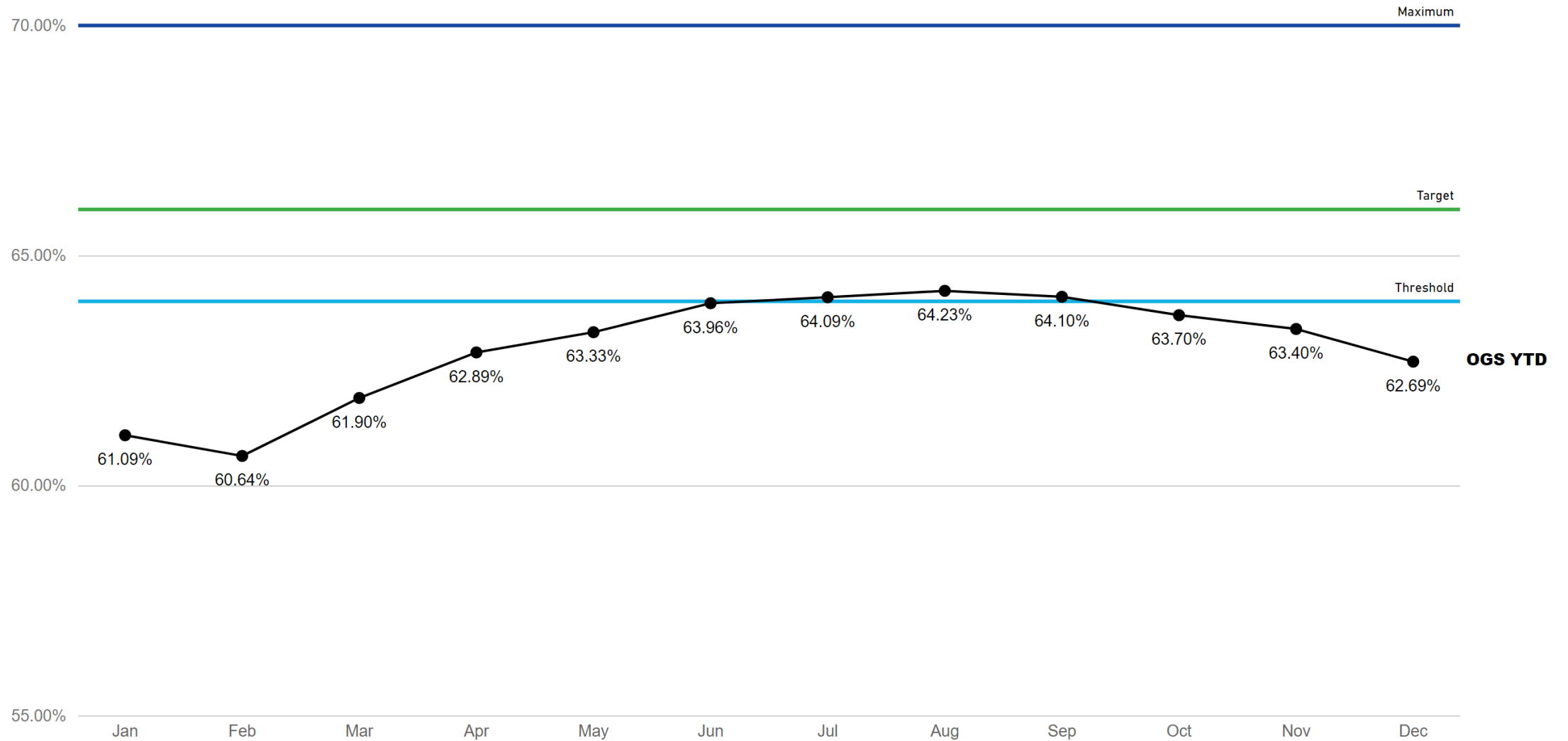
# DART Historical Performance



# PVIR Historical Performance & Supporting Programs



# Emergency Response Time: Percent of Onsite Times in Less than 30 Minutes



## Field Operation Activities Per COVID-19 Response Level

Activities with an X will continue. Items with an X and \* are subject to resource constraints.

In Levels 2 and 3, activities without an X **can be done still if**:

- They don't conflict with a higher level (e.g., you can do Rebuilds in Level 3, but we specifically state to do Rebuilds only without service disruption in Level 2).
- The work does not create a discretionary service disruption (service tie-overs from existing main).
- We have adequate resources (e.g., if we have personnel still available, we keep working our government relocation projects, but will stop if we need to dedicate those people to higher priority work).

In Level 1, items without an X cannot be done without VPO approval.

Field Operations Activities					
	Level 5 (lowest)	Level 4	Level 3	Level 2	Level 1 (highest)
Gas Control	X	X	X	X	X
Gas Supply	X	X	X	X	X
Dispatch	X	X	X	X	X
Emergencies	X	X	X	X	X
Leak Repair (Grade I)	X	X	X	X	X
Compliance	X	X	X	X	X*
Turn-ons /New Sets /Reconnects of critical facilities/outages)	X	X	X	X	X**
Turn-ons	X	X	X	X*	
Reconnects	X	X	X	X*	
New Sets (Builder only non-contact)	X	X	X	X*	
Integrity Management	X	X	X	X*	
Leak Repair (Grade II & III)	X	X	X	X	
Line Extensions	X	X	X	X	
New Services	X	X	X	X	
Reinforcements (w/o service disruption)	X	X	X	X	
Rebuilds (w/o service disruption)	X	X	X	X	
Collections	X	X	X		
Completion of Projects	X	X	X		
Reinforcement Projects	X	X	X		
Rebuilds	X	X	X		
Relocation Projects	X	X	X		
New sets	X	X	X		
Service Kills	X	X*			
Abandonments	X	X*			

**X indicates work to be completed at the level.**

\* As resources allow

\*\* Requires VPO or designee approval

STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS       §

**AFFIDAVIT OF ALEJANDRO LIMÓN**

BEFORE ME, the undersigned authority, on this day personally appeared Alejandro Limón who having been placed under oath by me did depose as follows:

1.       “My name is Alejandro Limón. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Vice-President of Operations for Texas Gas Service Company, a division of ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

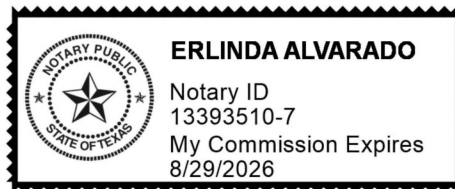
Further affiant sayeth not.

DocuSigned by:  
*Alejandro Limon*  
A6E70C2D7DD74E5  
Alejandro Limón

SUBSCRIBED AND SWORN TO BEFORE ME by the said Alejandro Limón on this 13th day of June 2023.

DocuSigned by:  
**ERLINDA ALVARADO**  
683FDA66B5FD4C2...

Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**ANTHONY Q. BROWN**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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EXHIBIT AQB-2	Redlined Rate Schedules
EXHIBIT AQB-3	Current and Proposed Service Fees

1  
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**DIRECT TESTIMONY OF ANTHONY Q. BROWN**

**I. QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Anthony Q. Brown, and my business address is 1301 South MoPac Expressway, Suite 400, Austin, Texas 78746.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a Manager of Rates and Regulatory for Texas Gas Service Company (“TGS” or the “Company”), which is a Division of ONE Gas, Inc. (“ONE Gas”). My responsibilities include the review and analysis of Company financial data, preparation of and participation in rate cases and other regulatory filings, and related activities for TGS.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I am a licensed Certified Public Accountant with a Bachelor of Business Administration with a major in Finance from Angelo State University in 2013 and Master’s in Business Administration from Angelo State University in 2015. I began my career with TGS in September 2015 as a Rate Analyst I. In July 2019, I was promoted to Rate Specialist. I began serving in my current position as a Manager of Rates and Regulatory in May 2022.

**Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?**

A. Yes, it was.



1 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**  
2 **TESTIMONY?**

3 A. Yes. I have prepared and sponsor the exhibits listed in the table of contents.

4 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**  
5 **DIRECTION?**

6 A. Yes, they were.

7 **II. INTRODUCTION**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to address the following issues in this rate case:

- 10 1. Compliance with certain Railroad Commission of Texas (“Commission”) rules and statutory requirements, including affiliate cost recovery issues related to Utility Insurance Company (“UIC”);
- 11
- 12
- 13 2. Summary of the Direct costs attributed to the Rio Grande Valley Service Area (“RGVSA”) in the Company’s cost of service calculation that demonstrate the Company’s need for a rate change in the RGVSA. I also describe the portion of the Company’s requested rate base amounts related to RGVSA Direct costs. Company witness Allison Edwards supports TGS Division and Corporate rate base and expense adjustments in her direct testimony;
- 14
- 15
- 16
- 17
- 18
- 19
- 20 3. Support the Company’s recovery of pipeline integrity testing (“PIT”) costs;
- 21 4. Support the Company’s recovery of rate case expenses; and
- 22 5. Describe the rate schedules and tariffs currently in effect for the RGVSA and describe the proposed rate schedules and tariffs that TGS is requesting the Commission approve in this case, including discontinuance of the EDIT Rider and an adjustment to include Excess Deferred Income Taxes (“EDIT”) in base rates.
- 23
- 24
- 25
- 26

27 **Q. WHAT SCHEDULES ARE YOU SPONSORING?**

28 A. I am sponsoring or co-sponsoring the following schedules:

<b>RATE BASE:</b>	
Schedule A (Revenue Requirement)	Sponsoring
Schedule B (Rate Base)	Co-Sponsor with Allison N. Edwards
Schedule B-1 M&S	Sponsoring
Schedule B-2 Prepayments	Co-Sponsor with Allison N. Edwards
Schedule B-3 8.209 Reg Asset	Co-Sponsor with Stacey L. McTaggart
Schedule B-5 Prepaid Pension Asset	Co-Sponsor with Cyndi L. King
Schedule B-6 CWC	Co-Sponsor with Timothy S. Lyons
Schedule B-7 Deposits	Sponsoring
Schedule B-8 Advances	Sponsoring
Schedule B-9 ADIT	Co-Sponsor with Janet M. Simpson
Schedule B-10 EDIT	Co-Sponsor with Kenneth E. Eakens and Stacey L. McTaggart
Schedule B-11 Reg Assets	Co-Sponsor with Stacey L. McTaggart
Schedule C (Plant)	Co-Sponsor with Allison N. Edwards
Schedule C-1 (CCNC)	Co-Sponsor with Allison N. Edwards
Schedule D (Reserves)	Co-Sponsor with Allison N. Edwards
Schedule F (Federal Income Tax)	Sponsoring

<b>OPERATING INCOME:</b>	
Schedule G (Summary of Operating Revenue & Expense Adj)	Co-Sponsor with Teresa Serna and Allison N. Edwards
Schedule G-9 (Miscellaneous Adjustments)	Co-Sponsor with Allison N. Edwards
Schedule G-10 (Rents)	Co-Sponsor with Allison N. Edwards
Schedule G-11 (Interest on Customer Deposits)	Sponsoring
Schedule G-12 (Uncollectible Expense)	Sponsoring
Schedule G-14 (Advertising Expense)	Co-Sponsor with Allison N. Edwards
Schedule G-15 (Depreciation & Amortization)	Co-Sponsor with Allison N. Edwards
Schedule G-16 (Ad Valorem Tax Expense)	Sponsoring
Schedule G-17 (Texas Franchise Tax Expense)	Sponsoring
Schedule G-18 (Stores Load)	Sponsoring
Schedule G-19 (TWE Load)	Sponsoring
Schedule G-20 (Regulatory Asset Amortization)	Co-Sponsor with Stacey L. McTaggart
Schedule G-23 (PIT)	Sponsoring
Schedule G-24 (EDIT)	Co-Sponsor with Kenneth E. Eakens and Stacey L. McTaggart

1 **Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR**  
2 **DIRECT SUPERVISION?**

3 A. Yes, they were.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
5 **COMMISSIONS?**

6 A. Yes. I have filed testimony on behalf of TGS before this Commission in Gas  
7 Utilities Docket (“GUD”) Nos. 10739, 10766, and 10928.

8 **III. COMPLIANCE WITH COMMISSION RULES AND AFFILIATE**  
9 **STANDARD**

10 **A. Commission Rules §§ 7.310 and 7.503**

11 **Q. PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF TGS ARE**  
12 **MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF**  
13 **BUSINESS.**

14 A. TGS maintains its books and records in accordance with Commission Rule § 7.310,  
15 which requires that the Company keep its books in accordance with the Federal  
16 Energy Regulatory Commission (“FERC”) Uniform System of Accounts  
17 (“USOA”), as supplemented by Commission order or State law. The FERC USOA  
18 is prescribed by the FERC for public utilities and licensees subject to the provisions  
19 of the Federal Power Act. FERC prescribes accounting classifications and  
20 guidance by which public utilities achieve uniform accounting records for use in  
21 financial reporting, ratemaking, and other regulatory needs. These regulations are  
22 found and defined in the Code of Federal Regulations 18 - Conservation of Power  
23 and Water Resources, Subchapter F - Accounts, Natural Gas Accounts, Part 201 -  
24 Uniform System of Accounts.

1 **Q. HOW DOES THE COMPANY ENSURE THAT TRANSACTIONS ARE**  
2 **PROPERLY RECORDED?**

3 A. To provide reasonable assurance regarding the reliability of financial reporting and  
4 the preparation of financial statements for external purposes, ONE Gas and TGS  
5 maintain a system of internal controls. The internal control process includes those  
6 policies and procedures that:

- 7 • pertain to the maintenance of records that in reasonable detail accurately  
8 and fairly reflect the transactions and dispositions of our assets;
- 9 • provide reasonable assurance that transactions are recorded as necessary  
10 to permit preparation of financial statements in accordance with  
11 generally accepted accounting principles and the FERC USOA, as  
12 modified, and that our receipts and expenditures are being made only in  
13 accordance with authorizations of management and our board of  
14 directors; and
- 15 • provide reasonable assurance regarding prevention or timely detection  
16 of unauthorized acquisition, use or disposition of our assets that could  
17 have a material effect on the financial statements.

18 Subsequent to the filing of the ONE Gas Form 10-K, ONE Gas reported in its  
19 Quarterly reports on Form 10-Q in 2022 that its Chief Executive Officer and Chief  
20 Financial Officer have concluded that ONE Gas' disclosure controls and  
21 procedures were effective as of the end of the periods covered by these reports  
22 based on the evaluation of the controls and procedures required by Rules 13(a)-  
23 15(b) of the Securities Exchange Act of 1934, as amended. There have been no  
24 changes in ONE Gas' internal controls over financial reporting since then that have  
25 materially affected, or are reasonably likely to materially affect, its internal controls  
26 over financial reporting.

1 **Q. ARE THE ONE GAS BOOKS AND RECORDS SUBJECT TO AUDIT?**

2 A. Yes, as a publicly traded company, ONE Gas is responsible for the fair presentation  
3 of its consolidated financial statements and is required to establish and maintain  
4 disclosure controls and procedures and internal controls over financial reporting.  
5 In connection with these requirements, ONE Gas must evaluate the effectiveness  
6 of its disclosure controls and procedures and internal controls over financial  
7 reporting and present a report in its Form 10-K filed with the Securities and  
8 Exchange Commission (“SEC”) on its conclusions about the effectiveness of these  
9 controls, as of the end of the period covered by the financial statements. ONE Gas’  
10 evaluation of the effectiveness of our internal control over financial reporting is  
11 based on the Internal Control-Integrated Framework (2013) issued by the  
12 Committee of Sponsoring Organizations of the Treadway Commission (“COSO”).  
13 In connection with the evaluation, ONE Gas’ Internal Audit Department annually  
14 reviews the design and tests the operating effectiveness of the Company’s internal  
15 controls over financial reporting. The Company’s most recent report is included as  
16 part of ONE Gas’ Annual Report on Form 10-K filed with the SEC on February 23,  
17 2023. The report concluded that our disclosure controls and procedures and our  
18 internal control over financial reporting were effective at December 31, 2022. In  
19 addition to the evaluation of the Company’s internal controls over financial  
20 reporting, ONE Gas’ Internal Audit Department regularly performs audits of the  
21 control systems, processes, and procedures utilized by the Company throughout its  
22 operations and business processes.

23 The independent public accounting firm of PricewaterhouseCoopers LLP  
24 (“PWC”) performs an integrated audit of the books and records of ONE Gas and

1 ONE Gas' internal controls over financial reporting. The objective of these audits  
2 is to express an opinion as to whether the financial statements are free of material  
3 misstatements and whether effective internal control over financial reporting was  
4 maintained in all material respects. The most recent audit report is included with  
5 the ONE Gas financial statements filed with the SEC as part of ONE Gas' Annual  
6 Report on Form 10-K on February 23, 2023. In addition, the Company's  
7 Distribution Annual Report is reviewed by the Commission annually.

8 **Q. WHAT WERE THE RESULTS OF THE PWC REPORT INCLUDED AS**  
9 **PART OF ONE GAS' ANNUAL REPORT ON FORM 10-K?**

10 A. The report expressed an opinion that the ONE Gas financial statements were fairly  
11 presented, in all material respects, in conformity with accounting principles  
12 generally accepted in the United States of America and that ONE Gas maintained,  
13 in all material respects, effective internal control over financial reporting at  
14 December 31, 2022, based on criteria established in Internal Control - Integrated  
15 Framework (2013) issued by the COSO.

16 **Q. IN YOUR OPINION, DOES THE INFORMATION CONTAINED WITHIN**  
17 **THE COMPANY'S BOOKS AND RECORDS, AS WELL AS THE**  
18 **SUMMARIES AND EXCERPTS THEREFROM, QUALIFY FOR THE**  
19 **PRESUMPTION SET FORTH IN COMMISSION RULE § 7.503?**

20 A. Yes, it does. As I have testified, the Company's system of internal controls and its  
21 adherence to the FERC USOA, as modified, fully comply with Commission Rule  
22 § 7.503. Accordingly, the Company is entitled to the presumption that costs  
23 contained within the books and records have been reasonably and necessarily  
24 incurred.

1           **B.      Commission Rule § 7.501**

2   **Q.      ARE YOU FAMILIAR WITH THE REQUIREMENTS OF COMMISSION**  
3           **RULE § 7.501?**

4   A.      Yes, I am. Commission Rule § 7.501 requires the separate presentation in a rate  
5           proceeding of evidence related to certain types of financial transactions, and in  
6           some cases, exclusion of these costs from rates. These types of transactions include  
7           lobbying and legislative advocacy expenses, business gifts, entertainment,  
8           charitable or civic contributions, and certain advertising expenses. They also  
9           include any profits or losses resulting from the sale or lease of appliances, fixtures,  
10          equipment, or other merchandise.

11 **Q.      DO THE OPERATING EXPENSES REPORTED IN THE SCHEDULES**  
12          **ATTACHED TO THIS FILING INCLUDE ANY OF THESE EXPENSES?**

13 A.      No, they do not. To the extent that expense accounts relate to items that must be  
14          excluded from the cost of service, those accounts have been excluded in their  
15          entirety from the test year expense shown on Schedule G, column (a). To the extent  
16          disallowable items were included in the test year data in other accounts that are  
17          included on Schedule G, column (a), an adjustment has been made to Schedule G-  
18          9 to remove these items from the cost of service.

19 **Q.      PLEASE STATE THE AMOUNT OF PROFITS OR LOSSES FROM**  
20          **MERCHANDISING ACTIVITIES, AS REQUIRED BY COMMISSION**  
21          **RULE § 7.501(1).**

22 A.      The Company has not incurred profits or losses from merchandising activities in  
23          the RGVSA, and no such profits or losses are included in the Company's cost of  
24          service.

1 **Q. PLEASE STATE THE AMOUNT OF INCOME TAX SAVINGS OR**  
2 **DEFERRALS, AS REQUIRED BY COMMISSION RULE § 7.501(2).**

3 A. The amount of accumulated deferred income taxes (“ADIT”) applicable to the  
4 RGVSA is \$(17,561,856) as shown on Schedule B-9 and discussed in the testimony  
5 of Company witness Janet M. Simpson.

6 **Q. PLEASE STATE THE AMOUNT OF INVESTMENT TAX CREDIT**  
7 **AMORTIZATION, AS REQUIRED BY COMMISSION RULE § 7.501(3).**

8 A. The amount of investment tax credit amortization applicable to the RGVSA is \$0.

9 **Q. PLEASE STATE THE AMOUNT OF LOBBYING AND LEGISLATIVE**  
10 **ADVOCACY EXPENSE, AS REQUIRED BY COMMISSION RULE**  
11 **§ 7.501(4) AND § 7.501(5).**

12 A. No lobbying, legislative advocacy, or related advertising expenses are included in  
13 the Company’s cost of service.

14 **Q. PLEASE STATE THE AMOUNT OF BUSINESS GIFT,**  
15 **ENTERTAINMENT, AND CHARITABLE OR CIVIC CONTRIBUTIONS,**  
16 **AS REQUIRED BY COMMISSION RULE § 7.501(6).**

17 A. No business gift, entertainment, charitable or civic contributions are included in the  
18 Company’s cost of service.

19 **C. Commission Rule § 7.5414**

20 **Q. WHAT LEVEL OF EXPENSE FOR ADVERTISING IS INCLUDED IN THE**  
21 **REQUESTED COST OF SERVICE?**

22 A. Schedule G-14 shows that the Company’s cost of service for the RGVSA includes  
23 \$2,529 for advertising expenses during the test year.



1 **Q. DOES THE LEVEL OF ADVERTISING EXPENSE INCLUDED IN THE**  
2 **ATTACHED SCHEDULES COMPLY WITH COMMISSION RULE**  
3 **§ 7.5414?**

4 A. Yes, it does. Rule § 7.5414 states that actual expenditures for advertising will be  
5 allowed as a cost of service item for ratemaking purposes, provided that the total  
6 sum of such expenditures shall not exceed one-half of 1% of the gross receipts of  
7 the utility for utility services rendered to the public. Actual advertising expense  
8 represents only 0.004% of gross receipts. Accordingly, the advertising expense  
9 included in the Company's cost of service is within the permissible limit.

10 **D. Statutory Affiliate Standard**

11 **Q. PLEASE DESCRIBE THE COMMISSION'S TREATMENT OF THE**  
12 **ALLOCATED ONE GAS COSTS INCLUDED IN TGS'S COST OF**  
13 **SERVICE PRIOR TO THE CREATION OF UIC IN 2017.**

14 A. In addition to approving the Company's request to recover allocated corporate costs  
15 in multiple cases, the Commission has also stated that TGS is not an affiliate of  
16 ONE Gas, did not incur any affiliate expenses during the test year, and that the  
17 Commission does not need to address whether the statutory standard for affiliate  
18 costs has been met. In 2017, ONE Gas created UIC, which is a captive insurance  
19 company. Therefore, since that time, TGS has affiliate costs subject to review  
20 under the statutory affiliate standard, which have been included in TGS rate cases  
21 since 2017. The testimony of Company witness Cyndi King provides a detailed  
22 explanation of UIC, and Ms. Edwards supports the schedules that reflect TGS's test  
23 year UIC costs.

1 **Q. PLEASE DESCRIBE THE COMMISSION’S AFFILIATE STANDARD.**

2 A. Under Gas Utility Regulatory Act (“GURA”) § 104.055(b), the Commission “may  
3 not allow a gas utility’s payment to an affiliate for the cost of a service, property,  
4 right, or other item or for an interest expense to be included as capital cost or as  
5 expense related to gas utility service except to the extent that the regulatory  
6 authority finds the payment is reasonable and necessary for each item or class of  
7 items as determined by the regulatory authority.” Accordingly, the Commission  
8 must make “(1) a specific finding of the reasonableness and necessity of each item  
9 or class of items allowed; and (2) a finding that the price to the gas utility is not  
10 higher than the prices charged by the supplying affiliate to its other affiliates or  
11 divisions or to a nonaffiliated person for the same item or class of items.”

12 **Q. HAS THE COMPANY MET THE AFFILIATE STANDARD FOR THE**  
13 **COSTS PAID TO UIC?**

14 A. Yes. The costs included in the cost of service for insurance provided to TGS by  
15 UIC are reasonable and necessary. As described by Ms. King, it is necessary for  
16 TGS and ONE Gas to maintain insurance coverage, and the premiums charged by  
17 UIC are developed according to a risk-based methodology common to the insurance  
18 industry that results in a reasonable amount of insurance costs. As Ms. King’s  
19 testimony indicates, the rates charged by UIC to the Divisions of ONE Gas are  
20 developed according to the same methodology for each Division. Thus, adjusted  
21 for risk, the price charged to TGS is not higher than that charged to other affiliates  
22 or divisions. UIC does not provide insurance to any non-affiliated parties. In  
23 addition, TGS requested recovery of UIC affiliate costs in GUD Nos. 10739, 10766  
24 and 10928, which were resolved through settlement agreements approved by the

1 Commission. The Commission also recently approved TGS's request to recover  
2 UIC affiliate costs in Docket No. OS-22-0009896, a case that was fully litigated.<sup>1</sup>

3 **IV. OVERVIEW OF COST OF SERVICE CALCULATION**

4 **Q. HOW DID THE COMPANY CALCULATE THE REQUESTED RATES**  
5 **FOR THE RGVSA?**

6 A. In calculating the requested rates, the Company used the cost of providing service  
7 to the entire RGVSA so that rates within each customer class in the incorporated  
8 and unincorporated areas will be consistent across the entire service area. Exhibit G  
9 to the Statement of Intent ("SOI") contains the cost of service schedules that, taken  
10 together, show the calculation of the Company's revenue requirement in the  
11 RGVSA. The Company's methodology in this SOI for determining the total cost  
12 of service, including the component parts I address below, and resulting rate  
13 recovery request is consistent with the methodology the Company has used in prior  
14 SOIs.<sup>2</sup>

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<sup>1</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, consol., Final Order (Jan. 18, 2023).

<sup>2</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area (GSA) and South Jefferson County Service Area (SJCSA)*, GUD No. 10488, Final Order (May 3, 2016); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*, GUD No. 10506 consol., Final Order (Sept. 27, 2016); *Statement of Intent of Texas Gas Service Company (TGS), a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA)*, GUD No. 10526, Final Order (Nov. 15, 2016); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10656, Final Order (Mar. 20, 2018); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the North Texas Service Area*, GUD No. 10739, Final Order (Nov. 13, 2018); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area*, GUD No. 10766, Final Order (Feb. 5, 2019); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and the Gulf Coast Service Area*, GUD No. 10928 consol., Final Order (Aug. 4, 2020); Docket No. OS-22-00009896, Final Order.

1 **Q. WHAT TEST YEAR DID TGS USE TO CALCULATE THE REVENUE**  
2 **REQUIREMENT FOR THIS SOI?**

3 A. The Company calculated its revenue requirement based on the twelve-month period  
4 ending December 31, 2022, with adjustments for some known and measurable  
5 changes as discussed in my testimony, Allison Edwards' testimony, and Company  
6 witness Stacey McTaggart's testimony.

7 **Q. ARE THE COSTS REFLECTED IN SCHEDULE A AND INCLUDED IN**  
8 **THE COMPANY'S REVENUE REQUIREMENT REASONABLE AND**  
9 **NECESSARY?**

10 A. Yes, the proposed revenue requirement reflects costs that are reasonable and  
11 necessary to provide safe and reliable service and operate the Company's system  
12 within the RGVSA as demonstrated by the schedules included with the SOI, the  
13 supporting testimony and workpapers.

14 **Q. PLEASE SUMMARIZE THE CALCULATION OF THE COMPANY'S**  
15 **REVENUE REQUIREMENT, AS SET FORTH IN SCHEDULE A.**

16 A. Schedule A summarizes the results of the calculations detailed in other schedules  
17 contained within this SOI. For example, adjusted rate base, as calculated in  
18 Schedule B, is multiplied by the rate of return, calculated in Schedule E, to derive  
19 the required return of \$13,959,878. Likewise, when federal income taxes from  
20 Schedule F and adjusted expenses from Schedule G are added to the required return,  
21 the result is an overall revenue requirement (before gross-up for additional  
22 uncollectible expense and Texas franchise tax) of \$47,480,768. A comparison of  
23 this revenue requirement to adjusted revenues, from Schedule G, demonstrates that  
24 the Company's current rates in the RGVSA produce a level of revenues that is

1 \$9,648,642 lower (before gross-up for additional uncollectible expense and Texas  
2 franchise tax) than the Company's cost of providing service in the RGVSA. After  
3 gross-up for additional uncollectible expense and Texas franchise tax, the revenue  
4 deficiency on a system wide basis within the RGVSA is \$9,813,240.

## 5 **V. RATE BASE**

### 6 **Q. WHAT IS RATE BASE?**

7 A. Rate base represents the Company's invested capital that is used and useful in  
8 providing safe and reliable gas utility service to its customers. Rate base is used to  
9 calculate the return component of the Company's cost of service. The Company's  
10 rate base is summarized on Schedule B and is classified into three components:  
11 (1) Net Plant in Service; (2) Other Rate Base Items; and (3) Non-Investor Supplied  
12 Funds.

#### 13 **A. Net Plant in Service**

### 14 **Q. WHAT IS NET PLANT IN SERVICE AND HOW IS IT CALCULATED?**

15 A. Plant in Service refers to the Company's investment in the infrastructure necessary  
16 to provide safe and reliable service within the RGVSA. Gross Plant in Service  
17 includes the original cost of any intangible, transmission, distribution and general  
18 plant. In addition to Gross Plant in Service, the Company has also included utility  
19 plant assets that are functionally in service but the related costs have not yet been  
20 transferred on the Company's books to the Plant in Service account (FERC Plant  
21 Account 101). Instead, this plant is shown as "completed construction not  
22 classified" and is often referred to as "CCNC." Net Plant in Service represents the  
23 gross plant amount, plus CCNC, less accumulated depreciation.

1 **Q. PLEASE DESCRIBE CCNC IN GREATER DETAIL.**

2 A. CCNC represents utility plant that has been placed in service and is used and useful  
3 but, from an accounting perspective, the dollars associated with CCNC have not  
4 yet been transferred on the Company's books from the CCNC account (FERC Plant  
5 Account 106) to the Plant in Service account (FERC Plant Account 101). After a  
6 construction project is completed, there is typically an administrative delay in this  
7 accounting transfer. The Accounting Department must wait until all charges have  
8 been processed in order to transfer a project to FERC Account 101.

9 **Q. PLEASE DESCRIBE THE RELATIONSHIP BETWEEN CCNC AND**  
10 **CONSTRUCTION WORK IN PROGRESS ("CWIP").**

11 A. CCNC is different from CWIP. Commission Rule § 7.115(9) defines CWIP as  
12 funds expended by a gas utility which are irrevocably committed to construction  
13 projects not yet completed or placed into service. When funds are committed to a  
14 project, those funds are recorded in CWIP accounts. Once a project is placed in  
15 service, however, those funds will be classified as CCNC. Unlike CWIP dollars,  
16 which relate to projects that are not completed and are typically not included in rate  
17 base, the dollars in the CCNC account relate to completed construction projects that  
18 are used and useful in the provision of utility service.

19 **Q. IS IT APPROPRIATE TO INCLUDE CCNC IN RATE BASE?**

20 A. Yes. As I mentioned, CCNC represents utility plant that has been placed in  
21 service. From an accounting perspective, the dollars associated with the utility  
22 plant classified as CCNC have not yet been transferred to FERC Plant Account 101,  
23 the Plant in Service Account. As CCNC represents plant that is in service, it is  
24 appropriate for CCNC to be included in rate base. The Company's proposal for

1 CCNC is consistent with the treatment of CCNC that has been approved in prior  
2 proceedings, including Docket No. OS-22-00009896.<sup>3</sup>

3 **Q. PLEASE EXPLAIN THE CALCULATION OF THE GROSS PLANT IN**  
4 **SERVICE AND CCNC BALANCES SHOWN ON SCHEDULE B.**

5 A. The adjusted Gross Plant in Service balance of \$206,585,024 on Schedule B is the  
6 sum of the adjusted plant balances shown on Schedule C through the test year ended  
7 December 31, 2022 for: (1) Direct RGVSA plant; (2) the RGVSA's allocated  
8 portion of TGS Division plant balances, and (3) allocated ONE Gas corporate plant  
9 balances. The adjusted CCNC balance of \$22,020,778 on Schedule B is the sum  
10 of the adjusted CCNC balances shown on Schedule C-1 through the test year ended  
11 December 31, 2022 for: (1) Direct RGVSA balances; (2) the RGVSA's allocated  
12 portion of TGS Division balances; and (3) allocated ONE Gas Corporate CCNC  
13 balances.

14 **Q. PLEASE EXPLAIN HOW THE PER BOOK BALANCE OF PLANT IN**  
15 **SERVICE WAS CALCULATED.**

16 A. The Per Book Plant in Service balance as of December 31, 2022 of \$208,339,003  
17 on Schedule C (line 4) results from three component parts: (1) \$200,489,272, the  
18 per book balance of RGVSA Direct Plant in Service; (2) \$1,003,858, the RGVSA's  
19 allocated portion of TGS Division per book Plant in Service; and (3) \$6,845,873,  
20 the RGVSA's allocated portion of ONE Gas Corporate per book Plant in Service.

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<sup>3</sup> *Petition for 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*, GUD No. 9988, Final Order (Dec. 14, 2010); *Statement of Intent Filed by Texas Gas Service Company to Increase Rates in the Unincorporated Areas of the South Texas Service Area*, GUD No. 10217, Final Order (Mar. 26, 2013); GUD No. 10488, Final Order; GUD No. 10506, Final Order; GUD No. 10526, Final Order; GUD No. 10656, Final Order; Docket No. OS-22-00009896, Final Order.

1 Ms. Edwards sponsors the TGS Division and ONE Gas Corporate amounts and the  
2 reasonableness of these amounts.

3 **Q. DID THE COMPANY MAKE ANY ADJUSTMENTS TO THE PER BOOK**  
4 **PLANT IN SERVICE BALANCES?**

5 A. Yes, the following adjustments were made on WKP C.a Direct Plant to the per book  
6 RGVSA Direct Plant in Service balance:

7 a) add \$7,126 to adjust for miscoded retirements, offset by a matching  
8 adjustment to reserves;

9 b) add \$39,038 to adjust for miscoded additions and transfers; and

10 c) remove \$1,367,934 in plant that will retire once new amortization rates  
11 are implemented, offset by a matching adjustment to reserves

12 The total amount of adjustments to the RGVSA Direct per book Plant in Service  
13 balance equals \$(1,321,770). The Company also adjusted TGS Division and ONE  
14 Gas Corporate per book Plant in Service balances as identified and sponsored by  
15 Ms. Edwards.

16 **Q. PLEASE EXPLAIN THE CALCULATION OF THE ADJUSTED TEST**  
17 **YEAR PLANT IN SERVICE BALANCE AS SHOWN ON SCHEDULE C.**

18 A. The adjusted Plant in Service balance of \$206,585,024 on Schedule C (line 4)  
19 results from three components: (1) \$199,167,502, the adjusted RGVSA Direct Plant  
20 in Service balance; (2) \$966,862, the RGVSA's allocated portion of the adjusted  
21 TGS Division Plant in Service balance; and (3) \$6,450,661, the RGVSA's allocated  
22 portion of the adjusted ONE Gas Corporate Plant in Service balance. Ms. Edwards  
23 sponsors the TGS Division and ONE Gas Corporate allocated amounts and their  
24 reasonableness.



1 **Q. PLEASE EXPLAIN THE CALCULATION OF THE PER BOOK CCNC**  
2 **BALANCE ON SCHEDULE C-1.**

3 A. Similar to Plant in Service described above, the CCNC per book balance of  
4 \$22,021,931 on Schedule C-1 (line 4) results from three component parts at  
5 December 31, 2022: (1) \$21,858,038, the per book balance of RGVSA Direct  
6 CCNC; (2) \$14,944, the RGVSA's allocated portion of the adjusted TGS Division  
7 Plant in Service balance; and (3) \$148,950, the RGVSA's allocated portion of ONE  
8 Gas Corporate per book CCNC. Ms. Edwards sponsors and supports the  
9 reasonableness of the TGS Division and ONE Gas Corporate amounts.

10 **Q. WERE ANY ADJUSTMENTS MADE TO PER BOOK CCNC BALANCES?**

11 A. Yes, Direct CCNC was reduced by \$166 for an adjustment to capitalized meal and  
12 hotel costs. Ms. Edwards explains and supports adjustments made to TGS Division  
13 and ONE Gas Corporate CCNC per book balances.

14 **Q. PLEASE EXPLAIN THE CALCULATION OF THE TEST YEAR**  
15 **ADJUSTED DEPRECIATION AND AMORTIZATION RESERVE**  
16 **BALANCE SHOWN ON SCHEDULE B.**

17 A. The calculation of the Test Year Adjusted Depreciation and Amortization Reserve  
18 balance that appears on Schedule B is summarized on Schedule D. The per book  
19 Accumulated Reserve balance as of December 31, 2022 of \$(32,164,618) on  
20 Schedule D contains: (1) \$(28,633,310), the per book RGVSA Direct Reserve  
21 balance; (2) \$(257,838), the RGVSA allocated portion of the TGS Division reserve  
22 balance; and (3) \$(3,273,469), the RGVSA allocated portion of the ONE Gas  
23 Corporate reserve balance. Adjustments were made to the per book RGVSA Direct  
24 Reserve balance to remove plant additions, transfers, or retirements mistakenly

1 coded to the RGVSA, to remove plant that will retire once new amortization rates  
2 are implemented, and to rebalance reserves as recommended by Company witness  
3 Dr. Ronald White. Total adjustments to the RGVSA Direct per book reserves equal  
4 \$1,436,341. Ms. Edwards explains and sponsors adjustments made to TGS  
5 Division and ONE Gas per book reserve balances.

6 **Q. REFERRING TO SCHEDULE B, PLEASE SUMMARIZE THE**  
7 **COMPANY'S REQUEST REGARDING THE TEST YEAR ADJUSTED**  
8 **NET PLANT IN SERVICE BALANCE.**

9 A. The total adjusted test year net Plant in Service balance shown on Schedule B is  
10 \$196,441,185. This is the sum of the adjusted test year balances for Plant in Service  
11 of \$206,585,024 plus CCNC of \$22,020,778 and Reserves of \$(32,164,618).

12 **Q. IS ALL OF THE COMPANY'S ADJUSTED PLANT IN SERVICE**  
13 **INCLUDED IN THIS SOI USED AND USEFUL IN PROVIDING SERVICE?**

14 A. Yes, all plant in service included in this SOI is used and useful in providing service  
15 as supported by my testimony and that of Company witnesses Jeffrey Husen,  
16 Alejandro Limón and Ms. Edwards.

17 **B. Other Rate Base Items**

18 **Q. WHAT ARE "OTHER RATE BASE ITEMS"?**

19 A. Other Rate Base Items are categories of investor-supplied funds that are necessary  
20 to fund the Company's day-to-day business. Because these funds come from the  
21 Company's shareholders, they are appropriately included in rate base. As reflected  
22 on Schedule B, "Other Rate Base Items" include:

- 23 • Materials and Supplies Inventory;
- 24 • Prepayments, which are addressed by Ms. Edwards;

- 1                   •       Amounts deferred in accordance with Commission Rule 8.209,  
2                                which are addressed by Ms. McTaggart;
- 3                   •       Requested Regulatory Assets, which are addressed by  
4                                Ms. McTaggart;
- 5                   •       Prepaid Pension Asset, which is addressed by Ms. King; and
- 6                   •       Cash Working Capital (“CWC”), which is addressed by Company  
7                                witness Timothy S. Lyons.

8   **Q.    REFERRING TO SCHEDULE B-1, PLEASE EXPLAIN THE**  
9           **CALCULATION OF THE MATERIALS AND SUPPLIES INVENTORY**  
10          **BALANCE.**

11   A.    The Materials and Supplies Inventory balance consists of the average monthly  
12           balances of RGVSA Direct Materials and Supplies Inventory and Stores Load as  
13           well as ONE Gas Measurement Assets (“OMA”). Direct Materials are investments  
14           such as meters, automatic meter readers, regulators, risers, communication  
15           modems, miscellaneous safety equipment and pipeline materials such as  
16           polyurethane and steel pipe, various fittings, clamps, valves, and epoxy coatings.  
17           These inventories are necessary for the provision of utility service to TGS and the  
18           TGS service areas. Thus, inventory and storeroom costs are part of the Company’s  
19           working capital that is included in rate base. Consistent with standard ratemaking  
20           practices, the methodology applied by the Company in GUD Nos. 10488, 10506,  
21           10526, 10656, 10739, 10766, 10928, and Docket No. OS-22-00009896 and past  
22           Commission decisions,<sup>4</sup> a thirteen-month average was used and results in a

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<sup>4</sup> Docket No. OS-22-00009896, Final Order; GUD No. 10488, Final Order; GUD No. 10506, Final Order; GUD No. 10526, Final Order; GUD No. 10656, Final Order; GUD No. 10739, Final Order; GUD No. 10766, Final Order; *Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*, GUD No. 10170 consol., Final Order at Findings of Fact (“FoF”) 33 (Dec. 4, 2012) (stating that a 13-month average for materials and supplies was approved in GUD Nos. 9670, 9762, 9869, 10000, 10041, 10084, and 10085).

1           \$2,275,081 balance to be included in rate base. An average 13-month balance  
2           normalizes the fluctuations during the test year.

3   **Q.   WHY IS IT APPROPRIATE TO INCLUDE “STORES LOAD” AS PART OF**  
4   **THE “MATERIALS AND SUPPLIES INVENTORY” BALANCES**  
5   **INCORPORATED INTO RATE BASE?**

6   A.   Overhead costs associated with materials management are accumulated in the  
7       Stores Load clearing account. When inventory dollars and Direct purchases are  
8       charged to expense accounts or to work orders, a portion of this accumulated  
9       materials management cost is charged to the same accounts. This additional cost  
10      relating to materials management overhead is referred to as “Stores Load.” Because  
11      a portion of the Stores Load clearing account relates to the balance in the inventory  
12      account, it is appropriate to include an average of these amounts in rate base  
13      consistent with the inclusion of the average inventory balance.

14   **Q.   WHY IS IT APPROPRIATE TO INCLUDE OMA AS PART OF THE**  
15   **“MATERIALS AND SUPPLIES INVENTORY” BALANCES**  
16   **INCORPORATED INTO RATE BASE?**

17   A.   The OMA inventory balance includes investments such as meters, automatic meter  
18       readers, electronic receiver transmitters, and regulators, held at a centralized meter  
19       shop. These inventories are necessary for the provision of utility service to TGS  
20       and the TGS service areas but are not reflected in the proposed Direct costs; thus,  
21       an adjustment is necessary to include these investments in rate base to determine  
22       the revenue requirement.

23                   The Company calculated a thirteen-month average for OMA inventory,  
24                   which normalizes fluctuations in the account during the test year. These assets are

1 allocated to TGS based on the Texas customer count. These assets are further  
2 allocated to the RGVSA based on the service area customer count. The allocation  
3 methodology follows the corporate allocation method, which is discussed further  
4 in Ms. Edwards' testimony.

5 **Q. WHAT AMOUNT HAS BEEN INCLUDED IN RATE BASE ASSOCIATED**  
6 **WITH PREPAYMENTS?**

7 A. The Company has included a thirteen-month average of prepayments of \$804,591.  
8 This asset is included on Schedule B, line 6 and detailed on Schedule B-2.  
9 Ms. Edwards addresses prepayments in her direct testimony.

10 **Q. WHAT AMOUNT HAS BEEN INCLUDED IN RATE BASE ASSOCIATED**  
11 **WITH RULE 8.209?**

12 A. The Company has included Rule 8.209 deferrals of \$277,523. This asset is included  
13 on Schedule B, line 7 and detailed on Schedule B-3. Ms. McTaggart addresses the  
14 Rule 8.209 asset in her direct testimony.

15 **Q. WHAT AMOUNT HAS BEEN INCLUDED IN RATE BASE ASSOCIATED**  
16 **WITH A PREPAID PENSION ASSET?**

17 A. The Company has included a prepaid pension asset of \$3,964,348. This asset is  
18 included on Schedule B, line 10 and detailed on Schedule B-5. Ms. King addresses  
19 the prepaid pension asset in her direct testimony.

20 **Q. WHAT IS CASH WORKING CAPITAL?**

21 A. CWC is the cash flow required to finance the day-to-day operations of a business.  
22 Because business operations both generate and expend cash, CWC can be a net  
23 inflow or a net outflow to a company. Mr. Lyons calculated the CWC amount of

1 \$(375,849) shown on Schedule B, line 11 and detailed in Schedule B-6, and he  
2 supports the reasonableness of his calculation in his testimony.

3 **Q. WHAT AMOUNT HAS BEEN INCLUDED IN RATE BASE FOR A**  
4 **REQUESTED REGULATORY ASSET?**

5 A. The Company has included a requested regulatory asset amount totaling \$155,829.  
6 This amount is included on Schedule B, line 8, and detailed on Schedule B-11, and  
7 is comprised of the following:

- 8 • Over-collection of rate case expenses from GUD No. 10656;
- 9 • Deferred Winter Storm Uri operations and maintenance (“O&M”)  
10 expense at December 31, 2022; and
- 11 • COVID-19 related O&M.

12 **C. Non-Investor Supplied Capital**

13 **Q. WHAT ARE NON-INVESTOR SUPPLIED FUNDS?**

14 A. Non-investor supplied funds represent capital available to the Company that does  
15 not originate from its shareholders. Because a rate of return is applied to the  
16 Company’s rate base to determine the dollars needed to cover the Company’s debt  
17 service and provide an opportunity to earn a reasonable return, funds supplied on a  
18 cost-free basis by non-investors must be deducted in determining the Company’s  
19 rate base. These amounts are shown on Schedule B. Specifically, Lines 12 and 13  
20 are the balances at the test year end for customer deposits and customer advances,  
21 respectively. In addition, the ADIT balance shown on line 14 of Schedule B  
22 represents funds available to the Company as a result of lower current income tax  
23 expenses due to timing differences between book and taxable income. Lastly, the  
24 EDIT balance shown on line 15 of Schedule B represents the remaining EDIT

1 balance resulting from the remeasurement of ADIT due to the federal tax rate  
2 decrease from the Tax Cuts and Jobs Act of 2017 (“TCJA”). These funds are also  
3 deducted from the rate base calculation. Ms. Simpson explains and sponsors the  
4 ADIT balance in her testimony. Company witness Kenneth E. Eakens explains and  
5 sponsors the EDIT balance in his testimony.

6 **Q. PLEASE EXPLAIN THE AMOUNTS SHOWN ON SCHEDULE B FOR**  
7 **THE BALANCES OF CUSTOMER DEPOSITS, CUSTOMER ADVANCES,**  
8 **ADIT, AND EDIT.**

9 A. The amounts reflected in Rate Base on Schedule B are equal to the RGVSA per  
10 book balances of customer deposits and customer advances as of December 31,  
11 2022. Customer Deposits (line 12) are \$(2,767,300). Customer Advances (line 13)  
12 are \$(137,366). The ADIT balance (line 14) is \$(17,561,856). The EDIT balance  
13 (line 15) is \$(2,948,734). These balances are treated for ratemaking purposes as  
14 offsets to the Company’s invested capital or rate base.<sup>5</sup>

15 **Q. PLEASE SUMMARIZE THE COMPANY’S RATE BASE AS**  
16 **CALCULATED ON SCHEDULE B.**

17 A. The total rate base that is included in the cost of service calculation is \$180,127,453.  
18 This total amount includes all the component parts described above. Ms. Edwards’  
19 testimony provides details for Corporate and Division rate base items.

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<sup>5</sup> For additional support for customer deposits, customer advances ADIT and EDIT, please see Schedule B-7, Schedule B-8, Schedule B-9 and Schedule B-10, respectively.

1 **Q. ARE THE RATE BASE ADJUSTMENTS DISCUSSED IN YOUR**  
2 **TESTIMONY NECESSARY TO CALCULATE A COST OF SERVICE**  
3 **THAT INCLUDES ONLY THOSE AMOUNTS TO BE COLLECTED**  
4 **THROUGH BASE RATES THAT ARE REASONABLE AND NECESSARY**  
5 **FOR PROVIDING SERVICE TO CUSTOMERS IN THE RGVSA?**

6 A. Yes. These adjustments to the historical test year amounts are appropriate and  
7 necessary to properly determine the Company's reasonable and necessary costs to  
8 provide service to TGS's RGVSA customers, which are appropriately recovered  
9 through base rates.

10 **Q. HAS THE COMPANY CALCULATED THESE RATE BASE**  
11 **ADJUSTMENTS CONSISTENT WITH PRIOR COMMISSION**  
12 **DECISIONS?**

13 A. Yes. As I have indicated throughout my testimony, the Company has followed  
14 applicable Commission decisions regarding the calculations of the adjustments I  
15 support in my testimony.

16 **VI. FEDERAL INCOME TAX**

17 **Q. PLEASE EXPLAIN THE CALCULATION OF FEDERAL INCOME TAX**  
18 **EXPENSE AS SHOWN ON SCHEDULE F.**

19 A. Federal income tax expense is computed on Schedule F using the method outlined  
20 in the Commission's Natural Gas Rate Review Handbook.<sup>6</sup> This method calculates  
21 federal income tax expense by recognizing that the equity component of a total  
22 required return is comparable to after-tax net income, as reflected on the financial

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<sup>6</sup> Oversight and Safety Division - Gas Services, Natural Gas Rate Review Handbook at 38-39 (Sept. 2017).



1 statements. This method first derives after-tax net income by subtracting the  
2 interest expense on the long-term debt portion of return, from the total required  
3 return. Because the resulting after-tax net income amount is, by definition, the  
4 amount that should result after the deduction of income taxes, it is necessary to  
5 “gross it up” by multiplying by a factor of  $1/(1-\text{tax rate})$ . The resulting calculated  
6 before-tax net income number is then multiplied by the federal income tax rate to  
7 derive federal income tax expense.

8 Before grossing up the “after tax income,” however, it is necessary to  
9 eliminate the effect of items that represent direct credits to federal income taxes and  
10 to eliminate the effect of items that may be appropriate for ratemaking purposes but  
11 are not allowable deductions on the Company’s income tax return.

12 As provided in Internal Revenue Service (“IRS”) Notice 2018-99,<sup>7</sup> the  
13 TCJA added Code Section 274(a)(4) precluding employers from deducting for tax  
14 purposes qualified transportation fringe benefits such as qualified parking. In  
15 December 2020,<sup>8</sup> the IRS issued a final regulation under Internal Revenue Code  
16 Sec. 274 that provided a new exception to the parking disallowance for parking  
17 provided in a rural, industrial, or remote area in which no commercial parking is  
18 available, reducing the number of Company parking lots subject to the  
19 disallowance. The specific mechanics of computing federal income tax expense  
20 using the Return Method are shown on Schedule F. The Company used a federal

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<sup>7</sup> Parking Expenses for Qualified Transportation Fringes Under § 274(a)(4) and § 512(a)(7) of the Internal Revenue Code, Notice 2018-99, <https://www.irs.gov/pub/irs-drop/n-18-99.pdf>.

<sup>8</sup> Qualified Transportation Fringe, Transportation and Commuting Expenses Under Section 274, 85 Fed. Reg. 81391 (Effective Dec. 16, 2020), <https://www.federalregister.gov/documents/2020/12/16/2020-27505/qualified-transportation-fringe-transportation-and-commuting-expenses-under-section-274>.

1 income tax rate of 21% to comply with the TCJA, which lowered the federal  
2 corporate tax rate from 35% to 21%. Ms. Simpson and Mr. Eakens further discuss  
3 issues related to the TCJA in their direct testimonies. The adjusted test year federal  
4 income tax expense included in the Company's revenue requirement is \$2,904,627.

## 5 **VII. OPERATING REVENUE AND EXPENSES**

### 6 **Q. PLEASE DESCRIBE SCHEDULE G.**

7 A. Schedule G presents a summary of all revenues and expenses, other than federal  
8 income tax expense. Page 1 is a summary of the adjustments to revenues and  
9 expenses, which are identified in greater detail in Schedules G-1 through G-24.  
10 Pages 2 and 3 reflect the same information as Page 1, organized by FERC account  
11 number. The total amounts on page 1, line 27 of Schedule G equal the total  
12 operating amounts shown on page 3, line 92 of Schedule G. Each page of Schedule  
13 G, column (a) identifies the test year amount recorded in the Company's books and  
14 records; column (b) shows the net adjustment to each test year amount, which is  
15 simply the difference between columns (a) and (c); and column (c) contains the  
16 adjusted amount. The adjustments to revenue and purchased gas expense on  
17 Schedules G-1 through G-3 are sponsored by Company witness Teresa Serna. The  
18 expense adjustments detailed on Schedules G-4 through G-24 are discussed in the  
19 remainder of my testimony or in the testimony of Ms. Edwards.

### 20 **Q. DO THE ADJUSTED EXPENSES SHOWN ON SCHEDULE G, COLUMN** 21 **(C) INCLUDE ALLOCATED EXPENSES?**

22 A. Yes. In addition to expenses that are directly charged to the RGVSA, the Company  
23 incurs "allocable" expenses for Shared Services provided to customers in the  
24 RGVSA from various TGS and ONE Gas departments. A portion of these

1 reasonable and necessary expenses must be allocated to the RGVSA to determine  
2 the total cost TGS incurs to provide service to RGVSA customers. For example,  
3 during the test year, personnel from various departments provided management,  
4 accounting, human resources, customer service and engineering services to the  
5 RGVSA and generated a variety of expenses that are directly charged or causally  
6 allocated to the RGVSA. Lastly, there are ONE Gas Corporate level costs allocated  
7 through Distrigas for necessary business functions such as treasury, investor  
8 relations and executive management that support operations in the RGVSA. The  
9 RGVSA's portion of test year costs charged to the allocable cost centers described  
10 above are included in the RGVSA's per book costs on Schedule G, column (a). The  
11 Company's allocation methodologies are discussed by Ms. Edwards.

12 **Q. DESCRIBE THE MISCELLANEOUS ADJUSTMENTS SHOWN ON**  
13 **SCHEDULE G-9.**

14 A. Schedule G-9 shows adjustments to remove expenses not permitted for regulatory  
15 recovery such as civic activities, charitable contributions, out of period accruals and  
16 legislative activities. Additionally, meals over \$25 per person, exclusive of taxes  
17 and tip amounts, hotel stays over \$175 per night, exclusive of taxes, were removed.  
18 Ms. Edwards sponsors the adjustments related to Shared Services, which are  
19 directly assigned or causally allocated costs, and Distrigas, which are allocated  
20 indirect costs.

1 **Q. PLEASE DESCRIBE THE ADJUSTMENT FOR INTEREST ON**  
2 **CUSTOMER DEPOSITS SHOWN ON SCHEDULE G-11.**

3 A. The RGVSA interest on customer deposits has been calculated by applying the  
4 current Commission-required interest rate of 1.36%<sup>9</sup> to the adjusted balance of  
5 RGVSA customer deposits as shown on Schedule B-7 and as discussed in the rate  
6 base section of my testimony. The difference between this amount and test year  
7 interest on customer deposits is the adjustment shown on Schedule G-11.

8 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO UNCOLLECTIBLE**  
9 **EXPENSE ON SCHEDULE G-12.**

10 A. Schedule G-12 presents the calculation of adjusted uncollectible expense relating  
11 to the RGVSA adjusted base revenues and other revenues. This adjusted expense  
12 level is calculated by multiplying the adjusted base revenues and other revenues by  
13 a three-year average uncollectible ratio. The uncollectible ratio is non-gas-cost-  
14 related. Direct write-offs for the RGVSA is divided by total RGVSA non-gas-cost  
15 revenue. The use of a three-year average is consistent with Commission decisions  
16 from prior TGS dockets, including GUD Nos. 9770, 9988, 10217, 10285, 10488,  
17 10506, 10526, 10656, 10928 and Docket No. OS-22-00009896, as well as other gas  
18 utilities in Texas.<sup>10</sup> Test year uncollectible expense is then subtracted from the  
19 adjusted uncollectible expense level to obtain the adjustment to the test year  
20 amount. In addition, the uncollectible expense ratio is used on Schedule A to gross-

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<sup>9</sup> Railroad Commission of Texas, Bulletin No. 1200, Sec. 6(B)(1), March 31, 2023 (citing to Historical PUC Interest Rates, <https://www.puc.texas.gov/industry/electric/reports/HRates/HistRates.pdf>).

<sup>10</sup> See e.g., GUD No. 10170, Final Order at FoF 33 (stating that use of a three-year average for uncollectible expense was approved in GUD Nos. 9762 and 9869).

1 up the revenue deficiency for the additional uncollectible expense associated with  
2 the requested increase in rates.

3 The adjusted expense on Schedule G-12 excludes uncollectible expense  
4 relating to gas cost revenues because the Company proposes to recover gas-cost-  
5 revenue-related bad debt expense through its cost of gas tariffs in the RGVSA.

6 **Q. PLEASE DESCRIBE THE CALCULATIONS ASSOCIATED WITH**  
7 **ADVERTISING EXPENSE ON SCHEDULE G-14.**

8 A. Commission Rule § 7.5414 states that actual expenditures for advertising will be  
9 allowed as a cost of service item for rate-making purposes provided that the total  
10 sum of such expenditures shall not exceed one-half of 1% of the gross receipts of  
11 the utility for utility services rendered to the public. Schedule G-14 demonstrates  
12 that total adjusted advertising expense included in the proposed revenue  
13 requirement is \$6,133 and is less than the allowable amount of \$354,081. The  
14 disallowed expenses of civic and charitable expenses and membership dues are  
15 addressed above under Commission Rule § 7.501.

16 **Q. PLEASE EXPLAIN HOW THE DEPRECIATION AND AMORTIZATION**  
17 **EXPENSE ADJUSTMENT ON SCHEDULE G-15 IS CALCULATED.**

18 A. Adjusted depreciation expense is calculated by multiplying the Company's  
19 depreciation rates by depreciable plant in service. In addition, depreciation expense  
20 on the Company's December 31, 2022 Distribution Integrity Management Program  
21 (DIMP) deferral balance, pursuant to Commission Rule 8.209, is included and is  
22 calculated using the RGVSA depreciation rates for mains and services. The  
23 RGVSA Direct plant depreciation rates were developed in the 2022 depreciation  
24 study conducted by Dr. White for this rate case. Dr. White describes the

1 depreciation study and the resulting rates in his direct testimony.<sup>11</sup> Test year  
2 depreciation expense is subtracted from total adjusted depreciation expense to  
3 calculate the adjustment to test year expense reflected on Schedule G-15. The  
4 balances of RGVSA transportation and major work equipment (“TWE”) are  
5 excluded from depreciable plant for purposes of computing adjusted depreciation  
6 expense on Schedule G-15. Depreciation relating to these items is charged directly  
7 to the TWE clearing account rather than to the depreciation expense account on the  
8 Company’s books. As a result, adjusted depreciation for TWE equipment is  
9 included as part of the TWE clearing adjustment on Schedule G-19. Ms. Edwards  
10 co-sponsors Schedule G-15 and supports the depreciation expense related to the  
11 TGS Division and Corporate Plant.

12 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO AD VALOREM (PROPERTY)**  
13 **TAXES SHOWN ON SCHEDULE G-16.**

14 A. Adjusted property tax expense is computed by multiplying net plant in service  
15 included in rate base by an effective property tax rate. The effective tax rate is  
16 computed by dividing the property taxes paid during the test year period by net  
17 plant in service as of January 1, 2021. Net plant in service as of January 1, 2021 is  
18 used for the denominator of the effective rate because that is the valuation  
19 assessment date upon which the property taxes were computed. Test year property  
20 tax expense is subtracted from adjusted property tax expense to calculate the  
21 adjustment to test year expense.

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<sup>11</sup> The 2023 study was based on asset balances at December 31, 2022.

1 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR TEXAS FRANCHISE TAX**  
2 **ON SCHEDULE G-17.**

3 A. TGS's Texas franchise tax is recorded as a part of the income tax accrual on the  
4 Company's books that is excluded from the per book test year numbers for the  
5 RGVSA. Instead, the Company includes the franchise tax amount paid by the  
6 Company for the calendar year ended December 2022. The portion applicable to  
7 the RGVSA is computed on Schedule G-17 by allocating the company-wide total  
8 franchise tax payment to the RGVSA based on RGVSA's customer count.

9 **Q. PLEASE EXPLAIN THE STORES LOAD CLEARING ADJUSTMENT ON**  
10 **SCHEDULE G-18.**

11 A. Schedule G-18 shows two categories of adjustments related to stores costs. The  
12 first adjustment is for RGVSA stores costs that were over-cleared relative to the  
13 RGVSA costs incurred during the test year. TGS accounts for stores costs through  
14 a clearing account. Costs are accumulated in the stores load clearing account on  
15 the balance sheet and then cleared to capital and expense accounts based on a  
16 percentage load applied to all requisitions for materials and supplies. Because the  
17 percentage load is based on estimated usage and costs, the amount cleared may be  
18 more or less than the costs incurred during any given twelve-month period. During  
19 the test year, the amounts cleared from the RGVSA stores clearing account were  
20 more than the RGVSA actual cost incurred during the test year. Thus, an  
21 adjustment to decrease the test year amount cleared is necessary. This adjustment  
22 is shown on Schedule G-18, lines 1 through 3. The second category of adjustments  
23 relates to the level of costs that was charged into the RGVSA stores clearing  
24 account during the test year. As shown on lines 4 through 7, adjustments were

1 made to reflect the difference between RGVSA adjusted and test year payroll and  
2 payroll-related costs applicable to the stores function. The combination of these  
3 two categories of adjustments is an increase to overall test year stores clearing as  
4 shown on line 8. The two adjustments to stores clearing have been multiplied by  
5 the percentage of stores load charged to expense accounts in the RGVSA during  
6 the test year to determine the adjustment to test year expense and the distribution  
7 of that adjustment to specific applicable expense accounts as shown on Schedule  
8 G-18, lines 12 through 24.

9 **Q. PLEASE EXPLAIN THE LOAD CLEARING ADJUSTMENT FOR**  
10 **TRANSPORTATION AND WORK EQUIPMENT ON SCHEDULE G-19.**

11 A. Schedule G-19 presents an adjustment similar to the previously discussed stores  
12 load adjustment. As with stores load costs, TWE costs are accumulated in a balance  
13 sheet account and then cleared to capital and expense accounts based on usage. In  
14 this case, the amounts cleared for RGVSA TWE during the test year were less than  
15 the RGVSA actual costs incurred. Thus, an adjustment to increase the test year  
16 amount cleared is necessary to increase the cleared costs in the Company's cost of  
17 service. This adjustment is shown on Schedule G-19, lines 1 through 3. Lines 4  
18 through 9 reflect any necessary adjustments relating to the dollars that were charged  
19 into the RGVSA TWE clearing account during the year. The primary costs  
20 associated with TWE are depreciation, gasoline and maintenance and repair costs.  
21 No adjustment was made to the test year level of gasoline or maintenance and repair  
22 costs. However, depreciation expense associated with vehicles and major work  
23 equipment is also charged to the TWE clearing cost. Line 4 reflects an adjustment



1 to decrease the amount of depreciation that was booked during the test year to  
2 reflect the depreciation rates recommended by Dr. White.

3 The sum of these two categories of TWE adjustments is a decrease to test  
4 year RGVSA TWE clearing amounts and is shown on line 10. This amount has  
5 been multiplied by the percentage of TWE load charged to expense accounts in the  
6 RGVSA during the test year to determine the adjustment to test year expense and  
7 the distribution of that adjustment to specific applicable expense accounts as shown  
8 on Schedule G-19, lines 14 through 36.

9 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR AMORTIZATION OF**  
10 **REQUESTED REGULATORY ASSETS REFLECTED ON SCHEDULE G-**  
11 **20.**

12 A. Schedule G-20 reflects the annual amortization expense associated with the  
13 requested regulatory asset described in the Rate Base section of my testimony. The  
14 total amount of the requested regulatory asset is amortized over six years to  
15 calculate proforma amortization expense. Rate case expenses associated with the  
16 filing of the instant case are not included as a requested regulatory asset. The  
17 Company requests recovery of rate case expenses associated with this filing through  
18 a separate rider, as discussed in the Proposed Rate Schedules section of my  
19 testimony.

20 **Q. PLEASE EXPLAIN THE PIT ADJUSTMENT REFLECTED ON**  
21 **SCHEDULE G-23.**

22 A. Schedule G-23 reflects the PIT expense to include in base rates if the Company's  
23 request for a rider is not approved. PIT costs incurred during the test year and  
24 scheduled to be incurred for the following six years are summed, and an average is

1 included as annual proforma PIT expense. Mr. Limón explains and supports the  
 2 reasonableness and necessity of the PIT costs, and I address the appropriateness of  
 3 recovering the PIT expense through a rider in the Proposed Rate Schedules section  
 4 of my testimony. If the rider is approved, the adjustment shown on Schedule G-23  
 5 should be removed from the Company's base revenue requirement.

6 **Q. PLEASE EXPLAIN THE EDIT ADJUSTMENT REFLECTED ON**  
 7 **SCHEDULE G-24.**

8 A. Schedule G-24 reflects the annual EDIT amortization credit to include in base rates  
 9 if the Company's request to discontinue the EDIT rider is approved, which is  
 10 detailed in Section IX of my testimony and in the direct testimony of Mr. Eakens.

11 **VIII. CURRENT RATE SCHEDULES AND TARIFFS**

12 **Q. WHEN WAS THE LAST SOI TO CHANGE BASE RATES FILED IN THE**  
 13 **RGVSA?**

14 A. On June 15, 2017, TGS filed a SOI requesting to increase rates within the  
 15 incorporated areas of the RGVSA. The RGVSA Cities approved the settlement  
 16 agreement in October and November 2017.<sup>12</sup> On October 12, 2017, TGS filed a

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<sup>12</sup> The RGVSA Cities approved as follows: Alamo issued Ordinance No. 25-10-17 (Oct. 24, 2017), Alton issued Ordinance No. 2017-15-1010 (Oct. 10, 2017), Brownsville issued Ordinance No. 2017-1632 (Oct. 17, 2017), Combes issued Ordinance No. 2017-5 (Oct. 30, 2017), Edcouch issued Ordinance No. 2017-05 (Oct. 10, 2017), Edinburg issued Ordinance No. 2017-4162 (Oct. 17, 2017), Elsa issued Ordinance No. 2018-01 (Oct. 16, 2017), Harlingen issued Ordinance No. 2017-38 (Nov. 1, 2017), Hidalgo issued Ordinance No. 2017-10 (Oct. 9, 2017), La Feria issued Ordinance No. 2017-15 (Nov. 15, 2017), La Joya issued Ordinance No. 2017-12 (Oct. 10, 2017), Laguna Vista issued Ordinance No. 2017-29 (Nov. 14, 2017), Los Fresnos issued Ordinance No. 488 (Oct. 10, 2017), Lyford issued Ordinance No. 17-10-10 (Oct. 10, 2017), McAllen issued Ordinance No. 2017-62 (Oct. 10, 2017), Mercedes issued Ordinance No. 2017-15 (Oct. 17, 2017), Mission issued Ordinance No. 4566 (Oct. 9, 2017), Palm Valley issued Ordinance No. 2017-11 (Nov. 13, 2017), Palmhurst issued Ordinance No. 10-25-17 (Oct. 27, 2017), Penitas issued Ordinance No. 2017-08 (Oct. 24, 2017), Pharr issued Ordinance No. O-2017-47 (Oct. 16, 2017), Port Isabel issued Ordinance No. 10-24-2017 (Oct. 24, 2017), Primera issued Ordinance No. 2017-05 (Oct. 17, 2017), Rancho Viejo issued Ordinance No. 226 (Oct. 10, 2017), Raymondville issued Ordinance No. 1218 (Oct. 10, 2017), San Benito issued Ordinance No. 2545 (Oct. 17, 2017), and Weslaco issued Ordinance No. 2017-50 (Oct. 17, 2017).

1 SOI requesting to increase rates within the environs areas of the RGVSA. The SOI  
 2 was docketed at the Commission as GUD No. 10656. The Commission approved  
 3 new rates for the environs areas of the RGVSA on March 20, 2018.<sup>13</sup>

4 **Q. HAS THE COMPANY FILED INTERIM RATE ADJUSTMENTS (“IRAS”)**  
 5 **IN THE RGVSA?**

6 A. Yes. Pursuant to GURA § 104.301 and Commission Rule § 7.7101, the Company  
 7 filed the following IRAs with the RGVSA environs areas:

<b>Environs IRA Filing Date</b>	<b>GUD No. for Environs Filing</b>	<b>Plant Investment Period</b>	<b>Environs Final Order Issue Date</b>
October 25, 2018	10784	January 1 to December 31, 2017	February 5, 2019
July 8, 2019	10874	January 1 to December 31, 2018	October 1, 2019
July 8, 2020	10989	January 1 to December 31, 2019	October 20, 2020
July 8, 2021	Case No. 00006939	January 1 to December 31, 2020	October 12, 2021
July 7, 2022	Case No. 00009998	January 1 to December 31, 2021	October 11, 2022

8 **Q. WHAT RATES ARE CURRENTLY IN EFFECT IN THE RGVSA**  
 9 **ENVIRONS?**

10 A. As shown in Exhibit AQB-1, the rates in effect for customers in the RGVSA  
 11 environs are the base rates approved in GUD No. 10656 and the IRAs addressed  
 12 above.

13 **Q. HAS THE COMPANY REQUESTED RATE CHANGES WITH THE**  
 14 **RGVSA CITIES SINCE THE SOI IN 2017?**

15 A. Yes. A Cost of Service Adjustment (“COSA”) Clause tariff has been in effect for  
 16 the RGVSA Cities since April 16, 2018. Pursuant to the terms of the COSA Clause,  
 17 the Company filed a COSA adjustment with the RGVSA Cities on April 27, 2018

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<sup>13</sup> GUD No. 10656, Final Order.

1 that included capital investment and expenses from a test year ending December 31,  
 2 2017. The Company has continued to file annual COSA adjustments with the  
 3 RGVSA Cities that include capital investment and expenses from the prior calendar  
 4 year. The most recent COSA adjustment was filed on April 28, 2022, that included  
 5 capital investment and expenses from a test year ending December 31, 2021.

6 **Q. WHAT RATES ARE CURRENTLY IN EFFECT IN THE RGVSA**  
 7 **INCORPORATED AREAS?**

8 A. As shown in Exhibit AQB-1, the rates in effect for customers in the incorporated  
 9 areas of the RGVSA are the rates that the RGVSA Cities approved as part of the  
 10 COSA in 2022.

11 **IX. PROPOSED RATE SCHEDULES AND TARIFFS**

12 **Q. WHAT TARIFFS ARE PROPOSED BY THE COMPANY IN THIS SOI?**

13 A. The proposed RGVSA tariffs, attached as Exhibit A to the SOI, are as follows:

- 14 • Rate Schedules 10, 15, 20, 25, 30, 40, 70, and C-1 for gas sales service;
- 15 • Rate Schedules 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, 7Z, and C-1-ENV for gas sales  
 16 service;
- 17 • Rate Schedules 1-INC and 1-ENV for the cost of gas clause;
- 18 • Rate Schedules T-1, T-1-ENV, T-TERMS for transportation service;
- 19 • Rate Schedule WNA for weather normalization adjustment;
- 20 • Rate Schedules PIT and PIT-Rider for recovery of annually approved PIT  
 21 expenses;
- 22 • Rate Schedules RCE and RCE-ENV for recovery of approved rate case  
 23 expenses in this filing; and
- 24 • Incorporated and environs Rules of Service.

25 The Company proposes no changes to proposed Rate Schedule PSF, “Pipeline  
 26 Safety and Regulatory Program Fees,” Rate Schedule CRR, “Customer Rate

1 Relief,” and the Curtailment Plan Rate Schedule all of which are currently in effect  
2 for the RGVSA. The proposed rate schedules for the RGVSA accurately reflect all  
3 the changes requested by the Company in this filing. Exhibit AQB-2 provides the  
4 existing rate schedules in redline format to identify the changes the Company  
5 proposes for the RGVSA.

6 **Q. PLEASE DESCRIBE THE GENERAL APPROACH THE COMPANY**  
7 **TOOK IN DEVELOPING THE PROPOSED RATE SCHEDULES.**

8 A. The Company started with the rate schedules approved in the Company’s most  
9 recent rate case for the incorporated areas of the RGVSA filed and approved in  
10 2017 and for the environs of the RGVSA, GUD No. 10656. Next, the tariffs and  
11 rate schedules approved in recent TGS rate cases (GUD Nos. 10739, 10766, 10928  
12 and Docket No. OS-22-00009896) were reviewed to identify applicable tariff  
13 provisions and language to include in the RGVSA tariffs.<sup>14</sup>

14 **A. Gas Sales Service Tariffs**

15 **Q. PLEASE DESCRIBE THE RGVSA GAS SALES RATE SCHEDULES.**

16 A. Rate Schedules 10, 15, 20, 25, 30, 40, 70, C-1, 1Z, 1Y, 2Z, 3Z, 4Z, 7Z, and C-1-  
17 ENV are based on the existing RGVSA gas sales rate schedules and incorporate  
18 approved changes from Docket No. OS-22-00009896 and GUD Nos. 10739,  
19 10766, and 10928 with revisions made to:

- 20 1. include rate changes as reflected in the testimony of Company witness Paul  
21 Raab;
- 22 2. add language to the residential tariffs, Rate Schedules 10 and 1Z, to  
23 designate them for Small Residential Service;

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<sup>14</sup> Docket No. OS-22-00009896, Final Order; GUD No. 10739, Final Order; GUD No. 10766, Final Order; GUD No. 10928, Final Order.

- 1           3. add language to the commercial tariffs, Rate Schedules 20 and 2Z, to  
2           designate them for Small Commercial Service;
- 3           4. remove the cost of service rate for Church Service under the commercial  
4           tariffs, Rate Schedules 20 and 2Z; and
- 5           5. add residential builders to the “Applicability” section in Rate Schedules 10  
6           and 1Z.

7           Additional material differences between the RGVSA gas sales tariffs and the gas  
8           sales tariffs currently in effect for the RGVSA incorporated and environs areas are  
9           the:

- 10          1. addition of the Large Commercial Service, Rate Schedules 25 and 2Y;
- 11          2. addition of the Unmetered Gas Light Service, Rate Schedules 70 and 7Z;
- 12          3. addition of the Electric Generation Service, Rate Schedules C-1 and C-1-  
13          ENV;
- 14          4. removal of references to riders proposed to be withdrawn such as the EDIT  
15          Credit, Rate Schedule EDIT-Rider; and
- 16          5. addition of references to proposed new tariffs such as the Rate Case Expense  
17          Surcharge Riders, Rate Schedules RCE and RCE-ENV.

18           The proposed gas sales rates are consistent with the recommendations of Mr. Raab.

19   **Q. PLEASE EXPLAIN THE TWO PROPOSED RESIDENTIAL TARIFFS**  
20   **BASED ON CUSTOMER USAGE OF NATURAL GAS.**

21   A. As discussed by Mr. Raab, the Company proposes a rate design that includes a  
22   Small Residential Rate and a Large Residential Rate to be assigned to residential  
23   customers depending upon customer usage. The revisions to Rate Schedules 10  
24   and 1Z and the addition of Rate Schedules 15 and 1Y reflect the Company’s  
25   request. This revision is consistent with the tariffs proposed and approved in  
26   Docket No. OS-22-00009896.

1 **Q. PLEASE EXPLAIN THE TWO PROPOSED COMMERCIAL TARIFFS**  
2 **BASED ON CUSTOMER USAGE OF NATURAL GAS.**

3 A. As discussed by Mr. Raab, the Company proposes a rate design that includes a  
4 Small Commercial Rate and a Large Commercial Rate to be assigned to  
5 commercial customers depending upon customer usage. The revisions to Rate  
6 Schedules 20 and 2Z and the addition of Rate Schedules 25 and 2Y reflect the  
7 Company's request.

8 **Q. PLEASE EXPLAIN THE TARIFF REVISION TO INCLUDE**  
9 **RESIDENTIAL BUILDERS UNDER THE RESIDENTIAL RATE**  
10 **SCHEDULES 10 AND 1Z RATHER THAN THE COMMERCIAL RATE**  
11 **SCHEDULES 20 AND 2Z.**

12 A. After gas sales service begins for a newly constructed home, while the house is for  
13 sale, the residential builder pays for the gas service. Because a residential builder  
14 is a commercial customer, they have historically paid commercial rates for this  
15 service. TGS proposes to charge residential builders a residential rate for gas  
16 service to these homes because they are single family dwelling places. This change  
17 will also add administrative efficiency because the rate will not need to be changed  
18 from commercial to residential when the home is sold. This revision is consistent  
19 with the tariffs proposed and approved in Docket No. OS-22-00009896 and GUD  
20 Nos. 10739 and 10928.

1 **Q. PLEASE DESCRIBE THE PROPOSED UNMETERED GAS LIGHT**  
2 **SERVICE TARIFFS, RATE SCHEDULES 70 AND 7Z.**

3 A. Proposed Rate Schedules 70 and 7Z provide for unmetered service to customers  
4 using natural gas for gas lighting only. TGS currently serves no gas lighting  
5 customers in the RGVSA, but includes these tariffs as an option for future  
6 customers and for consistency with other TGS service areas. The proposed tariffs  
7 are consistent with the unmetered gas light tariffs proposed and approved in Docket  
8 No. OS-22-00009896 and GUD No. 10928.

9 **Q. PLEASE DESCRIBE THE PROPOSED C-1 AND C-1-ENV GAS SALES**  
10 **RATE SCHEDULES FOR ELECTRIC GENERATION SERVICE.**

11 A. Proposed Rate Schedules C-1 and C-1-ENV provide for electric generation service  
12 for non-residential customers. TGS currently serves no electric generation  
13 customers in the RGVSA, but includes these tariffs as an option for future  
14 customers and for consistency with other TGS service areas.

15 **Q. PLEASE DESCRIBE HOW THE COMPANY DEVELOPED THE**  
16 **PROPOSED C-1 AND C-1-ENV GAS SALES RATE SCHEDULES FOR**  
17 **ELECTRIC GENERATION SERVICE.**

18 A. The proposed C-1 and C-1-ENV rate schedules were developed using the electrical  
19 cogeneration rate schedules approved in Docket No. OS-222-00009896 with  
20 revisions to:

- 21 1. change the rate schedule name from “Electrical Cogeneration” to “Electric  
22 Generation;” and
- 23 2. expand the definition in the “Applicability” section to align with  
24 Commission Rule §7.455 and include distributed generation and backup  
25 power systems that are registered with the applicable balancing authorities.



1 **Q. PLEASE DESCRIBE THE COMPANY’S RGVSA COST OF GAS CLAUSE**  
2 **TARIFFS.**

3 A. Proposed Rate Schedules 1-INC and 1-ENV are based on the existing cost of gas  
4 clauses in the RGVSA while incorporating approved changes from Docket No. OS-  
5 22-00009896 and GUD Nos. 10739 and 10928 with revisions to:

- 6 1. add clarifying language to sections B, C, F, and H in the incorporated and  
7 environs tariffs to make consistent with recently approved cost of gas  
8 clauses in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766, and  
9 10928;
- 10 2. add clarifying language for the use of financial instruments in sections B.3,  
11 B.6, B.8, and H.4 in the incorporated tariff to make consistent with the  
12 recently approved cost of gas clauses in Docket No. OS-22-00009896 and  
13 GUD No. 10928;
- 14 3. expand language in section B.3 in the incorporated and environs tariffs to  
15 include other renewable sources of natural gas to make consistent with the  
16 recently approved cost of gas clauses in Docket No. OS-22-00009896; and
- 17 4. add section B.4 for a Customer Rate Relief charge, authorized by the  
18 Commission’s Financing Order in Docket No. OS-21-00007061 and update  
19 sections B.1 and G to add references to the Customer Rate Relief charge.

20 In addition to the revisions above, the proposed cost of gas clauses include a number  
21 of non-substantive language revisions to make the language of the tariffs consistent  
22 with the cost of gas clauses that are in effect in the Company’s other service areas.

23 **B. Transportation Service Tariffs**

24 **Q. PLEASE DESCRIBE THE RGVSA TRANSPORTATION SERVICE**  
25 **TARIFFS.**

26 A. Proposed Rate Schedules T-1 and T-1-ENV are based on the existing RGVSA  
27 transportation rate schedules, while incorporating approved changes from Docket  
28 No. OS-22-00009896 and GUD Nos. 10739, 10766 and 10928.

1 Additional material differences between the RGVSA transportation tariffs  
2 and the tariffs currently in effect for the RGVSA incorporated and environs areas  
3 are revisions made to:

- 4 1. include rate changes as reflected in the testimony of Mr. Raab; and
- 5 2. include Electric Generation service rates.

6 In addition to the revision above, proposed Rate Schedules T-1 and T-1-ENV  
7 include a number of non-substantive language revisions to make the language of  
8 the tariffs consistent with the T-1 and T-1-ENV rate schedules that are in effect in  
9 the Company's other service areas.

10 **Q. DOES THE COMPANY PROPOSE ANY ADDITIONAL CHANGES TO**  
11 **THE TRANSPORTATION TARIFFS?**

12 A. Yes, the Company also proposes Rate Schedule T-TERMS, which is consistent  
13 with the approved Rate Schedule T-TERMS in Docket No. OS-22-00009896 and  
14 GUD Nos. 10739, 10766 and 10928 with revisions made to:

- 15 1. include definitions for "Firm Service" and "Force Majeure" under  
16 "Definitions" to provide clarity for Customer and Company rights and  
17 responsibilities during a curtailment event;
- 18 2. include definition for "Electric Generation Service" under "Definitions" to  
19 align with Commission Rule §7.455 and include distributed generation and  
20 backup power systems that are registered with the applicable balancing  
21 authorities;
- 22 3. revise language in Sections 1.4 and 1.6 to clarify Qualified Supplier and  
23 Company responsibilities for designating receipt points; and
- 24 4. add clarifying language to Section 1.5 (g) for Customer's responsibility to  
25 provide written notice to the Company.

1 In addition to the revisions above, proposed Rate Schedule T-TERMS includes a  
2 number of language revisions to make the tariffs consistent with the T-TERMS rate  
3 schedules that are in effect in the Company's other service areas.

4 **C. Tariff Riders**

5 **Q. HOW HAS THE COMPANY REVISED THE WEATHER**  
6 **NORMALIZATION CLAUSE FOR THE RGVSA?**

7 A. Existing Rate Schedule WNA provides a mechanism whereby incorporated and  
8 environs customer bills are adjusted up or down each billing cycle to reflect  
9 differences in actual weather compared to normal weather, as defined in the rate  
10 case and discussed in the testimony of Ms. Serna. Revisions have been made to  
11 Rate Schedule WNA to:

- 12 1. add Large Residential Service, Rate Schedules 15 and 1Y, and Large  
13 Commercial Service, Rate Schedules 25 and 2Y, to the "Applicability"  
14 section; and
- 15 2. reflect updated weather factors for each class consistent with Ms. Serna's  
16 weather normalization calculation in this case.

17 In addition to the revisions above, the proposed Rate Schedule WNA includes a  
18 few non-substantive revisions to make the language of the tariffs consistent with  
19 the WNA clauses that are in effect in the Company's other service areas.

20 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSAL FOR THE**  
21 **RECOVERY OF PIT EXPENSES.**

22 A. Proposed Rate Schedules PIT and PIT-Rider provide a mechanism for recovery of  
23 costs incurred to comply with the Commission's Pipeline Integrity Assessment and  
24 Management Plan Rule, Rule § 8.101, and other future Commission rules related  
25 to integrity management plans, through a surcharge similar to the PIT-Rider

1 previously approved by the Commission in Docket No. OS-22-00009896 and GUD  
2 Nos. 9988, 10506, 10526, 10656, 10739, and 10928. To continue the treatment  
3 approved by the Commission in previous cases, including the last RGVSA rate  
4 case, the Company requests approval of revised Rate Schedules PIT and PIT-Rider,  
5 applicable to all gas sales and standard transportation customers in the RGVSA, to  
6 recover PIT costs incurred in a given calendar year through a volumetric rate to be  
7 applied to customer bills during the following April through March. Rate Schedule  
8 PIT sets forth the calculation and requirements, while Rate Schedule PIT-Rider  
9 contains the rate currently in effect.

10 **Q. IS IT REASONABLE TO RECOVER PIT COSTS THROUGH A RIDER?**

11 A. Yes. In Docket No. OS-22-00009896, the Commission ordered that PIT expense  
12 in the Company's West North Service Area ("WNSA") be recovered via a rider  
13 rather than in base rates, finding that a rider "based on the amount of prior year PIT  
14 costs that fluctuate from year to year, is just and reasonable."<sup>15</sup> It is reasonable and  
15 appropriate to recover PIT costs via an annual rider because the annual amount of  
16 PIT costs varies greatly from year to year depending upon the testing schedule,  
17 making it challenging to determine an appropriate amount of expense to be included  
18 in base rates. Finally, a PIT rider has operated successfully and effectively in the  
19 RGVSA since the last rate case. In addition, recovering PIT costs through a rider  
20 rather than base rates reduces the bill impacts for residential customers by 17% for  
21 Small Residential and 34% for Large Residential. Nevertheless, if the proposed  
22 Rate Schedule PIT is not approved, PIT expenses should be included in the

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<sup>15</sup> Docket No. OS-22-00009896, Final Order at FoF 88.

1 calculation of base rates, as discussed in the Direct Operating Expense section of  
2 my testimony.

3 **Q. PLEASE DESCRIBE THE PROPOSED REVISIONS TO RATE**  
4 **SCHEDULES PIT AND PIT-RIDER FOR THE RECOVERY OF PIT**  
5 **EXPENSES.**

6 A. Proposed Rate Schedules PIT and PIT-Rider are based on the existing RGVSA rate  
7 schedules with revisions made to:

- 8 1. update language for clarity and consistency with Rate Schedules PIT and  
9 PIT-Rider approved in Docket No. OS-22-00009896 and GUD No. 10928;
- 10 2. add Large Residential Service, Rate Schedules 15 and 1Y, and Large  
11 Commercial Service, Rate Schedules 25 and 2Y, to the “Territory” and  
12 “Applicability” sections;
- 13 3. add Electric Generation Service, Rate Schedules C-1 and C-1-ENV to the  
14 “Territory” and “Applicability” sections; and
- 15 4. include electronic transmission of notifications to customers and regulatory  
16 authorities in the “Notice to Affected Customers” section of Rate Schedule  
17 PIT.

18 In addition to the revisions above, the proposed Rate Schedules PIT and  
19 PIT-Rider include a number of non-substantive revisions to make the language of  
20 the tariffs consistent with the PIT and PIT-Rider rate schedules that are in effect in  
21 the Company’s other service areas.

22 **Q. IS THE COMPANY REQUESTING RATE CASE EXPENSE RECOVERY**  
23 **IN THIS CASE?**

24 A. Yes. Pursuant to GURA § 104.051 and Commission Rule 7.5530, the Company  
25 seeks reimbursement of all rate case expenses determined by the Commission to be  
26 reasonable. These expenses include fees and expenses for outside attorneys and  
27 consultants and other reasonable expenses the Company incurs associated with this

1 proceeding. As it has in prior rate cases, TGS has retained outside attorneys and  
2 consultants to perform necessary tasks related to the rate case filing. The work of  
3 these outside attorneys and consultants is supervised, directed and performed in  
4 consultation with the Company's Rates and Regulatory and Legal groups. To  
5 ensure that TGS incurs only reasonable and necessary rate case expenses, all  
6 outside attorney and consultant invoices are reviewed by Company personnel to  
7 ensure they are consistent with the rates and scope of work agreed to by the  
8 Company and the outside vendor.

9 **Q. WHAT RATE CASE EXPENSE RECOVERY TARIFFS IS THE**  
10 **COMPANY REQUESTING?**

11 A. The Company is requesting approval of rate case expense riders, Rate Schedules  
12 RCE and RCE-ENV, to enable the Company to recover via surcharge all rate case  
13 expenses determined to be reasonable.

14 **Q. PLEASE EXPLAIN THE COMPANY'S WITHDRAWAL OF RATE**  
15 **SCHEDULE EDIT-RIDER FOR THE FLOW BACK OF EDIT.**

16 A. The Company proposes to withdraw Rate Schedule EDIT-Rider, which provided a  
17 mechanism for the flow back to customers of the annual amortization of EDIT, via  
18 an annual one-time bill credit. As explained in the direct testimony of Mr. Eakens,  
19 recent private letter rulings from the IRS necessitate the flow back of EDIT through  
20 base rates rather than a rider. This is the same treatment TGS proposed and the  
21 Commission approved in Docket No. OS-22-00009896.

1                   **D.     Rules of Service**

2   **Q.     PLEASE DESCRIBE THE COMPANY’S PROPOSED RULES OF**  
3   **SERVICE FOR THE RGVSA.**

4   A.     The Company developed proposed Rules of Service for the RGVSA by starting  
5           with the WNSA incorporated and environs Rules of Service, which were updated  
6           and approved in 2023. The proposed Rules of Service were revised to reflect  
7           revisions approved in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766,  
8           and 10928. The proposed Rules of Service have also been extensively updated and  
9           reordered in order to more closely conform to the Commission’s Quality of Service  
10          Rules, which are consistent with the Rules of Service proposed and approved in  
11          Docket No. OS-22-00009896. Sections impacted by these conforming revisions  
12          include:

- 13           1.    § 4.6 and 4.7, Conditions of Service;
- 14           2.    § 5.2, Initiation of Service (previously § 5.7);
- 15           3.    § 6, Refusal of Service (previously § 5.6);
- 16           4.    § 7, Discontinuance of Service (previously §§ 17 and 18);
- 17           5.    § 8, Security Deposits (previously § 10);
- 18           6.    § 9, Billing and Payment of Bills (previously §§ 13 and 20);
- 19           7.    § 10, Facilities and Equipment (previously §§ 7, 15 and 16);
- 20           8.    § 11, Extension of Facilities (previously § 8);
- 21           9.    § 12, Meters (previously §§ 6 and 12);
- 22           10.   § 13, Gas Measurement (previously § 11); and
- 23           11.   § 15, Service Fees and Deposit Amounts (previously §§ 15 and 21).

1 Additional material differences between the RGVSA Rules of Service and existing  
2 RGVSA Rules of Service include:

- 3 1. updates to the Company’s contact information on page 1 for Customer  
4 inquiries;
- 5 2. updating § 1.3, Definitions, to include adding definitions for “Firm  
6 Service” and “Force Majeure” to provide clarity for Customer and  
7 Company rights and responsibilities during a curtailment event and revise  
8 “Electrical Cogeneration Service” to “Electric Generation Service” and  
9 expand its definition to align with Commission Rule §7.455 and include  
10 distributed generation and backup power systems that are registered with  
11 the applicable balancing authorities;
- 12 3. adding clarifying language to § 4.4 to include language consistent with  
13 the new Commission Rule 7.455 for curtailment standards;
- 14 4. making an administrative correction to § 12.9; and
- 15 5. revisions to § 15 (previously §21) Service Fees and Deposits, to establish  
16 greater consistency for service fees and deposits among the Company’s  
17 service areas.

18 Finally, TGS proposes to withdraw the rules of service addenda RGVSA-  
19 Env 7-45 and RGVSA-Env 7-46, as these provisions have been included within the  
20 RGVSA Rules of Service in Sections 7.7 and 8.3(e) and a separate rules of service  
21 addendum is no longer necessary. The proposed changes provide clarity regarding  
22 the Company’s current policies and procedures. Creating consistent Rules of  
23 Service will lead to more consistent application and more efficient administration  
24 of the Company’s tariffs, which benefits all the Company’s customers.

25 **Q. WHAT REVISIONS HAS THE COMPANY MADE TO ITS SERVICE FEES  
26 AND DEPOSITS AS REFLECTED IN SECTION 15 OF THE PROPOSED  
27 RULES OF SERVICE?**

28 A. Exhibit AQB-3 identifies the current and proposed service fees. The proposed  
29 service fees are similar to those approved for the Company’s other service areas in



1 Docket No. OS-22-00009896 and GUD Nos. 10488, 10506, 10526, 10656, 10739,  
2 10766, and 10928. As with all service charges, only customers requesting and  
3 receiving a particular service will be charged for that service. This addition to  
4 revenue has been reflected as a known and measurable change on Schedule G-3,  
5 which Ms. Serna sponsors.

6 **E. Miscellaneous Tariffs**

7 **Q. ARE THERE ANY ADDITIONAL COMPANY TARIFFS YOU WISH TO**  
8 **ADDRESS?**

9 A. Yes. The Company proposes to withdraw Rate Schedule 1-1, “Cost of Service  
10 Adjustment Clause,” Rate Schedule ORD-RGV, “City Ordinance Listing,” and  
11 Rate Schedule 1B, “Franchise Fee & State Occupancy Tax Factors.” Withdrawal  
12 of these tariffs is reasonable because they will no longer be applicable after base  
13 rates are implemented, there is not a requirement to maintain the tariff and/or the  
14 Company does not have these tariffs in place in other service areas.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 A. Yes, it does.

Customer Class	Current Rates		Proposed RGVSA Rates
	RGVSA Incorporated Rates	RGVSA Environs Rates	
<b>Residential</b>			
Customer Charge		\$18.02	\$21.87
Volumetric Charge (per Ccf)	All Usage	\$0.88854	\$0.34028
Rate A Customer Charge			\$20.00
Rate A Volumetric	All Usage		\$2.33897
Rate B Customer Charge			\$35.00
Rate B Volumetric	All Usage		\$0.95435
<b>Commercial</b>			
Customer Charge (For Commercial Service)		\$141.62	\$117.13
Customer Charge (For Church Service)		\$123.62	\$99.13
Volumetric Charge (per Ccf)	All Usage	\$0.31650	\$0.31650
Rate A Customer Charge			\$80.00
Rate A Volumetric	All Usage		\$0.61849
Rate B Customer Charge			\$250.00
Rate B Volumetric	All Usage		\$0.21049
<b>Commercial Transportation</b>			
Customer Charge		\$483.62	\$459.13
Volumetric Charge (per Ccf)	All Usage		\$0.10163
	First 5000	\$0.31650	\$0.31650
	Over 5000	\$0.01777	\$0.01777
<b>Industrial</b>			
Customer Charge		\$903.88	\$680.49
Volumetric Charge (per Ccf)	All Usage	\$0.30336	\$0.30336
			\$0.36782
<b>Industrial Transportation</b>			
Customer Charge		\$1,153.88	\$930.49
Volumetric Charge (per Ccf)	All Usage		\$0.11076
	First 5000	\$0.30336	\$0.30336
	Over 5000	\$0.03453	\$0.03453
<b>Public Authority</b>			
Customer Charge		\$132.93	\$106.36
Volumetric Charge (per Ccf)	All Usage	\$0.38068	\$0.38068
			\$0.33119
<b>Public Authority Transportation</b>			
Customer Charge		\$487.93	\$461.36
Volumetric Charge (per Ccf)	All Usage		\$0.04521
	First 5000	\$0.38068	\$0.38068
	Over 5000	\$0.01595	\$0.01595
<b>Electric Generation</b>			
Customer Charge			\$250.00
Volumetric Charge (per Ccf)	All Usage		\$0.21049
<b>Electric Generation Transportation</b>			
Customer Charge			\$500.00
Volumetric Charge (per Ccf)	All Usage		\$0.10163

**Texas Gas Service Company, a Division of ONE Gas, Inc.**

**Rio Grande Valley Service Area**

**SCHEDULE 10 of 2**

**RATE SCHEDULE 10**

**Page 1 RATE**

**SMALL RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a small residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development. ~~This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc and builders prior to sale or re-sale of a property for domestic purposes.~~

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes ~~the incorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A ~~Customer Charge~~customer charge per meter per month of ~~\$18.02~~20.00 plus

~~All Ccf @ \$0.88854 per Ccf~~  
A delivery charge per monthly billing period @ \$2.33897 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer's service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

<u>Annual Normalized Volume Less than 130 Ccf</u>	<u>Small Residential, Rate Schedule 10</u>
<u>Annual Normalized Volume 130 Ccf or Greater</u>	<u>Large Residential, Rate Schedule 15</u>

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer's next scheduled bill.

**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 the Cost of Gas Clause, Rate Schedule 1-INC.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**

**RATE SCHEDULE 10**

**Rio Grande Valley Service Area**

**Page 2**  
**RATE**

**SCHEDULE 10 of 2**

~~Weather Normalization Adjustment:~~Energy Efficiency Program: The billing shall reflect adjustments in accordance with ~~the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

~~Energy Efficiency Program: Adjustments in accordance with the~~ provisions of the Energy Efficiency Program, Rate ~~Schedule~~Schedules EEP and IEE, if applicable.

~~Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**  
**SCHEDULE 10 of 2**

**RATE SCHEDULE 10**  
**Page 3**~~RATE~~

~~Rate Schedule RCE: Adjustments~~ **SMALL RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**

**RATE SCHEDULE 20**

**Rio Grande Valley Service Area**

**Page 1 RATE**

**SCHEDULE 20 of 2**

**SMALL COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to small commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule. ~~This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc.~~

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes ~~the incorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A ~~Customer Charge~~ customer charge per meter per month of \$141.6280.00 plus ~~(For Commercial Service)~~  
\$123.62 plus ~~(For Church Service)~~

~~\_\_\_\_\_~~ All Ccf @ ~~\_\_\_\_\_~~ \$0.31650 per Ccf

A delivery charge per monthly billing period @ \$0.61849 per Ccf

The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer's service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:

<u>Annual Normalized Volume Less than 5,000 Ccf</u>	<u>Small Commercial, Rate Schedule 20</u>
<u>Annual Normalized Volume 5,000 Ccf or Greater</u>	<u>Large Commercial, Rate Schedule 25</u>

The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer's next scheduled bill.

**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~~ the Cost of Gas Clause, Rate Schedule 1-INC.

~~Weather Normalization Adjustment:~~ Energy Efficiency Program: The billing shall reflect adjustments in accordance with ~~the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**

**RATE SCHEDULE 20**

**Rio Grande Valley Service Area**

**Page 2**~~RATE~~

**SCHEDULE 20 of 2**

~~Energy Efficiency Program: Adjustments in accordance with the~~ provisions of the Energy Efficiency Program, Rate ~~Schedule~~Schedules ~~EEP and 1EE, if applicable.~~

~~Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the~~ ~~Excess Deferred Income Taxes Rider, Rate Schedule~~ ~~EDIT Rider.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

Supersedes ~~Same Sheet~~Rate Schedule Dated July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**

**RATE SCHEDULE 20**

**Rio Grande Valley Service Area**

**Page 3**

**SCHEDULE 20 of 2**

Rate Schedule RCE: Adjustments

**SMALL COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD



**Texas Gas Service Company, a Division of ONE Gas, Inc. RATE SCHEDULE 30**  
**Rio Grande Valley Service Area RATE SCHEDULE 30**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- Division B - Mining - all Major Groups
- Division D - Manufacturing - all Major Groups
- Divisions E and J - Utility and Government - facilities generating power for resale only

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes ~~the incorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A ~~Customer Charge~~customer charge per meter per month of ~~\$903.88~~850.00 plus

~~\_\_\_\_\_~~All-CefA delivery charge per monthly billing period @ ~~\$0.30336~~36782 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 the Cost of Gas Clause, Rate Schedule 1-INC.

~~Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

~~Rate Schedule RCE: Adjustments~~Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

**CONDITIONS**

Supersedes ~~Same Sheet~~Rate Schedule Dated July 28, 2021

Meters Read On and After July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.** RATE SCHEDULE 30  
**Rio Grande Valley Service Area** RATE SCHEDULE 30

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

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc. RATE SCHEDULE 40**

**Rio Grande Valley Service Area RATE SCHEDULE 40**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

The incorporated areas of the Rio Grande Valley Service Area, which includes ~~the incorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A ~~Customer Charge~~ customer charge per meter per month of \$~~132.93~~200.00 plus

~~\_\_\_\_\_~~ All Ccf A delivery charge per monthly billing period @ \$~~0.38068~~33119 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 the Cost of Gas Clause, Rate Schedule 1-INC.

~~Excess Deferred Income Taxes Rider: The billing shall reflect adjustments in accordance with provisions of the Excess Deferred Income Taxes Rider, Rate Schedule EDIT Rider.~~

~~Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

~~Rate Schedule RCE:~~ Adjustments Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.

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

Supersedes ~~Same Sheet~~Rate Schedule Dated July 28, 2021

Meters Read On and After July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.** **RATE SCHEDULE 40**

**Rio Grande Valley Service Area** **RATE SCHEDULE 40**

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, Aa Division of ONE Gas, Inc.**

**RATE**

**SCHEDULE 1Z**

**Rio Grande Valley Service Area**

**Page 1 of 2**

**SMALL RESIDENTIAL SERVICE RATE**

**APPLICABILITY**

Applicable to a small residential customer or builder in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes. A residential consumer includes an individually-metered residential unit or dwelling that is operated by a public housing agency acting as an administrator of public housing programs under the direction of the U.S. Department of Housing and Urban Development. ~~This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc and builders prior to sale or re-sale of a property for domestic purposes.~~

**TERRITORY**

~~The unincorporated areas of Environs of the Rio Grande Valley Service Area include, which includes the unincorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A ~~Customer Charge~~ customer charge per meter per month of \$15.52~~20.00~~ plus  
~~Interim Rate Adjustment (IRA)~~ \$ 6.35  
~~A delivery charge per month (Footnote 1)~~  
~~Total Customer Charge~~ \$21.87 monthly billing period @ \$2.33897 per month  
~~All Ccf @~~ \$0.34028 per Ccf

~~The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer's service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:~~

<u>Annual Normalized Volume Less than 130 Ccf</u>	<u>Small Residential, Rate Schedule 1Z</u>
<u>Annual Normalized Volume 130 Ccf or Greater</u>	<u>Large Residential, Rate Schedule 1Y</u>

~~The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer's next scheduled bill.~~

**OTHER ADJUSTMENTS**

~~Supersedes Same Sheet~~ Rate Schedule Dated October 12, 2021 TBD  
(Billing implementation October 27, 2021)

Meters Read On and After  
October 11, 2022  
(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**

**RATE**

**SCHEDULE 1Z**

**Rio Grande Valley Service Area**

**Page 2 of 2**

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 the Cost of Gas Clause, Rate Schedule 1-ENV.

~~Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD  
(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**  
**SCHEDULE 1Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 3 of 2**

**SMALL RESIDENTIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

**~~RESIDENTIAL SERVICE RATE (Continued)~~**

~~Footnote 1: 2017 IRA \$0.68 (GUD No. 10784); 2018 IRA \$1.18 (GUD No. 10874); 2019 IRA \$1.16 (GUD No. 10989); 2020 IRA \$1.81 (Gas Utilities Case No. 00006939); 2021 IRA \$1.52 (Gas Utilities Case No. 00009998)~~

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD  
(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

**Texas Gas Service Company, Aa Division of ONE Gas, Inc.**  
**SCHEDULE 2Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 1 of 2**

**SMALL COMMERCIAL SERVICE RATE**

**APPLICABILITY**

Applicable to small commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule. ~~This rate is only available to full requirements customers of Texas Gas Service Company, a Division of ONE Gas, Inc.~~

**TERRITORY**

~~The unincorporated areas of Environs of the Rio Grande Valley Service Area include, which includes the unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.~~

**COST OF SERVICE RATE**

During each monthly billing period:

~~A Customer Charge customer charge per meter per month of \$5880.00 plus (For Commercial Service)  
Interim Rate Adjustment (IRA) \$59.13  
A delivery charge per month (Footnote 1)  
Total Customer Charge \$117.13 monthly billing period @ \$0.61849  
per month Ccf~~

~~A Customer Charge per meter per month of \$40.00 plus (For Church Service)  
Interim Rate Adjustment (IRA) \$59.13 per month (Footnote 1)  
Total Customer Charge \$99.13 per month~~

~~All Ccf @ \$0.31650 per Ccf~~

~~The Company will initially assign each Customer to the rate schedule that is the most economical based on the annual normalized volume at the Customer's service location for the prior twelve (12)-month period. An anticipated annual normalized usage level assessment will be conducted on each new service and for existing service that has less than twelve (12) months of service. The results of this assessment will decide the initial rate assignment:~~

<del>Annual Normalized Volume Less than 5,000 Ccf</del>	<del>Small Commercial, Rate Schedule 2Z</del>
<del>Annual Normalized Volume 5,000 Ccf or Greater</del>	<del>Large Commercial, Rate Schedule 2Y</del>

~~The Company will allow customers to elect service on a different rate schedule, provided that the customer must remain on the alternative rate schedule for a period of no less than twelve (12) months. Rate Schedule changes will be effective with the Customer's next scheduled bill.~~

**OTHER ADJUSTMENTS**

~~Supersedes Same Sheet Rate Schedule Dated Meters Read On and After  
 October 12, 2021 October 11, 2022  
TBD  
(Billing implementation October 27, 2021) (Billing implementation October 27, 2022)~~



**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**

**RATE**

**SCHEDULE 2Z**

**Rio Grande Valley Service Area**

**Page 2 of 2**

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 the Cost of Gas Clause, Rate Schedule 1-ENV.

~~Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD  
(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**  
**SCHEDULE 2Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 3 of 2**

**SMALL COMMERCIAL SERVICE RATE (Continued)**

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

**CONDITIONS**

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

**COMMERCIAL SERVICE RATE (Continued)**

~~Footnote 1: 2017 IRA \$6.58 (GUD No. 10784); 2018 IRA \$11.23 (GUD No. 10874); 2019 IRA \$10.74 (GUD No. 10989); 2020 IRA \$16.67 (Gas Utilities Case No. 00006939); 2021 IRA \$13.91 (Gas Utilities Case No. 00009998)~~

~~Supersedes Same Sheet Rate Schedule Dated  
October 12, 2021~~

Meters Read On and After  
October 11, 2022

~~TBD  
(Billing implementation October 27, 2021)~~

(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**

**RATE**

**SCHEDULE 3Z**

**Rio Grande Valley Service Area**

**Page 1 of 2**

**INDUSTRIAL SERVICE RATE**

**APPLICABILITY**

Applicable to any qualifying industrial customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government.

- Division B - Mining - all Major Groups
- Division D - Manufacturing - all Major Groups
- Divisions E and J - Utility and Government - facilities generating power for resale only

**TERRITORY**

~~The unincorporated areas of~~ Environs of the Rio Grande Valley Service Area ~~include, which includes the unincorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A <del>Customer Charge</del> <u>customer charge</u> per meter per month of	<del>\$150850.00</del> plus
<del>Interim Rate Adjustment</del> _____	<del>\$530.49</del>
<del>A delivery charge per month (Footnote 1)</del>	
<del>Total Customer Charge</del> _____	<del>\$680.49 per month</del>
 <del>All Ccf @</del> _____ <del>monthly billing period @</del>	 <del>\$0.3033636782</del> 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 the Cost of Gas Clause, Rate Schedule 1-ENV.

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~ Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Taxes: Plus applicable taxes and fees related to above.

Supersedes ~~Same Sheet~~ Rate Schedule Dated

~~October 12, 2021~~

Meters Read On and After

October 11, 2022 \_\_\_\_\_

TBD

~~(Billing implementation October 27, 2021)~~

(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**  
**SCHEDULE 3Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 2 of 2**

**INDUSTRIAL SERVICE RATE (Continued)**

**CONDITIONS**

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

~~Footnote 1: 2017 IRA - \$54.40 (GUD No. 10784); 2018 IRA - \$89.58 (GUD No. 10874); 2019 IRA - \$94.05 (GUD No. 10989); 2020 IRA - \$156.19 (Gas Utilities Case No. 00006939); 2021 IRA - \$136.27 (Gas Utilities Case No. 00009998)~~

~~Supersedes Same Sheet Rate Schedule Dated  
October 12, 2021~~

Meters Read On and After  
October 11, 2022

~~TBD  
(Billing implementation October 27, 2021)~~

(Billing implementation October 27, 2022)

**Texas Gas Service Company, Aa Division of ONE Gas, Inc.**  
**SCHEDULE 4Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 1 of 2**

**PUBLIC AUTHORITY SERVICE RATE**

**APPLICABILITY**

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

**TERRITORY**

~~The unincorporated areas of~~ Environs of the Rio Grande Valley Service Area ~~include, which includes the unincorporated areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**COST OF SERVICE RATE**

During each monthly billing period:

A <del>Customer Charge</del> <u>customer charge</u> per meter per month of	\$ <del>45200.00</del> plus
<del>Interim Rate Adjustment (IRA)</del> _____	<del>\$ 61.36</del>
<del>A delivery charge per month (Footnote 1)</del>	
<del>Total Customer Charge</del> _____	<del>\$106.36 per month</del>

~~All Ccf @~~ \_\_\_\_\_ monthly billing period @ ~~\$0.3806833119~~ 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 the Cost of Gas Clause, Rate Schedule 1-ENV.

~~Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.~~

Pipeline Integrity Testing Rider: The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~ Schedules PIT and PIT-Rider.

Pipeline Safety and Regulatory Program Fees: The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

Rate Case Expense Surcharge Rider: The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
~~October 12, 2021~~

Meters Read On and After  
October 11, 2022

\_\_\_\_\_ TBD

~~(Billing implementation October 27, 2021)~~

\_\_\_\_\_ (Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**

**RATE**

**SCHEDULE 4Z**

**Rio Grande Valley Service Area**

**Page 2 of 2**

Taxes: Plus applicable taxes and fees related to above.

Weather Normalization Adjustment: The billing shall reflect adjustments in accordance with provisions of the Weather Normalization Adjustment Clause, Rate Schedule WNA.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD  
(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

**Texas Gas Service Company, ~~Aa~~ Division of ONE Gas, Inc.**  
**SCHEDULE 4Z**  
**Rio Grande Valley Service Area**

**RATE**

**Page 3 of 2**

**PUBLIC AUTHORITY SERVICE RATE (Continued)**

**CONDITIONS**

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

~~Footnote 1: 2017 IRA \$6.66 (GUD No. 10784); 2018 IRA \$11.54 (GUD No. 10874); 2019 IRA \$11.03 (GUD No. 10989); 2020 IRA \$17.49 (Gas Utilities Case No. 00006939); 2021 IRA \$14.64 (Gas Utilities Case No. 00009998)~~

~~Supersedes Same Sheet Rate Schedule Dated  
October 12, 2021~~

Meters Read On and After  
October 11, 2022

~~TBD  
(Billing implementation October 27, 2021)~~

(Billing implementation October 27, 2022)

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-INC**  
**Rio Grande Valley Service Area** **Page 1 of 4**

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all ~~general gas sales~~ service rate schedules of Texas Gas Service Company, a Division of ONE Gas Inc. ("Company") in ~~all its~~the incorporated areas ~~in the of its~~ Rio Grande Valley Service Area including Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the Customer Rate Relief Component, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas, and the revenue associated fees (including franchise fees) and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment ~~for~~deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, applicable line loss charges, storage, balancing including penalties, ~~and~~ swing services, and any other related costs and expenses necessary for the movement of gas to the Company's city gate delivery points, ~~and customers.~~ The ~~cost~~Cost of ~~purchased gas~~Purchased Gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). ~~Renewable Natural Gas is the term used to describe pipeline-quality biomethane produced from biomass. The cost of purchased gas~~RNG is the term used to describe pipeline-quality biogas produced from various biomass sources through a biochemical process that has been processed to purity standards and is interchangeable with conventional natural gas. The Cost of Purchased Gas may also include the cost of carbon "Environmental Attributes" purchased and retired in association with the purchase of RNG. Environmental Attributes means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the production and delivery of RNG, including but not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4) and other greenhouse gases; (3) displacement or avoidance of any amount of conventional gas or fossil energy generation resources; and (4) the reporting rights to these avoided emissions. The Cost of Purchased Gas shall also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments ~~which~~that are executed by the Company ~~in an effort to mitigate~~for the purpose of mitigating price volatility. Companies affiliated



~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE ~~NO. 1-INC~~**

**Rio Grande Valley Service Area**

**Page 2 of 4**

with the Company shall not be allowed to charge fees for transactions related to natural gas financial instruments utilized for purposes in this Cost of Gas Clause and hence cannot realize a profit in this regard.

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
September 1, 2009

Meters Read On and After  
October 18, 2017

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. ~~RATE SCHEDULE NO. 1-INC~~  
Rio Grande Valley Service Area Page 3 of 4

**COST OF GAS CLAUSE (Continued)**

- ~~4.4.~~ Customer Rate Relief Component - The rate per billing unit charged in accordance with and specified on Rate Schedule CRR, the Customer Rate Relief Rate Schedule, which is a non-bypassable charge as defined in Tex. Util. Code § 104.362(7).
- ~~5.~~ Reconciliation Component - The amount to be returned to or recovered from sales customers each month from December through August as a result of the Reconciliation Audit.
- ~~56.~~ Reconciliation Audit - An annual review of the Company's books and records for each ~~twelve~~12-month period ending with the production month of August to determine the amount of over or under collection occurring during such ~~twelve~~12-month period. The audit shall determine: (a) the total prudently incurred amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its ~~general services~~sales customers during the period, including prudently incurred gains or losses on the use of natural gas financial instruments; (b) the revenues received from operation of the provisions of this ~~cost~~Cost of Gas Clause reduced by the amount of revenue associated fees (including franchise fees) and taxes paid by the Company on those revenues; (c) the total amount of surcharges or refunds made to sales customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause; (d) the total amount accrued ~~during the period~~ for imbalances under the transportation rate schedule(s) net of fees and applicable taxes; (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of 5 percent of purchases. ~~Uncollectible Cost of Gas during the period and (f) an adjustment, if necessary, to remove lost and unaccounted for gas during the period for volumes in excess of five (5) percent of purchases.~~
- ~~6~~ 7. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes purchased ~~by general service~~for sales customers during the ~~twelve (12)~~-month period ending June 30 by the sum of the sales volumes sold to ~~general services~~sales customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. 1/(1 - 0.05) unless expressly authorized by the applicable ~~regulatory authority~~Regulatory Authority.
- ~~78.~~ Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the Cost of Gas Clause. Entries shall be made monthly to reflect: (a) the total prudently incurred amounts paid to the Company's supplier(s) for gas applicable to ~~general services~~sales customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of natural gas financial instruments; (b) the revenues produced by the operation of this Cost of Gas Clause, reduced by the amount of fees (including franchise fees) and taxes; (c) refunds, payments, or charges provided for herein or as approved by the ~~regulatory authority~~Regulatory Authority; (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s); ~~and~~; (e) the total amount of Uncollectible Cost of Gas during the period; ~~and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of 5 percent of purchases.~~
- ~~89.~~ Uncollectible Cost of Gas - The amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE ~~NO. 1-INC~~**

**Rio Grande Valley Service Area**

**Page 4 of 4**

the Cost of Gas Clause. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting Reconciliation Component.

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
September 1, 2009

Meters Read On and After  
October 18, 2017

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-INC**  
**Rio Grande Valley Service Area** **Page 5 of 4**

**COST OF GAS CLAUSE (Continued)**

**C. COST OF GAS**

In addition to the cost of service as provided under its ~~general service~~gas sales rate schedules, the Company shall bill each ~~general services~~sales customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

If the Reconciliation Audit reflects either an over-recovery or under-recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the ~~general service~~sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the December billing cycle through the August billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a ~~nine (9)~~9-month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

**E. INTEREST ON FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of 6 ~~%~~percent per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 ~~%~~percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return ~~of 7.35 %.~~

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's ~~suppliers~~suppliers are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its ~~general services~~sales customers. Similarly, the Company may surcharge its ~~general services~~sales customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. ~~RATE SCHEDULE NO. 1-INC~~  
Rio Grande Valley Service Area Page 6 of 4

**COST OF GAS CLAUSE (Continued)**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth: (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Customer Rate Relief Component; (e) the Reconciliation Component; (ef) the revenue associated fees (including franchise fees) and taxes to be applied to revenues generated by the Cost of Gas; (fg) the Cost of Gas calculation, including gains and losses from hedging activities for the month; and (gh) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include, but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the ~~twelve~~12 months ending August 31.
2. A tabulation of gas units sold to general servicesales customers and related Cost of Gas ~~elause~~Clause revenues.
3. A ~~description~~tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
- ~~44.~~ A description of the hedging activities conducted each month during the 12 months ending August 31, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
- ~~5.~~ A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
- ~~65.~~ A ~~description~~tabulation of Uncollectible Cost of Gas during the period and its effect on the Cost of Gas Clause to date.

This report shall be filed concurrently with the Cost of Gas Statement for December. If the Regulatory Authority determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

~~TEXAS GAS SERVICE COMPANY~~ TEXAS GAS SERVICE COMPANY, a Division of  
ONE Gas, Inc. ~~RATE SCHEDULE NO. 1-ENV~~  
Rio Grande Valley Service Area Page 1 of 4

**COST OF GAS CLAUSE**

**A. APPLICABILITY**

This Cost of Gas Clause shall apply to all ~~general gas sales~~ service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in ~~its all~~ unincorporated areas in the Rio Grande Valley Service Area including ~~the unincorporated Areas of~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**B. DEFINITIONS**

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, the Customer Rate Relief Component, the Reconciliation Component, any surcharges or refunds, Uncollectible Cost of Gas and the revenue associated fees and taxes.
2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase/Sales Ratio plus an adjustment ~~for~~ deemed prudent by the Company to correct any known and quantifiable under or over collection prior to the end of the reconciliation period for the objective of minimizing the impact of under or over collection by the reconciliation factor in the next year.
3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. Such cost shall include not only the purchase cost of natural gas, but shall also include all reasonable costs for services such as gathering, treating, processing, transportation, capacity and/or supply reservation, applicable line loss charges, storage, balancing including penalties, ~~and~~ swing services, and any other related costs and expenses necessary for the movement of gas to the Company's city gate delivery points ~~and customers.~~ The ~~cost~~ Cost of ~~purchased gas~~ Purchased Gas may also include costs related to the purchase and transportation of Renewable Natural Gas (RNG). ~~Renewable Natural Gas is the term used to describe pipeline quality biomethane produced from biomass. The cost of purchased gas shall not include the cost of financial instruments that were entered into after April 15, 2018,~~ RNG is the term used to describe pipeline-quality biogas produced from various biomass sources through a biochemical process that has been processed to purity standards and is interchangeable with conventional natural gas. The Cost of Purchased Gas may also include the cost of carbon "Environmental Attributes" purchased and retired in association with the purchase of RNG. Environmental Attributes means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the production and delivery of RNG, including but not limited to: (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4) and other greenhouse gases; (3) displacement or avoidance of any amount of conventional gas or fossil energy generation resources; and (4) the reporting rights to these avoided emissions. The Cost of Purchased Gas shall not include the cost of financial instruments unless the use of such financial instruments is approved in advance and in writing by the Director of the Oversight and

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
November 26, 2013

Meters Read On and After  
March 27, 2018

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-ENV**

**Rio Grande Valley Service Area**

**Page 2 of 4**

Safety Division of the Railroad Commission of Texas. Such approval ~~would~~may be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Commission no later than June ~~15th~~15.

- ~~4. Reconciliation Component - The amount to be returned to or recovered from customers each month from December through August as a result of the Reconciliation Audit.~~

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
November 26, 2013

Meters Read On and After  
March 27, 2018

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-ENV**  
**Rio Grande Valley Service Area** **Page 3 of 4**

**COST OF GAS CLAUSE (Continued)**

- ~~54.~~ Customer Rate Relief Component - The rate per billing unit charged in accordance with and specified on Rate Schedule CRR, the Customer Rate Relief Rate Schedule, which is a non-bypassable charge as defined in Tex. Util. Code § 104.362(7).
- ~~5.~~ Reconciliation Component - The amount to be returned to or recovered from sales customers each month from December through August as a result of the Reconciliation Audit.
- ~~6.~~ Reconciliation Audit - An annual review of the Company's books and records for each ~~twelve~~12-month period ending with the production month of August to determine the amount of over or under collection occurring during such ~~twelve~~12-month period. The audit shall determine: (a) the total prudently incurred amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its ~~general services~~sales customers during the period, including prudently incurred gains or losses on the approved use of natural gas financial instruments; (b) the revenues received from operation of the provisions of this ~~cost~~Cost of ~~gas clause~~Gas Clause reduced by the amount of revenue associated fees and taxes paid by the Company on those revenues; (c) the total amount of surcharges or refunds made to sales customers during the period and any other revenues or credits received by the Company as a result of relevant gas purchases or operation of this Cost of Gas Clause; (d) the total amount accrued ~~during the period~~ for imbalances under the transportation rate schedule(s) net of fees and applicable taxes; (e) the total amount of ~~net~~Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, to remove lost and unaccounted for gas costs during the period for volumes in excess of ~~five (5)~~ percent of purchases.
- ~~67.~~ Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes purchased ~~by general service~~for sales customers during the ~~twelve (12)~~-month period ending June 30 by the sum of the sales volumes sold to ~~general services~~sales customers. For the purpose of this computation all volumes shall be stated at 14.65 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. 1/(1 - 0.05) unless expressly authorized by the applicable ~~regulatory authority~~Regulatory Authority.
- ~~78.~~ Reconciliation Account - The account maintained by the Company to assure that over time it will neither over nor under collect revenues as a result of the operation of the ~~cost~~Cost of ~~gas clause~~Gas Clause. Entries shall be made monthly to reflect: (a) the total prudently incurred amounts paid to the Company's supplier(s) for gas applicable to ~~general services~~sales customers as recorded on the Company's books and records (per Section B(3) above), including prudently incurred gains or losses on the use of approved natural gas financial instruments; (b) the revenues produced by the operation of this ~~cost~~Cost of ~~gas clause, and~~Gas Clause reduced by the amount of fees and taxes; (c) refunds, payments, or charges provided for herein or as approved by the ~~regulatory authority~~Regulatory Authority; (d) amounts accrued pursuant to the treatment of imbalances under any transportation rate schedule(s), ~~and~~; (e) the total amount of Uncollectible Cost of Gas during the period; and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of ~~five (5) percent of purchases, and (f) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.~~ 5 percent of purchases.
- ~~89.~~ Uncollectible Cost of Gas - The amounts actually written off after the effective date of this rate schedule related to cost of gas will be tracked along with any subsequent recovery/credits related to



~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-ENV**

**Rio Grande Valley Service Area**

**Page 4 of 4**

the ~~cost~~Cost of ~~gas clause~~Gas Clause. Annually the charge offs minus recoveries will be included in the annual reconciliation and factored into the resulting ~~reconciliation component~~Reconciliation Component.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
~~November 26, 2013~~

Meters Read On and After  
March 27, 2018

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. ~~RATE SCHEDULE NO. 1-ENV~~  
Rio Grande Valley Service Area Page 5 of 4

**COST OF GAS CLAUSE (Continued)**

**C. COST OF GAS**

In addition to the cost of service as provided under its ~~general service~~gas sales rate schedules, the Company shall bill each ~~general service~~sales customer for the Cost of Gas incurred during the billing period. The Cost of Gas shall be clearly identified on each customer bill.

**D. DETERMINATION AND APPLICATION OF THE RECONCILIATION COMPONENT**

If the Reconciliation Audit reflects either an over-recovery or under-recovery of revenues, such amount, plus or minus the amount of interest calculated pursuant to Section E below, if any, shall be divided by the ~~general service~~sales volumes, adjusted for the effects of weather, growth, and conservation for the period beginning with the December billing cycle through the August billing cycle preceding the filing of the Reconciliation Audit. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied, subject to refund, for a ~~nine (9)~~9-month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

**E. INTEREST ON FUNDS**

Concurrently with the Reconciliation Audit, the Company shall determine the amount by which the Cost of Gas was over or under collected for each month within the period of audit. The Company shall debit or credit to the Reconciliation Account for each month of the reconciliation period: (1) an amount equal to the outstanding over collected balance multiplied by interest of ~~6%~~6 percent per annum compounded monthly; or, (2) an amount equal to the outstanding under collected balance multiplied by interest of ~~6%~~6 percent per annum compounded monthly. The Company shall also be allowed to recover a carrying charge calculated based on the arithmetic average of the beginning and ending balance of gas in storage inventory for the prior calendar month times the authorized rate of return ~~of 7.35%~~.

**F. SURCHARGE OR REFUND PROCEDURES**

In the event that the rates and charges of the Company's ~~suppliers~~suppliers are retroactively reduced and a refund of any previous payments is made to the Company, the Company shall make a similar refund to its ~~general service~~sales customers. Similarly, the Company may surcharge its ~~general service~~sales customers for retroactive payments made for gas previously delivered into the system. Any surcharge or refund amount will be included in the Reconciliation Account.

Refunds or charges shall be entered into the Reconciliation Account as they are collected from or returned to the customers. For the purpose of this Section F, the entry shall be made on the same basis used to determine the refund or charge component of the Cost of Gas and shall be subject to the calculation set forth in Section (E) Interest on Funds, above.

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE NO. 1-ENV**  
**Rio Grande Valley Service Area** **Page 6 of 4**

**COST OF GAS CLAUSE (Continued)**

**G. COST OF GAS STATEMENT**

The Company shall file a Cost of Gas Statement with the Regulatory Authority by the beginning of each billing month. The Cost of Gas Statement shall set forth: (a) the estimated Cost of Purchased Gas; (b) that cost multiplied by the Purchase/Sales Ratio; (c) the amount of the Cost of Gas caused by any surcharge or refund; (d) the Customer Rate Relief Component; (e) the Reconciliation Component; (ef) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (fg) the Cost of Gas calculation, including gains and losses from approved hedging activities for the month; and (g) the beginning and ending date of the billing period. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculations of the Cost of Gas.

**H. ANNUAL RECONCILIATION REPORT**

The Company shall file an Annual Reconciliation Report with the Regulatory Authority which shall include but not necessarily be limited to:

1. A tabulation of volumes of gas purchased and costs incurred listed by account or type of gas, supplier and source by month for the ~~twelve~~12 months ending August 31.
2. A tabulation of gas units sold to ~~general services~~sales customers and related Cost of Gas ~~clause~~Clause revenues.
3. A ~~description~~tabulation of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
- ~~4.~~ A description of the hedging activities conducted each month during the 12 months ending August 31, including the types of transaction used, resulting gains and losses, any changes in the hedging program implemented during the period and the rationale for the changes. The report should include the customer impact of hedging activities stated as costs to the average residential and commercial customer during the period.
5. A description of the imbalance payments made to and received from the Company's transportation customers within the service area, including monthly imbalances incurred, the monthly imbalances resolved, and the amount of the cumulative imbalance. The description should reflect the system imbalance and imbalance amount for each supplier using the Company's distribution system during the reconciliation period.
6. A ~~description~~tabulation of Uncollectible Cost of Gas during the period and its effect on the Cost of Gas Clause to date.

This report shall be filed concurrently with the Cost of Gas Statement for December. If the Regulatory Authority determines that an adjustment to the Reconciliation Component is required, such adjustment shall be included in the Reconciliation Component for the next annual Reconciliation Audit following the date of such determination.

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1-1  
Page 1 of 4**

**COST OF SERVICE ADJUSTMENT CLAUSE**

**A. APPLICABILITY**

This Cost of Service Adjustment Clause applies to all gas sales and standard transportation rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (the "Company") currently in force in the incorporated areas of the Company's Rio Grande Valley Service Area ("RGVSA"). All rate calculations under this tariff shall be made on a RGVSA system wide basis. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base as computed herein. This Rate Schedule 1-1 is authorized for an initial implementation period of three years commencing with the Company's filing under this rate schedule for the calendar year 2017, effective the first billing cycle of August 2018 and shall automatically renew for successive annual periods unless either the Company or the regulatory authority having original jurisdiction gives written notice to the contrary to the other by February 1, 2021, or February 1 of each succeeding year. Both the cities and the Company retain their statutory right to initiate a rate proceeding at any time.

**B. EFFECTIVE DATE**

Rate adjustments shall be made in accordance with the procedures described below on an annual basis. The Company shall make its annual filing no later than May 1, with the rate adjustments to be effective for meters read on or after the first billing cycle of August each year. The first filing pursuant to this Rider shall be no later than May 1, 2018 and shall be based on the financial results for the calendar year ending December 31, 2017.

**C. COMPONENTS OF THE RATE ADJUSTMENT**

Calculation of the rate adjustment will be based on operating expenses, return on investment, and Federal Income Tax. The first \$0.50 of the residential rate adjustment shall be included in the residential monthly Customer Charge of the applicable rate schedules with the excess of that amount applied to the Commodity Charge. The rate adjustment shall be included in the monthly Customer Charge of all other applicable rate schedules. The actual percentage change in total calendar year operating expenses shall not exceed five percent (5%), provided that the costs for the Company to provide public notice and reimburse City and Company rate case expenses as required herein, shall not be included in calculating the five (5%) limitation. The Company shall file with each regulatory authority having original jurisdiction over the Company's rates the schedules specified below, by FERC Account, for the prior calendar year period. The schedules will be based upon the Company's audited financial data, as adjusted, and provided in a format that will allow for the same analysis as that undertaken of a Company Statement of Intent filing, and shall include the following information:

**C.1 Operating Expenses** - Operating expenses will be those reported as part of our audited financials that are reconciled to the general ledger and assigned to the RGVSA level (either directly or allocated) in a manner consistent with the most recent RGVSA rate case.

The applicable expenses are:

- Depreciation and Amortization Expense (Account Nos. 403-405) \*
- Taxes Other Than FIT (Account No. 408) \*\*
- Operation and Maintenance Expenses (Account Nos. 850-894, excluding any cost of gas related expenses)
- Customer Related Expenses (Account Nos. 901-916) \*\*\*
- Administrative & General Expenses (Account Nos. 920-932)
- Interest on Customer Deposits (Account No. 431)

This information will be presented with supporting calculations.

\* Based on the last approved depreciation methods and lives.

\*\* Includes Texas Franchise Tax. Excludes City Franchise Fees, Gross Receipts, and any other revenue-based tax.

Supersedes Same Sheet Dated  
April 16, 2018

Meters Read On and After  
July 28, 2021

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1-1  
Page 2 of 4**

**COST OF SERVICE ADJUSTMENT CLAUSE (Continued)**

\*\*\* Account 9040, bad debt reserve accruals, will be replaced by Account 1440, bad debt actual write-offs, beginning with the COSA filed for calendar year ending December 31, 2021.

All shared expenses allocated to the RGVSA must be supported by workpapers containing the allocated amount, methodology and factors. The Company shall provide additional information for all operating expenses upon request by the regulatory authority during the ninety (90) day review period specified in Section D.

**C.2 Return on Investment** - The rate of return will remain constant at the Weighted Cost of Capital authorized in the most recent RGVSA rate case. The return on investment is the rate of return multiplied by the rate base balance for the applicable calendar year.

The rate base balance is composed of:

Net Utility Plant in Service at year-end \*  
RRC 8.209 Regulatory Asset Balance

Plus:

Other Rate Base Items:

Materials and Supplies Inventories -13-month average  
Prepayments (including Prepaid Pension) – 13-month average  
Cash Working Capital – shall be calculated using the lead/lag days from the most recent RGVSA rate case

Less:

Customer Deposits (Account No. 235) at year-end  
Customer Advances (Account No. 252) at year-end  
Deferred Federal Income Taxes at year-end, adjusted to reflect the federal income tax rate in C.3.

\* Net Utility Plant in Service as shown by FERC account. Gross utility plant in service and accumulated depreciation by account will be shown separately

Supporting information for all rate base items shall be provided to the regulatory authority during the ninety (90) day review period specified in Section D upon request by the regulatory authority.

**C.3 Federal Income Tax**

Applicable calendar year federal income taxes will be calculated as follows:

Net Taxable Income (applicable calendar-year end rate base multiplied by rate of return from the most recent RGVSA rate case included in Section C.2.)

Less: Interest on Long Term Debt (applicable calendar-year end rate base multiplied by debt cost component of return from the most recent RGVSA rate case)

Multiplied by: Tax Factor  $(.21 / (1-.21))$  or .265823.

The Tax Factor will be calculated using the federal income tax rate(s) in effect during the period revenues from the COSA will be collected, including newly enacted federal tax rates to the extent such new rates are known at the time of the annual filing.

Supersedes Same Sheet Dated  
April 16, 2018

Meters Read On and After  
July 28, 2021

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1-1  
Page 3 of 4**

**COST OF SERVICE ADJUSTMENT CLAUSE (Continued)**

**C.4 Cost of Service Adjustment** - The amount to be collected through the Cost of Service Adjustment will be the sum of the amounts from Sections C.1, C.2, and C.3 that total to the revenue requirement, less the calendar year actual non-gas revenue and other revenue (i.e., transportation revenue and service charges), adjusted for the revised Texas Franchise Tax described in Chapter 171 of the Texas Tax Code.

The formula to calculate the Cost of Service Adjustment is:

$$\frac{[(C.1 \text{ Operating Expenses} + C.2 \text{ Return on Investment} + C.3 \text{ Federal Income Tax} - \text{Actual Non-Gas and Other Revenues}]}{(1 - \text{Texas Franchise Tax statutory rate})}$$

**C.5 Cost of Service Adjustment Rate and Cost of Service Adjustment Volumetric Rate**

The Cost of Service Adjustment as calculated in Section C.4 will be allocated among the customer classes in the same manner as the cost of service was allocated among classes of customers in the Company's latest effective rates for the RGVSA. The cost of service adjustment for each customer class will then be converted into a per-customer per-month amount to produce the Cost of Service Adjustment Rate. The per customer adjustment will be the Cost of Service Adjustment as allocated to that class, divided by the average number of gas sales customers in each class for the RGVSA. The Cost of Service Adjustment Rate will be this per customer adjustment amount divided by 12 to produce a monthly adjustment amount, either an increase or decrease, which will be included in the gas sales and standard transportation customer charges. For the residential class only, the Cost of Service Adjustment rate will be limited to \$0.50 in any one year, and the remaining portion of the Cost of Service Adjustment allocated to the residential class will be recovered through a Cost of Service Adjustment Volumetric Rate, which will be calculated by dividing the remaining portion to be recovered from residential customers by annual, weather-normalized residential volumes.

**C.6 Attestation**

A sworn statement shall be filed by the Company's Director of Rates, affirming that the filed schedules are in compliance with the provisions of this tariff and are true and correct to the best of his/her knowledge, information, and belief. No testimony shall be filed.

**C.7 Proof of Revenues**

The Company shall also provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed Cost of Service Adjustment rate. The proposed rates shall conform as closely as practicable to the revenue allocation principles in effect prior to the adjustment.

**C.8 Notice**

Notice of the annual Cost of Service Adjustment shall be provided in a form similar to that required under Section 104.103, TEX. UTIL. CODE ANN not later than the 60th day after the date the utility files the COSA with the regulatory authority. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer class;
- c) the service area or areas in which the proposed rate adjustment would apply;

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE 1-1  
Page 4 of 4**

**COST OF SERVICE ADJUSTMENT CLAUSE (Continued)**

- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number, and website where information concerning the proposed cost of service adjustment may be obtained.

**D. REGULATORY REVIEW OF ANNUAL RATE ADJUSTMENT**

The regulatory authority with original jurisdiction will have a period of not less than ninety (90) days within which to review the proposed annual rate adjustment. During the review period, Company shall provide additional information and supporting documents as requested by the regulatory authority and such information shall be provided within ten (10) working days of the original request.

The rate adjustment shall take effect for meters read on or after the first billing cycle of August each year. This Cost of Service Adjustment Rate Schedule does not limit the legal rights and duties of the regulatory authority. The Company's annual rate adjustment will be made in accordance with all applicable laws. If at the end of the ninety (90) day review period, the Company and the regulatory authority with original jurisdiction have not reached an agreement on the proposed Cost of Service Adjustment Rate, the regulatory authority may take action to deny such adjustment or approve a different adjustment. If at the end of the ninety (90) day review period, the regulatory authority takes no action, the proposed Cost of Service Adjustment Rate will be deemed approved.

The Company shall have the right to appeal any action by the regulatory authority to the Railroad Commission of Texas not later than the 30th day after the date of the final decision by the regulatory authority. Upon the filing of any appeal, the Company shall have the right to implement its Cost of Service Adjustment Rate, subject to refund.

To defray the cost, if any, of regulatory authorities conducting a review of Company's annual rate adjustment, Company shall reimburse the regulatory authorities for their reasonable expenses for such review. Any reimbursement contemplated hereunder shall be deemed a reasonable and necessary operating expense of the Company in the year in which the reimbursement is made.

A regulatory authority seeking reimbursement under this provision shall submit its request for reimbursement to the Company following the final approval of the COSA but no later than October 1 of the year in which the adjustment is made. The Company shall reimburse the regulatory authorities in accordance with this provision no later than thirty (30) days of receiving the request for reimbursement.

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 1B**

Adjustment  
 Franchise Fee and State Occupancy Tax Factors For Applicable General Service Rates

Tax Rate

City or Town	State Occupancy Tax	City Franchise Fee	Billing Tax Factor 1/
(a)	(b)	(c)	(d)
Alamo	1.997%	5.000%	7.523%
Alton	1.997	2.000	4.163
Brownsville	1.997	5.000	7.523
Combes	1.070	2.000	3.167
Donna	1.997	5.000	7.523
Edcouch	1.070	3.000	4.242
Edinburg	1.997	5.000	7.523
Elsa	1.070	5.000	6.462
Harlingen	1.997	5.000	7.523
Hidalgo	1.997	5.000	7.523
La Feria	1.070	2.000	3.167
Laguna Vista	1.070	5.000	6.462
La Joya	1.070	5.000	6.462
La Villa	0.581	5.000	5.911
Los Fresnos	1.070	2.000	3.167
Lyford	1.070	5.000	6.462
McAllen	1.997	5.000	7.523
Mercedes	1.997	5.000	7.523
Mission	1.997	4.000	6.380
Palm Valley	0.581	2.000	2.649
Palmhurst	1.070	-	1.082
Palmview	1.070	2.000	3.167
Penitas	1.070	5.000	6.462
Pharr	1.997	5.000	7.523
Port Isabel	1.070	5.000	6.462
Primera	1.070	2.000	3.167
Progreso	1.070	4.000	5.341
Rancho Viejo	0.581	2.000	2.649
Raymondville	1.997	4.000	6.380
Rio Hondo	0.581	4.000	4.801
San Benito	1.997	5.000	7.523
San Juan	1.997	5.000	7.523
Santa Rosa	1.070	3.000	4.243
Weslaco	1.997	5.000	7.523

Supersedes Same Rate Sheet Dated  
April 15, 2014

Meters Read On and After  
 October 18, 2017



**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE 1B**

1/ The tax rates shown in columns (b) and (c) above are rates applied to “gross receipts” and are in addition to the revenues derived from general service rate schedules and the PGA adjustment. However, the State Comptroller has determined that beginning February 1, 1985, these taxes are includable when calculating “gross receipts”. This is accomplished by applying the “Billing Tax Factor” to all bills rendered by the Company for service within city limits. For example, for the City of Brownsville the 7.523% “Billing Tax Factor” added to a basic bill of \$100.00 would equal \$107.52.

Bill Including Tax Adjustment		\$107.52
Less:	State Occupancy Tax @1.997%	2.15
	City Franchise Fee @5.000%	<u>5.37</u>
Bill Before Tax Adjustment		<u>\$100.00</u>

WITHDRAWN

Supersedes Same Rate Sheet Dated  
April 15, 2014

Meters Read On and After  
October 18, 2017

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT**

**A. APPLICABILITY**

This Excess Deferred Income Tax Credit applies to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (“Company”) currently in force in the Company's Rio Grande Valley Service Area within the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas including Rate Schedules 10, 20, 30, 40, and T-1.

**B. CALCULATION OF CREDIT**

The annual amortization of the regulatory liability for excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695, will be credited to customers annually on a one-time, per bill basis in February of each year and will show as a separate line item on the customer’s bill until fully amortized. The initial credit will occur in September 2020.

EDIT CREDIT – The total amount, if any, of the credit in a given year will be determined by:

- The average rate assumption method (“ARAM”) as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for the protected portion of the regulatory liability for excess deferred income taxes; and
- A 4-year amortization for nonprotected property.

TRUE-UP ADJUSTMENT – The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the amount of that year’s EDIT Credit and the amount actually credited to customers.

EDIT CREDIT PER CUSTOMER – The EDIT credit per customer will be determined by allocating that year’s credit, plus/minus any prior year true up adjustment, among the customer classes utilizing the same class revenue allocation as approved in the most recent general rate case, and then by dividing each class’s portion by the number of customers in that class.

**C. EDIT CREDIT PER CUSTOMER**

Residential:	\$ 2.19
Commercial:	\$ 20.30
Industrial:	\$ 177.75
Public Authority:	\$ 20.85

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT  
(Continued)**

**D. OTHER ADJUSTMENTS**

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

**E. ANNUAL FILING**

The Company shall make a filing each year no later than December 31, including the following information:

- a. the total dollar amount of that year's EDIT Credit;
- b. the total dollar amount actually credited to customers;
- c. true-up amount, if any, due to the difference between items a. and b., above;
- d. the amount of the upcoming year's EDIT Credit; and
- e. the amounts of the upcoming year's EDIT Credit per Customer.

**F. CONDITIONS**

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

Supersedes Same Rate Schedule Dated  
January 27, 2022

Meters Read On and After  
January 27, 2023

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE ORD-RGV**  
**Page 1 of 3**

CITY ORDINANCE LISTING

APPLICABILITY

Applicable to all gas sales and standard transport customers.

TERRITORY

All customers in the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas.

DESCRIPTION

Per the TGS Statement of Intent filed 6/15/2017, the following cities approved new rates for gas sales and transportation service customers in the incorporated Rio Grande Valley service area via ordinances listed below or operation of law. **These rates were approved per the Settlement agreement dated September 28, 2017.**

City	Ordinance #	Date Ordinance Passed	Effective Date of Gas Sales and Standard Transport Rate Schedules
<b>Alamo</b>	25-10-17	10/24/2017	10/18/2017
<b>Alton</b>	2017-15-1010	10/10/2017	10/18/2017
<b>Brownsville</b>	2017-1632	10/17/2017	10/18/2017
<b>Combes</b>	2017-5	10/30/2017	10/18/2017
<b>Donna</b>	Operation of Law	10/17/2017	10/18/2017
<b>Edcouch</b>	2017-05	10/10/2017	10/18/2017
<b>Edinburg</b>	2017-4162	10/16/2017	10/18/2017
<b>Elsa</b>	2018-01	10/16/2017	10/18/2017
<b>Harlingen</b>	2017-38	11/1/2017	10/18/2017

CITY ORDINANCE LISTING

Supersedes Same Sheet Dated  
September 1, 2009

Meters Read On and After  
October 18, 2017

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE ORD-RGV**  
**Page 2 of 3**

(Continued)

City	Ordinance #	Date Ordinance Passed	Effective Date of Gas Sales and Standard Transport Rate Schedules
<b>Hidalgo</b>	2017-10	10/9/2017	10/18/2017
<b>La Feria</b>	2017-15	11/15/2017	10/18/2017
<b>La Joya</b>	2017-12	10/10/2017	10/18/2017
<b>La Villa</b>	Operation of Law	10/17/2017	10/18/2017
<b>Laguna Vista</b>	2017-29	11/14/2017	10/18/2017
<b>Los Fresnos</b>	488	10/10/2017	10/18/2017
<b>Lyford</b>	17-10-10	10/10/2017	10/18/2017
<b>McAllen</b>	2017-62	10/10/2017	10/18/2017
<b>Mercedes</b>	2017-15	11/6/2017	10/18/2017
<b>Mission</b>	4566	10/9/2017	10/18/2017
<b>Palm Valley</b>	2017-11	11/13/2017	10/18/2017
<b>Palmhurst</b>	10-25-17	10/25/2017	10/18/2017
<b>Palmview</b>	Operation of Law	10/17/2017	10/18/2017
<b>Penitas</b>	2017-08	10/24/2017	10/18/2017
<b>Pharr</b>	O-2017-47	10/16/2017	10/18/2017
<b>Port Isabel</b>	10-24-2017	10/24/2017	10/18/2017
<b>Primera</b>	2017-05	10/17/2017	10/18/2017
<b>Progreso</b>	Operation of Law	10/17/2017	10/18/2017
<b>Rancho Viejo</b>	226	10/10/2017	10/18/2017
<b>Raymondville</b>	1218	10/10/2017	10/18/2017
<b>Rio Hondo</b>	Operation of Law	10/17/2017	10/18/2017

Supersedes Same Sheet Dated  
September 1, 2009

Meters Read On and After  
October 18, 2017

**TEXAS GAS SERVICE COMPANY**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE ORD-RGV**  
**Page 3 of 3**

CITY ORDINANCE LISTING  
(Continued)

City	Ordinance #	Date Ordinance Passed	Effective Date of Gas Sales and Standard Transport Rate Schedules
<b>San Benito</b>	2545	10/17/2017	10/18/2017
<b>San Juan</b>	Operation of Law	10/17/2017	10/18/2017
<b>Santa Rosa</b>	Operation of Law	10/17/2017	10/18/2017
<b>Weslaco</b>	2017-50	10/17/2017	10/18/2017

Supersedes Same Sheet Dated  
September 1, 2009

Meters Read On and After  
October 18, 2017

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE

Gas, Inc.

RATE SCHEDULE PIT

Rio Grande Valley Service Area

Page 1 of 3

**PIPELINE INTEGRITY TESTING (PIT) RIDER**

**PURPOSE**

The purpose of this Pipeline Integrity Testing Rider is to promote the public interest in pipeline safety by enabling ~~the Company~~ Texas Gas Service Company, a Division of ONE Gas, Inc. ("TGS" or the "Company") to recover the reasonable and necessary Pipeline Integrity Safety Testing expenses incurred by the Company during the prior year (including contractor costs but excluding the labor cost of TGS employees. These legally mandated operating and maintenance expenses shall be recovered through a separate monthly volumetric charge (the Pipeline Integrity Testing or "PIT" Surcharge) that shall be shown as a separate line item on the customer's monthly bill and calculated for each customer class as described below. Capital expenditures associated with the Pipeline Integrity Program shall continue to be recovered through base rates and any interim rate adjustments implemented pursuant to ~~Texas Utilities Code~~ Section 104.301 of the Gas Utility Regulatory Act.

**APPLICABILITY**

This Rider shall be applied to all gas sales and transportation customers within the service territory designated below, except special contract customers.

**TERRITORY**

This Rider shall apply ~~throughout~~ to the following gas sales and standard transportation rate schedules of the Company's Rio Grande Valley Service Area ("RGVSA"), ~~in~~ within the ~~incorporated~~ incorporated and ~~Unincorporated Areas~~ unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos, and the unincorporated areas of Jim Hogg and Starr counties, Texas, ~~the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito;~~ 10, 15, 20, 25, 30, 40, C-1, 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, C-1-ENV, T-1, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. T-1-ENV.

**QUALIFYING EXPENSES**

This Rider applies only to the legally mandated safety testing of the Company's transmission lines in the RGVSA under the Pipeline Integrity Safety Testing Program. The operating and maintenance expense items that qualify for recovery under this Rider shall include the contractor costs associated with land and leak survey, permitting, and job order preparation and completion; the clearing of right-of-way; any needed notifications to adjacent businesses and residences; traffic control equipment and personnel; Direct Current Voltage Gradient ("DCVG"), Close Interval ("CI"), and other surveys to ensure the integrity of the pipeline system; any required rigid bypasses; flushing of the lines and testing and disposal of the flush water; hydrostatic testing of the lines and analysis and disposal of the test water; any required "pigging" of the

~~Initial~~ Supersedes Rate Schedule Dated

October 18, 2017 (Incorp.)

March 27, 2018 (Env.)

Meters Read On and After

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE

Gas, Inc.

**RATE SCHEDULE PIT**

**Page 2 of 3**

**Rio Grande Valley Service Area**

lines in connection with safety testing; any required x-ray welding; metallurgical testing of the pipeline or components thereof; site restoration, painting, and clean-up; expenses associated with providing a supply of compressed natural gas (“CNG”) to ensure uninterrupted service to customers during testing; and any other

Initial Supersedes Rate Schedule Dated

October 18, 2017 (Incorp.)

March 27, 2018 (Env.)

Meters Read On and After

TBD



~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE

Gas, Inc.

RATE SCHEDULE PIT

Rio Grande Valley Service Area

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PIPELINE INTEGRITY TESTING (PIT) RIDER

(Continued)

operating and maintenance expenses reasonably necessary to safely and effectively perform required safety testing of the Company's pipelines in the RGVSA. ~~In addition, unrecovered 2016 PIT expenses shall be included for recovery.~~ Neither capital expenditures by the Company, nor the labor cost of TGS employees, shall be recovered under this Rider.

~~Initial~~ Supersedes Rate Schedule Dated

October 18, 2017 (Incorp.)

March 27, 2018 (Env.)

Meters Read On and After

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE

Gas, Inc.

RATE SCHEDULE PIT

Rio Grande Valley Service Area

Page 4 of 3

~~PIPELINE INTEGRITY TESTING (PIT) RIDER~~

~~(Continued)~~

CALCULATION OF PIT SURCHARGES

The Pipeline Integrity Testing Surcharges established under this Rider shall be designed so as to recover the Total Testing Expense incurred in the prior year for Pipeline Integrity Safety Testing, and shall be calculated as follows:

The Total Annual Testing Expense shall be divided by the estimated average annual usage to produce the annual PIT Surcharge.

$$\text{PIT Surcharge} = \frac{\text{Total Annual Testing Expense}}{\text{Estimated Annual Usage}}$$

Based upon customer data for the prior calendar year and any other relevant factors, the estimated annual usage may be revised annually to account for customer growth, and the resulting revised PIT Surcharge shall be applied to each class for the ensuing 12-month recovery period.

ANNUAL RECONCILIATION

After completion of each annual recovery period, the total revenues collected under this Rider for that year shall be reconciled against the revenues previously calculated to be collected for that year, and the PIT Surcharge for each class shall be adjusted upward or downward so that the Company recovers any ~~under recoveries~~underrecoveries or refunds any ~~over recoveries~~overrecoveries that may have accrued under the Rider, plus monthly interest on those ~~under recoveries~~underrecoveries or ~~over recoveries~~overrecoveries at the cost of long-term debt approved in the Company's most recent general rate case in which rates were set ~~by the regulatory authority~~ for application to customers in the RGVSA. The reconciliation ~~report~~ shall be filed with the regulatory authority on or before February ~~1st~~ of each year. ~~The regulatory authority shall review the reconciliation report, and may request additional data supporting the reconciliation. The regulatory authority shall complete its review of the reconciliation within sixty days on or before March 21st of each year's filing, and will authorize the succeeding PIT Surcharge after ordering any necessary adjustments based on its review of the reconciliation report year.~~ so that the Company can implement the reconciled PIT Surcharges beginning with the first billing cycle for April of each succeeding year.

DEFERRED ACCOUNTING

The Company is authorized and directed to defer, as a regulatory asset, all Pipeline Integrity Safety Testing expenses incurred during the testing cycle starting on January 1, 2016 and all revenues specifically collected under this Rider shall be applied to the deferred expense account. The Company shall not earn a return on any regulatory asset created under this provision, and no such regulatory asset shall be included in the Company's invested capital (rate base) for ratemaking purposes.

~~Initial~~Supersedes Rate Schedule Dated  
October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

Meters Read On and After  
TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE

Gas, Inc.

RATE SCHEDULE PIT

Rio Grande Valley Service Area

Page 5 of 3

PIPELINE INTEGRITY TESTING (PIT) RIDER  
(Continued)

ANNUAL REPORT & APPLICABLE PSCC

On or before February ~~1st~~ after each calendar year, the Company shall file a ~~reconciliation~~ report with the Commission and ~~the~~ RGVSA Cities showing all Pipeline Integrity Safety Testing expenses incurred during the previous calendar year and verifying the prior year's collections and any ~~under recoveries or over recoveries~~ ~~under recoveries or over recoveries~~ accruing to date under this Rider. The report shall separately identify and list such expenses by account number and project number, ~~and provide a description of each project. The report will also provide revenues collected by class by month for that year.~~ Prior to the effective date of this Rider and on or before February 1st of each succeeding year while this Rider is in effect, the Company shall also file an Addendum to this Rider with the Commission and the RGVSA Cities (a) identifying the PIT Surcharges that will be applied during the ensuing 12-month recovery period from April ~~1~~ through March ~~31~~ billing cycles, and (b) providing the underlying data and calculations on which each PIT Surcharge for that period is based.

The Company shall file the report with the Commission electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Director of Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

NOTICE TO AFFECTED CUSTOMERS

In addition to the annual report and Addendum to this Rider required above, the Company shall provide, on or before March ~~31~~ 1st after each calendar year, written notice to each affected customer of (a) the PIT Surcharge that will be applied during the ensuing 12-month period from April ~~1st~~ through March ~~31~~ billing cycles, and (b) the effect the PIT Surcharge is expected to have on the average monthly bill for each affected customer class. The written notice shall be provided in both English and Spanish, shall be the only information contained on the piece of paper on which it is printed, and may be provided either by separate mailing or by insert included with the Company's monthly billing statements, including electronic billing statements. The Company shall also electronically file an affidavit annually with the Commission and the RGVSA Cities certifying that notice has been provided to customers in this manner. The notice shall be presumed to be complete three calendar days after the date the separate mailing or billing statement is deposited in a postage-paid, properly addressed wrapper in a post office or official depository under care of the United States Postal Service. The initial notice shall be filed with, reviewed, and approved by the regulatory authority, and each subsequent notice shall follow the same format as that of the approved initial notice.

Initial Supersedes Rate Schedule Dated  
October 18, 2017 (Incorp.)  
March 27, 2018 (Env.)

Meters Read On and After  
TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE PIT-RIDER**

**PIPELINE INTEGRITY TESTING (PIT) SURCHARGE RIDER**

**A. APPLICABILITY**

The Pipeline Integrity Testing Surcharge (PIT) rate as set forth in Section (B) below is ~~pursuant to for the recovery of costs associated with pipeline integrity testing as defined in~~ Rate Schedule PIT. This rate shall apply to the following gas sales and standard transportation rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ~~incurrently in force in the Company's Rio Grande Valley Service Area ("RGVSA") within~~ the incorporated and unincorporated areas of ~~the Rio Grande Valley Service Area (RGVSA):~~ Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas.: 10, 15, 20, 25, 30, 40, C-1, T-1, 1Z, 1Y, 2Z, 2Y, 3Z, 4Z, C-1-ENV, and T-1-ENV.

**B. PIT RATE**

\$0.04923 per Ccf

This rate will be in effect until all approved and expended pipeline integrity testing expenses are recovered under the applicable rate schedules.

**C. OTHER ADJUSTMENTS**

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

**D. CONDITIONS**

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

Supersedes ~~Same~~Rate Schedule ~~dated~~Dated  
April 1, 2022

Meters Read On and After  
April 1, 2023

TBD

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE Gas, Inc. **RATE SCHEDULE WNA** **Page 1 of 2**  
**Rio Grande Valley Service Area**

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**

**APPLICABILITY**

The Weather Normalization Adjustment Clause (WNA) shall apply to the following general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (the "Company") in the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. ~~—Texas;~~ Rate Schedules 10, 15, 20, and 25, 40, 1Z, 1Y, 2Z, 2Y, and 4Z. The WNA shall be effective during the September through May billing cycles.

**PURPOSE**

The WNA refunds over-collections or surcharges under-collections of revenue due to colder or warmer-than-normal weather, as established in the Company's most recent rate filing.

**WNA MECHANISM**

In order to reflect weather effects in a timely and accurate manner, the WNA adjustment shall be calculated separately for each billing cycle and rate schedule. The weather factor, determined for each rate schedule in the most recent rate case, shows the effect of one heating degree day on consumption for that rate schedule. During each billing cycle, the weather factor is multiplied by the difference between normal and actual heating degree days for the billing period and by the number of customers billed. This WNA volume adjustment is priced at the current cost of service rate per Ccf to determine a WNA revenue adjustment, which is spread to the customers in the billing cycle on a prorata basis. The WNA for each billing cycle and rate schedule shall be based on the following formula:

$$\text{WNA Rate} = \frac{\text{WNAD}}{\text{CV}}, \text{ where}$$

WNAD = Weather Normalization Adjustment Dollars to be collected from each billing cycle and rate schedule. This factor shall be based on the following formula:

$$\text{WNAD} = (\text{HDD Diff} * \text{CB} * \text{WF}) * \text{COS rate, where}$$

HDD Diff = (Normal HDD – Actual HDD), the difference between normal and actual heating degree days for the billing period.

CB = Number of customers billed for the billing period.

<del>Supersedes same Rate Schedule dated</del> <u>Dated</u>	<u>Meters Read On and After</u>
<del>September 1, 2009 (Incorporated)</del>	October 18, 2017 (Incorp.)
<u>TBD</u>	
<del>April 30, 2007 (Environs)</del>	March 27, 2018 (Env.)

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE  
Gas, Inc. **RATE SCHEDULE WNA**  
**Rio Grande Valley Service Area** **Page 2 of 2**

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE**  
**(Continued)**

WF = Weather factor determined for each rate schedule in the most recent rate case.

Residential 0.~~0725905963~~; Commercial 0.~~98320~~; Church 0.~~0913958296~~; Public Authority 1.~~4246867184~~

CV = Current Volumes for the billing period.

**FILING WITH THE CITIES AND THE RAILROAD COMMISSION OF TEXAS (RRC)**

The Company will file monthly reports showing the rate adjustments for each applicable rate schedule. Supporting documentation will be made available for review upon request. By each October 1, the Company will file with the Cities and the RRC an annual report verifying the past ~~year's~~year's WNA collections or refunds.

The Company shall file the report with the RRC electronically at [GUD\\_Compliance@rrc.texas.gov](mailto:GUD_Compliance@rrc.texas.gov) or at the following address:

Director of Oversight and Safety Division  
Gas Services Department  
Railroad Commission of Texas  
P.O. Box 12967  
Austin, TX 78711-2967

Supersedes ~~same~~ Rate Schedule ~~dated~~Dated Meters Read On and After  
~~September 1, 2009 (Incorporated)~~ October 18, 2017 (Incorp.)  
TBD  
~~April 30, 2007 (Enviro ns)~~ March 27, 2018 (Env.)

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE T-1**  
**Page 1 of 23**

**TRANSPORTATION SERVICE RATE**

**APPLICABILITY**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through Texas Gas Service Company, a Division of ONE Gas, Inc.’s (the “Company”) distribution system. The customer must arrange with its gas supplier to have the customer’s gas delivered to one of the Company’s existing receipt points for transportation by the Company to the customer’s facilities at the customer’s delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**AVAILABILITY**

Natural gas service under this rate schedule is available to any individually metered, non-residential customer for the transportation of customer owned natural gas through the Company’s Rio Grande Valley Service Area distribution system which includes the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas. Such service shall be provided at any point on the Company’s System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**COST OF SERVICE RATE**

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

Commercial	<del>\$483.62</del> <u>500.00</u> per month
Industrial	<del>\$1,153.88</del> <u>000.00</u> per month
Public Authority	<del>\$487.93</del> <u>2,500.00</u> per month
<u>Electric Generation</u>	<u>\$500.00 per month</u>

Plus – All-CefA delivery charge per monthly billing period listed by customer class as follows:

Commercial	<del>The First 5000 Ccf @</del>	<del>\$0.31650 per Ccf</del>
	<del>All Over 5000 Ccf @</del>	<del>\$0.01777</del> <u>10163</u> per Ccf

Supersedes Same SheetRate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE T-1**  
**Page 2 of 23**

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

Industrial	<del>The First 5000 Ccf @</del>	\$0.3033611076 per Ccf
	<del>All Over 5000 Ccf @</del>	<del>\$0.03453 per Ccf</del>
Public Authority	<del>The First 5000</del> \$0.04521 per Ccf @	
<u>Electric Generation</u>	\$0.38068 per Ccf	
	<del>All Over 5000 Ccf @</del>	<del>\$0.0159510163</del> per Ccf

**ADDITIONAL CHARGES**

- 1) A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
- 2) A charge will be made each month to recover the cost of any applicable taxes and fees, including franchise fees paid to the cities.
- 3) In the event the Company incurs a demand charge, balancing service rate, or reservation charge from its gas supplier(s) or transportation providers in the ~~unincorporated~~incorporated areas of the Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand charge, balancing service rate, or reservation charge based on benefit received by the customer.
- 4) ~~Adjustments. The billing shall reflect adjustments~~ in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE.
- 5) The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.
- 6) The billing shall reflect adjustments in accordance with provisions of the ~~Excess-Deferred Income Taxes~~Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule ~~EDIT-Rider~~PSF, if applicable.

**SUBJECT TO**

- 1) Tariff T-TERMS, General Terms and Conditions for Transportation Service.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD



**Texas Gas Service Company, a Division of ONE Gas, Inc.**  
**Rio Grande Valley Service Area**

**RATE SCHEDULE T-1**  
**Page 3 of 23**

**TRANSPORTATION SERVICE RATE**  
**(Continued)**

2). Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.

~~3) Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority. 3. The taking of service under this rate schedule is subject to all valid orders, laws, rules, and regulations of duly constituted State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.~~

~~4. The Agreement shall be interpreted under Texas law.~~

Supersedes ~~Same Sheet~~Rate Schedule Dated  
July 28, 2021

Meters Read On and After  
July 27, 2022

TBD

**Texas Gas Service Company, a Division of ONE Gas, Inc. ~~Rate Schedule~~ RATE**

**SCHEDULE T-1-ENV**

**Rio Grande Valley Service Area**

**TRANSPORTATION SERVICE RATE**

**APPLICABILITY**

Applicable to customers who have elected Transportation Service not otherwise specifically provided for under any other rate schedule.

Service under this rate schedule is available for the transportation of customer-owned natural gas through Texas Gas Service Company, a Division of ONE Gas, Inc.'s (the ~~Company's~~"Company") distribution system. The ~~Customer~~customer must arrange with its gas supplier to have the ~~Customer's~~customer's gas delivered to one of the Company's existing receipt points for transportation by the Company to the ~~Customer's~~customer's facilities at the customer's delivery point. The receipt points shall be specified by the Company at its reasonable discretion, taking into consideration available capacity, operational constraints, and integrity of the distribution system.

**AVAILABILITY**

Natural gas service under this rate schedule is available to any individually metered, ~~nonresidential~~non-residential customer for the transportation of customer owned natural gas through the Company's unincorporated areas of the Rio Grande Valley Service Area distribution system which includes the ~~unincorporated areas~~environs of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties, Texas. Such service shall be provided at any point on the Company's System where adequate capacity and gas supply exists, or where such capacity and gas supply can be provided in accordance with the applicable rules and regulations and at a reasonable cost as determined by the Company in its sole opinion.

**COST OF SERVICE RATE**

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

Commercial                      \$~~400~~500.00 per month

~~Plus Interim Rate Adjustment \$59.13 (Footnote 1)~~                      ~~Total \$459.13~~

Industrial                         \$~~400~~1,000.00 per month

~~Plus Interim Rate Adjustment \$530.49 (Footnote 2)~~                      ~~Total \$930.49~~

Supersedes Same Sheet Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD

~~(Billing implementation October 27, 2021)~~

~~(Billing implementation October 27, 2022)~~

**Texas Gas Service Company, a Division of ONE Gas, Inc. ~~Rate Schedule~~ RATE**

**SCHEDULE T-1-ENV**

**Rio Grande Valley Service Area**

**Page 2 of 23**

Public Authority ~~\$400~~2,500.00 per month

~~Plus Interim Rate Adjustment \$61.36 (Footnote 3)~~ ~~Total \$461.36~~

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

~~Commercial The First 5000 Ccf @ \$0.31650 per Ccf  
All Over 5000 Ccf @ \$0.01777 per Ccf~~

~~Industrial The First 5000 Ccf @ \$0.30336 per Ccf  
All Over 5000 Ccf @ \$0.03453 per Ccf~~

~~Public Authority The First 5000 Ccf @ \$0.38068 per Ccf  
All Over 5000 Ccf @ \$0.01595 per Ccf~~

Electric Generation \$500.00 per month

Supersedes Same Sheet Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD

(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

Texas Gas Service Company, a Division of ONE Gas, Inc. ~~Rate Schedule~~ RATE

SCHEDULE T-1-ENV

Rio Grande Valley Service Area

TRANSPORTATION SERVICE RATE  
(Continued)

Plus – A delivery charge per monthly billing period listed by customer class as follows:

Commercial \$0.10163 per Ccf

Industrial \$0.11076 per Ccf

Public Authority \$0.04521 per Ccf

Electric Generation \$0.10163 per Ccf

ADDITIONAL CHARGES

1. A charge will be made each month to recover the cost of taxes paid to the State of Texas pursuant to ~~the provision of TEXAS UTILITIES CODE~~ Texas Utilities Code, Chapter 122 as such may be amended from time to time which are attributable to the transportation service performed hereunder.
2. A charge will be made each month to recover the cost of any applicable taxes.
3. In the event the Company incurs a demand charge, balancing service rate, or reservation charge from its gas supplier(s) or transportation providers in the unincorporated areas of the Rio Grande Valley Service Area, the customer may be charged its proportionate share of the demand charge, balancing service rate, or reservation charge based on benefit received by the customer.
4. The billing shall reflect adjustments in accordance with provisions of the Rate Case Expense Surcharge Rider, Rate Schedule RCE-ENV.
5. The billing shall reflect adjustments in accordance with provisions of the Pipeline Integrity Testing Rider, Rate ~~Schedule~~Schedules PIT and PIT-Rider.
6. The billing shall reflect adjustments in accordance with provisions of the Pipeline Safety and Regulatory Program Fees Rider, Rate Schedule PSF, if applicable.

Supersedes ~~Same Sheet~~Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD

(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

**Texas Gas Service Company, a Division of ONE Gas, Inc. ~~Rate Schedule~~ RATE**

**SCHEDULE T-1-ENV**

**Rio Grande Valley Service Area**

**TRANSPORTATION SERVICE RATE**

**(Continued)**

**SUBJECT TO**

1. Tariff T-TERMS, General Terms and Conditions for Transportation Service.

2. Transportation of natural gas hereunder may be interrupted or curtailed at the discretion of the Company in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other higher priority customers served. The curtailment priority of any customer served under this schedule shall be the same as the curtailment priority established for other customers served pursuant to the Company's rate schedule which would otherwise be available to such customer.

~~3) Subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.~~

~~Footnote 1: 2017 IRA \$6.58 (GUD No. 10784); 2018 IRA \$11.23 (GUD No. 10874); 2019 IRA \$10.74 (GUD No. 10989); 2020 IRA \$16.67 (Gas Utilities Case No. 00006939); 2021 IRA \$13.91 (Gas Utilities Case No. 00009998)~~

~~Footnote 2: 2017 IRA \$54.40 (GUD No. 10784); 2018 IRA \$89.58 (GUD No. 10874); 2019 IRA \$94.05 (GUD No. 10989); 2020 IRA \$156.19 (Gas Utilities Case No. 00006939); 2021 IRA \$136.27 (Gas Utilities Case No. 00009998)~~

~~Footnote 3: 2017 IRA \$6.66 (GUD No. 10784); 2018 IRA \$11.54 (GUD No. 10874); 2019 IRA \$11.03 (GUD No. 10989); 2020 IRA \$17.49 (Gas Utilities Case No. 00006939); 2021 IRA \$14.64 (Gas Utilities Case No. 00009998)3. The Agreement is subject to all valid orders, laws, rules, and regulations of duly constituted State and Federal governmental authorities and agencies having jurisdiction or control over the parties, their facilities or gas supplies, the Agreement, or any provision hereof. The Company reserves the right to seek modification or termination of any of the General Terms and Conditions, the Gas Transportation Agreement, and any of the tariffs to which it applies.~~

4. The Agreement shall be interpreted under Texas law.

Supersedes ~~Same Sheet~~ Rate Schedule Dated  
October 12, 2021

Meters Read On and After  
October 11, 2022

TBD

(Billing implementation October 27, 2021)

(Billing implementation October 27, 2022)

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of ONE Gas, Inc.  
**RATE SCHEDULE T-TERMS**  
**Rio Grande Valley Service Area** **Page 1 of 610**

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE**

**1.1 REQUIREMENTS FOR TRANSPORTATION SERVICE**

Nothing shall be deemed to supersede the respective rights and obligations of ~~Company~~Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") and Customer as provided by Texas statutes, rules, and/or regulations. The Company reserves the right to seek modification or termination of transportation service or any of the tariffs to which it applies and the unilateral right to seek regulatory approval to make any changes to, or to supersede, the rates, charges and terms of transportation service. This rate schedule shall apply to customers who have elected Transportation Service through the Company's Rio Grande Valley distribution system within the Incorporated and Unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos, and the unincorporated areas of Jim Hogg and Starr counties, Texas.

**1.2 DEFINITIONS**

The following definitions shall apply to the indicated words as used in this Tariff:

Adder: Shall mean the Company's incremental cost to purchase natural gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Agreement: Shall mean any Gas Transportation Agreement (including any gas transportation orders, forms or other exhibit(s) which are incorporated into and become a part of the same) to which the General Terms and Conditions for Transportation apply.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of ~~sixty degrees (60°)~~ Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean ~~one million (1,000,000)~~ Btu.

Commercial Service: Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE T-TERMS**  
**Rio Grande Valley Service Area** **Page 2 of 610**

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

<u>Commission or The Commission:</u>	The Railroad Commission of Texas.
<u>Company:</u>	Texas Gas Service Company, a <del>division</del> <u>Division</u> of ONE Gas, Inc.
<u>Consumption Period:</u>	Shall mean a volumetric billing period.
<del><u>Customer:</u></del>	<del>Any person or organization now being billed for gas service whether used by him or her, or by others.</del>
<u>Cumulative Tolerance Limit:</u>	Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.
<del><u>Customer:</u></del>	<del>Any person or organization now being billed for gas service whether used by him or her, or by others.</del>
<u>Day or Gas Day:</u>	Shall mean the 24-hour period commencing at 9:00 a.m. ( <del>central clock time</del> <u>Central Standard Time</u> ) on one calendar day and ending at 9:00 a.m. ( <del>central clock time</del> <u>Central Standard Time</u> ) the following calendar day.
<u>Dekatherm (Dth):</u>	Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.
<u>Electronic Flow Measurement (EFM):</u>	A device that remotely reads a gas meter.
<del><u>Electric Generation Service:</u></del>	<del>Electric generation assets that are registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and/or backup power systems.</del>
<del><u>Firm Service:</u></del>	<del>Services offered to Customers (regardless of class of service) under schedules or contracts that anticipate no interruptions. Service may be interrupted or curtailed at the discretion of the Company during Force Majeure events.</del>
<del><u>Force Majeure:</u></del>	<del>If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such</del>

~~Initial~~ Supersedes Rate Schedule Dated Meters  
Read On and After  
October 18, 2017 (Incorp.) TBD  
March 27, 2018 (Env.)

~~TEXAS GAS SERVICE COMPANY~~ Texas Gas Service Company, a Division of  
ONE Gas, Inc. **RATE SCHEDULE T-TERMS**  
**Rio Grande Valley Service Area** **Page 3 of 610**

party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

Industrial Service:

Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Mcf:

Shall mean ~~one thousand~~ (1,000) cubic feet of Gas

Month:

Shall mean the period beginning at 9:00 a.m. ~~central clock time~~ Central Standard Time on the first Day of each calendar month and ending at 9:00 a.m. Central ~~clock time~~ Standard Time on the first Day of the next succeeding calendar month.

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Monthly Tolerance Limit: Shall mean ~~five percent (5%)~~ of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.

Payment in Kind (PIK): Shall mean a reimbursement for lost and unaccounted for gas.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

PDA: Shall mean a predetermined allocation method.

Pipeline System: Shall mean the current existing utility distribution facilities of Company located in the State of Texas.

Point of Delivery: Shall mean the point or points where gas is delivered from the Pipeline System to Customer.

Point of Receipt: Shall mean the point or points where Company shall receive Gas into the Pipeline System from Customer.

Point Operator: Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.

Qualified Supplier: Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.

Regulatory Authority: The City Council or equivalent municipal governing body of each respective city in the Rio Grande Valley Service Area, or the Railroad Commission of Texas, as applicable.

Service Area: The area receiving gas utility service provided by the Company under the terms of this Tariff.

Tariff: Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over Company or the services provided hereunder.

Transportation Form: Shall mean the Company approved selection of transportation service document.

Transportation Rate Schedule: A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.

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Transportation Service:

The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.

Week:

Shall mean a period of ~~seven (7)~~ consecutive Days beginning at 9:00 a.m. ~~central clock time~~ Central Standard Time on each Monday and ending at the same time on the next succeeding Monday.

**GENERAL TERMS AND CONDITIONS  
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Year:

Shall mean a period of ~~three hundred sixty five (365)~~ consecutive Days, or ~~three hundred sixty six (366)~~ consecutive Days when such period includes a February 29.

**1.3 RESTRICTIONS AND RESERVATIONS**

- a) It is understood and agreed that Customer has only the right to transportation service in the Pipeline System and all equipment, including (but not in any way limited thereto) all pipe, valves, fittings, and meters comprising the Pipeline System and all other property and capacity rights and interests, shall at all times during the term of the Agreement remain the property of Company. Customer agrees not to cause or permit any liens or encumbrances to be filed with respect to the Pipeline System by reason of Customer's actions. Customer's Gas shall at all times remain the property of Customer, and Company shall have no right or property interest therein.
- b) Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System, nor shall Customer bear any cost of any alterations, additions, repairs, maintenance or replacements made to or on said Pipeline System initiated by and to the benefit of the Company.
- c) Customer agrees not to connect or cause the connection of any third party to the Pipeline System for any purpose without the express written approval and consent of Company to be granted in Company's sole discretion. Customer further agrees not to transport or cause to be transported any Gas for any third party. If either of these conditions is breached by Customer, Company shall have the right and option, notwithstanding any other provision of the Agreement, to terminate the Agreement.
- d) Company presently is transporting Gas to third parties on the Pipeline System and shall have the right in the future to transport additional Gas for such purposes and to transport Gas to additional third parties as it may desire, and Company shall have the right to make additional connections to the Pipeline System as may be required to serve presently existing and new customers, all of which is subject to the provisions of the Agreement. Company's transportation of Gas hereunder shall not obligate Company in any manner beyond the terms of the Agreement and any Exhibits attached thereto.

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- e) ~~Company shall own any and all liquids which are recovered from the Pipeline System and may use, sell or transfer all liquids without having to account in any manner, or pay any monies or other consideration to Customer.~~
- f) ~~The Company reserves the unilateral right from time to time to seek Commission approval to make any changes to, or to supersede, the rates, charges and any terms stated in the tariffs, rate schedules, the agreements, and the General Terms and Conditions.~~

**GENERAL TERMS AND CONDITIONS  
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(Continued)**

**1.31.4 COMPANY'S RESPONSIBILITY**

Company shall deliver to Customer, at the Point of Delivery, volumes of gas, as received from designated Qualified Supplier, for the Customer, at a ~~mutually agreed upon~~Company designated Point of Receipt, less Payment in Kind (PIK).

- a) ~~In no event shall Company be required to expand, modify, construct, rearrange, or change the operations of the Pipeline System in order to receive gas from or on behalf of Customer or in order to deliver gas to Customer at any existing Points of Delivery. Company reserves the right in its sole discretion to remove, relocate, expand, or rebuild, without approval of Customer, any portion of the Pipeline System. Customer shall make no alterations, additions, or repairs to or on the Pipeline System.~~

**1.45 CUSTOMER'S RESPONSIBILITY**

Customer, by selecting service under a transportation service rate schedule by completing a Transportation Form, warrants and agrees that:

- aa) ~~Gas received by Company for the Customer shall be free from all adverse claims, liens, and encumbrances;~~
- b) Customer shall indemnify and hold Company harmless from and against all suits, actions, causes of action, claims and demands, including attorneys' fees and costs, arising from or out of any adverse claims by third parties claiming ownership of, or an interest in said gas caused by the failure to provide clear title to the gas;
- eb) Customer acknowledges Company shall not be responsible in any way for damages or claims relating to the Customer's gas or the facilities of the Customer or others containing such gas prior to receipt into Company's facilities or after delivery to the Customer;
- ec) Customer must provide Company with a signed Transportation Form identifying its Qualified Supplier. Customer may designate no more than one Qualified Supplier. This authorization shall be in a form agreeable to Company and shall remain in effect until a signed replacement is received by Company;

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- ed) Customer acknowledges the Qualified Supplier's responsibilities under Section 1.56;
- fe) Transportation Service is not available for a term less than ~~twelve (12)~~ months. Termination of transportation service may, at the Company's sole discretion, delay Customer's request to resume transportation service;
- gf) Electronic flow measurement (EFM) may be required for Customers under transportation service, at the Company's sole discretion. The Customer may be required to reimburse the Company for any cost related to the installation of the EFM as well as provide for or reimburse the Company for any ongoing maintenance, repair, or communications costs; and

**GENERAL TERMS AND CONDITIONS**  
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**(Continued)**

- hg) In the event Customer's source of gas supply is terminated by Customer's Qualified Supplier due to non-payment or other reasons, or if customer is otherwise unable to continue as a transportation customer, Customer may, upon the first of the month after ~~thirty (30)~~ calendar days advance written notice to Company, obtain service from Company under the general sales tariff applicable to Customer. Prior to commencing such service, Company may, in its sole discretion, require Customer to post a deposit or bond.

**1.56 QUALIFIED SUPPLIER'S RESPONSIBILITY**

Qualified Supplier shall act on behalf of the Customer to procure gas supplies, deliver gas supplies plus Payment in Kind volume, into ~~mutually agreed upon~~ Company designated Points of Receipt and shall act as the Customer's agent with respect to nominations, operational notices and resolution of imbalances.

- a) Qualified Suppliers shall aggregate their Customers' volumes for balancing purposes, into Aggregation Areas, as determined, in the Company's sole discretion.
- b) Qualified Supplier shall submit nominations to the Company's gas scheduling department, in accordance with their currently effective nomination process, which can be provided to the parties upon request. Customer and Qualified Supplier shall exercise commercially reasonable best efforts to deliver to the Pipeline System Dths of gas that Company is to deliver from the Pipeline System to Customer during any particular Hour, Day, Week and Month, including but not limited to volumes needed for peak Day usage for Customer's facilities. Qualified Supplier shall not intentionally nominate more or less gas than is anticipated for consumption by Customer(s), except as may be needed for balancing purposes to the extent Company accepts such nomination.
- c) Before the start of the Gas Day, the Point Operator and Company shall establish a predetermined allocation (PDA) method to specify how gas received or delivered by Company shall be allocated in accordance with confirmed nominations at such point. Only one PDA methodology shall be applied per allocation period.

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- d) Daily Quantity of Transportation Service Gas: Company shall receive and deliver gas hereunder as nearly as practicable at uniform hourly and daily rates of flow. It is recognized that it may be physically impracticable, because of measurement, gas control limitations and other operating conditions, to stay in zero ~~(±)~~ imbalance each hour and each day; therefore, the daily and hourly quantities received may, due to the aforementioned reasons, vary above or below the daily and hourly quantities delivered. If the quantities received and the quantities delivered hereunder should create an imbalance at the end of any hour, Day, Week, or Month, then Company and ~~Customer~~Qualified Supplier shall adjust receipts and/or deliveries at any time to the end that the quantities received and delivered shall be kept as near to zero ~~(±)~~ imbalance as practicable.
- e) Quality of Transportation Service Gas: The gas procured by a Qualified Supplier, for receipt by Company, shall conform to the standards prescribed in Company's applicable rate schedules, Agreements, and applicable local, state or federal laws, rules and/or regulations.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

**1.67 IMBALANCES**

Qualified Supplier shall, to the extent practicable, not deliver into the Pipeline System more or less Dths of Gas than Company delivers to the Aggregation Area of Customers, at the Points of Delivery, during a Consumption Period. The following imbalance provisions shall be applied to the Qualified Supplier for its Aggregation Area of Customers.

- a) If Company receives less Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, then Qualified Supplier shall purchase such under-delivered volumes at 105% of the applicable index, plus the Adder.
- b) If Company receives more Dths of Gas than are delivered to the Aggregate Area Customers at the Points of Delivery in excess of the Monthly Tolerance Limit or Cumulative Tolerance Limit in any particular Consumption Period, Qualified Supplier shall sell such excess Gas to Company at 95% of the applicable index.
- c) The applicable index and Adder will be defined in the Qualified Supplier Agreement and amended from time to time.
- d) A proportional share of any upstream pipeline transportation service charges, additional commodity charges, and penalties incurred by the Company, that in whole or in part, are the result of Qualified Supplier's scheduling and/or managing the upstream transportation of the Customer's gas to Company's interconnection point(s) with the upstream pipeline(s). The proportional share will be calculated using the Qualified Supplier's receipts and deliveries and the upstream pipeline invoices for the applicable period. Proceeds from this charge will be credited to the Reconciliation Account. The Company will bill Qualified Supplier for these charges and penalties manually on a separate bill. Payment shall be required in accordance with applicable Rules of Service.

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- e) The Company will provide monthly imbalance statements along with calculations of the charges in accordance with the aforementioned provisions to the Qualified Supplier each month.
- f) Payments for imbalance settlements will be due each month within 15 business days of the imbalance statement date. The Company may elect at its sole discretion to accrue the imbalance settlement provisions each month and only require periodic settlement rather than monthly payments.
- g) On or about ~~fifteen (15)~~ days after the Company receives necessary volumetric information from other parties for each Consumption Period after commencement of Gas receipts and deliveries hereunder, Company shall render to the Qualified Supplier a statement for the preceding Consumption Period showing the total Dths of Gas received and delivered and each Point of Receipt and Point of Delivery. If information necessary for statement purposes is in the possession of Customer, Customer shall furnish such information to Company on or before the ~~sixth (6th)~~ Day of the Month in which the statement requiring such data is to be rendered.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

- h) Both parties hereto shall have the right at any and all reasonable times within ~~twenty four (24)~~ months from the time period in question, to examine the books and records of the other to the extent necessary to verify the accuracy of any statement, computation, or demand made hereunder.

**1.8 LACK OF LIABILITY**

- a) Furnishing of Gas. The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connections and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.
- b) After Point of Delivery. Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the point of delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the point of delivery shall be assumed by the Customer or consumer, his agents, servants, employees, or other persons.
- c) Reasonable Diligence. The Company agrees to use reasonable diligence in rendering continuous gas service to all Customers or Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.
- d) Force Majeure. If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided,

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however, obligations to make payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.

**GENERAL TERMS AND CONDITIONS  
FOR TRANSPORTATION SERVICE  
(Continued)**

e) If a portion of the Pipeline System required to make the transportation service available is partially damaged by fire or other casualty, the damage may be repaired by Company, at its option and in its sole discretion, as speedily as practicable, due allowance being made for the time taken for the settlement of insurance claims. Until such repairs are made, the payments shall be apportioned in proportion to the portion of the capacity of the Pipeline System which is still available for the purposes hereof, such determination to be made in the sole discretion of Company. If the damage is so extensive as to render the Pipeline System wholly unusable, in Company's sole opinion, the payments, if any, shall cease until such time as the Pipeline System is again useable. In case the damage shall, in Company's sole opinion, amount substantially to a destruction of the portion of the Pipeline System available for the transportation of Gas and Company shall elect not to repair the damage, then the Agreement shall terminate at the time of such damage, and Company shall not be liable to Customer for any liability, damage, or claim which arises out of any failure to make repairs.

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~~RULES TEXAS GAS OF SERVICE COMPANY~~

~~RULES AND REGULATIONS~~

~~RIO GRANDE VALLEY SERVICE AREA~~

~~Incorporated and unincorporated Areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties.~~

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~~Supersedes and Replaces Rules and Regulations pages dated January 27, 2014~~

Communications Regarding this Tariff Should Be Addressed To:

~~[Customer Relations](#)~~

~~[401 N. Harvey](#)~~

~~[Oklahoma City, OK 73102](#)~~

~~[customerrelations@onegas.com](mailto:customerrelations@onegas.com)~~

Supersedes and Replaces Rules and Regulations for “Incorporated Rio Grande Valley Service Area” (Incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas) dated October 18, 2017 and “Unincorporated Rio Grande Valley Service Area” (Unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties) dated March 27, 2018



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~~Texas Gas Service Company~~  
~~P. O. Box 531827~~  
~~Harlingen, Texas 78553-1827~~  
~~(405) 551-6752~~

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SECTION 1 — GENERAL STATEMENT AND DEFINITIONS

1.1 TARIFF APPLICABILITY

Texas Gas Service Company ~~is, a Division of ONE Gas, Inc. (the “Company”) operates as~~ a gas utility ~~operating under Texas Utilities Code § 101.003(7)~~ within the State of Texas. This Tariff applies to ~~Texas Gas Service~~ all incorporated areas, unincorporated areas and census designated places in the Company’s Rio Grande Valley Service Area comprised of the incorporated and unincorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas, the unincorporated cities of Bayview, Laguna Heights, Monte Alto, Olmito, and San Carlos and the unincorporated areas of Jim Hogg and Starr counties. ~~This Tariff supersedes and replaces all tariffs previously approved and applied in said service area.~~

Service under this Tariff is subject to the original jurisdiction of the municipalities in the Rio Grande Valley Service Area and the Railroad Commission of Texas. The Company will provide service to any person and/or business within its service area in accordance with the rates, terms and conditions provided for in its Tariff and regulations.

1.2 RATE SCHEDULES

All Customers shall be served under rate schedules filed with the municipality or Railroad Commission of Texas. Customers shall be assigned to rate schedules in accordance with the class of the particular Customer, the usage which will be made of the gas and that Customer’s volume requirements. The Company shall advise an Applicant or Customer regarding the most advantageouseconomical rate for ~~his~~their usage if more than one rate is applicable. A Customer assigned to a rate schedule shall remain on that schedule for a minimum of one year except that an assignment made in error may be corrected immediately. In the event of a question regarding the Customer’s classification, the questions shall be resolved by reference to the coding of the Customer’s primary business in the latest edition of the Standard Industrial Classification Manual of the United States Government’s Office Management and Budget.

1.3 DEFINITIONS

The following definitions shall apply to the indicated words as used in this Tariff:

Adder: Shall mean the Company’s incremental cost to purchase natural gas.

Aggregation Areas: Shall mean aggregation pools established by the Company within geographic, operational, administrative, and/or other appropriate parameters, for the purposes of nominating and imbalances.

Agricultural Service: Service to Consumers engaged in agricultural production.

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Applicant: Any person, organization or group of persons or organizations making a formal request either orally or in writing for gas service from the Company.

Automated Meter Reading (AMR): ~~A device that~~The process of remotely ~~reads~~reading a gas meter.

Average Day Usage: The gas demand of a given Customer for gas in any one month divided by 30. Gas demand is considered to be equivalent to consumption during each billing month, provided however, that when service has been curtailed, demand shall be considered to be actual consumption plus estimated curtailment during the period.

Blanket Builder: A builder or someone acting for a builder who ~~is invoiced for~~requests the installation of ~~yard~~lines~~service lines~~.

Btu: Shall mean British thermal unit(s) and shall be computed on a temperature base of sixty degrees (60°) Fahrenheit and at the standard pressure base of the applicable service area and on a gross-real-dry basis and shall not be corrected for real water vapor as obtained by means commonly acceptable to the industry, and "MMBtu" shall mean one million (1,000,000) Btu.

Commercial Service: Service to Consumers engaged primarily in the sale or furnishing of goods and services and any usage not otherwise provided for.

Commission or The Commission: The Railroad Commission of Texas.

Company: Texas Gas Service Company, a Division of ONE Gas, Inc.

Consumer: Any person or organization receiving gas service from the Company for his or her own appliances or equipment whether or not the gas is billed directly to him or her. (For example, a rental unit where the utilities are part of the rent, the landlord is a Customer and the tenant is a Consumer.)

Consumption Period: Shall mean a volumetric billing period.

~~Customer: Any person or organization now being billed for gas service whether used by him or her, or by others.~~

~~Cumulative Tolerance Limit: Shall mean the percent of aggregate historical annual deliveries of a Qualified Supplier's Aggregation Area pool of customers for the most~~

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recent year ended on June 30. The Company, at its sole discretion, may make adjustments to the Cumulative Tolerance Limit.

Customer: Any person or organization now being billed for gas service whether used by him or her, or by others.

Day or Gas Day: Shall mean the 24-hour period commencing at 9:00 a.m. ~~(central clock time)~~(Central Standard Time) on one calendar day and ending at 9:00 a.m. ~~(central clock time)~~(Central Standard Time) the following calendar day.

Dekatherm (Dth): Shall mean 1,000,000 Btu's (1 MMBtu). This unit will be on a dry basis.

Domestic Service: Service to any Consumer which consists of gas service used directly for heating, air conditioning, cooking, water heating and similar purposes whether in a single or multiple dwelling unit.

Electric Generation Service: Electric generation assets that are registered with the applicable balancing authority including bulk power system assets, co-generation facilities, distributed generation, and/or backup power systems.

Electronic Document: Any document sent electronically via email or the internet.

Electronic Flow Measurement (EFM): ~~A device that remotely reads~~An electronic means of obtaining readings on a gas meter.

Electronic Fund Transfer (EFT): The process to convert a paper check or electronic bill payment request to an electronic transfer. Paper checks received by Company or their agents are destroyed.

Electronic Radio Transponder (ERT): A device that assists with remotely ~~reads~~reading a gas meter.

Excess Flow Valve (EFV): A safety device installed ~~below ground inside the~~on a natural gas service line ~~between~~. The EFV is designed to automatically shut off the flow of natural gas in the mainservice line and mitigate the meter intended to reduce ~~impact of a significant break, puncture or severance in the risk of accidents in limited situations.~~ line. EFVs are not designed to shut off the flow of gas in the line breaks at the connection of a gas appliance in a residence or in the

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~~customer's piping system (interior or exterior) on the customer's side of the gas meter.~~

Expedited Service:

Customer request for same day service or service during non-business hours for connection or reconnection of gas service.

Firm Service:

~~Services offered to Customers (regardless of class of service) under schedules or contracts that anticipate no interruptions. Service may be interrupted or curtailed at the discretion of the Company during Force Majeure events.~~

Force Majeure:

~~If either Company or Customer is rendered unable, wholly or in part, by reason of force majeure or any other cause of any kind not reasonably within its control, other than financial, to perform or comply with their obligations hereunder, then such party's obligations or conditions shall be suspended during the continuance of such inability and such party shall be relieved of liability for any damage or loss for failure to perform the same during such period; provided, however, obligations to make payments when due hereunder shall not be suspended. The term "Force Majeure" as used herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; pandemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, or any agency thereof, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; mandatory testing or maintenance necessary for compliance and safe operation, and any other causes, whether of the kind herein enumerated or otherwise. If due to a Force Majeure the Company curtails or temporarily discontinues the receipt or delivery of Gas hereunder, Customer agrees to hold Company harmless from any loss, claim, damage, or expense that Customer may incur by reason of such curtailment or discontinuance.~~

Gas or Natural Gas:

Shall mean the effluent vapor stream in its natural, gaseous state, including gas-well gas, casing head gas, residue gas resulting from processing both casing head gas and gas-well gas, and all other hydrocarbon and non-hydrocarbon components thereof.

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General Rate Schedule: A rate schedule available to all Customers of the appropriate class or classes for usages indicated therein.

Industrial Service: Service to Consumers engaged primarily in a process which changes raw or unfinished materials into another form of product. This classification shall embrace all Consumers included in Division A (except Major Groups 01 and 02) and Division D of the Standard Industrial Classification Manual.

Irrigation or Irrigation Pumping Service: (SIC Division A - Major Group 01) who use gas for ~~Service:~~ operating engine-driven pumping equipment.

Master Meter: ~~A single large volume gas measurement device by which gas is metered and sold to a single purchaser who distributes the gas to one or more additional persons downstream from that meter. Master meter operators shall comply with the minimum safety standards in 49 CFR Part 192.~~

Mcf: Shall mean one thousand (1,000) cubic feet of Gas.

Month: Shall mean the period beginning at 9:00 a.m. ~~central clock time~~ Central Standard Time on the first Day of each calendar month and ending at 9:00 a.m. Central ~~clock time~~ Standard Time on the first Day of the next succeeding calendar month.

Monthly Tolerance Limit: Shall mean five percent (5%) of the aggregate deliveries for a Qualified Suppliers Aggregation Area pool of customers for such month.

Optional Rate Schedule: A General Rate Schedule which may be selected by a Customer in lieu of another general schedule but which may require installation of special equipment.

Overtime Rate: The fee charged by the Company to perform work outside its normal business hours or on holidays and includes changes to previously scheduled work that must be performed outside the Company's normal business hours.

Payment in Kind (PIK): Shall mean a reimbursement for lost and unaccounted for gas.

PDA: Shall mean a predetermined allocation method.

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<u>Pipeline System:</u>	Shall mean the current existing utility distribution facilities of the Company located in the State of Texas.
<u>Point of Delivery:</u>	Shall mean the point or points where gas is delivered from the Pipeline System to Customer.
<u>Point of Receipt:</u>	Shall mean the point or points where the Company shall receive Gas into the Pipeline System from Customer.
<u>Point Operator:</u>	Shall mean the person or entity that controls the Point of Receipt or Point of Delivery.
<del><u>Power Generation Service:</u></del>	<del>Service to Consumers for the purpose of generating electricity. This service may be further divided into direct generation in which the gas is used to power the prime mover and indirect generation in which the gas is burned in a boiler and the generator is steam powered.</del>
<del><u>Qualified Supplier:</u></del>	<del>Shall mean an approved supplier of natural gas for transportation to customers through the Company's pipeline system.</del>
<u>Regulatory Authority:</u>	The City Council or equivalent municipal governing body of each respective city in the Rio Grande Valley Service Area, or the Railroad Commission of Texas, as applicable.
<u>Service Area:</u>	The area receiving gas utility service provided by the Company under the terms of this Tariff.
<u>Special Rate Schedule:</u>	A rate schedule designed for a specific Customer.
<u>System:</u>	Any group of interconnected pipelines and appurtenances owned or operated by the Company and independent from any other such group of facilities.
<u>Tariff:</u>	Shall mean every rate schedule, or provision thereof, and all terms, conditions, rules and regulations for furnishing gas service filed with the regulatory authorities or agencies having jurisdiction over the Company or the services provided hereunder.
<u>Temporary Service:</u>	Any service which will not be utilized continuously at the same location for a period of two or more years.
<u>Transportation Form:</u>	Shall mean the Company approved selection of transportation service document.



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Transportation Rate Schedule:

A rate schedule designed for service to any Customer for the transportation of Customer-owned natural gas through the Company's distribution system.

Transportation Service:

The transportation by the Company of natural gas owned by someone other than the Company through the Company's distribution system.

Week:

Shall mean a period of seven (7) consecutive Days beginning at 9:00 a.m. Central ~~clock time~~ Standard Time on each Monday and ending at the same time on the next succeeding Monday.

Year:

Shall mean a period of three hundred sixty-five (365) consecutive Days, or three hundred sixty-six (366) consecutive Days when such period includes a February 29.

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SECTION 2. [Reserved for future rules]

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~~SECTION 3:-~~ RATES AND UTILITY CHARGES

~~Please see current~~

~~Current~~ Rate Schedules are on file with each applicable Regulatory Authority and available on the Company's website at <https://www.texasgasservice.com/rateinformation/home>.

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SECTION 4 — CONDITIONS OF SERVICE

4.1 PROVISION OF SERVICE

The Company will provide gas service to any person or organization located within the Rio Grande Valley Service Area from the Company's facilities or in certain cases, the facilities of its supplier, in accordance with the provisions of this Tariff ~~including and other applicable~~ Rate Schedules ~~and Rules of Service.~~

4.2 FEES AND CHARGES

All fees and charges ~~made~~ assessed by the Company to provide and maintain utility services are as provided for in this Tariff. If the Customer elects transportation service, the commodity cost of gas shall be determined between the Customer and the Customer's selected supplier.

4.3 RESALE OF GAS

Gas delivered by the Company shall not be redelivered or resold for the use thereof by others unless otherwise expressly agreed to in writing by the Company ~~—except; provided,~~ however, that those Customers receiving gas for redistribution to the Customer's tenants may separately meter each tenant's distribution point for the purpose of prorating the Customer's actual amount of gas delivered among the various tenants on a per unit basis.

4.4 CONTINUITY OF SERVICE

a) ~~a)~~ — Service interruptions

i) The Company shall make all reasonable efforts to prevent interruptions of ~~service~~ Firm Service. When interruptions occur, the Company ~~will~~ shall reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest number of Customers ~~is~~ are affected.

ii) The Company shall make reasonable provisions to meet emergencies resulting from failure of service, and ~~will~~ shall issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.

iii) In the event of a national emergency or local disaster resulting in disruption of normal service, the Company may, in the public interest, interrupt service to other Customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

~~b) —~~ iv) Curtailment of Firm Service will be done in accordance with Texas Administrative Code Title 16, Part 1, Chapter 7, Subchapter D, Rule §7.455 Curtailment Standards.

b) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, the Company shall keep a complete record of all interruptions, both emergency and scheduled. This record shall show the cause of interruptions, date, time duration,

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location, approximate number of Customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence, if applicable.

- c) ~~e) —~~ Report to Railroad Commission of Texas. The Commission shall be notified in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof lasting more than four ~~continuous~~ hours. The notice shall also state the Company's belief as to the cause of such interruptions. If any service interruption is reported to the Commission otherwise (for example, as a curtailment report or safety report), such other report is sufficient to comply with the terms of this ~~paragraph~~ Section.
- ~~d) — The procedure under which curtailments of service will be made is described in the Curtailment Plan on file with the Railroad Commission of Texas.~~
- ~~ed)~~ The Company does not guarantee uninterrupted service to any Customer and shall not be liable for damages resulting from any loss of service to any Customer.

4.5 AVAILABILITY OF ~~TARIFF~~TARIFFS

A copy of this Tariff ~~including all applicable rates and other Rate Schedules~~ can be requested through TGS's customer service number at 1-800-700-2443 (non-emergency number) or requested under the 'Contact Us' section of [www.texasgasservice.com](http://www.texasgasservice.com). ~~Upon the request of any Customer or Applicant, the Company shall make copies of the Tariff which may be purchased by the Customer or Applicant through TGS's customer service. The Company may charge a fee for each copy not in excess of the Company's reasonable cost to reproduce the material and are available on the Company's website at <https://www.texasgasservice.com/rateinformation/home>.~~

4.6 CUSTOMER INFORMATION

The Company shall:

- ~~a) — Maintain a current set of maps showing the physical locations of its facilities. All distribution facilities shall be labeled to indicate the size or any pertinent information which will accurately describe the Company's facilities. These maps, or such other maps as may be required by the Regulatory Authority, shall be kept by the Company in a central location and will be available for inspection by the Regulatory Authority during normal working hours. Each business office or service center shall have available up-to-date maps, plans or records of its immediate area, with such other information as may be necessary to enable the Company to advise applicants and others entitled to the information as to the facilities available for serving that locality;~~
- ~~b) — Assist the Customer or Applicant in selecting the most economical rate schedule;~~
- ~~c) — In compliance with applicable law or regulations, notify customers affected by a change in rates or schedule or classification;~~
- ~~d) — Post a notice in a conspicuous place in each business office of the utility where applications for service are received informing the public that copies of the rate schedules and rules relating to the service of the utility as filed with the Commission are available for inspection;~~

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- e) ~~Upon request inform its customers as to the method of reading meters;~~
- f) ~~make~~Make available, during normal business hours, such additional information on ~~Rates~~rates and ~~Services~~services as any Customer or Applicant may reasonably request; and
- g) ~~Upon any Customer's request, the Company shall inform the Customer how to read the Customer's meter. Provide to new customers, at the time service is initiated or as an insert in the first billing, a pamphlet or information packet containing the following information. The Company shall annually~~may provide each Customer with notice of the availability of a concise description in English and Spanish of the Customer's rights and the Company's obligations under this Tariff. ~~A new Customer~~notification to customers electronically. This information shall be provided in English and Spanish as necessary to adequately inform the customers; provided, however, the Regulatory Authority upon application and a showing of good cause may exempt the Company from the requirement that the information be provided in Spanish:
- i) ~~the Customer's right to information concerning rates and services and the Customer's right to inspect or obtain at reproduction cost a copy of the applicable tariffs and service rules;~~
- ii) ~~the Customer's right to have their meter checked without charge under Section (7) of the Commission's Rule 7.45, if applicable;~~
- iii) ~~with an informational brochure in the mail~~the time allowed to pay outstanding bills;
- iv) ~~grounds for termination of service;~~
- v) ~~the steps the Company must take before terminating service;~~
- vi) ~~how the Customer can resolve billing disputes with the Company and how disputes and health emergencies may affect termination of service;~~
- vii) ~~information on alternative payment plans offered by the Company;~~
- viii) ~~the steps necessary to have service reconnected after requested service initiation or included with the first involuntary termination;~~
- ix) ~~the appropriate Regulatory Authority with whom to register a complaint and how to contact such authority;~~
- x) ~~the hours, addresses and telephone numbers of utility offices where bills may be paid and information may be obtained; and~~
- xi) ~~the Customer's right to be instructed by the Company how to read their meter.~~
- h) ~~At least once each calendar year, the Company shall notify Customers that information is available upon request, at no charge to the Customer, concerning the items listed in subsection~~

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~~(g) above. This notice may be accomplished by use of a billing insert or a printed statement upon the bill mailed itself. The Company may provide this notification to Customers electronically.~~

4.7 CUSTOMER COMPLAINTS

~~Upon complaint to the Company by residential or small commercial customers either at its office, by letter, or by telephone, the Company shall promptly make a suitable investigation and advise the complainant of the results thereof. The Company shall keep a record of all complaints which shall show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint.~~

4.8 COMPANY RESPONSE

~~Upon receipt of a complaint, either in writing by letter or by telephone, from the Regulatory Authority on behalf of a ~~Customer~~customer, the ~~Company will~~utility shall make a suitable investigation and advise the Regulatory Authority and complainant of the results thereof. An initial response must be made by the next business working day. The Company must make a final and complete response within 15 days from the date of the complaint, unless additional time is granted within the 15 day period. ~~Each complainant shall be advised of his or her right to file the complaint with the Regulatory Authority if not satisfied by the Company.~~The Commission encourages all customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of the Company; however, telephone communications will be acceptable.~~

4.89 LIMITATION OF LIABILITY

~~The Customer assumes all responsibility for all facilities and their installation, maintenance, operation, functionality, testing and condition thereof on the Customer's side of the point of delivery of gas to the property of the Customer or to the premises of the Consumer, as defined in Section 6.2. The Company is not liable to a Customer, and Customer shall indemnify, hold harmless, and defend the Company and its employees or agents from any and all claims or liability for personal injury, damage to property, or any incidental, consequential, business interruption, or other economic damages or losses in any manner directly or indirectly connected to, arising from, or caused by acts or omissions of any person or party on the Customer's side of said point of delivery, as defined in Section 6.2.~~

**THE CUSTOMER ASSUMES ALL RESPONSIBILITY FOR ALL FACILITIES AND THEIR INSTALLATION, MAINTENANCE, OPERATION, FUNCTIONALITY, TESTING AND CONDITION THEREOF ON THE CUSTOMER'S SIDE OF THE POINT OF DELIVERY OF GAS TO THE PROPERTY OF THE CUSTOMER OR TO THE PREMISES OF THE CONSUMER, AS DEFINED IN SECTION 12.11. THE COMPANY IS NOT LIABLE TO A CUSTOMER, AND CUSTOMER SHALL INDEMNIFY, HOLD HARMLESS, AND DEFEND THE COMPANY AND ITS EMPLOYEES OR AGENTS FROM ANY AND ALL CLAIMS OR LIABILITY FOR DAMAGES OF ANY KIND OR NATURE INCLUDING, BUT NOT LIMITED TO, PERSONAL INJURY, DAMAGE TO PROPERTY, ANY INCIDENTAL, CONSEQUENTIAL, BUSINESS INTERRUPTION, OR OTHER ECONOMIC OR OTHER DAMAGES OR LOSSES IN ANY MANNER DIRECTLY, INDIRECTLY OR ARISING FROM, OR CAUSED BY ACTS OR OMISSIONS OF ANY PERSON OR PARTY ON THE**

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**CUSTOMER'S SIDE OF SAID POINT OF DELIVERY OF GAS TO THE PROPERTY OF THE CUSTOMER OR TO THE PREMISE OF THE CONSUMER, AS DEFINED IN SECTION 12.11.**

The Company shall be liable to the Customer or Consumer only for personal injury or property damages ~~from or caused~~ directly caused by the negligent acts or omissions of the Company or its employees occurring on the Company's side of the point of delivery. The Company shall not be liable or responsible for damages of any kind or nature including, but not limited to, personal injury, property damages, or any other loss or damages arising from or caused by the ~~negligent acts or conduct,~~ negligence or intentional act or omission of any person, other than an employee of the Company, who adjusts, repairs, disconnects, changes, alters, or tampers with the Company's meter or facilities in any way.

~~The Company shall be liable to third parties only for personal injury or property damage directly arising from the negligence or gross negligence of the Company or its employees when acting within the scope of their employment.~~

In no event shall the Company or its employees be liable for any indirect, incidental, consequential, business interruption, or other economic damages or losses of Customer, Consumer, or third parties including, but not limited to, lost time, lost money, lost profits, or out of pocket expenses whether in contract, tort, or otherwise, and whether such damages are seen or unforeseen in any manner, directly or indirectly, arising from, caused by, or growing out of the interruption or termination of gas utility service.

If Company becomes unable to provide gas utility service, either wholly or in part, by an event of Force Majeure, the obligations affected by the event of Force Majeure will be suspended only during the continuance of that inability. The term "Force Majeure" means acts of God, extreme weather events, industrial disturbances, acts of public enemies, wars, blockades, insurrections, riots, epidemics, pandemics, earthquakes, fires, priority allocations of gas services, restraints or prohibitions by any court, board, department, commission or agency of the United States or of any States, any restraints, civil disturbances, explosions, or other occurrence beyond the control and without the fault or negligence of the Company and which the Company is unable to prevent or provide against by the exercise of reasonable diligence. Company will remedy its inability to provide gas utility service as soon as possible.

The Customer shall make or procure, and hereby agrees to make or procure, conveyance to the Company of perpetual right-of-way across the property owned or controlled by the Customer that is satisfactory to the Company, provides clear access to Company's facilities, and enables the Company to provide service to Customer's property or the premises of the Consumer.



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SECTION 5 — INITIATION OF SERVICE

5.1 REGULAR SERVICE

Application for service can be made by telephone or through the internet. Each Applicant must comply with the appropriate requirements of this Tariff before service shall be instituted. No written agreement shall be required for residential service under the standard provisions of this Tariff; commencement of service by the Company and the use of gas service by the Customer shall be evidence of such agreement. Any Customer requesting service under any special provision of this Tariff must execute a written agreement for service in the form prescribed by the Company designating those provisions which shall apply. Each Applicant may be required to produce two forms of verifiable identification; one being a government-issued identification card bearing a photograph of Applicant; and verifiable proof of their right to occupy a specific service address as of a specific date of occupancy.

5.2 RESPONSE TO REQUEST FOR SERVICE

Every gas utility must serve each qualified applicant for service within its service area as rapidly as practical. As a general policy, those applications not involving line extensions or new facilities should be filled within seven working days. Those applications for individual residential service requiring line extensions should be filled within 90 days unless unavailability of materials or other causes beyond the control of the Company result in unavoidable delays. In the event the residential service is delayed in excess of 90 days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report must be made to the Regulatory Authority listing the name of the applicant, location and cause for delay. Unless such delays are due to causes which are reasonably beyond the control of the utility, a delay in excess of 90 days may be found to constitute a refusal to serve.

5.3 SPECIAL CONTRACTS

Under certain special conditions, the Company may agree to rates, terms or conditions of service other than those provided in this Tariff. Such service must be established under the terms of a special contract or service agreement. To the extent that the provisions of any special contract are at variance with this Tariff, the provisions of the contract shall apply.

5.34 TEMPORARY SERVICE

Temporary Service shall be furnished under the same rate schedules applicable to regular service of a similar kind.

5.45 FEES AND CHARGES

The Company shall charge a non-refundable fee to each Applicant to compensate for the cost involved in initiation or reconnection of service or when service is transferred from one name to another at any location, or whenever a meter is reset or relocated on the same premises at the request of the Customer, all as specified in Section 21.15 of this Tariff.

Whenever the Applicant requests expedited service, the Company will accomplish the work as expeditiously as possible and the Customer will be charged at the Company's approved rate for service work. Expedited service and the charges therefore shall be made only on request of the Applicant. Whenever service is furnished from the facilities of a third party and the Company must pay any special

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~~fees to that third party, the Company may, at its option, pass that charge plus 20-percent<sup>0</sup>% for handling through to the Applicant requesting service. See Section 21.115 relating to fees for the above.~~

~~5.5 ESTABLISHMENT OF CREDIT~~

~~Each Applicant for service shall be required to make a security deposit in accordance with Section 10 of this Tariff to establish and maintain a satisfactory credit standing.~~

~~These deposits shall be computed in the same manner for the same class of service, provided however, that a deposit shall be waived if:~~

- ~~a) The Applicant has been a Customer for the same kind of service within the last two years and did not have more than one occasion in which a bill for service from any such utility service account was delinquent and no disconnection for non-payment was made;~~
- ~~b) The Applicant furnishes an acceptable letter of credit;~~
- ~~e) The Applicant demonstrates a satisfactory credit rating by presentation of satisfactory credit references capable of quick, inexpensive verification (applicable to residential Customers only);~~
- ~~d) The Applicant is 65 years of age or older and has no outstanding balance for natural gas utility service which accrued within the last two years (applicable to residential Customers only);~~
- ~~e) The application is made for and in the name of an organization with an acceptable credit rating from an agency providing a credit rating service on a national basis;~~
- ~~f) The application is made for or guaranteed by an agency of the federal, state or local government; or~~
- ~~g) The Applicant has been determined to be a victim of family violence as defined by TEX. FAM. CODE ANN. § 71.004. This determination shall be evidenced by the applicant/s submission of a certification letter developed by the Texas Council on Family Violence (made available on its Web site).~~

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~~SECTION 5.6 GROUNDS FOR — REFUSAL TO SERVE OF SERVICE~~

6.1 COMPLIANCE BY APPLICANT

The Company may ~~refuse service or decline to~~ serve an Applicant for ~~any of whom service is available from previously installed facilities until such Applicant has complied with the state and municipal regulations and approved rules and regulations of the Company on file with the Commission governing the service applied for or for the~~ following reasons:

~~a) Failure to pay fees, advances or contributions or to make any deposit required for service under this Tariff)~~ If the Applicant's installation or equipment is known to be hazardous or of such character that satisfactory and safe service cannot be given. The existence;

~~b) Failure of the Applicant to furnish any service or meter location specified for service under this Tariff;~~

~~e) Existence of an unsafe condition, such as a leak in the Applicant's piping system which, shall be in Company's sole opinion, may endanger of endangerment to life or property;~~

~~d) Theb) If the Applicant is indebted to the Company for the same class of utility service at kind of service as that applied for; provided, however, that in the event the indebtedness of the Applicant for service is in dispute, the same or another service location within Applicant shall be served upon complying with the Company's system; or applicable deposit requirement;~~

~~c) For refusal to make a deposit if Applicant is required to make a deposit under this Tariff;~~

~~d) Failure to pay fees, advances or contributions required for service under this Tariff;~~

e) Delinquency in payment for gas service by another occupant if that person still resides at the premises to be served;

~~f) To any Applicant who refuses Company or Company's representatives access to or entry for observation or whose facilities do not comply with the applicable provision of this Tariff.~~

~~g) Failure of the Applicant to furnish any service or meter location specified for service under this Tariff; or~~

~~h) Failure of the Applicant to provide satisfactory identifying information as required by the Federal Trade Commission's Red Flag Rules and the Company's Identity Theft Prevention Program.~~

The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve in a manner satisfactory to the Company.

6.2 APPLICANT'S RECOURSE

In the event that the Company shall refuse to serve an Applicant under this Section, the Company must inform the Applicant of the basis of its refusal and that the Applicant may file a complaint with the

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~~municipal regulatory authority or Commission, whichever is appropriate.~~ The right to refuse service shall terminate when the Applicant has complied with the Company's requirements or corrected the cause for the refusal to serve.

~~5.7 REASONABLE TIME~~

~~6.3 INSUFFICIENT GROUNDS FOR REFUSAL TO SERVE~~

~~The Company shall have a reasonable amount of time to institute service following application therefore shall not constitute sufficient cause for refusal of service to a present Customer or execution of an agreement Applicant:~~

- ~~a) Delinquency in payment for service. The time may vary depending on approvals and permits required, the extent of the facilities by a previous occupant of the premises to be served;~~
- ~~b) Failure to pay for merchandise or charges for nonutility service purchased from the utility;~~
- ~~c) Failure to pay a bill to correct previous underbilling due to misapplication of rates more than six months prior to the date of application;~~
- ~~d) built, and Violation of the Company's rules pertaining to operation of nonstandard equipment or unauthorized attachments which interfere with the service of others unless the customer has first been notified and been afforded reasonable opportunity to comply with these rules;~~
- ~~e) Failure to pay a bill of another customer as guarantor thereof unless the guarantee was made in writing to the Company as a condition precedent to service; and~~
- ~~f) workload Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of the Company's bill.~~

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SECTION 7 — DISCONTINUANCE OF SERVICE

7.1 CUSTOMER REQUESTED DISCONTINUANCE

The Customer shall be responsible for all charges and amounts billed from the time Customer gives notice of their intention to discontinue service until the Company has read the meter, or for 5 working days from the date of such notice, whichever is the shorter period of time.

7.2 DUE DATE OF BILL

The due date of the bill for the Company's service shall not be less than 15 days after issuance, or such other period of time as may be provided by order of the Regulatory Authority. A bill for the Company's service is delinquent if unpaid by the due date.

7.3 DELINQUENT ACCOUNT

A Customer's utility service may be disconnected if the bill or other charges authorized by this Tariff or the applicable rate schedules have not been paid or a deferred payment plan pursuant to this Tariff has not been entered into within five (5) working days after the bill has become delinquent and proper notice has been given. Proper notice consists of a deposit in the United States mail, postage prepaid, or hand delivery to the Customer at least five (5) working days prior to the stated date of disconnection, with the words "TERMINATION NOTICE" or similar language prominently displayed on the notice. The notice shall be provided in English and Spanish as necessary to adequately inform the Customer, and shall include the date of termination, the hours, address, and telephone number where payment may be made, and a statement that if a health or other emergency exists, the Company may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customers as specified in Section 15.

7.4 REASONS FOR DISCONNECTION

The Company's service may be disconnected for any of the following reasons:

- a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists or where a known dangerous condition exists for as long as the condition exists;
- b) Without notice for willful destruction or damage to or tampering with or bypassing the Company's meter or equipment by the Consumer or by others with knowledge or negligence of the Consumer;
- c) Within 5 working days after written notice for violation of the Company's rules pertaining to the use of service in a manner which interferes with the service of others or the operation of nonstandard equipment, if a reasonable attempt has been made to notify the Customer and the Customer is provided with a reasonable opportunity to remedy the situation.
- d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in higher priority classes pursuant to applicable Commission rules;

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- ~~e) 5 working days after written notice from the Company for refusal to grant Company personnel or its designee's access to the Consumer's premises at any reasonable time for any lawful purpose;~~
- ~~f) 5 working days after written notice from the Company for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;~~
- ~~g) For Customers on transportation service, the Company may discontinue service upon request of a Qualified Supplier, provided however, that the Qualified Supplier represents to the Company that notice has been given to the Customer by the Qualified Supplier of delinquency in payment at least 5 working days prior to Qualified Supplier's request for disconnection, and provided that Qualified Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;~~
- ~~h) failure to pay a delinquent account or failure to comply with the terms a deferred payment plan for installment payment of a delinquent account;~~
- ~~i) Failure to comply with deposit or guarantee arrangements where required by this Tariff; or~~
- ~~j) Within 5 working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.~~

7.5 DISCONNECTION NOT ALLOWED

The Company's service may not be disconnected for any of the following reasons:

- a) Within a period of 5 working days after mailing of the notice or the day following the date indicated in the notice, whichever is the later time.
- b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.
- c) delinquency in payment for service by a previous occupant of the premises.
- d) failure to pay for merchandise or charges for nonutility service by the Company.
- e) failure to pay for a different type or class of utility service unless fee for such service is included on the same bill.
- f) failure to pay the account of another customer as guarantor thereof, unless the Company has in writing the guarantee as a condition precedent to service.
- g) failure to pay charges arising from an underbilling occurring due to any misapplication of rates more than six months prior to the current billings.

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- ~~h) failure to pay charges arising from an underbilling due to any faulty metering, unless the meter has been tampered with or unless such underbilling charges are due.~~
- ~~i) failure to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless the Company is unable to read the meter due to circumstances beyond its control.~~
- ~~j) The Company may not discontinue service to a delinquent residential Customer permanently residing in an individually metered dwelling unit when that Customer establishes that discontinuance of service will result in some person residing at that residence becoming seriously ill or more seriously ill in the service is discontinued. Any Customer seeking to avoid termination of service under this Section must make a written request supported by a written statement from a licensed physician. Both the request and the statement must be received by the Company not more than five (5) working days after the date of delinquency of the bill. The prohibition against service termination provided by this Section shall last twenty (20) days from the date of receipt by the Company of the request and statement or such lesser period as may be agreed upon by the Company and the Customer. The Customer who makes such request shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.~~

7.6 TIME OF DISCONNECTIONS

Unless a dangerous condition exists, or unless the Customer requests disconnection, service shall not be disconnected before 7:00 AM or after 7:00 PM on any day, or on Friday, Saturday, Sunday, Holiday, or day before a Holiday unless Company personnel are available the following day for the purpose of making collections or reconnecting service.

7.7 SUSPENSION OF DISCONNECTIONS DURING EXTREME WEATHER EMERGENCY

Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, the Company shall not disconnect natural gas service to:

- a) A delinquent residential customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.
- b) A delinquent residential customer for a billing period in which the Company receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service.
- c) A delinquent residential customer on a weekend day, unless personnel or agents of the Company are available for the purpose of receiving payment or making connections and reconnecting service.

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~~The Company shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over and shall work with customers to establish a payment schedule for deferred bills.~~

~~Beginning in the September or October billing periods, the Company shall give notice as follows:~~

- ~~a) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to the social service agencies that distribute funds from the Low Income Home Energy Assistance Program within the Company's service areas. The Company may provide a copy electronically.~~
- ~~b) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to any other social service agency of which the Company is aware that provides financial assistance to low income customers in the Company's service areas. The Company may provide a copy electronically.~~
- ~~c) The Company shall provide a copy of Railroad Commission of Texas Rule 7.460, Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency, to all residential customers of the Company and customers who are owners, operators or managers of master metered systems. Owners, operators or managers of master metered systems shall provide a copy of this rule to all their customers. The Company may provide a copy electronically.~~

~~7.8 RECONNECTION OF SERVICE~~

- ~~a) When service has been disconnected for non-payment, the Company shall require that the Customer pay the total amount of their account then due plus the prescribed reconnect fee or make satisfactory arrangements for that payment before service is reinstated. In addition, the Company shall require that the Customer re-establish satisfactory credit in accordance with this Tariff.~~
- ~~b) If disconnection has been made by the Company for reasons other than non-payment, service shall not be reinstated until the condition for which it was terminated has been corrected to the Company's satisfaction. The Customer shall also be required to pay a reconnect fee before service is turned on. When service has been disconnected at the Customer's request for a period of one year or more, the request for service shall be treated as a new application. When service has been disconnected for less than one year, the request shall be treated in the same manner as a disconnection for non-payment.~~
- ~~c) The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Tariff. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 15. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 15. Customer shall be advised that an additional fee will be charged and must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected,~~



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~~the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 15 for fees.~~

~~7.9 RIGHT OF ENTRY TO DISCONNECT SERVICE~~

~~The Company shall have the right to enter the Consumer's premises at any reasonable time to shut off service in accordance with this Tariff and to remove its meter and any other Company property. If the Company is required to take legal action to enforce its rights hereunder, the Company shall be entitled to recover all of its necessary expenses and fees including, but not limited to attorneys' fees, police escort fees, the cost to discontinue service at the main, and/or the cost to relocate the meter at the Customer's expense.~~

~~7.10 ABANDONMENT OF SERVICE~~

~~The Company may not abandon a Customer without written approval from the Regulatory Authority. The Company will comply with Commission Rule 7.465.~~

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~~SECTION 8 — SECURITY DEPOSITS~~

~~8.1 ESTABLISHMENT OF CREDIT FOR RESIDENTIAL APPLICANT~~

~~The Company may require a residential Applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the Customer from complying with the rules and Tariff requirements for prompt payment of bills.~~

~~8.2 DEPOSIT REQUIRED~~

~~a) The Company shall require a security deposit from any present or prospective Customer in accordance with this Tariff to guarantee payment of bills and~~

~~b) From any present Customer who during the last 12 consecutive months has on more than one occasion paid its utility bill after becoming delinquent.~~

~~8.3 RESIDENTIAL DEPOSIT NOT REQUIRED~~

~~A residential Applicant shall not be required to pay a deposit:~~

~~a) if the residential Applicant has been a Customer of any utility for the same kind of service within the last two years and is not delinquent in payment of any such utility service account and during the last 12 consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment;~~

~~b) if the residential Applicant furnishes in writing a satisfactory guarantee to secure payment of bills for the service required; or~~

~~c) if the residential furnishes in writing a satisfactory credit rating by appropriate means, including, but not limited to, the production of generally acceptable credit cards, letters of credit references, the names of credit references which may be quickly and inexpensively contacted by the Company, or ownership of substantial equity.~~

~~d) All Applicants for residential service who are 65 years of age or older will be considered as having established credit if such Applicant does not have an outstanding balance with the Company or another utility for the same utility service which accrued within the last two years. No cash deposit shall be required of such Applicant under these conditions.~~

~~e) Each gas utility shall waive any deposit requirement for residential service for an Applicant who has been determined to be a victim of family violence as defined in Texas Family Code, §71.004, by a family violence center, by treating medical personnel, by law enforcement agency personnel, or by a designee of the Attorney General in the Crime Victim Services Division of the Office of the Attorney General. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site.~~

~~8.4 OTHER EXEMPTIONS FROM DEPOSIT~~

~~The Company may not require a deposit if:~~

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- ~~a) The Applicant has been a Customer for the same kind of service within the last two (2) years and does not have more than one (1) occasion in which a bill for service from any such utility service account was delinquent and never had service disconnected for nonpayment;~~
- ~~b) The Applicant furnishes a letter of credit acceptable and satisfactory to the Company; or~~
- ~~c) The application for service is made for or guaranteed by an agency of the federal, state or local government.~~

~~8.5 REESTABLISHMENT OF CREDIT~~

~~Every Applicant who has previously been a Customer of the Company and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all amounts due to the Company or execute a written deferred payment agreement, if offered, and reestablish credit as provided in Section 8.6.~~

~~8.6 AMOUNT OF DEPOSIT~~

~~The required deposit shall not exceed an amount equivalent to one-sixth of the estimated annual billings. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two (2) days. If such additional deposit is not made, the Company may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements.~~

~~8.7 INTEREST ON DEPOSITS~~

- ~~a) Each utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits according to the rate as established by law. If a refund of deposit is made within 30 days of receipt of deposit, no interest payment is required. If the Company retains the deposit more than 30 days, payment of interest shall be made retroactive to the date of deposit.~~
- ~~b) Payment of interest to the Customer shall be annually or at the time the deposit is returned or credited to the Customer's account.~~
- ~~c) The deposit shall cease to draw interest on the date it is returned or credited to the Customer's account.~~

~~8.8 RECORDS OF DEPOSITS~~

- ~~a) The Company shall keep records to show:
  - ~~i) the name and address of each depositor;~~
  - ~~ii) the amount and date of the deposit; and~~
  - ~~iii) each transaction concerning the deposit.~~~~
- ~~b) The Company shall issue a receipt of deposit to each Applicant from whom a deposit is received and shall provide means whereby a depositor may establish claim if the receipt is lost.~~

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- ~~c) A record of each unclaimed deposit must be maintained for at least four (4) years, during which time the Company shall make a reasonable effort to return the deposit.~~

~~8.9 REFUND OF DEPOSITS~~

~~Deposits on residential accounts returned to the Customer in accordance with Section 8.6 above shall be applied in the first calendar quarter following the month in which the good payment record is established. Whenever the deposit of any Customer is returned to the Customer, the Company shall pay all previously unpaid interest with the payment.~~

- ~~a) If service is not connected or after disconnection of service, the Company shall promptly and automatically refund the Customer's deposit plus accrued interest on the balance, if any, in excess of the unpaid bills for service furnished. The transfer of service from one premise to another within the service area of the Company shall not be deemed a disconnection within the meaning of these rules and no additional deposit may be demanded unless permitted by these rules.~~
- ~~b) When a residential Customer has paid bills for service for twelve (12) consecutive residential bills without having service disconnected for nonpayment of bill and without having more than two (2) occasions in which a bill was delinquent and when the Customer is not delinquent in the payment of the current bills, the Company shall promptly and automatically refund the deposit plus accrued interest to the Customer in the form of cash, check or credit to a Customer's account.~~

~~8.10 ACCEPTABLE FORMS OF DEPOSIT~~

~~Any one of the following forms of credit security may be accepted from Customers and Applicants for service:~~

- ~~a) A cash deposit of as much as one-sixth (1/6) the estimated annual billings for service requested; but no less than the minimum deposit set forth in Section ~~METERING~~15;~~
- ~~b) For commercial customers only, a nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one-sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 15; or~~
- ~~c) For commercial customers only, a surety bond issued by a reputable insurance company which can be drawn on for a minimum of 2 years~~

~~8.11 DEPOSITS FOR TEMPORARY OR SEASONAL SERVICE~~

~~The Company may require a deposit for temporary or seasonal service and for weekend or seasonal residences sufficient to reasonably protect it against the assumed risk, provided such a policy is applied in a uniform and nondiscriminatory manner.~~

~~8.12 SALE OR TRANSFER OF COMPANY~~

~~Upon the sale or transfer of the Company or operating units thereof, the Company shall file with the Commission under oath, in addition to other information, a list showing the names and addresses of all~~

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~~customers served by the Company or unit who have to their credit a deposit, the date such deposit was made, the amount thereof, and the unpaid interest thereon.~~

8.13 COMPLAINT

The Company shall direct its personnel engaged in initial contact with an Applicant or Customer for service seeking to establish or reestablish credit under the provisions of these rules to inform the Customer, if dissatisfaction is expressed with the Company's decision, of the Customer's right to file a complaint with the regulatory authority thereon.

8.14 FRANCHISE AGREEMENTS

To the extent the terms of a franchise agreement are inconsistent with this Section, the terms of the franchise agreement control. Applicable to customers inside the corporate limits of an incorporated municipality that imposes a franchise fee to Company for the gas service provided to Customer.

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~~SECTION 9 — BILLING AND PAYMENT OF BILLS~~

~~9.1 RENDERING OF BILLS~~

~~Bills for gas service shall be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills shall be rendered as promptly as possible following the reading of meters.~~

~~Bills shall be due and payable in full on or before the due date, which shall be stated on the face of the bill and shall not be earlier than fifteen (15) days after the bill is mailed (including electronic mail). Bills shall be considered to have been rendered when deposited in the United States Mail with postage prepaid thereon or, when the customer has elected to receive billings via electronic mail, when the electronic document has been sent. Payment shall be considered received when the correct amount has been received through a company authorized payment method. If not paid by the date due, the bill shall be considered delinquent.~~

~~9.2 REQUIRED BILL INFORMATION~~

~~The Customer's bill must show all the following information. The information must be arranged and displayed in such a manner as to allow the customer to compute their bill with the applicable rate schedule. The applicable rate schedule must be mailed to the Customer on request of the customer.~~

- ~~a) if the meter is read by the utility, the date and reading of the meter at the beginning and end of the period for which rendered;~~
- ~~b) the number and kind of units billed;~~
- ~~c) the applicable rate schedule title or code;~~
- ~~d) the total base bill;~~
- ~~e) the total of any adjustments to the base bill and the amount of adjustments per billing unit;~~
- ~~f) a distinct marking to identify an estimated bill.~~

~~9.3 ESTIMATED BILLS~~

~~Where there is good reason for doing so, estimated bills may be submitted, provided that an actual meter reading is taken at least every six months. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, the utility must provide the customer with a postcard and request that the customer read the meter and return the card to the utility if the meter is of a type that can be read by the customer without significant inconvenience or special tools or equipment. If such a postcard is not received by the utility in time for billing, the utility may estimate the meter reading and render the bill accordingly.~~

~~9.4 DISPUTED BILLS~~

- ~~a) In the event of a dispute between the Customer and the Company regarding the bill, the Company must make such investigation as is required by the particular case and report the~~

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~~results to the Customer. If the Customer wishes to obtain the benefits of subsection b) of this Section, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate Regulatory Authority.~~

- ~~b) Notwithstanding any other subsection of this Section, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60-day period beginning on the day the disputed bill is issued. For purposes of this Section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two (2) years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar customers and under similar conditions.~~

~~9.5 PAYMENT RE-PROCESSING FEE~~

~~The Company may charge or add to the Customer's account and collect a fee (as provided in Section 15) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit and credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.~~

~~9.6 ELECTRONIC BILLING STATEMENTS~~

~~The Customer may at their option receive bills via electronic mail. Customers shall provide current, accurate and complete information to the Company and shall update their information as necessary so that it remains current, accurate and complete. The Company may verify Customer information at any time.~~

~~9.7 PAYMENT OPTIONS~~

~~The Company, at its option and discretion, may contract with payment vendors to provide various payment options and authorize these vendors to accept payments from Customers on the Company's behalf. Payment options may be electronic, telephonic, in person, or by mail and may include automatic bank draft, credit/debit card, check or cash. Contracted payment vendors may charge Customers an additional fee for the use of that payment option and the contracted payment vendor shall be solely responsible for collecting any fee from the Customer.~~

~~9.8 DEFERRED PAYMENT PLANS~~

~~The Company, at its sole discretion, may offer a deferred payment plan for delinquent Customer accounts. Deferred payment plans shall conform to the following guidelines:~~

- ~~a) Every deferred payment plan entered into due to the Customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.~~
- ~~b) For purposes of determining reasonableness, the following shall be considered:~~
- ~~i) size of delinquent account;~~

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- ~~ii) Customer’s ability to pay;~~
  - ~~iii) Customer’s payment history;~~
  - ~~iv) time that the debt has been outstanding;~~
  - ~~v) reasons why debt has been outstanding; and~~
  - ~~vi) other relevant factors concerning the circumstances of the Customer.~~
- ~~c) A deferred payment plan, if reduced to writing, shall state immediately preceding the space provided for the Customer’s signature and in bold-face print at least two sizes larger than any other used that, “If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the Company’s failure or refusal to comply with the terms of this agreement.”~~
- ~~d) A deferred payment plan may include a one-time penalty up to 5.0% for late payment on the original amount of the outstanding bill except in cases where the outstanding bill is unusually high as a result of the Company's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan shall not include a finance charge.~~
- ~~e) If a Customer for utility service has not fulfilled the terms of a deferred payment agreement or refuses to sign the same if it is reduced to writing, the utility shall have the right to disconnect pursuant the disconnection rules in this Tariff, and under such circumstances, it shall not be required to offer a subsequent negotiation of a deferred payment agreement prior to disconnection.~~
- ~~f) The Company shall not refuse a Customer participation in a deferred payment plan on the basis of race, color, creed, sex, marital status, age, or any other form of discrimination prohibited by law.~~

~~9.9 AVERAGE PAYMENT PLAN~~

~~Any residential Customer or non-residential Customer with annual usage less than 500 Ccf may elect to participate in the Company’s Average Payment Plan (also known as the Average Bill Calculation Plan) (“APP Plan”). The terms, conditions, and other information regarding the Average Payment Plan are set forth on the Company’s website at [www.texasgasservice.com](http://www.texasgasservice.com), which is incorporated herein by reference.~~



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~~SECTION 10 — FACILITIES AND EQUIPMENT~~

~~10.1 STANDARDS OF CONSTRUCTION~~

~~The Company is to construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with the provisions of such codes and standards that are generally accepted by the industry as modified by rule or regulation of the Regulatory Authority or otherwise by law, and in such a manner to best accommodate the public and prevent interference with service furnished by other public utilities insofar as practical.~~

~~10.2 COMPANY OWNED FACILITIES~~

~~The Company shall maintain all facilities owned by it and shall be responsible for the safe conduct and handling of the gas until it passes the point of delivery. The Company's representative shall have the right to enter the Customer's premises at any reasonable time, in the event of an emergency at any time, to read the meter or make any necessary inspection, repair, adjustment, or replacement of any property owned by the Company.~~

~~10.3 CUSTOMER OWNED FACILITIES~~

- ~~a) The Customer shall maintain all facilities owned by them and shall be responsible for the safe conduct and handling of the gas after it passes the point of delivery. Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of Section 10.8 of this Tariff. New facilities will continue to be installed pursuant to Sections 10.5 and 10.6 of this Tariff.~~
- ~~b) The Customer shall remove, repair or adjust any Customer-owned property which may pose a threat of damage to the property of the Company. The Customer shall take all reasonable means to assure that no one other than an employee of the Company shall adjust, repair, disconnect or change the meter or other Company facilities in any way.~~
- ~~c) Nothing in this Section shall make the Company responsible for the safe upkeep of any Customer or Consumer-owned facilities.~~
- ~~d) In case of loss or damage to the Company's property from the negligence or willful acts of the Customer or Consumer or the Customer's or Consumer's representatives, the Customer will reimburse the Company for all costs of repairing or replacing the damaged property, including any costs of collection such as attorney's fees.~~

~~10.4 LEAKS~~

~~The Customer or Consumer shall give the Company notice of any leaking or escaping gas as soon as it is detected. Upon receipt of this notice, the Company shall investigate the matter as promptly as feasible under the circumstances. If the Company's test indicates leakage in the Customer's or Consumer's facilities, the Company shall have the right to disconnect service immediately until the Customer or Consumer has had the condition corrected. If leakage is found to be from Company owned facilities, the Company shall have the right to disconnect service for a reasonable period of time until the leakage can be corrected by the Company. The Company shall have the right to disconnect service immediately if~~

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~~any of the Customer's or Consumer's appliances or equipment is, in the Company's opinion, operating in an unsafe manner.~~

10.5 MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY

- a) The Company shall furnish and install at its expense, the service pipe from the Company's existing main to the property line nearest the meter and the equipment related thereto, including meter valve and service regulator. Although affixed to or buried in the Customer's property, the entire service line and meter set shall become the property of the Company and shall be operated and maintained by the Company.
- b) Whenever the meter is located at any point other than the property line, the Company shall determine the estimated cost of that portion of the service between the property line and the meter set. This estimate shall be based on the size and footage to be installed and charged in accordance with Section 11 and other applicable provisions of this Tariff. This estimated amount shall be contributed by the Applicant to the Company before construction, unless the Applicant is a qualified Blanket Builder.

10.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT

- a) The Applicant shall furnish and install at their expense all piping, equipment and appliances required to conduct and utilize the gas furnished by the Company and conversions of existing equipment and appliances required to conduct and utilize the gas furnished by the Company from the outlet of the meter set to the point(s) of utilization and those portions of the service line and meter set not furnished by the Company as described in Section 10.5.
- b) The adequacy, safety and compliance with applicable codes and ordinances of piping, conversion equipment and appliances shall be the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility for the facilities installed or furnished by them. All piping, installations, and conversion equipment owned by the Applicant shall comply with all applicable federal, state, and county requirements and municipal ordinances, or otherwise, and shall be properly designed for the pressures and volumes to be handled. Where there are none, the most current International Fuel Gas Code shall apply.

10.7 RELOCATION OF COMPANY FACILITIES

- a) A charge of not more than actual cost may be made for relocating a meter or other Company equipment on the same premises at the request of the Customer or Consumer.
- b) If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.

10.8 REPLACEMENT OF CUSTOMER-OWNED PIPING

- a) When repair or replacement of Customer-owned piping becomes necessary due to deterioration of the Company's line, damage to the Company's line (except when caused by Customer or Customer's agent), relocation of the Company's distribution main, or for other safety reasons

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~~determined by the Company, the Company may relocate the Customer's meter to the exterior of the building wall, as close as possible to the existing stub out (where piping exits the structure), and may replace the service piping up to the stub out. The Company will own and be responsible for all service piping from the main line to the meter, and Customer will own and be responsible for all piping from the meter to the building.~~

~~b) The Customer may be billed for all costs of the meter relocate and pipeline replacement.~~

~~c) In the absence of any provision contained in a deed of dedication authorizing the Company to install the service piping and meter on Customer's premises, the owner of the premises shall execute an agreement establishing the meter location, authorizing the Company to install or replace the line, and granting Company access for such work. If the Customer or owner of the premises refuses to give Company personnel or Company authorized personnel appropriate access to the property for purposes of installation, the Customer will retain responsibility for their facilities and shall bear the expense of any replacement or repairs.~~

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SECTION 11 — EXTENSION OF FACILITIES

11.1 LINE EXTENSION AND CONSTRUCTION CHARGES

- a) Every utility must file its extension policy. The policy must be consistent, nondiscriminatory, and is subject to the approval of the Regulatory Authority. No contribution in aid of construction may be required of any customer except as provided for in the extension policy.
- b) The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) and Company must mutually agree to terms that justify the installation.

11.2 DESIGN AND COST OF FACILITIES

As soon as practical after a completed application for service is received, the Company shall determine the extent of the facilities required to serve the new customer and the cost thereof. This cost shall include all amounts to be spent for system improvements necessary to deliver the required gas, in accordance with the Company's current practice. Whenever the Company chooses to install facilities of greater capacity than would be required to serve the new customer for which the application is being made or to permit supply from another source, the estimate of costs shall be based on only the size and capacity normally used to serve requirements similar to that of the Applicant.

11.3 ALLOWANCE FOR NEW BUSINESS

The Company shall also determine the number of existing permanent Customers located along the route of the extension expected to be served therefrom. To be included, the occupant of each premise must request service and demonstrate capability for using such service through a major gas burning appliance. Single or groups of individually owned mobile homes shall be included only if the wheels and hitch have been removed from each mobile home and/or substantial improvements have been made to the property. Mobile home parks may be served either through a master meter or individual meters served by a Company-owned system, provided that required mains can be installed and dedicated streets or rights-of-way have been provided to the Company for installation of facilities as evidenced by agreement executed on the Company's form. An allowance to be determined by the Company may be given for each Customer whose premises exist at the time of application to be served from the proposed main extension. In order to qualify for this allowance, the Customer must file an application and agree to initiate gas service upon completion of the Company's facilities.

11.4 ADVANCES

The mutually agreed upon terms will determine the amount of advance required. The Applicant shall have 30 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.

11.5 CONSTRUCTION OF FACILITIES

As soon as practical after the advance has been paid or it has been determined that no advance will be required, the Company shall begin construction of the required facilities and thereafter prosecute the work with reasonable diligence. The Company shall not be responsible for delays in the construction of

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the facilities occasioned by events or conditions reasonably beyond the Company's control. Whenever the construction of the new facilities requires the acquisition of rights-of-way across the Applicant(s) land(s), these rights-of-way shall be provided by the Applicant(s) in the Company's name and on its form at no cost to the Company (except for fees involved in the recording of documents).

11.6 REVIEW OF ADVANCES

The Company shall review each extension agreement on the first anniversary of the signing of that agreement. Upon the Applicant(s) request if the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth execution dates. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund, shall be given for each additional Customer served, based on mutually agreed upon terms provided that the total of the refunds given does not exceed the cost of the extension of facilities.

11.7 REFUND LIMITATIONS

The Company may, at its sole option, make a refund at any time. In no case, however, shall a refund be given unless the number of Customers then served is greater than the number for whom refunds have previously been given. No refund shall be given which shall cause the total refunds to be greater than the total amount of the advance. No interest shall be paid on any advance made under the provisions of this Section. ~~At the end of the five-year period, any remaining amount of the advance shall be retained by the Company as a contribution in aid of construction.~~

11.8 DELIVERY OF ~~GAS~~REFUNDS

Upon Applicant(s) request, when a refund is due, a check in the appropriate amount and a letter setting forth the method of calculation of the refund and the balance remaining un-refunded shall be made to the person or business in whose name the extension agreement is made or to their assignee. If that letter is returned undelivered, the check shall be cancelled and the next review made without regard to that refund. All sums described in this Section which are returned undelivered and remain unclaimed in the Company's possession for a period of six months following expiration of the ~~five~~6-year period of the extension agreement shall be retained by the Company and considered a contribution in aid of construction.

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SECTION 12 — METERS

12.1 METER REQUIREMENTS

- a) All gas sold by the Company must be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the Regulatory Authority, or tariff.
- b) Unless otherwise authorized by the Regulatory Authority, the Company must provide and install and will continue to own and maintain all meters necessary for measurement of gas delivered to its customers.
- c) The Company may not furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.

12.2 METER READING

Meters shall be read as nearly as may be practical on the same day of each calendar month. Whenever a reading of a general service meter is missed or the meter is not registering, the Company shall estimate the amount of gas used during the period. Such estimates shall be based on either -

- a) That Customer's use of gas during the same period(s) in previous years;
- b) That Customer's normal use of gas during preceding months; or
- c) The use of a similar Customer for the period missed.

If practical, an actual reading shall be made after two consecutive estimated bills. All meters in Special Service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Service Customer only. The Company will make a special reading of any meter upon request and may assess a service charge in accordance with Section 15. The time of the special reading shall be agreed upon with the Customer so that they may be present. If the original reading was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.

12.3 METER LOCATION

The Company shall have the sole right to determine the location of the meter in accordance with the needs of the service.

Each Applicant shall furnish and subsequently maintain a suitable location on his or her premises for the Company's meter and related facilities at a point selected by the Company. Meters shall be located where they will be safely accessible for reading and service, adequately ventilated, and not subject to damage. Meters shall not be located within any enclosed area unless the enclosure is solely intended as a meter house, or in the Company's opinion, conditions prohibit installation outside. It may be necessary for the Company to install bollards or guard posts around the meters for safety.

12.4 METER RECORDS

The Company must keep the following records:

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- ~~a) The Company must keep a record of all its meters, showing the Customer's address and date of the last test.~~
- ~~b) All meter tests must be properly referenced to the meter record provided for therein. The record of each test made on request of a Customer must show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made, the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.~~
- ~~c) In general, each meter must indicate clearly the units of service for which charge is made to the Customer.~~

12.5 METER ACCURACY

The accuracy limit of all Company meters is established at two percent (2%) fast or slow. Any meter found to be registering outside of the limits of accuracy shall immediately be removed or repaired. As long as the meter is operating within the limits of accuracy, it shall be the conclusive determination as to the quantities of gas delivered to the Customer on whose service it is set.

12.6 PERIODIC TESTS

The Company shall make periodic tests of meters, associated devices and instruments to assure their accuracy. Such tests shall be scheduled within the calendar year or earlier, when the interval is stated in years; or within the calendar month, or earlier when the interval is stated in months. The basic periodic test interval shall be no longer than provided for in the manufacturer's recommendations, a copy of which is available upon request.

12.7 ACCESS TO THE METER

The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 5 working days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 15.

12.8 METER TESTING AT CUSTOMER REQUEST

- ~~a) The Company must, upon request of a Customer, make a test of the accuracy of the meter serving that Customer. The Company must inform the Customer of the time and place of the test and permit the Customer or his authorized representative to be present if the Customer so desires. If no such test has been performed within the previous four (4) years for the same Customer at the same location, the test is to be performed without charge. If such a test has been performed for the same Customer at the same location within the previous four (4) years, the Company is entitled to charge a fee for the test not to exceed \$15 or such other fee for the testing of meters as may be set forth in Section 15 of this Tariff properly on file with the Regulatory Authority. The Customer must be properly informed of the result of any test on a meter that serves him.~~
- ~~b) Notwithstanding subsection (a) of this Section, if the meter is found to be more than nominally defective, to either the Customer's or the Company's disadvantage, any fee charged for a meter~~

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~~test must be refunded to the Customer. More than nominally defective means a deviation of more than 2.0% from accurate registration.~~

12.9 BILLING ADJUSTMENTS DUE TO METER ERROR

- a) If any meter test reveals a meter to be more than nominally defective, the Company must correct previous readings consistent with the inaccuracy found in the meter for the period of either:
  - i) the last six months; or
  - ii) the last test of the meter, whichever is shorter. Any resulting underbillings or overbillings are to be corrected in subsequent bills, unless service is terminated, in which event a monetary adjustment is to be made. This requirement for a correction may be foregone by the Company if the error is to the Company's disadvantage.
- b) If a meter is found not to register for any period of time, the Company may make a charge for units used but not metered for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated customers, when not available.

12.10 PROVISIONS FOR SPECIAL SERVICE

The following modifications shall apply to the provisions of this Section for all Special Service rate schedules and service under special written agreements:

- a) Turbine meters shall be tested at least once each calendar year. Orifice meters shall be tested at a minimum: every 6 months for 0-500 Mcf/d; every 3 months for volumes 500-2000 Mcf/d; and every month for volumes 2000 Mcf/d and greater. Should the Customer so elect, tests shall be made in the presence of his or her representative.
- b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:
  - i) by using registration of Customer's check meter(s);
  - ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or
  - iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.

6-212.11 POINT OF DELIVERY

The point of delivery of gas sold by the Company to the Customer shall be at the outlet side of the Company's meter, provided that in those cases in which the Customer owns a section of the underground pipe between the Customer's property line and the meter, the point of delivery shall be at the property



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line. The title of all gas sold by the Company to the Consumer shall pass from the Company at the point of delivery. The point(s) of delivery and point(s) of redelivery for Transportation Service shall be as provided in the contract entered into between the Customer and the Company.

12.12 CONNECTION TO COMPANY FACILITIES

No Consumer shall make any connection or alteration of any kind on any of the Company's facilities upstream of the Company's meter or shall permit any other person to make such connection or alteration.

~~6.3~~12.13 MULTIPLE METERS

Each Customer or group of Customers located on the same lot or tract of land may be served from a single meter location. The Company may, at its option, permit additional meter locations to simplify installation of facilities or provide better service. Whenever more than one meter location is permitted for the same Customer, the Company shall bill the usage through each meter separately, provided that any combined billings in effect at the time of adoption of this Tariff may be continued until the affected Customer discontinues service or upon order by the Regulatory Authority.

~~6.4~~ CONNECTION TO COMPANY FACILITIES

~~No Consumer shall make any connection or alteration of any kind on any of the Company's facilities upstream of the Company's meter or shall permit any other person to make such connection or alteration.~~

INSTALLATION OF EQUIPMENT

~~7.1~~ EQUIPMENT FURNISHED BY THE COMPANY

~~The Company shall furnish and install at its expense, the service pipe from the Company's existing main to the property line nearest the meter and the equipment related thereto, including meter valve and service regulator. Whenever the meter is located at any point other than the property line, the Company shall determine the estimated cost of that portion of the service between the property line and the meter set. This estimate shall be based on the size and footage to be installed, and charged in accordance with Section 8 and other applicable provisions of this Tariff. Although affixed to or buried in the Customer's property, the entire service and meter set shall become the property of the Company and shall be operated and maintained by the Company.~~

~~7.2~~ EQUIPMENT FURNISHED BY THE APPLICANT

~~The Applicant shall furnish and install at his or her expense, all piping and equipment required to conduct and utilize the gas furnished, from the outlet of the meter set to the point(s) of utilization and those portions of the service line and meter set not furnished by the Company as described in Section 7.1 above. The adequacy, safety and compliance with applicable codes and ordinances shall be the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility for the facilities installed by him or her.~~

~~7.3~~ STATUTES, CODES AND ORDINANCES

~~All piping and installations owned by the Applicant shall comply with all applicable legal requirements, whether federal, state, county, municipal or otherwise and shall be properly designed for the pressures and volumes to be handled. In those locations where there are no applicable state~~

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~~or local requirements the applicable provisions of the National Fuel Gas Code 54; ANSI Z223.1 and any amendments thereto shall apply.~~

~~7.4 — CHECKS AND TESTS~~

~~The Company shall have the right to check new installations prior to initiation of service and to make any test of the Applicant's facilities it deems necessary, at no charge to the customer.~~

~~7.5 — REFUSAL TO SERVE~~

~~The Company shall refuse service to any Applicant who refuses entry for observation or whose facilities do not comply with the applicable provisions of this Tariff. The right to refuse service shall terminate with the correction of the condition(s) which was cause for refusal. Initiation of service, however, shall not be considered to be acceptance or approval by the Company of such facilities.~~

EXTENSION OF FACILITIES

~~8.1 — EXTENSION OF MAINS~~

~~The Company shall install the necessary facilities to provide service to Applicants whose premises are located beyond the Company's existing distribution facilities in accordance with the provisions of this Section. The expenditure for such extensions must either be cost justified or the Applicant(s) and Company must mutually agree to terms that justify the installation.~~

~~8.2 — DESIGN AND COST OF FACILITIES~~

~~As soon as practical after an application for service is received, the Company shall determine the extent of the facilities required to serve the new business and the cost thereof. This cost shall include all amounts to be spent for system improvements necessary to deliver the required gas, such as mains, regulator and meter stations, upgrading and/or reinforcement, all in accordance with the Company's current practice. Whenever the Company chooses to install facilities of greater capacity than would be required to serve the new business for which the application is being made or to permit supply from another source, the estimate of costs shall be based on only the size and capacity normally used to serve requirements similar to that of the Applicant.~~

~~8.3 — ALLOWANCE FOR NEW BUSINESS~~

~~The Company shall also determine the number of existing permanent Customers located along the route of the extension expected to be served therefrom. To be included, the occupant of each premise must request service and demonstrate capability for using such service through a major gas burning appliance. Single or groups of individually owned mobile homes shall be included only if the wheels and hitch have been removed from each mobile home and/or substantial improvements have been made to the property. Mobile home parks may be served either through a master meter or individual meters served by a Company owned system, provided that required mains can be installed and dedicated streets or rights of way have been provided to the Company for installation of facilities as evidenced by agreement executed on the Company's form. An allowance to be determined by the Company may be given for each Customer whose premises exist at the time of application to be served from the proposed main extension. In order to qualify for this allowance, the Customer must file an application and agree to initiate gas service upon completion of the Company's facilities.~~

~~8.4 — ADVANCES~~

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~~The mutually agreed upon terms will determine the amount of advance required. The Applicant shall have 30 calendar days after notification of the amount required to execute an extension agreement on the Company's form and pay the required advance. At the end of that time, the Company may revise its estimates to reflect any changes in costs or conditions which will affect the amount of the advance. The Company may waive collection of any advance based on an economic analysis of the project.~~

~~8.5 CONSTRUCTION OF FACILITIES~~

~~As soon as practical after the advance has been paid or it has been determined that no advance will be required, the Company shall begin construction of the required facilities and thereafter prosecute the work with reasonable diligence. The Company shall not be responsible for delays in the construction of the facilities occasioned by events or conditions reasonably beyond the Company's control. Whenever the construction of the new facilities requires the acquisition of rights of way across the Applicant(s) land(s), these rights of way shall be provided by the Applicant(s) in the Company's name and on its form at no cost to the Company (except for fees involved in the recording of documents).~~

~~8.6 REVIEW OF ADVANCES~~

~~The Company shall review each extension agreement on the first anniversary of the signing of that agreement. Upon the Applicant(s) request if the extension provided for in the agreement has not been installed through no fault of the Company, the agreement shall be considered to be terminated and a complete refund made to the Applicant(s). Once the extension has been installed and service has been initiated, the Company shall thereafter review the extension agreement at its second through fifth execution date. At each review, the number of Customers then served directly from the extension shall be compared with the number served on the last prior anniversary date. A refund shall be given for each additional Customer served, based on mutually agreed upon terms provided that the total of the refunds given does not exceed the cost of the extension of facilities.~~

~~8.7 REFUND LIMITATIONS~~

~~The Company may, at its sole option, make a refund at any time. In no case, however, shall a refund be given unless the number of Customers then served is greater than the number for whom refunds have previously been given. No refund shall be given which shall cause the total refunds to be greater than the total amount of the advance. No interest shall be paid on any advance made under the provisions of this Section. At the end of the five year period, any remaining amount of the advance shall be retained by the Company as a contribution in aid of construction.~~

~~8.8 DELIVERY OF REFUNDS~~

~~Upon Applicant(s) request, when a refund is due, a check in the appropriate amount and a letter setting forth the method of calculation of the refund and the balance remaining un-refunded shall be made to the person or business in whose name the extension agreement is made or to his or her assignee. If that letter is returned undelivered, the check shall be cancelled and the next review made without regard to that refund. All sums described in this Section which are returned undelivered and remain unclaimed in the Company's possession for a period of six months following expiration of the five year period of the extension agreement shall be retained by the Company and considered a contribution in aid of construction.~~

CUSTOMER OWNED SYSTEMS

9.12.14 INDIVIDUALLY METERED SYSTEMS

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The Company shall not render service to any Customer through a meter not connected to a system owned by the Company or one of the Company's suppliers.

9.212.15      MASTER METERS

The Company shall provide service through a master meter into the piping systems of others to be distributed to more than one Consumer, except when the gas served is resold to those Consumers on either a commodity or separate cost of service basis; provided, however, that those Customers purchasing gas for redistribution to the Customer's own tenants only on the Customer's premises may separately meter each tenant distribution point for the purpose of prorating the Consumer's actual purchase price of gas delivered among the various tenants on a per unit basis, and further provided that the provisions of this Section 9 shall not preclude the Company from supplying natural gas to a third party for resale to the public as fuel for natural gas powered vehicles (NGV's).

SECURITY DEPOSITS

10.1      REQUIREMENTS

~~The Company shall require a security deposit from any present or prospective Customer in accordance with Sections 5.5 and 19.1 of this Tariff to guarantee payment of bills, and from any present Customer who during the last 12 consecutive months has on more than one occasion paid their utility bill after becoming delinquent. However, the deposit requirement may, at the option of the Company be based on annual usage experienced at the particular address with application of one-sixth of the annual amount as determined as the required deposit. If actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. The deposit shall be refunded to residential Customers when the Customer has paid 12 consecutive bills without having service disconnected for non-payment, and without having one or more occasion in which a bill was delinquent or a payment was returned, and the Customer is not currently delinquent.~~

10.2      RECEIPTS

~~The Company shall maintain such records as may be necessary to permit any Customer to receive any deposit return to which he or she is entitled without presentation of the receipt. A record of any unclaimed deposits shall be maintained by the Company for at least 4 years.~~

10.3      INTEREST

~~The Company shall pay interest on all security deposits for the time held at the rate as set by the Public Utility Commission annually except when~~

- ~~a)      The deposit is held 30 days or less;~~
- ~~b)      Notice is sent to the Customer's last known address that the deposit is no longer required;~~
- ~~c)      The service to which the deposit relates has been discontinued; or~~
- ~~d)      All or any part of the deposit has been applied to a delinquent account.~~

~~Interest on deposits earned during the preceding year shall be paid to the Customer during the first quarter of each calendar year. Payment shall be made either by check or as a credit on the monthly bill at the Company's option.~~

10.4      RETURN OF DEPOSITS

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~~Deposits on residential accounts returned to the Customer in accordance with Section 10.1 above shall be applied in the first calendar quarter following the month in which the good payment record is established. Whenever the deposit of any Customer is returned to the Customer, the Company shall pay all previously unpaid interest with the payment.~~

~~10.5 ACCEPTABLE FORMS OF DEPOSIT~~

~~Any one of the following forms of credit security may be accepted from Customers and Applicants for service:~~

- ~~a) A cash deposit of as much as one sixth (1/6) the estimated annual billings for service requested, but no less than the minimum deposit set forth in Section 21.2;~~
- ~~b) A nontransferable, irrevocable letter of credit from an established financial institution, payable for as much as one sixth (1/6) the estimated annual billings for services requested and, which can be drawn on for a minimum of two (2) years; but no less than the minimum deposit set forth in Section 21.2; or~~
- ~~e) A surety bond issued by a reputable insurance company which can be drawn on for a minimum of 2 years.~~

~~10.6 FRANCHISE AGREEMENTS~~

~~To the extent the terms of a franchise agreement are inconsistent with this Section, the terms of the franchise agreement controls. Applicable to customers inside the corporate limits of an incorporated municipality that imposes a municipal franchise fee to Company for the gas service provided to Customer.~~

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SECTION 13 — GAS MEASUREMENT

~~13.1~~ PRESSURE

The standard serving and measurement pressure shall be 4 ounces (0.25 psig) or 7" Water Column above the standard atmospheric pressure in the area served. The atmospheric pressure and ~~the~~ standard serving pressure determined to be the average in the cities and environs of the Rio Grande Valley Service Area are 14.40 psia and 14.65 psia, respectively.

The Consumer and the Company may, at the Company's option, agree to a higher serving pressure. Service regulators shall be set as close as practical to the standard serving pressure under a load condition of approximately 10 percent of meter capacity. Increases in serving pressure because of the inadequacy of the Consumer's facilities shall not be permitted.

~~13.2~~ UNIT OF MEASUREMENT

The standard unit of measurement shall be one hundred cubic feet (Ccf). A cubic foot shall be defined as the amount of gas which occupies a volume of one cubic foot at the standard serving pressure and at a temperature of 60 degrees Fahrenheit. Whenever the Company delivers gas at any pressure other than the standard serving pressure, volumes shall be corrected to the standard serving pressure in the manner provided in this Tariff, provided however, that such correction may be made to any other standard provided in the rate schedules or special agreement under which the Customer is served. The Company may, at its sole option, waive the correction of measurement for temperature deviation.

~~13.3~~ BILLING UNIT

Unless otherwise specified on the rate schedules or by special agreement, Customers shall be billed on the basis of Ccf measured at or corrected to the standard serving pressure. The index of the meter shall be the sole determinant of volumes passing through the meter. Whenever the meter reads directly in hundreds or smaller units, a reading of one-half a billing unit or more (500 Ccf or more) shall be considered a whole billing unit. Readings of less than one-half a unit shall be disregarded for billing. In those cases in which heating value is used as the billing unit, the calculation of the heating value in BTU's shall be made in accordance with Section ~~13.7~~ of this Tariff.

~~13.4~~ PRESSURE CORRECTION - STANDARD METERING

Whenever gas is delivered to any Customer served under a rate schedule which provides for standard metering, the Company shall correct actual volumes measured to volumes which would have been measured if the gas had been delivered at the standard serving pressure. Corrections shall be made by one of the following methods:

- a) The Company may install pressure or pressure and temperature compensating measurement equipment whenever the cost of this equipment is justified by the volumes served. Such measurements shall be equipped with devices which mechanically or electronically correct the actual measured volumes in accordance with Boyle's Law. Variations in actual atmospheric pressure shall not be considered.
- b) The Company may use factor billing whenever the volumes to be delivered are too small to justify special metering. The factor shall be determined by dividing the actual serving pressure by the standard serving pressure, both expressed in absolute units based on the standard

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atmospheric pressure in the area as specified in Section ~~11~~13.1 hereof. This factor shall be applied to the measured volumes to determine the correct number of billing units.

~~11~~13.5 METERING - SPECIAL POSITIVE DISPLACEMENT

Whenever gas is delivered to any Customer served under a rate schedule which provides for special metering and positive displacement or turbine type metering is used, all volumes shall be determined in accordance with the recommendations of the manufacturer of the meter. Meters may be read in actual volumes which shall then be corrected to the standard billing unit or may be furnished with devices designed to correct the actual volumes to the standard billing units. The following criteria shall be used in the correction of volumes or design and calibration of correcting devices:

- a) Pressure correction shall be made in accordance with Boyle's Law. Calculations based on pressure reading on a continuously recording chart shall use the average pressure indicated thereon applied to the measured volumes. Correcting devices shall be set at the specified serving pressure and the service regulators shall be adjusted as close to that pressure as practical. Corrections for deviations from Boyle's Law ("~~supercompressability~~supercompressibility") may be made whenever the volumes delivered justify the cost of making such corrections.
- b) The flowing temperature of the gas shall be assumed to be 60 degrees Fahrenheit unless temperature correction is provided. Corrections shall be made in accordance with Charles' Law.
- c) Whenever a continuously recording instrument is used, the average temperature indicated thereon shall be applied to the measured volumes. The specific gravity of the gas shall be assumed to be the value last indicated by test or reported by the upstream pipeline supplier prior to the installation of the metering facilities. Whenever subsequent reports or ~~test~~test indicate significant changes in gravity, volume calculations shall be changed prospectively to reflect the new gravity.

~~11~~13.6 METERING - SPECIAL ORIFICE

Whenever gas is delivered to any Customer served under a rate schedule with provisions for special metering and orifice metering is used, all volumes shall be determined in accordance with the recommendations for measuring gas contained in the American Gas Association's Gas Measurement Committee Report No. 3, Orifice Metering of Natural Gas (1992), and subsequent revisions thereof. Orifice meter charts shall be calculated using a standard integrating device or other method recognized in the industry. The following criteria shall be used in the correction of volumes or design and calibration of orifice metering:

- a) Correction for deviation of gas from Boyle's Law shall be made in accordance with Report No. 3.
- b) Temperature of gas passing the meter shall be assumed to be 60 degrees Fahrenheit unless suitable equipment has been installed to measure actual flowing temperature. The arithmetical average of the temperature recorded during each meter charge period while the gas is flowing shall be used in the computations of volumes during the period.

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- c) The standard atmospheric pressure for the area served shall be used for measurement irrespective of any variation in the actual barometric pressure.
- d) The specific gravity of the gas shall be assumed to be the value last obtained in a spot test made with a gravity balance, impact type unit or other acceptable method. Tests shall be made as frequently as found necessary to assure accurate measurement.

~~13.7~~ BTU MEASUREMENT

The heating value of gas for use in billing shall be defined as the gross thermal value of one cubic foot of gas at a pressure of 14.6573 psia and temperature of 60 degrees Fahrenheit on a dry basis. The number of billing units delivered shall be determined by multiplying the heating value determined in accordance with this Section by the volumes delivered during the period, expressed in the same units and measured at, or corrected to 14.6573 psia and 60 degrees Fahrenheit, and multiplying by the factor necessary to convert the heating value/measurement units to the billing units provided in the appropriate rate schedule. The heating value of the gas shall be determined using one of the following methods:

- a) Processing a continuous sample of the main stream at the meter location through a recording calorimeter of a standard type;
- b) Analysis of gas samples accumulated from the main stream at the meter location in a sample bottle of an approved type:
  - i) passing the sample through a recording calorimeter of a standard type;
  - ii) passing the sample through a flow calorimeter of a standard type; or
  - iii) passing the sample through a chromatograph to determine the chemical composition and calculating the total heating value from the sum of the constituents.

~~13.8~~ CUSTOMER-OWNED/INSTALLED AND OPERATED METERS

A Customer may install and operate a meter or any other device to measure gas volumes, pressure, temperature, BTU content or specific gravity downstream of the point of delivery. Unless expressly otherwise agreed to by the Company and Customer, however, the Company's meter and equipment shall be the sole determinant of volumes for Company's billing purposes.

METER READING AND ACCURACY

~~12.1~~ METER READING

~~Meters shall be read as nearly as may be practical on the same day of each calendar month. Whenever a reading of a general service meter is missed or the meter is not registering, the Company shall estimate the amount of gas used during the period. Such estimates shall be based on either~~

- ~~a) That Customer's use of gas during the same period(s) in previous years;~~
- ~~b) That Customer's normal use of gas during preceding months; or~~



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~~e) The use of a similar Customer for the period missed.~~

~~If practical, an actual reading shall be made after two consecutive estimated bills. All meters in Special Service shall be read at least once a month. Whenever such a meter fails to register or is misread, the amount of gas used during the preceding period shall be estimated using data applicable to that Special Service Customer only. The Company will make a special reading of any meter upon request and payment of a service charge will be made in accordance with Section 21.1. The time of the special reading shall be agreed upon with the Customer so that he or she may be present. If the original reading was in error (subject to consumption between the two readings) the service charge will be refunded to the Customer.~~

~~12.2 ACCESS TO THE METER~~

~~The Customer shall permit the Company safe access to the meter at all reasonable times for reading thereof and at all reasonable times for reading, maintenance, testing, or replacement of the meter. Upon the Customer's failure or refusal to grant such access, the Company may issue a written notice to the Customer, advising them the situation must be corrected and access granted within 20 days and that failure to do so can result in the disconnection of service and removal of the meter. Additional fees may apply and will be assessed to such Customer as specified in Section 21.1.~~

~~12.3 METER ACCURACY~~

~~The accuracy limit of all Company meters is established at two percent (2%) fast or slow. Any meter found to be registering outside of the limits of accuracy shall immediately be removed or repaired. As long as the meter is operating within the limits of accuracy, it shall be the conclusive determination as to the quantities of gas delivered to the Customer on whose service it is set.~~

~~12.4 METER TESTING AT CUSTOMER REQUESTS~~

~~The Company shall have the right to remove and/or test the meter used to determine the quantity of gas delivered. The Customer may request that the Company make a special test of the meter through which he or she is served. Requests for such tests shall be made in writing and the Company shall have 10 days after receipt of the request to remove the meter for testing or to test the meter in place. Tests on removed meters shall be conducted within a reasonable time. If the test is to be performed after the period of presumed accuracy listed by the manufacturer or if the test is to be performed for a residential or small commercial Customer for whom no such test has been performed within the previous four (4) years for the same Customer at the same location, no service charge will be assessed. Otherwise, the Customer shall pay a service charge for such test as specified in Section 21.1.~~

~~12.5 BILLING ADJUSTMENTS – GENERAL SERVICE~~

~~Whenever it has been determined that a meter reading and the subsequent billing has been in error, the Company shall recalculate the affected bill(s). If the date and amount of the error can be definitely fixed, the Company shall refund or may bill the affected Customer for the entire difference between the actual bills rendered and the amount which should have been billed. If a meter is found to have registered inaccurately (such as a meter found to be registering fast or slow), the Company shall refund or bill an amount equal to the difference between the actual bills rendered and the amount which would have been billed if the meter was 100 percent accurate during the time since the last previous test or six months, whichever is less. If the meter is found not to have registered, then the rebilling shall be limited to a three month period previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption~~

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~~during other like periods by the same Customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated Customers, when not available. Undercharges billed to the Customer may be repaid in a series of equal installments over a reasonable period of time. This Section shall not apply to meter errors found as a result of routine testing in the Company's or its designee's meter shop.~~

~~12.6 PROVISIONS FOR SPECIAL SERVICE~~

~~The following modifications shall apply to the provisions of this Section for all Special Service rate schedules and service under special written agreements:~~

- ~~a) Orifice and turbine meters shall be tested at least four times per year at intervals not to exceed 120 days. Should the Customer so elect, tests shall be made in the presence of his or her representative.~~
- ~~b) Whenever a meter is found to be registering above or below the limits of accuracy, adjustment of the bill (either up or down) shall be limited to the monthly billing subsequent to the last meter test. The adjustment shall be made upon the basis of the best data available, using the first of the following methods, whichever is most appropriate:
  - ~~i) by using registration of Customer's check meter(s);~~
  - ~~ii) by correcting the error, if the percentage of error is ascertainable by calibration test or mathematical calculation; or~~
  - ~~iii) by estimating the quantity of gas delivered by comparison with deliveries during the preceding period under similar conditions when accurate registration was obtained.~~~~

~~12.7 PERIODIC TESTS~~

~~The Company shall make periodic tests of meters, associated devices and instruments to assure their accuracy. Such tests shall be scheduled within the calendar year or earlier, when the interval is stated in years; or within the calendar month, or earlier when the interval is stated in months. The basic periodic test interval shall be no longer than provided for in the manufacturer's recommendations, a copy of which is available upon request.~~

~~BILLING AND PAYMENT OF BILLS~~

~~13.1 RENDERING OF BILLS~~

~~Bills for all service shall be rendered monthly as promptly as feasible after the meter has been read. Bills shall be due and payable in full on or before the due date, which shall be stated on the face of the bill and shall not be earlier than fifteen (15) days after the bill is mailed (including electronic mail). Bills shall be considered to have been rendered when deposited in the United States Mail with postage prepaid thereon or, when the customer has elected to receive billings via electronic mail, when the electronic document has been sent. Payment shall be considered received when the correct amount has been received through a company authorized payment method. If not paid by the date due, the bill shall be considered delinquent.~~

~~13.2 BILLING PERIOD~~

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~~Bills shall be rendered at regular monthly intervals unless otherwise authorized or unless service is rendered for a period of less than a month.~~

~~13.3 ESTIMATED BILLS~~

~~In the event any meter cannot be read at the end of the billing period, the Company shall bill the Customer on the basis of an estimated consumption determined in accordance with Section 12.1 of this Tariff. The next bill based on actual reading after an estimated bill shall make any corrections necessary to bring the Customer's account to a current status for the actual consumption.~~

~~13.4 DISPUTED BILLS~~

~~a) In the event of a dispute between the Customer and the Company regarding the bill, the Company will make such investigation as is required by the particular case and report the results to the Customer. If the Customer wishes to obtain the benefits of subsection b) of this Section, notification of the dispute must be given to the Company prior to the date the bill becomes delinquent. In the event the dispute is not resolved, the Company shall inform the Customer of the complaint procedures of the appropriate regulatory authority~~

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~~b) Notwithstanding any other subsection of this section, the Customer shall not be required to pay the disputed portion of the bill which exceeds the amount of that Customer's average usage for the billing period at current rates until the earlier of the following: resolution of the dispute or the expiration of the 60 day period beginning on the day the disputed bill is issued. For purposes of this section only, the Customer's average usage for the billing period shall be the average of the Customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar Customers and under similar conditions.~~

~~13.5 — PAYMENT RE PROCESSING FEE~~

~~The Company may charge or add to the Customer's account and collect a fee (as provided in Section 21.1d) to recover costs for reprocessing any payment, including paper check, electronic transfer payment, and debit and credit card payment, that has been rejected or returned to the Company by the bank for any reason other than bank error.~~

~~13.6 — E BILL~~

~~The Customer may at its option receive bills and notices via electronic mail, thereby eliminating paper bills and notices.~~

~~13.7 — ALTERNATIVE PAYMENT OPTIONS~~

~~The Company may, at its option and discretion, contract with vendors to provide various payment options to Customers for paying their bills for gas service and to collect such payments. These alternative payment options may be performed electronically, telephonically, and/or may include payment by automatic bank draft, credit card, debit card, check, or cash.~~

SECTION 14 — QUALITY OF GAS

14.1 HEATING VALUE

Gas delivered to Consumers in all service areas shall have an average gross heating value of at least 900 British Thermal Units per cubic foot measured when saturated with water vapor at a pressure of 14.6573 psia and temperature of 60 degrees Fahrenheit. Gas of lesser heating value may be delivered for short periods, providing provided that the average heating value for the calendar month in which the reduction occurs is equal to or greater than the standard and that the burning characteristics of the gas are not significantly altered.

14.2 CHARACTER OF GAS

All gas furnished to Consumers in the Rio Grande Valley Service Area shall be of merchantable quality suitable for use in standard gas burning appliances. Merchantable quality shall mean that the gas must be commercially free from dust, resins, water and hydrocarbons in liquid form at the pressure and temperature at which the gas is delivered.

14.3 ODORIZATION

All gas shall be odorized with a chemical odorant at a sufficient rate to make it readily detectable. Gas containing enough natural odorant as prescribed by the Railroad Commission of Texas need not be odorized unless the odorant level drops below the acceptable level.

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~~SECTION 15 — SERVICE WORK FEES AND DEPOSIT AMOUNTS~~

~~15.1 — CERTAIN SERVICES PROVIDED AT NO CHARGE~~

~~15.1 ADJUSTMENTS TO FEES AND CHARGES~~

~~All fees and charges shall be adjusted by taxes and fees (including franchise fees) where applicable. In the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco only, all fees and charges (excluding advances, contributions in aid of construction and deposits) shall be adjusted by the amount which represents the actual gross receipts, occupation, revenue taxes and franchise fees paid by Texas Gas Service Company, a Division of ONE Gas, Inc.~~

~~15.2 LEAKAGE AND PRESSURE INVESTIGATION~~

~~When a Customer or Consumer smells or detects natural gas and contacts the Company, the Company shall provide to the Consumer, at no-charge to the Customer or Consumer, leakage and pressure investigations to ensure that unsafe conditions do not exist. Where leakage or unsafe conditions are determined by the Company to be in the Customer's or Consumer's piping or equipment, the Customer or Consumer will be so advised and service will be discontinued until such time that all leakage and other unsafe conditions have been properly corrected by the Customer or Consumer. In addition, when service is initiated, gas air adjustments on a standard domestic and commercial gas range and water heater will be made. Any other work performed on any Consumer's appliances or house piping will be on a charge basis.~~

~~Any other work performed on any Consumer's appliances or house piping will be on a charge basis.~~

~~15.2 — OTHER 3 SERVICE WORK ON CHARGE BASIS~~

~~The Company may have personnel available for and may undertake other service work on the Consumer's premises on a charge basis, as time permits. Charges shall be made at the Company's standard rate in the Service Area and such service work and the any associated revenues and costs shall be considered non-utility.~~

~~15.34 EXPEDITED SERVICE REQUEST~~

~~A Customer may request an expedited service. Charges may apply. (See Section 21 — Fees and Deposits)~~

~~15.4 — NO ACCESS~~

~~15.5 SPECIFIC SERVICE TIME REQUEST~~

~~A no access fee may be charged to a Customer who requests a specific time for service, if the Company agrees to the time, and sends appropriate personnel to the appointed location and the Customer is not present to allow access to the premises. (See Section 21 — Fees and Deposits)~~

~~15.5 — MATERIALS OR EQUIPMENT FURNISHED BY THE COMPANY~~

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~~The Company shall furnish and install the service pipe, and equipment related thereto, including meter valve and service regulator, from the Company's main to the Customer's meter. Although affixed to or buried in the Customer's property, the entire service line and meter set shall become the property of the Company and shall be operated and maintained by the Company.~~

~~15.6 MATERIALS OR EQUIPMENT FURNISHED BY THE APPLICANT~~

~~The Applicant shall furnish and install at his or her expense all piping, conversions of existing equipment, and appliances required to conduct and utilize the gas furnished by the Company. The adequacy, safety, and compliance with applicable codes and ordinances of piping, conversion equipment and appliances shall remain the responsibility of the Applicant and no action of the Company in accordance with this Tariff shall release the Applicant of the responsibility to furnish and install the facilities required by this Section.~~

~~15.7 CODES AND ORDINANCES~~

~~All piping, installations, and conversion equipment owned by the Applicant shall comply with all applicable federal, state, and city ordinances and shall be properly designed for the pressures and volumes to be handled. Where there are no appropriate ordinances, the applicable provisions of the National Fuels Gas Code 54; ANSI Z223.1, and any amendments thereto shall apply.~~

~~15.8 INSPECTIONS AND TESTS~~

~~The Company shall have the right to inspect new installations and/or conversions of appliances and equipment prior to initiation of service and to require any test or repair of the Applicant's facilities it deems necessary, at no charge to the customer.~~

~~15.9 REFUSAL TO SERVE~~

~~The Company shall refuse service to any Applicant who refuses Company or Company's representatives access to or entry for observation or whose facilities do not comply with the applicable provision of this Tariff. The right to refuse service shall terminate upon satisfactory correction of the condition that was the cause for refusal. Initiation of service, however, shall not be considered acceptance or approval by the Company of such facilities.~~

MAINTENANCE OF EQUIPMENT

~~16.1 MAINTENANCE BY COMPANY~~

~~The Company shall maintain all facilities owned by it and shall be responsible for the safe conduct and handling of the gas until it passes the point of delivery. The Company's representative shall have the right to enter the Customer's premises at any reasonable time, in the event of an emergency at any time, to read the meter or make any necessary inspection, repair, adjustment, or replacement of any property owned by the Company.~~

~~16.2 MAINTENANCE BY THE CUSTOMER~~

~~The Customer shall maintain all facilities owned by him or her and shall be responsible for the safe conduct and handling of the gas after it passes the point of delivery. The Customer shall remove, repair or adjust any Customer owned property which may pose a threat of damage to the property of the Company. The Customer shall take all reasonable means to assure that no one other than an employee of the Company shall adjust, repair, disconnect or change the meter or other Company facilities in any way. In case of loss or damage to the Company's property from the negligence or~~

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~~willful acts of the Customer or Consumer or the Customer's or Consumer's representatives, the Customer will reimburse the Company for all costs of repairing or replacing the damaged property, including any costs of collection such as attorney's fees.~~

#### 16.3 LEAKS RIGHT TO DISCONNECT FOR

~~The Customer or Consumer shall give the Company notice of any leaking or escaping gas as soon as it is detected. Upon receipt of this notice, the Company shall investigate the matter as promptly as feasible under the circumstances. If the Company's test indicates leakage in the Customer's or Consumer's facilities, the Company shall have the right to disconnect service immediately until the Customer or Consumer has had the condition corrected. If leakage is found to be from Company owned facilities, the Company shall have the right to disconnect service for a reasonable period of time until it can be corrected by the Company. The Company shall have the right to disconnect service immediately if any of the Customer's or Consumers appliances or equipment is, in the Company's opinion, operating in an unsafe manner.~~

#### 16.4 FACILITIES CURRENTLY OWNED BY THE CUSTOMER

~~Any facilities downstream of the meter installed by the Customer shall remain the property and responsibility of the Customer. Whenever the condition of the facility is such that replacement is required, the work shall be done by the Company pursuant to the provisions of Section 16.7 of this Tariff. New facilities will continue to be installed pursuant to Sections 7.1 and 7.2 of this Tariff.~~

#### 16.5 RESPONSIBILITY

~~Nothing in this Section shall make the Company responsible for the safe upkeep of any Customer or Consumer owned facilities.~~

#### 16.6 RELOCATION OF COMPANY FACILITIES

- ~~a) A charge of not more than actual cost may be made for relocating a meter or other Company equipment on the same premises at the request of the Customer or Consumer.~~
- ~~b) If the Company shall for its own convenience and not for the safety or convenience of the Customer, change the point of delivery or change the location of its equipment on private property, the Company shall bear the expense.~~

#### 16.7 REPLACEMENT OF CUSTOMER OWNED PIPING

- ~~a) When repair or replacement of Customer owned piping becomes necessary due to deterioration of the line, damage to the line (except when caused by Customer or Customer's agent), relocation of the Company's distribution main, or for other safety reasons, the Company will relocate Customer's meter to the exterior of the building wall, as close as possible to the existing stub out (where piping exits the structure), and will replace the service piping up to the stub out. The Company will own and be responsible for all service piping from the main line to the meter, and Customer will own and be responsible for all piping from the meter to the building.~~
- ~~b) The Customer may be billed for all costs of the meter relocate and pipeline replacement.~~
- ~~a) In the absence of any provision contained in a deed of dedication authorizing the Company to install the service piping and meter on Customer's premises, the owner of the premises shall~~

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~~execute an agreement establishing the meter location, authorizing the Company to install or replace the line, and granting Company access for such work. If the Customer or owner of the premises refuses to give Company personnel or Company authorized personnel appropriate access to the property for purposes of installation, the Customer will retain responsibility for his/her facilities and shall bear the expense of any replacement or repairs.~~

~~DISCONTINUANCE OF SERVICE FEES~~

~~17.1 BY CUSTOMER~~

~~The Customer shall be responsible for all charges for gas service from the time Customer gives notice of the intention to discontinue service until the Company has read the meter or for five working days from the date of such notice, whichever is the shorter period of time.~~

~~17.2 FOR NON PAYMENT~~

~~The Company shall have the right to discontinue service to any Customer for non-payment of bills or other charges authorized by this Tariff or the applicable rate schedules, following the due date specified in Section 13.1 hereof. Before discontinuing service for non payment, the Company shall mail a separate written notice to the Customer in English and Spanish with the words "TERMINATION NOTICE" or similar language prominently displayed. This notice shall include a telephone number to contact the Company, the amount of the delinquent bill and the date by which the bill must be paid to avoid disconnection; and a statement of how to contact the Company in case of illness or other emergency. If a representative of the Company makes an attempt to collect a past due amount, a collection fee per visit shall be assessed to such Customers as specified in Section 21.1.~~

~~No Customer shall be disconnected for non payment:~~

~~a) Within a period of 5 working days after mailing of the notice or the day following the date indicated in the notice, whichever is the later time.~~

~~b) b) After full payment of the delinquent bill except when there is not sufficient time to advise Company's service personnel of receipt of the payment.~~

~~c) Before 7:00 AM or after 7:00 PM on any day or on Friday, Saturday, Sunday, Holiday, or day before a holiday unless Company personnel are available the following day for the purpose of making collections or reconnecting service.~~

~~d) If within 5 working days after the date of delinquency of the bill the Company receives a written request from the Customer not to discontinue service for health reasons and the request is accompanied by a written statement from a licensed physician. Upon receipt of such request, the Company will suspend termination of service for a period up to 20 days. The Customer shall sign an installment agreement which provides for payment of such service along with timely payments for subsequent monthly billings.~~

~~17.3 SPECIAL CONDITIONS~~

~~The Company shall have the right to discontinue service to any Consumer for any of the following reasons:~~

~~a) Without notice for the presence of what the Company considers to be an unsafe condition on the Consumer's premises or if an emergency exists;~~



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- ~~b) Without notice for willful destruction or damage to or tampering with the Company's property by the Consumer or by others with knowledge or negligence of the Consumer;~~
- ~~e) Within 5 working days after written notice if the Consumer uses his or her equipment in any way which causes or creates a potential for adverse affect on the Company's service to others;~~
- ~~d) Without notice if failure to curtail by such Consumer endangers the supply to Consumers in Priority Class A or B;~~
- ~~e) e) 5 working days after written notice from the Company for refusal to grant Company personnel or its designee's access to the Consumer's premises at any reasonable time for any lawful purpose;~~
- ~~f) f) 5 working days after written notice from the Company for use, sale or delivery of gas in violation of the provisions of this Tariff or violation of any applicable laws, orders or ordinances, provided that disconnection may be made without notice if the violation creates an unsafe condition;~~
- ~~g) For Customers acquiring their own supplies of gas, the Company may discontinue service upon request of a Supplier, provided however, that the Supplier represents to the Company that notice has been given to the Customer by the Supplier of delinquency in payment at least five working days prior to Supplier's request for disconnection, and provided that Supplier agrees to indemnify and hold harmless the Company from any potential resulting liability;~~
- ~~h) If a Customer fails to uphold the terms of an individual installment agreement or contract; or within 5 working days after written or electronic notice, for Consumers enrolled in e-bill, that any payment including paper check, electronic transfer payment, and debit or credit card payment, that has been rejected or returned to the Company by the bank.~~

~~17.4 RIGHT OF ENTRY~~

~~The Company shall have the right to enter the Consumer's premises at any reasonable time to shut off service in accordance with this Tariff and to remove its meter and any other Company property. If the Company is required to take legal action to enforce its rights hereunder, the Company shall be entitled to recover all of its necessary expenses and fees including, but not limited to attorneys' fees.~~

~~17.5 ABANDONMENT OF SERVICE~~

~~Unless requested by the Customer, service shall not be abandoned (permanent disconnection of any Customer other than a temporary Customer) without permission of the Regulatory Authority. Failure of the Customer to request reinstatement of service within a reasonable period of time after disconnection shall be considered a request for permanent discontinuance of service.~~

~~RE-ESTABLISHMENT OF SERVICE~~

~~18.1 FOR NON PAYMENT~~

~~When service has been disconnected for non-payment, the Company shall require that the Customer pay the total amount of his or her account then due plus the prescribed reconnect fee or make satisfactory arrangements for that payment before service is reinstated. In addition, the Company~~

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~~shall require that the Customer re-establish satisfactory credit in accordance with Section 5 of this Tariff.~~

~~18.2 FOR OTHER REASONS~~

~~If disconnection has been made by the Company for reasons other than non-payment, service shall not be reinstated until the condition for which it was terminated has been corrected to the Company's satisfaction. The Customer shall also be required to pay a reconnect fee before service is turned on. When service has been disconnected at the Customer's request for a period of one year or more, the request for service shall be treated as a new application. When service has been disconnected for less than one year, the request shall be treated in the same manner as a disconnection for non-payment.~~

~~18.3 RECONNECTION~~

~~The Company shall restore service as soon as feasible after receipt of a reconnection request and compliance with the requirements of this Section. The Company shall charge a non-refundable reconnection fee for all Customers in accordance with Section 21.1. The restoration of service will be accomplished as expeditiously as scheduling permits. If the Customer requests service after hours or earlier than reconnection would otherwise be scheduled, the Company shall offer expedited service in accordance with Section 21.1. Customer shall be advised that an additional fee will be charged and must agree to pay such charge. In the event the Company is required to make more than one call because the reason for disconnection has not been properly corrected, the reconnect fee may be charged for each call made. No fee shall be charged for any reconnection made after disconnection due to Company's operation. See Section 21.1 for fees.~~

NOTICE

~~19.1 GENERAL~~

~~Notice is required for all matters in this Tariff other than billing and payment of bills, which shall be deemed to have been given by the Customer when a letter with postage prepaid has been deposited in the United States Mail addressed to the Company at the office specified on the front sheet of this Tariff, and to the Customer when addressed to Customer at his or her last known service address, or to either party when directly communicated to the other party in person or by telephone.~~

AVERAGE BILL CALCULATION PLAN

~~20.1 DESCRIPTION RESIDENTIAL~~

~~Any residential Customer may elect to participate in the Company's Average Bill Calculation Plan ("ABC Plan"), or as such ABC Plan may be modified from time to time for payment of charges for gas service. In the event the Company modifies the ABC Plan, the Company shall notify individual Customers of those changes when the Customer requests enrollment. In general, the conditions under which a Customer may participate in the ABC Plan are set forth below:~~

- ~~a) The Company reserves the right to adjust the monthly ABC Plan payments of any Customer at any time for changes in conditions or rates;~~

~~All fees and charges shall be adjusted by taxes and fees (including franchise fees) where applicable.~~

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a)	<u>Connection Fee</u>	<u>A connection fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.</u>	<u>\$38.00</u>
b)	<u>Read-In Fee</u>	<u>A read-in fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.</u>	<u>\$18.00</u>
c)	<u>Special Handling &amp; Expedited Service</u>	<u>In addition to initiation of service fee, a fee may be charged to any Applicant whose request to initiate service cannot be worked during normal business hours or requires special handling. Applicant must be advised that an additional fee will be charged and must agree to pay such charge.</u>	
		<u>Special Handling Fee - The Company may, at Applicant or Customer's request, provide special handling in order to meet the Applicant or Customer's requirements. Special handling does not include calling the Applicant/Customer in advance or A.M. or P.M. scheduling</u>	<u>\$18.00</u>
		<u>Expedited Service Fee and Overtime Rate - The Applicant or Customer's request for expedited service may be scheduled at any time to fit the Company's work schedule, and an Expedited Service charge shall be collected. The Company shall not be obligated to provide Expedited Service when the personnel and resources to do so are not reasonably available.</u>	<u>\$70.00</u>
d)	<u>Services from Others</u>	<u>Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.</u>	<u>Actual cost plus 20% for handling</u>
e)	<u>Customer Requested Meter Test</u>	<u>Positive Displacement</u> <u>Up to 1500 cubic feet per hour</u> <u>Over 1500 cubic feet per hour</u>  <u>Orifice Meters</u> <u>All sizes</u>	<u>\$150.00</u> <u>\$225.00</u>  <u>\$200.00</u>
f)	<u>Payment Re-processing Fee</u>		<u>\$25.00</u>
g)	<u>Collection Fee</u>	<u>A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice necessitates the dispatch of a Company representative to attempt collection of payment from Customer.</u>	<u>\$18.00</u>

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h)	<u>Reconnect Fees</u>	<u>A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service. Related, non-routine services including but not limited to high bill investigations and building meter loops may be charged.</u>  <u>Regular Labor Rate</u> <u>After Hours Rate</u>	<u>\$38.00</u>  <u>\$50.00</u> <u>\$70.00</u>
i)	<u>Special Read Fee</u>	<u>A special read fee shall be charged for customer requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.8.</u>	<u>\$20.00</u>
j)	<u>Meter Exchange Fee - Customer Request</u>	<u>A fee will be charged for customer requested meter exchanges when a meter is working properly or done for the Customers convenience.</u>	<u>\$180.00</u>
k)	<u>Meter Tampering Fee - Residential</u>	<u>A fee will be charged to Customers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).</u>	<u>\$180.00</u>
l)	<u>Unauthorized Consumption Fee</u>	<u>Charges for the replacement of an illegally broken meter seal or locking device to the Customer who could be reasonably expected to benefit from gas service received through said meter.</u>	<u>\$30.00 plus expenses</u>
m)	<u>No Access Fee</u>	<u>A fee charged to a Customer who schedules an appointment but fails to appear.</u>	<u>\$18.00</u>
n)	<u>Meter Removal Fee</u>		<u>\$25.00</u>
o)	<u>Account Research Fee</u>	<u>A fee will be charged for Customer account information requiring research of accounting/billing information.</u>	<u>\$20.00/hour</u>
p)	<u>Police Escort Fee</u>	<u>A fee charged when the Company is required to use law enforcement personnel to escort it into locked sites or sites requiring animal control in order for the Company to access a meter or other equipment.</u>	<u>Actual cost</u>
q)	<u>Excess Flow Valve Installation Fee</u>	<u>Pursuant to Code of Federal Regulations, §192.383(d) a fee for installation of an excess flow valve (EFV) will be assessed when a Customer requests such installation on the Customer’s service line. The EFV will be installed at a date mutually agreeable to both Company and Customer, but after January 1, 2018. The Company reserves the sole right to conduct any required maintenance that may result from the installation. The customer shall be assessed a one-time installation fee.</u>	<u>\$400.00</u>

15.7 DEPOSIT AMOUNTS

~~TEXAS GAS SERVICE COMPANY~~  
~~Texas Gas Service Company, a Division of ONE Gas, Inc.~~  
~~Rules of Service – Rio Grande Valley Service Area~~

<del>a)</del>	<del>Advances Deposit</del>	<del>Estimated expenditure to serve the premises of new business beyond the existing distribution facilities of the Company.</del>	<del>Actual cost</del>
<del>b)</del>	<del>Residential Customer Deposit</del>		<del>Minimum \$75.00</del>
<del>c)</del>	<del>Non-Residential Deposit</del>		<del>Minimum \$250.00</del>

- ~~b) The Company shall advise each Customer in the ABC Plan of the monthly ABC Plan payment to be paid by the Customer. Each participating Customer will receive a regular monthly gas bill which will reflect actual consumption and charges for that billing month and the amount of any debit or credit balance before the payment of that month's ABC Plan payment. The Customer shall continue to pay the monthly ABC Plan payment amount each month for gas service, notwithstanding the current gas service charge shown on the bill;~~
- ~~c) In addition to the monthly ABC Plan amount, any other charges incurred by the Customer shall be paid monthly when due;~~
- ~~d) Interest shall neither be charged to the Customer on accrued ABC Plan debit balances nor paid by the Company on accrued ABC Plan credit balances;~~
- ~~e) Any amount due the Customer or the Company will be settled and paid at the time a Customer, for any reason, ceases to be a participant in the ABC Plan;~~
- ~~f) Any Customer's participation in the ABC Plan may be discontinued by the Company if the monthly plan payment has not been paid on or before the due date of the monthly plan payment; and~~
- ~~g) If any Customer in the ABC Plan shall cease, for any reason, to participate in the ABC Plan, then the Company may deny that Customer's reentry into the ABC Plan until the following year.~~

~~FEES AND DEPOSITS~~

~~21.1 FEES~~

~~a) Initiation of Service:~~

- ~~i) Connect: (Section 5.4) \_\_\_\_\_ \$35.00~~

~~A connection fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when a meter is set and/or gas turned on.~~

- ~~ii) Read-In: (Section 5.4) \_\_\_\_\_ \$10.00~~

~~A read in fee shall be charged to any Applicant for the cost involved in initiation of service. This fee shall be charged when only a meter reading is required.~~

- ~~iii) Special Handling & Expedited Service: (Sections 5.4 and 15.3)~~

~~In addition to initiation of service fee above, a fee may be charged to any Applicant whose request to initiate service cannot be worked during normal business hours or requires special~~

~~TEXAS GAS SERVICE COMPANY~~

~~Texas Gas Service Company, a Division of ONE Gas, Inc.~~

~~Rules of Service – Rio Grande Valley Service Area~~

~~handling. Applicant must be advised that an additional fee will be charged and must agree to pay such charge. These charges include:~~

~~1) Special Handling \$6.00~~

~~The Company may, at Applicant or Customer's request, provide special handling in order to meet the Applicant or Customer's requirements. Special handling does not include calling the Applicant/Customer in advance or A.M. or P.M. scheduling.~~

~~2) Expedited Service and Overtime Rate \$67.50~~

~~The Applicant or Customer's request for expedited service may be scheduled at any time to fit the Company's work schedule, and an Expedited Service charge shall be collected. The Company shall not be obligated to provide Expedited Service when the personnel and resources to do so are not reasonably available.~~

~~b) Services - Others As stated below~~

~~Whenever service is furnished from the facilities of others and the Company must pay any special fees to the supplying Company, the Applicant may be requested to reimburse the Company for such charge.~~

~~e) Customer Requested Meter Test: (Section 12.4)~~

<del>Positive Displacement</del>	<del>Charge</del>
<del>Up to 1500 cubic feet per hour</del>	<del>\$80.00</del>
<del>Over 1500 cubic feet per hour</del>	<del>\$100.00</del>

~~Orifice Meters~~

<del>All sizes</del>	<del>\$100.00</del>
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~~d) Payment Re-processing Fee: (Section 13.5) \$25.00~~

~~e) Collection Fee: (Section 17.2) \$12.00~~

~~A Collection Fee shall be charged to any Customer whose failure to respond to a termination notice necessitates the dispatch of a Company representative to attempt collection of payment from Customer.~~

~~f) Reconnect Fees: (Section 18.3) \$35.00~~

~~A reconnect fee shall be charged to any Customer whose service is terminated and then re-initiated unless terminated in error by the Company. This fee is the same as the Standard Initiation Fee charged for new service.~~

~~(i) Regular Labor and After Hours Rates \$45.00 (Regular)  
 \$67.50 (After Hours)~~

~~Charge for non-routine services including but not limited to repeat high bill investigations and building meter loops.~~

~~g) Special Read: (Section 12.1) \$10.00~~

~~TEXAS GAS SERVICE COMPANY~~  
~~Texas Gas Service Company, a Division of ONE Gas, Inc.~~  
~~Rules of Service – Rio Grande Valley Service Area~~

~~A special read fee shall be charged for customer requested reading of a meter of which estimated billing has been made. This is not in connection with Section 12.4.~~

~~h) Meter Exchange (Customer Request): (Section 16.6) \$100.00 without ERT  
\$150.00 with ERT~~

~~A fee will be charged for customers requested meter exchanges when a meter is working properly or is done for the customer's convenience.~~

~~i) Unauthorized Consumption (Section 16.2) \$20 plus expenses~~

~~Charges for the replacement of an illegally broken meter seal or locking device to the Customer who could be reasonably expected to benefit from gas service received through said meter.~~

~~j) No Access Fee (Section 15.4) \$10.00~~

~~A fee charged to a Customer who schedules an appointment but fails to appear.~~

~~k) Meter Removal Fee (Section 12.2) \$50.00~~

~~l) Account Research Fee \$25.00/hr~~

~~A fee will be charged for Customer account information requiring research of accounting/billing information.~~

~~m) Excess Flow Valve Installation Fee \$400.00~~

~~Pursuant to Code of Federal Regulations, §192.383(d) a fee for installation of an excess flow valve (EFV) will be assessed when a Customer requests such installation on the Customer's service line. The EFV will be installed at a date mutually agreeable to both Company and Customer, but after January 1, 2018. The Company reserves the sole right to conduct any required maintenance that may result from the installation. The customer shall be assessed a one-time installation fee.~~

~~n) Meter Tampering – Residential: (Section 16.2) \$100.00~~

~~A fee will be charged to repeat customers who knowingly tamper with Company property (i.e. broken meter locks, broken stop cocks, tampered meter dials, and broken meter blind seals).~~

~~21.2 DEPOSITS~~

~~a) Advances: (Section 8.4) As stated below~~

~~Estimated expenditure to serve the premises of new business beyond the existing distribution facilities of the Company.~~

~~b) Customer Deposits: (Section 10.1) As stated below~~

~~Minimum deposit residential: \$75.00  
Minimum non residential deposit: \$250.00~~

**TEXAS GAS SERVICE COMPANY  
Rules and Regulations**

**Rio Grande Valley Service Area**

ADDENDUM TO SERVICE RULES

ADOPTED OCTOBER 21, 2003, THE FOLLOWING RULE (PER DOCKET 9449) APPLIES TO ENVIRONS CUSTOMERS IN THE SERVICE AREA:

**TAC, TITLE 16, PART 1, CHAPTER 7, SUBCHAPTER B, RULE 7.45 (5)(C)(i) Quality of Service - (Rule on Waiver of Deposit for Victims of Family Violence)**

(5) (C) Amount of deposit and interest for residential service, and exemption from deposit.

(i) Each gas utility shall waive any deposit requirement for residential service for an applicant who has been determined to be a victim of family violence as defined in Texas Family Code, §71.004, by a family violence center, by treating medical personnel, or by law enforcement agency personnel. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site.

Adopted October 21, 2003



**TEXAS GAS SERVICE COMPANY**  
**Rules and Regulations**

**Rio Grande Valley Service Area**

ADDENDUM TO SERVICE RULES

EFFECTIVE MAY 12, 2002, THE FOLLOWING RULE APPLIES TO ENVIRONS CUSTOMERS IN THE SERVICE AREA:

**TAC, TITLE 16, PART 1, CHAPTER 7, SUBCHAPTER D, RULE 7.460 Suspension of Gas Utility Service Disconnection During an Extreme Weather Emergency**

- (a) Applicability and scope. This rule applies to gas utilities, as defined in Texas Utilities Code, Section 101.003(7) and Section 121.001, and to owners, operators, and managers of mobile home parks or apartment houses who purchase natural gas through a master meter for delivery to a dwelling unit in a mobile home park or apartment house, pursuant to Texas Utilities Code, Sections 124.001-124.002, within the jurisdiction of the Railroad Commission pursuant to Texas Utilities Code, Section 102.001. For purposes of this section, all such gas utilities and owners, operators and managers of master meter systems shall be referred to as "providers." Providers shall comply with the following service standards. A gas distribution utility shall file amended service rules incorporating these standards with the Railroad Commission in the manner prescribed by law.
- (b) Disconnection prohibited. Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, a provider shall not disconnect natural gas service to:
- (1) a delinquent residential customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.
  - (2) a delinquent residential customer for a billing period in which the provider receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service; or
  - (3) a delinquent residential customer on a weekend day, unless personnel or agents of the provider are available for the purpose of receiving payment or making collections and reconnecting service.
- (c) Payment plans. Providers shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over, and shall work with customers to establish a payment schedule for deferred bills as set forth in paragraph (2)(D) of Section 7.45 of this title, relating to Quality of Service.
- (d) Notice. Beginning in the September or October billing periods utilities and owners, operators, or managers of master metered systems shall give notice as follows:
- (1) Each utility shall provide a copy of this rule to the social services agencies that distribute funds from the Low Income Home Energy Assistance Program within the utility's service area.
  - (2) Each utility shall provide a copy of this rule to any other social service agency of which the provider is aware that provides financial assistance to low income customers in the utility's service area.
  - (3) Each utility shall provide a copy of this rule to all residential customers of the utility and customers who are owners, operators, or managers of master metered systems.
  - (4) Owners, operators, or managers of master metered systems shall provide a copy of this rule to all of their customers.
- (e) In addition to the minimum standards specified in this section, providers may adopt additional or alternative requirements if the provider files a tariff with the Commission pursuant to Section 7.44 of this title (relating to Filing of Tariffs). The Commission shall review the tariff to ensure that at least the minimum standards of this section are met.

Effective May 12, 2002

<b>RGVSA Incorporated and Environs</b>		
<b>Fee or Deposit</b>	<b>Current Fee</b>	<b>Proposed Fee</b>
Connect	\$35.00	\$38.00
Reconnect	\$35.00	\$38.00
Connect Fee - Read Only	\$10.00	\$18.00
Special Handling	\$6.00	\$18.00
Expedited Service/Overtime/After Hours	\$67.50	\$70.00
Regular Labor Rate	\$45.00	\$50.00
No Access Fee (Door Tag)	\$10.00	\$18.00
Meter Test Up to 1500 CFH	\$80.00	\$150.00
Meter Test Over 1500 CFH	\$100.00	\$225.00
Orifice Meters	\$100.00	\$200.00
Payment Re-processing Fee (Returned Check Fee)	\$25.00	\$25.00
Collection Fee (All Classes)	\$12.00	\$18.00
Special Read	\$10.00	\$20.00
Meter Exchange without ERT (Customer Request)	\$100.00	Discontinue
Meter Exchange (Customer Request)		\$180.00
Unauthorized Consumption (Plus Expenses)	\$20.00	\$30.00
Meter Removal Fee	\$50.00	\$25.00
Account Research per hour Fee	\$25.00	\$20.00
Excess Flow Valve Installation Fee	\$400.00	\$400.00
Minimum Deposit Residential	\$75.00	\$75.00
Minimum Non Residential Deposit	\$250.00	\$250.00
Meter Tampering (Residential)	\$100.00	\$180.00

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

**AFFIDAVIT OF ANTHONY Q. BROWN**

BEFORE ME, the undersigned authority, on this day personally appeared Anthony Q. Brown who having been placed under oath by me did depose as follows:

1.       “My name is Anthony Q. Brown. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Manager of Rates and Regulatory Analysis for Texas Gas Service Company, a division of ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.


2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.



Anthony Q. Brown

SUBSCRIBED AND SWORN TO BEFORE ME by the said Anthony Q. Brown on this 13th day of June 2023.



Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**STACEY L. MCTAGGART**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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**DIRECT TESTIMONY OF STACEY L. MCTAGGART**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Stacey L. McTaggart, and my business address is 1301 South MoPac Expressway, Suite 400, Austin, Texas 78746.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am the Rates and Regulatory Director for Texas Gas Service Company (“TGS” or the “Company”), which is a Division of ONE Gas, Inc. (“ONE Gas”). I am responsible for managing the regulatory matters for TGS.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I received a Bachelor of Business Administration degree in finance and accounting from St. Edward’s University in August 1988. From 1983 to 1990, I worked for NCNB Texas, now Bank of America. In April 1990, I joined Southern Union Company as a Rate Analyst. In that capacity, I was responsible for the preparation of rate schedules and testimony in connection with rate requests in the various regulatory jurisdictions in which Southern Union Company operated. From April 1993 to January 1997, I served as a Utility Specialist at the Railroad Commission of Texas (“Commission”). At the Commission, I participated in numerous cases as either a Staff witness or a technical examiner. In January 1997, I returned to Southern Union Company as Manager of Pricing and Economic Analysis, managing rate cases primarily for the company’s Southern Union Gas (“SUG”) division. In September 2001, I became SUG’s Director of Financial and Regulatory

1 Analysis. Upon the sale of Southern Union's Texas assets to ONEOK, Inc.  
2 ("ONEOK") in January 2003, I joined ONEOK's TGS division and maintained my  
3 position. Upon the separation of ONE Gas from ONEOK in January 2014, I  
4 continued as Rates and Regulatory Director.

5 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
6 **DIRECT SUPERVISION?**

7 A. Yes, it was.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. The purpose of my testimony is to address the following issues in this rate case, all  
10 of which the Commission has reviewed and approved in prior TGS rate cases:

- 11 1. Inclusion of Excess Deferred Income Taxes ("EDIT") in base rates to return  
12 EDIT to customers;
- 13 2. Treatment of cloud-based computing costs;
- 14 3. The Company's request for regulatory asset treatment of deferred costs  
15 related to prior regulatory proceedings, COVID-19, and Winter Storm Uri;  
16 and
- 17 4. Rule 8.209 costs.

18 **Q. WHAT SCHEDULES ARE YOU SPONSORING?**

19 A. I am sponsoring or co-sponsoring the following schedules: B-3, Rule 8.209  
20 Regulatory Asset; B-10, Unamortized Accumulated Excess Deferred Income  
21 Taxes; B-11, Regulatory Assets; G-20, Regulatory Expense Amortization; and G-  
22 24, Excess Deferred Income Tax Amortization.

23 **Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR**  
24 **DIRECT SUPERVISION?**

25 A. Yes, they were.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
2 **COMMISSIONS?**

3 A. Yes. I have filed testimony on behalf of TGS in numerous proceedings before this  
4 Commission in Gas Utilities Docket (“GUD”) Nos. 9770, 9790, 9839, 9988, 10094,  
5 10453, 10488, 10506, 10526, 10656, 10739, 10766, 10928 and Docket Nos. OS-  
6 21-00007061 and OS-22-00009896.

7 **II. EFFECTS OF THE FEDERAL TAX CUTS AND JOBS ACT ON RATES**

8 **Q. PLEASE EXPLAIN THE CHANGES TO THE FEDERAL CORPORATE**  
9 **INCOME TAX RATE THAT BECAME EFFECTIVE IN 2018.**

10 A. Effective January 1, 2018, the Tax Cuts and Jobs Act of 2017 (“TCJA”) lowered  
11 the federal corporate income tax rate to 21% from 35%. In response, the  
12 Commission issued an Accounting Order in GUD No. 10695 on February 27, 2018,  
13 that reflects the Commission’s directives regarding changes to utility rates to  
14 account for the change in the federal corporate income tax rate.<sup>1</sup>

15 **Q. PLEASE DESCRIBE YOUR UNDERSTANDING OF THE**  
16 **COMMISSION’S DIRECTIVES IN THE ACCOUNTING ORDER.**

17 A. I understand the Commission’s Accounting Order to require gas utilities to reduce  
18 base rates and existing Gas Reliability Infrastructure Program (“GRIP”) rates to  
19 reflect rates that would be set using a 21% federal tax rate; to refund amounts  
20 collected from customers through base rates and GRIP rates that were set using the

---

<sup>1</sup> On March 20, 2018, the Commission issued an Order Nunc Pro Tunc in *Regulatory Accounting Related to Federal Income Tax Changes*, GUD No. 10695, correcting a clerical error in the original Accounting Order (Mar. 20, 2018).



1 35% tax rate; and to present the issue of EDIT for consideration in a Statement of  
2 Intent (“SOI”) or other proceeding.

3 **Q. HAS THE COMPANY COMPLIED WITH THE DIRECTIVE TO**  
4 **REFLECT THE LOWER FEDERAL CORPORATE INCOME TAX RATE**  
5 **IN BASE RATES AND GRIP RATES FOR THE RIO GRANDE VALLEY**  
6 **SERVICE AREA (“RGVSA”)?**

7 A. Yes. Consistent with the requirements in the Accounting Order, the Company filed  
8 an administrative Notice of Intent to Reduce Gas Utility Rates pursuant to the Gas  
9 Utility Regulatory Act (“GURA”) § 104.111 in the incorporated areas of the  
10 RGVSA that addressed the requirements in the Accounting Order to (1) decrease  
11 then-existing base rates and then-existing GRIP rates to reflect the difference  
12 between the current approved cost of service and the cost of service that would have  
13 resulted had base rates or GRIP rates been based on the 21% federal tax rate  
14 (Ordering Paragraph 2); and (2) refund to customers the amount the utility collected  
15 through base rates and GRIP rates for revenues collected from January 1, 2018  
16 through the effective date of new base rates or new GRIP rates that reflect the 21%  
17 federal tax rate (Ordering Paragraph 3). The Company has complied with the  
18 requirements of the Accounting Order in both the incorporated and environs areas  
19 of the RGVSA.

20 **Q. HOW DID THE COMPANY REDUCE EXISTING BASE RATES FOR THE**  
21 **RGVSA INCORPORATED CUSTOMERS?**

22 A. On March 16, 2018, the Company made a filing with the RGVSA cities under  
23 GURA § 104.111 to lower rates that were set in a base rate case based on a 2016  
24 test year and to issue a refund to customers within the RGVSA cities. Effective

1 March 27, 2018, TGS reduced rates by \$1,546,601. In addition, with May 2018  
2 bills, TGS refunded \$6.15 per customer, totaling \$386,650, to account for the tax  
3 rate reduction from January 1, 2018 through March 27, 2018.

4 **Q. HOW DID THE COMPANY REDUCE EXISTING BASE RATES AND**  
5 **GRIP RATES FOR THE RGVSA ENVIRONS CUSTOMERS?**

6 A. On October 12, 2017, the Company made a SOI filing with the Commission to  
7 change existing rates in the RGVSA environs.<sup>2</sup> While that case was pending, the  
8 federal income tax rate was lowered to 21% from 35%. Effective March 27, 2018,  
9 the Commission approved new base rates reflecting a federal tax rate of 21%. In  
10 addition, the Commission ordered TGS to refund to customers no later than  
11 January 1, 2019, the rate reduction resulting from changes to the corporate tax rate  
12 that would have occurred between January 1, 2018 and March 27, 2018. With  
13 October 2018 bills, TGS refunded \$5.64 per customer, totaling \$21,399, to account  
14 for the tax rate reduction from January 1, 2018 through March 27, 2018.

15 **Q. HAS THE COMPANY COMPLETED THE REQUIRED REFUNDS TO**  
16 **CUSTOMERS IN THE RGVSA?**

17 A. Yes. All required refunds were completed in 2018 and early 2019, consistent with  
18 the requirements of the Accounting Order.

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<sup>2</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area, GUD No. 10656, Statement of Intent (Oct. 12, 2017).*

1 **Q. IS TGS REQUESTING A FINDING FROM THE COMMISSION THAT IT**  
2 **HAS COMPLIED WITH THE COMMISSION’S ACCOUNTING ORDER?**

3 A. Yes. Under the Accounting Order, TGS was required to file either a SOI or a filing  
4 under GURA § 104.111 by September 1, 2018, to lower existing rates and issue a  
5 refund to customers (Ordering Paragraph 4), which it did in both the incorporated  
6 and environs areas. TGS requests a finding that its Section 104.111 filing for the  
7 RGVSA incorporated areas was reasonable and accurate and complied with the  
8 requirements of the Accounting Order. TGS also requests a finding that the action  
9 taken in GUD No. 10656 and subsequent refunds fulfilled the requirements of the  
10 Accounting Order for the RGVSA environs areas.

11 **Q. PLEASE DESCRIBE MORE SPECIFICALLY THE REQUIREMENTS IN**  
12 **THE ACCOUNTING ORDER REGARDING EDIT.**

13 A. Utilities subject to the Commission’s original jurisdiction must accrue regulatory  
14 liabilities on their books as of the date of the Commission’s Accounting Order to  
15 reflect the excess deferred tax reserve, including any associated gross up in taxes,  
16 caused by the reduction to 21% for the federal corporate income tax rate (Ordering  
17 Paragraph 1(C)).

18 For EDIT, the utility shall present that issue “for consideration in setting the  
19 cost of service rates of the gas utility during the next SOI or other rate proceeding.”

20 In addition, the amortization of the entire regulatory liability for EDIT shall be  
21 consistently calculated using a methodology set forth under the TCJA (Ordering  
22 Paragraph 7).

1 **Q. PLEASE DESCRIBE HOW EDIT WAS TREATED IN THE RGVSA**  
2 **ENVIRONS IN THE SOI THAT WAS PENDING AT THE TIME THE TCJA**  
3 **WAS PASSED.**

4 A. The final order in GUD No. 10656 reflected the impact of the change in the  
5 corporate tax rate on ADIT, reducing the balance of ADIT and giving rise to EDIT.  
6 Both the new balance of ADIT and the balance of EDIT were deducted from rate  
7 base as sources of cost-free capital.

8 For the flow-back of the EDIT to customers, the Commission ordered that  
9 that the impacts on deferred income tax and EDIT be preserved for consideration  
10 in the next appropriate rate proceeding for the RGVSA. This case is TGS's first  
11 opportunity to address the issue in a rate case for the environs.

12 **Q. PLEASE DESCRIBE HOW EDIT WAS TREATED BY THE RGVSA**  
13 **CITIES.**

14 A. On April 30, 2020, at the request of the RGVSA Cities, TGS included with its  
15 annual cost of service adjustment ("COSA") filing with the RGVSA Cities a  
16 proposal to address EDIT. The Company proposed to flow the EDIT back to  
17 customers through a separate tariff rider, Rate Schedule EDIT-Rider, calculated  
18 according to the Average Rate Assumption Method (ARAM), which is a  
19 methodology set forth under the TCJA, as required by Ordering Paragraph 7 in the  
20 Commission's Accounting Order. The RGVSA Cities approved the EDIT-Rider  
21 for customers within their jurisdiction effective August 28, 2020, and TGS made  
22 annual EDIT filings and refunds under the rider starting in 2020 through 2023.

1 **Q. PLEASE DESCRIBE HOW EDIT IS INCLUDED IN THIS SOI,**  
2 **INCLUDING HOW TGS IS PRESENTING EDIT FOR CONSIDERATION**  
3 **IN SETTING NEW RATES.**

4 A. This SOI continues to reflect the impact of the change in the corporate tax rate by  
5 reflecting the balance of ADIT based on a 21% federal tax rate and separately  
6 reflecting the unamortized balance of EDIT. Both the balance of ADIT and the  
7 balance of EDIT are deducted from rate base as sources of cost-free capital.  
8 Company witness Janet Simpson addresses the ADIT calculations in her testimony,  
9 while Company witness Kenneth Eakens addresses the EDIT calculations.

10 The Company proposes to withdraw the separate tariff rider for  
11 incorporated areas, Rate Schedule EDIT-Rider, and instead flow the EDIT back to  
12 environs and incorporated customers through base rates, as discussed further in  
13 Mr. Eakens' testimony. The Commission approved TGS's recent request to return  
14 EDIT to customers through base rates in Docket No. OS-22-00009896.<sup>3</sup>

15 **Q. WHAT IS THE AMOUNT OF THE AMORTIZATION TO BE FLOWED**  
16 **BACK ANNUALLY THROUGH THE BASE RATES?**

17 A. The test year EDIT amortization of \$38,628 is shown on Schedule G-24.

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<sup>3</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area, Docket No. OS-22-00009896 consol., Final Order at Finding of Fact ("FoF") 115 (Jan. 18, 2023).*

1                                   **III. CLOUD COMPUTING SERVICE COSTS**

2   **Q.    ARE CLOUD COMPUTING IMPLEMENTATION COSTS INCLUDED IN**  
3   **NET PLANT?**

4   A.    Yes, the Company included cloud computing implementation costs as Corporate  
5   capital investment, in Account 391.99, as shown on Workpaper C.c., which is  
6   discussed in Company witness Allison Edwards’ testimony. That balance is  
7   amortized over 13 years as shown on Workpaper G-15.c.1. In contrast, the annual  
8   cloud computing license or subscription costs are recorded as a prepayment in  
9   Account 165, and expensed over the life of the service agreement, and are found in  
10   Workpaper B-2.b.1. which is discussed in Ms. Edwards’ testimony.

11 **Q.    WHAT IS CLOUD COMPUTING?**

12 A.    Cloud computing is a third-party subscription that provides software and hardware  
13   resources that are accessed over the Internet. ONE Gas does not take possession of  
14   the software or hardware because it is owned, hosted, and maintained by a third-  
15   party provider. ONE Gas pays an annual fee for the use of the software, the hosting  
16   services and necessary maintenance. Cloud computing software and hardware  
17   enhancements are generally included in the subscription, resulting in faster  
18   innovation and flexible demand-based resources. Examples of ONE Gas’ cloud  
19   computing subscriptions include customer relationship management, customer  
20   service surveys, data analytics, leak survey data collection, emergency callout  
21   systems, business continuity services, collaboration service, and ticket management  
22   solutions. These programs are essential for TGS’s ability to provide safe and  
23   reliable service to customers.

1 **Q. WHAT ARE THE BENEFITS OF CLOUD COMPUTING?**

2 A. Some of the benefits of cloud computing are:

- 3 1. switching from on-premise software to cloud-based software  
4 provides more frequent enhancements, and ONE Gas inherits these  
5 enhancements without having to implement upgrades, which  
6 reduces costs;
- 7 2. for the majority of applications, the need to maintain hardware  
8 within a data center is reduced or eliminated, thereby reducing costs;
- 9 3. simplifying recovery in the event of a major problem with ONE Gas’  
10 IT environment;
- 11 4. improved scalability when applications need more resources  
12 without having to buy additional hardware; and
- 13 5. improved accessibility, which allows employees access to  
14 information on a variety of devices.

15 **Q. ARE CAPITALIZED CLOUD COMPUTING IMPLEMENTATION COSTS**  
16 **APPROPRIATE TO INCLUDE IN THIS RATE CASE AND FUTURE**  
17 **FILINGS?**

18 A. Yes. These costs are reasonable and necessary amounts to include in rate base in  
19 this rate case and in future GRIP filings and rate cases because the nature of these  
20 investments has not changed, and, for regulatory purposes, the costs continue to be  
21 capital investment necessary to provide service to customers. Similar to on-premise  
22 software, ONE Gas continues to invest capital to implement software solutions.  
23 Cloud computing implementation costs support Information Technology efforts,  
24 which provide critical services employees use in their efforts to provide service  
25 safely and reliably to customers, including those in the RGVSA. The National  
26 Association of Regulated Utility Commissioners (“NARUC”) issued a November

1 2016 resolution<sup>4</sup> that recognizes the benefits of cloud computing and urges  
2 commissions to utilize treatment for cloud computing costs that is similar to that of  
3 the software that cloud computing is replacing.

4 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED TGS'S REQUEST**  
5 **TO RECOVER CLOUD COMPUTING COSTS AND THE TREATMENT**  
6 **OF THOSE COSTS IN FUTURE FILINGS?**

7 A. Yes. TGS included cloud computing costs in GUD No. 10928 and Docket No. OS-  
8 22-00009896, and they were approved for recovery in both cases, as was the  
9 treatment of those costs in future GRIP filings.<sup>5</sup>

10 **Q. ARE THERE ANY ACCOUNTING STANDARDS REGARDING CLOUD**  
11 **COMPUTING THAT IMPACT RECOVERY IN RATES?**

12 A. Yes. Accounting Standards Update 2018-15<sup>6</sup> published by Financial Accounting  
13 Standards Board ("FASB") in 2018 requires that after December 15, 2019, cloud  
14 computing implementation costs be capitalized and recorded as "Other Assets,"  
15 Account 186. To maintain consistency in regulatory treatment, TGS is requesting  
16 authorization for regulatory purposes to continue to include cloud computing  
17 implementation investment in account 391.99 in its regulatory filings. The standard  
18 further requires these assets to be amortized over the term of the hosting agreement  
19 with the cloud computing service, which is typically 3 to 5 years. TGS is requesting

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<sup>4</sup> NARUC, Resolution Encouraging State Utility Commissions to Consider Improving the Regulatory Treatment of Cloud Computing Arrangements (Adopted Nov. 16, 2016), <https://pubs.naruc.org/pub.cfm?id=2E54C6FF-FEE9-5368-21AB-638C00554476>.

<sup>5</sup> Docket No. OS-22-00009896, Final Order at FoFs 50-53; *Statement of Intent of Texas Gas Services Company, a Division of ONE Gas, Inc. ("TGS") to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and Gulf Coast Service Area*, GUD No. 10928 consol., Final Order at FoF 70 (Aug. 4, 2020).

<sup>6</sup> FASB, Financial Accounting Series - Accounting Standards Update, No. 2018-15 at 22 (Aug. 2018) <https://asc.fasb.org/imageRoot/22/118236022.pdf>.



1 authorization for regulatory purposes to continue to amortize cloud computing  
2 implementation costs over the same 13-year life as on-premise software to maintain  
3 consistency in regulatory treatment and not increase expenses that are ultimately  
4 paid by the customer.

5 **IV. REGULATORY ASSETS**

6 **Q. WHAT AMOUNT HAS BEEN INCLUDED IN RATE BASE FOR A**  
7 **REQUESTED REGULATORY ASSET?**

8 A. The Company has included a requested regulatory asset amount totaling \$155,829.  
9 This amount is included on Schedule B, line 8, and detailed on Schedule B-11, and  
10 is comprised of the following:

- 11 • Over-collection of rate case expenses from GUD No. 10656;
- 12 • Deferred Winter Storm Uri operations and maintenance (“O&M”)  
13 expense at December 31, 2022; and
- 14 • COVID-19 related O&M.

15 **Q. WHAT IS THE PURPOSE OF A REGULATORY ASSET?**

16 A. Deferral of costs provides a means of accumulating costs for future recovery over  
17 a specific period of time and enables the Company and the Commission to identify,  
18 segregate and review the costs related to a specific event that have been deferred to  
19 determine whether they are appropriate for recovery and over what period of time.  
20 If approved for recovery, the Commission can establish a regulatory asset which is  
21 amortized over the recovery period.

1 **Q. PLEASE EXPLAIN THE OVER-COLLECTION OF RATE CASE**  
2 **EXPENSES FROM GUD NO. 10656.**

3 A. At the conclusion of GUD No. 10656, the Commission authorized TGS to recover  
4 rate case expenses from customers via a volumetric rate. When the rate case  
5 expense collection was nearing completion, TGS monitored dollars collected on a  
6 daily basis in order to determine which day to discontinue the rate. Because it is  
7 impossible to predict in advance exactly how many volumes will be billed at the  
8 end of each day, predicting the right day to discontinue the rate can be challenging.  
9 In this case, TGS ended up over-collecting on the final day. TGS maintained the  
10 over-collected balance and seeks to return it to customers in this proceeding.

11 **Q. PLEASE EXPLAIN THE INCLUSION OF WINTER STORM URI O&M**  
12 **REGULATORY ASSET.**

13 A. The Commission issued a Notice to Local Distribution Companies (“LDCs”) on  
14 February 13, 2021 (“February Notice”).<sup>7</sup> In the February Notice, the Commission  
15 authorized LDCs to create a regulatory asset to record “extraordinary expenses  
16 associated with the weather event including but not being limited to gas cost and  
17 other costs related to the procurement and transportation of gas supply” costs  
18 incurred during Winter Storm Uri. Based on the Commission’s February Notice,  
19 TGS created a regulatory asset for extraordinary storm costs, excluding costs  
20 recovered as a part of securitization in Docket No. OS-21-00007061, for review  
21 and recovery during a future rate proceeding.

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<sup>7</sup> Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event (Feb. 13, 2021), [https://www.rrc.texas.gov/media/4u1fpycl/2021\\_nto\\_gas-services\\_state-disaster-waiver\\_gasutilityassetaccountingwinter-2021\\_2-13-2021.pdf](https://www.rrc.texas.gov/media/4u1fpycl/2021_nto_gas-services_state-disaster-waiver_gasutilityassetaccountingwinter-2021_2-13-2021.pdf).

1 **Q. DESCRIBE COSTS INCLUDED IN THE WINTER STORM URI**  
2 **REGULATORY ASSET.**

3 A. The costs included in the Winter Storm Uri regulatory asset fall into two main  
4 categories. First, they include extraordinary O&M expenses TGS incurred in the  
5 RGVSA related to the winter storm and efforts TGS made to continue to operate  
6 its system and provide service during the storm. The costs include direct service  
7 area overtime labor and supplies and expenses totaling \$15,651. Second, the costs  
8 include carrying costs incurred from September 2022 through March 2023 at TGS's  
9 actual financing rate, which ranged from 1% to 1.25%, totaling \$1,157,768, of  
10 which \$107,815 is allocable to the RGVSA. This regulatory asset does not include  
11 any of the costs the Commission approved for TGS in Docket No. OS-21-00007061  
12 in February 2022. The costs approved in Docket No. OS-21-00007061 specifically  
13 excluded O&M expenses and included carrying costs calculated through August  
14 2022. TGS requests to amortize the balance in the Winter Storm Uri regulatory  
15 asset over a period of six years.

16 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED TGS'S REQUEST**  
17 **TO RECOVER COSTS BOOKED TO A REGULATORY ASSET FOR**  
18 **WINTER STORM URI?**

19 A. Yes. In Docket No. OS-22-00009896, TGS requested recovery of similar O&M  
20 expenses related to Winter Storm Uri that were booked to a regulatory asset, and  
21 the Commission approved TGS's request.<sup>8</sup> The requested regulatory asset in

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<sup>8</sup> Docket No. OS-22-00009896, Final Order at FoFs 45-46.

1 Docket No. OS-22-00009896 did not include carrying costs subsequent to August  
2 2022 because Docket No. OS-22-00009896 was filed prior to August 2022.

3 **Q. PLEASE EXPLAIN THE INCLUSION OF COVID-19 O&M AS A**  
4 **REGULATORY ASSET.**

5 A. The Company has included a COVID-19 regulatory asset pursuant to the April  
6 2020 Commission notice authorizing each gas utility to record in a regulatory asset  
7 account the expenses associated with the COVID-19 State of Disaster. TGS seeks  
8 to amortize the balance over a period of six years.

9 **Q. DESCRIBE THE COSTS INCLUDED IN THE COVID-19 REGULATORY**  
10 **ASSET.**

11 A. The COVID-19 regulatory asset includes test year costs for items such as sanitizing  
12 spray services, changing air filters monthly, personal protective equipment such as  
13 masks, hand-sanitizing stations, and social distancing signage totaling \$35,436.  
14 Company witness Alejandro Limón describes the nature of these costs in more  
15 detail in his testimony.

16 **Q. IS IT REASONABLE FOR THE COMPANY TO RECOVER THESE**  
17 **COSTS IN THIS RATE CASE?**

18 A. Yes, these costs were incurred to follow recommended Centers for Disease Control  
19 and Prevention and Occupational Safety and Health Administration guidelines to  
20 ensure the safety of both employees and customers as TGS personnel performed  
21 their jobs to allow the Company to continue to provide service to customers. The  
22 costs are also the types of costs mentioned in the Commission's notice authorizing  
23 recovery through a regulatory asset.

1 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED TGS’S REQUEST**  
2 **TO RECOVER COVID-19 COSTS BOOKED TO A REGULATORY**  
3 **ASSET?**

4 A. Yes. In Docket No. OS-22-00009896, TGS requested recovery of similar costs  
5 related to COVID-19 that were booked to a regulatory asset and the Commission  
6 approved TGS’s request.<sup>9</sup>

7 **V. RULE 8.209 ACCRUALS**

8 **Q. WHAT AMOUNTS HAVE BEEN DEFERRED AND REFLECTED WITHIN**  
9 **RATE BASE IN ACCORDANCE WITH COMMISSION RULE 8.209?**

10 A. Schedule B-3, reflects the Company’s deferred costs associated with its  
11 Distribution Integrity Management Program (“DIMP”) as of December 31, 2022.  
12 These amounts have been deferred in accordance with Commission Rule 8.209.  
13 Rule 8.209(j) allows the operator of a gas distribution system to “. . . establish one  
14 or more designated regulatory asset accounts in which to record any expenses  
15 incurred by the operator in connection with the acquisition, installation or operation  
16 (including related depreciation) of facilities that are subject to the requirements of  
17 this section.” Rule 8.209 sets out minimum requirements for development and  
18 implementation of a risk-based program for removal and replacement of  
19 distribution facilities. Rule 8.209(j) also allows each regulatory asset to include the  
20 “. . . interest on the balance in the designated distribution facility replacement  
21 accounts based on pretax cost of capital last approved for the utility by the  
22 Commission.”

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<sup>9</sup> *Id.* at FoFs 43-44.

1 Pursuant to Rule 8.209, the Company began deferring these DIMP-related  
2 expenses on January 1, 2012. The amount associated with the Company's deferral  
3 for the RGVSA is \$277,523 and includes monthly deferred DIMP costs for the  
4 RGVSA from January 2022 through December 2022. Mr. Limón also addresses  
5 the Company's DIMP-related activities in his direct testimony.

6 **Q. HAVE THE COMPANY'S REGULATORS PREVIOUSLY AUTHORIZED**  
7 **TGS TO RECOVER DEFERRED AMOUNTS RELATED TO**  
8 **COMMISSION RULE 8.209?**

9 A. Yes, the Commission has previously authorized TGS to recover deferred amounts  
10 related to Rule 8.209 in multiple proceedings. In addition, the RGVSA cities,  
11 among other cities in other TGS service areas, have also approved the Company's  
12 request to recover deferred amounts related to Rule 8.209.

13 **Q. DID TGS FOLLOW THE SAME METHODOLOGY FOR CALCULATING**  
14 **THE DEFERRED AMOUNTS ASSOCIATED WITH COMMISSION RULE**  
15 **8.209 IN THIS SOI AS IT HAS IN PRIOR FILINGS?**

16 A. Yes, the Company has followed the same methodology.

17 **Q. WERE ANY ADJUSTMENTS MADE RELATED TO THE RULE 8.209**  
18 **ACCRUALS PRIOR TO THE END OF THE TEST YEAR?**

19 A. Yes. The Company reduced both the Rule 8.209 balance and plant in service  
20 balance, in its calendar 2022 rate filings and on the books, to reflect revised Rule  
21 8.209 accruals for the change in the federal income tax rate. This adjustment was  
22 necessary because Rule 8.209 provides for an interest accrual at the pretax cost of  
23 capital last approved by the regulator. The pretax cost of capital last approved by  
24 the RGVSA Cities was calculated in October 2017 using a 35% federal income tax

1 rate. Rule 8.209 calculations were updated to reflect the new cost of capital going  
2 forward. Effective January 1, 2018, the federal income tax rate was reduced to  
3 21%. The pretax cost of capital approved by the Commission for the RGVSA in  
4 GUD No. 10656 was calculated in March 2018 using a 21% federal income tax  
5 rate. Due to an oversight, Rule 8.209 calculations were not updated to reflect the  
6 new tax rate going forward. Consequently, all Rule 8.209 accruals for 2018, 2019,  
7 2020 and 2021 were overstated by the difference in the federal income tax rate. In  
8 2022, the Company corrected the pretax cost of capital going forward and  
9 calculated an adjustment to prior Rule 8.209 balances. The Company recalculated  
10 the 2018, 2019, 2020, and 2021 Rule 8.209 accruals for the RGVSA using a 21%  
11 federal tax rate rather than a 35% tax rate, and reduced Rate Base by the difference  
12 in its calendar 2022 (test year end 2021) COSA filing and GRIP filing. The  
13 difference associated with 2021 Rule 8.209 accruals was deducted from the Rule  
14 8.209 balance. The difference associated with 2018, 2019, and 2020 Rule 8.209  
15 accruals was deducted from plant in service, because those prior year Rule 8.209  
16 amounts were reclassified to plant in service following the rate filings for those  
17 years. The Company also recorded the adjustments to the Rule 8.209 balance and  
18 plant in service on the books prior to the end of 2022.

19 **Q. WERE ANY ADJUSTMENTS MADE IN THIS FILING TO THE PER**  
20 **BOOK RULE 8.209 BALANCE?**

21 A. No. Because the Company recorded the adjustments on the books in 2022, the  
22 Rule 8.209 balances at December 31, 2022 accurately reflected all necessary  
23 corrections.

- 1 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**
- 2 **A. Yes, it does.**



STATE OF TEXAS           §  
  §  
COUNTY OF TRAVIS       §

**AFFIDAVIT OF STACEY L. McTAGGART**

BEFORE ME, the undersigned authority, on this day personally appeared Stacey L. McTaggart who having been placed under oath by me did depose as follows:

1.       “My name is Stacey L. McTaggart. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Rates and Regulatory Director for Texas Gas Service, a division of ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

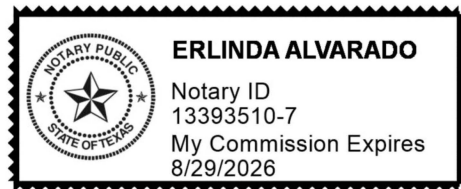
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

DocuSigned by:  
*Stacey L. McTaggart*  
2A78613AR1D94C7  
\_\_\_\_\_  
Stacey L. McTaggart

SUBSCRIBED AND SWORN TO BEFORE ME by the said Stacey L. McTaggart on this 12th day of June 2023.

DocuSigned by:  
**ERLINDA ALVARADO**  
683FDA66B5FD4C2...  
\_\_\_\_\_  
Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**ALLISON N. EDWARDS**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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**LIST OF EXHIBITS**

EXHIBIT ANE-1	List of Prior Testimony
EXHIBIT ANE-2	Schedule of Utility Insurance Company Premiums
EXHIBIT ANE-3	Cost Allocation Manual

1                                   **DIRECT TESTIMONY OF ALLISON N. EDWARDS**

2                                   **I.        INTRODUCTION AND QUALIFICATIONS**

3   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4   A.     My name is Allison N. Edwards. My business address is 15 East Fifth Street, Tulsa,  
5           Oklahoma.

6   **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7   A.     I am employed by ONE Gas, Inc. (“ONE Gas”) as the Manager of Corporate Rates  
8           and Regulatory Analysis.

9   **Q.     PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL**  
10       **EXPERIENCE.**

11   A.     I am a licensed Certified Public Accountant with a Bachelor of Science degree in  
12           Finance and a Master of Science degree in Accounting and Financial Analysis. I  
13           began my employment with ONEOK, Inc. (“ONEOK”) in November 2011 as a  
14           Rates Analyst I and retained that position with ONE Gas after its separation from  
15           ONEOK. In September 2015, I was promoted to a Rates Analyst II. In September  
16           2016, I accepted a position as a Tax Analyst II in the Tax Accounting Department.  
17           I began serving in my current position as a Manager of Corporate Rates and  
18           Regulatory Analysis in April 2018. Prior to my employment at ONEOK, I worked  
19           as a Cost Analyst at BOK Financial (“BOKF”) from June 2009 to November 2011.  
20           From September 2005 to June 2009, I worked as a Senior Banker at Bank of  
21           Oklahoma (a subsidiary of BOKF).

1 **Q. PLEASE DISCUSS YOUR DUTIES AND RESPONSIBILITIES AS**  
2 **MANAGER OF CORPORATE RATES AND REGULATORY ANALYSIS.**

3 A. My responsibilities include assisting the Divisions of ONE Gas, including Texas  
4 Gas Service Company (“TGS” or the “Company”), with the review and analysis of  
5 company financial data and records and preparation of and participation in rate  
6 cases and other regulatory filings and related activities.

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY**  
8 **COMMISSIONS?**

9 A. Yes, I have filed testimony in proceedings before the Oklahoma Corporation  
10 Commission (“OCC”), Kansas Corporation Commission (“KCC”), and the  
11 Railroad Commission of Texas (“Commission”) regarding the same general subject  
12 matters that I am testifying to in this case. A list of the dockets in which I have  
13 testified is provided as Exhibit ANE-1.

14 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
15 **DIRECT SUPERVISION?**

16 A. Yes, it was.

17 **II. PURPOSE OF TESTIMONY**

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. My testimony:

- 20 1. Provides an overview of ONE Gas’ organizational structure, which includes  
21 Shared Services at the corporate level and Direct TGS service areas;
- 22 2. Explains and supports ONE Gas’ cost allocation methodology, including  
23 causal allocations and the ONE Gas Distringas (“Distringas”) formula;
- 24 3. Supports the reasonableness of certain rate base adjustments, including  
25 Corporate and Division capital investments and prepayments and

1 depreciation and amortization expense allocated to the Rio Grande Valley  
 2 Service Area (“RGVSA”);

3 4. Explains and supports TGS’s operating expense adjustments for Shared  
 4 Services and Corporate, including adjustments for rent and lease operating  
 5 expense, injuries and damages, the Distrigas allocation, and miscellaneous  
 6 operating expenses;

7 5. Explains and supports adjustments associated with payroll, overtime, and  
 8 payroll related taxes and benefits; and

9 6. Supports recovery of incentive compensation.

10 **Q. HOW DOES YOUR TESTIMONY RELATE TO OTHER COMPANY**  
 11 **WITNESSES IN THE RATE CASE?**

12 A. My testimony relates to Company witness Anthony Q. Brown’s testimony as he  
 13 supports the RGVSA Direct service area rate base and expense adjustments,  
 14 whereas I support allocated Corporate and TGS Division rate base and expense  
 15 adjustments. Company witnesses Jeffrey Husen and Alejandro Limón also support  
 16 the Company’s request for capital investment cost recovery. My testimony also  
 17 relates to Company witness Jeff Branz’s testimony that addresses employee  
 18 compensation and benefits.

19 **Q. ARE YOU SPONSORING ANY SCHEDULES?**

20 A. Yes. I am sponsoring the following schedules:

<b>RATE BASE:</b>	
Schedule B (Rate Base)	Co-Sponsor with Anthony Q. Brown
Schedule B-2 (Prepays)	Co-Sponsor with Anthony Q. Brown
Schedule C (Plant)	Co-Sponsor with Anthony Q. Brown
Schedule C-1 (CCNC)	Co-Sponsor with Anthony Q. Brown
Schedule D (Reserves)	Co-Sponsor with Anthony Q. Brown
<b>OPERATING INCOME:</b>	
Schedule G (Summary of Operating Revenue & Expense Adj)	Co-Sponsor with Anthony Q. Brown and Teresa Serna

Schedule G-4 (Base Payroll)	Sponsoring
Schedule G-5 (Overtime Payroll)	Sponsoring
Schedule G-6 (Benefits & Payroll Related Taxes)	Sponsoring
Schedule G-8 (Incentive Compensation)	Sponsoring
Schedule G-9 (Miscellaneous Adjustments)	Co-Sponsor with Anthony Q. Brown
Schedule G-10 (Rents and Leases)	Co-Sponsor with Anthony Q. Brown
Schedule G-13 (Inj & Dam)	Sponsoring
Schedule G-14 (Advertising)	Co-Sponsor with Anthony Q. Brown
Schedule G-15 (Depr Amort)	Co-Sponsor with Anthony Q. Brown
Schedule G-21 (Distrigas Allocation)	Sponsoring
Schedule G-22 (Causal Allocation)	Sponsoring

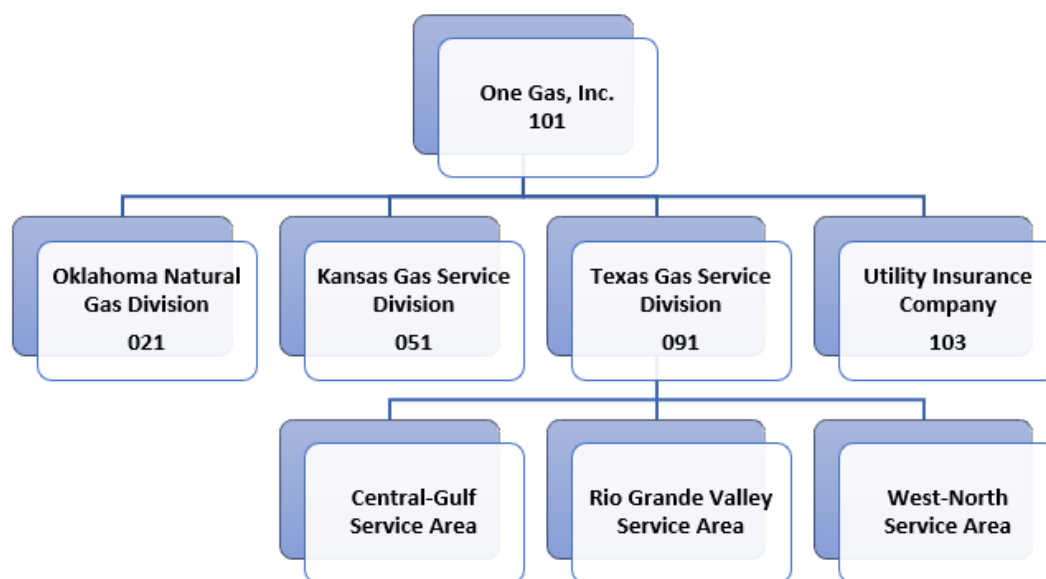
1 **Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR**  
2 **SUPERVISION?**

3 A. Yes, they were.

4 **III. ORGANIZATIONAL STRUCTURE OVERVIEW**

5 **Q. HOW IS ONE GAS ORGANIZED?**

6 A. As shown in the chart below, ONE Gas has three divisions, TGS, Oklahoma Natural  
7 Gas, and Kansas Gas Service, that together serve more than 2.3 million customers,  
8 and an affiliate company, Utility Insurance Company (“UIC”), a wholly-owned  
9 captive insurance subsidiary. Company witness Cyndi King discusses UIC in more  
10 detail in her testimony.



1 **Q. ARE CERTAIN CENTRALIZED SERVICES PROVIDED TO TGS'S**  
 2 **DIRECT SERVICE AREAS?**

3 A. Yes, both ONE Gas and TGS Division provide certain necessary, centralized  
 4 services for TGS's direct service areas. Providing certain consolidated or  
 5 centralized services reduces operational redundancies and helps achieve economies  
 6 of scale. These common centralized services are more efficiently provided at the  
 7 TGS Division or Corporate level and are considered "Shared Services" costs  
 8 because company personnel provide support to all ONE Gas Operating Divisions,  
 9 including TGS's service areas. The activities performed through these cost centers  
 10 are subject to cost assignment using the methodology set forth below.



1 **Q. HAS THE COMPANY INCLUDED THE COSTS ASSOCIATED WITH**  
2 **PROVIDING SHARED SERVICES TO THE RGVSA IN THE REVENUE**  
3 **REQUIREMENT?**

4 A. Yes. The Company has included these costs in the filing. As described in my  
5 testimony below, during the test year, services were provided to the RGVSA by  
6 TGS Division and ONE Gas employees, and the costs associated with those  
7 services are allocated to the RGVSA and included in the requested revenue  
8 requirement.

9 **Q. IS A PORTION OF UIC PREMIUMS FOR ONE GAS AND TGS**  
10 **INCLUDED IN THE COMPANY'S REQUESTED REVENUE**  
11 **REQUIREMENT FOR THE RGVSA?**

12 A. Yes. A portion of UIC premiums for ONE Gas and TGS is included as allocated  
13 costs to the RGVSA in the amount of \$645,318. A complete list containing the  
14 UIC premiums included in rate base and operations and maintenance ("O&M")  
15 expense allocated to the RGVSA is attached to my testimony as Exhibit ANE-2.  
16 Ms. King provides testimony describing UIC and its services, and Mr. Brown  
17 discusses the Company's compliance with the associated affiliate standard.

18 **IV. COST ALLOCATION METHODOLOGY**

19 **Q. WHAT IS THE PURPOSE OF COST ALLOCATIONS?**

20 A. The purpose of cost allocations is to determine and reasonably allocate each  
21 business entity's proportionate share of costs for certain support services it receives  
22 from TGS Division and ONE Gas. Because the costs to provide these services are  
23 "shared" by multiple business entities or service areas, cost responsibility for these  
24 services must be reasonably allocated among the various ONE Gas business entities

1 and TGS's service areas. These allocations are accomplished by applying ONE  
2 Gas' cost allocation methodology.

3 **Q. PLEASE DESCRIBE ONE GAS' COST ALLOCATION METHODOLOGY.**

4 A. The costs incurred by ONE Gas or any of its business entities can be described as  
5 either direct or indirect. A direct cost can be fully attributed to a specific business  
6 entity or service area, so those costs are directly assigned to that specific business  
7 entity or service area. Conversely, indirect costs are costs that cannot be attributed  
8 to a specific business entity or service area, so those costs must be allocated in  
9 accordance with principles of cost causation. For instance, if costs cannot be  
10 directly assigned, but a specific unit of measurement can be identified, then these  
11 indirect costs are allocated based on a causal relationship, such as customer count,  
12 and would be considered shared costs, which are discussed further below. Any  
13 remaining indirect costs that cannot be allocated in that manner are allocated  
14 according to a formula that has been previously approved or accepted in Texas,  
15 Kansas, Oklahoma and other jurisdictions. This formula is known as Distrigas.

16 **Q. PLEASE EXPLAIN "DIRECT COSTS."**

17 A. Direct costs are those costs that can be identified and directly assigned to the service  
18 area, TGS Division, or Corporate. Costs are directly assigned for services such as  
19 meter reading, leak surveys, field customer service, fleet expenses, certain  
20 information technology services, line location services, facilities management, and  
21 labor and benefits costs for Property Accounting employees for each ONE Gas  
22 Division for which the employee has accounting responsibility.

1 **Q. PLEASE EXPLAIN “INDIRECT COSTS” AND HOW THE INDIRECT**  
2 **COSTS ARE ALLOCATED.**

3 A. Indirect costs are those costs incurred to provide services that cannot be directly  
4 assigned to a business entity or service area; thus, these costs are considered shared  
5 costs. Indirect or shared costs are allocated to each business entity either on a causal  
6 basis or through Distringas. Indirect costs allocated using causal relationships are  
7 based on specific measurements such as participation level, activity level, output  
8 level, or resource consumption. Indirect costs that cannot be charged directly or  
9 cannot be associated with an identifiable causal relationship are allocated through  
10 Distringas. Examples of indirect costs include customer information center services,  
11 credit and collections, and TGS general accounting. Employee health and welfare  
12 benefits for active employees are examples of indirect costs allocated on a causal  
13 basis as measured by output level (allocated by employee headcount for each  
14 respective business entity). Other examples of causal allocation factors include a  
15 percentage of customer count for the Billing Control Group and invoice processing  
16 volume by business entity for Accounts Payable. Costs are then further allocated  
17 to the TGS service areas based on the ratio of customers in each service area to the  
18 total number of TGS customers in all TGS service areas.

19 **Q. PLEASE DESCRIBE THE SERVICES AND COSTS ALLOCATED**  
20 **THROUGH DISTRIGAS.**

21 A. ONE Gas provides many services that benefit all its business entities, including  
22 TGS. Those Corporate service operating costs are recorded on ONE Gas’ financial  
23 books and are then allocated to the various ONE Gas business entities using the  
24 Distringas factor.

1           A general summary of Corporate services is provided below. A complete  
2 list containing a more detailed explanation of each Corporate service and associated  
3 allocation can be found in the Corporate Allocation Manual (“CAM”) attached to  
4 my testimony as Exhibit ANE-3.

- 5           • Human Resources - Provides professional development and training  
6 programs for active employees.
- 7           • Information Technology - Supports ONE Gas’ business entities by  
8 developing and administering disaster recovery, data backup and  
9 recovery, cyber-security, data center and support of all ONE Gas and  
10 Company technology.
- 11          • Finance and Accounting - Supports ONE Gas’ business entities by  
12 administering processes related to corporate accounting, financial  
13 reporting, tax, credit, risk and insurance, internal audit, financial  
14 planning, investor relations, directors and officers liability insurance  
15 and business development.
- 16          • General Counsel - Supports ONE Gas’ business entities by  
17 administering processes related to legal aspects of day-to-day business  
18 activities such as board of directors’ compensation, regulatory affairs,  
19 and commercial contracts.
- 20          • Corporate Communications - Supports ONE Gas’ business entities by  
21 administering processes related to corporate communications efforts  
22 directed to employees and external stakeholders.
- 23          • Corporate Services - Supports ONE Gas’ various business entities by  
24 developing and administering programs and processes that facilitate  
25 general day-to-day business activities such as purchasing, facilities,  
26 business continuity and environmental safety and health initiatives.

27           Finally, as noted in the CAM, certain miscellaneous costs such as rent and  
28 utilities impacting all business entities are also allocated. All costs allocated to  
29 TGS, including UIC premiums, are then further allocated to the TGS service areas  
30 based on the ratio of customers in each service area to the total number of TGS  
31 customers in all TGS service areas.

1 **Q. WOULD THE SAME TYPES OF SERVICES AS THOSE PROVIDED BY**  
2 **TGS DIVISION AND ONE GAS BE REQUIRED IF THE RGVSA WERE A**  
3 **STAND-ALONE BUSINESS?**

4 A. Yes, these services would need to be provided even if the RGVSA was a standalone  
5 business. The RGVSA would likely have to independently provide these services  
6 if the services were not provided by TGS Division or Corporate. However, having  
7 these services performed centrally is efficient, allows for economies of scale and  
8 for the costs of those services to be spread across the business and service areas for  
9 which the services are provided. These services are necessary for the operation of  
10 any gas utility business, regardless of whether the service is performed centrally or  
11 on a decentralized basis at the service area level.

12 **Q. PLEASE DESCRIBE THE HISTORY OF THE DISTRIGAS ALLOCATION**  
13 **METHODOLOGY.**

14 A. The Distringas method was first approved in 1987 by the Federal Energy Regulatory  
15 Commission (“FERC”) in a rate proceeding for a natural gas transmission  
16 company, Distringas of Massachusetts Corporation.<sup>1</sup> The formula used by Distringas  
17 of Massachusetts Corporation was a slight modification of the old Massachusetts  
18 formula (a three-part formula consisting of gross plant, gross revenues and labor)  
19 which, prior to the acceptance of the Distringas method, was widely accepted by  
20 numerous regulatory agencies across the country. In its opinion, FERC accepted  
21 the Modified Distringas method (a three-part formula consisting of gross plant, net

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<sup>1</sup> *Distringas of Massachusetts Corp.*, 41 FERC ¶ 61205 (F.E.R.C. 1987).

1 revenues and labor) as a reasonable and acceptable methodology for allocating  
2 costs for ratemaking purposes.

3 **Q. PLEASE EXPLAIN HOW COSTS ARE ALLOCATED USING THE**  
4 **DISTRIGAS METHOD.**

5 A. The Distringas Method ONE Gas uses ensures that ONE Gas allocates Corporate  
6 costs to each Division on a consistent basis by applying the same cost-causation  
7 principles and methodology. This method uses a three-factor formula comprised  
8 of: (1) gross plant and investments; (2) operating income (income before interest  
9 expense and income taxes); and (3) labor expense. As with the Modified Distringas  
10 Method, the factors are individually calculated and then a simple average is  
11 calculated using the three component percentages.

12 Distringas utilizes gross plant and investments rather than just gross plant in  
13 the event that ONE Gas invests in business(es) that are not directly operated by  
14 ONE Gas.<sup>2</sup> These modifications further refine the Distringas Method to fairly and  
15 reasonably allocate the costs to the ONE Gas business entities, including TGS.

16 **Q. HAS THE SAME COST ALLOCATION METHODOLOGY BEEN**  
17 **APPLIED IN PRIOR ONE GAS PROCEEDINGS?**

18 A. Yes, it has. This methodology has been used since 1994 to allocate Corporate costs.  
19 It is important to ONE Gas to have a common allocation methodology approved by  
20 the regulatory agencies in the states in which it operates to ensure that the method  
21 is fair to each of the ONE Gas business entities and their customers. This  
22 methodology was applied in the Company's Gulf Coast Service Area in Gas

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<sup>2</sup> Currently, ONE Gas has no investment in businesses that are not operated by ONE Gas. ONE Gas also uses operating income rather than net revenues as an allocator to eliminate the cost of gas component.

1 Utilities Docket (“GUD”) No. 10488; West Texas Service Area in GUD No. 10506;  
2 Central Texas Service Area in GUD No. 10526; RGVSA in GUD No. 10656; North  
3 Texas Service Area in GUD No. 10739; Borger-Skellytown Service Area in GUD  
4 No. 10766; Central-Gulf Service Area in GUD No. 10928; and most recently the  
5 West North Service Area in Docket No. OS-22-00009896.<sup>3</sup>

6 Additionally, the OCC<sup>4</sup> has approved the use of the cost allocation method  
7 used by ONE Gas in prior rate cases. This methodology is also currently used in  
8 Kansas. The KCC accepted ONEOK’s allocation methodology in a settled 2005  
9 Kansas Gas Service rate case and ONE Gas’ allocation methodology in the 2016  
10 Kansas Gas Service rate case.

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<sup>3</sup> *Appeal of Texas Gas Service Company from the Actions of the Cities of Lockhart, Luling, Cuero, Gonzales, Nixon, Shiner and Yoakum; and, Statement of Intent Filed to Increase Rates in the Unincorporated Areas of the South Texas Service Area*, GUD No. 9770, Final Order at Findings of Fact (“FoF”) 36 (Apr. 24, 2008); *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*, GUD No. 9988, Final Order at FoF 23-24 (Dec. 14, 2010); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area (GSA) and South Jefferson County Service Area (SJCSA)*, GUD No. 10488, Final Order (May 3, 2016); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*, GUD No. 10506 consol., Final Order at FoF 14 (Sept. 27, 2016); *Statement of Intent of Texas Gas Service Company (TGS), a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA)*, GUD No. 10526, Final Order (Nov. 15, 2016); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10656, Final Order at FoF 32 (Mar. 20, 2018); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the North Texas Service Area*, GUD No. 10739, Final Order (Nov. 13, 2018); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area*, GUD No. 10766, Final Order at (Feb. 5, 2019); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. (“TGS”) to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and Gulf Coast Service Area*, GUD No. 10928, consol., Final Order (Aug. 4, 2020); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, the North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, consol., Final Order (Jan. 18, 2023).

<sup>4</sup> *In the Matter of the Application of Oklahoma Natural Gas Company, a Division of ONEOK, Inc., for Review and Change or Modification in its Rates, Charges, Tariffs and Terms and Conditions of Service*, Cause No. PUD 200400610, Order No. 512287 Final Order at 113 of 134 (Oct. 4, 2005).

1 **Q. IS ONE GAS' COST ALLOCATION METHODOLOGY A REASONABLE**  
2 **METHODOLOGY TO ALLOCATE CORPORATE COSTS?**

3 A. Yes, it is. As mentioned above, ONE Gas' cost allocation methodology allows  
4 ONE Gas to allocate Corporate costs to each of its Divisions on a consistent basis  
5 by applying the same cost-causation principles and methodologies. Furthermore,  
6 this methodology has been previously approved as a reasonable means of allocating  
7 Corporate costs by this Commission, the FERC,<sup>5</sup> the OCC, and accepted by the  
8 KCC.

9 **V. RATE BASE ADJUSTMENTS**

10 **Q. WHAT IS RATE BASE?**

11 A. Rate base is the Company's invested capital that is used and useful in providing  
12 safe and reliable gas utility service to its customers. The Company's rate base is  
13 summarized on Schedule B and is classified into three components: (1) Net Plant  
14 in Service; (2) Other Rate Base Items; and (3) Non-Investor Supplied Funds.  
15 Mr. Brown further discusses in his testimony Direct rate base and its three  
16 components.

17 **Q. WHY IS IT NECESSARY TO INCLUDE CORPORATE AND TGS**  
18 **DIVISION INVESTMENTS IN RATE BASE?**

19 A. Corporate and TGS Division investment assets are necessary to the provision of  
20 utility service to TGS and the RGVSA but are not reflected in the RGVSA Direct  
21 costs; thus, an adjustment is necessary to include these investments in rate base to  
22 determine the revenue requirement. This is the same approach TGS took in prior

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<sup>5</sup> *Distrigas of Mass. Corp.*, 41 FERC ¶ 61205 (1987).



1 statements of intent, which the Commission approved in GUD Nos. 9770, 9988,  
2 10506, TGS's last fully litigated rate case in Docket No. OS-22-00009896 and  
3 TGS's settled cases GUD Nos. 10488, 10526, 10656, 10739, 10766 and 10928.<sup>6</sup>

4 **Q. WHICH RATE BASE ITEMS DO YOU ADDRESS?**

5 A. I address the rate base items for capital costs that are allocated from ONE Gas or  
6 TGS Division to the RGVSA. These rate base items include prepayments,  
7 materials and supplies, net plant in service, construction completed not classified  
8 ("CCNC"), and accumulated reserves for depreciation and amortization. Schedule  
9 B contains a summary of all Rate Base items.

10 **Q. PLEASE DISCUSS THE RATE BASE ADJUSTMENTS ASSOCIATED**  
11 **WITH PREPAYMENTS.**

12 A. Prepayments are a component of rate base and are defined as amounts paid for in  
13 advance of the goods or services being received in the future. ONE Gas and TGS  
14 Division prepayments allocated to the RGVSA represent advances for items such  
15 as annual equipment and software maintenance agreement fees; software license  
16 fees; insurance policy premiums for general liability; automobile and workers'  
17 compensation; and other miscellaneous prepaid items. ONE Gas and TGS Division  
18 prepayments are provided on Schedule B-2 and Workpapers B-2.a.1 and B-2.b.1.  
19 Prepayments are included in rate base because they reflect an investment ONE Gas  
20 and TGS made for the provision of utility service, and similar to the treatment of  
21 ONE Gas and TGS Division capital investments.

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<sup>6</sup> GUD No. 9770, Final Order at FoF 27; GUD No. 9988, Final Order at FoF 10; GUD No. 10488, Final Order at FoF 46; GUD No. 10506, Final Order at FoF 110; GUD No. 10526, Final Order at FoF 44; GUD No. 10656, Final Order at FoF 39; GUD No. 10739, Final Order at FoF 34; GUD No. 10766, Final Order at FoF 33; GUD No. 10928, Final Order at FoF 52; and Docket No. OS-22-00009896, Final Order at FoF 40.

1 **Q. DO THE INVESTMENTS IN PREPAYMENTS DESCRIBED ABOVE**  
2 **INCLUDE ANY AFFILIATE COSTS?**

3 A Yes. As discussed in the testimony of Ms. King, ONE Gas formed a wholly-owned  
4 captive insurance subsidiary, UIC, in 2017 to provide insurance to ONE Gas and  
5 its Divisions. Some UIC premiums are included in Corporate and TGS Division  
6 costs that are allocated to the RGVSA. A complete list containing UIC premiums  
7 included in rate base is attached to my testimony as Exhibit ANE-2. Mr. Brown  
8 explains how these costs comply with the affiliate standard.

9 **Q. HOW WERE THE PREPAYMENT AMOUNTS CALCULATED?**

10 A. The prepayment balances were calculated by taking the average balance over 13  
11 months, which allows TGS to normalize fluctuations in prepayment accounts  
12 during the test year. The average 13-month balance was adjusted to: (1) remove  
13 activity for which the Company is not seeking recovery; and (2) reflect  
14 annualization of the cost allocation percentages for the first quarter of 2023.

15 **Q. IS IT REASONABLE TO INCLUDE ONE GAS AND TGS PREPAYMENTS**  
16 **AS PART OF THE CALCULATION OF THE COST OF SERVICE IN THIS**  
17 **CASE?**

18 A. Yes. Prepayments are required costs for services that are necessary for TGS to  
19 operate safely, reliably, and efficiently. As such, prepayments are appropriately  
20 included in rate base, and this is the same approach TGS has taken in prior  
21 statements of intent, which the Commission has previously approved.<sup>7</sup>

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<sup>7</sup> GUD No. 9770, Final Order; GUD No. 9988, Final Order; GUD No. 10488, Final Order; GUD No. 10506, Final Order; GUD No. 10526, Final Order; GUD No. 10656, Final Order; GUD No. 10739, Final Order; GUD No. 10766, Final Order; GUD No. 10928, Final Order; and Docket No. OS-22-00009896, Final Order.

1 **Q. NEXT, PLEASE EXPLAIN THE ONE GAS AND TGS DIVISION CAPITAL**  
2 **INVESTMENT, ALLOCATED TO THE RGVSA, SHOWN ON**  
3 **SCHEDULES C, C-1, AND D.**

4 A. ONE Gas' net plant in service (gross plant less accumulated reserves), allocated  
5 from Corporate to TGS, is \$35,707,122. The TGS Division net plant in service is  
6 \$7,774,308. The RGVSA allocated share of these amounts is 9.312%, or  
7 \$4,049,121, based on the number of customers in the RGVSA relative to the total  
8 number of TGS customers. Net plant in service costs are shown on Workpapers  
9 C.b, C.c, C-1.b, C-1.c, D.b, and D.c.

10 **Q. PLEASE DESCRIBE ANY SIGNIFICANT CORPORATE OR TGS**  
11 **DIVISION CAPITAL INVESTMENTS MADE SINCE THE LAST RATE**  
12 **CASE AND REFLECTED ON SCHEDULES C AND C-1.**

13 A. Corporate and TGS Division capital expenditures made since the last rate case and  
14 reflected on Schedules C and C-1 primarily consist of investments in a new  
15 Customer Information Center ("CIC") that TGS uses to meet customer needs in all  
16 service areas and computer software and hardware. Examples of those investments  
17 include:

18 • The purchase and renovation of a manufacturing facility into functional  
19 office space to adequately accommodate operation of TGS's CIC  
20 located in El Paso. The previous CIC facility was not large enough to  
21 accommodate the employees necessary to perform daily operations and  
22 resulted in two to four employees sharing office space originally made  
23 for one employee. The old location also had unsafe employee parking  
24 conditions resulting in employees parking in the street and surrounding  
25 neighborhoods. The new facility renovation process included replacing  
26 the building's electrical system; repairing plumbing systems; installing  
27 fire system equipment; and adding a generator system for emergency  
28 response needs. Additional technological renovations included  
29 installing hardware such as digital screens and camera systems into  
30 conference rooms; servers, uninterruptible power supplies, Wi-Fi

- 1 network extenders to provide employees with a reliable network; and  
2 access control and video surveillance systems, providing employees  
3 with a secure work environment.
- 4 • The build of a training center for all ONE Gas field employees which  
5 includes classrooms, a simulation city, an excavation site, and a fire  
6 school. The training center provides field employees with the  
7 opportunity to train in a classroom setting as well as in hands-on  
8 scenarios. In the simulation city, employees practice situations such as  
9 turning on a customer’s natural gas, performing gas leak investigations,  
10 and locating gas pipelines.
- 11 • Enhancements made to ONE Gas’ pipeline monitoring systems to  
12 increase visibility and safety. These enhancements include: (1)  
13 replacing defective second-generation (2G) and third-generation (3G)  
14 modems used to communicate pipeline visibility data between gas sites  
15 and Supervisory Control and Data Acquisition (SCADA) Gas Control  
16 with fourth-generation (4G) modems that utilize long-term evolution  
17 (LTE) technology; (2) consolidating and unifying ONE Gas leak survey  
18 practices by standardizing LocusSurvey as the mobile application and  
19 Android phones as the mobile device used by all ONE Gas field  
20 personnel; (3) building an emergency incident forecast model used by  
21 operations employees when scheduling field personnel in order to better  
22 allocate resources and reduce the time it takes to respond to an  
23 emergency incident; and (4) updating ONE Gas’ pipeline modeling  
24 software, Synergi, to integrate with the Area Isolation Module in order  
25 to perform calculations necessary to evaluate how various system  
26 outages would impact customers.
- 27 • Enhancements made to ONE Gas’ interactive voice response (“IVR”)  
28 system in order to improve customer experience. These enhancements  
29 include: (1) providing customers the option to complete a post call and  
30 field survey which links survey information to customer accounts;  
31 (2) routes Spanish calls to Spanish speaking customer service  
32 representatives (“CSRs”); (3) provides customers a call back option  
33 when CSRs are servicing other customers in order to reduce wait time  
34 and help manage periods of high inbound call volumes; (4) the creation  
35 of an application for emergency calls routed through the IVR and an  
36 application for calls routed through the emergency toll free numbers.
- 37 • Improvements and additions made to ONE Gas’ cybersecurity software.  
38 ONE Gas implemented additional cybersecurity measures to:  
39 (1) identify individuals using the ONE Gas network and securely  
40 manage connections; (2) increase ONE Gas’ ability to detect and stop  
41 malicious infections by decrypting data moving across its network; and  
42 (3) immediately disconnect ransomware and other advanced threats  
43 from computers on the ONE Gas network.

- 1                   •     Improvements made to ONE Gas' Banner application to increase the  
2                   efficiency and productivity CSRs. Banner is ONE Gas' billing system,  
3                   which contains records of ONE Gas's approximately 2.3 million  
4                   customers, premises, services, accounts, meter readings, and other  
5                   information critical to providing reliable billing and customer service.  
6                   These enhancements shortened the time needed for CSRs to service  
7                   customer calls by: (1) replacing the existing Banner CSR screens with  
8                   a more user friendly web based application; (2) incorporating the  
9                   Microsoft Dynamics Customer Relationship Management application  
10                  to track customer activities such as meter reading dates, billing dates  
11                  and pay arrangement installments; (3) creating process based screens  
12                  which consolidated various screens and reduced the number of data  
13                  sources; and (4) automating business processes related to tracking  
14                  customer data and contact information which were previously manually  
15                  completed.
- 16                 •     Continuous updates and additions to technology infrastructure such as  
17                  data centers, disaster recovery, storage, servers, networking, backups,  
18                  and physical security protection.

19                 Costs related to the projects detailed above or very similar projects were approved  
20                 for recovery by the Commission in Docket No. OS-22-00009896.

21     **Q.     WERE THE TGS DIVISION AND CORPORATE PROJECTS AND**  
22     **RELATED CAPITAL EXPENDITURES PRUDENT, REASONABLE AND**  
23     **NECESSARY?**

24     A.     Yes, they were. Corporate capital and TGS Division investment are necessary for  
25             the provision of service in the TGS service areas. These expenditures provide  
26             critical services supporting all employees in their efforts to provide service safely  
27             and reliably to customers in the RGVSA. ONE Gas made these investments,  
28             including investment in technology systems and software, to provide the highest  
29             level of stability, reliability, and security. If a technology system becomes  
30             unavailable, operations may be impaired. Additionally, ONE Gas and TGS  
31             maintain office and training spaces for employees to adequately and safely provide  
32             reliable gas service to customers. Thus, it is necessary to provide reliable

1 technology systems, infrastructure, and office/training facilities to minimize  
2 disruption to customers and employees, who provide either indirect support or  
3 direct service to customers, through leak detection, emergency response, customer  
4 billing, dispatching and scheduling of service calls, to protect sensitive customer  
5 information, enhance cybersecurity, improve website functionality, and maintain  
6 office/training facilities. Company witness Alejandro Limón testifies regarding the  
7 overall reasonableness, necessity, and prudence of the capital investment costs TGS  
8 is requesting in this case.

9 **Q. DID YOU MAKE ANY ADJUSTMENTS TO ONE GAS AND TGS**  
10 **DIVISION PLANT IN SERVICE, CCNC OR ACCUMULATED RESERVE?**

11 A. Yes. The Company has made adjustments to remove Corporate and TGS Division  
12 costs for activities such as: (1) plant additions, transfers or retirements mistakenly  
13 coded to the RGVSA, (2) costs for meals greater than \$25 per person, exclusive of  
14 taxes and tip amounts, and hotel stays greater than \$175 per night, exclusive of  
15 taxes;<sup>8</sup> (3) duplicative Vertex sales tax; and (4) aviation. These adjustments are  
16 reflected in Workpapers C.b, C.c, C-1.b, C-1.c, D.b, and D.c.

17 **Q. DID THE COMPANY MAKE ANY OTHER ADJUSTMENTS TO ONE GAS**  
18 **AND TGS DIVISION ACCUMULATED RESERVES ON WORKPAPER**  
19 **D.B?**

20 A. The Company has made an adjustment to the Accumulated Reserve to account for  
21 the differences between the recorded reserve and computed reserve calculated in  
22 Company witness Dr. Ronald White's Depreciation study. This adjustment

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<sup>8</sup> GUD No. 10928, Final Order at FoFs 71-72.

1 transferred reserve dollars from all TGS Direct depreciable 390.1 accounts to TGS  
2 Division amortizable accounts, so there is enough reserve in the amortizable  
3 accounts for when those assets retire. Mr. Brown explains and sponsors the  
4 adjustments made to Direct per book reserve balances.

5 **VI. OPERATING EXPENSE ADJUSTMENTS**

6 **Q. WHAT IS SHOWN ON WORKPAPER G.A.2.A?**

7 A. The Shared Services per book amount, including Dstrigas, that I am supporting  
8 totals \$89,071,525, of which \$8,294,608 is allocated to the RGVSA. Workpaper  
9 G.a.2.a provides a summary showing the TGS allocated test year amount along with  
10 an O&M expense factor calculation applied to the adjustments.

11 **Q. DESCRIBE THE MISCELLANEOUS ADJUSTMENTS SHOWN ON**  
12 **SCHEDULE G-9.**

13 A. Schedule G-9 contains miscellaneous adjustments to remove expenses not currently  
14 allowed for regulatory recovery such as civic activities, sponsorships, charitable  
15 contributions, and legislative activities. Additional adjustments include the  
16 removal of royalty fees, an adjustment to account for the known and measurable  
17 change in insurance costs, and adjustment to remove COVID expenses that have  
18 been included in Schedule G-20, Regulatory Asset Amortization, to be recovered  
19 through a regulatory asset, over a six-year period. Mr. Brown addresses the  
20 Regulatory Asset Amortization, including COVID costs.

21 **Q. DESCRIBE THE RENT ADJUSTMENT SHOWN ON SCHEDULE G-10.**

22 A. Schedule G-10 annualizes test year expense for rent and common area maintenance  
23 costs to reflect known and measurable changes. These adjustments are consistent

1 with the methodology used in prior statements of intent and with prior Commission  
2 decisions.

3 **Q. DESCRIBE THE ADJUSTMENT TO INJURIES AND DAMAGES**  
4 **EXPENSE SHOWN IN SCHEDULE G-13.**

5 A. The injuries and damages expense on Schedule G-13 consists of TGS's workers'  
6 compensation, auto liability, and general liability insurance paid claims. These  
7 costs fall within TGS's self-insurance limitation and therefore are not recovered  
8 from TGS's insurance provider. The adjusted expense on Schedule G-13 was first  
9 computed by averaging all claims paid for the period of January 2019 through  
10 December 2022 (4 years). Next, injuries and damages expense for the twelve  
11 months ended December 2022 was subtracted from the average claims paid (4-year  
12 average) to determine the additional adjustment to test year expense. Ms. King  
13 testifies regarding UIC and the self-insurance limitation.

14 **Q. HAS THE COMMISSION PREVIOUSLY APPROVED THE**  
15 **NORMALIZATION OF INJURIES AND DAMAGES EXPENSE OVER A**  
16 **FOUR-YEAR PERIOD?**

17 A. Yes, in GUD Nos. 9988, 10506, and Docket No. OS-22-00009896, the Commission  
18 found that it is reasonable to normalize this expense over a four-year period. The  
19 Commission also approved this treatment in TGS rate cases in GUD Nos. 10488,  
20 10526, 10656, 10739, 10766 and 10928, all of which were resolved through  
21 settlement agreements.



1 **Q. PLEASE EXPLAIN HOW THE DEPRECIATION AND AMORTIZATION**  
2 **EXPENSE ADJUSTMENT ON SCHEDULE G-15 IS CALCULATED.**

3 A. Adjusted depreciation or amortization expense is calculated by multiplying the  
4 depreciation/amortization rates by depreciable plant in service. Test year  
5 depreciation expense is subtracted from total adjusted depreciation expense to  
6 calculate the adjustment to test year expense reflected on Schedule G-15. Most  
7 Corporate plant depreciation rates and amortization periods were developed in  
8 Dr. White's 2015 depreciation study, approved in TGS's last fully litigated rate  
9 case in Docket No. OS-22-00009896, and approved in TGS's settled cases in GUD  
10 Nos. 10488, 10526, 10656, 10739, 10766 and 10928.<sup>9</sup> Corporate depreciation rates  
11 and amortization periods are consistent throughout ONE Gas and its Divisions. The  
12 KCC<sup>10</sup> and OCC<sup>11</sup> have also approved these depreciation rates. For certain new  
13 investments in accounts that were not considered in the 2015 depreciation study,  
14 initial depreciation rates were determined based on previous company experience  
15 and the judgment of those responsible for developing and managing these assets.  
16 The Company proposes to continue the use of existing depreciation rates for ONE  
17 Gas plant.

18 Dr. White conducted a 2022 depreciation study to determine the  
19 depreciation rates for TGS Division plant. This study was approved in TGS's last

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<sup>9</sup> GUD No. 10488, Final Order at FoF 45; GUD No. 10506, Final Order at FoF 77; GUD No. 10526, Final Order at FoF 43; GUD No. 10656, Final Order at FoF 30; GUD No. 10739, Final Order at FoF 39; GUD No. 10766, Final Order at FoF 37; GUD No. 10928, Final Order at FoF 68; and Docket No. OS-22-00009896 at FoF 87.

<sup>10</sup> *In the Matter of the Application of Kansas Gas Service, a Division of ONE Gas, Inc. for Adjustment of its Natural Gas Rates in the State of Kansas*, Docket No. 16-KGSG-491-RTS, Order Approving Unanimous Settlement Agreement at FoF 14 (Nov. 29, 2016).

<sup>11</sup> *Application of Oklahoma Natural Gas Company, a Division of ONE Gas, Inc., for Approval of its Performance Based Rate Change Plan Calculations for the Twelve Months Ending December 31, 2016*,

1 fully litigated rate case, Docket No. OS-22-00009896, and the Company has  
2 applied these depreciation rates to TGS Division plant in this statement of intent  
3 filing. Dr. White describes in his testimony the depreciation study and resulting  
4 depreciation rates requested in this case.

5 **Q. WHY IS IT APPROPRIATE TO USE EXISTING DEPRECIATION RATES**  
6 **AND AMORTIZATION PERIODS APPROVED BY THE COMMISSION**  
7 **TO CALCULATE THE DEPRECIATION AND AMORTIZATION**  
8 **EXPENSE FOR CORPORATE ASSETS?**

9 A. These depreciation rates were subject to a comprehensive review in seven different  
10 Texas rate cases and are already being utilized by TGS statewide, including the  
11 Central Gulf and West North Service Areas. If the regulatory authority were to  
12 establish parameters for Corporate assets in the RGVSA that are different from  
13 those utilized in other Texas jurisdictions and ONE Gas Divisions, ONE Gas and  
14 TGS would have two sets of depreciation/amortization periods for the exact same  
15 assets. This difference would require ONE Gas to modify its current accounting  
16 system to track assets, accumulated reserve, and depreciation/amortization  
17 specifically for the RGVSA, which would be a complicated and costly process.

18 **Q. PLEASE EXPLAIN THE DISTRIGAS ALLOCATION ADJUSTMENT**  
19 **REFLECTED ON SCHEDULE G-21.**

20 A. Schedule G-21 and Workpaper G-21.a provide the monthly per book Dstrigas  
21 allocation to TGS, along with the factors used to calculate the allocation

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*Energy Efficiency True-Up and Utility Incentive Adjustments for Program Year 2016, and Changes or Modifications to its Tariffs.* Cause No. PUD 201700079, Order No. 666781 Final Order Approving Joint Stipulation and Settlement Agreement (Aug. 9, 2017).

1 percentages. An adjustment to reflect the known and measurable change in the  
2 Distringas allocation factor as of the first quarter of 2023 is also included on  
3 Schedule G-21. This adjustment is consistent with the methodology and  
4 Commission decisions mentioned above.

5 **Q. PLEASE IDENTIFY THE SHARED SERVICES CAUSAL ALLOCATION**  
6 **INFORMATION REFLECTED ON SCHEDULE G-22.**

7 A. Schedule G-22 and Workpaper G-22.a show the monthly per book Shared Services  
8 causal allocations to TGS, along with the factors used to calculate the causal  
9 allocation percentages.

10 **VII. PAYROLL, OVERTIME, PAYROLL RELATED TAXES**  
11 **AND BENEFITS**

12 **Q. WHAT IS BASE PAYROLL?**

13 A. Base pay or base payroll represents an employee's base salary or hourly wages.  
14 Through the Common Salary Review process, base pay is reviewed at least  
15 annually for all employees resulting in pay increases, if applicable, in December.  
16 Mr. Branz discusses base pay and its components in his testimony.

17 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO BASE PAYROLL PROVIDED**  
18 **ON SCHEDULE G-4.**

19 A. Schedule G-4 contains adjustments to payroll expense to annualize the changes in  
20 salary or hourly wages for services that employees provided to the RGVSA as well  
21 as employees whose costs are allocated through Shared Services during the test  
22 year. Adjusted base salaries were calculated by annualizing test year payroll at  
23 December 31, 2022. This adjustment annualizes the changes in the number of  
24 employees, promotions, and salary adjustments occurring during the test year.

1 Total test year payroll was then subtracted from the calculated annualized payroll  
2 level, including the December 2022 Common Salary Review increase, to determine  
3 the allocable base payroll adjustment that was multiplied by allocation factors and  
4 by the payroll O&M expense ratio to determine the adjusted O&M expense amount  
5 applicable to the RGVSA. The allocable base payroll adjustment was then assigned  
6 to O&M expense accounts based on the accounts to which test year payroll expense  
7 was recorded. This is the same adjustment TGS made to base payroll in Docket  
8 No. OS-22-00009896, which was not challenged.

9 **Q. PLEASE DESCRIBE THE EXPENSE ADJUSTMENT SHOWN ON**  
10 **SCHEDULE G-5.**

11 A. Schedule G-5 contains adjustments to overtime expense for hourly employees who  
12 are based in the RGVSA, as well as TGS Division and Corporate employees whose  
13 costs are allocated through Shared Services. The adjusted hourly base payroll  
14 calculated on Schedule G-4 was multiplied by the test year overtime percentage  
15 (which is test year overtime as a percentage of test year hourly base pay) to  
16 determine annualized overtime payroll. Total test year overtime payroll was then  
17 subtracted from the annualized overtime payroll to determine the allocable  
18 overtime payroll adjustment. This adjustment was multiplied by allocation factors  
19 and the payroll O&M expense ratio to determine the adjusted O&M overtime  
20 payroll expense amount applicable to the RGVSA. This amount was then assigned  
21 to O&M expense accounts based on the accounts to which test year payroll expense  
22 was recorded. Overtime pay is a reasonable and necessary component of employee  
23 compensation, and it is appropriate to include overtime pay in the annualized  
24 payroll amount to be recovered through rates. This is the same adjustment TGS

1 made to overtime expense in Docket No. OS-22-00009896, which was not  
2 challenged.

3 **Q. DESCRIBE THE BENEFITS AND PAYROLL TAXES ADJUSTMENT**  
4 **SHOWN ON SCHEDULE G-6.**

5 A. Schedule G-6 contains the adjustment to recognize the change in benefits and  
6 payroll tax based on the annualization of the labor increases for employees  
7 performing work in the RGVSA as well as TGS Division and Corporate employees  
8 whose costs are allocated through Shared Services. The adjustment includes a cost  
9 per payroll dollar for payroll taxes and for those benefits that vary based on labor  
10 cost. Benefits that vary based on labor cost include pension, other post employment  
11 benefits, and medical reserve. The benefit cost per payroll dollar was calculated  
12 based on the most recently available data for payroll tax and benefits costs. These  
13 calculations are shown on Workpaper G-6b. Additional benefits such as profit  
14 sharing amounts, 401(k) company match, tuition reimbursement, and employee  
15 assistance programs, are reflected on Schedule G-6 and Workpaper G-6b and  
16 represent test year actual amounts. The proforma base and overtime payroll from  
17 Schedules G-4 and G-5, respectively, were then multiplied by the calculated benefit  
18 and payroll tax per payroll dollar ratios that were developed on Workpaper G-6b to  
19 determine the annualized benefits and payroll tax. The total test year benefits and  
20 payroll tax were then subtracted from the annualized benefits and payroll tax to  
21 determine the allocable benefits and payroll tax adjustment. This amount was then  
22 multiplied by allocation factors and the payroll O&M expense ratio to determine  
23 the adjusted O&M expense amount applicable to the RGVSA. This amount was  
24 then assigned to O&M expense accounts based on the accounts to which test year

1 payroll expense was recorded as shown on Workpaper G-6a. This is the same  
2 adjustment TGS made to benefits and payroll taxes in Docket No. OS-22-  
3 00009896, which was not challenged.

4 **Q. WHAT IS THE SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN**  
5 **(“SERP”) AMOUNT INCLUDED ON SCHEDULE G-6?**

6 A. The SERP amount included in this filing is \$186.29 and included on workpaper G-  
7 6. This amount is for direct RGVSA employees. The amount was calculated based  
8 on December 2022 payroll annualization and the most recently available data for  
9 SERP costs; then multiplied by allocation factors and the payroll O&M expense  
10 ratio to determine the adjusted O&M expense amount applicable to the RGVSA.

11 **Q. HAS THE COMMISSION APPROVED RECOVERY OF SERP COSTS**  
12 **FOR TGS?**

13 A. Yes. In GUD No. 10506 and Docket No. OS-22-00009896, the Commission found  
14 SERP to be beneficial to recruit and retain executives, which benefits both  
15 shareholders and ratepayers, thus allowing recovery of SERP expenses directly  
16 assigned to the service area payroll as reasonable and necessary and supported by  
17 the evidence.<sup>12</sup> The Company followed this method for including SERP amounts  
18 in this case.

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<sup>12</sup> GUD No. 10506, Final Order at FoFs 86-87; Docket No. OS-22-00009896, Final Order at FoF 71.

1 **Q. WHAT IS THE BASE YEAR LEVEL OF PENSION RELATED AND**  
 2 **OTHER POST EMPLOYMENT BENEFITS EXPENSE SHOWN ON**  
 3 **WORKPAPER G-6.C?**

4 A. In accordance with Gas Utility Regulatory Act (“GURA”) § 104.059, the base year  
 5 or current year level of pension and other post employment amounts are shown on  
 6 workpaper G-6.c and reflected in the table:

<b>Description</b>	<b>Amount</b>
Pension	\$(59,710)
OPEB	\$6,022
<b>Total</b>	<b>\$(53,688)</b>

7 The above amounts are from the Schedule G-6 Benefits & Payroll Taxes, which  
 8 was calculated based on the most recently available data for payroll tax and benefits  
 9 costs. These amounts were then multiplied by allocation factors and the payroll  
 10 O&M expense ratio to determine the adjusted O&M expense amount applicable to  
 11 the RGVSA.

12 **VIII. RECOVERY OF INCENTIVE COMPENSATION COSTS**

13 **Q. HAS THE COMPANY INCLUDED INCENTIVE COMPENSATION**  
 14 **COSTS IN THIS FILING CONSISTENT WITH GURA § 104.060?**

15 A. Yes. TGS is requesting recovery of its reasonable and necessary incentive  
 16 compensation costs applicable to the test year. In accordance with GURA  
 17 § 104.060, the Company has made an adjustment to remove incentive  
 18 compensation related to the financial metrics for executive officers whose  
 19 compensation is required to be disclosed under 17 C.F.R. Section 229.402(a).<sup>13</sup>

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<sup>13</sup> <https://www.sec.gov/divisions/corpfin/ecfr/17cfr229.402a.pdf>.

1 These executive officers are known as the Named Executive Officers (“NEOs”) in  
2 ONE Gas’ Notice of Annual Meeting and Proxy Statement. Mr. Branz also  
3 addresses how TGS meets the requirements of GURA § 104.060 to support TGS’s  
4 request for incentive compensation cost recovery, provides testimony in support of  
5 the reasonableness and necessity of TGS’s requested incentive compensation costs,  
6 and describes the nature of the ONE Gas incentive compensation plans and the role  
7 these plans have in ONE Gas’ overall compensation philosophy. This is the same  
8 approach the Company took regarding incentive compensation costs in Docket  
9 No. OS-22-00009896, for which the Commission approved full cost recovery.

10 **Q. DESCRIBE THE INCENTIVE COMPENSATION ADJUSTMENT SHOWN**  
11 **ON SCHEDULE G-8.**

12 A. Schedule G-8 identifies the amount of incentive compensation costs TGS seeks to  
13 recover in this case. TGS is seeking recovery of short-term incentive (“STI”) and  
14 long-term incentive (“LTI”) compensation costs for direct employees, TGS  
15 Division employees and ONE Gas employees, excluding incentive compensation  
16 related to financial metrics for NEOs.

17 **Q. DESCRIBE THE ADJUSTMENT MADE TO STI COMPENSATION TO**  
18 **EXCLUDE COSTS RELATED TO FINANCIAL METRICS FOR NEOS.**

19 A. The STI attributable to financial metrics for NEOs, including FICA, 401(k)  
20 company match, and profit sharing amounts associated with STI, allocated to the  
21 RGVSA is \$29,373. The Company removed the \$29,373 amount consistent with  
22 GURA § 104.060. Mr. Branz discusses the STI metrics in his direct testimony.



1 **Q. DESCRIBE THE ADJUSTMENT MADE TO LTI COMPENSATION FOR**  
2 **PERFORMANCE STOCK UNITS.**

3 A. The total Performance Stock Unit per book amount in the test year allocated to the  
4 RGVSA is \$142,561 of which \$70,230 was attributable to financial metrics for  
5 NEOs. Removing that amount results in TGS requesting recovery of \$72,331. As  
6 discussed by Mr. Branz, Performance Stock Units are based upon ONE Gas'  
7 performance as measured by its three-year relative total shareholder return. Thus,  
8 the Company removed the LTI amount related to Performance Stock Units  
9 consistent with GURA § 104.060.

10 **Q. WAS AN ADJUSTMENT MADE TO LTI COMPENSATION FOR**  
11 **RESTRICTED STOCK UNITS?**

12 A. No. As discussed in Mr. Branz's direct testimony, Restricted Stock Units are not  
13 based on the financial performance of ONE Gas. Therefore, no adjustment was  
14 made for LTI costs related to Restricted Stock Units.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 A. Yes, it does.

**ALLISON EDWARDS – LIST OF PRIOR TESTIMONY**

<b>Line</b>	<b>Jurisdiction</b>	<b>Docket</b>	<b>Company</b>	<b>Year</b>
1	Oklahoma Corporation Commission	Cause No. PUD 201400069	Oklahoma Natural Gas	2014
2	Oklahoma Corporation Commission	Cause No. PUD 201500213	Texas Gas Service	2015
3	Railroad Commission of Texas	GUD No. 10506	Texas Gas Service	2016
4	Railroad Commission of Texas	GUD No. 10739	Texas Gas Service	2018
5	Kansas Corporation Commission	Docket No. 18-KGSG-560-RTS	Kansas Gas Service	2018
6	Railroad Commission of Texas	GUD No. 10766	Texas Gas Service	2018
7	Railroad Commission of Texas	GUD No. 10928	Texas Gas Service	2019

<b>UIC Premiums Included in Rate Base and Expenses by Service Area</b>					
<b>Service Area</b>	<b>Rate Base</b>	<b>Expenses</b>	<b>Total</b>		
RGVSA	215,790	429,528	<b>645,318</b>		

CORPORATE UIC PREMIUMS ALLOCATED TO RGVSA																
TEST YEAR ENDING DECEMBER 31, 2022																
LINE NO.	POLICY TYPE	DECEMBER 2021 <sup>1</sup>	JANUARY <sup>1</sup>	FEBRUARY <sup>1</sup>	MARCH <sup>1</sup>	APRIL <sup>1</sup>	MAY <sup>1</sup>	JUNE <sup>1</sup>	JULY <sup>1</sup>	AUGUST <sup>1</sup>	SEPTEMBER <sup>1</sup>	OCTOBER <sup>1</sup>	NOVEMBER <sup>1</sup>	DECEMBER <sup>1</sup>	13 MONTH AVG INCLUDED IN RATE BASE	
1	UIC Auto Liability	\$ 2,330	\$ 2,097	\$ 1,864	\$ 1,631	\$ 1,398	\$ 1,165	\$ 932	\$ 699	\$ 466	\$ 233	\$ -	\$ 5,467	\$ 4,970		
2	UIC Excess Liability	922,590	830,331	738,072	645,813	553,554	461,295	369,036	276,777	184,518	92,259	-	1,234,926	1,122,660		
3	UIC Property	34,628	25,971	17,314	8,657	-	99,539	90,490	81,441	72,392	63,343	54,294	45,245	36,196		
4	UIC Workers Compensation	66,370	59,733	53,096	46,459	39,822	33,185	26,548	19,911	13,274	6,637	-	46,794	42,540		
5	UIC Cyber	14,583	-	204,842	186,220	167,598	148,976	130,354	111,732	93,110	74,488	55,866	37,244	18,622		
6	<b>CORPORATE UIC PREMIUMS</b>	<b>\$ 1,040,501</b>	<b>\$ 918,132</b>	<b>\$ 1,015,188</b>	<b>\$ 888,780</b>	<b>\$ 762,372</b>	<b>\$ 744,160</b>	<b>\$ 617,360</b>	<b>\$ 490,560</b>	<b>\$ 363,760</b>	<b>\$ 236,960</b>	<b>\$ 110,160</b>	<b>\$ 1,369,676</b>	<b>\$ 1,224,988</b>	<b>\$ 752,507</b>	
7	<b>Allocated to TGS - Distrigas Allocation</b>														<b>28.24%</b>	<b>212,508</b>
8	<b>Allocated to RGVSA</b>														<b>9.3123%</b>	<b>19,789</b>
<b>Footnotes:</b>																
<sup>1</sup> The UIC premium amounts contained in this exhibit are included in the 13 month average, calculated in "WKP B-2.b.1_Prepayments - ONE GAS Corp Prepayments Detail (CONFIDENTIAL)". Filter on "UIC" in the "Line Description" column to identify the UIC premiums contained in "WKP B-2.b.1_Prepayments - ONE GAS Corp Prepayments Detail (CONFIDENTIAL)".																

TGS DIVISION UIC PREMIUMS ALLOCATED TO RGVSA															
TEST YEAR ENDING DECEMBER 31, 2022															
LINE NO.	POLICY TYPE	DECEMBER 2021 <sup>1</sup>	JANUARY <sup>1</sup>	FEBRUARY <sup>1</sup>	MARCH <sup>1</sup>	APRIL <sup>1</sup>	MAY <sup>1</sup>	JUNE <sup>1</sup>	JULY <sup>1</sup>	AUGUST <sup>1</sup>	SEPTEMBER <sup>1</sup>	OCTOBER <sup>1</sup>	NOVEMBER <sup>1</sup>	DECEMBER <sup>1</sup>	13 MONTH AVG INCLUDED IN RATE BASE
1	UIC Auto Liability	\$ 2,740	\$ 2,466	\$ 2,192	\$ 1,918	\$ 1,644	\$ 1,370	\$ 1,096	\$ 822	\$ 548	\$ 274	\$ -	\$ 5,984	\$ 5,440	
2	UIC Excess Liability	2,597,840	2,338,056	2,078,272	1,818,488	1,558,704	1,298,920	1,039,136	779,352	519,568	259,784	-	4,509,087	4,099,170	
3	UIC Property	213,032	159,774	106,516	53,258	-	614,504	558,640	502,776	446,912	391,048	335,184	279,320	223,456	
4	UIC Workers Compensation	84,050	75,645	67,240	58,835	50,430	42,025	33,620	25,215	16,810	8,405	-	48,268	43,880	
5	<b>TGS DIVISION UIC PREMIUMS</b>	<b>\$ 2,897,662</b>	<b>\$ 2,575,941</b>	<b>\$ 2,254,220</b>	<b>\$ 1,932,499</b>	<b>\$ 1,610,778</b>	<b>\$ 1,956,819</b>	<b>\$ 1,632,492</b>	<b>\$ 1,308,165</b>	<b>\$ 983,838</b>	<b>\$ 659,511</b>	<b>\$ 335,184</b>	<b>\$ 4,842,659</b>	<b>\$ 4,371,946</b>	<b>2,104,747</b>
6	<b>Allocated to RGVSA</b>														<b>9.3123%</b> <b>196,000</b>
<b>Footnotes:</b>															
<sup>1</sup> The UIC premium amounts contained in this exhibit are included in the 13 month average, calculated in "WKP B-2.a.1_Prepayments - TGS Division Detail (CONFIDENTIAL)". Filter on "UIC" in the "Vendor" column to identify the UIC premiums contained in "WKP B-2.a.1_Prepayments - TGS Division Detail (CONFIDENTIAL)".															

<b>CORPORATE UIC PREMIUM EXPENSE ALLOCATED TO RGVSA</b>			
<b>TEST YEAR EXPENSE JAN - DEC 31, 2022</b>			
<b>LINE NO.</b>	<b>POLICY TYPE</b>		<b>UIC Expense 2022</b>
1	UIC Auto Liability		3,326
2	UIC Excess Liability		1,147,123
3	UIC Property		107,021
4	UIC Workers Compensation		74,878
5	UIC Cyber		219,419
6	<b>CORPORATE UIC PREMIUMS</b>		<b>\$ 1,551,767</b>
7	<b>Allocated to TGS - Distrigas Allocation</b>	<b>28.24%</b>	<b>\$ 438,219</b>
8	<b>Allocated to RGVSA</b>	<b>9.3123%</b>	<b>\$ 40,808</b>

<b>TGS UIC PREMIUM EXPENSE ALLOCATED TO RGVSA</b>			
<b>TEST YEAR EXPENSE JAN - DEC 31, 2022</b>			
<b>LINE NO.</b>	<b>POLICY TYPE</b>		<b>UIC Expense 2022</b>
1	UIC Auto Liability		3,829
2	UIC Excess Liability		3,417,675
3	UIC Property		659,939
4	UIC Workers Compensation		92,821
5	<b>TGS UIC PREMIUMS</b>		<b>\$ 4,174,264</b>
6	<b>Allocated to RGVSA</b>	<b>9.3123%</b>	<b>\$ 388,720</b>



## CORPORATE ALLOCATION MANUAL

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Revised /April 22, 2020

Corporate Accounting Department

The Corporate Allocation Manual provides documentation for allocation of corporate administrative costs of ONE Gas, Inc. (ONE Gas to its divisions and subsidiaries. Direct costs incurred for the direct benefit of a specific business entity of ONE Gas are not addressed in this manual because the objective and scope of this manual pertains to general charges that cannot be assigned to a single operating business entity.

ONE Gas maintains a fully distributed cost model that assigns each business entity its proportionate share of corporate administrative costs based on a reasonable and justifiable method.

Proper classification of costs is the responsibility of each employee and his or her supervisor when preparing, approving, and processing any accounting document (invoices, journal entries, etc.). The classification of costs is determined using our Classification of Accounts Manual (which includes codes for each company, cost center, natural account, expense indicator and RFU) when processing the transaction. The account coding string is the basis upon which costs are identified as costs to be allocated in our process.

### **Three-Step Allocation Process**

Our fully distributed cost model occurs through a "three-step" process. The first step begins with the premise that costs specifically attributed to a business entity are charged directly to that business entity to the extent practical. In the second step, costs that are significant in amount and benefit multiple business entities on the basis of a causal relationship are charged to the business entities based on that causal relationship. The causal relationships are specific measurements based on the type of cost, which can be a measure of participation level, activity level, output level, or resource consumption. In the third step, any remaining costs, which are not charged directly or associated with an identifiable causal relationship, are allocated to business entities using the ONE Gas Modified Distringas Allocation methodology (ONE Gas Distringas).

### **ONE GAS Distringas Methodology**

The Distringas Cost Allocation Methodology (Distringas Method) is a Federal Energy Regulatory Commission (FERC) approved cost allocation methodology that is considered a reasonable and acceptable methodology for allocating costs for ratemaking purposes. ONE Gas, Inc. has used the Distringas Method as the basis for its methodology to allocate corporate administrative costs since 1994. It is important to ONE Gas to have a common allocation methodology that is broadly accepted by our regulatory authorities and that results in a justifiable and reasonable allocation of corporate administrative costs to each of ONE Gas's business entities.





## CORPORATE ALLOCATION MANUAL

Revised /April 22, 2020

Corporate Accounting Department

The ONE Gas Distrigas methodology uses a three factor formula comprised of the average of gross plant, net operating income and labor expenses (excluding contract labor).

To calculate the overall allocation factor for each business entity, the three allocation factor amounts are determined for each business entity and calculated as a percentage of the combined total. In cases when a business entity has an operating loss, a factor of zero is used for the operating income allocation factor. The three component allocation factors for each business entity are then combined using a simple average to derive the overall allocation factor.

ONE Gas periodically reviews its existing allocation methodologies to ensure that costs are being appropriately allocated. ONE Gas's Distrigas allocation factors are updated quarterly or when significant changes to its corporate structure occur, such as acquisitions, divestitures, or corporate restructuring.

ONE Gas uses the following methodology to allocate costs when costs cannot be charged directly or allocated using a causal relationship to a business entity. The allocation methodology allows the allocation of costs to the business entities that receive the benefit of the administrative costs. The allocation methodology is described as follows:

<b>Methodology Name</b>	<b>Cost Center</b>	<b>Description</b>
OGS-Distrigas	1007	Calculates allocation percentages using the respective allocation factors for the business entities of ONE Gas's business entities including Oklahoma Natural Gas, Kansas Gas Service, Texas Gas Service, and Utility Insurance Company

Appendix A provides an example calculation of ONE Gas's Distrigas methodology.



**CORPORATE ALLOCATION MANUAL**

Revised /April 22, 2020

Corporate Accounting Department

**Allocated Costs**

Costs to be allocated can be aggregated in the following general categories:

- Executive
- Human Resources (HR)
- Information Technology (IT)
- Finance and Accounting
- General Counsel
- Corporate Communications
- Corporate Services (includes Environmental Health & Safety, Engineering, and Resource Management)
- Customer Service
- Other

The costs allocated in these general categories are allocated in accordance with our "three step allocation methodology" described above. The following sections provide a general description of the types of costs allocated in each general category and the method in which those costs are allocated.

Executive

The executive organization provides leadership and strategic direction for ONE Gas's business activities. Examples of costs incurred in this area are related to salaries and expenses of the President and Chief Executive Officer, his or her direct reports, and corporate officers with responsibility for corporate administrative functions that are not assigned to a specific business entity. These costs are primarily allocated through the OGS-Distrigas methodology.

Human Resources

The HR organization supports our various business entities and the employees of ONE Gas by developing and administering plans and processes related to compensation, employee benefits, employee development and payroll. Typical examples of costs incurred in this area are related to:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Administrative fees for all defined plans, health & welfare and retirement plans	1. These costs are allocated using the causal



**CORPORATE ALLOCATION MANUAL**

Revised /April 22, 2020

Corporate Accounting Department

	<p>relationship of plan participant count or employee headcount for each respective business entity.</p> <ol style="list-style-type: none"> <li>Cost allocated to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
<p>Health and welfare benefits for active employees</p>	<ol style="list-style-type: none"> <li>These costs are allocated using the causal relationship of employee headcount or plan participant count for each respective business entity.</li> <li>Cost allocated to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
<p>Retirement benefits for active and retired employees</p>	<ol style="list-style-type: none"> <li>These costs are allocated using the causal relationship of plan participant count for each respective business entity where the plan participant works at each measurement date or where the plan participant worked immediately prior to retirement.</li> <li>Plan participant or retiree costs allocated to corporate departments (Executive, HR,</li> </ol>



**CORPORATE ALLOCATION MANUAL**

Revised /April 22, 2020  
 Corporate Accounting Department

	Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.
Workforce and professional development support and training programs for all active employees	<ol style="list-style-type: none"> <li>1. These costs are allocated using the causal relationship of employee headcount</li> <li>2. Cost allocated to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
HR administration and financial services support, including compensation, payroll and benefits accounting and IT support	<ol style="list-style-type: none"> <li>1. These costs are allocated using the causal relationship of employee headcount for each respective business entity.</li> <li>2. Cost allocated to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>

Information Technology

The IT organization supports our various business entities by developing and administering technology solutions and information security to facilitate day-to-day business activities. Typical examples of costs incurred in this area are related to:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
IT administrative functions such as administration, financial planning, accounting and reporting	Allocated through the OGS-Distrigas methodology



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Disaster recovery, data backup and recovery, change management and problem management	Allocated through the OGS-Distrigas methodology.
Websites, intranet, business intelligence, legal applications, imaging and scanning, and document management technologies	Allocated through the OGS-Distrigas methodology.
ONE Gas customer billing system	Allocated using the causal relationship of customer count for each of the business entities.
Data center and general support	1. Allocated through the OGS- Distrigas methodology.
Telecommunications and Mobile Services	1. Charged directly to the business entity receiving benefit of the service. 2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.
Financial and HR systems and related systems such as fixed asset accounting, project estimation and accounting, financial reporting and HR reporting	Allocated through the OGS-Distrigas methodology.
Supporting the operational accounting systems and the measurement systems used for non-residential gas meters	1. Charged directly to the business entity that is providing service to the non- residential gas meter. 2. Costs not attributable to a specific business entity are allocated to the business entities through the OGS- Distrigas methodology.



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Support and maintenance of the corporate and operations applications such as cash management systems	<ol style="list-style-type: none"> <li>1. Costs are charged directly to the business entity receiving benefit of the service.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Supporting systems related to field operations including construction and engineering	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity receiving benefit of the service.</li> <li>2. Costs not attributable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Support of compliance and network security monitoring (cyber security)	Costs are allocated through the OGS-Distrigas methodology.
Pipeline Support Systems	Costs are allocated through the OGS-Distrigas methodology.

Finance and Accounting

The Finance and accounting organization supports our various business entities by administering processes related to corporate accounting, financial reporting, tax, credit, risk and insurance, internal audit, financial planning and business development. Typical examples of costs incurred in this area are related to payroll and business expenses associated with departments responsible for:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Corporate general accounting and consolidations, corporate financial planning and business development	Allocated through the OGS-Distrigas methodology.



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SEC and external reporting for ONE Gas	Allocated through the OGS- Distrigas methodology.
Accounts payable	<ol style="list-style-type: none"> <li>1. Allocated using a causal relationship derived from an internally developed analysis of invoice processing volume by business entity.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Investor relations	Allocated through the OGS-Distrigas methodology.
Treasury Services	Allocated through the OGS-Distrigas methodology.
Sustainability	Allocated through the OGS-Distrigas methodology.
Federal and state income tax accounting and compliance activities, ad valorem, sales & use tax and franchise tax accounting and compliance activities	<ol style="list-style-type: none"> <li>1. Taxes incurred are charged directly to the business entity incurring the tax obligation.</li> <li>2. General administrative costs, including labor and benefits are charged directly to the business entity receiving benefit of the service.</li> <li>3. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Maintaining long-term financing and short-term working capital	<ol style="list-style-type: none"> <li>1. General administrative costs associated with our finance department are allocated through the OGS-Distrigas methodology.</li> </ol>



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<p>Risk mitigation and insurance</p>	<ol style="list-style-type: none"> <li>1. Labor, benefits and administrative expenses associated with administration of our insurance programs are allocated to the business entities through the OGS- Distrigas methodology.</li> <li>2. Costs associated with specific insurance programs are allocated as follows:               <ol style="list-style-type: none"> <li>a. Primary &amp; Excess Workers' Compensation: Allocated through the OGS-Distrigas methodology.</li> <li>b. Excess Liability: Allocated through the OGS-Distrigas methodology.</li> <li>c. Directors &amp; Officers Liability: Allocated through the OGS-Distrigas.</li> <li>d. Property and Terrorism: Allocated through the OGS-Distrigas methodology.</li> <li>e. Various others (e.g. Fiduciary Liability, Blanket Crime, Mail and Transit, etc.): Allocated through the OGS- Distrigas methodology</li> </ol> </li> </ol>
<p>Internal audit services (which includes our costs related to compliance with the Sarbanes-Oxley Act of 2002)</p>	<p>Costs are allocated to the business entities through the OGS-Distrigas methodology.</p>
<p>Independent auditor fees</p>	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity being audited.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>





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<p>Centralized team responsible for fixed asset accounting</p>	<ol style="list-style-type: none"> <li>1. Labor and benefits are charged directly to each business entity for which the employee has accounting responsibility.</li> <li>2. General and administrative supplies and expenses are allocated based on the causal relationship of gross property, plant, and equipment values.</li> </ol>
<p>Centralized team responsible for accounting for the customer billing process</p>	<p>Allocated to the business entity based on the causal relationship of customer count.</p>

General Counsel

The general counsel organization supports our various business entities by administering processes related to legal aspects of our day-to-day business activities. Typical examples of costs incurred in this area are related payroll and business expenses (including third party legal costs) associated with departments responsible for:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
<p>Third-party damages and workers' compensation claims</p>	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity incurring the damages or workers' compensation claim.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
<p>Commercial contracts</p>	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity named in the commercial contract.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>



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Regulatory affairs	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity receiving benefits of the services provided in certain instances.</li> <li>2. Costs are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Human resources	<ol style="list-style-type: none"> <li>1. Allocated using the causal relationship of employee headcount for each respective business entity.</li> <li>2. Cost charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Litigation	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity receiving benefits of the services provided.</li> <li>2. Cost charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Corporate secretary and board of directors	Allocated through the OGS- Distrigas methodology.
General legal matters, ethics and compliance and pipeline safety	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity receiving benefit of the legal services.</li> <li>2. Costs not attributable to a specific business entity are allocated through the OGS- Distrigas methodology.</li> </ol>

Corporate Communications

The corporate communications organization supports our various business entities by administering processes related our corporate communications efforts with employees and



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external stakeholders. Typical examples of costs incurred in this area are related payroll and business expenses associated with departments responsible for:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Governmental affairs	<ol style="list-style-type: none"> <li>1. Costs are charged directly to the business entity receiving benefit of the services provided.</li> <li>2. All other costs are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Corporate communications (including advertising costs, costs associated with electronic communications and costs associated with general employee communications)	<ol style="list-style-type: none"> <li>1. Costs are charged directly to the business entity receiving benefit of the services provided.</li> <li>2. All other costs are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Corporate responsibility (includes civic donations)	Allocated through the OGS-Distrigas methodology.

Corporate Services (includes Environmental Health & Safety)

The corporate services organization supports our various business entities by developing and administering programs and processes that facilitate general day-to-day business activities and environmental safety and health initiatives. Typical examples of costs incurred in this area are related to payroll and business expenses associated with departments responsible for:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Purchasing and materials management	<ol style="list-style-type: none"> <li>1. Costs are charged directly to the business entity receiving benefit of the services provided.</li> <li>2. Allocated using a causal relationship derived from miles of</li> </ol>



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	<p>pipe in the ground for each respective business entity.</p> <ol style="list-style-type: none"> <li>Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Facilities and fleet management	<ol style="list-style-type: none"> <li>Costs are charged directly to the business entity receiving benefit of the services provided.</li> <li>Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Right-of-way management	<ol style="list-style-type: none"> <li>Allocated using a causal relationship derived from miles of pipe in the ground for each respective business entity.</li> <li>Costs not attributable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Business continuity planning	<p>These costs are allocated using the causal relationship of employee headcount for each respective business entity.</p>
Environmental management	<ol style="list-style-type: none"> <li>Charged directly to the business entity responsible for the environmental cost incurred.</li> <li>Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT,</li> </ol>



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	etc.) are allocated through the OGS-Distrigas methodology.
Safety programs	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity responsible for the cost incurred.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Records Retention	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity responsible for the cost incurred.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Performance Management	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity responsible for the cost incurred.</li> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Enterprise Resources	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity responsible for the cost incurred.</li> </ol>



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	<ol style="list-style-type: none"> <li>2. Costs not attributable to a specific business entity or costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Aviation services	Allocated through the OGS-Distrigas methodology.
Engineering	<ol style="list-style-type: none"> <li>1. Allocated using a causal relationship derived from miles of pipe in the ground for each respective business entity.</li> <li>2. Costs not attributable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology</li> </ol>
Resource Management (includes costs for workforce strategy and planning, contractor)	<ol style="list-style-type: none"> <li>1. Allocated using a causal relationship derived from miles of pipe in the ground, employee headcount, or customer count for each respective business.</li> <li>2. Costs not attributable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>



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Customer Service

The customer service organization supports our various business entities by providing responsive, flexible, efficient service to our customers. Typical examples of costs incurred in this area are related to payroll and business expenses associated with departments responsible for:

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Customer Service Support	1. Allocated to the business entity based on the causal relationship of customer count.

Other

This section represents miscellaneous costs impacting multiple business entities

<b>Types of Costs</b>	<b>Allocation Methodology</b>
Incentives, short- and long-term (stock-based compensation)	<ol style="list-style-type: none"> <li>1. Short-term incentive costs charged directly to the business entity for which the employee has responsibility.</li> <li>2. Long-term incentive costs are allocated using the causal relationship of plan participant count for each respective business entity.</li> <li>3. Cost charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
Employee stock purchase program, excluding long-term incentives	1. These costs are allocated using the causal relationship of plan participant count for each respective business entity.



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	<ol style="list-style-type: none"> <li>2. Costs charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
<p>OGS Meter Shop Expense</p>	<ol style="list-style-type: none"> <li>1. Allocated using the causal relationship of customer count for each business entity.</li> </ol>
<p>Payroll taxes</p>	<ol style="list-style-type: none"> <li>1. Charged directly to each employee's respective payroll organization.</li> <li>2. Cost charged directly to corporate departments (Executive, HR, Accounting, IT, etc.) are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>
<p>Other taxes (ad valorem, franchise, etc.)</p>	<ol style="list-style-type: none"> <li>1. Charged directly to the business entity incurring the tax obligation.</li> <li>2. Costs not identifiable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology.</li> </ol>





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<p>Depreciation associated with general corporate assets</p>	<p>Allocated through the OGS-Distrigas methodology except as follows:</p> <ul style="list-style-type: none"><li>a. Banner Customer Information System: Allocated using the causal relationship of customer count for each business entity.</li><li>b. PowerPlant Fixed Asset Accounting System: Allocated using the causal relationship of Gross PP&amp;E value attributable to each business entity.</li><li>c. Maximo: Allocated using the causal relationship of miles of pipe for each business entity.</li><li>d. Concur: Allocated using the causal relationship of employee count for each business entity.</li><li>e. Certain Journey costs: Allocated using the causal relationship of employee count for each business entity. Costs not identifiable to a specific business entity are allocated to the business entities through the OGS-Distrigas methodology.</li></ul>
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STATE OF OKLAHOMA §  
  §  
COUNTY OF TULSA         §

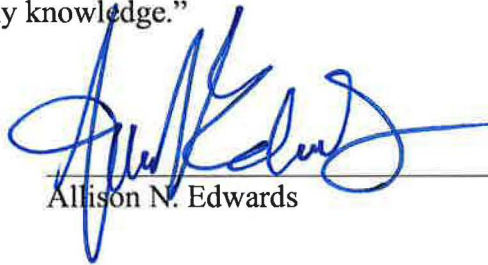
**AFFIDAVIT OF ALLISON N. EDWARDS**

BEFORE ME, the undersigned authority, on this day personally appeared Allison N. Edwards who having been placed under oath by me did depose as follows:

1.       “My name is Allison N. Edwards. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Manager of Rates and Regulatory Analysis for ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

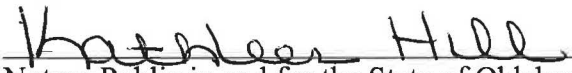
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Allison N. Edwards

SUBSCRIBED AND SWORN TO BEFORE ME by the said Allison N. Edwards on this  
7 day of June 2023.



  
\_\_\_\_\_  
Notary Public in and for the State of Oklahoma

My commission expires: 01/13/26

**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**JEFF D. BRANZ**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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## **LIST OF EXHIBITS**

EXHIBIT JDB-1	Willis Towers Watson 2022 General Rate Case Total Compensation Study for TGS (CONFIDENTIAL)
EXHIBIT JDB-2	Willis Towers Watson 2022 Long-Term Incentives Policies and Practices Survey Report U.S. (Excerpt) - LTI Prevalence (CONFIDENTIAL)
EXHIBIT JDB-3	ONE Gas, Inc. 2022 Annual Employee Short-Term Incentive Plan (CONFIDENTIAL)
EXHIBIT JDB-4	ONE Gas, Inc. 2022 Annual Officer Short-Term Incentive Plan (CONFIDENTIAL)
EXHIBIT JDB-5	ONE Gas, Inc. 2022 Amended and Restated Equity Compensation Plan (CONFIDENTIAL)
EXHIBIT JDB-6	ONE Gas, Inc. 2022 New Hire Welcome Presentation (Excerpt) (CONFIDENTIAL)
EXHIBIT JDB-7	ONE Gas, Inc. 2022 Open Enrollment Guide (CONFIDENTIAL)
EXHIBIT JDB-8	ONE Gas Inc. 2022 Ben Val Study (CONFIDENTIAL)

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**DIRECT TESTIMONY OF JEFF D. BRANZ**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Jeff D. Branz. My business address is 15 East 5<sup>th</sup> Street Tulsa, Oklahoma 74103.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by ONE Gas, Inc. (“ONE Gas”) as the Director of Total Rewards. Texas Gas Service Company (“TGS” or the “Company”) is a Division of ONE Gas.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I received a Master of Arts Degree in Organizational Dynamics with an emphasis in Human Resources from the University of Oklahoma in 2006 and a Bachelor of Science Degree in Accounting from Oral Roberts University in 1988. I am a certified executive coach, and I practiced as a certified public accountant early in my career (although my license is now inactive due to my current role). I began my employment with ONE Gas in June 2016, as the Director of Total Rewards. Prior to joining ONE Gas, I worked as a Director of Total Rewards at WPX Energy from January 2012 to June 2016. From April 1991 to December 2011, I served in various management roles including Director or Manager of Benefits, Benefits Accounting, Compensation, Payroll, Organizational Development, People Strategies, Human Resource Information Systems, Wellness and HR Business Partner Consulting for Williams Companies and MAPCO. From 1988 to 1991, I worked as a Senior Auditor for Deloitte and Touche.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RAILROAD**  
2 **COMMISSION OF TEXAS (“COMMISSION”)?**

3 A. Yes, I filed testimony before this Commission in Gas Utilities Docket Nos. 10739,  
4 10766, 10928 and Docket No. 9896. I have also testified before the Oklahoma  
5 Corporation Commission and the Kansas Corporation Commission.

6 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
7 **DIRECTION?**

8 A. Yes, it was.

9 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**  
10 **TESTIMONY?**

11 A. Yes, I prepared and sponsor the exhibits listed in the table of contents.

12 **II. PURPOSE OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. My testimony describes the components of ONE Gas’ overall market-based  
15 compensation program and supports the reasonableness and necessity of the  
16 compensation and benefits-related expenses that TGS seeks to recover in this case,  
17 including how TGS’s requested compensation and benefits costs comply with Gas  
18 Utility Regulatory Act (“GURA”) § 104.060 and the Commission’s decision in  
19 TGS’s most recent base rate case, Docket No. OS-22-00009896. Company  
20 witnesses Stacey McTaggart and Allison Edwards also address aspects of these  
21 issues in their direct testimonies.

1 **III. ONE GAS COMPENSATION PHILOSOPHY**

2 **Q. PLEASE EXPLAIN ONE GAS' EMPLOYEE COMPENSATION**  
3 **PROGRAM.**

4 A. ONE Gas' employee compensation program is designed to attract, engage, motivate  
5 and retain employees. The compensation program includes a combination of a  
6 fixed component in the form of base pay and the variable components of incentive  
7 compensation, which are comprised of short-term incentives ("STI") and long-term  
8 incentives ("LTI"), if applicable. When determining or setting compensation, ONE  
9 Gas' objective is to pay its employees, on average at the 50th percentile of the  
10 market for total compensation compared to peer companies. As a result, individual  
11 pay is differentiated and may be below, at or above the 50th percentile depending  
12 on an employee's level of experience, knowledge, and performance. In this way,  
13 ONE Gas aims to pay its employees at a reasonable level that is not too high or too  
14 low compared to peer companies. The compensation program is reviewed at least  
15 annually through an Annual Salary Review process to determine if changes or  
16 revisions are necessary for ONE Gas to remain competitive with the marketplace.

17 **Q. WHY DOES ONE GAS STRUCTURE EMPLOYEE COMPENSATION**  
18 **INTO FIXED AND VARIABLE COMPONENTS?**

19 A. ONE Gas structures its compensation plan to be consistent with market demands,  
20 and all companies that ONE Gas competes with for employee talent have both fixed  
21 and variable components of compensation. Variable compensation requires that  
22 both individual employees and ONE Gas meet certain performance criteria to  
23 realize an incentive award. Variable pay plans provide ONE Gas with opportunities  
24 to attract, retain, engage, reward, and motivate qualified workers to operate safely

1 and efficiently in our communities. In this way, the compensation plan incentivizes  
2 employees who work safely and productively in the field, office or remotely, which  
3 benefits TGS customers, communities, employees, and ONE Gas shareholders.

4 **Q. HOW MUST REGULATORS REVIEW ONE GAS' COMPENSATION**  
5 **PLAN?**

6 A. In 2019, the Texas Legislature passed GURA § 104.060 regarding the consideration  
7 of compensation and benefit expenses. Specifically, GURA § 104.060(b) provides  
8 that “when establishing a gas utility’s rates, the regulatory authority shall presume  
9 that employee compensation and benefits expenses are reasonable and necessary if  
10 the expenses are consistent with market compensation studies issued not earlier  
11 than three years before the initiation of the proceeding to establish the rates.”  
12 Section 104.060(a) defines “employee compensation and benefits” to include base  
13 salaries, wages, incentive compensation, and benefits. Section 104.060(a) excludes  
14 from that definition pension or other post-employment benefits and financially-  
15 based incentive compensation related to Named Executive Officers.<sup>1</sup>

16 **Q. HOW DID THE COMMISSION APPLY GURA § 104.060 TO TGS'S**  
17 **COMPENSATION REQUEST IN DOCKET NO. OS-22-00009896?**

18 A. The Commission found that TGS provided market compensation studies issued not  
19 earlier than three years before the initiation of the proceeding in accordance with  
20 GURA § 104.060 and that TGS’s total requested employee compensation expense  
21 was consistent with those market compensation studies. Based on the consistency  
22 with market compensation studies, the Commission determined that TGS’s

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<sup>1</sup> Named Executive Officers are those employees whose compensation is required to be disclosed under 17 C.F.R. Section 229.402(a).



1 requested compensation expense was presumed reasonable under GURA  
2 § 104.060. Moreover, the Commission determined that insufficient evidence was  
3 presented to rebut the presumption under GURA § 104.060, so TGS was entitled to  
4 full recovery of its requested employee compensation expense.<sup>2</sup>

5 **Q. IS TGS PROVIDING THE SAME INFORMATION TO SUPPORT ITS**  
6 **REQUESTED BENEFITS AND COMPENSATION COSTS IN THIS CASE**  
7 **AS IT DID IN DOCKET NO. OS-22-00009896?**

8 A. Yes. We have provided market compensation studies to support our request,  
9 including updated surveys to align with the statute.

10 **Q. IS ONE GAS' COMPENSATION APPROACH CONSISTENT WITH GURA**  
11 **§ 104.060?**

12 A. Yes. While I am not a lawyer, I have read and understand the statute, and ONE  
13 Gas' compensation approach is consistent. ONE Gas participates in national and  
14 industry-specific independent compensation studies to determine proper pay ranges  
15 and incentive pay targets for each position. These studies may be specific to the  
16 energy industry, targeted to certain business units within the energy industry or  
17 from a general industry perspective. Pay information is submitted and reviewed on  
18 at least an annual basis, allowing ONE Gas to update and maintain relevant and  
19 competitive pay ranges. ONE Gas relies on the studies to establish pay ranges that  
20 are competitive with its peers. Most positions are matched to multiple studies that

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<sup>2</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896 consol., Final Order at Findings of Fact 65-69 (Jan. 18, 2023).

1 are conducted by independent third-party human resources compensation  
2 consulting firms.

3 **Q. PLEASE EXPLAIN THE SIGNIFICANCE OF § 104.060 OF GURA WITH**  
4 **RESPECT TO TGS'S INCENTIVE COMPENSATION COST RECOVERY**  
5 **IN THIS FILING.**

6 A. While I am not a lawyer, my understanding of the significance, based on the plain  
7 language of the statute, is that all of the compensation costs TGS seeks to recover  
8 in this case must be presumed to be reasonable and necessary costs because those  
9 costs are consistent with recent market compensation studies. The statute confirms  
10 ONE Gas' position that market compensation studies are an important and  
11 reasonable source for both the gas utility and regulatory authorities to rely on to  
12 determine reasonable base pay and incentive compensation amounts, as well as  
13 recovery of those costs. TGS's employee compensation and benefits expenses are  
14 consistent with these market compensation studies and must be presumed  
15 reasonable by regulators under GURA § 104.060. My understanding is consistent  
16 with the Commission's decision in Docket No. OS-22-00009896.

17 **Q. WHAT ARE SOME OF THE STUDIES USED TO MONITOR MARKET-**  
18 **BASED PAY RELATED TO ONE GAS EMPLOYEES?**

19 A. Some of the studies used to monitor market-based pay include:

- 20 • Willis Towers Watson ("WTW") General Industry Mid-Management,  
21 Profession, and Support;
- 22 • WTW Energy Services Mid-Management, Professional and Support;
- 23 • WTW Energy Services Executive Compensation;
- 24 • WTW American Gas Association Compensation;

- 1 • CompData Utilities;
- 2 • Mercer Energy Total Compensation; and
- 3 • Mercer Benchmark.

4 Several of these recent studies and study excerpts are included in my testimony  
5 exhibits.

6 **Q. DOES ONE GAS DETERMINE AND MONITOR EXECUTIVE**  
7 **COMPENSATION SIMILAR TO THE MANNER IN WHICH IT**  
8 **DETERMINES AND MONITORS OTHER EMPLOYEE**  
9 **COMPENSATION?**

10 A. Yes, ONE Gas uses a market-based pay process for both executives and other non-  
11 executive employees. The Executive Compensation Committee of ONE Gas’  
12 Board of Directors and its independent executive compensation consultant,  
13 Meridian Compensation Partners, LLC, review executive market data of ONE Gas’  
14 peers. The compensation peers are selected because of their similarities to ONE  
15 Gas, including their business, size of their operations and the skills and experience  
16 required of their senior management. A list of peer companies included in the  
17 review is contained in ONE Gas’ 2023 Proxy Statement on page 49.<sup>3</sup> As it does  
18 for all positions, ONE Gas strives to pay experienced executives at the median level  
19 of total compensation for peer companies. The WTW 2022 General Rate Case  
20 Total Compensation Study for TGS (“Compensation Study”) provided as  
21 Confidential Exhibit JDB-1 on page 6 states, “[e]xecutive positions examined are,

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<sup>3</sup> [Schedule 14\(a\) 2023 Proxy Statement](https://d18rn0p25nwr6d.cloudfront.net/CIK-0001587732/2795fb95-1318-4b99-a20b-a83471bd514d.pdf) at <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001587732/2795fb95-1318-4b99-a20b-a83471bd514d.pdf>.

1 on average, within the same +/-10% competitive range of the market median as the  
2 other ONE Gas employee groups.”

3 **Q. HOW SHOULD ONE GAS’ COMPENSATION PACKAGE BE VIEWED?**

4 A. The compensation ONE Gas offers employees should be viewed as a  
5 comprehensive compensation package. On a combined basis, considering base  
6 salaries and incentive compensation, the Company is *generally at or below*  
7 comparable energy company industry levels. The Compensation Study provided  
8 in Confidential Exhibit JDB-1 illustrates that employee groups (non-exempt,  
9 professional, etc.) at ONE Gas and TGS have salaries and incentives valued below  
10 the market median. Specifically, WTW found TGS’s pay competitiveness is  
11 estimated to be at the low end of the competitive market range for base salary, total  
12 cash compensation, and total direct compensation. WTW’s assessment included  
13 the review of small and large utility peers as well as the general industry.

14 **Q. DOES ANY DATA DEMONSTRATE THAT ONE GAS MUST OFFER**  
15 **INCENTIVE COMPENSATION OPPORTUNITIES TO ATTRACT AND**  
16 **RETAIN EMPLOYEES?**

17 A. Yes. The utility industry continues to provide incentive compensation to  
18 employees. This has been a consistent form of compensation to attract, engage,  
19 reward, motivate, and retain employees for many years. The points below indicate  
20 that almost all public utilities rely upon some form of incentive compensation as  
21 part of their overall compensation structure:

- 22 • The WTW 2022 Long-Term Incentives Policies and Practices Survey  
23 Report U.S. excerpt - LTI Prevalence found that 66% of the 100 energy

1 companies responding granted restricted LTI and 93% granted  
2 performance-based LTI (Confidential Exhibit JDB-2);

3 • Every company in the large and small peer group studied by WTW  
4 offers STI and LTI; and

5 • Both CenterPoint and Atmos, gas utilities in the state of Texas and  
6 within ONE Gas' peer group, offer STI and LTI.

7 **Q. WHAT CONSEQUENCES WOULD ONE GAS EXPERIENCE IF IT DID**  
8 **NOT OFFER A COMPREHENSIVE COMPENSATION PACKAGE?**

9 A. If ONE Gas did not offer a comprehensive compensation package, ONE Gas and  
10 TGS would expect to experience: (1) a departure of skilled employees; (2) reduced  
11 levels of service and customer satisfaction; (3) lower quality work raising potential  
12 safety concerns; (4) increased turnover costs; and (5) difficulty attracting and  
13 retaining employees. It is even more important to offer competitive compensation  
14 packages with today's tight labor market to help ensure a stable workforce to  
15 deliver safe and reliable services to our customers. Without some form of incentive  
16 compensation, highly motivated and high-performing employees will seek  
17 employment opportunities where employees with their skill sets are provided an  
18 opportunity to earn compensation beyond base pay. A comprehensive  
19 compensation package, including incentive compensation, helps to create an  
20 engaged, skilled, safe and high performing workforce.

21 **Q. WHAT CONSEQUENCES WOULD RESULT IF ONE GAS WERE TO**  
22 **ELIMINATE INCENTIVE COMPENSATION AND INCREASE BASE PAY**  
23 **ACCORDINGLY?**

24 A. Compensating employees based solely on base pay would place ONE Gas and TGS  
25 at a competitive disadvantage. The Company's ability to attract, engage, motivate,

1 and retain highly skilled employees has a very real and direct effect on the quality  
2 of the service provided to TGS customers. Not only are ONE Gas and TGS  
3 competing with other utilities for talented employees, but ONE Gas and TGS also  
4 compete with non-regulated local businesses that offer incentive compensation.  
5 Providing employees the opportunity to earn incentive compensation in addition to  
6 their base pay is an integral component of ONE Gas' ability to attract, engage,  
7 motivate and retain talented employees.

8 **Q. ARE TGS'S REQUESTED INCENTIVE COMPENSATION COSTS**  
9 **REASONABLE AND NECESSARY?**

10 A. Yes, they are. The incentive costs TGS seeks to recover, and which are presumed  
11 reasonable and necessary under the law, include STI and LTI for TGS Direct and  
12 Division employees as well as ONE Gas employees who perform activities that are  
13 necessary for TGS to provide service to customers in the Rio Grande Valley Service  
14 Area. It is appropriate for TGS to recover its requested incentive compensation  
15 costs because these costs are slightly below or generally at the median of the  
16 market. Furthermore, the Company's incentive compensation costs include  
17 necessary costs for employees who are involved in the day-to-day functions and  
18 operations of the Company, including customer service representatives, field  
19 personnel who ensure the safety of customer premises, and employees whose work  
20 is critical to TGS's ability to meet required safety and regulatory requirements. All  
21 non-bargaining unit employees are eligible to earn incentive compensation through  
22 their performance.

1 **Q. ARE THERE ANY UNIQUE ASPECTS OF ONE GAS THAT SUPPORT**  
2 **THE REASONABLENESS AND NECESSITY OF THE INCENTIVE**  
3 **COMPENSATION COSTS TGS IS REQUESTING IN THIS CASE?**

4 A. Yes, as I stated previously, ONE Gas is a fully regulated entity and operates only  
5 regulated local distribution companies, including TGS. Due to ONE Gas' fully  
6 regulated nature, all of the work performed by ONE Gas and TGS employees is  
7 focused on serving customer interests and operating a safe and reliable system.  
8 Because efforts from all employees are directed towards meeting customer needs,  
9 the compensation costs TGS incurs are reasonable and necessary for the provision  
10 of service.

11 **IV. COMPENSATION COMPONENTS**

12 **Q. WHAT ARE THE COMPENSATION COMPONENTS?**

13 A. Compensation is comprised of several components, including base pay and  
14 incentive programs commonly known as STI and LTI. STI and LTI are commonly  
15 referred to as at-risk pay. STI is awarded to all employees based on first meeting  
16 specific company metrics and then meeting individual performance standards. STI  
17 provides meaningful incentives for employees to operate with an emphasis on  
18 safety and customer service along with ONE Gas' financial performance. LTI is  
19 only awarded to a select group of employees. ONE Gas also offers benefits such  
20 as health and welfare, well-being, and retirement plans, which are considered part  
21 of the overall employee total rewards package.

22 **Q. PLEASE EXPLAIN BASE PAY.**

23 A. Base pay is designed to compensate employees based on the skills and  
24 competencies required for their position, proficiency level, experience, consistent

1 performance level, and the overall value the employee brings to the position. Other  
2 components considered when determining base pay include workforce availability  
3 in the marketplace, employer needs, location, cost of labor, and economic  
4 conditions. Base pay is reviewed at least annually for all employees resulting in  
5 pay increases, if applicable, by December to remain competitive with the  
6 marketplace. This process is known as the Annual Salary Review.

7 **Q. WHAT INCENTIVE COMPENSATION PROGRAMS DOES ONE GAS**  
8 **OFFER TO ITS EMPLOYEES?**

9 A. ONE Gas has two incentive compensation programs: (1) the Annual Employee  
10 Incentive Plan and the Annual Officer Incentive Plan, which are known as STI, and  
11 (2) the Equity Compensation Plan, which is identified as LTI.

12 **Q. HOW ARE THE METRICS IN THE STI AND LTI PLANS DESIGNED?**

13 A. ONE Gas relies on recent market studies to design the incentive plans. The metrics,  
14 explained in detail below, are designed to encourage productive employee behavior  
15 that leads to favorable safety, operational, and financial results for the benefit of  
16 customers.

17 **V. SHORT TERM INCENTIVE PLAN**

18 **Q. PLEASE EXPLAIN ONE GAS' STI PLAN.**

19 A. The Annual Employee Incentive Plan provides an annual, lump-sum cash amount  
20 based on specific employee and ONE Gas performance criteria, established each  
21 year by the Executive Compensation Committee of the ONE Gas Board of  
22 Directors. All full-time employees of ONE Gas and its divisions, except for those  
23 employees affiliated with collective bargaining units, are eligible to participate in  
24 the STI Plan. STI awards are calculated using four variables: an employee's base



1 wages earned times the employee's STI target (determined by their position and  
2 based on market studies) times the ONE Gas performance modifier times their  
3 individual performance modifier. The ONE Gas performance modifier measures  
4 multiple categories to encourage all employees to operate safely, efficiently, and in  
5 a fiscally responsible manner. For any of the five individual STI metrics to  
6 contribute toward an incentive payout, ONE Gas must achieve at least the threshold  
7 performance level for the metric. Any metric for which the threshold is not  
8 achieved will not contribute toward an incentive payout. Lastly, an individual's  
9 STI award may increase or decrease based on their individual work performance.

10 STI provides employees with an incentive to achieve high quality and safe  
11 delivery of service to our customers, which also affects ONE Gas' performance. It  
12 is designed to engage and motivate employees to operate safely and efficiently in  
13 their day-to-day activities. The Compensation Study provided in Confidential  
14 Exhibit JDB-1, page 7, identifies that every company in the large and small utility  
15 peer groups has a short-term at-risk compensation program. The details of ONE  
16 Gas' STI Plan are set forth in Confidential Exhibits JDB-3 and JDB-4.

17 **Q. WHAT PERFORMANCE METRICS WERE INCLUDED IN THE STI**  
18 **PLAN DURING 2022?**

19 A. ONE Gas performance metrics included in the STI Plan are total recordable  
20 incident rate (TRIR), preventable vehicle incident rate (PVIR), days away,  
21 restricted or transferred (DART), emergency response time (ERT), and diluted  
22 earnings per share (EPS). Typically, an STI award is made if at least threshold  
23 levels for these metrics are attained. Employee performance also affects individual  
24 STI awards up or down.

1 **Q. DOES THE STI PLAN OFFER EMPLOYEES THE OPPORTUNITY TO**  
2 **EARN PAYOUTS ABOVE THE 100% TARGET?**

3 A. Yes. As I have noted, ONE Gas designs its compensation plans to compensate  
4 employees at the median of the market and to do so in a way that is comparable to  
5 incentive opportunities at peer companies. The Compensation Study provided in  
6 Confidential Exhibit JDB-1, page 8, reflects that all peer companies offer  
7 employees the opportunity to earn STI incentives above the 100% target threshold.  
8 For this reason, offering employees payouts that range from 0% to 150% helps  
9 ONE Gas maintain compensation that is competitive with the median of the market.  
10 In fact, up to 55% of the peer companies ONE Gas competes with for employees  
11 offer a maximum incentive payout at the 200% level.

12 **Q. WHAT CONSEQUENCES COULD RESULT IF THE ONE GAS STI PLAN**  
13 **DID NOT INCLUDE OPPORTUNITIES FOR EMPLOYEES TO BE**  
14 **AWARDED AT A LEVEL GREATER THAN THE 100% TARGET?**

15 A. If ONE Gas did not offer the opportunity for STI awards to exceed the 100% target,  
16 it would risk losing a motivational element in the plan design. By structuring a STI  
17 plan that offers additional compensation for exceeding performance targets, ONE  
18 Gas is able to reward employees when their own efforts exceed expectations or help  
19 ONE Gas exceed the target for the safety, operational, and financial goals in the  
20 plan. Likewise, if the employee or ONE Gas does not achieve its performance  
21 targets, the payouts would be below target and/or threshold.

22 **Q. HOW IS THE INDIVIDUAL EMPLOYEE PERFORMANCE MEASURED?**

23 A. Employees are evaluated on job-related goals and objectives and development  
24 established at the beginning of each year. Operational employee goals may include,

1 but are not limited to, safety, productivity, efficiency, leadership, team  
2 collaboration, quality and reliability of service and customer satisfaction. For  
3 example, related to the chart below, a customer service center representative's  
4 performance would be assessed based on various factors that impact how  
5 effectively and efficiently information is professionally delivered to customers.

6 Each employee's performance is a key factor in calculating their STI  
7 compensation. Individual performance is ranked at five levels: (a) does not meet  
8 expectations; (b) needs improvement; (c) meets expectations; (d) exceeds  
9 expectations; or (e) far exceeds expectations. If an employee does not meet  
10 expectations or needs improvement, their incentive compensation will be limited  
11 or eliminated altogether. Conversely, there may be some employees who receive a  
12 larger incentive if they exceed performance expectations. This is reasonable as  
13 employees should be rewarded for the ways in which their actions exceed  
14 performance expectations related to the overall safety, operational efficiency, and  
15 quality of service delivered to our customers, as well as the financial health of ONE  
16 Gas. Rewarding employees for actions that contribute to a safe environment while  
17 providing quality and efficient service to our customers and the Company,  
18 promotes positive behavior, a strong customer experience, and is reasonable to  
19 recover in rates.

20 **Q. CAN YOU PROVIDE PAYOUT EXAMPLES FOR EMPLOYEES IN THE**  
21 **STI PLAN?**

22 **A.** Below are actual examples of employee STI payouts for a Field Technician and a  
23 Customer Service Representative II, which are employees who regularly interact  
24 with and serve customers. The Service Technician in the example below had

1       \$44,000 in base wages and a 4% incentive target. The Customer Service  
 2       Representative II had \$33,000 in base wages and a 4% incentive target. ONE Gas  
 3       performance resulted in a company modifier of 87.6%. One employee earned an  
 4       individual performance modifier of 100%, while the other achieved 85%. The  
 5       individual modifiers are based on the employee's performance throughout the year.  
 6       The calculations are as follows:

Service Technician - Customer Service/Field Support							
Base Wages Earned	x	STI Incentive Target	x	Individual Modifier	x	Company Modifier	= STI
\$44,000	x	4%	x	100%	x	87.6%	= \$1,542
Customer Service Rep II - Information Center							
Base Wages Earned	x	STI Incentive Target	x	Individual Modifier	x	Company Modifier	= STI
\$33,000	x	4%	x	85%	x	87.6%	= \$983

7       As the examples demonstrate, the Field Technician and the Customer Service  
 8       Representative II must meet individual performance metrics and ONE Gas must  
 9       (through the company modifier) have met safety and performance goals and  
 10      managed costs effectively in a given year for an employee to receive STI. These  
 11      examples show that STI pay amounts are reasonable and beneficial to an  
 12      employee's total cash compensation.

13   **Q.   WHAT GOALS IS ONE GAS TRYING TO ACHIEVE THROUGH THE**  
 14   **COMBINATION OF METRICS IN THE STI PLAN?**

15   A.   Achieving the metrics in the STI plan encourages employees to: (a) provide safe,  
 16   timely and reliable service; (b) practice safe driving and operating behaviors; and  
 17   (c) be good stewards of expenses by encouraging decisions that help manage the  
 18   Company's costs.

1           The combination of these criteria is key to safely providing reliable service  
2 to our customers at reasonable rates, as well as providing a balanced approach for  
3 attracting, engaging, motivating, and retaining a high-performing employee  
4 workforce appropriate for the needs and requirements of ONE Gas, TGS, and its  
5 customers. In this way, the metrics in the STI plan encourage employee actions  
6 and performance that come together to provide benefits to customers, employees  
7 and shareholders rather than creating a situation in which certain types of metrics  
8 benefit only one stakeholder group. In fact, utilizing safety metrics in the STI plan  
9 has allowed ONE Gas to remain one of the top safety performers amongst American  
10 Gas Association peers thus benefiting ONE Gas, TGS, and its customers, as  
11 discussed in the testimony of Company witness Alex Limón.

## 12                                   **VI. LONG TERM INCENTIVE PLAN**

### 13   **Q. PLEASE EXPLAIN THE LTI PLAN.**

14   A. ONE Gas has an LTI Plan in which two types of LTI equity awards (grants of ONE  
15 Gas stock) are available to executives and certain key employees. 130 non-officers  
16 received an LTI grant in February 2022. The payout that vested in February 2022,  
17 included 109 non-officers. ONE Gas' LTI plan is included as Confidential Exhibit  
18 JDB-5 to my testimony. LTI awards are approved and granted on an annual cycle,  
19 typically in the first quarter of each fiscal year. The ONE Gas Board of Directors'  
20 Executive Compensation Committee oversees the Equity Compensation Plan,  
21 approves all executive LTI grants, and receives information on all non-executive  
22 LTI grants.

23           In 2022, ONE Gas granted two forms of LTI compensation: Restricted  
24 Stock Units and Performance Stock Units. A higher ratio of Performance Stock

1 Units to Restricted Stock Units is granted to participants with more direct ability to  
2 impact the overall performance of ONE Gas. The grant values were based on  
3 position and base salary utilizing compensation survey data. In addition to position  
4 and base salary, employee high performance, employee high potential, long-term  
5 value to ONE Gas, criticality of the job or a unique skill set and our desire to retain  
6 quality employees are considered in determining employee eligibility. LTI awards  
7 cliff vest three years after the grant to encourage long-term improvements, safe  
8 operations, and financial awareness in key employees and to provide an incentive  
9 to remain employed with ONE Gas.

10 The Long-Term Incentives Policies and Practices Survey Report U.S.  
11 provided in Confidential Exhibit JDB-2, at pages 1-4, identifies that Performance  
12 plans are the most prevalent form of LTI, followed by Restricted Stock Units for  
13 the Energy Services sector. For that reason, these costs are presumed reasonable  
14 and necessary under GURA § 104.060.

15 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN RESTRICTED**  
16 **STOCK UNITS AND PERFORMANCE STOCK UNITS.**

17 A. Restricted Stock Units are granted for a term of three years from the date of the  
18 grant, with the participant being vested and entitled to receive one share of ONE  
19 Gas common stock for each restricted stock unit granted after three years of  
20 employment following the grant date. Restricted Stock Units are time-based equity  
21 and are not based on the financial performance of ONE Gas; rather, it is a form of  
22 compensation that depends entirely on an employee's tenure with ONE Gas.  
23 Restricted Stock Units are designed to encourage the retention of key employees,

1 reducing turnover costs and retaining experienced employees who contribute to the  
2 overall success and stability of the organization.

3 Performance Stock Units also cliff vest three years from the date of the  
4 grant, at which time the employee is entitled to receive a percentage of the  
5 Performance Stock Units granted in shares of ONE Gas common stock. The  
6 number of shares of common stock awarded will range from 0% to 200% of the  
7 number of units granted based upon ONE Gas' performance as measured by its  
8 three-year total shareholder return ("TSR") compared with a designated peer group  
9 of utility peer companies established each year by the ONE Gas Board of Directors'  
10 Executive Compensation Committee over the same three-year measurement period.  
11 If the ONE Gas TSR equals the 50<sup>th</sup> percentile of the TSR earned by the peer  
12 companies over the measurement period, participants will receive 100% of the  
13 Performance Stock Units granted. A performance scale calibrates the potential  
14 number of performance stock units earned, with a 25<sup>th</sup> percentile TSR performance  
15 compared to the peer group equating to an award of 50% of the Performance Stock  
16 Units granted and a 90<sup>th</sup> percentile performance compared to the peer group  
17 equating to a payment of 200% of the Performance Stock Units granted. If the  
18 ONE Gas TSR falls below the 25<sup>th</sup> percentile TSR of the peer group, participants  
19 will not receive an award for any of the Performance Stock Units granted at the  
20 start of the measurement period. This measurement is commonly referred to as  
21 relative TSR. As I explain below, relative TSR is a common measure of long-term  
22 performance associated with utility performance plans such as the ONE Gas  
23 Performance Stock Units.

1 **Q. WHAT IS THE PURPOSE OF OFFERING LTI?**

2 A. LTI grants, along with base pay and STI, are necessary for certain positions to allow  
3 ONE Gas to compete with peers in the market. LTI is also necessary to attract,  
4 retain, engage, and motivate key employees, including executives, and encourage  
5 them to make operational decisions that create value for customers, employees, and  
6 other stakeholders. Generally, participants who receive LTI are those employees  
7 who are in a position to significantly contribute to the operational and financial  
8 stability of ONE Gas.

9 **Q. IS IT APPROPRIATE FOR PERFORMANCE STOCK UNITS TO BE**  
10 **LINKED TO FINANCIAL GOALS?**

11 A. Yes, linking the award of ONE Gas Performance Stock Units to financial goals is  
12 a consistent standard across the marketplace. The most common financial metric  
13 used to evaluate company performance in an LTI plan is TSR, with 66.4% of energy  
14 companies using that metric according to the WTW 2022 Long-Term Incentives  
15 Policies and Practices Survey Report U.S. excerpt - LTI Prevalence provided in  
16 Confidential Exhibit JDB-2. The ONE Gas LTI plan design relies on TSR since it  
17 is the most common approach among the majority of peer companies, is evaluated  
18 annually to ensure that ONE Gas remains competitive with the market, and ensures  
19 alignment to our shareholders' experience.

20 **Q. WHY DOES THE LTI PROGRAM OFFER PAYOUTS FOR**  
21 **PERFORMANCE STOCK UNITS IN EXCESS OF THE 100% TARGET**  
22 **FOR TSR PERFORMANCE?**

23 A. As mentioned previously, if ONE Gas did not offer the opportunity for payouts to  
24 exceed target when ONE Gas' performance exceeds the 100% target, we would run



1 the risk of losing a motivational and retention element in the plan design. All  
2 performance-based LTI programs within the market offer a range of opportunities,  
3 typically from 0% to 200% of target measured by relative TSR. When ONE Gas  
4 performs above its peers, a higher payout is competitive and motivates employees  
5 just like a lower or zero payout is competitive when the company performs below  
6 peers.

7 **Q. WHAT DOES ONE GAS HOPE TO ACHIEVE THROUGH THE LTI**  
8 **PLAN?**

9 A. The LTI plan enables ONE Gas to compete in the market in order to attract, engage,  
10 motivate, and retain quality executives and key employees. This encourages  
11 employees to continuously improve performance, which directly benefits  
12 customers through a focus on safe, reliable and efficient service at reasonable  
13 rates. Retaining key employees also improves system and operations knowledge  
14 and reduces the need (and cost) to recruit, hire and train employees to replace  
15 employees who might leave ONE Gas or TGS if we did not compensate them  
16 competitively in the market.

17 **VII. GENERAL BENEFITS**

18 **Q. WHAT ARE THE COMPONENTS OF ONE GAS' BENEFIT PLANS?**

19 A. ONE Gas provides a competitive range of benefits to its employees that include:  
20 (a) medical, dental, and vision insurance; (b) basic life insurance; (c) basic  
21 accidental death and dismemberment; (d) short-term and long-term disability;  
22 (e) voluntary benefits; (f) an Employee Assistance Program (EAP); (g) 401(k) plan;  
23 (h) Profit Sharing Plan or Retirement Plan; and (i) an Employee Stock Purchase  
24 Plan (ESPP). See Confidential Exhibit JDB-6 and Confidential Exhibit JDB-7 for

1 information related to ONE Gas benefits. These benefit programs are offered to  
2 employees, who may elect to participate in certain benefits at varying levels.

3 **Q. HAS ONE GAS TAKEN ANY MEASURES TO HELP MANAGE ITS**  
4 **HEALTH BENEFIT COSTS?**

5 A. Yes. ONE Gas' goal is to provide benefits that are competitive in the marketplace  
6 and allow ONE Gas to attract, retain, engage, and motivate, a quality workforce.  
7 ONE Gas compares the benefits it offers employees with that of peer companies to  
8 ensure market competitiveness and the ability to attract, engage, motivate, and  
9 retain employees. Having a quality workforce is key to providing safe, reliable and  
10 efficient service to the Company's customers. ONE Gas contracts with market  
11 standard health care vendors to provide reliable service to our employees and their  
12 dependents while helping ONE Gas to control health care costs. ONE Gas has a  
13 process for auditing vendor administration fees and participant eligibility to ensure  
14 efficient administration and has performance guarantees in place to help ensure  
15 high quality vendor management. ONE Gas continues to partner with a pharmacy  
16 benefit manager to help control pharmacy cost. The Company expanded the virtual  
17 visit option for medical and mental health visits which in turn reduced cost to the  
18 plan while allowing safe and reliable health care to our participants. ONE Gas has  
19 regular governance meetings with current healthcare vendors that provide support  
20 to employees helping them to navigate and identify quality providers, review  
21 medical bills for accuracy, and provide second opinions to avoid unnecessary  
22 medical procedures or identify better therapies with more favorable outcomes.

23 In addition, employees' dependents over age 18 are required to identify  
24 whether they use tobacco products. Those who do pay a premium surcharge. ONE

1 Gas also offers a tobacco cessation program for employees and dependents over  
2 age 18 who wish to stop smoking or using tobacco products. The tobacco  
3 surcharge, in turn reduces ONE Gas health claim costs. ONE Gas contracts with  
4 health carriers to provide several programs to ensure early detection of potential  
5 health concerns to produce quality outcomes and help manage health care trends.

6 **Q. WHY IS IT IMPORTANT THAT ONE GAS' BENEFIT PROGRAMS ARE**  
7 **COMPARABLE WITH ITS INDUSTRY PEERS?**

8 A. ONE Gas provides competitive benefits because it competes with other utilities and  
9 local companies and businesses for talented employees to meet its goal of providing  
10 safe, reliable service to customers at a reasonable cost. Additionally, most of our  
11 employees have transferable skills, meaning they can go work in the broader energy  
12 industry or a completely unrelated industry. We compete with the broader  
13 marketplace to attract, engage, motivate, and retain employees that will support our  
14 business of providing natural gas to our customers safely and reliably. Part of that  
15 attraction, engagement, motivation, and retention is that ONE Gas' pay and benefits  
16 must be competitive in the industry and local market.

17 **Q. IN YOUR OPINION, DOES GURA § 104.060 SUPPORT THE COMPANY'S**  
18 **REQUEST TO RECOVER BENEFIT COSTS?**

19 A. Yes. In addition to referring to base pay and wage issues, the statute also includes  
20 employee benefits. ONE Gas relies on and appropriately uses independent market  
21 studies that are less than three years old to analyze and decide which benefits to  
22 offer. ONE Gas' benefits are consistent with those studies, which means the benefit  
23 costs TGS is requesting are presumed reasonable and necessary. See Confidential

1 Exhibit JDB-8 for an independent study showing the value of ONE Gas' benefits  
2 is comparable to peer companies and approximately at the median value.

3 **VIII. CONCLUSION**

4 **Q. ARE COMPENSATION PLAN COSTS INCURRED BY ONE GAS**  
5 **REASONABLE AND NECESSARY?**

6 A. Yes. The Company targets the median (50th percentile) of the local market and  
7 peer groups in the locations in which it operates to set pay and benefits. By  
8 reducing or eliminating any element of our total direct compensation, we would not  
9 be competitive in the market. Competitive pay and benefit plans are a necessary  
10 cost of doing business in order to attract, motivate, and retain qualified employees,  
11 which benefits the customer and communities by ensuring the delivery of safe,  
12 reliable, and efficient service.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes, it does.

Exhibits JDB-1 through JDB-8 are Confidential  
and will be provided pursuant to the terms of the Protective Agreement  
in this proceeding or Protective Order issued in OS-23-00014399.

STATE OF OKLAHOMA §  
  §  
COUNTY OF TULSA           §

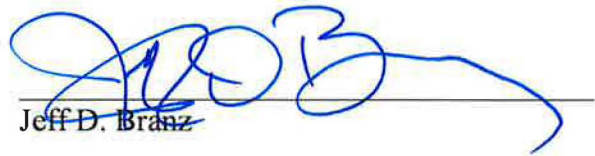
**AFFIDAVIT OF JEFF D. BRANZ**

BEFORE ME, the undersigned authority, on this day personally appeared Jeff D. Branz who having been placed under oath by me did depose as follows:

1.       “My name is Jeff D. Branz. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Director of Total Rewards for ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.


2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Jeff D. Branz

SUBSCRIBED AND SWORN TO BEFORE ME by the said Jeff D. Branz on this 13  
day of June 2023.



  
\_\_\_\_\_  
Notary Public in and for the State of Oklahoma

My commission expires: 11/12/2025

**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**CYNDI L. KING**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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## **LIST OF EXHIBITS**

EXHIBIT CLK-1	Summary of TGS Direct Insurance Cost (Confidential)
EXHIBIT CLK-2	Automobile Liability Policy (Confidential)
EXHIBIT CLK-3	Excess Liability Insurance Policy (Confidential)
EXHIBIT CLK-4	Workers' Compensation Policy (Confidential)
EXHIBIT CLK-5	Property Policy (Confidential)
EXHIBIT CLK-6	Cyber Liability Policy (Confidential)
EXHIBIT CLK-7	ONE Gas, Inc. Analysis of Insurance Cost (Confidential)
EXHIBIT CLK-8	Prepaid Pension Asset



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**DIRECT TESTIMONY OF CYNDI L. KING**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Cyndi L. King. My business address is 15 East Fifth Street in Tulsa, Oklahoma.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am Director of Treasury and Finance for ONE Gas, Inc. (“ONE Gas”).

**Q. ON WHOSE BEHALF ARE YOU PRESENTING THIS TESTIMONY?**

A. I am testifying on behalf of Texas Gas Service Company (“TGS” or the “Company”), a Division of ONE Gas, in support of its request to update rates.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I have a Bachelor of Science in Accounting from Oklahoma State University. I have worked for ONE Gas or its predecessor ONEOK, Inc., for 22 years in areas that include Gas Accounting and Treasury. I have been a Certified Treasury Professional since 2014, and I have served on the ONE Gas Benefits Committee, which reviews all pension activity, since 2014.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

A. Yes, I filed testimony before the Railroad Commission of Texas (“Commission”) in Gas Utilities Docket (“GUD”) Nos. 10739, 10766 and 10928. I have also provided testimony in the Company’s statement of intent filed June 2017 with the cities in the Rio Grande Valley Service Area (“RGVSA”).

1 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**  
2 **TESTIMONY AND WAS THIS TESTIMONY AND ITS ACCOMPANYING**  
3 **EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT**  
4 **SUPERVISION?**

5 A. Yes, either I or employees under my direction prepared this testimony and the  
6 accompanying exhibits. Confidential Exhibit CLK-1 summarizes the Utility  
7 Insurance Company (“UIC”) insurance expense charged to ONE Gas and TGS and  
8 the change in insurance cost inclusive of lower deductible limits. Confidential  
9 Exhibits CLK-2, CLK-3, CLK-4, CLK-5, and CLK-6 are the policies issued by  
10 UIC to TGS. Exhibit CLK-8 is a calculation of the Prepaid Pension Asset.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

12 A. My testimony will describe the ONE Gas risk management program and the  
13 services provided to TGS by UIC, ONE Gas’ captive insurer. I will also explain  
14 why the insurance rates paid by TGS to UIC are reasonable and necessary and attest  
15 to the fact that the price paid by TGS complies with the affiliate cost recovery  
16 standard in Section 104.055(b) of the Gas Utility Regulatory Act. In addition to  
17 my testimony addressing UIC, Company witness Anthony Q. Brown also addresses  
18 the affiliate cost recovery standard, and Company witness Allison Edwards  
19 sponsors the schedule (see Exhibit ANE-2) that identifies the amount of insurance  
20 premium costs TGS is seeking to recover through rates.

1       **II.     ONE GAS' INSURANCE AND RISK MANAGEMENT PROGRAM**

2       **Q.     WHAT IS A CAPTIVE INSURANCE COMPANY?**

3       A.     A captive insurance company, often referred to as a captive, is a regulated insurance  
4           company that is owned and controlled by the insured organization(s). A captive  
5           allows the insured organization to have more control over the insurance coverage  
6           it receives by tailoring coverage to the organization's risk profile. Captives are  
7           regulated and must follow the insurance laws of the state in which they were  
8           incorporated and file annually with their respective insurance commissions.

9       **Q.     PLEASE BRIEFLY DESCRIBE UIC AND ITS PLACE IN ONE GAS'  
10       CORPORATE STRUCTURE.**

11      A.     UIC was chartered in Oklahoma on August 29, 2017 and was operational as of  
12           October 1, 2017. UIC is a wholly-owned subsidiary of ONE Gas and is  
13           incorporated under Oklahoma's laws and regulations. It is fully capitalized under  
14           the requirements of applicable Oklahoma law, as required by the Oklahoma  
15           Insurance Commission, and does not provide services to any entity other than ONE  
16           Gas and its divisions.

17      **Q.     WHY WAS THE UIC FORMED?**

18      A.     UIC was formed as a captive insurance company to provide ONE Gas and its  
19           divisions in Kansas, Oklahoma and Texas:

- 20                   1)     consistent and competitive insurance rates over the long-term;  
21                   2)     continuity of insurance product offerings at a cost that is  
22                   considerably lower than what ONE Gas could achieve if it sought  
23                   insurance in the general or retail marketplace;  
24                   3)     insurance at lower deductible levels than can be purchased in the  
25                   general or retail market; and  
26                   4)     access to lower priced reinsurance in the wholesale market.

1 **Q. HOW ARE THE OPERATIONS OF UIC MANAGED?**

2 A. UIC is managed on a day-to-day basis by Aon Risk Solutions, (“Aon”), a third-  
3 party captive manager. Aon is one of the largest third-party risk management  
4 consulting firms in the world and has a team of individuals who specialize in the  
5 management, regulation, and uses for captive insurance companies and their  
6 owners. The main differentiator of a captive insurance company and a retail  
7 insurance company is that a captive will write only the risks of its parent, namely  
8 ONE Gas.

9 In addition to providing management services for the daily operations of  
10 UIC, Aon provides ONE Gas with consultation services regarding insurable risks,  
11 coverage and other related services. UIC also uses Spring Consulting as an actuary  
12 and consultant in developing rates and actuarial reserves. The direction and  
13 philosophy of UIC is determined by UIC’s board of directors and the ONE Gas risk  
14 management group. Importantly, the Oklahoma Insurance Commission has  
15 oversight and governs the rates and capitalization of UIC. UIC’s annual filings  
16 along with its audited annual financials have been filed with the Oklahoma  
17 Insurance Commission and have been accepted.

18 **Q. REGARDING ITEM FOUR ABOVE, WHY IS IT IMPORTANT THAT UIC**  
19 **BE ABLE TO PURCHASE REINSURANCE IN THE WHOLESALE**  
20 **MARKET?**

21 A. Purchasing reinsurance in the wholesale market will enable lower available  
22 deductibles. ONE Gas’ experience with the retail market is that it does not often  
23 write insurance with low deductibles. In almost all cases in the past, ONE Gas has  
24 had to obtain insurance containing a \$2 million deductible. There have been several

1 instances where the retail insurance market has sought a \$5 million deductible.  
2 These high levels of deductibles result in the Company and its customers being  
3 exposed to significant financial losses because they must incur large claims prior  
4 to deductibles being met. Examples of claims between \$100,000 and \$5 million  
5 include rising workers compensation expense, auto accidents and the related  
6 litigation, property claims related to storm damage with the rising cost of  
7 replacement values, and defending the company in liability matters. Additionally,  
8 buying in the wholesale market eliminates a premium tax which can be as much as  
9 \$400,000 for ONE Gas in total.

10 **Q. PLEASE DESCRIBE REINSURANCE AND THE REINSURANCE**  
11 **MARKET.**

12 A. The reinsurance market is a market that sells insurance to insurance companies and  
13 not on a retail basis. In effect, it is insurance for retail insurance companies.  
14 Because UIC is a regulated insurance company, UIC allows ONE Gas access to  
15 reinsurance markets directly versus going through the retail insurance markets  
16 where rates include profit, commissions, overhead, taxes and other transactional  
17 costs that can significantly increase premiums. By having the option to access the  
18 reinsurance markets directly, UIC can obtain lower rates, customize policy  
19 language, and secure additional insurance by either lowering the deductibles or  
20 raising insurance limits. This ensures competitive and consistent rates for TGS.  
21 Reinsurance markets are also much more stable than retail markets and historically  
22 have resulted in more favorable rates over the long-term.

1 **Q. HOW ARE PREMIUM PAYMENTS DIFFERENT WITH UIC VERSUS**  
2 **TRADITIONAL INSURANCE?**

3 A. In the general marketplace, rates fluctuate due to overall market conditions and  
4 events that are out of ONE Gas' control such as tornadoes, hurricanes, terrorist  
5 attacks or other companies inside or outside of our industry suffering significant  
6 liability events. In contrast, UIC is able to look at premiums over a longer period  
7 and prevent volatility in premiums from happening in the short term.

8 **Q. HAVE THE PREMIUMS FROM UIC BEEN PREVIOUSLY APPROVED**  
9 **BY REGULATORY AUTHORITIES?**

10 A Yes, they have been accepted as appropriate costs in Oklahoma, Kansas, and Texas.  
11 With respect to Texas, UIC costs were included in GUD No. 10739, GUD  
12 No. 10766, GUD No. 10928 and Docket No. OS-22-00009896.<sup>1</sup>

13 **Q. DO THE PREMIUMS CHARGED TO TGS INCLUDE INSURANCE**  
14 **COVERAGE FOR CORPORATE ASSETS OF ONE GAS?**

15 A. No, not directly. The corporate area is charged premiums, as if it is a division, on  
16 its asset and risks. This Corporate insurance expense is allocated through Distrigas  
17 to each division, including TGS, as described by Ms. Edwards.

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<sup>1</sup> *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the North Texas Service Area*, GUD No. 10739, Final Order at Findings of Fact (“FoF”) 48-51 (Nov. 13, 2018); *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area*, GUD No. 10766, Final Order at FoF 46-48 (Feb. 5, 2019); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and Gulf Coast Service Area*, GUD No. 10928 consol., Final Order at FoF 59 (Aug. 4, 2020); and *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, consol., Final Order at FoF 75-78 (Jan. 18, 2023).

1 **Q. WHAT TYPES OF INSURANCE COVERAGE DOES UIC PROVIDE FOR**  
2 **ONE GAS' TGS DIVISION?**

3 A. UIC provides the following insurance coverages for TGS:

- 4 1) property, plant, and equipment, including business interruption;
- 5 2) general liability and employment practices;
- 6 3) workers' compensation and employers' liability;
- 7 4) automobile liability;
- 8 5) cyber; and
- 9 6) medical stop loss.

10 Copies of these policies are attached as Confidential Exhibit CLK-2 through  
11 Confidential Exhibit CLK-6.

12 **Q. CAN YOU DESCRIBE THE NATURE OF THE COVERAGE PROVIDED**  
13 **BY UIC TO TGS?**

14 A. Yes. TGS receives insurance coverage in the areas listed above for an amount that  
15 is equal to or in excess of \$25 million per event, with a deductible from \$100,000  
16 to \$300,000 per occurrence based on the type of policy listed above. This \$100,000  
17 deductible is lower than what is commercially available in the retail insurance  
18 markets for other local distribution companies and companies the size of ONE Gas.  
19 ONE Gas' lower deductible obtained through the use of UIC is a positive  
20 differentiator of ONE Gas that ultimately results in lower costs for TGS and its  
21 customers. Lower deductibles also lessen distractions tied to negative financial  
22 impacts of unexpected events and allow TGS to focus on infrastructure and  
23 reliability and other customer focused priorities. TGS's actual claims activity will  
24 ultimately impact its rates, either favorably or unfavorably, which is the same way

1 it would work in the retail insurance marketplace. Because ONE Gas controls UIC,  
2 it is also able to avoid a situation where a retail insurer might act quickly in response  
3 to an incident to raise a deductible and premiums.

4 **Q. YOU STATED THAT UIC PROVIDES INSURANCE COVERAGE THAT**  
5 **MAY NOT BE AVAILABLE AT THE UIC DEDUCTIBLE LEVEL AND IS**  
6 **NOT AVAILABLE AT UIC'S PRICING. WHAT DO YOU RELY ON TO**  
7 **SUPPORT THIS STATEMENT?**

8 A. As insurance risks are renewed for an annual term, ONE Gas has attempted to  
9 obtain lower deductibles from third-party insurers and has not been able to do so at  
10 reasonable rates. During each renewal of our liability insurance (Item 2 above), we  
11 ask our broker to request quotes for a \$100,000 deductible to make sure the UIC  
12 pricing is fair, reasonable and less expensive than what might be available in the  
13 retail insurance marketplace. Our liability reinsurance insurance, which exceeds  
14 \$25 million in limit, is underwritten by an industry mutual, AEGIS. Notably,  
15 AEGIS is the liability insurer of choice for most gas and electric utilities in North  
16 America. ONE Gas asks AEGIS at each renewal for pricing down to the \$100,000  
17 deductible level and AEGIS provides the requested pricing to ONE Gas on an  
18 informal basis since AEGIS will not formally offer a renewal at a \$100,000  
19 deductible, but did give an indication of price if they were to offer such coverage.

20 **Q. HOW IS THE COST OF OBTAINING INSURANCE COVERAGE FOR**  
21 **ONE GAS AND ITS DIVISIONS THROUGH UIC DETERMINED?**

22 A. UIC bases premiums on a long-term time horizon, consistent with the industry-  
23 accepted approach for captives. This approach recognizes that there will be periods  
24 when losses are less than forecasted and periods when losses are greater than



1 forecasted. The price paid to UIC by TGS and other ONE Gas divisions (Oklahoma  
2 Natural Gas, Kansas Gas Service and ONE Gas Corporate) is determined using  
3 several factors and based upon the advice and actuarial services of Spring  
4 Consulting. These factors are:

- 5 1) administrative fees;
- 6 2) cost of reinsurance premiums;
- 7 3) reserve requirements;
- 8 4) loss history; and
- 9 5) projected losses for all the various policies.

10 The administrative fees and cost of reinsurance premiums are paid by UIC directly  
11 to non-affiliated third parties and are included within the overall premium charged  
12 to TGS by UIC at cost without mark-up.

13 **Q. WHAT ARE SOME OF THE MAJOR DRIVERS IN SETTING THE COSTS**  
14 **OF THE PREMIUMS?**

15 **A.** The major drivers for the cost of premiums are as follows:

- 16 1) for property insurance, the replacement value of the assets being  
17 insured and the potential business interruption or net margins of the  
18 division;
- 19 2) for workers' compensation, the salary, job type being insured and  
20 number of employees in a division;
- 21 3) for automotive insurance, the number of vehicles that each division  
22 is operating; and
- 23 4) for liability insurance, division loss history, net margins, the number  
24 of customers, the value of the assets deployed, the age of the assets  
25 used, and the number of employees.

26 All these potential risk factors are updated annually, along with loss histories for  
27 each type of coverage. Spring Consulting provides actuarial services to determine

1 the rates just as any insurance company would do for its clients. These rates and  
2 actuarial study are then filed with the Oklahoma Insurance Commission for their  
3 review and approval.

4 **Q. CAN YOU SHOW SAVINGS FOR THE POLICY THAT UIC HAS**  
5 **WRITTEN?**

6 A. I have attached Confidential Exhibit CLK-7, which shows the cost charged to all of  
7 the ONE Gas divisions as compared to quotes in the commercial markets.  
8 Confidential Exhibit CLK-7 shows that UIC has saved ONE Gas and its customers  
9 \$8.2 million since UIC was created for liability coverage and \$1.6 million for  
10 property coverage since UIC was created. ONE Gas was not able to get an insurer  
11 to quote auto or workers compensation at this level of deductible.

12 **Q. HOW IS THE COST OF REINSURANCE PASSED THROUGH FROM UIC**  
13 **TO ONE GAS AND ITS DIVISIONS?**

14 A. Any amount of reinsurance that UIC purchases is allocated to the divisions on a  
15 risk-adjusted basis.

16 **Q. HAS UIC PAID OUT CLAIMS ON BEHALF OF TGS?**

17 A. Yes. UIC has paid out one claim on its liability policy for TGS and medical stop  
18 loss claims related to the benefit plan as a whole. In addition, UIC has incurred one  
19 property claim relating to TGS and expects to issue payment on the property claim  
20 in 2023. In these cases, UIC, UIC's reinsurer, and ONE Gas shareholders bore the  
21 entire cost of the claims above the deductible, while TGS only paid their premiums  
22 and deductible.

1 **Q. DOES THE LONG-TERM FORECAST METHOD OF DETERMINING**  
2 **PREMIUM COSTS BENEFIT TGS AND ITS CUSTOMERS?**

3 A. Yes. Over the long-term, these forecasts provide TGS with more consistency in  
4 the premium cost to be incurred. Insurance costs are a necessary part of providing  
5 natural gas service. To the extent the costs significantly vary from year to year,  
6 based on an annual review of the actual losses incurred, the rates charged to  
7 customers would experience more variance in the general market. For example,  
8 there were large Texas property losses caused by hurricanes in 2017. Premiums  
9 based solely on losses from that year would be markedly higher than premiums  
10 based on a longer time horizon. In addition to cost variances, after major  
11 catastrophic events, there can be contraction in insurance availability. Through  
12 UIC, TGS and its customers are assured of the availability of the same level of  
13 insurance coverage at relatively consistent premium costs without being subjected  
14 to insurance cycles that may be influenced by events beyond TGS's control.  
15 Further, having a relatively stable premium rate allows ONE Gas to plan with  
16 greater certainty the investment necessary to ensure a safe and reliable system.

17 **Q. IS THE PRICE CHARGED TO TGS BY UIC HIGHER THAN THE PRICE**  
18 **CHARGED BY UIC TO OTHER DIVISIONS, AFFILIATES OR THIRD**  
19 **PARTIES FOR THE SAME ITEM OR CLASS OF ITEMS?**

20 A. No, it is not. On a risk-adjusted basis, the price charged by UIC to TGS is no higher  
21 than what is charged to ONE Gas' other divisions. The same types of underlying  
22 costs and methodology are employed in calculating each division's premium.

1 **Q. ARE THE UIC COSTS PAID BY TGS REASONABLE AND NECESSARY?**

2 A. Yes, buying appropriate levels of insurance is a necessary expense to prevent  
3 catastrophic events from negatively impacting TGS and its customers and to make  
4 sure that expenses are consistent and do not spike or dip from year to year. This is  
5 true for both TGS assets that are insured through UIC for which UIC charges TGS  
6 a premium and for UIC's coverage of ONE Gas corporate assets. Ms. Edwards  
7 sponsors the schedule that shows the amount of corporate costs for ONE Gas assets  
8 that TGS is seeking to recover through rates. As Confidential Exhibit CLK-7  
9 shows, ONE Gas has saved \$8.2 million in liability insurance since the captive was  
10 created and \$1.6 million in property insurance since the captive was created.

11 **III. PREPAID PENSION**

12 **Q. HAS THE INCLUSION OF TGS'S PREPAID PENSION ASSET IN RATE**  
13 **BASE BEEN PREVIOUSLY REVIEWED AND APPROVED?**

14 A. Yes, the Commission approved the rate base treatment of TGS's portion of the ONE  
15 Gas prepaid pension asset in the Company's West Texas Service Area in GUD  
16 No. 10506 and the West-North Service Area in Docket No. OS-22-00009896. The  
17 Commission determined that the inclusion of the prepaid pension asset in rate base  
18 is just and reasonable. The Commission explained that the asset benefits ratepayers  
19 by reducing expenses more than the rate of return on the asset. The Commission  
20 also found that it avoids future additional costs and restrictions being placed on the  
21 pension plan.<sup>2</sup> In sum, the prepaid pension asset avoids future additional pension

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<sup>2</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Areas (EPSA), Permian Service Area (PSA) and Dell City Service Area (DCSA)*, GUD No. 10506, consol., Final Order at FoF 61 (Sep. 27, 2016).

1 expense, increased variable rate Pension Benefit Guarantee Committee premiums  
2 and restrictions placed on the pension plan. The Company also proposed the same  
3 treatment of the prepaid pension asset in GUD Nos. 10488, 10526, 10656, 10739,  
4 10766, and 10928 all of which were resolved through settlement agreements that  
5 were approved by the Commission.<sup>3</sup>

6 **Q. SINCE THE COMMISSION’S DECISIONS IN PRIOR TGS RATE CASES,**  
7 **HAS ONE GAS OR TGS CHANGED THE WAY IT APPROACHES THE**  
8 **FUNDING REQUIREMENTS FOR THE PREPAID PENSION ASSET OR**  
9 **THE RELATED RATE CALCULATIONS INCLUDED IN THIS**  
10 **STATEMENT OF INTENT?**

11 A. No. As I explain below, ONE Gas and TGS are taking the same approach to these  
12 issues as they did in GUD No. 10506, Docket No. OS-22-00009896 and other prior  
13 cases identified above.

14 **Q. WHAT ARE THE TGS AND RGVSA PORTIONS OF THE PREPAID**  
15 **PENSION ASSET AS OF THE END OF THE TEST YEAR?**

16 A. TGS has a total prepaid asset as of December 31, 2022, of \$23.57 million and an  
17 allocated portion of the corporate prepaid asset of \$19.04 million. TGS’s portion

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<sup>3</sup> With respect to the Commission’s Final Orders in GUD Nos. 10488, 10526, 10656, 10739, 10766 and 10928, the parties agreed on “black box” settlement amounts in each of those cases. However, the rate base amount agreed to in each settlement includes the Company’s proposed pension plan asset. *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area (GSA) and South Jefferson County Service Area (SJCSA)*, GUD No. 10488, Final Order (May 3, 2016); *Statement of Intent of Texas Gas Service Company (TGS), a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA)*, GUD No. 10526, Final Order (Nov. 15, 2016); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10656, Final Order (Mar. 20, 2018); GUD No. 10739, Final Order; GUD No. 10766, Final Order; and GUD No. 10928, Final Order.

1 of the total asset is \$42.6 million, and the RGVSA portion is \$3,964,348. These  
2 amounts are shown on Exhibit CLK-8.

3 **Q. HOW DOES THIS AMOUNT COMPARE TO THE AMOUNT APPROVED**  
4 **IN DOCKET NO. OS-22-00009896, THE WEST NORTH RATE CASE?**

5 A. As Exhibit CLK-8 shows, the prepaid asset decreased by \$1.4 million from  
6 December 31, 2021 to December 31, 2022. In 2022, TGS customers recognized a  
7 pension expense reduction of \$2.7 million compared with \$3.1 million in 2021.

8 **Q. WHAT AMOUNT IS THE COMPANY ASKING TO BE INCLUDED IN**  
9 **RATE BASE?**

10 A. The amount for the RGVSA is \$3.1 million as shown in Exhibit CLK-8. This  
11 reflects the prepaid asset of \$3.96 million less the associated deferred taxes of  
12 \$832 thousand for the total of \$3.1 million.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes, it does.

Exhibits CLK-1 through CLK-7 are Confidential  
and will be provided pursuant to the terms of the Protective Agreement  
in this proceeding or Protective Order issued in OS-23-00014399.

**TEXAS GAS SERVICE COMPANY  
 RIO GRANDE VALLEY SERVICE AREA  
 TWELVE MONTHS ENDED DECEMBER 31, 2022**

**PREPAID PENSION ASSET  
 (\$ in 000s)**

Line No.	Year	Corporate Prepaid Pension Asset		Corporate Allocation	TGS Direct	Total TGS	Pension	TGS	Cumulative	RGVSA
		Pension Asset	Distrigas %		Prepaid Pension Asset	Prepaid Asset Balance	Earnings Rate	Expense Reduction	TGS Expense Reduction	Expense Reduction
	(a)	(b)	(c)	(d) = b * c	(e)	(f) = d + e	(g)	(h) = f * g	(i)	(j)
10	2018	\$ 63,872.699	24.72%	\$ 15,789.331	\$ 36,753.287	\$ 52,542.618	7.25%	3,809.340	30,408.906	354.737
11	2019	\$ 76,979.308	25.40%	\$ 19,552.744	\$ 33,163.628	\$ 52,716.372	7.20%	3,795.579	34,204.485	353.456
12	2020	\$ 72,824.572	25.63%	\$ 18,664.938	\$ 28,937.707	\$ 47,602.645	7.20%	3,427.390	37,631.875	319.169
13	2021	\$ 68,548.217	26.81%	\$ 18,374.761	\$ 24,965.926	\$ 43,340.687	7.15%	3,098.859	40,730.734	288.575
16	2022	\$ 67,843.246	28.07%	\$ 19,043.599	\$ 23,527.498	\$ 42,571.097	6.40%	2,724.550	43,455.284	253.718
17										
18										
19								<b>Allocation</b>		
20							<u>TGS Total</u>	<u>to service area</u>	<u>RGVSA</u>	
21					Prepaid Pension Asset	\$ 42,571.097		9.3123%	\$ 3,964.348	
22					Less Deferred Taxes (21%)	(8,939.930)			(832.513)	
23					Rate Base	\$ 33,631.167			\$ 3,131.835	



STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

**AFFIDAVIT OF CYNDI L. KING**

BEFORE ME, the undersigned authority, on this day personally appeared Cyndi L. King who having been placed under oath by me did depose as follows:

1.       “My name is Cyndi L. King. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Director of Treasury & Finance for ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

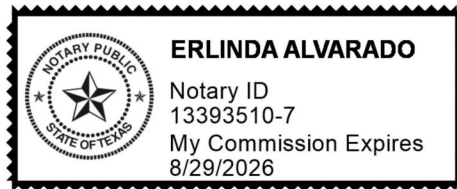
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

DocuSigned by:  
*Cyndi King*  
724DB634CBB7424...  
\_\_\_\_\_  
Cyndi L. King

SUBSCRIBED AND SWORN TO BEFORE ME by the said Cyndi L. King on this 13th day of June 2023.

DocuSigned by:  
**ERLINDA ALVARADO**  
683FDA66B5FD4C2...  
\_\_\_\_\_  
Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**KENNETH W. EAKENS**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

## **TABLE OF CONTENTS**

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III.	PRIVATE LETTER RULINGS .....	7
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## **LIST OF EXHIBITS**

EXHIBIT KWE-1	Private Letter Ruling – 202033002
EXHIBIT KWE-2	Private Letter Ruling – 202142002
EXHIBIT KWE-3	EDIT Balance and Annual Amortization

1                                   **DIRECT TESTIMONY OF KENNETH W. EAKENS**

2                                   **I.        INTRODUCTION AND QUALIFICATIONS**

3   **Q.     PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4   A.     My name is Kenneth W. Eakens. My business address is 15 E. 5th Street Tulsa,  
5           Oklahoma 74103.

6   **Q.     BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7   A.     I am Director, Tax Compliance and Reporting for ONE Gas, Inc. (“ONE Gas”). I  
8           have responsibility for the Tax and Plant Accounting functions for ONE Gas.  
9           These responsibilities include the accounting, compliance and financial reporting  
10          as it relates to those functions for ONE Gas and its divisions, including Texas Gas  
11          Service Company (“TGS” or the “Company”).

12 **Q.     PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
13 **PROFESSIONAL EXPERIENCE.**

14 A.     I earned a Bachelor of Science degree in Business Administration from Southeast  
15          Missouri State University with an accounting major and a finance minor. For more  
16          than 30 years, I have worked in tax accounting and compliance roles. Prior to my  
17          current position, I was Manager, Tax Accounting and Reporting where I was  
18          responsible for the accounting, Securities and Exchange Commission reporting and  
19          Sarbanes Oxley tax processes for FedEx Corporation & Subsidiaries (“FEDEX”).  
20          During my tenure at FEDEX, I also served as Manager, Tax Compliance & Audit.  
21          Prior to joining FEDEX, I was a Tax Specialist at Ameren Services in St Louis,  
22          MO. In that role, I was the lead specialist for the tax accounting, compliance, and  
23          regulatory reporting for several of the large utility subsidiaries in the Ameren group.

1 Prior to joining Ameren, I was a Tax Auditor for the State of Missouri. In that role,  
2 I specialized in audits of Fortune 500 companies for sales, use, income and  
3 franchises taxes. I am licensed as a Certified Public Accountant in Missouri.

4 **Q. WAS THIS TESTIMONY, INCLUDING ITS EXHIBITS, PREPARED BY**  
5 **YOU OR UNDER YOUR DIRECT SUPERVISION?**

6 A. Yes, it was.

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. My testimony describes how the Company has complied with the Accounting  
9 Order issued in Gas Utilities Docket (“GUD”) No. 10695 by the Railroad  
10 Commission of Texas (“Commission”) concerning Excess Accumulated Deferred  
11 Income Tax (“EDIT”). I am also providing testimony on two Private Letter Rulings  
12 (“PLR”) from the Internal Revenue Service (“IRS”), which impact how the  
13 Company should return the EDIT credit to customers, and address the requested  
14 modification of the Company’s EDIT credit going forward.<sup>1</sup> I also explain that the  
15 Commission approved TGS’s proposed treatment of EDIT most recently in TGS’s  
16 West North Service Area rate case in Docket No. OS-22-00009896.

17 **Q. HOW DOES YOUR TESTIMONY RELATE TO THE TESTIMONY OF**  
18 **OTHER COMPANY WITNESSES?**

19 A. Company witness Stacey L. McTaggart proposes withdrawal of the Company’s  
20 EDIT rider and inclusion of the EDIT credit in base rates. Company witness  
21 Janet M. Simpson addresses the calculation of Accumulated Deferred Income  
22 Taxes (“ADIT”) in her testimony.

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<sup>1</sup> Exhibit KWE-1 and Exhibit KWE-2.

1 **Q. HAS THE COMPANY’S REQUESTED MODIFICATION OF THE EDIT**  
2 **CREDIT BEEN APPROVED BY THE COMMISSION?**

3 A. Yes. The Commission recently found TGS’s methodology to flow EDIT back to  
4 customers through base rates to be reasonable in Docket No. OS-22-00009896.<sup>2</sup>

5 **II. COMPLIANCE WITH ACCOUNTING ORDER IN GUD NO. 10695**

6 **Q. WHAT ISSUES DID THE COMMISSION ADDRESS IN GUD NO. 10695?**

7 A. GUD No. 10695 was established by the Commission to address issues relating to  
8 the 2017 Tax Cuts and Jobs Act (“TCJA”) wherein Congress lowered the corporate  
9 tax rate from 35% to 21%. As a result of the accounting order issued by the  
10 Commission in the proceeding, utilities were directed to account for certain changes  
11 in both tax expense and EDIT.

12 **Q. WHAT DID THE ACCOUNTING ORDER ISSUED BY THE**  
13 **COMMISSION IN GUD NO. 10695 REQUIRE OF TGS WITH RESPECT**  
14 **TO EDIT?**

15 A. The GUD No. 10695 Accounting Order includes two specific requirements related  
16 to the treatment of EDIT. These requirements are: (1) gas utilities subject to the  
17 Commission’s jurisdiction are to accrue on their books, as of January 1, 2018, a  
18 regulatory liability to reflect the excess deferred reserve, including any associated  
19 gross up in taxes, caused by the reduction in the federal corporate income tax rate  
20 (Ordering Paragraph 1(C)) and; (2) the amortization of the entire regulatory liability

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<sup>2</sup> *Statement of Intent to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, the North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, consolidated, Final Order at Findings of Fact 115 (Jan. 18, 2023).

1 shall be consistently calculated using a methodology set forth under the TCJA  
 2 (Ordering Paragraph 7).<sup>3</sup>

3 **Q. DID THE COMPANY COMPLY WITH THESE REQUIREMENTS?**

4 A. Yes, based on the information available at the time, the Company complied with  
 5 the requirements of the GUD No. 10695 Accounting Order. The Company has  
 6 provided the following EDIT credits to customers in the Rio Grande Valley Service  
 7 Area (“RGVSA”) incorporated areas through the operation of an EDIT credit rider:

<b>Table 1</b>	
<b>Year</b>	<b>EDIT Credit</b>
2018	722,199
2019	750,325
2020	704,265
2021	744,707
2022	38,628

8 Each credit was based on an annual amortization using the average rate assumption  
 9 method (“ARAM”) that is required by IRS tax normalization rules for protected  
 10 EDIT and a 4-year amortization of unprotected EDIT as stated in the EDIT credit  
 11 rider TGS filed with each of the RGVSA Cities in 2020. The EDIT credit is trued-  
 12 up annually based on the difference between the amount of that year’s EDIT credit  
 13 and the amount actually credited to customers. Recent IRS PLRs issued on  
 14 August 14, 2020 and October 10, 2021 identified issues relating to how the  
 15 Company has treated the Cost of Removal (“COR”) portion of its depreciation  
 16 expense in the Company’s ARAM amortization calculations and the annual true up

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<sup>3</sup> *Regulatory Accounting Related to Federal Income Tax Changes*, GUD No. 10695, Gas Utilities Accounting Order (Feb. 27, 2018). See <https://portalvhdskszlfb8q9lqr9.blob.core.windows.net/media/44158/gud-10695-accounting-order-01-01-18.pdf>.

1 of the EDIT Credit (EDIT Rider). Both issues must be corrected and both issues  
2 are described further below.

3 **Q. CAN THE COMPANY CONTINUE RETURNING EDIT TO CUSTOMERS**  
4 **IN THE SAME MANNER DESCRIBED ABOVE?**

5 A. No, based on a different and second IRS PLR addressing a different normalization  
6 issue described below, it is my recommendation the EDIT Rider be withdrawn and  
7 EDIT be included in base rates.

8 **Q. WILL THE REMEDIATION OF THE PLR ISSUES IDENTIFIED ABOVE**  
9 **AFFECT THE TOTAL AMOUNT OF EDIT TO BE CREDITED TO**  
10 **CUSTOMERS IN THE RGVSA?**

11 A. No. Customers will still receive approximately \$5.9 million in total EDIT credits  
12 that were quantified following the TCJA and included within all ONE Gas EDIT  
13 Rider filings since their implementation.

14 **III. PRIVATE LETTER RULINGS**

15 **Q. PLEASE DESCRIBE THE IRS PLR INCLUDED AS EXHIBIT KWE-1.**

16 A. The Company has been made aware of a potential IRS normalization issue through  
17 the issuance of a PLR to another utility, attached to my testimony as Exhibit KWE-  
18 1. The normalization issue is related to TGS's current treatment of the COR portion  
19 of its depreciation expense, which creates a deferred tax asset and, pursuant to the  
20 new PLR, is not "protected" under IRS normalization rules in the ARAM  
21 amortization calculation.



1 **Q. PLEASE EXPLAIN THIS ISSUE RELATED TO COR.**

2 A. Per the PLR, the COR portion of depreciation is not “protected” under IRS  
3 normalization rules. TGS previously treated the COR portion of depreciation as  
4 “protected” and, as such, did not separate COR from depreciation in its regulatory  
5 depreciation calculations. Importantly, TGS’s prior treatment of COR benefited  
6 ratepayers because the COR portion was actually an asset and would have reduced  
7 the amount of unprotected EDIT returned to ratepayers through the Rider.  
8 Additionally, at the time of the TCJA, TGS did not estimate a COR component of  
9 its accumulated depreciation for purposes of determining the “protected” balance  
10 of book versus tax depreciation timing differences. Rather, the timing difference  
11 that creates a deferred tax and associated EDIT asset related to COR was netted  
12 against the protected portion of its EDIT and amortized using the ARAM  
13 calculation consistent with protected timing differences of book versus tax  
14 depreciation. This was consistent with how TGS treated all protected EDIT. Now,  
15 to avoid a normalization violation under the new PLR, the COR portion of book  
16 versus tax depreciation timing differences needs to be separated from both the  
17 original EDIT liability and from the depreciation expense used in the ARAM  
18 calculation and included as an “unprotected” EDIT asset and amortized as such.  
19 Otherwise, the remaining protected EDIT may be returned too quickly under the  
20 ARAM calculation.

21 **Q. WHAT IS TGS’S REQUEST TO ADDRESS THE IRS NORMALIZATION**  
22 **ISSUE RELATED TO COR?**

23 A. TGS has estimated the amount of COR that was included as protected since  
24 December 31, 2017 at the time of the TCJA that should now be considered

1 unprotected. TGS requests that this amount be accounted for as a separate asset  
2 from the existing unprotected EDIT liability that is being amortized over 4 years  
3 and requests that it be amortized utilizing the same amortization period as the  
4 protected plant consistent with depreciation-related timing differences that remain  
5 in the protected portion of EDIT (subject to ARAM).

6 **Q. WHY IS IT IMPORTANT TO SEPARATELY ACCOUNT FOR THE COR**  
7 **PORTION OF UNPROTECTED EDIT AND UTILIZE A DIFFERENT**  
8 **AMORTIZATION?**

9 A. COR in depreciation rates is deducted for tax purposes when the expenses are  
10 incurred with the disposal of an asset. As a result, the book depreciation expense  
11 being incurred prior to the tax deduction results in a deferred tax asset. When tax  
12 rates changed in the TCJA, this deferred tax asset is remeasured based on the new  
13 tax rate and the adjustment creates an EDIT asset, meaning it is an amount that will  
14 be “collected” from customers. Unprotected EDIT can be credited to ratepayers  
15 over any period authorized by the regulatory authority. If the COR would have  
16 been included with the 4-year amortization of unprotected EDIT, the EDIT credit  
17 to customers would have been significantly reduced in the short term. By  
18 continuing to utilize the ARAM period for COR, TGS will be able to continue to  
19 provide EDIT credits consistent with prior years.

20 **Q. DOES THIS CHANGE IN TREATMENT AFFECT THE TOTAL AMOUNT**  
21 **OF EDIT TO BE CREDITED TO CUSTOMERS IN THE RGVSA?**

22 A. No, as mentioned previously, customers will still receive approximately  
23 \$5.9 million of total EDIT credits that were quantified following the TCJA and  
24 included within all EDIT Rider filings since that date.

1 **Q. IS THIS CHANGE RETROACTIVE?**

2 A. No, it is not. The separation of COR into an unprotected asset only affects the  
3 amortization of EDIT on a going forward basis.

4 **Q. PLEASE DESCRIBE THE IRS PLR CONTAINED IN EXHIBIT KWE-2.**

5 A. Since the TCJA, TGS has paid estimated EDIT credits to customers based on tax  
6 years that are not consistent with the test year utilized to establish base rates. For  
7 example, in the RGVSA, the 2018 Rate Case was based on a test year ending  
8 December 31, 2017, updated for known changes and conditions while the EDIT  
9 credit issued in 2022 was an estimated credit for the 2021 tax year ended  
10 December 31, 2021. Therefore, base rates were based on December 31, 2017, and  
11 EDIT was based on December 31, 2021. The inconsistency between base rates test  
12 year and EDIT credit tax year has existed for every year's EDIT credit. Per the  
13 PLR, attached as Exhibit KWE-2, it is a violation of normalization rules for EDIT  
14 and base rates to be based on different time periods and for EDIT from future time  
15 periods to be returned in advance of the time period being used for ADIT.

16 **Q. HOW DOES TGS PLAN TO ADDRESS THIS POTENTIAL**  
17 **NORMALIZATION ISSUE?**

18 A. In Revenue Procedure 2020-39, the IRS has provided a safe-harbor for inadvertent  
19 normalization violations by indicating that corrective actions which convert a non-  
20 compliant crediting method to a compliant crediting method that are taken at the  
21 earliest available opportunity will not be considered a normalization violation.  
22 TGS believes the earliest available opportunity to take a corrective action as  
23 provided for in Revenue Procedure 2020-39 is this statement of intent filing. The  
24 only way to adequately address the disconnect between the basis for EDIT credits

1 and base rates is to withdraw the separate EDIT Rider and include protected EDIT  
2 as part of base rates.

3 **Q. AGAIN, WILL CUSTOMERS RECEIVE ANY MORE OR LESS TOTAL**  
4 **EDIT CREDITS?**

5 A. No, as mentioned previously, customers in the RGVSA will receive credit for the  
6 same total amount of approximately \$5.9 million through EDIT credits that now  
7 will reduce the tax expense component of our cost of service.

8 **Q. ARE TGS'S REQUESTED MODIFICATIONS BEING MADE IN A WAY**  
9 **THAT CAUSES THE LEAST IMPACT ON EDIT CREDITS IN THIS**  
10 **STATEMENT OF INTENT WHILE ENSURING MINIMAL RISK OF A**  
11 **NORMALIZATION VIOLATION?**

12 A. Yes. In particular, the request to separately account for the COR asset and amortize  
13 over the same period as protected plant subject to ARAM as opposed to the 4 years  
14 applied to the current unprotected EDIT liability will ensure that the amounts of the  
15 ongoing credit and its impact on customer rates are consistent with previous credits.

16 **Q. ARE THERE SERIOUS CONSEQUENCES IF THE IRS DETERMINES**  
17 **THAT A NORMALIZATION VIOLATION HAS OCCURRED IF THE**  
18 **REQUESTED MODIFICATIONS ARE NOT APPROVED?**

19 A. Yes.

20 **Q. WHAT IS THE POTENTIAL IMPACT OF A NORMALIZATION**  
21 **VIOLATION FINDING ISSUED BY THE IRS?**

22 A. If TGS were to be found in violation of the IRS normalization rules, it could lose  
23 the ability to take accelerated depreciation credits on its annual tax returns going  
24 forward. These tax credits result in tens of millions of dollars annually in non-

1 investor supplied capital that serves as an offset to rate base when calculating  
2 customer rates. In addition, TGS would have to pay the IRS any amounts refunded  
3 in advance of when they should have been under the normalization rules.

4 **IV. EDIT BALANCE AND ANNUAL AMORTIZATION**

5 **Q. WHAT IS THE EDIT BALANCE FOR THE RGVSA?**

6 A. As contained in Exhibit KWE-3, the balance of EDIT for the RGVSA at  
7 December 31, 2022 is \$2,948,734.

8 **Q. HOW IS THE EDIT BALANCE AT DECEMBER 31, 2022 CALCULATED?**

9 A. The initial EDIT balance, shown on page 1 of Exhibit KWE-3, of the RGVSA was  
10 calculated by taking the difference between the ADIT balance on the day before the  
11 tax rate change and the ADIT balance calculated using the newly enacted corporate  
12 tax rate resulting from the 2017 TCJA. The December 31, 2022 EDIT balance for  
13 the RGVSA is calculated by taking the initial EDIT balance and subtracting the  
14 annual amortization for the years 2018, 2019, 2020, 2021 and 2022, also shown on  
15 page 1 of Exhibit KWE-3, resulting in a December 31, 2022 balance of \$2,948,734.

16 **Q. WHAT IS THE AMOUNT OF THE ANNUAL AMORTIZATION OF THE**  
17 **EDIT?**

18 A. As shown in Exhibit KWE-3, the annual amortization of EDIT for the RGVSA is  
19 \$38,628.

20 **Q. HOW WAS THE ANNUAL AMORTIZATION AMOUNT OF THE EDIT**  
21 **BALANCE CALCULATED?**

22 A. Exhibit KWE-3 contains the calculation of the EDIT amortization amount for the  
23 RGVSA using the ARAM methodology for the protected portions of EDIT, the  
24 same ARAM amortization percentage for the non-protected COR EDIT balance

1 resulting from the PLR issue previously discussed, and the four-year amortization  
2 period for non-protected EDIT.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 **A.** Yes, it does.

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **202033002**  
Release Date: 8/14/2020  
Index Number: 168.24-01

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

In Re:

Refer Reply To:  
CC:PSI:B06  
PLR-122510-19  
Date:  
March 26, 2020

LEGEND:	
Taxpayer	=
Parent	=
State A	=
Commission A	=
Commission B	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Date 5	=
Month 1	=
Month 2	=
Year 1	=

PLR-122510-19

2

Year 2 =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Dear :

This letter responds to a request for a private letter ruling dated September 26, 2019, and submitted on behalf of Taxpayer regarding the application of the depreciation normalization rules under § 168(i)(9) of the Internal Revenue Code and § 1.167(l)-1 of the Income Tax Regulations (together, the “Normalization Rules”) to certain State A state regulatory procedures which are described in this letter. The relevant facts as represented in your submission are set forth below.

#### FACTS

Taxpayer is an investor-owned regulated utility incorporated under the laws of State A. Taxpayer is an accrual basis taxpayer and reports on a calendar year basis.

Taxpayer is wholly owned by Parent. Parent is a State A corporation. Taxpayer is included in a consolidated federal income tax return of which Parent is the common parent.

Taxpayer is a regulated utility engaged principally in the purchase, transmission, distribution, and sale of electric energy and the purchase, distribution, and sale of natural gas in State A. Taxpayer is subject to regulation as to rates and conditions of service by Commission A as well as Commission B. Both these regulators establish Taxpayer’s rates based on its costs, including a provision for a return on the capital employed by Taxpayer in its regulated businesses.

Taxpayer has claimed accelerated depreciation on all of its public utility property (both electric and gas) to the full extent those deductions have been available. Taxpayer has normalized the federal income taxes deferred as a result of its claiming these deductions in accordance with the Normalization Rules. As a consequence, Taxpayer has a substantial balance of accumulated deferred federal income taxes (ADFIT) that is attributable to accelerated depreciation reflected on its regulated books of account for each of its divisions. In accordance with State A ratemaking practice, Taxpayer has reduced its rate base by its ADFIT balance.



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Commission B has established a system to track accounts for both jurisdictional electric and gas companies. These accounts prescribe the accounting rules which are used by most large investor-owned electric and gas companies and are employed by Taxpayer's electric and gas divisions. The applicable regulations contain several definitions relevant to Taxpayer's inquiry including definitions for cost of removal (COR), salvage value, net salvage value, service value, and depreciation.

In general, based on these definitions, for purposes of regulatory reporting, the net positive value or net cost of disposing of an asset at the end of its life is incorporated into the annual depreciation charge. COR is, therefore, most often (but not always) a component of establishing the applicable depreciation rate. In Taxpayer's case, due to the amount of COR it anticipates, in almost all instances its assets have negative net salvage values so that its book depreciation rate is higher than it would be were salvage value not considered. In effect, the annual depreciation charge creates a reserve for COR over the operating life of the asset. Since book depreciation expense is included in Taxpayer's cost of service used for establishing its rates, customers pay for the COR as book depreciation is factored into their rates. This COR reserve is reflected as an addition to Taxpayer's accumulated depreciation account. When the COR is actually incurred, the amount expended is debited to that same account, thereby reducing the balance.

For tax purposes, COR is deductible only when actually incurred. Taxpayer, therefore, reports its customer collections that fund the COR reserve as taxable income over the operating life of an asset, claiming an offsetting tax deduction only at the end of the life of that asset. Taxpayer has normalized COR since the Year 1 tax year. All references below to COR-related deferred tax accounting relate only to COR associated with assets placed in service after Year 2. Since COR is normalized in setting rates, customers are provided a tax benefit commensurate with their funding of COR. In other words, they are provided the COR tax benefit as they fund the COR reserve – prior to the time Taxpayer actually claims that benefit on its tax return.

The tax effect of the COR funding as described creates a deferred tax asset ("DTA"). This represents the future benefit to be derived from the eventual COR tax deduction. The COR-related DTA is included in Taxpayer's overall plant-related ADFIT account that reduces Taxpayer's ADFIT balance.

COR can (and does) impact ADFIT balances in an additional way. The COR included in depreciation expense (that is, the accrual) is an estimate prepared for an entire class of assets contained in a Commission B account. It is likely that any COR estimate will be too high or too low with respect to any individual asset with the ultimate answer remaining unknown until all vintages of each asset class are retired and removed. Any running variance from the estimate is recorded on Taxpayer's balance sheet. Where the accrual exceeds the actual COR, it creates a net credit to the accumulated depreciation account. Where the actual COR exceeds the accrual, it creates a net debit to that account. This treatment means that Taxpayer will recover

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under-accruals from customers and refund over-accruals to customers through future rate adjustments. These future rate adjustments will give rise to future increases or decreases in taxable income. Under applicable accounting principles, Taxpayer must record the deferred tax consequences of these future events. An over-accrual produces a DTA (the tax benefit of a future deduction due to the refund of the excess collection) while an under-accrual produces a deferred tax liability "DTL" (the tax cost of future taxable income due to the collection of the shortfall).

For the electric distribution division, the COR book/regulatory accrual has always been included in the development of the book depreciation rate. Thus, instead of waiting for the Taxpayer to incur the tax benefit of COR, its' Customers are provided the COR tax benefit as they fund the COR reserve – prior to the time Taxpayer actually claims that benefit on its tax return. This produces a DTA as described. In addition, as of Date 1, Taxpayer has, in total, incurred more COR than it has recovered from customers and, thus, is under-accrued for COR. This has produced a DTL, also as described. Both the DTA and DTL are included within Taxpayer's overall plant-related ADFIT Account.

Prior to Month 1 Year 3, the gas distribution division accrued and collected COR as a component of the book depreciation rate. However, pursuant to order of Commission A, that collection practice was modified in Year 3. Beginning in Month 1 Year 3, the gas-only COR regulatory accrual was removed from the book depreciation rate. Rather, Taxpayer was allowed to record and recover annually (through a fixed dollar depreciation charge incremental to the normal depreciation computed via application of the depreciation rate) an amount representing an estimate of the annual COR that would be incurred in that year. At the time of this modification, the cumulative COR accrued exceeded COR actually incurred (that is, Taxpayer was over-accrued). At that time, Taxpayer had recorded a net DTA (to reflect the tax benefit of the future reduction in rates associated with refunding the excess to customers).

Since converting to this methodology in Year 3, COR actually incurred has significantly exceeded COR accrued and recovered, resulting in a DTL (the tax cost of recovering the under-accrual in the future). As of Date 1, the two components (pre-Month 1 Year 3 and post-Month 2 Year 3) combined represented a net DTL.

Effective Date 2, pursuant to an Order issued by Commission A, gas COR regulatory recovery has reverted back to a component of the book depreciation rate. The fixed dollar accrual which began in Year 3 has been eliminated.

Since Year 4, Taxpayer's tax fixed asset system has separately identified the portion of Taxpayer's book depreciation expense that relates to COR since that date. As a consequence, the system distinguishes between COR book/tax differences and depreciation method/life differences even though they are both derived from Taxpayer's book depreciation. Though the system has the capability of tracking the reversals of these differences separately, in order to set it up to do this, a significant amount of work

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and data manipulation would be required. It is not currently configured in a manner that would allow this.

In years prior to Year 5, Taxpayer paid income tax at a 35% rate on the recovery of the COR portion of book depreciation (and provided its customers a tax benefit at that tax rate). However, as a result of the tax rate reduction enacted as part of the Tax Cuts and Jobs Act ("TCJA"), Taxpayer will only receive a 21% benefit when the COR deduction is claimed or when any over-accrual is refunded and will pay only a 21% tax on the recovery of any COR under-accrual. In other words, in the case of COR, the tax rate reduction enacted as part of the TCJA has produced both a deferred tax shortfall as well as an excess tax reserve. Because Taxpayer will not recover the 14% "excess" tax it paid on its recovery of the COR component of book depreciation from the government when it claims its COR deduction, it must recover it from its customers. Conversely, because Taxpayer will not pay the 14% "excess" deferred tax it accrued on its obligation to refund over-accrued COR, it must restore the amount to its customers (that is, it also has COR-related excess deferred taxes).

#### Taxpayer's Changes in Accounting Method for Mixed Service Costs and Repairs

Prior to Taxpayer's Year 6 tax year, in capitalizing its indirect overhead costs – including its mixed service costs – Taxpayer followed the same methodology for both book and tax purposes. Effective for its Year 6 tax year, Taxpayer filed with the Internal Revenue Service an Application for Change in Accounting Method (Form 3115) in which it requested permission to depart from its book method for tax purposes. The result of the change was to recharacterize a substantial quantity of mixed service costs that Taxpayer had previously capitalized into depreciable assets as deductible costs (including additions to cost of goods sold). This resulted in Taxpayer claiming a negative adjustment under § 481(a) (that is, a deduction) to remove from the tax basis of its existing assets all such recharacterized costs to the extent Taxpayer had not previously depreciated them ("Section 481 Adjustment").

Also, prior to Taxpayer's Year 6 tax year, in identifying deductible repairs, Taxpayer followed the same methodology for both book and tax purposes. Effective for its Year 6 tax year, Taxpayer filed an Application for Change in Accounting Method (Form 3115) in which it requested permission to depart from its book method for tax purposes. In general, under its new tax method, Taxpayer elected to use larger units of property than used for book purposes. The result of the change was to characterize many projects that were capitalized for book purposes as deductible repairs for tax purposes. This resulted in Taxpayer claiming a negative § 481 Adjustment to remove from the tax basis of its existing assets all such recharacterized costs to the extent Taxpayer had not previously depreciated them.

Adjustments (additions) were made to Taxpayer's ADFIT accounts, which already reflected the deferred tax consequences of having claimed accelerated

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depreciation on both types of costs after they were capitalized for tax purposes for the additional deferred taxes produced by the § 481 Adjustments.

### Taxpayer's Recent Commission A Proceedings

On Date 3, Taxpayer filed with Commission A to adjust both its electric and its gas rates. The parties to the proceeding reached an agreement and, on or about Date 4, Taxpayer submitted a stipulation to Commission A for its approval. Commission A approved the stipulation on Date 5.

The stipulation provides that:

- 1) Taxpayer will seek a private letter ruling to determine if excess deferred taxes associated with excess tax over book depreciation that is subsequently reversed by accounting method changes relating to repair deductions and the capitalization of mixed service costs are protected by the normalization rules and subject to reversal under the ARAM; and that
- 2) Taxpayer will seek a private letter ruling from the IRS to determine whether post-Year 1 cost of removal is protected by the normalization rules and, if so, whether it is to be treated as a separate temporary difference or part of the overall depreciation temporary difference for purposes of ARAM amortization.

### RULINGS REQUESTED

Taxpayer requests the following guidance:

- 1) Under the circumstances described above, is Taxpayer's electric distribution COR-related net DTL "protected" by the Normalization Rules?
- 2) If Taxpayer's electric distribution COR-related deferred tax is "protected," should that shortfall be treated as a discrete "protected" item or as part of the "protected" method/life difference?
- 3) Under the circumstances described above, is Taxpayer's gas distribution COR-related net DTA accumulated through the depreciation rate prior to Month 1 of Year 3 "protected" by the Normalization Rules?
- 4) If Taxpayer's gas distribution COR-related deferred tax accumulated through the depreciation rate prior to Month 1 of Year 3 is "protected," should that shortfall be treated as a discrete "protected" item or as part of the "protected" method/life difference?

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5) Under the circumstances described above, is Taxpayer's gas distribution COR-related net DTL accumulated through the fixed estimated cash recovery after Month 1 of Year 3 "protected" by the Normalization Rules?

6) If Taxpayer's gas distribution COR-related net DTL accumulated through the fixed estimated cash recovery after Month 1 of Year 3 is "protected," should that shortfall be treated as a discrete "protected" item or as part of the "protected" method/life difference?

7) If Taxpayer's COR-related deferred tax shortfall is "protected," do the Normalization Rules permit Taxpayer to collect a shortfall any more rapidly than using the ARAM?

8) Do Taxpayer's depreciation-related ADFIT balances created pursuant to the Normalization Rules that are attributable to costs that were capitalized into the basis of depreciable assets prior to Taxpayer changing its method of accounting for those costs remain subject to the Normalization Rules after the change in method of accounting pursuant to which such costs were reclassified as current deductions?

#### LAW AND ANALYSIS

Section 168(f)(2) provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, § 168(i)(9)(A)(i) requires the taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, to use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under § 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Former § 167(l) generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a "normalization method of accounting." A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(l)-1(a)(1) provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under § 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results in regulated

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books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 481(a) requires those adjustments necessary to prevent amounts from being duplicated or omitted to be taken into account when a taxpayer's taxable income is computed under a method of accounting different from the method used to compute taxable income for the preceding taxable year. See also § 2.05(1) of Rev. Proc. 97-27, 97-27, 1997-1 C.B. 680 (the operative method change revenue procedure at the time Taxpayer filed its Form 3115, *Application for Change in Accounting Method*).

An adjustment under § 481(a) can include amounts attributable to taxable years that are closed by the period of limitation on assessment under § 6501(a). *Suzy's Zoo v. Commissioner*, 114 T.C. 1, 13 (2000), *aff'd*, 273 F.3d 875, 884 (9th Cir. 2001); *Superior Coach of Florida, Inc. v. Commissioner*, 80 T.C. 895, 912 (1983), *Weiss v. Commissioner*, 395 F.2d 500 (10th Cir. 1968), *Spang Industries, Inc. v. United States*, 6 Cl. Ct. 38, 46 (1984), *rev'd on other grounds* 791 F.2d 906 (Fed. Cir. 1986). See also *Mulholland v. United States*, 28 Fed. Cl. 320, 334 (1993) (concluding that a court has the authority to review the taxpayer's threshold selection of a method of accounting *de novo*, and must determine, *ab initio*, whether the taxpayer's reported income is clearly reflected).

Sections 481(c) and 1.481-4 provide that the adjustment required by § 481(a) may be taken into accounting in determining taxable income in the manner, and subject to the conditions, agreed to by the Service and a taxpayer. Section 1.446-1(e)(3)(i) authorizes the Service to prescribe administrative procedures setting forth the limitations, terms, and conditions deemed necessary to permit a taxpayer to obtain consent to change a method of accounting in accordance with § 446(e). See also § 5.02 of Rev. Proc. 97-27.

When there is a change in method of accounting to which § 481(a) is applied, § 2.05(1) of Rev. Proc. 97-27 provides that income for the taxable year preceding the year of change must be determined under the method of accounting that was then employed, and income for the year of change and the following taxable years must be determined under the new method of accounting as if the new method had always been used.

Because of their similarity, we address requests 1, 3, and 5 together. For all of the COR-related amounts at issue in these requests, the amounts are not protected by the Normalization Rules. Generally, § 168(i)(9)(A) does not refer to COR. Moreover, there is no reference to an acceleration of taxes but only to a deferral. While COR may be a component of the calculation of the amount treated as book depreciation, it is a deduction under § 162 and has nothing to do with actual accelerated tax depreciation. While depreciation method and life differences are created and reversed solely through depreciation, such is not the case with COR. While the COR timing differences may

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often originate as a component of book depreciation, it reverses through the incurred COR expenditure.

Taxpayer's ruling request 8 pertains to the depreciation-related ADIT existing prior to the year of change (Year 6) for public utility property in service as of the end of the taxable year immediately preceding the year of change. Beginning with the year of change, the Year 6 Consent Agreement granted Taxpayer permission to change its (1) method of accounting for mixed service costs to recharacterize a substantial quantity of mixed service costs that Taxpayer had previously capitalized into depreciable assets as deductible costs (including additions to cost of goods sold) and (2) to depart from its book method for tax purposes electing to use for tax purposes larger units of property than used for book purposes which resulted in characterizing many projects that were capitalized for book purposes as deductible repairs for tax purposes.

When there is a change in method of accounting to which § 481(a) is applied, income for the taxable year preceding the year of change must be determined under the method of accounting that was then employed by Taxpayer, and income for the year of change and the following taxable years must be determined under Taxpayer's new method of accounting as if the new method had always been used. See § 481(a); § 1.481-1(a)(1); and § 2.05(1) of Rev. Proc. 97-27. In other words: (1) Taxpayer's new method of accounting is implemented beginning in the year of change; (2) Taxpayer's old method of accounting used in the taxable years preceding the year of change is not disturbed; and (3) Taxpayer takes into account a § 481(a) adjustment in computing taxable income to offset any consequent omissions or duplications.

Accordingly, for public utility property in service as of the end of the taxable year immediately preceding the year of change (Year 6), the depreciation-related ADIT existing prior to the year of change for the changes in methods of accounting subject to the Year 6 Consent Agreement does not remain subject to the normalization method of accounting within the meaning of § 168(i)(9) after implementation of the new tax methods of accounting in the year of change and subsequent taxable years.

Based on the foregoing, we conclude that:

- 1) Under the circumstances described above, Taxpayer's electric distribution COR-related net DTL is not "protected" by the Normalization Rules.
- 3) Under the circumstances described above, Taxpayer's gas distribution COR-related net DTA accumulated through the depreciation rate prior to Month 1 of Year 3 is not "protected" by the Normalization Rules.
- 5) Under the circumstances described above, Taxpayer's gas distribution COR-related net DTL accumulated through the fixed estimated cash recovery after Month 1 of Year 3 is not "protected" by the Normalization Rules.

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Because these amounts in requests 1, 3, and 5 are not protected by the Normalization Rules, requests 2, 4, 6, and 7 are moot.

8) Taxpayer's depreciation related ADFIT balances created pursuant to the Normalization Rules that are attributable to costs that were capitalized into the basis of depreciable assets prior to Taxpayer changing its method of accounting for those costs do not remain subject to the Normalization Rules after the change in method of accounting pursuant to which such costs were reclassified as current deductions.

Except as specifically set forth above, no opinion is expressed or implied concerning the federal income tax consequences of the above described facts under any other provision of the Code or regulations.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

This ruling is based upon information and representations submitted by Taxpayer and accompanied by penalty of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Patrick S. Kirwan  
Chief, Branch 6  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

cc:



## Internal Revenue Service

Department of the Treasury  
Washington, DC 20224

Number: **202142002**  
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Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:PSI:B6  
PLR-101961-21

Date:  
July 26, 2021

### Legend

Taxpayer	=
Corporation	=
State A	=
State B	=
Commission A	=
Commission B	=
Order	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Date 5	=
Date 6	=
Date 7	=
Date 8	=
Year 1	=
Year 2	=
Year 3	=

Dear :

This letter responds to a request for a private letter ruling dated January 7, 2021, submitted by Taxpayer. Taxpayer requests rulings with respect to the application of § 168(i)(9) of the Internal Revenue Code, former § 167(l), and section 13001(d) of the Tax Cuts and Jobs Act, Pub. L. 115-97(the "TCJA") (together, the Normalization Rules), regarding the proper accounting and ratemaking treatment of excess deferred income

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taxes (“EDIT”). The relevant facts as represented in Taxpayer’s submission are set forth below.

### FACTS

Taxpayer is an electric and natural gas utility headquartered in State A.

Taxpayer is a wholly owned member of Corporation and Subsidiaries consolidated group. Corporation is an energy services holding company incorporated in State B. Taxpayer is included in the consolidated federal income tax return of Corporation. Taxpayer employs a calendar year reporting period and uses an accrual method of accounting. Corporation elected to be treated as a corporation for federal tax purposes. Corporation and Subsidiaries are not presently under audit by the Internal Revenue Service.

Taxpayer is engaged in the production, transmission, and distribution of electricity and the distribution of natural gas in State A. It is subject to the regulatory authority of Commission A and Commission B as to the terms and conditions of service and the rates it is permitted to charge for its service. Its rates are established or approved based on its costs of service, including a return on its capital investment (rate base).

Taxpayer’s rates are established by Commission A on a “cost of service, rate-of-return” basis. Thus, Taxpayer is permitted an opportunity to recover its prudently incurred costs and earn an appropriate return on its rate base, which reflects its net invested capital. The convention employed in State A with respect to rate base is that a utility’s accumulated deferred income tax balance (“ADIT”) offsets gross rate base (rate base computed before reduction by ADIT). Included in Taxpayer’s ADIT balance are a significant amount of deferred taxes attributable to accelerated depreciation claimed with respect to public utility property. Thus, Taxpayer’s ADIT is, to a substantial extent, subject to the normalization rules contained in § 168(i)(9) and former § 167(l). Commission A uses an historical test period consisting of a 12-month period for purposes of determining Taxpayer’s costs and rate base. Results of this test period are adjusted by “pro forma adjustments” to remove materially distortive items and to give effect to known and measurable changes that are not offset by other factors.

As part of this process of setting rates, Taxpayer computes its depreciation expense and its income tax expense, including both current and deferred components of income tax expense, for inclusion in its cost of service. Taxpayer also reduces its gross rate base by its ADIT balance to determine the rate base on which it is permitted to earn a return. Taxpayer’s accounting treatment for depreciation expense, income tax expense, ADIT, and rate base has been consistent with the Normalization Rules.

On December 22, 2017, the TCJA was signed into law. Among other changes, the TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017, Taxpayer’s calendar Year 1 tax year.

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As a result of the tax reduction, the deferred taxes Taxpayer had accumulated at a 35 percent rate were reduced to those that would have been accumulated at a 21 percent rate had the 21 percent rate been in effect for all prior years. Because Taxpayer had a net deferred tax liability (“DTL”) on December 31, 2017, the tax rate reduction resulted in EDIT, because Taxpayer now expects to pay income taxes to the Department of the Treasury at the reduced 21 percent rate, as the timing differences that gave rise to its DTL reverse. In general, Taxpayer had collected the EDIT from customers through its traditional ratemaking methodology and not on a precise dollar-for-dollar basis. The 14-percentage point reduction in the tax rate is available to reduce the tax expense that Taxpayer included in setting customer rates. It is the timing of this reduction of the EDIT that is the issue of this ruling request.

Taxpayer maintains records that include the vintage records necessary to apply the average rate assumption method (“ARAM”). The total balance of Taxpayer’s EDIT is unknown. The annual amount of EDIT reversal under ARAM will vary each year, and this variance is unknown at this time. In general, this variability is caused by future events, including the time at which a vintage begins to reverse or when a vintage fully reverses. Taxpayer provides deferred taxes on plant-related timing differences whether or not those timing differences are protected by the Normalization Rules or unprotected by the Normalization Rules. Taxpayer and Commission A intend to apply ARAM to all plant-related timing differences. There is no dispute over this intent to apply ARAM. Throughout Taxpayer’s general rate case (“GRC”), these balances are commonly referred to as “protected plus” or “PP” to acknowledge the fact that ARAM is being applied not only to all protected EDIT, but also unprotected plant-related EDIT.

Taxpayer has been accounting for EDIT balances in ratemaking on a consistent method since the Tax Reform Act of 1986, Pub. L. No: 99-514 (“TRA 1986”). That method has been as follows:

Taxpayer closes its books on a monthly basis. Each resulting monthly income statement and balance sheet contains its share of book depreciation, rate base, income tax expense, and ADIT (including EDIT). Taxpayer includes the ARAM reversal of EDIT in its monthly calculation of tax expense. Its EDIT balance is included in its ADIT to ensure that rate base is reduced by the proper amount of deferred taxes. This treatment ensures that book depreciation, income tax expense, ADIT, and rate base are computed consistently.

Taxpayer’s rates are set periodically in a GRC using an historical test period. In a GRC, the accounting activity recorded in each month during the historical test year is the basis for setting customer rates, plus or minus any pro-forma adjustments. Once customer rates are established, they remain constant until the next GRC. At that next GRC, customer rates will be reset based on a new, different historical test year – different income and expenses (including income tax expense and book depreciation expense), different rate base, and different

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ADIT. The assumption underlying the use of an historical test year is that the costs and benefits in the historical period, plus or minus any pro-forma adjustments, will be representative of future periods during which customers will pay the rates. The process is intended to ensure that customer rates will be fair, just, reasonable, and sufficient. This is so even though the actual income and incurred costs, including EDIT reversals, for the period for which the rates are set will be different than those used to set the rates during the GRC.

In its Year 2 GRC, Taxpayer used calendar year Year 1 as the historical test year. This was its first GRC following the TCJA. In its monthly accounting activity throughout Year 1, Taxpayer recorded its EDIT reversal using ARAM. Those accounting entries had the effect of reducing Taxpayer's deferred tax expense and reduced Taxpayer's EDIT balance. No other entries were made with respect to EDIT. These entries were identical to those Taxpayer made since the tax rate reduction provided by the TRA 1986 to account for the EDIT created by the TRA 1986 tax rate reduction and used to set rates since that time.

In filing its Year 2 GRC, Taxpayer included the EDIT reversals that it recorded in calendar year Year 1, consistent with the use of Year 1 as the historical test period. In addition, its ADIT balance, including the EDIT, reflected these reversals. The accounting that occurred in calendar year Year 1 formed the basis for the amounts that Taxpayer proposed in setting rates for Year 2. In other words, the Year 1 book accounting provides the basis for ratemaking in the Year 2 GRC, which was originally intended to be effective for new rates beginning in mid-Year 3.

In response to Taxpayer's Year 2 GRC filing, Commission A issued Order on Date 1. Commission A did not follow Taxpayer's requested historical treatment. Instead, Commission A ordered the approach that raises the normalization issues that are the subject of this request.

Order requires Taxpayer to separately track EDIT on a tariff rate schedule independent of its rates set in its general rate order. In one requirement, Commission A requires the schedule to be updated annually for the reversal of the EDIT for the current year as if rates were set each year. Furthermore, in another requirement, Commission A requires Taxpayer to true-up for the difference between the EDIT amounts set in the schedule and the actual amount passed back due to volumetric variances. Commission A has ordered that the schedule must produce an annual adjustment to Taxpayer's rates for ARAM amortization of EDIT without any corresponding adjustment to Taxpayer's rates for annual changes in depreciation expense, income tax expense, rate base, or ADIT (including EDIT).

Order includes Taxpayer's depreciation expense, tax expense, ADIT (including EDIT), and rate base for the test year in the computation of the primary cost of service and base rate. Order then requires an adjustment to cost of service by removing the test year ARAM amortization of EDIT and substituting for that amount, as a reduction in

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cost of service, the estimated EDIT amortization for the year following the test year plus the next year which includes part of the rate year (in total, a 24-month period). No other similar adjustments are made for depreciation expense, income tax expense, ADIT (including EDIT), or rate base, which were, instead, based on the historical test period (again, not including pro forma adjustments which are not a topic of this PLR).

Order was applied to Taxpayer as follows: The test year was calendar year Year 1. The original rate year was to be Date 2 through Date 3, but the start of that rate period was initially delayed due to Coronavirus to an effective date of Date 4. After some further delays, the rates became effective Date 5, for gas operations and Date 6, for electric operations. Taxpayer's originally proposed ARAM EDIT amortization was based on the test year (calendar year Year 1). The Order adjustment was based on an estimate of ARAM EDIT amortization for the two-year period Date 7 through Date 8, the total two-year amount to be passed back in one year.

Taxpayer has proposed corrective action if the Service concludes that the EDIT treatment in Order is not consistent with a normalization method of accounting. If that determination is made, Taxpayer will need to reestablish a normalization method of accounting. In that event, Commission A has agreed to immediately open a proceeding upon Taxpayer's receipt of a PLR from the Service and revisit its order to comply with the Normalization Rules. This agreement was a condition of Taxpayer dismissing its judicial appeal of Order.

Taxpayer has taken additional action to ensure a quick and complete correction if Order is found inconsistent with the Normalization Rules. Taxpayer filed an accounting petition with Commission A on Date 5 in which it requested that Commission A allow Taxpayer to track the difference between Taxpayer's approach and the approach required in Order. The difference between the two approaches will be recorded to Taxpayer's balance sheet as a monthly entry. Two accounts will be used – a tracking account and a contra account (collectively, the "PLR Tracker Accounts"). The two accounts will net to zero and thereby have no impact on Taxpayer's financial results, as doing otherwise would not be in compliance with Commission A's order. However, the accounts will provide contemporaneous documentation of the variance between the two approaches.

For gas customers, rates consistent with Order went into effect on Date 5. For electric customers, new rates went into effect on Date 6. For both gas and electric customers, the accounting petition will provide Commission A with the ability to correct any normalization infraction that the IRS identifies in its ruling.

Taxpayer anticipates that any correction will involve two elements. The first element is a new tariff rate that will comply with the Service's ruling, which will be a new base tariff. That rate would continue in effect until Taxpayer's next rate-setting event, which is expected to be a GRC. The second element is a temporary tariff rate to bring the EDIT balance back into alignment with a normalization method of accounting. This

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second component would have the effect of reversing the amounts that were tracked in the PLR Tracker Accounts. The recovery of these balances would likely occur over a relatively short period.

### RULINGS REQUESTED

Taxpayer requests rulings whether the accounting for EDIT as required by Order of Commission A is consistent with the Normalization Rules of § 168(i)(9), former § 167(l), and section 13004(d) of the TCJA. Specifically:

- (1) Whether the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA permit Taxpayer to adjust its EDIT ARAM amortization based on the test year to the EDIT ARAM amortization based on one or more subsequent years without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense;
- (2) Whether the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA permit Taxpayer to adjust its EDIT ARAM amortization annually without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense;
- (3) Whether the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA permit Taxpayer to provide a true-up to EDIT ARAM amortization in the year following the rate year based on volume variances between the test year and the rate year without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense;
- (4) Additionally, Taxpayer asks that if we determine that any of the requirements described of Order are not consistent with the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA, Taxpayer requests that we provide in the ruling that Taxpayer will not be considered to be in violation of the normalization rules if it follows the corrective actions described in its letter.

### LAW AND ANALYSIS

Former section 167(l) of the Code generally provided that public utilities were entitled to use accelerated methods for depreciation if they used a “normalization method of accounting.” A normalization method of accounting was defined in former § 167(l)(3)(G) in a manner consistent with that found in § 168(i)(9)(A). Section 1.167(l)-1(a)(1) provides that the normalization requirements for public utility property pertain only to the deferral of federal income tax liability resulting from the use of an accelerated method of depreciation for computing the allowance for depreciation under § 167 and the use of straight-line depreciation for computing tax expense and depreciation expense for purposes of establishing cost of services and for reflecting operating results

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in regulated books of account. These regulations do not pertain to other book-tax timing differences with respect to state income taxes, F.I.C.A. taxes, construction costs, or any other taxes and items.

Section 168(f)(2) provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting.

In order to use a normalization method of accounting, § 168(i)(9)(A) requires that a taxpayer, in computing its tax expense for establishing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, use a method of depreciation with respect to public utility property that is the same as, and a depreciation period for such property that is not shorter than, the method and period used to compute its depreciation expense for such purposes. Under § 168(i)(9)(A)(ii), if the amount allowable as a deduction under § 168 differs from the amount that would be allowable as a deduction under § 167 using the method, period, first and last year convention, and salvage value used to compute regulated tax expense under § 168(i)(9)(A)(i), the taxpayer must make adjustments to a reserve to reflect the deferral of taxes resulting from such difference.

Section 168(i)(9)(B)(i) of the Code provides that one way the requirements of § 168(i)(9)(A) will not be satisfied is if the taxpayer, for ratemaking purposes, uses a procedure or adjustment which is inconsistent with such requirements. Under § 168(i)(9)(B)(ii), such inconsistent procedures and adjustments include the use of an estimate or projection of the taxpayer's tax expense, depreciation expense, or reserve for deferred taxes under § 168(i)(9)(A)(ii), unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base (hereinafter referred to as the "Consistency Rule").

Taxpayer's requests relate primarily to Taxpayer's compliance with the Consistency Rule. Taxpayer asks whether the Normalization Rules permit Taxpayer to adjust its EDIT ARAM amortization annually without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense. More specifically, Taxpayer also asks whether the Normalization Rules permit Taxpayer to adjust its EDIT ARAM amortization based on the test year to the EDIT ARAM amortization based on one or more subsequent years without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense. Lastly, Taxpayer asks whether the Normalization Rules permit Taxpayer to provide a true-up to EDIT ARAM amortization in the year following the rate year based on volume variances between the test year and the rate year without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense.

Therefore, the threshold question is whether the Consistency Rule applies to EDIT being accounted for under ARAM. Because these amounts were originally deferred pursuant to a normalization method of accounting, these amounts remain

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subject to the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA. Thus, if the EDIT being accounted for under ARAM is subject to Normalization Rules, the Consistency Rule must apply to the EDIT.

As described in § 168(i)(9)(B)(ii), the use of a procedure or adjustment that uses an estimate or projection of any of (1) the taxpayer's tax expense, (2) depreciation expense, or (3) reserve for deferred taxes under § 168(i)(9)(A)(ii), does not comply with the Consistency Rule unless such estimate or projection is also used, for ratemaking purposes, with respect to all three of these items and with respect to the rate base. Therefore, generally, the Normalization Rules do not permit Taxpayer to adjust its EDIT ARAM amortization without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense. More specifically, in regard to request (1), the Normalization Rules do not allow Taxpayers to make an adjustment to cost of service by removing the test year ARAM amortization of EDIT and substituting for that amount, as a reduction in cost of service, the estimated EDIT amortization for the year following the test year plus the next year which includes part of the rate year (in total, a 24-month period) while also making no similar adjustments for depreciation, expense, income tax expense, ADIT (including EDIT), or rate base, which were based on the historical test period. In regard to request (2), the Normalization Rules do not allow Taxpayer to adjust its EDIT ARAM amortization annually without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense.

Additionally, in response to request (3), providing a true-up to EDIT ARAM amortization in the year following the rate year based on volume variances between the test year and the rate year without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense likewise is not in compliance with the Consistency Rule. The true-up mechanism adjusts for volume differences only with respect to one item, EDIT amortization. This results in the use of estimated volumes in setting rates for all items other than EDIT reversal which uses actual volumes. This treatment is an inconsistent use of estimates or projects not allowed by section 168(i)(9)(B).

The Normalization Rules were enacted in response to Congressional concerns over the growing number of public utility commissions that were mandating investor-owned regulated utilities to not retain these tax benefits from accelerated depreciation, but, instead, to immediately flow-through all of these tax incentives to ratepayers in the form of lower income tax expense in regulated cost of service rates. Congress' response was to enact legislation that would preclude regulated investor-owned utilities from utilizing accelerated depreciation methods of tax purposes if the related tax benefits were immediately flowed-through to ratepayers in rates or were flowed-through to ratepayers faster than permitted under the Normalization Rules.

The underlying concept and purpose of the Normalization Rules is to prevent the flow-through of these accelerated depreciation-related tax benefits to ratepayers in regulated rates any faster than permitted by the Normalization Rules. Thus, the flow-



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through of these tax benefits to ratepayers faster than permitted by the Normalization Rules would result in a normalization violation that would preclude the taxpayer from using any of the accelerated tax depreciation methods on public utility property and, instead, require the taxpayer to use the same depreciation method and period as those used to compute depreciation expense in its cost of service for ratemaking purposes. Conversely, a taxpayer that flows through these tax benefits to ratepayers slower than permitted by the Normalization Rules, or that never flows through any of the tax benefits from accelerated depreciation to ratepayers, would not be in violation of those rules.

By removing EDIT amortization for the test year and including the estimated EDIT amortization for the two following years, the EDIT amortization on the cost of service is higher than allowed under the ARAM limitation for the test year. This acceleration of the EDIT amortization occurs under the Order without any reduction to the EDIT balance which is taken into account in determining rate base. This provides customers not only with a lower cost of service through the acceleration of EDIT amortization but also a rate base which is artificially low because the EDIT credit balance included in rate base has not been reduced by the EDIT reversal that has been accelerated. This incorrectly provides customers with the double benefit of lower cost of service and lower rate base for the same EDIT.

Section 168(f)(2) provides that the depreciation deduction determined under § 168 shall not apply to any public utility property (within the meaning of § 168(i)(10)) if the taxpayer does not use a normalization method of accounting. However, in the legislative history to the enactment of the normalization requirements of the Investment Tax Credit (ITC), Congress stated that it hopes that sanctions will not have to be imposed and that disallowance of the tax benefit (there, the ITC) should be imposed only after a regulatory body has required or insisted upon such treatment by a utility. See Senate Report No. 92-437, 92nd Cong., 1st Sess. 40-41 (1971), 1972-2 C.B. 559, 581. See also, Rev. Proc. 2017-47, 2017-38 I.R.B. 233, September 18, 2017.

Commission A has, at all times, required that utilities under its jurisdiction use normalization methods of accounting. Further, Commission A has agreed to immediately open a proceeding upon receipt of Taxpayer's receipt of a PLR from the Service and revisit its order to comply with the Normalization Rules if the Service concludes that Order results in a rate calculation that is not consistent with the Normalization rules.

Taxpayer also intended at all times to comply with the Normalization Rules. Taxpayer has initiated the measures necessary to conform to the Normalization Rules. As noted, Taxpayer filed an accounting petition with Commission A in which it requested that Commission A allow Taxpayer to track the difference between Taxpayer's approach and the approach required in Order. The difference between the two approaches will be recorded to Taxpayer's balance sheet as a monthly entry identified as "the PLR Tracker Accounts." For both gas and electric customers, the accounting petition provides

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Commission A with the ability to correct any normalization infraction that the IRS identifies in this ruling.

Taxpayer's failure to comply with the Normalization Rules was inadvertent. Because the Commission, as well as Taxpayer, at all times sought to comply, and because corrective actions will be taken at the earliest available opportunity, it is not appropriate to conclude that the failure to follow the Consistency Rule for the EDIT that is a part of ADIT and calculated according to ARAM constituted a normalization violation and apply the sanction of denial of accelerated depreciation to Taxpayer.

### CONCLUSION

Accordingly, we rule as follows:

- (1) The Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA do not permit Taxpayer to adjust its EDIT ARAM amortization based on the text year to the EDIT ARAM amortization based on one or more subsequent years without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense;
- (2) The Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA do not permit Taxpayer to adjust its EDIT ARAM amortization annually without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense.
- (3) The Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA do not permit Taxpayer to provide a true-up to EDIT ARAM amortization in the year following the rate year based on volume variances between the test year and the rate year without making similar adjustments to rate base, ADIT, book depreciation expense, and tax expense.
- (4) While we have determined that the described requirements of Order are not consistent with the Normalization Rules of § 168(i)(9), former § 167(l), and section 13001(d) of the TCJA, Taxpayer will not be considered to be in violation of the normalization rules if it follows the corrective actions described in its letter.

Except as specifically set forth above, no opinion is expressed or implied concerning the federal income tax consequences of the above described facts under any other provision of the Code or regulations.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides it may not be used or cited as precedent.

This ruling is based upon information and representations submitted by Taxpayer and accompanied by penalty of perjury statements executed by an appropriate party.

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While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative. We are also sending a copy of this letter ruling to the LB&I Policy Office.

Sincerely,

Patrick S. Kirwan  
Chief, Branch 6  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

cc:

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
 TWELVE MONTHS ENDED DECEMBER 31, 2022  
 ARAM Estimate for amounts attributed to the Rio Grande Valley Service Area (RGVSA)

Accumulated Deferred Income Taxes for:	Excess ADIT	Non-protected			TGS Amortization Amount	ONE Gas Amortization Amount
		Protected	(ARAM)	Unprotected		
RGVSA Direct Plant Assets Depreciation	(13,823,441.26)	(13,823,441.26)			(13,823,441.26)	
RGVSA Repairs	(1,821,025.00)			(1,821,025.00)	(1,821,025.00)	
RGVSA Cost of Removal Asset	3,999,073.26		3,999,073.26		3,999,073.26	
RGVSA Other Rate Base Items	(708,090.00)			(708,090.00)	(708,090.00)	
TGS Division Plant Assets Depreciation	(58,101.00)	(58,101.00)			(58,101.00)	
ONEGas Plant Assets Depreciation	(345,123.00)	(345,123.00)				(345,123.00)
RGVSA NOL	6,847,849.00	6,847,849.00			6,847,849.00	
<b>ADIT - Accumulated Deferred Income Taxes</b>	<b>(5,908,858.00)</b>	<b>(7,378,816.26)</b>	<b>3,999,073.26</b>	<b>(2,529,115.00)</b>	<b>(5,563,735.00)</b>	<b>(345,123.00)</b>

RGVSA	ONE Gas		TGS NOL	OGS NOL		Total Amortization	EOY Regulatory Liability Balance
	TGS Amortization	Amortization					
Year 1 - 2018 Actuals	\$ 771,158	\$ 38,693	\$ (87,652)	\$ 87,652	\$ 722,199	\$ (5,186,659)	
Year 2 - 2019 Actuals	\$ 856,890	\$ 36,874	\$ (143,439)	\$ 143,439	\$ 750,325	\$ (4,436,334)	
Year 3 - 2020 Actuals	\$ 756,072	\$ 25,574	\$ (77,381)	\$ 77,381	\$ 704,265	\$ (3,732,069)	
Year 4 - 2021 Actuals	\$ 811,328	\$ 57,428	\$ (124,049)	\$ 124,049	\$ 744,707	\$ (2,987,362)	
Year 5 - 2022 Est	\$ 87,262	\$ 39,344	\$ (87,978)	\$ 87,978	\$ 38,628	\$ (2,948,734)	
Year 6 - 2023 Est	\$ 64,433	\$ 35,617	\$ (73,759)	\$ 73,759	\$ 26,290	\$ (2,922,444)	
Year 7 - 2024 Est	\$ 158,822	\$ 41,035	\$ (130,337)	\$ 130,337	\$ 69,519	\$ (2,852,924)	
Year 8 - 2025 Est	\$ 168,008	\$ 39,448	\$ (136,077)	\$ 136,077	\$ 71,379	\$ (2,781,545)	
Year 9 - 2026 Est	\$ 167,035	\$ 22,537	\$ (137,921)	\$ 137,921	\$ 51,651	\$ (2,729,895)	

	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Accumulated Deferred Income Taxes for:</b>	Amortization	Amortization	Amortization	Amortization	Amortization	Amortization	Amortization	Amortization	Amortization
<b>RGVSA Direct Plant Assets Depreciation</b>	124,502.25	205,614.67	110,614.25	177,969.00	147,203.00	123,412.00	218,078.00	227,681.00	230,766.00
<b>RGVSA Repairs</b>	455,256.25	455,256.25	455,256.25	455,256.00	-	-	-	-	-
<b>RGVSA Cost of Removal Asset</b>					(63,242.00)	(63,479.00)	(63,562.00)	(63,562.00)	(63,562.00)
<b>RGVSA Other Rate Base Items</b>	177,022.50	177,022.50	177,022.50	177,022.50	-	-	-	-	-
<b>TGS Division Plant Assets Depreciation</b>	14,377.00	18,997.00	13,179.00	1,080.68	3,300.69	4,499.87	4,305.71	3,889.34	(169.23)
<b>ONEGas Plant Assets Depreciation</b>	38,692.89	36,874.00	25,574.00	57,428.00	39,344.02	35,616.69	41,035.12	39,447.56	22,536.53
<b>RGVSA NOL</b>	(87,652.00)	(143,439.00)	(77,381.00)	(124,049.00)	(87,978.04)	(73,759.26)	(130,337.42)	(136,077.04)	(137,920.71)
<b>ADIT - Accumulated Deferred Income Taxes</b>	<u>722,198.89</u>	<u>750,325.42</u>	<u>704,265.00</u>	<u>744,707.18</u>	<u>38,627.67</u>	<u>26,290.30</u>	<u>69,519.42</u>	<u>71,378.86</u>	<u>51,650.59</u>

	ONE Gas Amortization			Financial Impact			
	Amortization Period		Amortization	Financial Impact			Regulatory Liability net refund
	Protected (ARAM)	Unprotected 10 Year	Protected (ARAM)	Protected	Unprotected	Total	
Year 1 - 2018 Actuals	0.61%	25.00%	11.21%	138,879	632,279	771,158	771,158
Year 2 - 2019 Act	0.52%	25.00%	10.68%	224,612	632,279	856,890	856,890
Year 3 - 2020 Act	0.99%	25.00%	7.41%	123,793	632,279	756,072	756,072
Year 4 - 2021 Act	1.02%	25.00%	7.65%	179,050	632,279	811,328	811,328
Year 5 - 2022 Est	1.28%	0.00%	11.40%	150,504	(63,242)	87,262	87,262
Year 6 - 2023 Est	1.08%	0.00%	10.32%	127,912	(63,479)	64,433	64,433
Year 7 - 2024 Est	1.90%	0.00%	11.89%	222,384	(63,562)	158,822	158,822
Year 8 - 2025 Est	1.99%	0.00%	11.43%	\$ 231,570	\$ (63,562)	\$ 168,008	\$ 168,008
Year 9 - 2026 Est	2.01%	0.00%	6.53%	230,597	(63,562)	167,035	167,035

NOL	Amortization Period		Amortization		Financial Impact	
	Protected (ARAM)	Unprotected 10 Year	Protected	Unprotected	Total	Regulatory Liability net refund
	Year 1 - 2018 Actuals	0.61%	25.00%	(87,652)	-	(87,652)
Year 2 - 2019 Act	0.52%	25.00%	(143,439)	-	(143,439)	(143,439)
Year 3 - 2020 Act	0.99%	25.00%	(77,381)	-	(77,381)	(77,381)
Year 4 - 2021 Act	1.02%	25.00%	(124,049)	-	(124,049)	(124,049)
Year 5 - 2022 Est	1.28%	0.00%	(87,978)	-	(87,978)	(87,978)
Year 6 - 2023 Est	1.08%	0.00%	(73,759)	-	(73,759)	(73,759)
Year 7 - 2024 Est	1.90%	0.00%	(130,337)	-	(130,337)	(130,337)
Year 8 - 2025 Est	1.99%	0.00%	(136,077)	-	(136,077)	(136,077)
Year 9 - 2026 Est	2.01%	0.00%	(137,921)	-	(137,921)	(137,921)

	ONE Gas Amortization Period		Amortization		Financial Impact	
	Protected (ARAM)		Protected	Unprotected	Total	Regulatory Liability net refund
	Year 1 - 2018 Actuals	11.21%		38,693	-	38,693
Year 2 - 2019 Act	10.68%		36,874	-	36,874	36,874
Year 3 - 2020 Act	7.41%		25,574	-	25,574	25,574
Year 4 - 2021 Act	7.65%		57,428	-	57,428	57,428
Year 5 - 2022 Est	11.40%		39,344	-	39,344	39,344
Year 6 - 2023 Est	10.32%		35,617	-	35,617	35,617
Year 7 - 2024 Est	11.89%		41,035	-	41,035	41,035
Year 8 - 2025 Est	11.43%		39,448	-	39,448	39,448
Year 9 - 2026 Est	6.53%		22,537	-	22,537	22,537

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	<b>TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.</b>													
2	<b>TWELVE MONTHS ENDED DECEMBER 31, 2022</b>													
3	<b>2022 Regulatory EDIT Amortization attributed to the Rio Grande Valley Service Area</b>													
4														
5														
6		<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Total</b>
7	<b>RGVSA</b>	(8,015)	(6,335)	(3,167)	(2,491)	(1,564)	(1,483)	(1,653)	(1,170)	(1,271)	(2,414)	(4,616)	(4,446)	(38,628)

STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

**AFFIDAVIT OF KENNETH W. EAKENS**

BEFORE ME, the undersigned authority, on this day personally appeared Kenneth W. Eakens who having been placed under oath by me did depose as follows:

1.       “My name is Kenneth W. Eakens. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Director of Tax Compliance and Reporting for ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

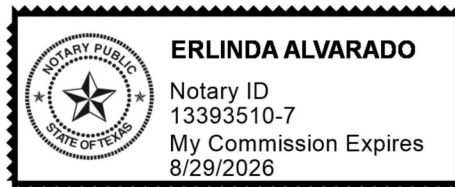
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

DocuSigned by:  
*Kenneth Eakens*  
093B752384DA445...  
Kenneth W. Eakens

SUBSCRIBED AND SWORN TO BEFORE ME by the said Kenneth W. Eakens on this 13th day of June 2023.

DocuSigned by:  
**ERLINDA ALVARADO**  
683FDA66B5FD4C2...  
Notary Public in and for the State of Texas





**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**TIMOTHY S. LYONS**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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**LIST OF EXHIBITS**

EXHIBIT TSL-1	Qualifications
EXHIBIT TSL-2	Summary of Lead-Lag Study
EXHIBIT TSL-3	Supporting Calculations

1  
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**DIRECT TESTIMONY OF TIMOTHY S. LYONS**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Timothy S. Lyons. My business address is 3 Speen Street, Suite 150, Framingham, Massachusetts 01701.

**Q. PLEASE DESCRIBE YOUR CURRENT POSITION.**

A. I am a Partner at ScottMadden, Inc. (“ScottMadden”).

**Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

A. I have more than 30 years of experience in the energy industry. I started my career in 1985 at Boston Gas Company, eventually becoming Director of Rates and Revenue Analysis. In 1993, I moved to Providence Gas Company, eventually becoming Vice President of Marketing and Regulatory Affairs. Starting in 2001, I held several management consulting positions in the energy industry first at KEMA and then at Quantec, LLC. In 2005, I became Vice President of Sales and Marketing at Vermont Gas Systems, Inc. In 2013, I joined Sussex Economic Advisors, LLC (“Sussex”). Sussex was acquired by ScottMadden in 2016.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL EXPERIENCE.**

A. I hold a bachelor’s degree from St. Anselm College, a master’s degree in Economics from The Pennsylvania State University, and a master’s degree in Business Administration from Babson College.

1 **Q. HAVE YOU PREVIOUSLY SPONSORED TESTIMONY BEFORE THE**  
2 **RAILROAD COMMISSION OF TEXAS (“COMMISSION”)?**

3 A. Yes. I previously sponsored testimony before the Commission as well as 21 other  
4 state regulatory commissions. Exhibit TSL-1 contains a list of regulatory  
5 proceedings in which I have sponsored testimony.

6 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
7 **DIRECT SUPERVISION?**

8 A. Yes, it was.

9 **Q. HAVE YOU PREPARED EXHIBITS SUPPORTING YOUR TESTIMONY?**

10 A. Yes. My testimony is supported by the exhibits in the List of Exhibits. The Exhibits  
11 were prepared by me or under my direction.

12 **II. PURPOSE AND OVERVIEW OF TESTIMONY**

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. I was retained by Texas Gas Service Company (“TGS” or the “Company”) to  
15 develop a lead-lag study that determines the cash working capital (“CWC”)   
16 requirement for the Company’s Rio Grande Valley Service Area (“RGVSA”). The  
17 lead-lag study summary and supporting calculations are presented, respectively, in  
18 Exhibits TSL-2 and TSL-3.

19 **Q. PLEASE DEFINE THE TERM “CASH WORKING CAPITAL.”**

20 A. The term “cash working capital” or CWC refers to the net funds required by the  
21 Company to finance goods and services used to provide service to customers from  
22 the time those goods and services are paid for by the Company to the time that  
23 payment is received from customers. Goods and services considered in the lead-

1 lag study include: operations and maintenance (“O&M”) expenses, including labor  
2 and non-labor expenses; income taxes; and taxes other than income taxes.

3 **Q. HOW WAS THE COMPANY’S CWC REQUIREMENT DETERMINED?**

4 A. The Company’s CWC requirement was based on the results of a lead-lag study.  
5 The lead-lag study compares differences between the Company’s revenue lag and  
6 expense leads. The revenue lag represents the number of days from the time  
7 customers receive service to the time customers pay for service, i.e., when the funds  
8 are available to the Company. The longer the revenue lag, the more cash the  
9 Company needs to finance its day-to-day operations. The expense leads represent  
10 the number of days from the time the Company receives goods and services used  
11 to provide service to the time payments are made for those goods and services, i.e.,  
12 when the funds are no longer available to the Company. The longer the expense  
13 leads, the less cash the Company needs to fund its day-to-day operations. Together,  
14 the revenue lag and expense leads are used to measure lead-lag days. The lead-lag  
15 days are then applied to the Company’s adjusted test year expenses to derive the  
16 CWC requirement, which is included in the Company’s rate base.

17 **Q. ARE THE METHODS USED TO DEVELOP THE LEAD-LAG STUDY IN**  
18 **THIS PROCEEDING CONSISTENT WITH COMMISSION**  
19 **REQUIREMENTS?**

20 A. Yes. The methods used to develop the lead-lag study in this proceeding are  
21 consistent with the Commission’s requirements. Furthermore, the methods used to  
22 develop the lead-lag study in this proceeding are consistent with the methods

1 approved by the Commission in the Company’s most recent fully-litigated rate  
2 proceeding in Docket No. OS-22-00009896.<sup>1</sup>

3 **Q. ARE THE RESULTS OF THE LEAD-LAG STUDY IN THIS PROCEEDING**  
4 **AN ACCURATE ASSESSMENT OF THE COMPANY’S CWC**  
5 **REQUIREMENT?**

6 A. Yes, this lead-lag study is based on the Company’s current billing, collection, and  
7 payment practices, and thus provides an accurate assessment of the Company’s  
8 CWC requirements.

9 **III. LEAD-LAG STUDY APPROACH**

10 **Q. WHAT ARE THE RESULTS OF THE LEAD-LAG STUDY CONDUCTED**  
11 **FOR TGS?**

12 A. The Company’s lead-lag study is summarized in Exhibit TSL-2 and shows a CWC  
13 requirement of negative \$375,849 for the period January 1, 2022 through  
14 December 31, 2022.

15 **Q. WAS THE LEAD-LAG STUDY BASED ON ONE OR MORE OF THE**  
16 **COMPANY’S SERVICE AREAS?**

17 A. Yes. The lead-lag study was based on data for all of TGS’s service areas in Texas,  
18 including RGVSA. The data includes customer billing and revenue data to  
19 determine the revenue lag, and payment and financial data to determine the expense  
20 leads – as well as various other supporting documents.

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<sup>1</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, consol., Final Order at Finding of Fact (“FoF”) 54 (Jan. 18, 2023).

1           The approach of developing a lead-lag study to be applicable to all of TGS's  
 2           service areas in Texas is consistent with the intent of the Commission's Final Order  
 3           in Gas Utilities Docket ("GUD") No. 10285, which states, "TGS shall include a  
 4           lead-lag study to establish cash working capital with its next filed Statement of  
 5           Intent proceeding involving one or more of its El Paso, Rio Grande Valley, or  
 6           Austin Service Areas. The resulting lead-lag study shall be designed to be  
 7           applicable to all TGS Service Areas."<sup>2</sup>

8   **Q.   IS THE APPROACH OF DEVELOPING A LEAD-LAG STUDY TO BE**  
 9   **APPLICABLE TO ALL OF TGS'S SERVICE AREAS IN TEXAS**  
 10   **CONSISTENT WITH THE COMPANY'S APPROACH IN PRIOR RATE**  
 11   **CASE PROCEEDINGS?**

12   A.   Yes. The approach is consistent with the Company's approach in its recent rate  
 13   case proceedings for the Gulf Coast Service Area (GUD No. 10488),<sup>3</sup> the West  
 14   Texas Service Area (GUD No. 10506),<sup>4</sup> the Central Texas Service Area (GUD  
 15   No. 10526),<sup>5</sup> the RGVSA (GUD No. 10656),<sup>6</sup> the North Texas Service Area (GUD

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<sup>2</sup> *Statement of Intent filed by Texas Gas Service Company to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10285, Final Order at FoF 28 (Nov. 26, 2013).

<sup>3</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area (GSA) and South Jefferson County Service Area (SJCSA)*, GUD No. 10488, Final Order (May 3, 2016).

<sup>4</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*, GUD No. 10506 consol., Final Order (Sept. 27, 2016).

<sup>5</sup> *Statement of Intent of Texas Gas Service Company (TGS), a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA)*, GUD No. 10526, Final Order (Nov. 15, 2016).

<sup>6</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area*, GUD No. 10656, Final Order (Mar. 20, 2018).

1 No. 10739),<sup>7</sup> the Borger-Skellytown Service Area (GUD No. 10766),<sup>8</sup> and the  
2 Central Texas Service Area and Gulf Coast Service Area (GUD No. 10928).<sup>9</sup>

3 **Q. WHY DID YOU RELY ON THE LEAD-LAG STUDY DEVELOPED IN**  
4 **DOCKET NO. OS-22-00009896 TO CALCULATE THE CWC**  
5 **REQUIREMENT FOR RGVSA?**

6 A. I relied on the lead-lag study developed in Docket No. OS-22-00009896 for the  
7 following reasons: (1) the Company was previously directed by the Commission to  
8 develop a lead-lag study designed to be applicable to all TGS service areas in  
9 Texas; (2) the study is based on data for all of TGS's service areas in Texas; (3) the  
10 study remains relevant as an accurate measurement of the Company's CWC  
11 requirement for RGVSA because the study was prepared within the past few years,  
12 and since that time there have been no significant changes in the Company's billing,  
13 collection, and/or payment procedures that would have a significant impact on the  
14 overall results; and (4) the study helps to minimize rate case expenses by  
15 developing a single lead-lag study for application to all of the Texas service areas  
16 rate case proceedings.

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<sup>7</sup> *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the North Texas Service Area*, GUD No. 10739, Final Order (Nov. 13, 2018).

<sup>8</sup> *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area*, GUD No. 10766, Final Order (Feb. 5, 2019).

<sup>9</sup> *Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and the Gulf Coast Service Area*, GUD No. 10928 consol., Final Order (Aug. 4, 2020).



1 **Q. DID YOU MAKE ANY CHANGES TO THE LEAD-LAG STUDY**  
2 **DEVELOPED IN DOCKET NO. OS-22-00009896?**

3 A. Yes. While the overall methodology and data are the same as Docket No. OS-22-  
4 00009896, there was a slight refinement in calculation of lead days for incentive  
5 compensation. The study in Docket No. OS-22-0009896 is based on a single  
6 number of lead days for the Company's short-term and long-term incentive plan.  
7 The study in this case is based on distinct lead days for the Company's short-term  
8 and long-term incentive plans. Specifically, lead days for the Company's short-  
9 term incentive plan are based on the number of days from the midpoint of the  
10 performance period (i.e., the calendar year) to the payment date, generally in March  
11 for the performance period that reflects the preceding calendar year. Lead days for  
12 the Company's long-term incentive plan is zero since it reflects a non-cash item.

13 **Q. WHAT WAS THE APPROACH TO DEVELOP THE LEAD-LAG STUDY?**

14 A. The lead-lag study consists of two elements: revenue lag and expense leads. The  
15 revenue lag measures from the time service is provided to customers until the time  
16 customer payments are received by the Company. Expense leads measure from the  
17 time the Company receives goods and services used to provide service to the time  
18 the Company pays for those goods and services. The expense leads are measured  
19 in days, converted to dollar-days, and summarized for each cost element in the lead  
20 lag study. The difference between the revenue lag and expense lead determines if  
21 there is a net revenue lag (revenue lag days are more than the expense lead days) or  
22 a net expense lead (revenue lag days are less than the expense lead days) for each  
23 cost element in the lead-lag study. The net lead-lag days are applied to adjusted

1 test year expenses since they reflect the Company's ongoing expenses and thus best  
2 represent the Company's ongoing CWC requirements.

3 **Q. WHAT WAS THE DATA USED TO DEVELOP THE LEAD-LAG STUDY?**

4 A. The lead-lag study was based on the Company's customer and financial data from  
5 January 1, 2021 through December 31, 2021. The data included customer billing  
6 and collection data and payment and expense financial data.

7 **A. Revenue Lag**

8 **Q. WHAT ARE THE COMPONENTS OF THE REVENUE LAG?**

9 A. Revenue lag measures the number of days from the time service is provided to  
10 customers to the time payment is received from customers. The revenue lag  
11 consists of three components: (1) the service lag; (2) the billing lag; and (3) the  
12 collection lag.

13 **Q. WHAT IS THE SERVICE LAG?**

14 A. The service lag measures the average number of days in the service period; i.e., the  
15 number of days from the start of the billing month to the end of the billing month.  
16 Meters are read at the end of the billing month. The service lag in this lead-lag  
17 study was based on the midpoint of the service period, which reflects that natural  
18 gas is delivered evenly over the service period.

19 **Q. WHAT IS THE BILLING LAG?**

20 A. The billing lag measures the number of days from the time meters are read to the  
21 time bills are recorded and sent to customers. The billing lag includes time for  
22 review and validation of billed usage and dollars.

1 **Q. HOW WAS THE BILLING LAG MEASURED?**

2 A. The billing lag was based on a random sample of customer bills for each of the six  
3 customer classifications (residential, commercial, industrial, public authority,  
4 transportation, and irrigation), as shown on Exhibit TSL-3.

5 **Q. WHAT IS THE COLLECTION LAG?**

6 A. The collection lag measures the number of days from the time bills are recorded  
7 and sent to customers to the time customer payments are received.

8 **Q. HOW WAS THE COLLECTION LAG MEASURED?**

9 A. The collection lag was based on the sample of customer bills used to determine the  
10 billing lag.

11 **Q. HOW WAS THE REVENUE LAG DETERMINED?**

12 A. The revenue lag is based on the sum of the service lag, billing lag, and collection  
13 lag – and then dollar-weighted by the revenues associated with each rate class, as  
14 shown on Exhibit TSL-3.

15 **B. Expense Leads**

16 **1. Operation and Maintenance Expenses**

17 **Q. PLEASE DESCRIBE THE DEVELOPMENT OF O&M EXPENSE LEADS.**

18 A. O&M expense leads were measured separately for the following groups:  
19 (1) purchased gas expenses; (2) regular payroll expenses; (3) short-term incentive  
20 compensation expenses; and (4) third-party O&M expenses.

21 **Q. HOW WERE LEAD DAYS FOR PURCHASED GAS EXPENSES**  
22 **DETERMINED?**

23 A. Lead days for purchased gas expenses were based on the number of days from the  
24 midpoint of the service period (i.e., when gas was received and delivered to

1 customers) to the payment date. The payment date occurs in the month after the  
2 gas was received and delivered to customers.

3 **Q. HOW WERE LEAD DAYS FOR REGULAR PAYROLL EXPENSES**  
4 **DETERMINED?**

5 A. Lead days for regular payroll expenses were based on the Company's salary and  
6 wages payment process, which pays employees on a bi-weekly or semi-monthly  
7 basis. Lead days for regular payroll expenses were based on the number of days  
8 from the midpoint of the pay period to the payment date.

9 **Q. DID THE STUDY ADJUST FOR VACATION PAY?**

10 A. Yes. The lead-lag study adjusts for vacation pay, reflecting that vacation pay is  
11 generally earned before it is taken. The adjustment is based on the regular payroll  
12 lead days and the midpoint of the year.

13 **Q. HOW WERE THE LEAD DAYS FOR THE COMPANY'S SHORT-TERM**  
14 **INCENTIVE PAYMENT DETERMINED?**

15 A. Lead days for the Company's short-term incentive payment were based on the  
16 number of days from the midpoint of the performance period (i.e., twelve-months  
17 ending December 2020) to the payment date. The annual performance bonus is  
18 paid annually in March for the performance period that reflects the preceding  
19 calendar year.

20 **Q. HOW WERE LEAD DAYS FOR THIRD-PARTY O&M EXPENSES**  
21 **DETERMINED?**

22 A. Lead days for Other O&M expenses were based on the sum of two components:  
23 (1) lead days from the service period to the invoice date; and (2) lead days from the  
24 invoice date to the payment date.

1           Lead days from the service period to the invoice date were based on a  
2 stratified sample of invoices paid by the Company over the period January 1, 2021  
3 through December 31, 2021. Lead days were measured for each invoice in the  
4 sample as the number of days from the midpoint of the service period to the invoice  
5 date. Invoices were then converted to “dollar days” to reflect a weighting by  
6 expense amount and then summed by invoice amounts to determine the lead days.  
7 The study relies on a sample of invoices to measure the lead days because the  
8 service periods were not readily available electronically and required detailed  
9 inspection of individual invoices.

10           Lead days from the invoice date to the payment date were based on the full  
11 population of invoices paid by the Company over the period January 1, 2021  
12 through December 31, 2021. Lead days were measured for each invoice as the  
13 number of days from the invoice date to the payment date. Invoices were then  
14 converted to “dollar days” to reflect a weighting by expense amount and then  
15 summed by invoice amounts to determine the lead days.

## 16           **2. Current Federal Income Tax Expense**

### 17 **Q. HOW WERE LEAD DAYS FOR FEDERAL INCOME TAXES** 18 **DETERMINED?**

19 A. Lead days for federal income taxes were based on the number of days from the  
20 midpoint of the taxing period (i.e., the calendar year) to the payment date. The  
21 payment date reflects scheduled payment dates on April 15, June 15, September 15,  
22 and December 15. If the scheduled payment date falls on a Saturday, Sunday, or  
23 legal holiday, the payment is due on the next regular business day.

1                   **3. Taxes Other than Income Taxes**

2 **Q. WHAT TAXES ARE INCLUDED IN TAXES OTHER THAN INCOME**  
3 **TAXES?**

4 A. Taxes other than income taxes include: (1) Payroll-related taxes (FICA, Federal  
5 Unemployment, and State Unemployment); (2) Revenue-related taxes (State Gross  
6 Receipts, Sales Tax, Local Franchise Tax, and State Franchise Tax); (3) Ad  
7 Valorem taxes; and (4) Railroad Commission Gas Utility Tax.

8 **Q. HOW WERE LEAD DAYS FOR EACH OF THE TAXES DETERMINED?**

9 A. Lead days for payroll-related taxes were based on the number of days from the tax  
10 liability date to the payment date. Lead days for non-payroll-related taxes were  
11 based on the number of days from the midpoint of the taxing period to the payment  
12 date.

13                   **4. Interest on Customer Deposits**

14 **Q. HOW WERE LEAD DAYS FOR INTEREST ON CUSTOMER DEPOSITS**  
15 **DETERMINED?**

16 A. Lead days for interest on customer deposits were based on the accumulated interest  
17 expense on customer deposits and the subsequent interest payment to customers.

18                   **5. Non-Cash Items**

19 **Q. DOES THE LEAD-LAG STUDY INCLUDE NON-CASH ITEMS?**

20 A. No. Consistent with well-established Commission precedent, this study excludes  
21 non-cash items, including depreciation, amortization, deferred income taxes, long-  
22 term incentive payments, and return (including return on equity, and interest on  
23 long-term debt).

1 **IV. CONCLUSION**

2 **Q. WHAT WERE THE RESULTS OF THE LEAD-LAG STUDY?**

3 A. The Company's lead-lag study is summarized in Exhibit TSL-2 and shows a CWC  
4 requirement of negative \$375,849 for the period January 1, 2022 through  
5 December 31, 2022.

6 **Q. ARE THE RESULTS OF THIS LEAD-LAG STUDY AN ACCURATE**  
7 **ASSESSMENT OF THE COMPANY'S CWC REQUIREMENT?**

8 A. Yes, this lead-lag study is based on the Company's current billing, collection and  
9 payment practices, and thus provides an accurate assessment of the Company's  
10 CWC requirements.

11 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

12 A. Yes, it does.

### *Summary of Qualifications*

Tim Lyons is a partner with ScottMadden with more than 30 years of experience in the energy industry. Tim has held senior positions at several gas utilities and energy consulting firms. His experience includes rates and regulatory support, sales and marketing, customer service and strategy development. Prior to joining ScottMadden, Tim served as Vice President of Sales and Marketing for Vermont Gas. He has also served as Vice President of Marketing and Regulatory Affairs for Providence Gas Company, Director of Rates at Boston Gas Company, and Project Director at Quantec, LLC, an energy consulting firm.

Tim has sponsored testimony and evidence before 24 state regulatory commissions and 2 Canadian regulatory boards. Tim holds a B.A. from St. Anselm College, an M.A. in Economics from The Pennsylvania State University, and an M.B.A. from Babson College.

#### *Areas of Specialization*

- Regulation and Rates
- Retail Energy
- Utilities
- Natural Gas

#### *Capabilities*

- Regulatory Strategy and Rate Case Support
- Strategic and Business Planning
- Capital Project Planning
- Process Improvements

#### *Articles and Speeches*

- “Country Strong: Vermont Gas shares its comprehensive effort to expand natural gas service into rural communities.” ***American Gas Association***, June 2011 (with Don Gilbert).
- “Talking Safety With Vermont Gas.” ***American Gas Association***, February 2009 (with Dave Attig).
- “Consumers Say ‘Act Now’ To Stabilize Prices.” ***Power & Gas Marketing***, September/ October 2001 (with Jim DeMetro and Gerry Yurkevicz).
- “Rate Reclassification: Who Buys What and When.” ***Public Utilities Fortnightly***, October 15, 1991 (with John Martin).



Sponsor	Date	Docket No.	Subject
<b>Regulatory Commission of Alaska</b>			
Cook Inlet Natural Gas Storage Alaska, LLC	7/21	Docket No. U-21-058	Sponsored testimony supporting the lead-lag study/cash working capital requirement for a general rate case proceeding.
ENSTAR Natural Gas Company	06/16	Docket No. U-16-066	Adopted and sponsored testimony supporting a lead-lag study for a general rate case proceeding.
<b>Arizona Corporation Commission</b>			
Southwest Gas Corporation	12/21	Docket No. G-01551A-21-0368	Sponsored testimony supporting class cost of service, rate design and bill impact analysis for a general rate case proceeding.
<b>Arkansas Public Service Commission</b>			
Liberty Utilities (The Empire District Electric Company)	2/23	Docket No. 22-085-U	Sponsored testimony supporting the class cost of service, rate design, bill impact studies, and revenue decoupling for a general rate case proceeding.
Liberty Utilities (Pine Bluff Water)	10/18	Docket No. 18-027-U	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
<b>California Public Utilities Commission</b>			
Bear Valley Electric Service, Inc.	10/22	Application No. 22-08-010	Sponsored testimony supporting marginal cost study, rate design and bill impact analysis for a general rate case proceeding.
Liberty Utilities (CalPeco Electric)	5/21	Application No. 21-05-017	Sponsored testimony supporting the lead-lag study/cash working capital, marginal cost study, rate design and bill impact analysis for a general rate case proceeding.
Southwest Gas Corporation (Southern California, Northern California, and South Lake Tahoe jurisdictions)	8/19	Application No. 19-08-015	Sponsored testimony on behalf of three separate rate jurisdictions supporting revenue requirements, lead-lag/ cash working capital, and class cost of service, rate design and bill impact analysis for a general rate case proceeding.
<b>Connecticut Public Utilities Regulatory Authority</b>			
Yankee Gas Company	07/14	Docket No. 13-06-02	Sponsored report and testimony supporting the review and evaluation of gas expansion policies, procedures and analysis.
<b>Delaware Public Service Commission</b>			
Artesian Water Company	04/23	Docket No. 23-0601	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
<b>Illinois Commerce Commission</b>			
Ameren Illinois Company d/b/a Ameren Illinois	1/23	Docket No. 22-0487	Sponsored testimony supporting a Multi-Year Integrated Grid Plan (Grid Plan). Prepared research and analysis evaluating the reasonableness of the Grid Plan through comparison to how other electric utilities have responded to the changing energy landscape.
Liberty Utilities (Midstates Natural Gas)	07/16	Docket No. 16-0401	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony

Sponsor	Date	Docket No.	Subject
			includes proposal for new commercial classes and a decoupling mechanism.
<b>Iowa Utilities Board</b>			
Liberty Utilities (Midstates Natural Gas)	07/16	Docket No. RPU-2016-0003	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony includes proposal for new commercial classes.
<b>Kansas Corporation Commission</b>			
The Empire District Electric Company	12/18	Docket No. 19-EPDE-223-RTS	Sponsored testimony supporting cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
<b>Kentucky Public Service Commission</b>			
Bluegrass Water Utility (Central States Water Company)	02/23	Case No. 2022-00432	Sponsored testimony supporting the rate design and bill impact studies for a general rate case proceeding.
<b>Maine Public Utilities Commission</b>			
Northern Utilities, Inc. d/b/a Unutil	05/20	Docket No. 2023-00051	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding.
Maine Water Company	03/21	Docket No. 2021-00053	Sponsored testimony supporting a proposed rate smoothing mechanism.
Northern Utilities, Inc. d/b/a Unutil	06/19	Docket No. 2019-00092	Sponsored testimony supporting a proposed capital investment cost recovery mechanism.
Northern Utilities, Inc. d/b/a Unutil	06/15	Docket No. 2015-00146	Sponsored testimony supporting the proposed gas expansion program, including a zone area surcharge.
<b>Maryland Public Service Commission</b>			
The Potomac Edison Company (FirstEnergy)	03/23	Case No. 9695	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Sandpiper Energy, a Chesapeake Utilities company	12/15	Case No. 9410	Sponsored testimony supporting the cost of service, rate design and bill impact studies for a general rate case proceeding. The testimony includes proposal for new residential and commercial classes.
<b>Massachusetts Department of Public Utilities</b>			
Berkshire Gas Company, Eversource Energy, Liberty Utilities, National Grid, and Unutil	03/22	Docket No. DPU 20-80	Sponsored report that summarizes research, findings, and recommendations for regulatory mechanisms, methodologies, and policies that support Massachusetts's achievement of its net zero climate goal by 2050. The regulatory designs were informed by the results of quantitative and qualitative analysis of decarbonization pathways to achieve the Commonwealth's climate goals.
Liberty Utilities (New England Gas Company)	08/20	Docket No. DPU 20-92	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2020/2021 through 2024/2025.
Eversource Energy, National Grid, and Unutil	02/20	Docket No. DPU 19-55	Sponsored report that summarizes research and evaluation of funding approaches for

Sponsor	Date	Docket No.	Subject
			infrastructure modifications that interconnect Distributed Generation (DG) projects.
Liberty Utilities (New England Gas Company)	07/18	Docket No. DPU 18-68	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2018/2019 through 2022/2023.
Liberty Utilities (New England Gas Company)	07/16	Docket No. DPU 16-109	Sponsored the Long-Range Forecast and Supply Plan filing for the five-year forecast period 2016/2017 through 2020/2021.
Boston Gas	10/93	Docket No. DPU 92-230	Sponsored testimony describing the Company's position regarding rate treatment of vehicular natural gas investments and expenses.
Boston Gas	03/90	Docket No. DPU 90-55	Sponsored testimony supporting the weather and other cost of service adjustments, rate design and customer bill impact studies for a general rate case proceeding.
Boston Gas	03/88	Docket No. DPU 88-67-II	Sponsored testimony supporting the rate reclassification of commercial and industrial customers for a rate design proceeding.
<b>Michigan Public Service Commission</b>			
Lansing Board of Water & Light and Michigan State University	04/23	Docket No. U-21308	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Lansing Board of Water & Light and Michigan State University	04/20	Docket No. U-20650	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Lansing Board of Water & Light and Michigan State University	04/19	Docket No. U-20322	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
Midland Cogeneration Ventures, LLC	09/18	Docket No. U-18010	Sponsored testimony evaluating Consumer Energy's class cost of service and rate design proposals.
<b>Minnesota Public Utilities Commission</b>			
Northern States Power Company (XcelEnergy)	10/21	Docket No. E002/GR-21-630	Sponsored testimony supporting a Return on Equity (ROE) adjustment mechanism that would allow the Company to symmetrically adjust its ROE to reflect significant changes in financial market conditions.
<b>Missouri Public Service Commission</b>			
Confluence Rivers Utility Operating Company	12/22	Case No. WR-2023-0006/ SR-2023-0007	Sponsored testimony supporting the rate design and bill impact studies for a general rate case proceeding.
The Empire District Gas Company	08/21	Docket No. GR-2021-0320	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
The Empire District Electric Company	05/21	Docket No. ER-2021-0312	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding.
Spire Missouri, Inc.	12/20	Docket No. GR-2021-0108	Sponsored testimony supporting class cost of service, rate design, and lead-lag study proposals for a general rate case proceeding.

Sponsor	Date	Docket No.	Subject
			The testimony also included support for a proposed revenue adjustment mechanism.
The Empire District Electric Company	08/19	Docket No. ER-2019-0374	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding. The testimony also included proposals for a weather normalization mechanism.
Liberty Utilities (Midstates Natural Gas)	09/17	Docket No. GR-2018-0013	Sponsored testimony supporting the class cost of service, rate design, bill impact and lead-lag studies for a general rate case proceeding. The testimony also included proposals for a revenue decoupling/ weather normalization mechanism as well as tracker accounts for certain O&M expenses and capital costs.
Missouri Gas Energy	04/17	Docket No. GR-2017-0216	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The testimony included support for a decoupling mechanism.
Laclede Gas Company	04/17	Docket No. GR-2017-0215	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The testimony included support for a decoupling mechanism.
<b>Nevada Public Utilities Commission</b>			
Southwest Gas Corporation	09/21	Docket No. 21-09001	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
Southwest Gas Corporation	02/20	Docket No. 20-02023	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
<b>New Hampshire Public Utilities Commission</b>			
Unitil (Northern Utilities, Inc.)	8/21	Docket No. DG 21-104	Sponsored testimony supporting a revenue decoupling mechanism.
Unitil Energy Systems, Inc.	4/21	Docket No. DE 21-030	Sponsored testimony supporting a revenue decoupling mechanism.
Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities	11/17	Docket No. DG 17-198	Sponsored testimony supporting a levelized cost analysis for approval of firm supply and transportation agreements.
Liberty Utilities d/b/a Granite State Electric Company	04/16	Docket No. DE 16-383	Adopted testimony and sponsored Lead/Lag study for a general rate case proceeding.
<b>New Jersey Board of Public Utilities</b>			
Jersey Central Power and Light Company (FirstEnergy)	03/23	Docket No. ER23030144	Sponsored testimony supporting the class cost of service and Lead/Lag studies for a general rate case proceeding.
South Jersey Gas Company	04/22	Docket No. GR22040253	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Elizabethtown Gas Company	12/21	Docket No. GR21121254	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.

Sponsor	Date	Docket No.	Subject
South Jersey Gas Company	03/20	Docket No. GR20030243	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Elizabethtown Gas Company	04/19	Docket No. GR19040486	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Pivotal Utility Holdings, Inc. d/b/a Elizabethtown Gas Company	08/16	Docket No. GR16090826	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
<b>Corporation Commission of Oklahoma</b>			
The Empire District Electric Company	02/21	Cause No. PUD 202100163	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding. The proposed rate design included a three-year phase-in of the proposed rate increase.
The Empire District Electric Company	03/19	Cause No. PUD 201800133	Sponsored testimony supporting the class cost of service, rate design, bill impact and Lead/Lag studies for a general rate case proceeding.
The Empire District Electric Company	04/17	Cause No. PUD 201600468	Adopted direct testimony and sponsored rebuttal testimony supporting the revenue requirements for a general rate case proceeding. The testimony included proposals for alternative ratemaking mechanisms.
<b>Rhode Island Public Utilities Commission</b>			
Providence Gas Company	08/01 09/00 08/96	Docket No. 1673	Sponsored testimony supporting the changes in cost of gas adjustment factor related to projected under-recovery of gas costs; Filed testimony and witness for pilot hedging program to mitigate price risks to customers; Filed testimony and witness for changes in cost of gas adjustment factor related to extension of rate plan.
Providence Gas Company	08/00	Docket No. 2581	Sponsored testimony supporting the extension of a rate plan that began in 1997 and included certain modifications, including a weather normalization clause.
Providence Gas Company	03/00	Docket No. 3100	Sponsored testimony supporting the de-tariff and deregulation of appliance repair service, enabling the Company to have needed pricing flexibility.
Providence Gas Company	06/97	Docket No. 2581	Sponsored testimony supporting a rate plan that fixed all billing rates for three-year period; included funding for critical infrastructure investments in accelerated replacement of mains and services, digitized records system, and economic development projects.
Providence Gas Company	04/97	Docket No. 2552	Sponsored testimony supporting the rate design, customer bill impact studies and retail access tariffs for commercial and industrial customers, including redesign of cost of gas

Sponsor	Date	Docket No.	Subject
			adjustment clause, for a rate design proceeding.
Providence Gas Company	02/96	Docket No. 2374	Sponsored testimony supporting the rate design, customer bill impact studies and retail access tariffs for largest commercial and industrial customers for a rate design proceeding.
Providence Gas Company	01/96	Docket No. 2076	Sponsored testimony supporting the rate reclassification of customers into new rate classes, rate design (including introduction of demand charges), and customer bill impact studies for a rate design proceeding.
Providence Gas Company	11/92	Docket No. 2025	Sponsored testimony supporting the Integrated Resource Plan filing, including a performance-based incentive mechanism.
<b>Railroad Commission of Texas</b>			
Texas Gas Service Company – West Texas, North Texas, and Borger/ Skellytown Service Areas	06/22	Case No. 00009896	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Central Texas and Gulf Coast Service Areas	12/19	GUD No. 10928	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – Beaumont/ East Texas Division	11/19	GUD No. 10920	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Borger/ Skellytown Service Area	08/18	GUD No. 10766	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – North Texas Service Area	06/18	GUD No. 10739	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – South Texas Division	11/17	GUD No. 10669	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Texas Gas Service Company – Rio Grande Valley Service Area	06/17	GUD No. 10656	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
Atmos Pipeline – Texas	01/17	GUD No. 10580	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
CenterPoint Energy – Texas Gulf Division	11/16	GUD No. 10567	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
<b>Public Utility Commission of Texas</b>			
CenterPoint Energy Houston Electric, LLC	04/19	Docket No. 49421	Sponsored testimony supporting the Lead/Lag study for a general rate case proceeding.
<b>Vermont Public Utilities Commission</b>			
Vermont Gas Systems	12/12	Docket No. 7970	Sponsored testimony describing the market served by \$90 million natural gas expansion project to Addison County, VT. Also described

Sponsor	Date	Docket No.	Subject
			the terms and economic benefits of a special contract with International Paper.
Vermont Gas Systems	02/11	Docket No. 7712	Sponsored testimony supporting the market evaluation and analysis for a system expansion and reliability regulatory fund.
<b>Virginia State Corporation Commission</b>			
American Electric Power - Appalachian Power Company	3/23	Case No. PUR-2023-00002	Sponsored testimony supporting the Lead/Lag study for the 2023 triennial review of base rates, terms, and conditions.
Rappahannock Electric Cooperative	10/22	Case No. PUR-2022-00160	Sponsored report and studies related to revenue requirements, class cost of service, rate design, and bill impact analysis for a streamlined application to increase base rates.
American Electric Power - Appalachian Power Company	3/20	Case No. PUR-2020-00015	Sponsored testimony supporting the Lead/Lag study for the 2020 triennial review of base rates, terms, and conditions.
<b>Nova Scotia Utility and Review Board</b>			
Nova Scotia Power	01/22	Matter No. M10431	Sponsored evidence supporting the cash working capital requirement and lead/Lag study for a general rate case proceeding.
<b>Ontario Energy Board</b>			
Ontario Energy Association	01/21	Docket No. EB-2020-0133	Sponsored evidence regarding policies and ratemaking treatment related to COVID-19 costs in U.S. and Canadian regulatory jurisdictions. The evidence was used to support Ontario Energy Association's response to Staff's proposals

Texas Gas Service, A Division of One Gas, Inc.  
Rio Grande Valley Service Area  
Summary of Lead-Lag Study  
Cash Working Capital Requirement

Line	Description	Test Year Amount	Average Daily Amount	Revenue Lag	Ref. (*)	Expense Lag	Ref. (*)	Net (Lead)/Lag Days	Working Capital Requirement
1	Operations and Maintenance Expenses								
2	Purchased Gas Costs	\$ 24,160,951	\$ 66,194	45.47	A	(40.63)	B	4.84	\$ 320,573
3	Labor - Regular Payroll Expense	6,485,748	17,769	45.47	A	(27.70)	C	17.78	315,852
4	Labor - STI Expense	697,837	1,912	45.47	A	(242.92)	C	(197.44)	(377,491)
5	Non-Labor - Other O&M Expense	13,662,548	37,432	45.47	A	(39.20)	C	6.28	234,891
6	<b>Total O&amp;M Expenses</b>	<b>\$ 45,007,083</b>	<b>\$ 123,307</b>						<b>\$ 493,825</b>
7	Federal Income Taxes								
8	Current Income Taxes	\$ 2,904,627	\$ 7,958	45.47	A	(37.00)	D	8.47	\$ 67,419
9	Deferred Income Taxes		-	0.00		0.00		0.00	-
10	<b>Total Federal Income Taxes</b>	<b>\$ 2,904,627</b>	<b>\$ 7,958</b>						<b>\$ 67,419</b>
11	Taxes Other Than Income Taxes								
12	FICA	\$ 451,489	\$ 1,237	45.47	A	(12.61)	E	32.87	\$ 40,654
13	Federal Unemployment	3,696	10	45.47	A	(30.01)	E	15.46	157
14	State Unemployment	15,066	41	45.47	A	(113.17)	E	(67.70)	(2,794)
15	State Gross Receipts	1,097,064	3,006	45.47	A	(77.00)	E	(31.53)	(94,773)
16	Local Franchise Tax	2,978,367	8,160	45.47	A	(93.29)	E	(47.82)	(390,207)
17	State Franchise Tax	150,009	411	45.47	A	47.71	E	93.18	38,296
18	Ad Valorem	1,418,507	3,886	45.47	A	(196.17)	E	(150.70)	(585,659)
19	Sales Tax	2,733,360	7,489	45.47	A	(35.88)	E	9.59	71,836
20	RRC Gas Utility Tax	16,689	46	45.47	A	(86.81)	E	(41.34)	(1,890)
21	<b>Taxes Other Than Income Taxes</b>	<b>\$ 8,864,248</b>	<b>\$ 24,286</b>						<b>\$ (924,380)</b>
22	Interest on Customer Deposits	\$ 37,635	\$ 103	45.47	A	(168.77)	F	(123.30)	\$ (12,713)
23	Labor - LTI Expense	\$ 170,129	\$ 466	0.00		0.00		0.00	\$ -
24	Depreciation Expense	\$ 7,688,197	\$ 21,064	0.00		0.00		0.00	\$ -
25	Return	\$ 13,959,878	\$ 38,246	0.00		0.00		0.00	\$ -
26	<b>Total</b>	<b>\$ 78,631,797</b>	<b>\$ 215,430</b>						<b>\$ (375,849)</b>

(\*) Corresponds to the spreadsheet tabs in the lead-lag study



Texas Gas Service, A Division of One Gas, Inc.  
 Summary of Lead-Lag Study  
 Revenue Collection Lag

Line	Description	Service Lag	Billing Lag	Collection Lag	Total Revenue Lag	Reference	Revenue	Dollar Days
		Service Period	Meter Read to Mail	Mail to Clear				
1	Residential	15.21	6.25	26.55	48.01	WP A-1	\$ 301,450,044	\$ 14,472,448,316
2	Commercial	15.21	5.80	17.06	38.07	WP A-2	91,471,811	3,482,134,928
3	Industrial	15.21	6.00	18.88	40.09	WP A-3	2,851,444	114,317,331
4	Public Authority	15.21	6.93	21.47	43.61	WP A-4	19,754,626	861,431,056
5	Transportation	15.21	10.06	18.75	44.02	WP A-5	15,911,445	700,487,356
6	Irrigation	15.21	5.78	18.78	39.76	WP A-6	2,170,342	86,298,593
7	<u>Composite Revenue Collection Days</u>	<u>15.21</u>	<u>6.32</u>	<u>23.94</u>	<u>45.47</u>		<u>\$ 433,609,712</u>	<u>\$ 19,717,117,581</u>

Texas Gas Service, A Division of One Gas, Inc.  
Summary of Lead-Lag Study  
Purchased Gas

Line	Month	From	To	Expense	Total Days	Midpoint	Days Paid from End-of- Month	(Lead)/Lag Days	Dollar Days	Composite (Lead)/Lag Days
1	January-2021	01/01/21	01/31/21	\$ 21,833,528	31.00	(15.50)	(25.55)	(41.05)	\$ (896,192,218)	
2	February-2021	02/01/21	02/28/21	21,755,449	28.00	(14.00)	(25.15)	(39.15)	(851,768,097)	
3	March-2021	03/01/21	03/31/21	12,872,918	31.00	(15.50)	(25.66)	(41.16)	(529,876,292)	
4	April-2021	04/01/21	04/30/21	10,057,845	30.00	(15.00)	(24.91)	(39.91)	(401,448,820)	
5	May-2021	05/01/21	05/31/21	11,032,898	31.00	(15.50)	(24.61)	(40.11)	(442,538,966)	
6	June-2021	06/01/21	06/30/21	9,454,273	30.00	(15.00)	(25.76)	(40.76)	(385,331,884)	
7	July-2021	07/01/21	07/31/21	11,216,497	31.00	(15.50)	(24.79)	(40.29)	(451,888,156)	
8	August-2021	08/01/21	08/31/21	11,791,698	31.00	(15.50)	(24.10)	(39.60)	(466,924,747)	
9	September-2021	09/01/21	09/30/21	13,824,591	30.00	(15.00)	(22.70)	(37.70)	(521,129,751)	
10	October-2021	10/01/21	10/31/21	17,236,961	31.00	(15.50)	(27.17)	(42.67)	(735,451,851)	
11	November-2021	11/01/21	11/30/21	20,973,830	30.00	(15.00)	(27.53)	(42.53)	(892,035,434)	
12	December-2021	12/01/21	12/31/21	29,037,542	31.00	(15.50)	(25.45)	(40.95)	(1,189,155,086)	
13			Total	\$ 191,088,028					\$ (7,763,741,302)	(40.63)

Texas Gas Service, A Division of One Gas, Inc.  
Summary of Lead-Lag Study  
O&M Expenses

Line	Description	(Lead)/Lag Days	Reference
1	Regular Payroll Expenses	(27.70)	WP C-1
2	Annual Performance Bonus Expense	(242.92)	WP C-1
3	Labor-Related - Subtotal		
4	Other O&M Expenses	(39.20)	WP C-5

Texas Gas Service, A Division of One Gas, Inc.  
 Summary of Lead-Lag Study  
 Federal Income Tax

Line	Quarter	Service Period Start	Service Period End	Midpoint of Service Period	Payment Date	Percent of Taxes Due	(Lead)/Lag Days		
							Days from Midpoint to Payment Date	(Lead)/Lag Days	
1	First Quarter	1/1/2021	12/31/2021	(182.50)	4/15/2021	25.00%	260.00	19.38	
2	Second Quarter	1/1/2021	12/31/2021	(182.50)	6/15/2021	25.00%	199.00	4.13	
3	Third Quarter	1/1/2021	12/31/2021	(182.50)	9/15/2021	25.00%	107.00	(18.88)	
4	Fourth Quarter	1/1/2021	12/31/2021	(182.50)	12/15/2021	25.00%	16.00	(41.63)	
5	<u>Federal Income Tax (Lead)/Lag Days</u>							<u>(37.00)</u>	

Texas Gas Service, A Division of One Gas, Inc.  
Summary of Lead-Lag Study  
Taxes Other Than Income Tax

Line	Description	(Lead)/Lag Days	Reference
1	FICA	(12.61)	WP E-1
2	Federal Unemployment	(30.01)	WP E-2
3	State Unemployment	(113.17)	WP E-3
4	State Gross Receipts	(77.00)	WP E-4
5	Local Franchise Tax	(93.29)	WP E-5
6	State Franchise Tax	47.71	WP E-6
7	Ad Valorem	(196.17)	WP E-7
8	Sales Tax	(35.88)	WP E-8
9	RRC Gas Utility Tax	(86.81)	WP E-9

Texas Gas Service, A Division of One Gas, Inc.  
 Summary of Lead-Lag Study  
 Interest on Customer Deposits

Line	Description	Test Year Interest Expense	Average Monthly Interest	Accrued Interest Balance	Composite (Lead)/Lag Days
1	12/1/2020			\$ 53,906	
2	1/1/2021		\$ 9,132	63,038	
3	2/1/2021		9,132	72,169	
4	3/1/2021		8,248	80,417	
5	4/1/2021		9,132	89,549	
6	5/1/2021		8,837	98,386	
7	6/1/2021		9,132	-	
8	7/1/2021		8,837	8,837	
9	8/1/2021		9,132	17,969	
10	9/1/2021		9,132	27,100	
11	10/1/2021		8,837	35,937	
12	11/1/2021		9,132	45,069	
13	12/1/2021		8,837	53,906	
14	Average			\$ 49,714	
15	Interest Expense	\$ 107,518			
16	Daily Interest Expense	\$ 295			
17	<u>Composite (Lead)/Lag Days</u>				<u>(168.77)</u>

STATE OF VERMONT           §  
  §  
COUNTY OF CHITTENDEN   §

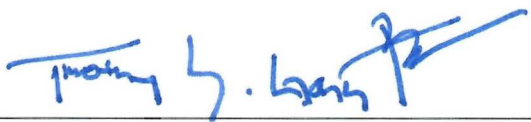
**AFFIDAVIT OF TIMOTHY S. LYONS**

BEFORE ME, the undersigned authority, on this day personally appeared Timothy S. Lyons who having been placed under oath by me did depose as follows:

1.       “My name is Timothy S. Lyons. I am over the age of eighteen (18) and fully competent to make this affidavit. I am a Partner with ScottMadden, Inc. The facts stated herein are true and correct based upon my personal knowledge.

2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Timothy S. Lyons

SUBSCRIBED AND SWORN TO BEFORE ME by the said Timothy S. Lyons on this 13 day of June 2023.

  
\_\_\_\_\_  
Notary Public in and for the State of Vermont

My commission expires: 1/31/25



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**JANET M. SIMPSON**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**



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EXHIBIT JMS-2	Rio Grande Valley Service Area ADIT Calculation

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**DIRECT TESTIMONY OF JANET M. SIMPSON**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Janet M. Simpson. My business address is 5702 Beacon Drive, Austin, Texas 78734.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a Managing Member of Utility Regulatory Consulting, LLC (“URC”). URC is a consulting firm specializing in utility ratemaking services.

**Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL CREDENTIALS.**

A. I am a Certified Public Accountant. I obtained my Bachelor of Business Administration in Accounting from the University of Texas in 1982. In 1983, I began employment as an analyst with the Public Utility Commission of Texas (“PUCT”). Beginning in 1987, I was employed by Southern Union Company (“SUCo”) for fourteen years, during which time I held various positions including Rate Manager and Director of Economic and Market Analysis in SUCo’s Rate Department. In 2003, I became a Partner in Dively and Associates, PLLC, a Public Accounting Firm, and in 2011, I became a Partner in Dively Energy Services (“DES”), an affiliated entity. In mid-2017, DES was acquired by a third party, and Dively Energy Services Company (“DESC”) was formed as a subsidiary of that entity. I served as Vice President of DESC through December 2019, at which time I formed URC as an independent entity. Under these entities, I have participated in a variety of projects, including utility company software implementation

1 projects, utility accounting and tariff compliance, and development and review of  
2 utility rate requests, including development of recommendations relating to  
3 accumulated deferred income taxes (“ADIT”).

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN A UTILITY REGULATORY**  
5 **RATE PROCEEDING?**

6 A. Yes. I have testified before the PUCT, the Railroad Commission of Texas  
7 (“Commission”), the Missouri Public Service Commission and the Massachusetts  
8 Department of Public Utilities. A copy of my resume identifying the various  
9 docketed proceedings in which I have testified is attached to my testimony as  
10 Exhibit JMS-1.

11 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
12 **DIRECTION?**

13 A. Yes, it was.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. My testimony presents the Texas Gas Service Company (“TGS” or the  
16 “Company”), a division of ONE Gas, Inc. (“ONE Gas”), ADIT amounts that are  
17 applicable when determining rates in the Company’s Rio Grande Valley Service  
18 Area (“RGVSA”). Total RGVSA ADIT is negative \$17,561,856. This ADIT  
19 balance is reflected as a reduction to rate base on the RGVSA Rate Case Schedules,  
20 Schedule B, line 14 and is itemized on Schedule B-9.

21 **II. BACKGROUND**

22 **Q. PLEASE DEFINE ACCUMULATED DEFERRED INCOME TAXES.**

23 A. ADIT are amounts that are recorded on the balance sheet of a company to capture  
24 and accumulate the difference between income tax expense calculated on the

1 company's financial statement and income tax expense calculated for tax return  
2 purposes. An ADIT liability is recognized for temporary differences that will result  
3 in taxable amounts in future years, while an ADIT asset is recognized for temporary  
4 differences that will result in deductible amounts in future years. The differences  
5 between financial statement ("per Book") and tax return ("per Tax") income that  
6 result in the creation of ADIT represent temporary differences in taxable income  
7 rather than permanent differences. Over time, the same total amount of expense or  
8 revenue will be reflected in taxable income per Book and per Tax, but the year(s)  
9 in which the expense or revenue is recognized will differ. The ADIT balance  
10 represents the cumulative net amount of those deferred tax liabilities and assets at  
11 a given point in time

12 **Q. WHAT IS THE MAJOR SOURCE OF ADIT FOR TGS?**

13 A. The primary source of ADIT for TGS and utility companies in general is the  
14 difference in depreciation rates and methods used on a company's financial  
15 statement (i.e., "per Book") and the depreciation rates and methods authorized by  
16 the Internal Revenue Service ("IRS") for use on the income tax return (i.e., "per  
17 Tax"). Generally speaking, the IRS depreciation rates and methods are accelerated  
18 as compared to the financial statement and rate case depreciation rates and methods.  
19 Plant assets are typically depreciated more rapidly per Tax than per Book. As a  
20 result, for any particular "vintage" (i.e., calendar year) plant additions, higher levels  
21 of depreciation expense are deducted on the tax return in early years and lower  
22 amounts are deducted in later years of that asset's life as compared to the  
23 depreciation expense recorded per Book. Having higher depreciation deductions

1 per Tax in the early years of an asset's life results in lower taxable income and,  
2 therefore, lower income taxes in those early years as compared to per Book. This  
3 results in the Company recording an ADIT liability on its books. Conversely, in  
4 the later years of an asset's life, when depreciation is greater on the books than on  
5 the tax return for that particular asset, related income tax expense per Tax is greater  
6 than per Book. When this happens, entries are recorded on the books that reverse  
7 the ADIT liability.

8 **Q. ARE THERE OTHER PER BOOK AND PER TAX DIFFERENCES**  
9 **ASSOCIATED WITH PLANT ASSETS THAT RESULT IN RECORDING**  
10 **ADIT FOR UTILITY COMPANIES?**

11 A. Yes. In addition to depreciation life and method differences, there are four other  
12 major per Book and per Tax differences that impact a utility company's plant-  
13 related ADIT balance. First, for utility companies that apply mass-asset  
14 depreciation, a gain or loss is generally not recognized on the income statement  
15 when an asset is retired. Instead, the plant amount is charged against the  
16 accumulated depreciation account, resulting in any gain or loss applicable to that  
17 asset being captured in the accumulated depreciation balance. For Tax purposes,  
18 however, a taxable gain, or more commonly, a taxable loss, is recognized in the  
19 year the asset is retired. The expense recognized per Tax is equal to the  
20 undepreciated tax basis at that time. For example, if at the time of its retirement,  
21 the tax accumulated depreciation was \$600 for an asset originally costing \$1,000,  
22 a tax "loss" of \$400 would be reflected as an expense on the tax return. The

1 recognition of that tax loss essentially accomplishes expensing the remaining  
2 undepreciated cost of that asset in the year of retirement on the tax return.

3 Another event that is recognized as an expense for Tax purposes but is  
4 captured in the accumulated depreciation account per Book, is the cost of removal  
5 (net of salvage value if any) associated with retiring or removing plant assets from  
6 service. For Tax purposes, net cost of removal is deducted as an expense in the  
7 year it is incurred, but on the Books, the net cost of removal is charged to the  
8 accumulated depreciation account. The impact on the book accumulated  
9 depreciation balance of both the retirement of an asset and the cost of removal is  
10 factored into the development and periodic recalculation of book depreciation rates.  
11 As a result, over time, the full cost of the asset, along with cost of removal, is  
12 recognized in per Book net income through book depreciation expense. Therefore,  
13 the book depreciation expense reverses the temporary differences created by  
14 recognition of tax retirement losses and cost of removal.

15 The third additional plant-related per Book and per Tax difference relates  
16 to the Tax treatment of certain types of construction costs as repair expense. Those  
17 amounts are capitalized to plant per Book and are depreciated but are deducted as  
18 an expense in the year incurred for Tax purposes. All three of the temporary  
19 differences described above, as well as the depreciation rate differences discussed  
20 previously, generate an ADIT credit, because the recognition of expense occurs  
21 earlier per Tax than per Book.

22 The final plant-related temporary difference that creates ADIT for utility  
23 companies is Contributions in Aid of Construction (“CIAC”), and it has the

1 opposite effect on ADIT. CIAC reduces the plant balance recorded per Book,  
2 thereby lowering per Book depreciation over the life of the asset; however, for Tax  
3 purposes, CIAC is recognized as taxable revenue in the year the utility receives the  
4 CIAC. As a result, the depreciable Tax basis of the related plant is not reduced,  
5 and higher depreciation expense is reflected per Tax than per Book over the life of  
6 the asset. Unlike the other temporary items, which result in earlier expense per Tax  
7 than per Book, CIAC results in earlier revenue per Tax than the recognition of the  
8 subsequent reduction in depreciation expense per Book.

9 **Q. CAN YOU DETERMINE THE NET ADIT BALANCE ASSOCIATED WITH**  
10 **ALL OF THESE TEMPORARY PLANT-RELATED DIFFERENCES AT A**  
11 **SINGLE POINT IN TIME?**

12 A. Yes. All of the temporary differences described above result in differences in the  
13 balance of Book plant as compared to Tax plant and/or differences in the balance  
14 of Book accumulated depreciation as compared to Tax accumulated depreciation.  
15 As a result, plant-related ADIT can be determined at any point in time by  
16 multiplying the income tax rate by the difference between Book Net Plant (i.e.,  
17 Book gross plant minus accumulated depreciation) and Tax Net Plant (i.e., Tax  
18 gross plant minus accumulated depreciation). As explained above, typically for  
19 utility companies, that calculation yields a net ADIT credit, which reduces a  
20 utility's rate base as described below.

21 **Q. HOW IS ADIT TREATED FOR RATEMAKING PURPOSES?**

22 A. From a ratemaking standpoint, to the extent that a company has sufficient taxable  
23 income to make use of the net accelerated tax return deductions described above,

1 the balance in ADIT represents interest-free funds for the company. Because ADIT  
2 does not consist of funds or capital provided by investors, ADIT, like customer-  
3 supplied funds, is used to reduce rate base. More specifically, in establishing  
4 accelerated depreciation methods for utility companies, the IRS included a  
5 provision to prohibit early year reductions in income taxes from being directly  
6 passed on to ratepayers in the form of lower income tax expense in the revenue  
7 requirement. Essentially, through the accelerated depreciation provisions, the IRS  
8 provides a loan, at no cost, to companies in the form of lower taxes payable in the  
9 early years of an asset's life. That loan gets "repaid" to the IRS in the later years  
10 of the asset's life in the form of higher taxes in those years. Therefore, the ADIT  
11 balance at any given point in time represents the outstanding amount of cost-free  
12 capital that has been provided to the company by the IRS through the tax rules. As  
13 a source of cost-free capital that supports investment, the ADIT balance is deducted  
14 from rate base, which results in a reduction in required return and a reduction in the  
15 revenue requirement.

16 **Q. WHAT HAPPENS IF, FOR INCOME TAX RETURN PURPOSES, A**  
17 **COMPANY HAS MORE EXPENSE DEDUCTIONS AVAILABLE TO IT**  
18 **THAN TAXABLE INCOME FOR A PARTICULAR YEAR?**

19 A. If expenses on the tax return are greater than taxable income, a company has  
20 experienced a Tax Net Operating Loss ("NOL"). Because it is not possible to  
21 reduce a tax obligation to an amount below zero, a portion of the total allowable  
22 tax return expense deductions (equal to the dollar amount of the NOL) does not  
23 provide a benefit to the company in the form of a reduced tax obligation in that



1 year. As a result, the accelerated expense deductions reflected on the tax return  
2 have not generated cost-free capital to the extent of the amount of the NOL. The  
3 company can carry forward that NOL—i.e., the unused expense deductions—to  
4 future years and use them to reduce future taxable income and future income taxes  
5 payable. Until a company has sufficient taxable income to use those deductions to  
6 offset its income, an adjustment is made to reduce the amount of the ADIT credit  
7 that is recorded on the balance sheet and in rate base. This recognizes the tax effect  
8 of those deductions as a future benefit rather than as a current reduction in taxes  
9 payable and provision of cost-free capital.

10 **Q. ARE THERE OTHER ELEMENTS OF ADIT THAT IT MAY BE**  
11 **APPROPRIATE FOR UTILITIES TO INCLUDE IN RATE BASE?**

12 A. Yes. Book/tax temporary differences may arise because of differences in treatment  
13 of items other than plant-related items. If the company is including other items in  
14 rate base for which there is a timing difference in the treatment for book purposes  
15 and tax purposes, it may be appropriate to include the related ADIT in rate base as  
16 well. However, because those differences also impact the amount of the company's  
17 taxable income or loss, for consistency, it is necessary to take those temporary  
18 differences into account when determining if the company is in a NOL position and  
19 when calculating the related NOL ADIT balance used for rate base.

20 **III. CALCULATION OF THE RGVSA ADIT BALANCE**

21 **Q. WHAT ARE THE COMPONENTS OF THE RGVSA ADIT AMOUNT OF**  
22 **(\$17,561,856) REFERENCED PREVIOUSLY?**

23 A. The RGVSA ADIT balance consists of the following five major components:

RGVSA Direct Plant-Related	\$(23,954,043)
RGVSA Other Direct Rate Base Items	(923,517)
TGS Division Plant-Related	(139,678)
ONE Gas Plant-Related	(516,089)
RGVSA NOL	7,971,471
Total RGVSA ADIT	<b>\$(17,561,856)</b>

1 Detailed calculations of each component are discussed below and shown on Exhibit  
2 JMS-2 and related workpapers.

3 **Q. PLEASE EXPLAIN HOW YOU CALCULATED ADIT RELATING TO**  
4 **RGVSA DIRECT PLANT ASSETS.**

5 A. The first component of total RGVSA ADIT is ADIT associated with the plant-  
6 related timing differences for plant that is physically located in the RGVSA (i.e.,  
7 “direct plant”). I computed ADIT applicable to the RGVSA plant items as of  
8 December 31, 2022 by comparing per Book net plant for those locations as of  
9 December 31, 2022 to per Tax net plant for those locations as of December 31,  
10 2022. Adjustments were made to the net book and net tax plant amounts consistent  
11 with the adjustments to plant and accumulated depreciation reflected in the  
12 Company’s rate base schedules and workpapers.

13 The total difference between the adjusted net book and net tax plant  
14 amounts, multiplied by the current income tax rate of 21%, represents the RGVSA  
15 direct plant-related ADIT as of December 31, 2022. Total RGVSA plant-related  
16 ADIT as of December 31, 2022 equals \$(23,954,043).

17 **Q. PLEASE EXPLAIN THE SECOND COMPONENT OF RGVSA ADIT**  
18 **THAT PERTAINS TO OTHER RATE BASE ITEMS.**

19 A. There are several other items the Company is including in rate base for which there  
20 is a difference in the book and tax treatment, specifically:

- 1                   • Section 8.209 Regulatory Asset;
- 2                   • Prepaid Pension Asset; and
- 3                   • Other Regulatory Assets.

4                   The Section 8.209 Regulatory Asset and Other Regulatory Assets items represent  
5                   journal entries in which amounts that would otherwise be expensed on the books  
6                   are instead charged to a deferred asset account and then expensed in subsequent  
7                   periods. For tax purposes, the expense is recognized in the year that it would be  
8                   expensed on the books absent those amounts being deferred. As a result, for tax  
9                   purposes, the deferral entry is reversed. At any given point in time, the ADIT  
10                  related to this temporary difference is equal to the balance remaining in the deferred  
11                  asset account multiplied by the tax rate.

12                  The item referenced above as “Prepaid Pension Asset” is a temporary  
13                  difference that pertains to the book/tax treatment of pension costs. For tax  
14                  purposes, the amount deducted in a tax year is equal to the amount of funding made  
15                  to the pension plan rather than the amount of expense that is recorded on the books  
16                  in accordance with the requirements of Accounting Standards Codification –  
17                  “ASC” 715-20 (formerly Financial Accounting Standards – “FAS” 87). Thus the  
18                  “Prepaid Pension” item reflects the temporary difference that arises because the  
19                  actual deduction for tax purposes is equal to the amount by which the pension plan  
20                  is funded rather than the per book pension expense calculated in accordance with  
21                  ASC 715-20.

1           The sum of the three temporary differences referenced above, multiplied by  
2           the tax rate of 21% represents the RGVSA Other Direct Rate Base-related ADIT as  
3           of December 31, 2022, which is equal to \$(923,517).

4   **Q.   PLEASE DESCRIBE THE NEXT TWO COMPONENTS OF THE ADIT**  
5   **CALCULATION.**

6   A.   The next two components of the RGVSA ADIT calculation are for (1) ADIT related  
7       to an allocated portion of TGS Division plant, and (2) an allocated portion of ONE  
8       Gas corporate plant as of test-year end. These amounts were computed by  
9       comparing net book plant and net tax plant balances for TGS Division and ONE  
10      Gas corporate plant as of December 31, 2022. The ONE Gas temporary differences  
11      were multiplied by the allocation factors that have been applied to the related plant  
12      amounts by Company witness Allison Edwards to determine the portion of those  
13      differences applicable to TGS. Both the TGS Division plant temporary differences  
14      and the TGS portion of allocated corporate plant temporary differences were  
15      multiplied by the federal tax rate of 21%, and then allocated to the RGVSA. To  
16      allocate the appropriate portions to the RGVSA, both the TGS Division and the  
17      allocated ONE Gas corporate ADIT amounts were multiplied by the RGVSA test-  
18      year-end customer allocation factor, consistent with the methodology used by  
19      Ms. Edwards to allocate shared service and corporate expenses and plant and  
20      accumulated depreciation balances. The result is \$(139,678) of TGS Division plant  
21      ADIT and \$(516,089) of ONE Gas corporate plant ADIT applicable to the RGVSA.

22   **Q.   WHAT IS THE FINAL COMPONENT OF RGVSA ADIT?**

23   A.   The final component is ADIT relating to the RGVSA's portion of the TGS NOL.

1 **Q. WHY IS THE TAX NOL ADIT INCLUDED IN THE ADIT**  
2 **CALCULATION?**

3 A. As explained previously, a reduction to rate base for ADIT is only necessary or  
4 appropriate to the extent it represents cost-free capital. As of December 31, 2022,  
5 the Company had a cumulative Tax NOL and, as a result, has been unable to take  
6 full advantage of the temporary differences that gave rise to the entire ADIT credit  
7 balance discussed above. To the extent the Company does not have sufficient  
8 taxable income for tax purposes to realize the full benefit of the cost-free capital  
9 arising from the temporary differences between financial statement and tax return  
10 income, no reduction to rate base is warranted. As a result, when computing ADIT  
11 for rate base, the ADIT balance must be reduced to remove the portion of that  
12 balance that has yet to provide actual cost-free capital to the Company. Reduction  
13 of the ADIT credit balance has the effect of increasing rate base.

14 **Q. WHAT IS THE TOTAL ESTIMATED TGS NOL ADIT APPLICABLE TO**  
15 **THE RGVSA AS OF DECEMBER 31, 2022, AND HOW IS IT COMPUTED?**

16 A. The total estimated NOL ADIT applicable to the RGVSA on a stand-alone basis as  
17 of December 31, 2022 is \$7,971,471. The calculation of this amount starts with  
18 cumulative 2003 through December 31, 2022 total TGS taxable income per Book  
19 of \$590,367,485. Using the cost center component of the Company's account  
20 structure, I segregated and grouped this amount into each of the Company's direct  
21 jurisdictional cost center groups, each allocable regional cost center group, and the  
22 TGS allocable division office cost center group. The TGS allocable division office  
23 cost center group includes the TGS portion of allocated corporate costs. I then

1 made several ratemaking adjustments and tax adjustments to determine the RGVSA  
2 NOL. First, an adjustment was made to align the purchased gas cost expense  
3 reflected in the RGVSA and other TGS jurisdiction cost centers to equal the  
4 jurisdictional purchased gas revenue. Next, I removed amounts that are not  
5 applicable for ratemaking purposes such as legislative, charitable, merchandising,  
6 and other non-utility expenses and revenues as well as unbilled revenue transactions  
7 that are not included in the development of the revenue requirement. Then, various  
8 adjustments were made to compute taxable income appropriate for use in  
9 calculating the regulatory tax NOL amount. First, to calculate the per Tax  
10 deduction applicable for meals, I removed from per Book expense 50% of the  
11 cumulative meals cost, consistent with the IRS treatment of that item as a  
12 permanent difference and also removed non-deductible parking expenses. Next,  
13 tax deductions were reflected pertaining to the Rule 8.209 Regulatory Asset, and  
14 Other Regulatory Assets reversals and to reflect the Prepaid Pension Asset  
15 deduction as discussed above.

16 Lastly, adjustments were made to reverse the deduction of book  
17 depreciation and reflect the deduction of tax depreciation. In this context  
18 “depreciation” includes the amounts reflected for tax purposes associated with  
19 recognition of plant-related adjustments for tax purposes including tax depreciation  
20 (which is calculated on a basis that excludes CIAC amounts that are treated as  
21 taxable income for tax purposes), cost of removal expense, retirement losses, and  
22 repairs adjustment. Because the actual tax depreciation expense that is reflected on  
23 the Company’s tax returns includes the impact of the Company’s acquisition

1 adjustment, for purposes of the ratemaking NOL ADIT calculation, tax  
2 depreciation was recalculated excluding the impact of the acquisition adjustment.  
3 The final step was to apply the RGVSA customer-based allocation factors to the  
4 resulting allocable TGS division net loss and the allocable regional net loss amounts  
5 as shown on Exhibit JMS-2. The allocated amounts applicable to the RGVSA were  
6 then added to the RGVSA direct net loss amounts to determine the total RGVSA  
7 tax NOL.

8 **Q. WHAT IS THE RESULTING RGVSA NOL ADIT AMOUNT?**

9 A. The result is a cumulative RGVSA Tax NOL of \$37,959,384 as of December 31,  
10 2022. Multiplying this amount by the income tax rate of 21% yields the RGVSA  
11 NOL ADIT of \$7,914,937, which is the final component of the RGVSA ADIT  
12 calculation.

13 **Q. IS INCLUSION OF ADIT ON THE NOL CONSISTENT WITH THE**  
14 **COMMISSION'S PAST TREATMENT OF THIS ISSUE?**

15 A. Yes. The Company's treatment of the NOL in this case is consistent with the  
16 Commission's Final Order in Gas Utilities Docket ("GUD") No. 10170 in which  
17 the Commission approved an increase in rate base for the ADIT associated with  
18 Atmos Energy's NOL, as calculated on a jurisdictional stand-alone basis. As in  
19 that case, the driving force behind the Company's NOL position is the substantial  
20 plant-related tax deductions associated with its regulated operations. Because these  
21 deductions created the ADIT credit that is deducted from rate base, inclusion of the  
22 NOL ADIT debit "matches the ADIT liabilities to the ADIT NOL asset created by

1           those deductions,” which is what the Commission concluded GUD No. 10170.<sup>1</sup> In  
2           addition, inclusion of ADIT on the NOL in this case is consistent with the  
3           Company’s methodology on this issue in GUD Nos. 10488, 10506, 10526, 10656,  
4           10739, 10766, 10928 and Docket No. OS-22-00009896. GUD Nos. 10488, 10526,  
5           10656, 10739, 10766, and 10928 were resolved through unanimous settlement  
6           agreements the Commission approved on May 3, 2016, November 15, 2016,  
7           March 20, 2018, November 13, 2018, February 5, 2019, and August 4, 2020,  
8           respectively.<sup>2</sup> GUD No. 10506 and Docket No. OS-22-00009896 were litigated  
9           cases in which the Commission approved the Company’s request to include ADIT  
10          on the NOL.<sup>3</sup> The Final Order in GUD No. 10506 was issued on September 27,  
11          2016.<sup>4</sup>

12   **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

13   A.     Yes.

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<sup>1</sup> *Statement of Intent filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*, GUD No. 10170 consol., Proposal for Decision at 92 (Nov. 13, 2012).

<sup>2</sup> In *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and Gulf Coast Service Area*, GUD No. 10928 consol., the parties agreed to settle all issues except for consolidation, which was litigated and the Commission approved. Final Order (Aug. 4, 2020).

<sup>3</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896 consol., Final Order (Jan. 18, 2023); *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*, GUD No. 10506, Final Order and Attached Schedules – Decision Summary with Schedules, Schedule B-9 at 33 of 267 (Sept. 27, 2016) corresponds to Schedule B-9 in the Company’s GUD No. 10506 initial filing as well as the table in the GUD No. 10506 Direct Testimony of Janet Simpson at 9 (Mar. 30, 2016).

<sup>4</sup> GUD No. 10506, Final Order and Attached Schedules – Decision Summary with Schedules, Schedule B-9 at 33 of 267 corresponds to Schedule B-9 in the Company’s GUD No. 10506 initial filing as well as the table in the GUD No. 10506 Direct Testimony of Janet Simpson at 9.



## JANET M. SIMPSON

### CONTACT INFORMATION

5702 Beacon Drive, Austin, Tx 78734  
Phone: (512) 775-3799 Email: janet@utiliregcon.com

### PROFILE

Janet Simpson owns Utility Regulatory Consulting, LLC (“URC”), a consulting firm providing ratemaking and regulatory services to the utility industry. Prior to establishing URC in 2020, she served as Vice President of Dively Energy Services Company, LLC, performing similar regulatory services and Vice President of Financial Planning and Analysis for Si Energy, LP, a natural gas distribution company in Texas. She is a professional accountant with approximately forty years of experience in utility accounting and rate regulation and has participated in various accounting and regulatory projects as well as accounting information system implementations for utility companies. She has been recognized as an expert and has provided testimony in written and oral form on numerous matters and in multiple jurisdictions related to utility cost of service and rate mechanisms. In that capacity, Ms. Simpson assists clients in various financial, regulatory, and technical areas. As a specialist in utility ratemaking, she develops and reviews utility cost-of-service filings and supports her recommendations through expert testimony, issuance of and responses to requests for information, and general litigation support.

### EDUCATION, CERTIFICATIONS AND DESIGNATIONS

- BBA in Accounting, University of Texas at Austin
- Certified Public Accountant, Texas

### PROFESSIONAL ASSOCIATIONS

- American Institute of Certified Public Accountants
- Texas Society of Certified Public Accountants

### SELECTED ENGAGEMENTS

- *Liberty Utilities (New England Natural Gas Company)* – CY2022 Gas System Enhancement Plan Reconciliation Filing, DPU 23-GREC-04 (2023)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2023 plan year), 22-GSEP-04 (2022)
- *Liberty Utilities (New England Natural Gas Company)* – CY2021 Gas System Enhancement Plan Reconciliation Filing, DPU 22-GREC-04 (2022)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company to Change Gas Utility Rates within the Unincorporated Areas of the West Texas Service Area, the North Texas Service Area, and the Borger Skellytown Service Area – ADIT issues – Case No. 00009896 (2022)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2022 plan year), 21-GSEP-04 (2021)
- *Liberty Utilities (New England Natural Gas Company)* – CY2020 Gas System Enhancement Plan Reconciliation Filing, DPU 21-GREC-04 (2021)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2021 plan year), 20-GSEP-04 (2020)
- *Liberty Utilities (New England Natural Gas Company)* – CY2019 Gas System Enhancement Plan Reconciliation Filing, DPU 20-GREC-04 (2020)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2020 plan year), 19-GSEP-04 (2019)
- *Liberty Utilities (New England Natural Gas Company)* – CY2018 Gas System Enhancement Plan Reconciliation Filing, DPU 19-GREC-04 (2019)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company to Change Gas Utility Rates within the Incorporated Areas of the Central Texas Service Area, Gulf Coast Service Area and City of Beaumont – ADIT issues – GUD 10928 (2019)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2019 plan year), 18-GSEP-04 (2018)

- *Liberty Utilities (New England Natural Gas Company)* – Investigation by the Department of Public Utilities, on its own Motion, into the Effect of the Reduction in Federal Income Tax Rates on the Rates Charged by Electric, Gas, and Water Companies, D.P.U. 18-15
- *Liberty Utilities (New England Natural Gas Company)* – CY2017 Gas System Enhancement Plan Reconciliation Filing, DPU 18-GREC-04 (2018)
- *SiEnergy, LP* – Statement of Intent to Increase Gas Utility Rates within the Unincorporated areas serviced by SiEnergy in Central and South Texas - GUD 10679 (2018)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company, A Division of ONE Gas, Inc., To Increase Gas Utility Rates within the Unincorporated Areas of the Borger-Skellytown Service Area – ADIT Issues (2018)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company, A Division of ONE Gas, Inc., To Increase Gas Utility Rates within the Unincorporated Areas of the North Texas Service Area – ADIT Issues (2018)
- *Texas Office of Public Utility Counsel* – Application of Southwestern Public Service Company for a Certificate of Convenience and Necessity Authorizing Construction and Operation of Wind Generation and Associated Facilities, in Hale County, Texas and Roosevelt County, New Mexico and Related Ratemaking Principles; and Approval of a Purchased Power Agreement to Obtain Wind Generated Energy - PUC Docket No. 46936.
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2018 plan year), 17-GSEP-04 (2017)
- *Liberty Utilities (New England Natural Gas Company)* – CY2016 Gas System Enhancement Plan Reconciliation Filing, DPU 17-GREC-04 (2017)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company, A Division of ONE Gas, Inc., to Increase Gas Utility Rates within the Unincorporated Areas of the Rio Grande Valley Service Area – ADIT Issues (2017)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2017 plan year), 16-GSEP-04 (2016)
- *Liberty Utilities (New England Natural Gas Company)* – CY2015 Gas System Enhancement Plan Reconciliation Filing, DPU 16-GREC-04 (2016)
- *Texas State Natural Gas* - Statement of Intent to Increase Rates in Eagle Pass, Texas pursuant to Rate Schedule 16, Rider COSA – Cost of Service Adjustment (2016)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company to Increase Gas Utility Rates within the Unincorporated Areas of the Central Texas and South Texas Service Areas – ADIT issues – GUD 10526 (2016)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company to Increase Gas Utility Rates within the Unincorporated Areas of the El Paso Service Area, Permian Service Area, and Dell City Service Area – ADIT issues – GUD 10506 (2016)
- *Texas Gas Service* – Statement of Intent of Texas Gas Service Company to Increase Gas Utility Rates within the Unincorporated Areas of the Galveston Service Area and the South Jefferson County Service Area – ADIT issues – GUD 10488 (2015)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2016 plan year), 15-GSEP-04 (2015)
- *Liberty Utilities (New England Natural Gas Company)* – Massachusetts Rate Case, DPU 15-75 Petition for Approval of a General Increase in Rates (2015)
- *Texas Gas Service* – El Paso Annual Rate Review – ADIT issues (2015)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2015)
- *Texas Gas Service* – Various Service Areas – Calculation of service-area-specific Net Operating Loss ADIT for annual Cost of Service Adjustment filings (2015)
- *Liberty Utilities (New England Natural Gas Company)* – CY2014 Targeted Infrastructure Recovery Factor Compliance Filing, DPU 15-54 (2015)
- *Liberty Utilities (New England Natural Gas Company)* – Compliance with an Act Relative to Natural Gas Leaks, 2014 Acts, Chapter 149, Section 2, (2015 plan year), DPU 14-133 (2014)
- *Texas State Natural Gas* - Statement of Intent to Increase Rates in Eagle Pass, Texas pursuant to Rate Schedule 16, Rider COSA – Cost of Service Adjustment (2014)
- *Texas Gas Service* – El Paso Annual Rate Review – ADIT issues (2014)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2014)
- *Texas Gas Service* – Various Service Areas – Development of approach and calculation of service-area-specific Net Operating Loss ADIT for annual Cost of Service Adjustment filings (2014)
- *Liberty Utilities (New England Natural Gas Company)* – CY2013 Targeted Infrastructure Recovery Factor Compliance Filing, DPU 14-82 (2014)

- *Texas State Natural Gas* - Statement of Intent to Increase Rates in Eagle Pass, Texas pursuant to Rate Schedule 16, Rider COSA – Cost of Service Adjustment (2013)
- *Texas Gas Service* – Rio Grande Valley Service Area – Statement of Intent to Change Rates (2013)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2013)
- *New England Gas Company*-CY2012 Targeted Infrastructure Recovery Factor Filing, DPU 13-77 (2013)
- *New England Gas Company*-Joint Petition for Approval of the Sale of New England Gas Company, DPU 13-07 (2013)
- *Texas State Natural Gas* - Statement of Intent to Increase Rates in Eagle Pass, Texas pursuant to Rate Schedule 16, Rider COSA – Cost of Service Adjustment (2012)
- *New England Gas Company*-Petition of New England Gas Company for the Establishment of a Regulatory Asset, DPU 12-68 (2012)
- *New England Gas Company*-CY2011 Targeted Infrastructure Recovery Factor Filing, DPU 12-37 (2012)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2012)
- *Nebraska Public Service Commission* – Gas Cost Adjustment Audit of Northwestern Energy, January 2009-April 2012; Application NG-0071 (2012)
- *New England Gas Company*-CY2010 Targeted Infrastructure Recovery Factor Compliance Filing, DPU 11-42 (2011)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2011)
- *Nebraska Public Service Commission* – Gas Cost Adjustment Audit of Black Hills Energy, January 2008-December 2010; Application NG-0066 (2011)
- *New England Gas Company* – Massachusetts Rate Case, DPU 10-114 Petition for Approval of a General Increase in Rates (2010)
- *Texas Gas Service* – Rio Grande Valley Service Area – Cost of Service Adjustment (2010)
- *Texas Gas Service* – El Paso Service Area - Statement of Intent to Change Rates (2009)
- *New England Gas Company* – DPU 09-131 Petition of New England Gas Company for approval of an Earnings Sharing Rate Adjustment (2009)
- *New England Gas Company* – DPU 09-83 Petition of New England Gas Company for approval by the Department of Public Utilities of its 2009 Pension Expense Factor filing (2009)
- *New England Gas Company* – DPU 08-66 Petition of New England Gas Company for approval by the Department of Public Utilities of its 2008 Pension Expense Factor filing (2008)
- *New England Gas Company* – DPU 08-64 Petition of New England Gas Company for approval of an earnings sharing rate adjustment (2008)
- *New England Gas Company* – Massachusetts Rate Case, DPU 08-35 Petition for Approval of a General Increase in Rates (2008)
- *Texas Gas Service* – Rio Grande Valley Service Area - Statement of Intent to Change Rates (2008)
- *Texas Gas Service* – Permian and Central Texas Regions - Expert services regarding revenue deficiency tax items (2008)
- *CoServ Gas, Ltd.* – G.U.D. 9670 - Petition for de Novo Review of the Reduction of the Gas Utility Rates of Atmos Energy Corp., Mid-Tex Division, by the Cities of Addison, Benbrook, Blue Ridge, et. al., and Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division to Change Rates in the Company’s Statewide Gas Utility System – Analytical services to support rebuttal testimony of June M. Dively regarding proposed change in rates (2006)
- *Texas Gas Service* - Statement of Intent to Increase Rates in its Rio Grande Valley Region – Expert services regarding development of various cost-of-service components (2006)
- *CoServ Gas, Ltd.* - Statement of Intent to Increase Rates in the Environs – (2006)
- *Crosstex Energy Services, Ltd.* – Compliance reporting support for Commissions in the States of Texas, Louisiana, Mississippi and Alabama (2006, 2007, 2008)
- *Crosstex Energy Services, Ltd.* – Development of processes to support regulatory requirements in connection with conversion to PeopleSoft Accounting Systems (2006)
- *CoServ Gas, Ltd.* – Functional process analysis and support pertaining to various regulatory accounting, plant, and work order system requirements for company conversion to Oracle Accounting Systems (2005).
- *Texas State Natural Gas* - Statement of Intent to Increase Rates in Eagle Pass, Texas (2005)
- *Texas State Natural Gas* - Gas distribution system acquisition due diligence review (2005)
- *Texas General Land Office* - TXU Rate Case G.U.D. 9500 (2004)
- *CoServ Gas, Ltd.* - Statement of Intent to Change Rates in 25 cities in North Texas (2004)
- *Texas Gas Service* - Statement of Intent to Change Rates - South Jefferson County, TX (2003)

- *Southern Union Gas* - Statement of Intent to Change Rates - El Paso and Andrews, TX (1999)
- *Missouri Gas Energy* - Case No. GR-98-140 General rate increase (1998)
- *Missouri Gas Energy* - Case No. GR-96-285 General rate increase (1996)
- *Southern Union Company* – Functional Requirements Project Leader - development of processes to support accounting and regulatory requirements in connection with conversion to Infinium Software Accounting Systems from separate accounting systems of Rio Grande Valley Gas Company, Missouri Gas Energy, and Southern Union Gas (1994-1996)
- *Missouri Gas Energy* - Gas system acquisition by due diligence review and accounting integration (1994)
- *Rio Grande Valley* - Gas system acquisition by due diligence review and accounting integration (1993)
- *City of Nixon Gas System* - Gas system acquisition by due diligence review and accounting integration (1992)
- *Andrews Gas Company* - Gas system acquisition by due diligence review and accounting integration (1991)
- *South Texas Utilities* - Gas system acquisition by due diligence review and accounting integration (1991)
- *Gulf States Utilities Co*– PUCT Docket No. 6525 Application for Authority to Change Rates (1986)
- *San Patricio Electric Coop*– PUCT Docket No. 6620 Petition for Authority to Change Rates (1986)
- *Fayette Electric Coop* – PUCT Docket No. 6907 Petition for Authority to Change Rates (1986)
- *El Paso Electric Company* – PUCT Docket No. 6350 Application for a General Rate Case (1985)
- *Southwest Rural Electric Association* – PUCT Docket No. 6143 Application for Tariff Revisions (1985)
- *West Texas Utilities Co*– PUCT Docket No. 5764 Application for Authority to Change Rates (1984)
- *Texas-New Mexico Power Company* – PUCT Docket No. 5568 Application for Authority to Change Rates (1984)
- *San Bernard Electric Cooperative, Inc.* – PUCT Docket No. 5467 Appl. for Authority to Change Rates (1984),
- *South Texas Electric Cooperative, Inc* – PUCT Docket No. 5440 Appl. for Tariff Revisions to Reduce Fuel Factor (1984)



STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §

**AFFIDAVIT OF JANET SIMPSON**

BEFORE ME, the undersigned authority, on this day personally appeared Janet Simpson who having been placed under oath by me did depose as follows:

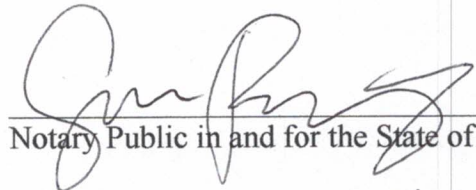
1.       “My name is Janet Simpson. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as an Accountant and Managing Member of Utility Regulatory Consulting, LLC. The facts stated herein are true and correct based upon my personal knowledge.

2.       I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge.”

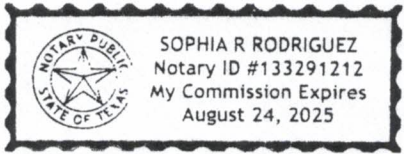
Further affiant sayeth not.

  
\_\_\_\_\_  
Janet Simpson

SUBSCRIBED AND SWORN TO BEFORE ME by the said Janet Simpson on this 6<sup>th</sup> day of June 2023.

  
\_\_\_\_\_  
Notary Public in and for the State of Texas

My commission expires: 8/24/2025



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**DR. RONALD E. WHITE**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

**PREPARED DIRECT TESTIMONY OF  
DR. RONALD E. WHITE**

1     **Q. PLEASE STATE YOUR NAME, EMPLOYER AND BUSINESS ADDRESS.**

2     A. My name is Ronald E. White. I serve as President of Foster Associates Consultants,  
3         LLC. Foster Associates is a public utility economic consulting firm. My business  
4         address is 17595 S. Tamiami Trail, Suite 260, Fort Myers, Florida 33908. A summary  
5         of my education, relevant employment experience and other professional  
6         qualifications is provided in Appendix A.

7     **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8     A. Foster Associates was engaged by Texas Gas Service (TGS), a division of ONE Gas,  
9         Inc., to conduct a 2023 Depreciation Rate Study for plant located in the Rio Grande  
10        Valley Service Area (RGVSA). Accompanying my testimony are the following  
11        exhibits:

- 12             a) Exhibit REW-1 contains the 2023 study conducted for RGVSA.  
13             b) Exhibit REW-2 contains depreciation rates, accruals and parameters  
14             for the TGS division (TGSD) approved in Case No. 00009896.

15        The purpose of my testimony is to: a) sponsor and describe the RGVSA study  
16        conducted by Foster Associates; and b) report approved depreciation rates and  
17        parameters for TGSD.

18

19     **Q. PLEASE EXPLAIN WHY DEPRECIATION STUDIES ARE NEEDED FOR**  
20        **ACCOUNTING AND RATEMAKING PURPOSES.**

21     A. The goal of depreciation accounting is to charge to operations a reasonable estimate  
22        of the cost of the service potential of an asset (or group of assets) consumed during an  
23        accounting interval. The service potential (or future economic benefit) of an asset is  
24        the present value of future net revenue (*i.e.*, revenue less expenses exclusive of  
25        depreciation and other noncash expenses) or cash inflows attributable to the use of



1 that asset alone. A number of depreciation systems have been developed to achieve  
2 this objective, most of which employ time as the apportionment base.

3 Implementation of a time-based (or age-life system) of depreciation accounting  
4 requires the estimation of several parameters or statistics related to a plant account.  
5 The average service life of a vintage, for example, is a statistic that will not be  
6 known with certainty until all units from the original placement have been retired  
7 from service. A vintage average service life, therefore, must be estimated initially  
8 and periodically revised as indications of the eventual average service life becomes  
9 more certain. Future net salvage rates and projection curves, which describe the  
10 expected distribution of retirements over time, are also estimated parameters of a  
11 depreciation system that are subject to future revisions. Depreciation studies should  
12 be conducted periodically to assess the continuing reasonableness of parameters and  
13 accrual rates derived from prior estimates.

14 The need for periodic depreciation studies is also a derivative of the ratemaking  
15 process which establishes prices for utility services based on costs. Absent  
16 regulation, deficient or excessive depreciation rates will produce no adverse  
17 consequence other than a systematic over or understatement of an accounting  
18 measurement of earnings. While a continuance of such practices may not comport  
19 with the goals of depreciation accounting, the achievement of capital recovery is not  
20 dependent upon either the amount or the timing of depreciation expense for an  
21 unregulated entity. In the case of a regulated utility, however, recovery of investor-  
22 supplied capital is dependent upon allowed revenues, which are in turn dependent  
23 upon approved levels of depreciation expense. Periodic reviews of depreciation rates  
24 are, therefore, essential to the achievement of timely capital recovery for a regulated  
25 utility.

26 It is also important to recognize that revenue associated with depreciation is a  
27 significant source of internally generated funds used to finance plant replacements  
28 and new capacity additions. This is not to suggest that internal cash generation  
29 should be substituted for the goals of depreciation accounting. However, the  
30 potential for realizing a reduction in the marginal cost of external financing provides

1 an added incentive for conducting periodic depreciation studies and adopting proper  
2 depreciation rates.<sup>1</sup>

3 **Q. PLEASE DESCRIBE THE PRINCIPAL ACTIVITIES UNDERTAKEN IN**  
4 **CONDUCTING A DEPRECIATION STUDY.**

5 A. The first step in conducting a depreciation study is the collection of plant accounting  
6 data needed to conduct a statistical analysis of past retirement experience. Data are  
7 also collected to permit an analysis of the relationship between retirements and  
8 realized gross salvage and cost of removal. The data collection phase should include a  
9 verification of the accuracy of the plant accounting records and a reconciliation of the  
10 assembled data to the official plant records of the company.

11 The next step in a depreciation study is the estimation of service life statistics  
12 from an analysis of past retirement experience. The term *life analysis* is used to  
13 describe the activities undertaken in this step to obtain a mathematical description of  
14 the forces of retirement acting upon a plant category. The mathematical expressions  
15 used to describe these forces are known as survival functions or survivor curves.

16 Life indications obtained from an analysis of past retirement experience are  
17 blended with expectations about the future to obtain an appropriate projection life  
18 and curve descriptive of the parent population from which a plant account is viewed  
19 as a random sample. This step, called *life estimation*, is concerned with predicting  
20 the expected remaining life of property units still exposed to the forces of retirement.  
21 The amount of weight given to the analysis of historical data will depend upon the  
22 extent to which past retirement experience is considered descriptive of the future.

23 An estimate of net salvage rates applicable to future retirements is most often  
24 obtained from an analysis of gross salvage and cost of removal realized in the past.  
25 An analysis of past experience (including an examination of trends over time)  
26 provides a baseline for estimating future salvage and cost of removal. Consideration,  
27 however, should be given to events that may cause deviations from net salvage

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<sup>1</sup> I do not discuss nor have I considered whether other regulatory or public policy goals should influence or be reflected in establishing depreciation rates. Such considerations remain the prerogative of the regulatory agency responsible for determining appropriate depreciation rates.

1 realized in the past. Among the factors that should be considered are the age of plant  
2 retirements; the portion of retirements that will be reused; changes in the method of  
3 removing plant; the type of plant to be retired in the future; inflation expectations;  
4 the shape of the projection life curve; and economic conditions that may warrant  
5 greater or lesser weight to be given to the net salvage observed in the past.

6 A comprehensive depreciation study will also include an analysis of the adequacy  
7 of recorded depreciation reserves. The purpose of such an analysis is to compare  
8 current recorded reserve balances with the balances required to achieve the goals and  
9 objectives of depreciation accounting if the amount and timing of future retirements  
10 and net salvage are realized exactly as predicted. The difference between required (or  
11 theoretical) reserves and recorded reserves provides a measurement of the expected  
12 excess or shortfall that will remain in the depreciation reserves if corrective action is  
13 not taken to extinguish the reserve imbalances.

14 Although reserve records are typically maintained by various account  
15 classifications, the sum of all reserves is the most important indicator of the  
16 adequacy (or inadequacy) of recorded depreciation reserves. Differences between  
17 theoretical and recorded reserves will arise as a normal occurrence when service  
18 lives, dispersion patterns and net salvage estimates are adjusted in the course of  
19 depreciation reviews. Differences will also arise due to plant accounting activity  
20 such as transfers and adjustments requiring an identification of reserves at a different  
21 level from that maintained in the accounting system. It is appropriate, therefore, and  
22 consistent with group depreciation theory, to periodically redistribute or rebalance  
23 recorded reserves among primary accounts based on the most recent estimates of  
24 retirement dispersion and net salvage rates. A redistribution of recorded reserves will  
25 provide an initial reserve balance for each primary account consistent with the  
26 estimates of retirement dispersion selected to describe mortality characteristics of the  
27 accounts and establish a baseline against which future comparisons can be made.

1 Finally, parameters estimated from service life and net salvage studies are  
 2 integrated into an appropriate formulation of an accrual rate based upon a selected  
 3 depreciation system. Three elements are needed to describe a depreciation system.  
 4 The sub-elements most widely used in constructing a depreciation system are shown  
 5 in Figure 1 below.

Methods	Procedures	Techniques
Retirement	Total Company	Whole-Life
Compound-Interest	Broad Group	Remaining-Life
Sinking-Fund	Vintage Group	Probable-Life
Straight-Line	Equal-Life Group	
Declining Balance	Unit Summation	
Sum-of-Years'-Digits	Item	
Expensing		
Unit-of-Production		
Net Revenue		

**Figure 1. Elements of a Depreciation System**

6 The elements (*i.e.*, method, procedure and technique) can be visualized as three  
 7 dimensions of a cube in which each face describes a variety of sub-elements that can  
 8 be combined to form a system. A depreciation system is therefore formed by  
 9 selecting a sub-element from each face such that the system contains one method,  
 10 one procedure and one technique.

11  
 12 **Q. PLEASE DESCRIBE THE SCOPE OF THE 2023 RGVSA DEPRECIATION**  
 13 **STUDY.**

14 A. In the interest of consistency and to avoid re-estimating statewide parameters  
 15 estimated by Foster Associates in 2022, the current RGVSA study retains the  
 16 statewide parameters found by the Commission in Case No. 9896 to be “just and  
 17 reasonable.” Depreciation rates for RGVSA, however, are derived from age  
 18 distributions of surviving plant, recorded depreciation reserves and average net  
 19 salvage rates specific to the service area on December 31, 2022.

20 **Q. PLEASE DESCRIBE THE SOURCE OF DEPRECIATION RATES**  
 21 **CURRENTLY USED BY TGS FOR THE RGVSA.**

1 A. Current depreciation rates for RGVSA were derived in a 2017 update of rates  
2 developed in a 2015 study approved by the Commission pursuant to a Unanimous  
3 Settlement Agreement in GUD No. 10656 (Final Order dated March 21, 2018). The  
4 2017 update retained projection curves, projection lives and future net salvage rates  
5 estimated in a 2015 study and approved in GUD 10506 (Order Dated September 27,  
6 2016).

7 **Q. DID TGS PROVIDE FOSTER ASSOCIATES PLANT ACCOUNTING DATA**  
8 **FOR CONDUCTING THE 2023 RGVSA DEPRECIATION STUDY?**

9 A. Yes. The statewide database used in conducting the 2022 study in Case No. 9896 was  
10 assembled by appending 2019–2021 plant and reserve activity to the statewide data  
11 base used in conducting a 2019 study for the Central-Gulf Service Area (CGSA).  
12 Detailed accounting entries were assigned transaction codes to identify the nature of  
13 the accounting activity. Transaction codes for plant additions, for example, were used  
14 to distinguish normal additions from acquisitions, purchases, reimbursements and  
15 adjustments. Similar transaction codes were used to distinguish normal retirements  
16 from sales, reimbursements, abnormal retirements and adjustments. Transaction  
17 codes are also assigned to transfers, gross salvage, cost of removal and other recorded  
18 accounting activity.

19 Age distributions on December 31, 2022 for RGVSA were derived by Foster  
20 Associates in a forward–flow calculation in which accounting activity was appended  
21 to the database used in conducting the 2022 study in Case No. 9896. Derived age  
22 distributions on December 31, 2022 were reconciled to the continuing property  
23 records of TGS.

24 **Q. DID FOSTER ASSOCIATES CONDUCT STATISTICAL LIFE STUDIES FOR**  
25 **TGS PLANT AND EQUIPMENT?**

26 A. Yes, in the 2022 study. As noted above, parameters (*i.e.*, projection curves, projection  
27 lives and future net salvage rates) recommended for RGVSA were estimated in a  
28 2022 combined analysis of all (*i.e.*, statewide) TGS Service Areas. The 2022 study  
29 (based on year–end 2021 plant and reserve balances) was filed with the Railroad

1 Commission of Texas on June 30, 2022 and docketed as Case No. OS-22-00009896.  
2 Life analysis and estimation studies conducted in the 2022 study are described in  
3 Exhibit REW-1.

4 **Q. DID FOSTER ASSOCIATES ESTIMATE FUTURE NET SALVAGE RATES**  
5 **FOR TGS PLANT AND EQUIPMENT?**

6 A. Yes. Future net salvage rates were estimated in the 2022 study, as described in  
7 Exhibit REW-1, and retained in the 2023 RGVSA study. The derivation of average  
8 net salvage rates for RGVSA on December 31, 2022 is contained in Exhibit REW-1,  
9 Statement E.

10 **Q. DID FOSTER ASSOCIATES CONDUCT AN ANALYSIS OF RECORDED**  
11 **DEPRECIATION RESERVES IN THE 2023 STUDY?**

12 A. Yes. Exhibit REW-1, Statement C provides a comparison of recorded, computed and  
13 redistributed reserves at December 31, 2022. The recorded reserve for RGVSA was  
14 \$29,908,254 or 13.5 percent of the depreciable plant investment. The corresponding  
15 computed reserve is \$43,910,022 or 19.9 percent of the depreciable plant investment.  
16 A proportionate amount of the measured reserve imbalance of \$14,001,768 will be  
17 amortized over the composite weighted-average remaining life of each rate category  
18 using the remaining life depreciation rates proposed in this study.

19 Recorded reserves for the TGS Division on December 31, 2021 were set equal to  
20 computed reserves of \$2,569,342 or 24.9 percent of the amortizable plant  
21 investment. The equivalency between recorded and computed reserves was achieved  
22 by transferring recorded reserves in proportion to customer counts, from Account  
23 390.10 (Structures and Improvements) from each service area in which investments  
24 were recorded in Account 390.10. The amount of reserve transferred to the TGS  
25 Division from RGVSA was \$44,612.

26 **Q. DID FOSTER ASSOCIATES REBALANCE DEPRECIATION RESERVES IN**  
27 **THE 2023 STUDY?**

1 A. Yes. A rebalancing of recorded reserves is consistent with the objectives of  
2 depreciation accounting and Railroad Commission precedent.<sup>2</sup> Offsetting reserve  
3 imbalances attributable to both the passage of time and parameter adjustments  
4 recommended in the current study should be realigned among primary accounts to  
5 reduce offsetting imbalances and increase depreciation rate stability. Recorded  
6 reserves should also be realigned to eliminate reserve imbalances created by the  
7 implementation of amortization accounting.

8 Recorded reserves were rebalanced by multiplying the calculated reserve for each  
9 primary account by the ratio of total recorded reserves to total calculated reserves.  
10 The sum of redistributed reserves is, therefore, equal to total recorded reserves  
11 before redistribution. Reserves for amortizable categories were adjusted by replacing  
12 recorded reserves with current measured theoretical reserves and distributing any  
13 reserve imbalances to depreciable categories.

14 **Q. PLEASE DESCRIBE THE DEPRECIATION SYSTEM USED TO DEVELOP**  
15 **CURRENT DEPRECIATION RATES FOR RGVSA.**

16 A. With the exception of selected general support asset categories for which  
17 amortization accounting has been approved, TGS is currently using a depreciation  
18 system composed of the straight-line method, vintage group procedure and  
19 remaining-life technique for all depreciable rate categories in RGVSA and TGSD.  
20 Amortization accounting is used for general plant categories in which the unit cost of  
21 plant items is small in relation to the number of units classified in the account. Plant  
22 is retired (*i.e.*, credited to plant and charged to the reserve) as each vintage achieves  
23 an age equal to the amortization period. Any realized net salvage for amortizable  
24 accounts is netted against current-year vintage additions.

25 The formulation of an account accrual rate using the vintage-group procedure is  
26 given by:

$$\text{Accrual Rate} = \frac{1.0 - \text{Reserve Ratio} - \text{Future Net Salvage Rate}}{\text{Remaining Life}}.$$

---

<sup>2</sup> See, for example, GUD Nos. 9988, 10506, 10526 and Case No. 00009896.

1 A remaining-life rate is equivalent to the sum of a whole-life rate and an  
 2 amortization of any reserve imbalance over the estimated remaining life of a rate  
 3 category. Stated as an equation, a remaining-life accrual rate is equivalent to:

$$\text{Accrual Rate} = \frac{1.0 - \text{Average Net Salvage}}{\text{Average Life}} + \frac{\text{Computed Reserve} - \text{Recorded Reserve}}{\text{Remaining Life}}$$

4 where both the computed reserve and the recorded reserve are expressed as ratios to  
 5 the plant in service. Depreciation rates recommended in the 20235 study were  
 6 developed using the currently approved system composed of the straight-line  
 7 method, vintage group procedure and remaining-life technique.

8 **Q. PLEASE SUMMARIZE THE DEPRECIATION RATES AND ACCRUALS**  
 9 **RECOMMENDED FOR RGVSA IN THE 2023 STUDY.**

10 A. Table 1 below provides a summary of the changes in annual rates and accruals  
 11 resulting from adoption of the parameters and depreciation rates recommended for  
 12 RGVSA.

Function	Accrual Rates			2023 Annualized Accrual		
	Current	Proposed	Difference	Current	Proposed	Difference
A	B	C	D=C-B	E	F	G=F-E
<i>Transmission</i>	2.89%	2.95%	0.06%	\$ 1,170,436	\$ 1,193,414	\$ 22,978
<i>Distribution</i>	2.56%	3.17%	0.61%	4,171,974	5,164,514	992,541
<i>General Plant</i>	7.98%	6.28%	-1.70%	1,430,513	1,125,288	(305,226)
<b>TOTAL PLANT</b>	3.06%	3.38%	0.32%	\$ 6,772,923	\$ 7,483,216	\$ 710,293

**Table 1. Rio Grande Valley Service Area**

13 Primary account depreciation rates equivalent to a composite rate of 3.38 percent  
 14 are recommended for RGVSA. Depreciation expense is currently accrued at rates  
 15 that composite to 3.06 percent. The recommended change in the composite  
 16 depreciation rate is an increase of 0.32 percentage points. A continued application of  
 17 current rates would produce an annualized depreciation expense of \$6,772,923  
 18 compared with an annualized expense of \$7,483,216 using the rates recommended in  
 19 this study. The resulting 2023 expense increase is \$710,293. The computed change in  
 20 annualized accruals includes an increase of \$402,361 attributable to an amortization  
 21 of a \$14,001,768 reserve imbalance. The remaining portion of the change is  
 22 attributable to adjustments in service life and net salvage statistics recommended in



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the 2023 study. Of the 22 plant accounts included in RGVSA, rate reductions are recommended for 5 accounts, rate increases for 13 accounts and no rate change for 4 accounts.

**Q. PLEASE DESCRIBE THE CONTENT OF EXHIBIT REW-2.**

A. Exhibit REW-2 contains depreciation rates, annual depreciation accruals, recorded, computed and redistributed depreciation reserves, and service life and net salvage parameters approved for TGSD in Case No. 00009896. The purpose of the exhibit is to provide the source of depreciation rates approved for TGSD and retained in this proceeding.

**Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

A. Yes, it does.

# 2023 Depreciation Rate Study



*– Rio Grande Valley*



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## EXECUTIVE SUMMARY

### INTRODUCTION

This report presents findings and recommendations developed in a 2023 depreciation study conducted for gas plant owned and operated by Texas Gas Service (TGS), a division of ONE Gas, Inc., and located in the Rio Grande Valley Service Area (RGVSA).

Foster Associates is a public utility economic consulting firm offering economic research and consulting services on issues and problems arising from governmental regulation of business. Areas of specialization supported by the firm's Fort Myers office include property service-life forecasting, technological forecasting, depreciation estimation, and valuation of industrial property.

Foster Associates has undertaken numerous depreciation engagements for both public and privately owned businesses including detailed statistical life studies, analyses of required net salvage rates, and the selection of depreciation systems that will most nearly achieve the goals of depreciation accounting under the constraints of either government regulation or competitive market pricing. Foster Associates is widely recognized for industry leadership in the development of depreciation systems, life analysis techniques and computer software for conducting depreciation and valuation studies.

Parameters (*i.e.*, projection curves, projection lives and future net salvage rates) recommended for RGVSA were derived in a 2022 combined analysis of all (*i.e.*, statewide) TGS Service Areas. The 2022 study (based on year-end 2021 plant and reserve balances) was filed with the Railroad Commission of Texas on June 30, 2022 and docketed as Case No. OS-22-00009896. A Final Order was issued on January 19, 2023 with the following Findings of Fact regarding statewide parameters and depreciation rates for West-North Texas, Fort Bliss and the TGS Division:

1. TGS's proposed depreciation rate for Account 367 - Transmission Mains based on a 60- year service life (L 1-60) is just and reasonable.
2. TGS's proposed depreciation rate for Account 376 - Distribution Mains based on a 67-year service life (R2-67) is just and reasonable.
3. TGS's proposed depreciation rate for Account 378 - M&R based on a 60-year service life (R1-60) is just and reasonable.
4. TGS's proposed depreciation rate for Account 380 - Services based on a 55-year service life (R2-55) is just and reasonable.
5. TGS's proposed depreciation rate for Account 383 - House Regulators based on a 35-year service life (R3-35) is just and reasonable.
6. TGS's proposed net salvage rates are just and reasonable.
7. TGS's proposed depreciation and amortization rates for distribution and general plant in the WNSA, as well as TGS Division plant and Fort Bliss plant depreciation rates, are just and reasonable.

In the interest of consistency and to avoid re-estimating statewide parameters estimated by Foster Associates in 2022, the current RGVSA study retains the statewide parameters found by the Commission in Case No. 9896 to be “just and reasonable.” It is also the opinion of Foster Associates that forces of retirement acting upon TGS plant and equipment have not changed measurably in the year 2022 to warrant a reexamination of statewide parameters approved in 2023. Depreciation rates for the RGVSA, however, are derived from age distributions of surviving plant, recorded depreciation reserves and average net salvage rates specific to the service area on December 31, 2022. Depreciation rates for the TGS division (TGSD) are those derived in the 2022 study and approved in Case No. 9896.

Current depreciation rates for RGVSA were derived in a 2017 update of rates developed in a 2015 study approved by the Commission pursuant to a Unanimous Settlement Agreement in GUD No. 10656 (Final Order dated March 21, 2018). The 2017 update retained projection curves, projection lives and future net salvage rates estimated in a 2015 study and approved in GUD 10506 (Order Dated September 27, 2016).

The principal findings and recommendations of the 2023 RGVSA study are summarized in Section IV (Statements) of this report. Statement A provides a comparative summary of current and proposed annual depreciation rates for each rate category. Statement B provides a comparison of current and proposed annual depreciation accruals. Statement C provides a comparison of computed, recorded and redistributed depreciation reserves for each rate category. Statement D provides a summary of the investment and net salvage components of rebalanced reserves. Statement E provides a summary of the components used to obtain weighted-average net salvage rates. Statement F provides a comparative summary of current and proposed parameters including projection life, projection curve and future net salvage rates. Statement F also contains current and proposed statistics including average service lives, average remaining lives, and average net salvage rates.

### **SCOPE OF STUDY**

The principal activities undertaken in the course of the current study included:

- Collection of plant and net salvage data;
- Reconciliation of data to Company official records;
- Discussions with TGS plant accounting personnel;
- Analysis and redistribution of recorded depreciation reserves; and
- Development of recommended accrual rates for each rate category.

### **DEPRECIATION SYSTEM**

A depreciation rate is formed by combining the elements of a depreciation system. A depreciation system is composed of a method, a procedure and a technique. A depreciation method (*e.g.*, straight-line) describes the component of the system that

determines the acceleration or deceleration of depreciation accruals in relation to either time or use. A depreciation procedure (e.g., vintage group) identifies the level of grouping or sub-grouping of assets within a plant category. The level of grouping specifies the weighting used to obtain composite life statistics for a plant category. A depreciation technique (e.g., remaining-life) describes the life statistic used in the system.

With the exception of selected general support asset categories for which amortization accounting has been adopted, TGS is currently using a depreciation system composed of the straight-line method, vintage group procedure and remaining-life technique for all rate categories in RGVSA and the TGS Division. Amortization accounting is used for general plant categories in which the unit cost of plant items is small in relation to the number of units classified in the account. Plant is retired (i.e., credited to plant and charged to the reserve) as each vintage achieves an age equal to the amortization period. Any realized net salvage for amortizable accounts is netted against current-year vintage additions.

Depreciation theory provides that the cost of an asset (or group of assets) should be allocated to operations over an estimate of the economic life of the asset in proportion to the consumption of service potential. It is the opinion of Foster Associates that the objectives of depreciation accounting are being achieved using the currently approved vintage-group procedure, which distinguishes service lives among vintages, and the remaining-life technique, which provides cost apportionment over the estimated weighted-average remaining life of a rate category. It is also the opinion of Foster Associates that amortization accounting remains appropriate for the currently approved amortization categories.

### PROPOSED DEPRECIATION RATES

Table 1 below contains a summary of the changes in annual rates and accruals resulting from an application of the parameters and depreciation rates recommended for RGVSA.

Function	Accrual Rates			2023 Annualized Accrual		
	Current	Proposed	Difference	Current	Proposed	Difference
A	B	C	D=C-B	E	F	G=F-E
Transmission	2.89%	2.95%	0.06%	\$ 1,170,436	\$ 1,193,414	\$ 22,978
Distribution	2.56%	3.17%	0.61%	4,171,974	5,164,514	992,541
General Plant	7.98%	6.28%	-1.70%	1,430,513	1,125,288	(305,226)
<b>TOTAL UTILITY PLANT</b>	<b>3.06%</b>	<b>3.38%</b>	<b>0.32%</b>	<b>\$ 6,772,923</b>	<b>\$ 7,483,216</b>	<b>\$ 710,293</b>

Table 1. Rio Grande Valley Service Area

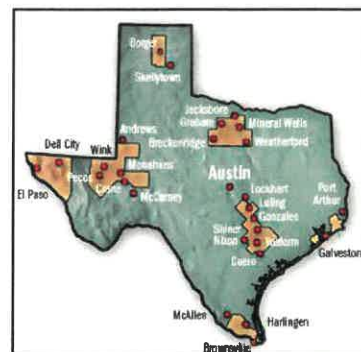
Primary account depreciation rates equivalent to a composite rate of 3.38 percent are recommended for RGVSA. Depreciation expense is currently accrued at rates that composite to 3.06 percent. The recommended change in the composite depreciation rate is an increase of 0.32 percentage points.

A continued application of current rates would produce an annualized depreciation expense of \$6,772,923 compared with an annualized expense of \$7,483,216 using the rates recommended in this study. The resulting 2023 expense increase is \$710,293. The computed change in annualized accruals includes an increase of \$402,361 attributable to an amortization of a \$14,001,768 reserve imbalance. The remaining portion of the change is attributable to adjustments in service life and net salvage statistics recommended in the 2023 study. Of the 22 plant accounts included in RGVSA, rate reductions are recommended for 5 accounts, rate increases for 13 accounts and no rate change for 4 accounts.

## COMPANY PROFILE

### GENERAL

Texas Gas Service is a division of Tulsa-based ONE Gas, Inc. (NYSE: OGS), one of the largest publicly traded, 100 percent-regulated natural gas utilities in the United States. ONE Gas provides natural gas distribution services to more than 2 million customers in Oklahoma, Kansas and Texas. Headquartered in Tulsa, Oklahoma, its companies include the largest natural gas distributor in Oklahoma and Kansas, and the third largest in Texas, in terms of customers.



ONE Gas is a successor to the company founded in 1906 as Oklahoma Natural Gas Company, and became ONEOK, Inc. (NYSE: OKE) in 1980. ONEOK separated its natural gas distribution business in 2014 to create ONE Gas, Inc.

Texas Gas Service was founded in Wink, Texas in 1929 as Southern Union Gas. The Company grew to become the third largest natural gas distribution company in Texas. In January 2003, ONEOK purchased these Texas assets and named the distribution company Texas Gas Service Company.

### GAS UTILITY OPERATIONS

By December 31, 2021, Texas Gas Service owned and operated approximately 10,720 miles of distribution mains and 309 miles of transmission mains. The distribution system consists of 5,343 miles of cathodically protected pipe, 463 miles of unprotected steel pipe, 24 miles of cast/wrought iron and 4,890 miles of plastic mains. All transmission mains are cathodically protected.

At the end of 2021, Texas Gas Service maintained 697,577 service lines consisting of 48,299 unprotected lines, 227,764 cathodically protected lines, 145 copper lines and 384,158 plastic lines.

The Company owns and operates 152 city gate stations serving wholesale and retail customers. A total of 20 service centers are located in Central-Gulf Texas, West-North Texas, Rio Grande Valley and Fort Bliss.

The majority of natural gas supply is provided under contracts from a number of suppliers awarded through a competitive bid process. The remainder of natural gas supply is purchased from a combination of direct wellhead production, natural gas processing plants, natural gas marketers and production companies.

### CUSTOMER BASE

Texas Gas Service provides natural gas service to over 690,267 customers including residential, commercial, industrial, and transportation in more than 100 communities.



product from the proportion surviving at the beginning of the same interval. The annual-rate method is applied to multiple groups or vintages by combining the retirements and/or survivors of like ages for each vintage included in the analysis.

The second step in an actuarial analysis involves graduating or smoothing the observed life table and fitting the smoothed series to a family of survival functions. The functions used in the 2022 study are the Iowa-type curves mathematically described by the Pearson frequency curve family. Observed life tables were smoothed by a weighted least-squares procedure in which first, second- and third-degree orthogonal polynomials were fitted to the observed retirement ratios. The resulting function was expressed as a survivorship function and numerically integrated to obtain an estimate of the projection life for each plant account. Observed proportions surviving were then fitted by a weighted least-squares procedure to the Iowa-curve family (using the projection life derived from the polynomial hazard function) to obtain a mathematical description or classification of the dispersion characteristics of the data. Service life indications derived from the statistical analyses were blended with informed judgment and expectations about the future to obtain an appropriate projection life and curve for each plant category.

The set of computer programs used in the TGS study provides multiple rolling-band and shrinking-band analyses of an account. Observation bands are defined for a "retirement era" that restricts the analysis to retirement activity of all vintages represented by survivors at the beginning of a selected era. In a rolling-band analysis, a year of retirement experience is added to each successive retirement band and the earliest year from the preceding band is dropped. A shrinking-band analysis begins with the total retirement experience available and the earliest year from the preceding band is dropped for each successive band. A progressive-band analysis adds a year of retirement activity to a previous band without dropping earlier years from the analysis. Rolling, shrinking and progressive band analyses are used to detect the emergence of trends in the behavior of the dispersion and projection life.

Options available in the actuarial life analysis program include the width and location of both placement and observation bands; the interval of years included in a selected band analysis; the estimator of the hazard rate (actuarial, conditional proportion retired, or maximum likelihood); the elements to include on the diagonal of a weight matrix (exposures, inverse of age, inverse of variance, or unweighted); and the age at which an observed life table is truncated. The program also provides tabular and graphics output and algorithms for calculating depreciation rates and accruals.

While actuarial and semi-actuarial statistical methods are well suited to an analysis of plant categories containing a large number of homogeneous units (*e.g.*, meters and services), retirement dispersion is also exhibited in plant categories composed of major items of plant that will most likely be retired as a single unit. Property units retired from an integrated system prior to the retirement of the entire facility

Life analysis and life estimation are terms used to describe a two-step procedure for estimating the mortality characteristics of a plant category. The first step (*i.e.*, life analysis) is largely mechanical and primarily concerned with history. Statistical techniques are used in this step to obtain a mathematical description of the forces of retirement acting upon a plant category and an estimate of the *projection life* of the account. The mathematical expressions used to describe these life characteristics are known as *survival functions* or *survivor curves*.

The second step (*i.e.*, life estimation) is concerned with predicting the expected remaining life of property units still exposed to forces of retirement. It is a process of blending the results of a life analysis with informed judgment (including expectations about the future) to obtain an appropriate projection life and curve descriptive of the parent population from which a plant account is viewed as a random sample. The amount of weight given to a life analysis will depend upon the extent to which past retirement experience is considered descriptive of the future.

The analytical methods used in a life analysis are broadly classified as actuarial and semi-actuarial techniques. Actuarial techniques can be applied to plant accounting records that reveal the age of a plant asset at the time of its retirement from service. Stated differently, each property unit must be identifiable by date of installation and age at retirement. Semi-actuarial techniques can be used to derive service life and dispersion estimates when age identification of retirements is not maintained or readily available. Age identification of retirements was available for all plant accounts contained in the 2022 study.

An actuarial life analysis program designed and developed by Foster Associates was used in this study. The first step in an actuarial analysis involves a systematic treatment of the available data for the purpose of constructing an observed life table. A complete life table contains the life history of a group of property units installed during the same accounting period and various probability relationships derived from the data. A life table is arranged by age-intervals (usually defined as one year) and shows the number of units (or dollars) entering and leaving each age-interval and probability relationships associated with this activity. A life table minimally shows the age of each survivor and the age of each retirement from a group of units installed in a given accounting year.

A life table can be constructed in any one of at least five methods. The annual-rate or retirement-rate method was used in this study. The mechanics of the annual-rate method require the calculation of a series of ratios obtained by dividing the number of units (or dollars) surviving at the beginning of an age interval into the number of units (or dollars) retired during the same interval. This so-called "retirement ratio" (or set of ratios) is an estimator of the hazard rate or conditional probability of retirement during an age interval. The cumulative proportion surviving is obtained by multiplying the retirement ratio for each age interval by the proportion of the original group surviving at the beginning of that age interval and subtracting this

product from the proportion surviving at the beginning of the same interval. The annual-rate method is applied to multiple groups or vintages by combining the retirements and/or survivors of like ages for each vintage included in the analysis.

The second step in an actuarial analysis involves graduating or smoothing the observed life table and fitting the smoothed series to a family of survival functions. The functions used in the 2022 study are the Iowa-type curves mathematically described by the Pearson frequency curve family. Observed life tables were smoothed by a weighted least-squares procedure in which first, second- and third-degree orthogonal polynomials were fitted to the observed retirement ratios. The resulting function was expressed as a survivorship function and numerically integrated to obtain an estimate of the projection life for each plant account. Observed proportions surviving were then fitted by a weighted least-squares procedure to the Iowa-curve family (using the projection life derived from the polynomial hazard function) to obtain a mathematical description or classification of the dispersion characteristics of the data. Service life indications derived from the statistical analyses were blended with informed judgment and expectations about the future to obtain an appropriate projection life and curve for each plant category.

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While actuarial and semi-actuarial statistical methods are well suited to an analysis of plant categories containing a large number of homogeneous units (*e.g.*, meters and services), retirement dispersion is also exhibited in plant categories composed of major items of plant that will most likely be retired as a single unit. Property units retired from an integrated system prior to the retirement of the entire facility

are viewed as “interim” retirements that will be replaced in order to maintain the integrity of the system. Plant facilities may also be added to the existing system (*i.e.*, interim additions) in order to expand or enhance its productive capacity without extending the service life of the existing system. A proper depreciation rate can be developed for an integrated system using a life–span method. All plant accounts were treated as full mortality categories in the TGS study.

### **NET SALVAGE ANALYSIS**

Net Salvage Analyses were described in the 2022 TGS study as follows:

Depreciation rates designed to achieve the goals and objectives of depreciation accounting will include a parameter for future net salvage and a variable for average net salvage reflecting both realized and future net salvage rates.

Estimates of net salvage rates applicable to future retirements are most often derived from an analysis of gross salvage and cost of removal realized in the past. An analysis of past experience (including an examination of trends over time) provides a basis for estimating future salvage and cost of removal. However, consideration should also be given to events that may cause deviations from net salvage realized in the past. Among the factors that should be considered are: the age of plant retirements; the portion of retirements likely to be reused; changes in the method of removing plant; the type of plant to be retired in the future; inflation expectations; the shape of the projection life curve; and economic conditions that may warrant greater or lesser weight to be given to net salvage rates observed in the past.

Special consideration should also be given to the treatment of insurance proceeds and other forms of third–party reimbursements credited to the depreciation reserve. A properly conducted net salvage study will exclude such activity from the estimate of future parameters and include the activity in the computation of realized and average net salvage rates.

A five–year moving average analysis of the ratio of realized salvage and cost of removal to the associated retirements was used in the 2022 study to: a) estimate realized net salvage rates; b) detect the emergence of historical trends; and c) establish a basis for estimating future net salvage rates. Cost of removal and salvage opinions obtained from Company personnel were blended with judgment and historical net salvage indications in developing estimates of the future.

Average net salvage rates are derived from a direct dollar weighting of a) historical retirements with historical (or realized) net salvage rates and b) future retirements (*i.e.*, surviving plant) with the estimated future net salvage rate. Average net salvage rates will change, therefore, as additional years of retirement and net salvage activity become available and as the weighting of future net salvage estimates changes from the installation of subsequent plant additions.

## **DEPRECIATION RESERVE ANALYSIS**

The purpose of a depreciation reserve analysis is to compare the current level of recorded reserves with the level required to achieve the goals or objectives of depreciation accounting if the amount and timing of future retirements and net salvage are realized as predicted. The difference between a required (or theoretical) depreciation reserve and a recorded reserve provides a measurement of the expected excess or shortfall that will remain in the depreciation reserve if corrective action is not taken to eliminate the reserve imbalance.

Unlike a recorded reserve which represents the net amount of depreciation expense charged to previous periods of operations, a theoretical reserve is a measurement of the implied reserve requirement at the beginning of a study year if the timing of future retirements and net salvage is in exact conformance with a survivor curve chosen to predict the probable life of property still exposed to the forces of retirement. Stated differently, a theoretical depreciation reserve is the difference between the recorded cost of plant presently in service and the sum of depreciation expense and net salvage that will be charged in the future if retirements are distributed over time according to a specified retirement frequency distribution.

The survivor or projection curve used in the calculation of a theoretical depreciation reserve is intended to describe forces of retirement that will be operative in the future. However, retirements caused by forces such as accidents, physical deterioration and changing technology seldom, if ever, remain stable over time. It is unlikely, therefore, that a probability or retirement frequency distribution can be identified that will accurately describe the age of plant retirements over the complete life cycle of multiple vintages. It is for this reason that depreciation rates should be reviewed periodically and adjusted for observed or anticipated changes in the parameters chosen to describe the underlying forces of retirement.

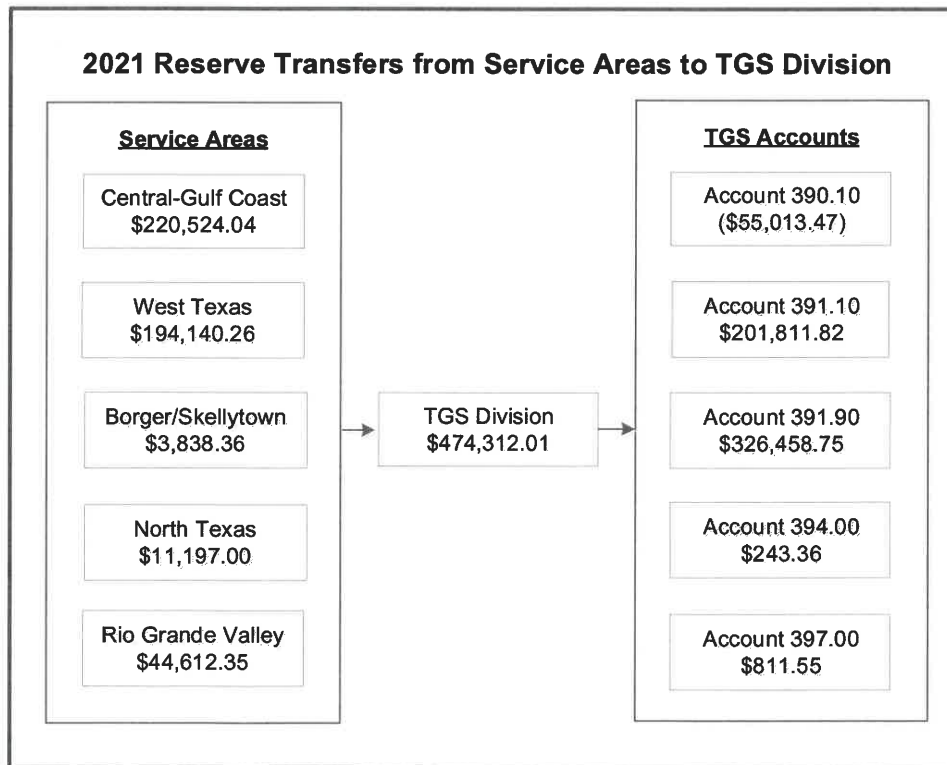
Although reserve records are commonly maintained by various account classifications, the total recorded reserve in relation to the sum of account computed reserves is the most important indicator of the adequacy (or inadequacy) of recorded reserves. When depreciation rates are derived from settlements or other Commission directives, some accounts may appear over-depreciated and other accounts may appear under-depreciated relative to calculated or theoretical reserves. Differences between theoretical and recorded reserves will also arise as a normal occurrence when service lives, dispersion patterns and net salvage estimates are adjusted in the course of conducting depreciation reviews.

A redistribution of recorded reserves is considered appropriate for RGVSA at this time. Offsetting reserve imbalances attributable to both the passage of time and recommended parameter adjustments recommended in the current study should be realigned among primary accounts to reduce offsetting imbalances and increase depreciation rate stability.

Recorded reserves were rebalanced by multiplying the calculated reserve for each primary account within a function by the ratio of the total recorded reserves to the calculated reserve. The sum of the redistributed reserves is, therefore, equal to the total recorded depreciation reserve before the redistribution. Reserves for general amortizable categories were adjusted by replacing recorded reserves with current theoretical reserves and distributing reserve imbalances to depreciable categories.

Statement C provides a comparison of recorded, computed and redistributed reserves on December 31, 2022. The recorded reserve for RGVSA was \$29,908,254 or 13.5 percent of the depreciable plant investment. The corresponding computed reserve is \$43,910,022 or 19.9 percent of the depreciable plant investment. A proportionate amount of the measured reserve imbalance of \$14,001,768 will be amortized over the composite weighted-average remaining life of each rate category using the remaining life depreciation rates proposed in this study.

Recorded reserves for the TGS Division on December 31, 2021 were set equal to computed reserves of \$2,569,342 or 24.9 percent of the amortizable plant investment. The equivalency between recorded and computed reserves was achieved by transferring recorded reserves in proportion to customer counts, from Account 390.10 (Structures and Improvements) from each service area in which investments were recorded in Account 390.10, Reserve amounts totaling \$474,312 transferred from each service area are shown in Figure 1 below.



**Figure 1. Reserve Transfers to TGS Division**

## **DEVELOPMENT OF ACCRUAL RATES**

The goal or objective of depreciation accounting is cost allocation over the economic life of an asset in proportion to the consumption of service potential. Ideally, the cost of an asset—which represents the cost of obtaining a bundle of service units—should be allocated to future periods of operation in proportion to the amount of service potential expended during an accounting interval. The service potential of an asset is the present value of future net revenue (*i.e.*, revenue less expenses exclusive of depreciation and other non-cash expenses) or cash inflows attributable to the use of that asset alone.

Cost allocation in proportion to the consumption of service potential is often approximated by the use of depreciation methods employing time rather than net revenue as the apportionment base. Examples of time-based methods include sinking-fund, straight-line, declining balance, and sum-of-the-years' digits. The advantage of a time-based method is that it does not require an estimate of the remaining amount of service potential an asset will provide or the amount of potential actually consumed during an accounting interval. Using a time-based allocation method, however, does not change the goal of depreciation accounting. If it is predictable that the net revenue pattern of an asset will either decrease or increase over time, then an accelerated or decelerated time-based method should be used to approximate the rate at which service potential is actually consumed.

The time period over which the cost of an asset will be allocated to operations is determined by the combination of a procedure and a technique. A depreciation procedure describes the level of grouping or sub-grouping of assets within a plant category. Broad group, vintage group, equal-life group, and item (or unit) are a few of the more widely used procedures. A depreciation technique describes the life statistic used in a depreciation system. Whole-life and remaining-life (or expectancy) are the most common techniques.

Depreciation rates recommended in the 2023 study were developed using the currently approved system composed of the straight-line method, vintage group procedure and remaining-life technique. This formulation of the accrual rate is equivalent to a straight-line method, vintage group procedure and whole-life technique with amortization of reserve imbalances over the estimated composite remaining life of each rate category.

It is the opinion of Foster Associates that the vintage group procedure will remain appropriate for RGVSA, provided depreciation studies are conducted periodically and parameters are routinely adjusted to reflect changing operating conditions. Although the emergence of economic factors such as restructuring and performance-based regulation may ultimately encourage abandonment of the straight-line method, no attempt was made in the current study to address this concern.

It is also the opinion of Foster Associates that amortization accounting included in

this study is consistent with the goals and objectives of depreciation accounting derived from the matching and expense recognition principles of accounting. Amortization accounting for the selected plant categories relieves TGS of the burden of maintaining detailed plant records for numerous plant items in which the unit cost is small in relation to the cost of tracking the disposition of the assets.

The treatment of amortization accounts in the current study was designed to report annualized accruals equivalent to applying a rate equal to the reciprocal of an amortization period to plant balances after retirements have been recorded. Proposed accrual rates shown in Statement A, however, are the reciprocal of amortization periods to be applied to after plant balances have been reduced by all vintages that have achieved an age equal to the amortization period. This reporting is consistent with rates prescribed by the Commission for amortization accounts in prior proceedings.



# STATEMENTS

## INTRODUCTION

This section provides a comparative summary of depreciation rates, annual depreciation accruals, recorded, computed and redistributed depreciation reserves, and current and proposed service life and net salvage parameters recommended for RGVSA plant and equipment categories. The content of these statements is briefly described below.

- Statement A provides a comparative summary of current and proposed annual depreciation rates using the vintage group procedure, remaining-life technique.
- Statement B provides a comparison of current and proposed annualized 2023 depreciation accruals derived from the depreciation rates contained in Statement A.
- Statement C provides a comparison of recorded, computed and redistributed reserves for each rate category at December 31, 2022.
- Statement D provides a summary of the investment and net salvage components of rebalanced reserves.
- Statement E provides a summary of the components used to obtain weighted average net salvage rates.
- Statement F provides a comparative summary of current and proposed parameters and statistics including projection life, projection curve, average service life, average remaining life, and average and future net salvage rates.

Current depreciation accruals shown on Statement B are the product of plant investments (Column B) and current depreciation rates shown on Statement A. These are the effective rates used by RGVSA for the mix of investments recorded on December 31, 2022. Similarly, proposed depreciation accruals shown on Statements B are the product of plant investments and proposed depreciation rates shown on Statement A. Proposed remaining life accrual rates are given by:

$$\text{Accrual Rate} = \frac{1.0 - \text{Reserve Ratio} - \text{Future Net Salvage Rate}}{\text{Remaining Life}}$$

This formulation of a remaining-life accrual rate is equivalent to

$$\text{Accrual Rate} = \frac{1.0 - \text{Average Net Salvage}}{\text{Average Life}} + \frac{\text{Computed Reserve} - \text{Recorded Reserve}}{\text{Remaining Life}}$$

where Average Net Salvage, Computed Reserve and Recorded Reserve are expressed in percent.

**TEXAS GAS SERVICE - Rio Grande Valley**

Statement A

Component Accrual Rates

Current: VG Procedure / RL Technique

Proposed: VG Procedure / RL Technique

Account Description A	Current (at 12/31/2022)			Proposed (at 12/31/2022)		
	Investment B	Net Salvage C	Total D=B+C	Investment E	Net Salvage F	Total G=E+F
<b>TRANSMISSION PLANT</b>						
366.20 Structures and Improvements	2.30%	0.49%	2.79%	2.57%	0.14%	2.71%
367.00 Mains	1.63%	0.66%	2.29%	1.77%	0.91%	2.68%
368.00 Compressor Station Equipment	2.13%	0.22%	2.35%	2.44%	0.25%	2.69%
369.00 Meas. and Reg. Station Equipment	3.00%	1.05%	4.05%	2.67%	0.82%	3.49%
371.00 Other Equipment	1.50%	3.54%	5.04%	3.25%	1.96%	5.21%
<b>Total Transmission Plant</b>	<b>2.11%</b>	<b>0.78%</b>	<b>2.89%</b>	<b>2.10%</b>	<b>0.85%</b>	<b>2.95%</b>
<b>DISTRIBUTION PLANT</b>						
375.10 Structures and Improvements	2.33%	0.09%	2.42%	3.82%	0.36%	4.18%
376.00 Mains	1.50%	0.35%	1.85%	1.62%	0.69%	2.31%
376.90 Mains - Cathodic Protection	← 15 Year Amortization →		6.67%	← 15 Year Amortization →		6.67%
378.00 Meas. and Reg. Station Equip. - General	1.75%	0.39%	2.14%	1.84%	0.49%	2.33%
379.00 Meas. and Reg. Station Equip. - City Gate	1.53%	0.17%	1.70%	1.59%	0.43%	2.02%
380.00 Services	1.67%	0.64%	2.31%	1.95%	1.23%	3.18%
381.00 Meters	3.53%	0.33%	3.86%	3.95%	0.61%	4.56%
383.00 House Regulators	2.70%	0.18%	2.88%	3.38%	0.54%	3.92%
385.00 Industrial Meas. and Reg. Station Equip.	1.81%	0.30%	2.11%	1.77%	0.53%	2.30%
386.00 Other Property on Customers' Premises	2.44%		2.44%	17.03%		17.03%
<b>Total Distribution Plant</b>	<b>2.14%</b>	<b>0.42%</b>	<b>2.56%</b>	<b>2.36%</b>	<b>0.81%</b>	<b>3.17%</b>
<b>GENERAL PLANT</b>						
<b>Depreciable</b>						
390.10 Structures and Improvements	3.34%	0.17%	3.51%	2.48%	0.24%	2.72%
392.00 Transportation Equipment	12.94%	-0.64%	12.30%	8.07%	-0.81%	7.26%
396.00 Power Operated Equipment	12.98%	-1.30%	11.68%	6.37%	-0.47%	5.90%
<b>Total Depreciable</b>	<b>9.79%</b>	<b>-0.41%</b>	<b>9.39%</b>	<b>6.15%</b>	<b>-0.45%</b>	<b>5.70%</b>
<b>Amortizable</b>						
391.10 Office Furniture and Fixtures	← 15 Year Amortization →		6.67%	← 15 Year Amortization →		6.67%
391.90 Computers and Electronic Equipment	← 10 Year Amortization →		10.00%	← 7 Year Amortization →		14.29%
394.00 Tools, Shop and Garage Equipment	← 15 Year Amortization →		6.67%	← 15 Year Amortization →		6.67%
397.00 Communication Equipment	← 15 Year Amortization →		6.67%	← 15 Year Amortization →		6.67%
<b>Total Amortizable</b>	<b>6.76%</b>		<b>6.76%</b>	<b>6.78%</b>		<b>6.78%</b>
<b>Total General Plant</b>	<b>8.17%</b>	<b>-0.19%</b>	<b>7.98%</b>	<b>6.49%</b>	<b>-0.21%</b>	<b>6.28%</b>
<b>TOTAL RIO GRANDE VALLEY</b>	<b>2.62%</b>	<b>0.44%</b>	<b>3.06%</b>	<b>2.64%</b>	<b>0.74%</b>	<b>3.38%</b>

**TEXAS GAS SERVICE - Rio Grande Valley**

Statement B

Component Accruals  
Current: VG Procedure / RL Technique  
Proposed: VG Procedure / RL Technique

Account Description	12/31/22		Current 2023 Annualized Accrual		Proposed 2023 Annualized Accrual		Difference
	Investment	B	Investment	C	Investment	F	
			Net Salvage	E=C+D	Net Salvage	G	H=F+G
							I=H-E
<b>TRANSMISSION PLANT</b>							
366.20 Structures and Improvements	\$ 1,812,608	\$	\$ 8,882	\$ 50,572	\$ 46,584	\$ 2,538	\$ 49,122
367.00 Mains	25,279,418		166,844	578,899	447,446	230,043	677,488
368.00 Compressor Station Equipment	25,667		56	603	626	64	690
369.00 Meas. and Reg. Station Equipment	13,275,096		139,389	537,641	354,445	108,856	463,301
371.00 Other Equipment	53,986		1,911	2,721	1,755	1,058	2,813
<b>Total Transmission Plant</b>	\$ 40,446,775	\$	\$ 317,082	\$ 1,170,436	\$ 850,856	\$ 342,558	\$ 1,193,414
							\$ 22,978
<b>DISTRIBUTION PLANT</b>							
375.10 Structures and Improvements	\$ 114,218	\$	\$ 103	\$ 2,764	\$ 4,363	\$ 411	\$ 4,774
376.00 Mains	62,636,591		219,228	1,158,777	1,014,713	432,192	1,446,905
376.90 Mains - Cathodic Protection	10,192,052		654,159	654,159	654,159		654,159
378.00 Meas. and Reg. Station Equip. - General	3,678,274		14,345	78,715	67,680	18,024	85,704
379.00 Meas. and Reg. Station Equip. - City Gate	2,615,258		4,446	44,459	41,583	11,246	52,828
380.00 Services	58,144,814		372,127	1,343,145	1,133,824	715,181	1,849,005
381.00 Meters	18,079,389		59,662	697,864	714,136	110,284	824,420
383.00 House Regulators	4,668,979		8,404	134,467	157,811	25,212	183,024
385.00 Industrial Meas. and Reg. Station Equip.	2,723,842		8,172	57,473	48,212	14,436	62,648
386.00 Other Property on Customers' Premises	6,144			150	1,046		1,046
<b>Total Distribution Plant</b>	\$ 162,859,561	\$	\$ 686,487	\$ 4,171,974	\$ 3,837,527	\$ 1,326,987	\$ 5,164,514
							\$ 992,541
<b>GENERAL PLANT</b>							
<b>Depreciable</b>							
390.10 Structures and Improvements	\$ 2,731,132	\$	\$ 4,643	\$ 95,863	\$ 67,732	\$ 6,555	\$ 74,287
392.00 Transportation Equipment	5,170,949		(33,094)	636,027	417,296	(41,885)	375,411
396.00 Power Operated Equipment	425,664		(5,534)	49,718	27,115	(2,001)	25,114
<b>Total Depreciable</b>	\$ 8,327,745	\$	\$ (33,985)	\$ 781,607	\$ 512,142	\$ (37,331)	\$ 474,812
<b>Amortizable</b>							
391.10 Office Furniture and Fixtures	\$ 358,984	\$	\$ -	\$ 23,418	\$ 23,418	\$ -	\$ 23,418
391.90 Computers and Electronic Equipment	829,043			82,904	84,474		84,474
394.00 Tools, Shop and Garage Equipment	3,318,700			214,065	214,065		214,065
397.00 Communication Equipment	5,091,844			328,519	328,519		328,519
<b>Total Amortizable</b>	\$ 9,598,571	\$	\$ -	\$ 648,906	\$ 650,476	\$ -	\$ 650,476
<b>Total General Plant</b>	\$ 17,926,316	\$	\$ (33,985)	\$ 1,430,513	\$ 1,162,618	\$ (37,331)	\$ 1,125,288
<b>TOTAL RIO GRANDE VALLEY</b>	\$ 221,232,652	\$	\$ 969,584	\$ 6,772,923	\$ 5,851,001	\$ 1,632,215	\$ 7,483,216
							\$ 710,293

**TEXAS GAS SERVICE - Rio Grande Valley**

Depreciation Reserve Summary

Vintage Group Procedure

December 31, 2022

Statement C

Account Description	Plant Investment		Recorded Reserve		Computed Reserve		Redistributed Reserve	
	A	B	C	D=C/B	E	F=E/B	G	H=G/B
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>TRANSMISSION PLANT</b>								
366.20 Structures and Improvements	\$ 1,812,608		\$ 100,364	5.54%	\$ 126,009	6.95%	\$ 73,938	4.08%
367.00 Mains	25,279,418		(2,220,605)	-8.78%	271,200	1.07%	159,132	0.63%
368.00 Compressor Station Equipment	25,667		7,322	28.53%	6,211	24.20%	3,644	14.20%
369.00 Meas. and Reg. Station Equipment	13,275,096		1,235,848	9.31%	1,052,521	7.93%	617,587	4.65%
371.00 Other Equipment	53,986		11,069	20.50%	8,472	15.69%	4,971	9.21%
<b>Total Transmission Plant</b>	<b>\$ 40,446,775</b>		<b>\$ (866,002)</b>	<b>-2.14%</b>	<b>\$ 1,464,413</b>	<b>3.62%</b>	<b>\$ 859,273</b>	<b>2.12%</b>
<b>DISTRIBUTION PLANT</b>								
375.10 Structures and Improvements	\$ 114,218		\$ 71,744	62.81%	\$ 66,933	58.60%	\$ 39,274	34.39%
376.00 Mains	62,636,591		9,266,684	14.79%	12,273,481	19.59%	7,201,709	11.50%
376.90 Mains - Cathodic Protection	10,192,052		3,893,699	38.20%	4,133,645	40.56%	4,133,645	40.56%
378.00 Meas. and Reg. Station Equip. - General	3,678,274		812,269	22.08%	867,634	23.59%	509,102	13.84%
379.00 Meas. and Reg. Station Equip. - City Gate	2,615,258		(205,877)	-7.87%	137,705	5.27%	80,801	3.09%
380.00 Services	58,144,814		670,365	1.15%	9,312,584	16.02%	5,464,344	9.40%
381.00 Meters	18,079,389		7,970,553	44.09%	6,673,158	36.91%	3,915,608	21.66%
383.00 House Regulators	4,668,979		1,546,413	33.12%	1,660,250	35.56%	974,185	20.87%
385.00 Industrial Meas. and Reg. Station Equip.	2,723,842		158,120	5.81%	243,687	8.95%	142,988	5.25%
386.00 Other Property on Customers' Premises	6,144		6,144	100.00%	5,425	88.30%	3,183	51.81%
<b>Total Distribution Plant</b>	<b>\$ 162,859,561</b>		<b>\$ 24,190,114</b>	<b>14.85%</b>	<b>\$ 35,374,502</b>	<b>21.72%</b>	<b>\$ 22,464,839</b>	<b>13.79%</b>

**TEXAS GAS SERVICE - Rio Grande Valley**  
 Depreciation Reserve Summary  
 Vintage Group Procedure  
 December 31, 2022

Statement C

Account Description A	Plant Investment B		Recorded Reserve Amount C		Computed Reserve Amount E		Redistributed Reserve Amount G		Ratio H=G/B
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	
		D=C/B		F=E/B					
<b>GENERAL PLANT</b>									
<b>Depreciable</b>									
390.10 Structures and Improvements	\$ 2,731,132		\$ (21,535)	-0.79%	\$ 764,167	27.98%	\$ 609,823	22.33%	
392.00 Transportation Equipment	5,170,949		1,856,909	35.91%	1,449,288	28.03%	1,156,565	22.37%	
396.00 Power Operated Equipment	425,664		254,568	59.81%	197,541	46.41%	157,642	37.03%	
<b>Total Depreciable</b>	<b>\$ 8,327,745</b>		<b>\$ 2,089,943</b>	<b>25.10%</b>	<b>\$ 2,410,996</b>	<b>28.95%</b>	<b>\$ 1,924,030</b>	<b>23.10%</b>	
<b>Amortizable</b>									
391.10 Office Furniture and Fixtures	\$ 358,984		\$ 143,062	39.85%	\$ 153,367	42.72%	\$ 153,367	42.72%	
391.90 Computers and Electronic Equipment	829,043		415,334	50.10%	484,109	58.39%	484,109	58.39%	
394.00 Tools, Shop and Garage Equipment	3,318,700		1,571,596	47.36%	1,614,864	48.66%	1,614,864	48.66%	
397.00 Communication Equipment	5,091,844		2,364,206	46.43%	2,407,771	47.29%	2,407,771	47.29%	
<b>Total Amortizable</b>	<b>\$ 9,598,571</b>		<b>\$ 4,494,199</b>	<b>46.82%</b>	<b>\$ 4,660,111</b>	<b>48.55%</b>	<b>\$ 4,660,111</b>	<b>48.55%</b>	
<b>Total General Plant</b>	<b>\$ 17,926,316</b>		<b>\$ 6,584,141</b>	<b>36.73%</b>	<b>\$ 7,071,107</b>	<b>39.45%</b>	<b>\$ 6,584,141</b>	<b>36.73%</b>	
<b>TOTAL RIO GRANDE VALLEY</b>	<b>\$ 221,232,652</b>		<b>\$ 29,908,254</b>	<b>13.52%</b>	<b>\$ 43,910,022</b>	<b>19.85%</b>	<b>\$ 29,908,254</b>	<b>13.52%</b>	

**TEXAS GAS SERVICE - Rio Grande Valley**

Depreciation Reserve Components  
Redistributed Reserve  
December 31, 2022

Statement D

Account Description A	Plant Investment B		Investment Reserve C		Net Salvage Reserve E		Total Reserve G=C+E	
	Amount	Ratio D=C/B	Amount	Ratio F=E/B	Amount	Ratio H=G/B	Amount	Ratio
<b>TRANSMISSION PLANT</b>								
366.20 Structures and Improvements	\$ 1,812,608	3.99%	\$ 72,306	0.09%	\$ 1,633	0.09%	\$ 73,938	4.08%
367.00 Mains	25,279,418	7.79%	1,969,687	-7.16%	(1,810,555)	-7.16%	159,132	0.63%
368.00 Compressor Station Equipment	25,667	12.91%	3,313	1.29%	331	1.29%	3,644	14.20%
369.00 Meas. and Reg. Station Equipment	13,275,096	8.17%	1,084,136	-3.51%	(466,548)	-3.51%	617,587	4.65%
371.00 Other Equipment	53,986	37.12%	20,040	-27.91%	(15,069)	-27.91%	4,971	9.21%
<b>Total Transmission Plant</b>	<b>\$ 40,446,775</b>	<b>7.79%</b>	<b>\$ 3,149,481</b>	<b>-5.66%</b>	<b>\$ (2,290,208)</b>	<b>-5.66%</b>	<b>\$ 859,273</b>	<b>2.12%</b>
<b>DISTRIBUTION PLANT</b>								
375.10 Structures and Improvements	\$ 114,218	30.91%	\$ 35,300	3.48%	\$ 3,974	3.48%	\$ 39,274	34.39%
376.00 Mains	62,636,591	9.72%	6,086,001	1.78%	1,115,708	1.78%	7,201,709	11.50%
376.90 Mains - Cathodic Protection	10,192,052	40.56%	4,133,645	1.94%	71,535	1.94%	4,133,645	40.56%
378.00 Meas. and Reg. Station Equip. - General	3,678,274	4.00%	437,566	-0.91%	(23,876)	-0.91%	509,102	13.84%
379.00 Meas. and Reg. Station Equip. - City Gate	2,615,258	7.69%	104,677	1.71%	992,981	1.71%	80,801	3.09%
380.00 Services	58,144,814	19.11%	4,471,363	2.55%	460,966	2.55%	5,464,344	9.40%
381.00 Meters	18,079,389	18.67%	3,454,642	2.20%	102,701	2.20%	3,915,608	21.66%
383.00 House Regulators	4,668,979	3.66%	871,484	1.59%	43,373	1.59%	974,185	20.87%
385.00 Industrial Meas. and Reg. Station Equip.	2,723,842	51.81%	99,616	12.09%	3,183	12.09%	142,988	5.25%
386.00 Other Property on Customers' Premises	6,144		3,183				3,183	51.81%
<b>Total Distribution Plant</b>	<b>\$ 162,859,561</b>	<b>12.09%</b>	<b>\$ 19,697,478</b>	<b>1.70%</b>	<b>\$ 2,767,361</b>	<b>1.70%</b>	<b>\$ 22,464,839</b>	<b>13.79%</b>

**TEXAS GAS SERVICE - Rio Grande Valley**

Depreciation Reserve Components  
Redistributed Reserve  
December 31, 2022

Statement D

Account Description A	Plant Investment B		Investment Reserve Amount C		Net Salvage Reserve Amount E		Total Reserve Amount G=C+E	
	Investment	Ratio D=C/B	Amount	Ratio F=E/B	Amount	Ratio H=G/B	Amount	Ratio
<b>GENERAL PLANT</b>								
<b>Depreciable</b>								
390.10 Structures and Improvements	\$ 2,731,132	20.14%	\$ 549,940	2.19%	\$ 59,883	22.33%	\$ 609,823	22.33%
392.00 Transportation Equipment	5,170,949	24.79%	1,281,912	-2.42%	(125,347)	22.37%	1,156,565	22.37%
396.00 Power Operated Equipment	425,664	37.42%	159,293	-0.39%	(1,651)	37.03%	157,642	37.03%
<b>Total Depreciable</b>	<b>\$ 8,327,745</b>	<b>23.91%</b>	<b>\$ 1,991,145</b>	<b>-0.81%</b>	<b>\$ (67,115)</b>	<b>23.10%</b>	<b>\$ 1,924,030</b>	<b>23.10%</b>
<b>Amortizable</b>								
391.10 Office Furniture and Fixtures	\$ 358,984	42.72%	\$ 153,367		\$	42.72%	\$ 153,367	42.72%
391.90 Computers and Electronic Equipment	829,043	58.39%	484,109			58.39%	484,109	58.39%
394.00 Tools, Shop and Garage Equipment	3,318,700	48.66%	1,614,864			48.66%	1,614,864	48.66%
397.00 Communication Equipment	5,091,844	47.29%	2,407,771			47.29%	2,407,771	47.29%
<b>Total Amortizable</b>	<b>\$ 9,598,571</b>	<b>48.55%</b>	<b>\$ 4,660,111</b>		<b>\$</b>	<b>48.55%</b>	<b>\$ 4,660,111</b>	<b>48.55%</b>
<b>Total General Plant</b>	<b>\$ 17,926,316</b>	<b>37.10%</b>	<b>\$ 6,651,256</b>	<b>-0.37%</b>	<b>\$ (67,115)</b>	<b>36.73%</b>	<b>\$ 6,584,141</b>	<b>36.73%</b>
<b>TOTAL RIO GRANDE VALLEY</b>	<b>\$ 221,232,652</b>	<b>13.33%</b>	<b>\$ 29,498,215</b>	<b>0.19%</b>	<b>\$ 410,039</b>	<b>13.52%</b>	<b>\$ 29,908,254</b>	<b>13.52%</b>

**TEXAS GAS SERVICE - Rio Grande Valley**

Average Net Salvage

Statement E

Account Description	Plant Investment		Salvage Rate		Net Salvage		Average Rate			
	A	B	C	D=B-C	E	F		G=E/C	H=FD	I=G+H
	Additions	Retirements	Survivors	Realized	Future	Realized	Future	Total		
<b>TRANSMISSION PLANT</b>										
366.20 Structures and Improvements	\$ 1,814,493	\$ 1,885	\$ 1,812,608	-206.2%	-5.0%	\$ (3,887)	\$ (90,630)	\$ (94,517)		-5.2%
367.00 Mains	27,666,518	2,387,100	25,279,418	-273.7%	-40.0%	(6,533,493)	(10,111,767)	(16,645,260)		-60.2%
368.00 Compressor Station Equipment	25,667		25,667		-10.0%		(2,567)			-10.0%
369.00 Meas. and Reg. Station Equipment	14,206,361	931,265	13,275,096	-192.8%	-25.0%	(1,795,479)	(3,318,774)	(5,114,253)		-36.0%
371.00 Other Equipment	79,000	25,014	53,986	-473.3%	-10.0%	(118,391)	(5,399)	(123,790)		-156.7%
<b>Total Transmission Plant</b>	<b>\$ 43,792,039</b>	<b>\$ 3,345,264</b>	<b>\$ 40,446,775</b>	<b>-252.6%</b>	<b>-33.4%</b>	<b>\$ (8,451,250)</b>	<b>\$ (13,529,137)</b>	<b>\$ (21,980,387)</b>		<b>-50.2%</b>
<b>DISTRIBUTION PLANT</b>										
375.10 Structures and Improvements	\$ 127,293	\$ 13,075	\$ 114,218	4.1%	-10.0%	\$ 536	\$ (11,422)	\$ (10,886)		-8.6%
376.00 Mains	67,341,267	4,704,676	62,636,591	-102.0%	-40.0%	(4,798,770)	(25,054,636)	(29,853,406)		-44.3%
376.90 Mains - Cathodic Protection	12,268,545	2,076,493	10,192,052							
378.00 Meas. and Reg. Station Equip. - General	4,811,799	1,133,525	3,678,274	-34.5%	-25.0%	(391,066)	(919,569)	(1,310,635)		-27.2%
379.00 Meas. and Reg. Station Equip. - City Gate	3,081,790	466,532	2,615,258	-48.0%	-25.0%	(223,935)	(653,815)	(877,750)		-28.5%
380.00 Services	71,510,736	13,365,922	58,144,814	-90.3%	-60.0%	(12,069,428)	(34,886,888)	(46,956,316)		-65.7%
381.00 Meters	19,221,446	1,142,057	18,079,389	-28.1%	-15.0%	(320,918)	(2,711,908)	(3,032,826)		-15.8%
383.00 House Regulators	4,737,138	68,159	4,668,979	-117.4%	-15.0%	(80,019)	(700,347)	(780,366)		-16.5%
385.00 Industrial Meas. and Reg. Station Equip.	3,113,604	389,762	2,723,842	-22.6%	-30.0%	(88,086)	(817,153)	(905,239)		-29.1%
386.00 Other Property on Customers' Premises	6,144		6,144							
<b>Total Distribution Plant</b>	<b>\$ 186,219,762</b>	<b>\$ 23,360,201</b>	<b>\$ 162,859,561</b>	<b>-76.9%</b>	<b>-40.4%</b>	<b>\$ (17,971,685)</b>	<b>\$ (65,755,737)</b>	<b>\$ (83,727,423)</b>		<b>-45.0%</b>
<b>GENERAL PLANT</b>										
<b>Depreciable</b>										
390.10 Structures and Improvements	\$ 2,799,895	\$ 68,763	\$ 2,731,132	0.9%	-10.0%	\$ 619	\$ (273,113)	\$ (272,494)		-9.7%
392.00 Transportation Equipment	8,146,127	2,975,178	5,170,949	10.3%	10.0%	306,443	517,095	823,538		10.1%
396.00 Power Operated Equipment	1,308,058	882,394	425,664	10.2%	5.0%	90,004	21,283	111,287		8.5%
<b>Total Depreciable</b>	<b>\$ 12,254,080</b>	<b>\$ 3,926,335</b>	<b>\$ 8,327,745</b>	<b>10.1%</b>	<b>3.2%</b>	<b>\$ 397,066</b>	<b>\$ 265,265</b>	<b>\$ 662,331</b>		<b>5.4%</b>
<b>Amortizable</b>										
391.10 Office Furniture and Fixtures	\$ 1,360,375	\$ 1,001,391	\$ 358,984							
391.90 Computers and Electronic Equipment	2,135,138	1,306,095	829,043							
394.00 Tools, Shop and Garage Equipment	6,029,373	2,710,673	3,318,700							
397.00 Communication Equipment	6,951,474	1,859,630	5,091,844							
<b>Total Amortizable</b>	<b>\$ 16,476,360</b>	<b>\$ 6,877,789</b>	<b>\$ 9,598,571</b>							
<b>Total General Plant</b>	<b>\$ 28,730,440</b>	<b>\$ 10,804,124</b>	<b>\$ 17,926,316</b>	<b>3.7%</b>	<b>1.5%</b>	<b>\$ 397,066</b>	<b>\$ 265,265</b>	<b>\$ 662,331</b>		<b>2.3%</b>
<b>TOTAL RIO GRANDE VALLEY</b>	<b>\$ 258,742,241</b>	<b>\$ 37,509,589</b>	<b>\$ 221,232,652</b>	<b>-69.4%</b>	<b>-35.7%</b>	<b>\$ (26,025,869)</b>	<b>\$ (79,019,609)</b>	<b>\$ (105,045,478)</b>		<b>-40.6%</b>



**TEXAS GAS SERVICE - Rio Grande Valley**  
Current and Proposed Parameters  
Vintage Group Procedure

Statement F

Account Description	Current Parameters					Proposed Parameters (at December 31, 2022)						
	P-Life/ AYFR	Curve Shape	Rem. Life	Avg. Life	Avg. Sal.	Fut. Sal.	P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
<b>TRANSMISSION PLANT</b>												
366.20 Structures and Improvements	40.00	R4	40.53	28.20	-18.0	-5.0	40.00	R4	40.01	37.29	-5.2	-5.0
367.00 Mains	60.00	R1	60.31	53.88	-35.9	-10.0	60.00	L1	60.02	52.05	-60.2	-40.0
368.00 Compressor Station Equipment	45.00	R1	45.39	37.68	-10.0	-10.0	45.00	R1	45.73	35.67	-10.0	-10.0
369.00 Meas. and Reg. Station Equipment	32.00	L1.5	32.22	26.32	-31.0	-10.0	40.00	L1	40.02	34.45	-36.0	-25.0
371.00 Other Equipment	45.00	R1	51.21	20.51	-160.5	-10.0	45.00	R1	52.67	19.35	-156.7	-10.0
<b>Total Transmission Plant</b>									<b>50.57</b>	<b>43.86</b>	<b>-50.2</b>	<b>-40.4</b>
<b>DISTRIBUTION PLANT</b>												
375.10 Structures and Improvements	40.00	R4	38.58	23.45	-4.1	-5.0	40.00	R4	38.18	18.07	-8.6	-10.0
376.00 Mains	65.00	R1.5	64.81	54.58	-22.8	-20.0	67.00	R2	66.61	55.58	-44.3	-40.0
376.90 Mains - Cathodic Protection	15.00	SQ	15.00	8.81			15.00	SQ	15.00	8.92		
378.00 Meas. and Reg. Station Equip. - General	55.00	R0.5	55.42	45.99	-22.3	-20.0	60.00	R1	59.93	47.78	-27.2	-25.0
379.00 Meas. and Reg. Station Equip. - City Gate	65.00	R1.5	64.89	61.75	-11.3	-10.0	65.00	R1.5	64.65	60.24	-28.5	-25.0
380.00 Services	59.00	S0.5	58.29	48.96	-37.1	-30.0	55.00	R2	54.48	47.34	-65.7	-60.0
381.00 Meters	25.00	R2.5	25.49	15.48	-9.4	-10.0	30.00	R2.5	30.37	20.48	-15.8	-15.0
House Regulators	35.00	R3	35.10	26.13	-6.3	-5.0	35.00	R3	35.24	24.03	-16.5	-15.0
385.00 Industrial Meas. and Reg. Station Equip.	55.00	R1	54.89	53.16	-17.1	-20.0	58.00	R1.5	57.92	54.31	-29.1	-30.0
386.00 Other Property on Customers' Premises	20.00	S3	20.97	5.04			20.00	S3	24.19	2.83		
<b>Total Distribution Plant</b>									<b>45.66</b>	<b>37.06</b>	<b>-45.0</b>	<b>-40.4</b>

**TEXAS GAS SERVICE - Rio Grande Valley**  
Current and Proposed Parameters  
Vintage Group Procedure

Statement F

Account Description	Current Parameters					Proposed Parameters (at December 31, 2022)						
	P-Life/ AYFR	Curve Shape	Rem. Life	Avg. Life	Avg. Sal.	Fut. Sal.	P-Life/ AYFR	Curve Shape	VG ASL	Rem. Life	Avg. Sal.	Fut. Sal.
A	B	C	D	E	F	G	H	I	J	K	L	M
<b>GENERAL PLANT</b>												
<b>Depreciable</b>												
390.10 Structures and Improvements	40.00	R1.5	40.34	30.70	-4.8	-5.0	43.00	R3	43.04	32.18	-9.7	-10.0
392.00 Transportation Equipment	10.00	L0	10.54	7.94	5.3	5.0	13.00	L1	13.52	9.32	10.1	10.0
396.00 Power Operated Equipment	13.00	L2	12.90	8.03	10.1	10.0	18.00	L1.5	18.51	9.83	8.5	5.0
<b>Total Depreciable</b>									<u>17.76</u>	<u>12.44</u>	<u>5.4</u>	<u>3.2</u>
<b>Amortizable</b>												
391.10 Office Furniture and Fixtures	15.00	SQ	15.00	8.16			15.00	SQ	15.00	8.59		
391.90 Computers and Electronic Equipment	10.00	SQ	10.00	5.02			7.00	SQ	7.00	4.08		
394.00 Tools, Shop and Garage Equipment	15.00	SQ	15.00	8.32			15.00	SQ	15.00	7.81		
397.00 Communication Equipment	15.00	SQ	15.00	9.53			15.00	SQ	15.00	7.91		
<b>Total Amortizable</b>									<u>13.65</u>	<u>7.26</u>		
<b>Total General Plant</b>									<u>15.30</u>	<u>9.33</u>	<u>2.3</u>	<u>1.5</u>
<b>TOTAL RIO GRANDE VALLEY</b>									<u>39.94</u>	<u>32.18</u>	<u>-40.6</u>	<u>-35.7</u>

# 2022 Depreciation Rate Study



– *TGS Division*



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# STATEMENTS

## INTRODUCTION

This section provides a comparative summary of depreciation rates, annual depreciation accruals, recorded, computed and redistributed depreciation reserves, and current and proposed service life and net salvage parameters recommended for TGS plant and equipment categories. The content of these statements is briefly described below.

- Statement A provides a comparative summary of current and proposed annual depreciation rates using the vintage group procedure, remaining-life technique.
- Statement B provides a comparison of current and proposed annualized 2022 depreciation accruals derived from the depreciation rates contained in Statement A.
- Statement C provides a comparison of recorded, computed and redistributed reserves for each rate category at December 31, 2021.
- Statement D provides a summary of the investment and net salvage components of rebalanced reserves.
- Statement E provides a summary of the components used to obtain weighted average net salvage rates.
- Statement F provides a comparative summary of current and proposed parameters and statistics including projection life, projection curve, average service life, average remaining life, and average and future net salvage rates.

Current depreciation accruals shown on Statement B are the product of plant investments (Column B) and current depreciation rates shown on Statement A. These are the effective rates used by TGS for the mix of investments recorded on December 31, 2021. Similarly, proposed depreciation accruals shown on Statements B are the product of plant investments and proposed depreciation rates shown on Statement A. Proposed remaining life accrual rates are given by:

$$\text{Accrual Rate} = \frac{1.0 - \text{Reserve Ratio} - \text{Future Net Salvage Rate}}{\text{Remaining Life}}$$

This formulation of a remaining-life accrual rate is equivalent to

$$\text{Accrual Rate} = \frac{1.0 - \text{Average Net Salvage}}{\text{Average Life}} + \frac{\text{Computed Reserve} - \text{Recorded Reserve}}{\text{Remaining Life}}$$

where Average Net Salvage, Computed Reserve and Recorded Reserve are expressed in percent.

**TEXAS GAS SERVICE**

Statement A

Component Accrual Rates

Current: BG/VG Procedure / RL Technique

Proposed: VG Procedure / RL Technique

Account Description A	Current (at 12/31/2021)			Proposed (at 12/31/2021)		
	Investment B	Salvage C	Total D=B+C	Investment E	Net Salvage F	Total G=E+F
<b>TGS DIVISION</b>						
<b>TRANSMISSION PLANT</b>						
367.00 Mains						
369.00 Meas. and Reg. Station Equipment						
<b>Total Transmission Plant</b>						
<b>DISTRIBUTION PLANT</b>						
375.10 Structures and Improvements						
376.00 Mains						
376.90 Mains - Cathodic Protection						
378.00 Meas. and Reg. Station Equip. - General						
379.00 Meas. and Reg. Station Equip. - City Gate						
380.00 Services						
381.00 Meters						
383.00 House Regulators						
385.00 Industrial Meas. and Reg. Station Equip.						
386.00 Other Property on Customers' Premises						
<b>Total Distribution Plant</b>						
<b>GENERAL PLANT</b>						
<b>Depreciable</b>						
390.10 Structures and Improvements	2.59%		2.59%	2.33%	0.23%	2.56%
392.00 Transportation Equipment						
396.00 Power Operated Equipment						
<b>Total Depreciable</b>	2.59%		2.59%	2.33%	0.23%	2.56%
<b>Amortizable</b>						
391.10 Office Furniture and Fixtures	6.67%		6.67%	← 15 Year Amortization →		6.67%
391.90 Computers and Electronic Equipment	14.29%		14.29%	← 7 Year Amortization →		14.29%
393.00 Stores Equipment						
394.00 Tools, Shop and Garage Equipment	6.67%		6.67%	← 15 Year Amortization →		6.67%
397.00 Communication Equipment	6.67%		6.67%	← 15 Year Amortization →		6.67%
398.00 Miscellaneous Equipment						
<b>Total Amortizable</b>	8.97%		8.97%	8.34%		8.34%
<b>Total General Plant</b>	6.20%		6.20%	5.73%	0.10%	5.83%
<b>TOTAL TGS DIVISION</b>	6.20%		6.20%	5.73%	0.10%	5.83%

Statement B

**TEXAS GAS SERVICE**  
 Component Accruals  
 Current: BG/VG Procedure / RL Technique  
 Proposed: VG Procedure / RL Technique

Account Description A	12/31/21 Investment B	Current 2022 Annualized Accrual		Proposed 2022 Annualized Accrual		Difference I=H-E
		Investment C	Net Salvage D	Investment F	Net Salvage G	
<b>TGS DIVISION</b>						
<b>TRANSMISSION PLANT</b>						
367.00 Mains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
369.00 Meas. and Reg. Station Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Transmission Plant</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DISTRIBUTION PLANT</b>						
375.10 Structures and Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
376.00 Mains	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
376.90 Mains - Cathodic Protection	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
378.00 Meas. and Reg. Station Equip. - General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
379.00 Meas. and Reg. Station Equip. - City Gate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
380.00 Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
381.00 Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
383.00 House Regulators	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
385.00 Industrial Meas. and Reg. Station Equip.	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
386.00 Other Property on Customers' Premises	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Distribution Plant</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>GENERAL PLANT</b>						
<b>Depreciable</b>						
390.10 Structures and Improvements	\$ 4,486,255	\$ 116,194	\$ -	\$ 104,530	\$ 10,318	\$ (1,346)
392.00 Transportation Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
396.00 Power Operated Equipment	\$ 4,486,255	\$ 116,194	\$ -	\$ 104,530	\$ 10,318	\$ (1,346)
<b>Total Depreciable</b>	\$ 8,972,510	\$ 232,388	\$ -	\$ 209,060	\$ 20,636	\$ (1,346)
<b>Amortizable</b>						
391.10 Office Furniture and Fixtures	\$ 2,691,240	\$ 179,506	\$ -	\$ 174,476	\$ -	\$ (5,030)
391.90 Computers and Electronic Equipment	\$ 1,762,953	\$ 251,926	\$ -	\$ 221,901	\$ -	\$ (30,025)
393.00 Stores Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
394.00 Tools, Shop and Garage Equipment	\$ 154,325	\$ 10,293	\$ -	\$ 10,288	\$ -	\$ (5)
397.00 Communication Equipment	\$ 1,243,127	\$ 82,917	\$ -	\$ 81,535	\$ -	\$ (1,382)
398.00 Miscellaneous Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Amortizable</b>	\$ 5,851,645	\$ 524,642	\$ -	\$ 488,199	\$ -	\$ (36,442)
<b>Total General Plant</b>	\$ 14,824,155	\$ 757,030	\$ -	\$ 692,729	\$ 10,318	\$ (37,788)
<b>TOTAL TGS DIVISION</b>	\$ 14,824,155	\$ 757,030	\$ -	\$ 692,729	\$ 10,318	\$ (37,788)

Statement C

**TEXAS GAS SERVICE**

Depreciation Reserve Summary  
Vintage Group Procedure  
December 31, 2021

Account Description A	Plant Investment B		Recorded Reserve C		Computed Reserve E		Redistributed Reserve G	
	Amount	Ratio D=C/B	Amount	Ratio F=E/B	Amount	Ratio H=G/B	Amount	Ratio
<b>TGS DIVISION</b>								
<b>TRANSMISSION PLANT</b>								
367.00 Mains	\$ -	-	\$ -	-	\$ -	-	\$ -	-
369.00 Meas. and Reg. Station Equipment								
<b>Total Transmission Plant</b>	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>DISTRIBUTION PLANT</b>								
375.10 Structures and Improvements	\$ -	-	\$ -	-	\$ -	-	\$ -	-
376.00 Mains								
376.90 Mains - Cathodic Protection								
378.00 Meas. and Reg. Station Equip. - General								
379.00 Meas. and Reg. Station Equip. - City Gate								
380.00 Services								
381.00 Meters								
383.00 House Regulators								
385.00 Industrial Meas. and Reg. Station Equip.								
386.00 Other Property on Customers' Premises								
<b>Total Distribution Plant</b>	\$ -	-	\$ -	-	\$ -	-	\$ -	-
<b>GENERAL PLANT</b>								
<b>Depreciable</b>								
390.10 Structures and Improvements	\$ 4,486,255	17.50%	\$ 785,250	17.50%	\$ 255,925	5.70%	\$ 255,925	5.70%
392.00 Transportation Equipment								
396.00 Power Operated Equipment								
<b>Total Depreciable</b>	\$ 4,486,255	17.50%	\$ 785,250	17.50%	\$ 255,925	5.70%	\$ 255,925	5.70%
<b>Amortizable</b>								
391.10 Office Furniture and Fixtures	\$ 2,691,240	11.96%	\$ 321,887	11.96%	\$ 523,699	19.46%	\$ 523,699	19.46%
391.90 Computers and Electronic Equipment	1,762,953	37.29%	657,393	37.29%	983,852	55.81%	983,852	55.81%
393.00 Stores Equipment								
394.00 Tools, Shop and Garage Equipment	154,325	6.07%	9,375	6.07%	9,618	6.23%	9,618	6.23%
397.00 Communication Equipment	1,243,127	63.99%	795,436	63.99%	796,248	64.05%	796,248	64.05%
398.00 Miscellaneous Equipment								
<b>Total Amortizable</b>	\$ 5,851,645	30.49%	\$ 1,784,092	30.49%	\$ 2,313,417	39.53%	\$ 2,313,417	39.53%
<b>Total General Plant</b>	\$ 10,337,900	24.85%	\$ 2,569,342	24.85%	\$ 2,569,342	24.85%	\$ 2,569,342	24.85%
<b>TOTAL TGS DIVISION</b>	\$ 10,337,900	24.85%	\$ 2,569,342	24.85%	\$ 2,569,342	24.85%	\$ 2,569,342	24.85%



Statement D

**TEXAS GAS SERVICE**  
Depreciation Reserve Components  
Redistributed Reserve  
December 31, 2021

Account Description A	Plant Investment B		Investment Reserve C		Net Salvage Reserve E		Total Reserve G=C+E		Ratio H=H/G	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>TGS DIVISION</b>										
<b>TRANSMISSION PLANT</b>										
367.00 Mains	\$ -		\$ -		\$ -		\$ -			
369.00 Meas. and Reg. Station Equipment										
<b>Total Transmission Plant</b>	\$ -		\$ -		\$ -		\$ -			
<b>DISTRIBUTION PLANT</b>										
375.10 Structures and Improvements	\$ -		\$ -		\$ -		\$ -			
376.00 Mains										
376.90 Mains - Cathodic Protection										
378.00 Meas. and Reg. Station Equip. - General										
379.00 Meas. and Reg. Station Equip. - City Gate										
380.00 Services										
381.00 Meters										
383.00 House Regulators										
385.00 Industrial Meas. and Reg. Station Equip.										
386.00 Other Property on Customers' Premises										
<b>Total Distribution Plant</b>	\$ -		\$ -		\$ -		\$ -			
<b>GENERAL PLANT</b>										
<b>Depreciable</b>										
390.10 Structures and Improvements	\$ 4,486,255		\$ 232,659	5.19%	\$ 23,266	0.52%	\$ 255,925	5.70%		
392.00 Transportation Equipment										
396.00 Power Operated Equipment										
<b>Total Depreciable</b>	\$ 4,486,255		\$ 232,659	5.19%	\$ 23,266	0.52%	\$ 255,925	5.70%		
<b>Amortizable</b>										
391.10 Office Furniture and Fixtures	\$ 2,691,240		\$ 523,699	19.46%			\$ 523,699	19.46%		
391.90 Computers and Electronic Equipment	1,762,953		983,852	55.81%			983,852	55.81%		
393.00 Stores Equipment										
394.00 Tools, Shop and Garage Equipment	154,325		9,618	6.23%			9,618	6.23%		
397.00 Communication Equipment	1,243,127		796,248	64.05%			796,248	64.05%		
398.00 Miscellaneous Equipment										
<b>Total Amortizable</b>	\$ 5,851,645		\$ 2,313,417	39.53%			\$ 2,313,417	39.53%		
<b>Total General Plant</b>	\$ 10,337,900		\$ 2,546,076	24.63%	\$ 23,266	0.23%	\$ 2,569,342	24.85%		
<b>TOTAL TGS DIVISION</b>	\$ 10,337,900		\$ 2,546,076	24.63%	\$ 23,266	0.23%	\$ 2,569,342	24.85%		

**TEXAS GAS SERVICE**

Average Net Salvage

Statement E

Account Description A	Plant Investment C		Survivors D=B-C		Salvage Rate F		Net Salvage H=F-D		Average Rate J=I/B
	Additions B	Retirements C	Survivors D=B-C	Realized E	Future F	Realized G=E-C	Future H=F-D	Total I=G+H	
<b>TGS DIVISION</b>									
<b>TRANSMISSION PLANT</b>									
367.00 Mains	\$ -		\$ -	\$ -			\$ -		
369.00 Meas. and Reg. Station Equipment									
<b>Total Transmission Plant</b>	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	
<b>DISTRIBUTION PLANT</b>									
375.10 Structures and Improvements	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	
376.00 Mains									
376.90 Mains - Cathodic Protection									
378.00 Meas. and Reg. Station Equip. - General									
379.00 Meas. and Reg. Station Equip. - City Gate									
380.00 Services									
381.00 Meters									
383.00 House Regulators									
385.00 Industrial Meas. and Reg. Station Equip.									
386.00 Other Property on Customers' Premises									
<b>Total Distribution Plant</b>	\$ -	\$ -	\$ -	\$ -			\$ -	\$ -	
<b>GENERAL PLANT</b>									
<b>Depreciable</b>									
390.10 Structures and Improvements	\$ 4,505,569	\$ 19,314	\$ 4,486,255				\$ (448,626)	\$ (448,626)	-10.0%
392.00 Transportation Equipment									
396.00 Power Operated Equipment									
<b>Total Depreciable</b>	\$ 4,505,569	\$ 19,314	\$ 4,486,255				\$ (448,626)	\$ (448,626)	-10.0%
<b>Amortizable</b>									
391.10 Office Furniture and Fixtures	\$3,457,063	\$765,823	\$2,691,240						
391.90 Computers and Electronic Equipment	13,682,175	11,919,222	1,762,953						
393.00 Stores Equipment									
394.00 Tools, Shop and Garage Equipment	273,032	118,707	154,325						
397.00 Communication Equipment	1,554,769	311,642	1,243,127						
398.00 Miscellaneous Equipment									
<b>Total Amortizable</b>	\$ 18,967,039	\$ 13,115,394	\$ 5,851,645						
<b>Total General Plant</b>	\$ 23,472,608	\$ 13,134,708	\$ 10,337,900				\$ (448,626)	\$ (448,626)	-1.9%
<b>TOTAL TGS DIVISION</b>	\$ 23,472,608	\$ 13,134,708	\$ 10,337,900				\$ (448,626)	\$ (448,626)	-1.9%

Statement F

**TEXAS GAS SERVICE**  
Current and Proposed Parameters  
Vintage Group Procedure

Account Description A	Current Parameters					Proposed Parameters (at December 31, 2021)						
	P-Life/ AYFR B	Curve Shape C	VG ASL D	Rem. Life E	Avg. Sal. F	Fut. Sal. G	P-Life/ AYFR H	Curve Shape I	VG ASL J	Rem. Life K	Avg. Sal. L	Fut. Sal. M
<b>TGS DIVISION</b>												
<b>TRANSMISSION PLANT</b>												
367.00 Mains	40.00	R4	52.56	6.15	-3.9	-5.0						
369.00 Meas. and Reg. Station Equipment	65.00	R1.5	68.39	51.57	-28.2	-20.0						
<b>Total Transmission Plant</b>												<b>-39.2</b>
<b>DISTRIBUTION PLANT</b>												
375.10 Structures and Improvements	15.00	SQ	15.00	10.80	-12.8	-20.0						
376.00 Mains - Cathodic Protection	65.00	R1.5	65.47	49.55	-5.3	-10.0						
378.00 Meas. and Reg. Station Equip. - General	55.00	R2	56.12	39.62	-70.3	-30.0						
379.00 Meas. and Reg. Station Equip. - City Gate	25.00	R2.5	28.18	19.93	-19.1	-10.0						
380.00 Services	35.00	R3	45.72	25.10	-10.3	-5.0						
381.00 Meters	55.00	R1	56.50	38.41	-17.4	-20.0						
383.00 House Regulators	20.00	S3	24.98	2.56								
385.00 Industrial Meas. and Reg. Station Equip.												
386.00 Other Property on Customers' Premises												
<b>Total Distribution Plant</b>												<b>-40.7</b>
<b>GENERAL PLANT</b>												
<b>Depreciable</b>												
390.10 Structures and Improvements	40.00	R1.5	40.07	37.39	-4.2	-5.0	43.00	R3	43.00	40.77	-10.0	-10.0
392.00 Transportation Equipment	10.00	L0	11.28	7.49	4.8	5.0						
396.00 Power Operated Equipment	13.00	L2	13.25	10.28	8.2	10.0			43.00	40.77	-10.0	-10.0
<b>Total Depreciable</b>												
<b>Amortizable</b>												
391.10 Office Furniture and Fixtures	15.00	SQ	15.00	12.50			15.00	SQ	15.00	12.08		
391.90 Computers and Electronic Equipment	7.00	SQ	7.00	1.67	7.00	3.09	7.00	SQ	7.00	3.09		
393.00 Stores Equipment	15.00	SQ	15.00	1.00			15.00	SQ	15.00	14.07		
394.00 Tools, Shop and Garage Equipment	15.00	SQ	15.00	8.69			15.00	SQ	15.00	5.39		
397.00 Communication Equipment	15.00	SQ	15.00	10.07			15.00	SQ	15.00	6.74		
398.00 Miscellaneous Equipment												
<b>Total Amortizable</b>									11.16	6.74		
<b>Total General Plant</b>									16.44	12.39	-1.9	-4.3
<b>TOTAL TGS DIVISION</b>									16.44	12.39	-1.9	-4.3

STATE OF FLORIDA     §  
                                      §  
COUNTY OF LEE       §

**AFFIDAVIT OF RONALD E. WHITE**

BEFORE ME, the undersigned authority, on this day personally appeared Ronald E. White who having been placed under oath by me did depose as follows:

1.       “My name is Ronald E. White. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as President for Foster Associates Consultants, LLC. The facts stated herein are true and correct based upon my personal knowledge.

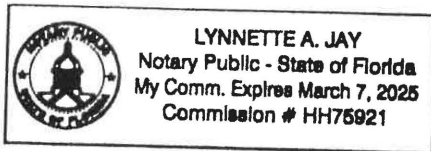
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.



\_\_\_\_\_  
Ronald E. White, Ph.D.

SUBSCRIBED AND SWORN TO BEFORE ME by the said Ronald E. White on this 7<sup>th</sup> day of June 2023.



Lynnette A. Jay  
Notary Public in and for the State of Florida

My commission expires: March 7, 2025.

**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**BRUCE H. FAIRCHILD**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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Schedule BHF-7	Capital Asset Pricing Model
Schedule BHF-8	Bond Ratings, Beta, Market Capitalization, and Size Premiums
Schedule BHF-9	Risk Premium Method
Schedule BHF-10	Comparable Earnings Method

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**DIRECT TESTIMONY OF BRUCE H. FAIRCHILD**

**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. Bruce H. Fairchild, 3907 Red River, Austin, Texas 78751.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT POSITION?**

A. I am a principal in Financial Concepts and Applications, Inc. (“FINCAP”), a firm engaged in financial, economic, and policy consulting to business and government.

**A. Qualifications**

**Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND, PROFESSIONAL QUALIFICATIONS, AND PRIOR EXPERIENCE.**

A. I hold a BBA degree from Southern Methodist University and MBA and PhD degrees from the University of Texas at Austin. I am also a Certified Public Accountant. My previous employment includes working in the Controller’s Department at Sears, Roebuck and Company and serving as Assistant Director of Economic Research at the Public Utility Commission of Texas (“PUCT”). I have also been on the business school faculties at the University of Colorado at Boulder and the University of Texas at Austin, where I taught undergraduate and graduate courses in finance and accounting.

**Q. BRIEFLY DESCRIBE YOUR EXPERIENCE IN UTILITY-RELATED MATTERS.**

A. While at the PUCT, I assisted in managing a division comprised of approximately twenty-five professionals responsible for financial analysis, cost allocation and rate design, economic and financial research, and data processing systems. I testified

1 on behalf of the PUCT staff in numerous cases involving most major investor-  
2 owned and cooperative electric, telephone, and water/sewer utilities in the state  
3 regarding a variety of financial, accounting, and economic issues. Since forming  
4 FINCAP in 1979, I have participated in a wide range of analytical assignments  
5 involving utility-related matters on behalf of utilities, industrial consumers,  
6 municipalities, and regulatory commissions. I have also prepared and presented  
7 expert testimony before a number of regulatory authorities addressing revenue  
8 requirements, cost allocation, and rate design issues for gas, electric, telephone, and  
9 water/sewer utilities. I have been a frequent speaker at regulatory conferences and  
10 seminars and have published research concerning various regulatory issues. A  
11 resume that contains the details of my experience and qualifications is attached as  
12 Appendix A, with Appendix B listing my prior testimony before regulatory  
13 agencies since leaving the PUCT.

#### 14 **B. Overview**

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

16 A. The purpose of my testimony is to recommend an overall rate of return to apply to  
17 Texas Gas Service Company's ("TGS") invested capital for its Rio Grande Valley  
18 Service Area ("RGV service area").

19 **Q. WHAT IS THE ROLE OF THE RATE OF RETURN IN SETTING A**  
20 **UTILITY'S RATES?**

21 A. The rate of return serves to compensate investors for the use of their capital to  
22 finance the plant and equipment necessary to provide utility service to customers.  
23 Investors only commit money in anticipation of earning a return on their investment



1 commensurate with that from other investment alternatives having comparable  
2 risks. Consistent with both sound regulatory economics and the standards specified  
3 in the U.S. Supreme Court cases of *Bluefield Water Works & Improvement Co.*  
4 (1923) and *Hope Natural Gas Co.* (1944), rates should provide the utility a  
5 reasonable opportunity to earn a rate of return sufficient to: 1) fairly compensate  
6 capital presently invested in the utility, 2) enable the utility to offer a return  
7 adequate to attract new capital on reasonable terms, and 3) maintain the utility's  
8 financial integrity.

9 **Q. IN GENERAL, HOW HAVE YOU GONE ABOUT DEVELOPING YOUR**  
10 **RECOMMENDED RATE OF RETURN FOR TGS?**

11 A. My evaluation begins with a brief review of the operations and finances of TGS  
12 and general conditions in the natural gas industry and capital markets, including a  
13 discussion of the actions the Federal Reserve Board ("Fed") has taken in an effort  
14 to control skyrocketing inflation, principally by raising interest rates. With this  
15 background, I develop a mix of investor-supplied capital (i.e., debt and equity) to  
16 be used as weightings in calculating an overall rate of return. An average cost of  
17 debt applicable to the debt component of the capital structure is then calculated.  
18 Next, various analyses are conducted to determine a fair rate of return on common  
19 equity ("ROE"). These analyses include applications of the discounted cash flow  
20 ("DCF") model, capital asset pricing model ("CAPM"), risk premium method, and  
21 comparable earnings method to develop a cost of equity range, from which I select  
22 my recommended ROE. Finally, these components are combined to calculate my  
23 recommended overall rate of return for TGS's RGV service area.

1 **C. Summary of Conclusions**

2 **Q. WHAT IS YOUR RATE OF RETURN RECOMMENDATION?**

3 A. As developed on Schedule BHF-1, I recommend an overall rate of return for TGS  
4 on the invested capital in its RGV service area of 7.75%. This rate of return is  
5 based on capital structure ratios of 40.93% debt and 59.07% equity, a cost of debt  
6 of 4.14%%, and an ROE of 10.25%.

7 **Q. HOW DID YOU ARRIVE AT YOUR RECOMMENDED CAPITAL**  
8 **STRUCTURE RATIOS FOR TGS?**

9 A. My recommended capital structure ratios of 40.93% debt and 59.07% equity are  
10 based on the capitalization of ONE Gas, Inc. (“ONE Gas”), of which TGS is a  
11 division, at December 31, 2022, adjusted to remove the remaining Winter Storm  
12 Uri debt and add known and measurable sales of additional common stock. These  
13 adjusted ratios are consistent with the capital structure ONE Gas has maintained  
14 since it was spun off from ONEOK, Inc. (“ONEOK”) into a stand-alone company  
15 in 2014 and are how the permanent assets in the RGV service area will be financed  
16 when the rates in this case are in effect. They also follow ONE Gas’ financial  
17 policies to maintain single-A credit metrics and a level of creditworthiness and  
18 flexibility to meet unexpected financial requirements, such as those resulting from  
19 Winter Storm Uri. ONE Gas’ adjusted capital structure ratios are generally  
20 consistent with and fall within the range of those historically maintained by other  
21 natural gas local distribution companies (“LDCs”) and the capital structure ratios  
22 approved by the Railroad Commission of Texas (“Commission”) for the larger  
23 LDCs in Texas since 2016.

1 **Q. HOW DID YOU ARRIVE AT YOUR RECOMMENDED COST OF DEBT**  
2 **FOR TGS?**

3 A. My recommended 4.14% cost of debt is the average cost associated with the  
4 \$1.9 billion of permanent long-term debt issued by ONE Gas and outstanding at  
5 December 31, 2022.

6 **Q. WHAT IS THE BASIS FOR YOUR RECOMMENDED ROE OF 10.25%?**

7 A. Based on applications of the DCF, CAPM, risk premium, and comparable earnings  
8 methods to an industry group of publicly traded LDCs, I conclude that investors  
9 currently require an ROE in the range of 9.75% to 10.75%, and recommend an ROE  
10 for TGS's RGV service area of 10.25%, which is the mid-point of the range. This  
11 ROE is at the top of my DCF method range, below the range of my CAPM analyses,  
12 and squarely in the middle of my risk premium method range. The reasonableness  
13 of my ROE recommendation is supported by the fact that the Fed has indicated that,  
14 even after a potential "pause," more interest rate hikes are likely in 2023.  
15 Moreover, there is no reason to believe that interest rates, and the cost of equity,  
16 will fall in the foreseeable future, especially because inflation has remained  
17 stubbornly high and is currently over twice the Fed's 2% target level, and  
18 unemployment rates are near record lows.

19 **II. FUNDAMENTAL ANALYSIS**

20 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

21 A. As a predicate to subsequent quantitative analyses, this section briefly reviews the  
22 operations and finances of TGS and ONE Gas. It also examines the natural gas

1 distribution industry along with conditions in the capital markets and U.S.  
2 economy.

3 **A. Texas Gas Service Company**

4 **Q. BRIEFLY DESCRIBE TGS.**

5 A. TGS is the operating division of ONE Gas that distributes natural gas to  
6 approximately 689,000 sales and transport customers in 100 communities  
7 throughout Texas. In addition to its RGV service area, TGS also serves the cities  
8 of Austin, El Paso, Galveston, and Port Arthur and other areas throughout the state.  
9 In total, TGS serves approximately 13% of the natural gas customers in Texas. At  
10 December 31, 2022 TGS had total assets of approximately \$2 billion, with  
11 operating revenues for calendar year being approximately \$631 million.

12 **Q. BRIEFLY DESCRIBE ONE GAS.**

13 A. ONE Gas is the largest natural gas distributor in Oklahoma and Kansas, and the  
14 third largest in Texas, serving a total of over 2.2 million customers. ONE Gas was  
15 created when ONEOK spun off its natural gas distribution operations into a separate  
16 entity on January 31, 2014. At December 31, 2022, ONE Gas had total assets of  
17 approximately \$7.8 billion, with revenues during 2022 totaling more than \$2.5  
18 billion. ONE Gas' common stock is traded on the New York Stock Exchange, and  
19 its debt is rated A- by Standard & Poor's Financial Services LLC ("S&P") and A3  
20 by Moody's Investors Services, Inc. ("Moody's"), ratings that are discussed more  
21 later in my testimony.

1 **B. Natural Gas Distribution Industry**

2 **Q. PLEASE DESCRIBE THE NATURAL GAS DISTRIBUTION INDUSTRY.**

3 A. LDCs normally transport, deliver, and sell natural gas from receipt points on inter-  
4 and intrastate pipelines to households and businesses. They often have an exclusive  
5 right to operate in a specified geographic area, with their rates and operations being  
6 subject to the jurisdiction of state or local regulatory authorities. Historically,  
7 LDCs provided only “bundled” service, which included the transportation,  
8 distribution, and natural gas itself, although some now allow customers to choose  
9 their own gas supplier, with the LDC providing the delivery and service of that gas.  
10 Structural changes, which have occurred on both the demand and supply sides, have  
11 eroded the traditional monopoly status of many gas utilities, with LDCs  
12 experiencing “bypass” as large commercial and industrial customers seek to acquire  
13 gas supplies at the lowest possible prices and, in the process, abandon traditional  
14 “full-service” utility suppliers.

15 **Q. WHAT RISKS DO LDCS FACE THAT ARE OF CONCERN TO**  
16 **INVESTORS?**

17 A. LDCs face a variety of market, operating, capital-related, and regulatory risks. The  
18 natural gas business is increasingly competitive and complex, with LDCs having to  
19 vie with electric companies, oil and propane suppliers, and, in some cases, energy  
20 marketers and trading companies. Moreover, the demand for natural gas is  
21 impacted by energy efficiency and technological advances adversely affecting  
22 growth over time, especially in the residential sector. The financial results of LDCs  
23 are also heavily dependent on general economic conditions, not only in terms of the

1 overall activity of businesses, but also in the growth of households and use per  
2 customer.

3 With respect to operations, gas distribution inherently involves a variety of  
4 hazards and operating risks, including the need to replace aging and obsolete  
5 infrastructure, leaks, accidents, and third-party damages. Many LDCs are faced  
6 with substantial known and unknown environmental costs (e.g., pipeline integrity  
7 testing) and post-retirement employee costs (e.g., pensions and medical benefits).  
8 Inflation and other increases could adversely impact an LDC's ability to control  
9 operating expenses and costs, and interruptions in gas supply, strikes, natural  
10 disasters, security breaches, and terrorist activities could disrupt or shut down  
11 operations. Finally, most LDCs are involved in ongoing legal or administrative  
12 proceedings before courts and governmental bodies related to a variety of matters  
13 (e.g., general claims, taxes, environmental issues, billing, and credit and collection  
14 matters), which could result in detrimental outcomes.

15 **Q. PLEASE ELABORATE ON THE CAPITAL AND REGULATORY RISKS**  
16 **FACED BY LDCS.**

17 A. Regarding capital-related risks, virtually all LDCs are facing significant  
18 infrastructure expenditures to meet customer service requirements and improve  
19 system reliability, as well as satisfy a number of government-mandated safety  
20 initiatives. The ability of LDCs to fund these and other capital expenditures is  
21 affected by a variety of factors, including regulatory decisions, maintenance of a  
22 sufficient bond rating, capital market conditions (e.g., interest rates), and  
23 availability of credit facilities and access to capital markets. In addition, LDCs'

1 ability to retain and attract capital is subject to changes in state and federal tax laws  
2 and accounting standards, which may adversely affect their cash flows and financial  
3 condition.

4 Finally, because most aspects of an LDC's operations (e.g., rates; operating  
5 terms and conditions of service; types of services offered; construction of new  
6 facilities; the integrity, safety, and security of facilities and operations; acquisition,  
7 extension, or abandonment of services or facilities; reporting and information  
8 posting requirements; maintenance of accounts and records; and relationships with  
9 affiliate companies) are subject to government oversight, investors are  
10 understandably concerned with rate, safety, and environmental regulation.  
11 Potential changes in laws, regulations, and policies, as well as the inherent  
12 uncertainty surrounding regulatory decisions, all represent significant risks to  
13 LDCs.

14 **Q. IS TGS EXPOSED TO THESE INDUSTRY RISKS?**

15 A. Yes. Attached to my testimony as Appendix C are the pages from ONE Gas' 2022  
16 Form 10-K filed with the Securities and Exchange Commission that describe the  
17 operational risks; regulatory and legislative risks; and financial, economic, and  
18 market risks faced by ONE Gas. This discussion documents that TGS is exposed  
19 to the same risks as the LDC industry generally, as well as other risks unique to it  
20 and its service areas.

1

**C. Capital Markets**

2

**Q. WHAT HAS BEEN THE PATTERN OF INTEREST RATES OVER THE  
LAST TWO DECADES?**

3

4

A. Average long-term public utility bond rates, the borrowing prime rate, and inflation as measured by the Consumer Price Index (“CPI”) over the last twenty years are plotted in the graph below. Beginning in 2002, the average yield on long-term public utility bonds generally fell because of monetary and fiscal policies designed to keep the economy growing. This decline ended abruptly with the 2008 financial market meltdown and global recession. Investors became exceedingly risk averse, causing interest rates on corporate bonds to spike, while government policies pushed down short-term interest rates and depressed economic conditions and lower energy prices reduced inflation. Over the following decade, various actions by the Fed to stimulate the economy through easy-money policies resulted in short- and long-term interest rates reaching record lows. These conditions were interrupted in early 2020 by the coronavirus pandemic and worldwide economic shutdown, although the impact on interest rates was moderated by extraordinary actions taken by the Fed. However, in late 2021 CPI inflation began to skyrocket, jumping from an average of around 2% over the prior 20 years to 7% in 2021, peaking at over 9% in June 2022, and recently being approximately 5% for the twelve months ended April 2023:

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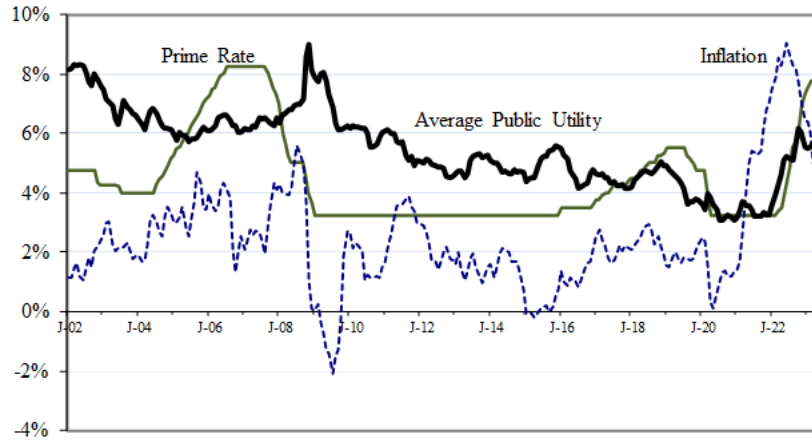
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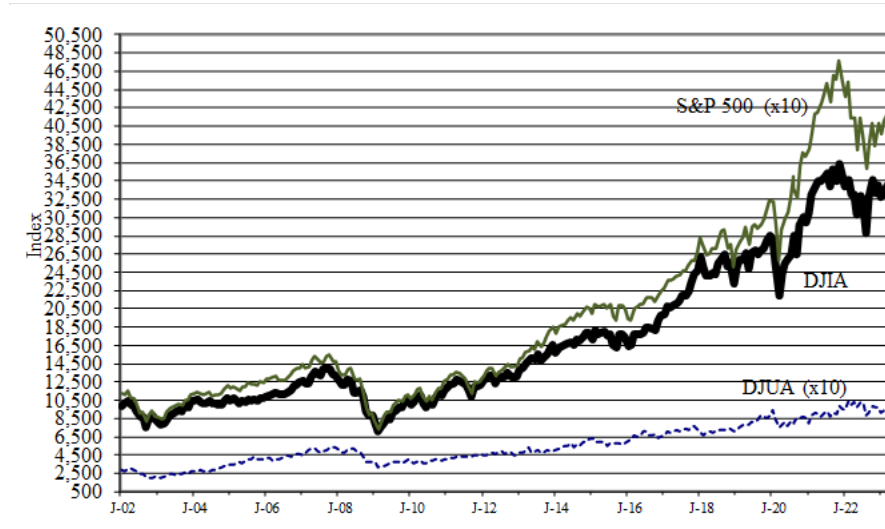




1 **Q. HOW HAS THE MARKET FOR COMMON EQUITY CAPITAL**  
 2 **PERFORMED OVER THIS SAME PERIOD?**

3 A. In the early 2000s, stock prices moved steadily higher as one of the longest bull  
 4 markets in U.S. history continued unabated. In mid-2000, mounting concerns over  
 5 prospects for future growth, particularly for firms in the high technology and  
 6 telecommunications sectors, pushed equity prices lower, in some cases  
 7 precipitously. Common stock prices generally recovered and reached record highs,  
 8 buoyed in large part by widespread acquisition activity, until the capital market  
 9 crisis and Great Recession hit in 2008. Stock prices tumbled by some 40%, and  
 10 while they recovered and reached all-time highs over the next decade, they crashed  
 11 again in early 2020 due to the coronavirus pandemic. Since then, most stock indices  
 12 reached all-time highs, but subsequently receded some 20% into bear market  
 13 territory in response to inflation worries, soaring energy prices, and global events  
 14 (e.g., the Russian invasion of Ukraine), although they began to recover in late 2022  
 15 and early 2023. Notably, the stock market has become extraordinarily volatile, with  
 16 share prices routinely changing more than full percentage points during a single  
 17 day's trading. The graph below plots the performances of the Dow-Jones Industrial

1 Average, the S&P 500, and the Dow Jones Utility Average since 2002 (the latter  
2 two indices are scaled for comparability):



3 **Q. WHAT IS THE OUTLOOK FOR THE U.S. ECONOMY?**

4 A. The U.S. economy had fully recovered from the Great Recession when the  
5 coronavirus pandemic struck in early 2020 and the world economy came to a virtual  
6 stand-still. More than 30 million U.S. jobs were lost, and unemployment reached  
7 almost 15 percent, not counting furloughed workers, throwing the U.S. into a  
8 recession overnight. To address the crisis, the U.S. Congress provided some \$4.5  
9 trillion in aid and stimulus spending, and the Fed held short-term interest rates near  
10 zero and purchased up to \$120 billion a month in Treasury debt and mortgage  
11 backed securities to suppress long-term interest rates. The combined effect of these  
12 fiscal and monetary policies is that U.S. economic activity has increased to greater  
13 than prior to the coronavirus pandemic and unemployment has fallen to pre-  
14 pandemic levels. As noted earlier, however, inflation began to increase markedly  
15 in 2021. After initially attributing the increase in inflation to supply-chain problems  
16 and then the Russian invasion of Ukraine, the Fed concluded that the dramatic rise

1 in prices was not “transitory,” and beginning in early 2022 embarked on its most  
2 aggressive effort in more than two decades to curb inflation. This included  
3 increasing short-term interest rates ten times since March 2022 and reducing its \$9  
4 trillion inventory of Treasury debt and mortgage-backed securities up to \$95 billion  
5 a month by not replacing maturing bonds. Most recently, the Fed has indicated that  
6 while it may “pause” interest rate hikes in June 2023, it will likely resume them  
7 beginning in the summer of 2023. Whether these unprecedented actions by the Fed  
8 will succeed in reducing inflation to its target rate of 2% without significantly  
9 raising unemployment and causing a recession continues to be unknown, but they  
10 affect every segment of the U.S. economy.

11 **Q. HOW HAVE THE FED’S ACTIONS AFFECTED THE COST OF**  
12 **CAPITAL?**

13 A. Hikes in the federal funds rate by the Fed and significant reductions in its long-term  
14 bond inventory are intended to increase the cost of all borrowing, including by  
15 LDCs. As will be explained more later, higher interest rates also increase the cost  
16 of more risky equity capital. This, coupled with the greater volatility in stock prices  
17 that also increases the risk of investing in common equities, supports the conclusion  
18 that the relatively low capital cost environment that has existed for the last decade  
19 has ended. As a result, the cost of both debt and equity will remain higher for the  
20 foreseeable future, and the ROEs authorized for LDCs over the last few years,  
21 including those allowed by the Commission, must be correspondingly increased to  
22 fairly compensate a utility’s investors, enable it to attract new capital on reasonable

1 terms, and maintain its financial integrity under these new capital market  
2 conditions.

3 **III. CAPITAL STRUCTURE**

4 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

5 A. The purpose of this section is to recommend capital structure ratios to use to  
6 calculate an overall rate of return for TGS.

7 **Q. WHAT IS THE ROLE OF CAPITAL STRUCTURE IN SETTING A  
8 UTILITY'S RATE OF RETURN?**

9 A. A utility's capital structure reflects the mix of capital—debt, preferred stock (if  
10 any), and common equity—used to finance the utility's assets. The proportions of  
11 a utility's total capitalization attributable to each source of capital are typically used  
12 to weight the cost of debt, cost of preferred stock, and ROE in calculating an overall  
13 rate of return.

14 **Q. WHAT SOURCES OF CAPITAL ARE USED TO FINANCE TGS'S  
15 INVESTMENT IN UTILITY PLANT?**

16 A. As an operating division of ONE Gas, TGS has no independent financing, and it  
17 relies entirely on capital supplied by ONE Gas to finance its investment in assets.

18 **Q. WHAT PRINCIPLES UNDERLIE ONE GAS' FINANCING POLICIES  
19 AND PRACTICES?**

20 A. When ONE Gas was spun off from ONEOK in 2014, the Registration Form 10 filed  
21 with the Securities and Exchange Commission stated:

1                   Our capital structure was designed to obtain investment grade credit  
2                   ratings that are higher than the current credit ratings of ONEOK and  
3                   similar to those of our natural gas utility peers and to provide us with  
4                   the financial flexibility to maintain our current level of operations  
5                   and to continue to invest in our natural gas distribution system.

6                   Toward this objective, ONE Gas was initially financed with approximately 40%  
7                   debt and 60% equity. This capital structure was instrumental in ONE Gas being  
8                   rated A- by S&P, which was subsequently increased to A, and A2 by Moody's.

9   **Q.   HAS ANYTHING OCCURRED THAT ILLUSTRATES THE BENEFIT OF**  
10 **ONE GAS TARGETING THESE DEBT AND EQUITY RATIOS?**

11   A.   Yes. In January 2018, Moody's lowered its rating outlook for ONE Gas from  
12       "stable" to "negative" because of the adverse impact on its credit metrics resulting  
13       from the reduction of the corporate income tax rate from 35% to 21% provided for  
14       in the Tax Cuts and Jobs Act of 2017. A "negative" outlook is intended to warn  
15       investors of the potential for a bond rating downgrade. On January 29, 2019,  
16       Moody's revised its rating outlook for ONE Gas from negative to "stable," citing  
17       primarily, among other factors, "corporate actions ONE Gas has taken to strengthen  
18       its balance sheet and key financial ratios." Indeed, ONE Gas' capital structure  
19       ratios of approximately 40% debt and 60% equity were instrumental in it  
20       maintaining a solid single-A bond rating, which benefits customers by ensuring  
21       continuous access to capital markets and that ONE Gas can raise capital on  
22       favorable terms.

1 **Q. DID ONE GAS' CAPITAL STRUCTURE PLAY A ROLE IN DEALING**  
 2 **WITH WINTER STORM URI?**

3 A. Yes. Because ONE Gas' equity ratio is above LDC industry averages, it had  
 4 borrowing capacity that it would not otherwise have had if its debt ratio had been  
 5 greater. As a result, during Winter Storm Uri, ONE Gas was able to obtain a  
 6 \$2.5 billion, two-year unsecured Term Loan Facility to finance the approximately  
 7 \$2.2 billion in higher natural gas purchases required to serve customers, maintain  
 8 its liquidity, and meet its payment obligations. While, as noted by Moody's, this  
 9 short-term borrowing doubled ONE Gas' total outstanding debt, S&P assessed  
 10 ONE Gas' liquidity as adequate, in part due to its prudent risk management, which  
 11 includes its capital structure policies.

12 **Q. HAS ONE GAS ALWAYS MAINTAINED ITS TARGET CAPITAL**  
 13 **STRUCTURE RATIOS?**

14 A. The table below displays the capital structure ratios of ONE Gas at each year-end  
 15 since it became a separate entity in 2014:

<b>Year</b>	<b>Debt</b>	<b>Equity</b>
2014	40.1%	59.9%
2015	39.5%	60.5%
2016	38.7%	61.3%
2017	37.8%	62.2%
2018	38.6%	61.4%
2019	37.7%	62.3%
2020	41.5%	58.5%
2021	61.0%	39.0%
2022	47.7%	52.3%

16 As evidenced above, except for 2021 and 2022 when ONE Gas had outstanding all  
 17 or part of \$2.1 billion of temporary debt issued to finance extraordinary gas costs  
 18 incurred during Winter Storm Uri, its permanent capital structure ratios have

1 generally been in the approximately 40% debt and 60% equity vicinity since its  
2 inception.

3 **Q. WHY DID ONE GAS' DEBT RATIO DECREASE BETWEEN YEAR-END**  
4 **2021 AND 2022?**

5 A. During 2022, ONE Gas repaid approximately \$1.63 billion of its Winter Storm Uri  
6 debt with funds received from securitization transactions in Oklahoma and Kansas.  
7 This total was partially offset by the issuance of \$300 million in notes maturing in  
8 2032 and \$336 million of Kansas Securitized Utility Tariff Bonds ("SUTB"), which  
9 are reported separately on ONE Gas' consolidated balance sheet to recognize that  
10 they are securitized by specific Kansas revenues. There remained, however, \$473  
11 million in Winter Storm Uri debt outstanding at December 31, 2022 that had been  
12 used to finance the regulatory assets approved by the Commission for  
13 securitization, deferred costs in the former West Texas service area being recovered  
14 through a surcharge, and other Winter Storm Uri-related costs. Accordingly, ONE  
15 Gas' test year-end debt ratio of 47.7% (exclusive of the Kansas SUTB), was lower  
16 than at December 31, 2021, but above its historical level of approximately 40%.

17 **Q. DOES ONE GAS INTEND TO RETURN ITS CAPITAL STRUCTURE TO**  
18 **TARGET LEVELS?**

19 A. Yes. ONE Gas' distorted 2021 and 2022 capital structure ratios are wholly  
20 attributable to financing the extraordinary gas costs incurred during Winter Storm  
21 Uri. Following the resolution of the treatment of these costs in Oklahoma, Kansas,  
22 and Texas, ONE Gas intends to restore its capital structure to its target ratios of  
23 approximately 40% long-term debt and 60% common equity.

1 **Q. HOW DOES ONE GAS PLAN TO DO SO?**

2 A. The \$473 million in remaining Winter Storm Uri debt matures in March 2024, at  
 3 which time ONE Gas will repay the notes and not refinance them with new debt.  
 4 In addition, ONE Gas will sell approximately 1.7 million shares of new common  
 5 stock through its “At-the-Market Equity” program and a block trade that have  
 6 already been contracted. These “forward sales,” which must be settled on or before  
 7 December 31, 2023, will increase ONE Gas’ common equity by approximately  
 8 \$128.4 million. As shown below, the combination of repaying the remaining  
 9 Winter Storm Uri debt and selling additional common equity will return ONE Gas’  
 10 capital structure ratios to 40.93% debt and 59.07% equity, which is in line with its  
 11 target levels:

<b>Capital Component</b>	<b>12/31/2022</b>	<b>Adjustment</b>	<b>Adjusted</b>	<b>Percent</b>
Long-term Debt	\$ 2,352,400	\$ (473,000)	\$ 1,879,400	40.93%
Common Equity	2,584,426	128,390	2,712,816	59.07%
Total	\$ 4,936,826	\$ 5,266,885	\$ 4,592,216	100.00%

12 **Q. HOW DO THESE ADJUSTED CAPITAL STRUCTURE RATIOS**  
 13 **COMPARE WITH THOSE OF OTHER LDCS?**

14 A. Based on data published by the American Gas Association, the gas distribution  
 15 industry had the following composite capital structure ratios between 2017 and  
 16 2021:

<b>Capital Component</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Long-term Debt	43.6%	42.3%	41.0%	41.9%	41.6%
Preferred Stock	0.0%	0.0%	0.9%	0.1%	0.1%
Common Equity	56.4%	57.7%	58.1%	58.0%	58.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%



1 The table above indicates that gas distribution companies have historically financed  
2 their investment in utility plant with around 42% long-term debt and 58% preferred  
3 and common equity, not appreciably different from ONE Gas' adjusted ratios.

4 Alternatively, Schedule BHF-2 displays the capital structure ratios at fiscal  
5 year-ends 2018 through 2022 for an industry group of other publicly traded LDCs.  
6 Beginning with the nine companies included in *The Value Line Investment Survey's*  
7 (*Value Line*) Natural Gas Utility industry, I excluded ONE Gas and UGI Corp.,  
8 which is not predominantly engaged in natural gas distribution. This resulted in an  
9 industry group consisting of: 1) Atmos Energy, 2) Chesapeake Utilities, 3) New  
10 Jersey Resources, 4) NiSource, Inc., 5) Northwest Natural Gas, 6) Southwest Gas  
11 Holdings, and 7) Spire, Inc. While ONE Gas' adjusted capital structure ratios of  
12 approximately 41% debt and 59% equity are below and above, respectively, the  
13 averages for this group over the last five years, they fall within industry bounds.

14 **Q. WHAT CAPITAL STRUCTURE RATIOS HAS THE COMMISSION**  
15 **APPROVED FOR MAJOR LDCS IN TEXAS?**

16 A. The following table lists the capital structure ratios approved by the Commission  
17 for the three largest LDCs in Texas from 2016 through the present. As shown there,  
18 with but a few exceptions, the equity ratios included in the rates of return authorized  
19 by the Commission have been approximately 60%:

<b>Date</b>	<b>Docket</b>	<b>Utility</b>	<b>Debt</b>	<b>Equity</b>
05/03/2016	10488	TGS – Gulf Coast	39.80%	60.20%
09/27/2016	10506	TGS – West Texas	39.90%	60.10%
11/15/2016	10526	TGS –Central Texas	39.50%	60.50%
05/23/2017	10567	CP Energy– Houston	44.85%	55.15%
12/05/2017	10640	Atmos – Dallas	41.49%	58.51%
03/20/2018	10656	TGS – RGV	38.71%	61.29%
05/22/2018	10669	CP Energy – S. Texas	45.00%	55.00%
11/13/2018	10739	TGS – NTSA	37.84%	62.16%
12/11/2018	10742	Atmos – Mid-Tex	39.82%	60.18%
12/11/2018	10743	Atmos – West Texas	39.82%	60.18%
02/05/2019	10766	TGS – BSSA	37.84%	62.16%
05/21/2019	10779	Atmos – Mid-Tex	39.82%	60.18%
04/21/2020	10900	Atmos – West Texas	39.88%	60.12%
05/21/2019	10920	CP Energy-Beaumont	43.05%	56.95%
08/04/2020	10928	TGS – CGSA	41.00%	59.00%
01/18/2023	00009896	TGS – WNSA	40.26%	59.74%

1 **Q. WHAT CAPITAL STRUCTURE RATIOS DO YOU RECOMMEND BE**  
2 **USED TO CALCULATE TGS’S RATE OF RETURN?**

3 A. I recommend that the adjusted capital structure ratios of 40.93% debt and 59.07%  
4 equity, which remove the remaining Winter Storm Uri debt and add the known and  
5 measurable sales of common stock, be used to calculate the rate of return for TGS’s  
6 RGV service area. In addition to reflecting how the permanent assets in the RGV  
7 service area will be financed when the rates in this case are in effect, my  
8 recommendation follows the Commission’s practice of using the utility’s capital  
9 structure ratios when they are generally consistent with and fall within the range of  
10 those maintained by other LDCs, which ONE Gas’ adjusted capital structure ratios  
11 do. My recommendation is also consistent with the capital structure ratios

1 previously approved by the Commission for TGS in previous rate cases, as well as  
2 those approved by the Commission for the other two major LDCs in Texas – Atmos  
3 Energy and CenterPoint Energy. Finally, these capital structure ratios follow ONE  
4 Gas’ financial policies and practices to maintain single-A credit metrics and a level  
5 of creditworthiness and flexibility to meet unexpected financial requirements,  
6 which is a benefit to customers both through lower debt costs and the availability  
7 of capital.

#### 8 IV. COST OF DEBT

9 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

10 A. The purpose of this section is to recommend a cost of debt applicable to the debt  
11 component of TGS’s permanent capital structure developed above.

12 **Q. PLEASE DESCRIBE THE LONG-TERM DEBT INCLUDED IN YOUR**  
13 **RECOMMENDED CAPITAL STRUCTURE FOR ONE GAS.**

14 A. There are five issues of long-term senior notes comprising ONE Gas’ adjusted  
15 December 31, 2022 capital structure, which have a total face value of \$1.9 billion.  
16 Two of the issues were sold in 2014 when ONE Gas was spun-off from ONEOK—  
17 \$300 million due in 2024 having an interest rate of 3.61%, which is expected to be  
18 rolled-over into new debt at maturity, and \$600 million maturing in 2044 bearing  
19 an interest rate of 4.658%. As noted earlier, ONE Gas subsequently issued \$400  
20 million in senior notes in 2019 that mature in 2048 and bear an interest rate of  
21 4.50%, \$300 million of 2.00% senior notes maturing in 2030 sold in 2020, and \$300  
22 million of 4.25% senior notes issued in 2022. Reducing the face amount of the  
23 notes at December 31, 2022 was approximately \$21.8 million in unamortized

1 issuance and discount costs and \$4.2 million in unamortized costs associated with  
 2 previously retired debt.

3 **Q. WHAT IS THE AVERAGE COST OF ONE GAS' DEBT?**

4 A. As shown below, the weighted average cost of ONE Gas' adjusted debt is 4.14%  
 5 (dollar amounts in 000s):

<b>Description</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Annual Expense</b>
3.61% due 2024	\$ 300,000	3.610%	\$ 10,830
2.0% due 2030	300,000	2.000%	6,000
4.25% due 2032	300,000	4.250%	12,750
4.658% due 2044	600,000	4.658%	27,948
4.50% due 2048	400,000	4.500%	18,000
Debt Issuance Costs	(14,271)		946
Debt Discounts	(7,568)		399
Debt Retirement Costs	(4,158)		723
<b>Total</b>	<b>\$ 1,874,003</b>		<b>\$ 77,595</b>
<b>Cost of Debt</b>		<b>4.14%</b>	

6 I recommend that this 4.14% cost be applied to the debt component of TGS's  
 7 adjusted capital structure to determine the rate of return for the RGV service area.

8 **V. RETURN ON EQUITY**

9 **Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?**

10 A. The purpose of this section is to develop a cost of equity range for an industry group  
 11 of LDCs having similar risks to TGS. It begins by introducing the cost of equity  
 12 concept, explaining the risk-return tradeoff principle fundamental to capital  
 13 markets, and discussing the importance of using multiple approaches to estimate  
 14 the cost of equity. The DCF model is then developed and applied to the industry  
 15 group of publicly traded LDCs to estimate their current cost of equity. Next, the  
 16 CAPM is described and alternative cost of equity estimates developed for the

1 industry group using this method. Cost of equity estimates are also developed using  
2 the risk premium method based on ROEs previously authorized for other LDCs,  
3 and a comparable earnings method is applied. The results of these analyses are then  
4 combined to arrive at a current cost of equity range for LDCs, from which I select  
5 my recommended ROE for TGS's RGV service area.

6 **A. Cost of Equity Concept**

7 **Q. HOW IS A RETURN ON COMMON EQUITY CUSTOMARILY**  
8 **DETERMINED?**

9 A. Unlike debt capital, there is no contractually guaranteed return on common equity  
10 capital, since shareholders are the residual owners of the utility. Nonetheless,  
11 common equity investors still require a return on their investment, with the "cost  
12 of equity" being the minimum rent that must be paid for the use of their money.

13 **Q. WHAT FUNDAMENTAL ECONOMIC PRINCIPLE UNDERLIES THIS**  
14 **COST OF EQUITY CONCEPT?**

15 A. The cost of equity concept is predicated on the notion that investors are risk averse  
16 and willingly accept additional risk only if they expect to be compensated for  
17 bearing that risk. In capital markets where relatively risk-free assets are available,  
18 such as U.S. Treasury securities, investors can be induced to hold more risky assets  
19 only if they are offered a premium, or additional return, above the rate of return on  
20 a risk-free asset. Since all assets compete with each other for investors' funds,  
21 riskier assets must yield a higher expected rate of return than less risky assets in  
22 order for investors to be willing to hold them.

1           Given this risk-return tradeoff, the minimum required rate of return (k) from  
2 an asset (i) can be generally expressed as:

$$3 \qquad k_i = R_f + RP_i$$

4           where:  $R_f$  = Risk-free rate of return; and

5            $RP_i$  = Risk premium required to hold more risky asset i.

6           Thus, the minimum required rate of return for a particular asset at any point in time  
7 is a function of: 1) the yield on risk-free assets, and 2) its relative risk, with investors  
8 demanding correspondingly larger risk premiums for assets bearing greater risk.

9   **Q. IS THERE EVIDENCE THAT THE RISK-RETURN TRADEOFF**  
10 **PRINCIPLE ACTUALLY OPERATES IN THE CAPITAL MARKETS?**

11 A. Yes. The risk-return tradeoff can be readily documented in certain segments of the  
12 capital markets where required rates of return can be directly inferred from market  
13 data and generally accepted measures of risk exist. For example, bond yields are  
14 reflective of investors' expected rates of return, and bond ratings are indicative of  
15 the risk of fixed income securities. The observed yields on government securities  
16 and bonds of various rating categories demonstrate that the risk-return tradeoff  
17 does, in fact, exist in the capital markets.

18           To illustrate, average yields during May 2023 on 30-year U.S. Treasury  
19 bonds and public utility bonds of different ratings reported by Moody's are shown  
20 in the table below. As evidenced there, as risk increases (measured by  
21 progressively lower bond ratings), the required rate of return (measured by yields)  
22 rises accordingly. Also shown are the indicated risk premiums over long-term  
23 government securities for the additional risk associated with each bond rating  
24 category.

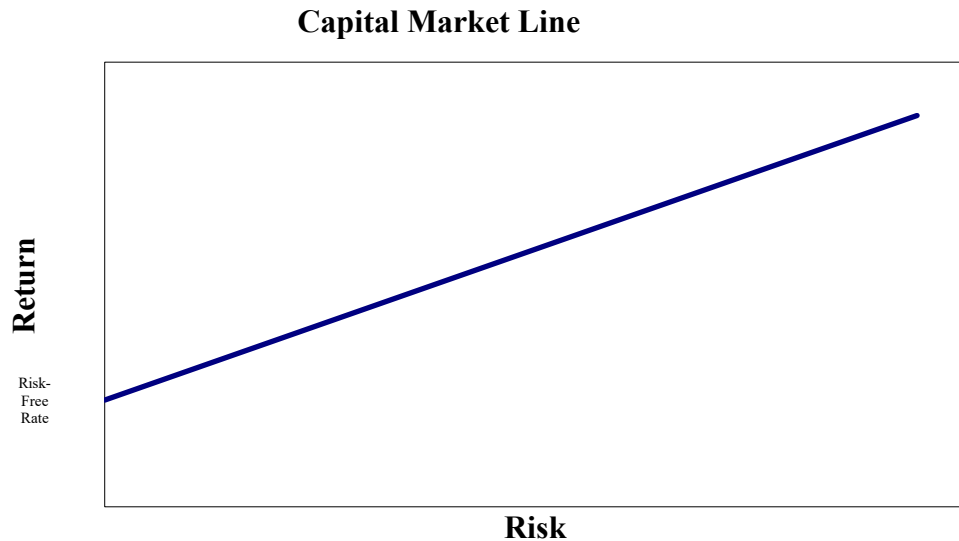
<u>Bond and Rating</u>	<u>May 2023 Yield</u>	<u>Risk Premium Over 30-Year Treasury</u>
U.S. Treasury 30-Year	3.86%	--
Public Utility Aa	5.24%	1.38%
A	5.36%	1.50%
Baa	5.71%	1.85%

1 **Q. DOES THE RISK-RETURN TRADEOFF OBSERVED WITH FIXED**  
2 **INCOME SECURITIES EXTEND TO COMMON STOCKS AND OTHER**  
3 **ASSETS?**

4 A. Documenting the risk-return tradeoff for assets other than fixed income securities  
5 is complicated by two factors. First, there is no standard measure of risk applicable  
6 to all assets. Second, for most assets (e.g., common stock), required rates of return  
7 cannot be directly observed. Yet there is every reason to believe that investors  
8 exhibit risk aversion in deciding whether to hold common stocks and other assets,  
9 just as when choosing among fixed income securities. Accordingly, it is generally  
10 accepted that the risk-return tradeoff evidenced with long-term debt extends to all  
11 assets.

12 The extension of the risk-return tradeoff from assets with observable  
13 required rates of return (e.g., bonds) to other assets is represented by the concept of  
14 a “capital market line.” In particular, competition between securities and among  
15 investors in the capital markets drives the prices of assets to equilibrium such that  
16 the expected rate of return from each is commensurate with its risk. Thus, the  
17 expected rate of return from any asset is a risk-free rate of return plus a  
18 corresponding risk premium. This concept of a capital market line is illustrated  
19 below. The vertical axis represents required rates of return and the horizontal axis

1 indicates relative riskiness, with the intercept of the capital market line being the  
 2 risk-free rate of return.



3 **Q. IS THIS RISK-RETURN TRADEOFF LIMITED TO DIFFERENCES**  
 4 **BETWEEN FIRMS?**

5 A. No. The risk-return tradeoff principle applies not only to investments in different  
 6 firms, but also to different securities issued by the same firm. As discussed earlier,  
 7 the securities issued by a utility vary considerably in risk because they have  
 8 different characteristics and priorities. Long-term debt secured by a mortgage on  
 9 property is senior among all capital in its claim on a utility's net revenues and is,  
 10 therefore, the least risky because mortgage bondholders have a direct claim on the  
 11 utility's property. Following first mortgage bonds are other debt instruments also  
 12 holding contractual claims on the utility's net revenues, such as debentures. The  
 13 last investors in line are common shareholders. They only receive the net revenues,  
 14 if any, that remain after all other claimants have been paid. As a result, the  
 15 minimum rate of return that investors require from a utility's common stock, the



1 most junior and riskiest of its securities, must be considerably higher than the yield  
2 offered by the utility's senior, long-term debt.

3 **Q. WHAT DOES THE ABOVE DISCUSSION IMPLY WITH RESPECT TO**  
4 **ESTIMATING THE COST OF EQUITY FOR A UTILITY?**

5 A. Although the cost of equity cannot be observed directly, it is a function of the  
6 returns available from other investment alternatives and the risks to which the  
7 equity capital is exposed. Because it is unobservable, the cost of equity for a  
8 particular utility must be estimated by analyzing information about capital market  
9 conditions generally, assessing the relative risks of the utility specifically, and  
10 employing various quantitative methods that focus on investors' required rates of  
11 return. These various quantitative methods typically attempt to infer investors'  
12 required rates of return from stock prices, by extrapolating interest rates, or through  
13 an analysis of other financial data.

14 **Q. DO YOU RELY ON A SINGLE METHOD TO ESTIMATE THE COST OF**  
15 **EQUITY?**

16 A. No. Despite the theoretical appeal of or precedent for using a particular method to  
17 estimate the cost of equity, no single approach can be regarded as wholly reliable.  
18 Therefore, I use multiple methods to estimate the cost of equity. Indeed, it is  
19 essential that estimates of investors' minimum required rate of return produced by  
20 one method be compared with those produced by other methods, and that all cost  
21 of equity estimates be required to pass fundamental tests of reasonableness and  
22 economic logic.

1

**B. Discounted Cash Flow Model**2 **Q. HOW ARE DCF MODELS USED TO ESTIMATE THE COST OF EQUITY?**

3 A. The use of DCF models to estimate the cost of equity is essentially an attempt to  
4 replicate the market valuation process which led to the price investors are willing  
5 to pay for a share of a company's common stock. It is predicated on the assumption  
6 that investors evaluate the risks and expected rates of return from all securities in  
7 the capital markets. Given these expected rates of return, the price of each share of  
8 stock is adjusted by the market so that investors are adequately compensated for  
9 the risks to which they are exposed. Therefore, we can look to the market to  
10 determine what investors believe a share of common stock is worth, and by  
11 estimating the cash flows they expect to receive from the stock in the way of future  
12 dividends and stock price, their required rate of return can be mathematically  
13 imputed. In other words, the cash flows that investors expect from a stock are  
14 estimated, and given the stock's current market price, we can "back-into" the  
15 discount rate, or cost of equity, investors presumably used in arriving at that price.

16 **Q. WHAT MARKET VALUATION PROCESS UNDERLIES DCF MODELS?**

17 A. DCF models are derived from a theory of valuation which posits that the price of a  
18 share of common stock is equal to the present value of the expected cash flows (i.e.,  
19 future dividends and stock price) that will be received while holding the stock,  
20 discounted at investors' required rate of return, or the cost of equity. Notationally,  
21 the general form of the DCF model is as follows:

$$P_0 = \frac{D_1}{(1+K_e)^1} + \frac{D_2}{(1+K_e)^2} + \dots + \frac{D_t}{(1+K_e)^t} + \frac{P_t}{(1+K_e)^t}$$

2           where:     $P_0$  = Current price per share;  
 3                            $P_t$  = Future price per share in period t;  
 4                            $D_t$  = Expected dividend per share in period t;  
 5                            $K_e$  = Cost of equity.

6   **Q.   HAS THIS GENERAL FORM OF THE DCF MODEL CUSTOMARILY**  
 7   **BEEN SIMPLIFIED FOR USE IN ESTIMATING THE COST OF EQUITY**  
 8   **IN RATE CASES?**

9   A.   Yes. In an effort to reduce the number of required estimates and computational  
 10       difficulties, the general form of the DCF model has been simplified to a “constant  
 11       growth” form. In order to convert the general form of the DCF model to the  
 12       constant growth DCF model, a number of assumptions must be made. These  
 13       include:

- 14           •    A constant growth rate for both dividends and earnings;
- 15           •    A stable dividend payout ratio;
- 16           •    The discount rate exceeds the growth rate;
- 17           •    A constant growth rate for book value and price;
- 18           •    A constant earned rate of return on book value;
- 19           •    No sales of stock at a price above or below book value;
- 20           •    A constant price-earnings ratio;
- 21           •    A constant discount rate (i.e., no changes in risk or interest  
 22           rate levels and a flat yield curve); and
- 23           •    All of the above extend to infinity.

24       Given these assumptions, the general form of the DCF model can be reduced to the  
 25       more manageable formula of:

$$P_0 = \frac{D_1}{K_e - g}$$

27       where:  $g$  = Investors’ long-term growth expectations.

1 The cost of equity (“K<sub>e</sub>”) can be isolated by rearranging terms:

$$2 \quad K_e = \frac{D_1}{P_0} + g$$

3 The constant growth form of the DCF model recognizes that the rate of return to  
4 stockholders consists of two parts: 1) dividend yield (D<sub>1</sub>/P<sub>0</sub>), and 2) growth (g). In  
5 other words, investors expect to receive a portion of their total return in the form of  
6 current dividends and the remainder through price appreciation.

7 While the constant growth form of the DCF model provides a more  
8 manageable formula to estimate the cost of equity, it is important to note that the  
9 assumptions required to convert the general form of the DCF model to the constant  
10 growth form are never strictly met in practice. In some instances, where earnings  
11 are derived solely from stable activities, and earnings, dividends, and book value  
12 track fairly closely, the constant growth form of the DCF model may be a  
13 reasonable working approximation of stock valuation. However, in other cases,  
14 where the circumstances cause the required assumptions to be severely violated,  
15 the constant growth DCF model may produce widely divergent and meaningless  
16 results. This is especially the case if the firm’s earnings or dividends are unstable,  
17 or if investors are expecting the stock price to be affected by factors other than  
18 earnings and dividends.

19 **Q. IS THERE ANYTHING ELSE THAT AFFECTS THE USE OF THE DCF**  
20 **MODEL TO ESTIMATE INVESTORS’ REQUIRED RATE OF RETURN?**

21 A. Yes. When the DCF model came into widespread use as a method to estimate the  
22 cost of equity in the 1960s and 1970s, it was regarded as a fair representation of  
23 investor behavior and share valuation. Investors bought and sold stocks based on

1 their fundamental underlying value, which was tied to long-term dividend and stock  
2 price growth expectations. That is no longer the case. It is estimated that some  
3 75% of equities bought and sold on the New York Stock Exchange are now “high  
4 frequency” or “algorithmic” trades. These trades are not investors buying stocks  
5 for the long-term, but are short-term, computer-initiated trades intended to take  
6 advantage of market discrepancies, movements, and information. Accordingly, it  
7 is not clear whether common stock prices are now based on the valuation assumed  
8 by DCF theory and upon which estimating the cost of equity using the DCF model  
9 is predicated.

10 **Q. THESE CAVEATS NOTWITHSTANDING, HOW DID YOU ESTIMATE**  
11 **THE COST OF EQUITY USING THE DCF MODEL?**

12 A. To avoid measurement error associated with applying the DCF model to a single  
13 firm, I applied the constant growth form of the DCF model to a proxy group of  
14 publicly traded LDCs. Specifically, I began with the nine companies included in  
15 *Value Line’s* Natural Gas Utility industry at May 26, 2023, and then excluded UGI  
16 Corp. because it is not predominantly engaged in natural gas distribution. This  
17 resulted in a proxy group consisting of the eight LDCs listed on Schedule BHF-3  
18 and includes ONE Gas.

19 **Q. HOW IS THE CONSTANT GROWTH FORM OF THE DCF MODEL**  
20 **TYPICALLY USED TO ESTIMATE THE COST OF EQUITY?**

21 A. The first step in implementing the constant growth DCF model is to determine the  
22 expected dividend yield ( $D_1/P_0$ ) for the firm in question. This is usually calculated

1 based on an estimate of dividends to be paid in the coming year divided by the  
2 current price of the stock.

3 **Q. HOW DID YOU CALCULATE THE DIVIDEND YIELD COMPONENT OF**  
4 **THE CONSTANT GROWTH DCF MODEL FOR THE GAS UTILITY**  
5 **GROUP?**

6 A. Because estimating the cost of equity using the DCF model is an attempt to replicate  
7 how investors arrived at an observed stock price, all of its components should be  
8 contemporaneous. Price, dividend, and growth data from different points in time,  
9 or averaged over long time periods, violate the matching principle underlying the  
10 DCF model. Therefore, dividend yield was calculated by dividing an estimate of  
11 dividends to be paid by each of the LDCs in the group over the next twelve months,  
12 obtained from the index to *Value Line's* June 2, 2023 edition, by the average closing  
13 price of each firm's stock during the month of May 2023. The expected dividends,  
14 representative price, and resulting dividend yield for each of the eight LDCs are  
15 displayed on Schedule BHF-3. As calculated there, the average dividend yield for  
16 the industry group is 3.47%. Also shown is the median for the group of 3.46%,  
17 which removes the impact of extreme low and high values on the average.

18 **Q. EXPLAIN HOW ESTIMATES OF INVESTORS' LONG-TERM GROWTH**  
19 **EXPECTATIONS ARE CUSTOMARILY DEVELOPED FOR USE IN THE**  
20 **CONSTANT GROWTH DCF MODEL.**

21 A. In constant growth DCF theory, earnings, dividends, book value, and market price  
22 are all assumed to grow in lockstep, and the growth horizon of the DCF model is  
23 infinite. But implementation of the DCF model is more than just a theoretical

1 exercise; it is an effort to replicate the mechanism investors used to arrive at  
2 observable stock prices. Therefore, the only “g” that matters in using the DCF  
3 model to estimate the cost of equity is that which investors expect and have  
4 embodied in current market prices.

5 **Q. WHAT DRIVES INVESTORS’ GROWTH EXPECTATIONS?**

6 A. Trends in earnings, which ultimately support future dividends and share price, play  
7 a pivotal role in determining investors’ long-term growth expectations. Security  
8 analysts’ growth forecasts are generally regarded as the closest single measure of  
9 the expected long-term growth rate of the constant growth DCF model. While  
10 being primarily based on the outlook for a firm, they also reflect the utility’s  
11 historical experience and other factors considered by investors in forming their  
12 long-term growth expectations. Moreover, various empirical studies have found  
13 that security analysts’ projections are a superior source of DCF growth rates. The  
14 5-year earnings growth projections by security analysts for each of the eight gas  
15 utilities reported by *Value Line*, Thomson Reuters’ *Institutional Brokers Estimate*  
16 *System* (“I/B/E/S”), and *Zacks Investment Research* (“Zacks”) are displayed on  
17 Schedule BHF-4, with the averages for the group being 7.3%, 5.4%, and 5.3%,  
18 respectively. Again, to eliminate the impact of extreme values, the medians for the  
19 group are also shown, which range between 5.0% and 6.8%. Also shown on  
20 Schedule BHF-4 are the 10-year and 5-year historical earnings growth rates  
21 reported by *Value Line* for each of the eight gas utilities, which average 4.6% and  
22 6.7%, respectively, and have medians of 5.0% and 6.3%, respectively.

1 **Q. HOW ELSE ARE INVESTOR EXPECTATIONS OF FUTURE**  
2 **LONG-TERM GROWTH PROSPECTS FOR A FIRM OFTEN**  
3 **ESTIMATED FOR USE IN THE CONSTANT GROWTH DCF MODEL?**

4 A. In DCF theory and practice, growth in book equity comes from the reinvestment of  
5 earnings within the business and the effects of external financing. Accordingly,  
6 conventional applications of the constant growth DCF model often examine the  
7 relationships between variables that determine the “sustainable” growth attributable  
8 to these two factors.

9 **Q. HOW IS A FIRM’S SUSTAINABLE GROWTH ESTIMATED?**

10 A. The sustainable growth rate is calculated by the formula:

11 
$$g = br + sv$$

12 where “b” is the expected earnings retention ratio (one minus the dividend payout  
13 ratio), “r” is the expected rate of return earned on book equity, “s” is the percent of  
14 common equity expected to be issued annually as new common stock, and “v” is  
15 the equity accretion ratio. The “br” term represents the growth from reinvesting  
16 earnings within the firm while the “sv” term represents the growth from external  
17 financing. This external financing growth results because existing shareholders  
18 share in a portion of any excess received from selling new shares at a price above  
19 book value.

20 **Q. WHAT GROWTH RATE DOES THE SUSTAINABLE GROWTH**  
21 **METHOD SUGGEST FOR THE GAS UTILITY GROUP?**

22 A. The sustainable growth rate for each of the eight gas utilities in the industry group  
23 based on *Value Line’s* projections for 2026-2028 is developed in Schedule BHF-5.



1 As shown there, the sustainable growth method implies an average long-term  
2 growth rate for LDC utility group of 6.4%, and 5.4% based on the median.

3 **Q. WHAT ARE OTHER PROJECTED AND HISTORICAL GROWTH RATES**  
4 **FOR THE INDUSTRY GROUP?**

5 A. Schedule BHF-6 displays *Value Line* projected growth rates and 10- and 5-year  
6 historical growth rates in book value per share, dividends per share, and stock price  
7 for each of the eight gas utilities in the industry group. The averages for the LDC group  
8 range from 1.5% (5-year historical price growth) to 7.5% (projected price growth), with  
9 the medians ranging from 2.1% to 8.1%. Besides the fact that some of these growth rates,  
10 when combined with the group's approximately 3.5% dividend yield, imply implausible  
11 cost of equity estimates, the variation in these other growth rates results in their providing  
12 only limited guidance as to the prospective growth that investors expect.

13 **Q. WHAT IS YOUR CONCLUSION AS TO THE GROWTH THAT**  
14 **INVESTORS ARE EXPECTING FROM THE INDUSTRY GROUP?**

15 A. After excluding clearly unreliable indicators of growth, the plausible growth rates  
16 shown on Schedules BHF-4, BHF-5, and BHF-6 indicate a range for the LDC group  
17 of between approximately 5.25% and 7.25%. Taken together, I conclude that  
18 investors expect long-term growth from the LDC group in the 5.75% to 6.75%  
19 range.

20 **Q. WHAT CURRENT DCF COST OF EQUITY ESTIMATES DO THESE**  
21 **GROWTH RATE RANGES IMPLY FOR THE GAS UTILITY GROUP?**

22 A. Summing the LDC group's average dividend yield of approximately 3.5% with a  
23 5.75% to 6.75% growth rate range indicates a current DCF cost of equity for the  
24 industry group of between 9.25% and 10.25%.

1 **C. Capital Asset Pricing Model**

2 **Q. HOW ELSE DID YOU ESTIMATE THE COST OF EQUITY?**

3 A. The cost of equity to the gas utility group was also estimated using the CAPM,  
4 which is a theory of market equilibrium that serves as the basis for current financial  
5 education and management. Under the CAPM, investors are assumed fully  
6 diversified, so that the relevant risk of an individual asset (e.g., common stock) is  
7 its volatility relative to the market as a whole, which is measured using a “beta”  
8 coefficient. Beta reflects the tendency of a stock’s price to follow changes in the  
9 market, with stocks having a beta less than 1.00 being considered less risky and  
10 stocks with a beta greater than 1.00 being regarded as more risky. The CAPM is  
11 mathematically expressed as:

12 
$$R_j = R_f + \beta_j (R_m - R_f)$$

13 where:  $R_j$  = required rate of return for stock j;  
14  $R_f$  = risk-free interest rate;  
15  $R_m$  = expected return on the market portfolio; and  
16  $\beta_j$  = beta, or systematic risk, for stock j.

17 While the CAPM is not without controversy, it is routinely referenced in the  
18 financial literature and regulatory proceedings, and firms’ beta values are widely  
19 reported.

20 **Q. HOW DID YOU APPLY THE CAPM?**

21 A. I applied the CAPM using two methods to determine the risk premium for the  
22 market as a whole, or the  $(R_m - R_f)$  term in the CAPM formula. The first was based  
23 on historical rates of return and the second was based on forward-looking estimates  
24 of investors’ required rates of return. In both instances, the companies included in

1 the S&P 500 index were used as a proxy for the market portfolio and the 30-year  
2 U.S. Treasury bond served as the risk-free investment.

3 **Q. PLEASE DESCRIBE THE FIRST METHOD BASED ON HISTORICAL**  
4 **RATES OF RETURN.**

5 A. Under the historical rate of return approach, equity risk premiums are calculated by  
6 first measuring the rate of return (including dividends and capital gains and losses)  
7 actually realized on an investment in common stocks over historical time periods.  
8 The historical return on bonds is then subtracted from that earned on common  
9 stocks to measure equity risk premiums. Widely used in academia, the historical  
10 rate of return approach is based on the assumption that, given a sufficiently large  
11 number of observations over long historical periods, average market rates of return  
12 will converge to investors' required rates of return. From a more practical  
13 perspective, investors may base their expectations for the future on, or may have  
14 come to expect that they will earn, rates of return corresponding to those in the past.

15 **Q. WHAT IS THE MARKET RISK PREMIUM BASED ON HISTORICAL**  
16 **RATES OF RETURN?**

17 A. Perhaps the most exhaustive study of historical rates of return, and the one most  
18 frequently cited in regulatory proceedings, is that contained in *Market Results for*  
19 *Stocks, Bonds, Bills and Inflation*, variously published by Ibbotson Associates,  
20 Morningstar, Duff & Phelps, and Kroll. Most recently, Kroll reports that the annual  
21 rate of return realized on the S&P 500 averaged 12.0% over the period 1926 through  
22 2022 while the annual average income rate of return on 30-year Treasury bonds

1 over this same period averaged 4.9%. Thus, the market risk premium based on  
2 historical average annual rates of return is 7.1%, as shown on Schedule BHF-7.

3 **Q. PLEASE DESCRIBE THE SECOND METHOD BASED ON FORWARD-**  
4 **LOOKING REQUIRED RATES OF RETURN.**

5 A. Consistent with the CAPM being an expectational (i.e., forward-looking) model,  
6 the second method estimated the market risk premium using current indicators of  
7 investors' required rates of return. For the market portfolio, the cost of equity was  
8 estimated by applying the DCF model to the firms in the S&P 500 paying cash  
9 dividends, with each firm's dividend yield and growth rate being weighted by its  
10 proportionate share of total market value. The expected dividend yield for each  
11 firm was obtained from *Value Line*, with the expected growth rate being based on  
12 the earnings forecasts published for each firm by *Value Line*, *I/B/E/S*, and *Zacks*.  
13 As shown in footnote (b) on Exhibit BHF-7, summing the 2.10% expected dividend  
14 yield for this market group, which is composed primarily of non-regulated firms,  
15 with the average of the *Value Line*, *I/B/E/S*, and *Zacks* projected growth rates of  
16 9.43% produces a required rate of return from the market portfolio ( $R_m$ ) of 11.54%.

17 **Q. WHAT IS THE MARKET RISK PREMIUM BASED ON FORWARD-**  
18 **LOOKING REQUIRED RATES OF RETURN?**

19 A. From the 11.54% required rate of return on the market portfolio, a market risk  
20 premium is calculated by subtracting the average yield on 30-year Treasury bonds  
21 during May 2023 of 3.86%. This produces a forward-looking market risk premium  
22 of 7.68%.

1 **Q. WHAT IS THE NEXT STEP IN APPLYING THE CAPM?**

2 A. Having calculated market risk premiums of 7.10% and 7.68% using historical rates  
3 of return and forward-looking rates of return, respectively, the next step is to  
4 calculate specific risk premiums for the LDC industry group. This is done by  
5 multiplying the alternative market risk premium estimates by the LDC group's  
6 average beta of 0.83, calculated using firm betas obtained from *Value Line* and  
7 shown on Schedule BHF-8, which produces LDC industry risk premiums of 5.90%  
8 and 6.38%.

9 **Q. WHAT ARE THE RESULTING THEORETICAL CAPM COST OF**  
10 **EQUITY ESTIMATES FOR THE LDC GROUP?**

11 A. Summing the industry risk premiums of 5.90% and 6.38% with a risk-free interest  
12 rate equal to the May 2023 30-year Treasury bond yield of 3.86% produces current  
13 theoretical CAPM cost of equity estimates for LDCs of 9.76% and 10.24%.

14 **Q. ARE THESE THEORETICAL CAPM COST OF EQUITY ESTIMATES**  
15 **ACCURATE MEASURES OF INVESTORS' REQUIRED RATE OF**  
16 **RETURN FROM THE GROUP OF LDCS?**

17 A. No. These cost of equity estimates are based on CAPM theory. However, as  
18 explained by Morningstar in its *2015 Classic Yearbook* edition of *Stocks, Bonds,*  
19 *Bills and Inflation:*

20 One of the most remarkable discoveries of modern finance is that of  
21 a relationship between company size and return. Historically on  
22 average, small companies have higher returns than those of large  
23 ones. . . . The relationship between company size and return cuts  
24 across the entire size spectrum; it is not restricted to the smallest  
25 stocks. (page 99, footnote omitted)

1 In other words, in addition to the systematic risk measured by beta, investors'  
2 required rate of return depends on a firm's relative size. To account for this, size  
3 discounts and premiums have been developed that need to be added to the  
4 theoretical CAPM cost of equity estimates to account for the level of a firm's  
5 market capitalization in determining the CAPM cost of equity. This is the same  
6 conclusion reached by the Federal Energy Regulatory Commission in its May 21,  
7 2020 *Policy Statement on Determining Return on Equity for Natural Gas and Oil*  
8 *Pipelines*.

9 **Q. WHAT ARE THE CURRENT CAPM COST OF EQUITY ESTIMATES**  
10 **FOR THE LDC GROUP ONCE SIZE EFFECTS ARE TAKEN INTO**  
11 **ACCOUNT?**

12 A. A schedule of discounts and premiums to account for differences in the market  
13 capitalization of a firm's equity relative to the S&P 500 is published annually, with  
14 the most recent being reproduced in the lower portion of Schedule BHF-8. In the  
15 far right columns of the table in the upper portion of Schedule BHF-8, the market  
16 cap of each LDC in the industry group is displayed along with its corresponding  
17 size premium, with the average size premium for the industry group being 0.75%.  
18 This means that the theoretical CAPM cost of equity estimates need to be increased  
19 by 0.75% to account for the industry group's relatively smaller size. As shown on  
20 Schedule BHF-7, increasing the theoretical CAPM cost of equity estimates for the  
21 LDC group by this average size premium results in current CAPM cost of equity  
22 estimates based on historical and forward-looking rates of return of 10.51% and  
23 10.99%, respectively.

**D. Risk Premium Method**

1

2 **Q. HOW ELSE DID YOU ESTIMATE THE COST OF EQUITY?**

3 A. I also estimated the cost of equity using a risk premium method based on ROEs  
4 previously authorized LDCs by state regulatory commissions. The risk premium  
5 method to estimate investors' required rate of return is an extension of the  
6 risk-return tradeoff observed with bonds to common stocks. The cost of equity is  
7 estimated by determining the additional return investors require to forego the  
8 relative safety of a bond and bear the greater risks associated with common stock,  
9 and then adding this equity risk premium to the current yield on bonds.

10 **Q. GENERALLY DESCRIBE THE APPLICATION OF THE RISK PREMIUM**  
11 **METHOD USING AUTHORIZED ROES.**

12 A. Application of the risk premium method based on authorized ROEs is predicated  
13 on the presumption that allowed returns reflect regulatory commissions' best  
14 estimates of the cost of equity, however determined, at the time they issued their  
15 final orders. A current risk premium is estimated based on the difference between  
16 past authorized ROEs and then-prevailing interest rates. This risk premium is then  
17 added to current interest rates to estimate the cost of equity.

18 **Q. WHAT WAS THE PRINCIPAL SOURCE OF THE DATA USED TO APPLY**  
19 **THIS RISK PREMIUM METHOD?**

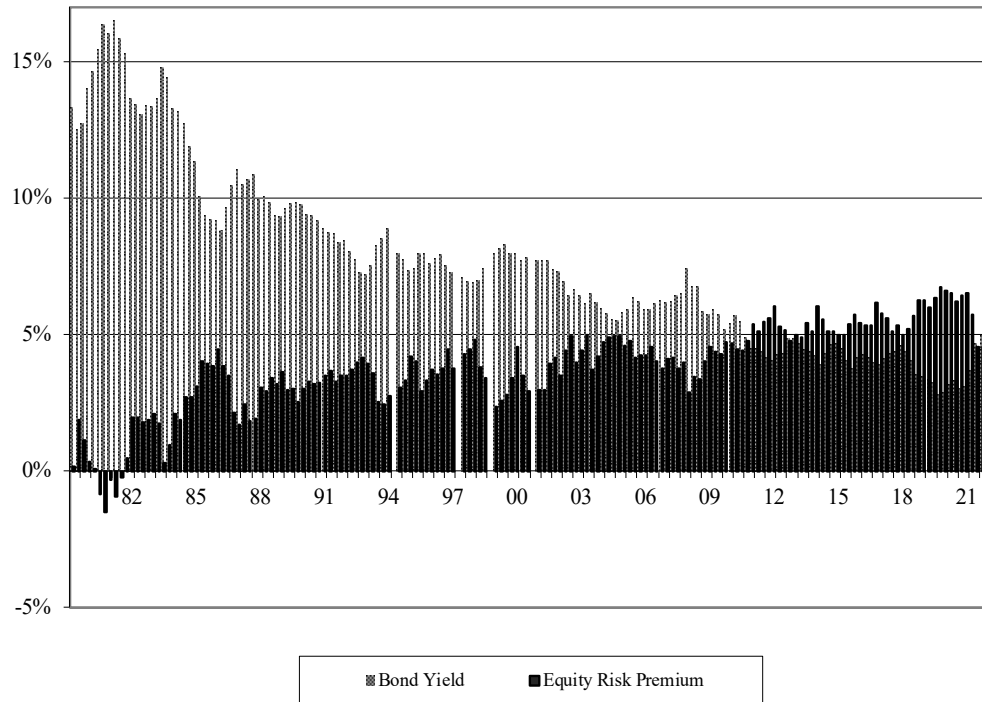
20 A. Regulatory Research Associates, Inc., ("RRA"), which is now a group within S&P  
21 Global Market Intelligence, and its predecessors have compiled the ROEs  
22 authorized for major electric and gas utilities by regulatory commissions across the  
23 U.S. The average ROE authorized for natural gas utilities published by RRA in

1 each quarter between 1980 and 2023 are displayed in Schedule BHF-9. As shown  
2 there, the ROEs granted LDCs over this approximately 43-year period have  
3 averaged 11.40%, while the average utility bond yield has averaged 7.59%,  
4 resulting in an average risk premium of 3.81%.

5 **Q. IS THIS 3.81% AVERAGE RISK PREMIUM THE RELEVANT**  
6 **BENCHMARK FOR ESTIMATING THE COST OF EQUITY?**

7 A. No. It is necessary to account for the fact that authorized ROEs do not move in  
8 lockstep with interest rates. In particular, when interest rate levels are relatively  
9 high, ROEs tend to be lower (i.e., equity risk premiums narrow), and when interest  
10 rates are relatively low, authorized ROEs are greater (i.e., equity risk premiums  
11 increase). This inverse relationship can be observed in the data contained in  
12 Schedule BHF-9, which is shown graphically below. As evident there, the higher  
13 the level of interest rates (shaded bars), the lower the equity risk premiums (the  
14 solid bars calculated as the difference between authorized ROEs and bond yields),  
15 and vice versa:





1 The implication of this inverse relationship is that for a one percent increase or  
 2 decrease in interest rates, the cost of equity may only rise or fall, say, one-half of a  
 3 percent, respectively.

4 **Q. HOW DID YOU ACCOUNT FOR THE INVERSE RELATIONSHIP**  
 5 **BETWEEN EQUITY RISK PREMIUMS AND INTEREST RATES IN**  
 6 **ESTIMATING THE COST OF EQUITY FOR THE LDC GROUP USING**  
 7 **PAST AUTHORIZED ROES?**

8 A. To account for the fact that equity risk premiums are lower when interest rates are  
 9 high and higher when interest rates are low, I developed two regression equations  
 10 relating authorized past equity risk premiums to average utility bond yields. The  
 11 first was a simple linear regression between equity risk premiums and interest rates  
 12 and the second equation adjusted for first order autocorrelation using the Prais-  
 13 Winsten algorithm. Shown in the bottom portion of Schedule BHF-9, substituting

1 the May 2023 yield of 5.44% on average utility bonds into the regression equations  
2 indicates that the equity risk premium at current interest rate levels is between  
3 approximately 4.81% and 4.92%.

4 **Q. WHAT CURRENT COST OF EQUITY DOES THIS RISK PREMIUM**  
5 **IMPLY FOR THE GROUP OF LDCS?**

6 A. As shown on Schedule BHF-8, the average S&P bond rating for the LDC industry  
7 group is A- and the average Moody's bond rating is A3. Adding the 4.81% and  
8 4.92% equity risk premiums developed on Schedule BHF-9 to the May 2023 yield  
9 on single-A utility bonds of 5.36% produces a current risk premium cost of equity  
10 range of between 10.17% and 10.28%.

11 **E. Comparable Earnings Method**

12 **Q. WHAT IS THE LAST METHOD THAT YOU USED TO ESTIMATE THE**  
13 **COST OF EQUITY?**

14 A. Often referred to as the comparable earnings method, this approach looks to the  
15 rates of return that other firms of comparable risk and that compete for investors'  
16 capital are expected to earn on their book equity. Reference to the expected return  
17 on book equity of other LDCs demonstrates the level of earnings that TGS needs  
18 in order to offer investors a competitive return, be able to attract capital on  
19 reasonable terms, and maintain its financial integrity.

20 **Q. WHAT RETURN ON BOOK EQUITY ARE OTHER LDCS EXPECTED TO**  
21 **EARN?**

22 A. Schedule BHF-10 displays the return on book equity projected for each of the seven  
23 LDCs other than ONE Gas in the industry group for the 2023, 2024, and the 2026-

1 2028 timeframes, calculated by dividing *Value Line's* projected earnings per share  
2 by average book value per share. As shown there, the average expected book ROE  
3 for this group is 9.5% in 2023, 9.2% for 2024, and 9.7% for 2026-2028, with  
4 medians of 9.1%, 8.9%, and 9.9%, respectively.

5 **F. Recommended Rate of Return on Equity**

6 **Q. WHAT IS YOUR CONCLUSION AS TO THE CURRENT COST OF**  
7 **EQUITY RANGE FOR LDCS?**

8 A. The DCF method indicates a cost of equity range for the LDC group of between  
9 approximately 9.25% and 10.25%, and the CAPM indicates a cost of equity range  
10 of between approximately 10.5% and 11.0%. Meanwhile, the risk premium method  
11 based on the authorized ROEs for LDCs and current interest rates indicates a cost  
12 of equity of between approximately 10.2% and 10.3%, and the comparable earnings  
13 method shows that other LDCs are expected to earn between 8.9% and 9.9% on  
14 their book equity. Taking into account that the DCF model may no longer reflect  
15 investor behavior and stock valuation, that the CAPM and risk premium method  
16 incorporate directly current interest rate levels on Treasury and utility bonds,  
17 respectively, and that the comparable earnings method is not market-based, I  
18 conclude that investors currently require a ROE from the LDC industry group in  
19 the 9.75% to 10.75% range

20 **Q. WHAT ROE DO YOU RECOMMEND FOR TGS'S RGV SERVICE AREA?**

21 A. I recommend an ROE for TGS's RGV service area of 10.25%, which is the  
22 midpoint of my cost of equity range. This ROE is at the top of my DCF model  
23 range, below the range indicated by my CAPM analyses, and squarely in the middle

1 of my risk premium method range. The reasonableness of my ROE  
 2 recommendation is supported by the fact that the Fed has indicated that, even after  
 3 a potential “pause,” more interest rate hikes are likely in 2023. Moreover, there is  
 4 no reason to believe that interest rates, and the cost of equity, will fall in the  
 5 foreseeable future, especially because inflation has remained stubbornly high and  
 6 is currently over twice the Fed’s 2% target level and unemployment rates are near  
 7 record lows.

8 **Q. HAVE YOU CONDUCTED ANY OTHER CHECKS OF**  
 9 **REASONABLENESS OF YOUR RECOMMENDED ROE?**

10 A. Yes. The reasonableness of my recommended 10.25% ROE for TGS’s RGV  
 11 service area can be evaluated by reviewing the ROEs previously granted by the  
 12 Commission. The table below lists the ROEs authorized for the three largest LDCs  
 13 in Texas from 2016 through the present:

<b>Date</b>	<b>Docket</b>	<b>Utility</b>	<b>ROE</b>
05/03/2016	10488	TGS – Gulf Coast	9.50%
09/27/2016	10506	TGS – West Texas	9.50%
11/15/2016	10526	TGS – Central Texas	9.50%
05/23/2017	10567	CP Energy – Houston	9.60%
12/05/2017	10640	Atmos – Dallas	10.10%
03/20/2018	10656	TGS – RGV	9.50%
05/22/2018	10669	CP Energy – S. Texas	9.80%
11/13/2018	10739	TGS – NTSA	9.75%
12/11/2018	10742	Atmos – Mid-Tex	9.80%
12/11/2018	10743	Atmos – West Texas	9.80%
02/05/2019	10766	TGS -- BSSA	9.75%
05/21/2019	10779	Atmos – Mid-Tex	9.80%

04/21/2020	10900	Atmos – West Texas	9.80%
04/21/2020	10920	CP Energy-Beaumont	9.65%
08/04/2020	10928	TGS – CGSA	9.50%
01/18/2023	00009896	TGS – WNSA	9.60%

1           Although the allowed ROE range of 9.50% to 10.10% is below my recommended  
2           10.25%, all but the most recent ROE were determined during a period when the  
3           Fed was suppressing interest rates to stimulate the economy and recover from the  
4           COVID pandemic. Indeed, the average yield on public utility bonds between May  
5           2016 and August 2020 was approximately 3.90%, versus 5.44% in May 2023.  
6           Additionally, as discussed earlier, in its effort to lower inflation, the Fed has  
7           indicated that it will likely increase interest rates more, which will further increase  
8           the cost of equity. Because of the increase in capital costs that has already occurred  
9           and is expected to continue, an ROE in the 9.5% to 10.1% range allowed by the  
10          Commission over the last few years is no longer sufficient to fairly compensate a  
11          utility’s investors, enable it to attract new capital on reasonable terms, and maintain  
12          its financial integrity. Therefore, after adjusting the ROEs previously granted by  
13          the Commission for today’s higher capital costs, as well as those that will prevail  
14          when the service rates for TGS’s RGV service area are in effect, my recommended  
15          10.25% ROE is reasonable.

16   **Q.    WOULD YOU PLEASE ADDRESS THE 9.6% ROE AUTHORIZED BY**  
17   **THE COMMISSION IN TGS’S LAST CASE, OS-22-00009896?**

18   A.    Yes. In that case, the Commission accepted the 9.6% ROE recommended by the  
19   Administrative Law Judge and Technical Examiners in their Proposal for Decision  
20   (“PFD”). As described in the PFD:

1 A central point of dispute among the parties concerns what effect, if  
2 any, rising capital costs have on TGS's authorized ROE. The parties  
3 do not dispute that capital costs have risen since the Commission last  
4 approved an ROE for TGS – 9.5 percent in August 2020 as part of a  
5 settlement in GUD No. 10928. However, the parties disagree on  
6 whether the increased capital costs are temporary or permanent. TGS  
7 argues that the increases reflect a fundamental shift in economic  
8 policy that is driving the need for a higher ROE than TGS's currently  
9 authorized ROE. Staff argues that the changed market conditions,  
10 including the increased capital costs, are likely temporary.<sup>1</sup>

11 The PFD then concluded that because current capital market conditions are  
12 reflected in stock prices, “[i]nvestors’ expectations of capital market conditions are  
13 embedded in the DCF methodology, which sufficiently accounts for the potential  
14 changes in the capital markets.”<sup>2</sup>

15 **Q. HOW DO YOU RESPOND TO THESE CONCLUSIONS?**

16 A. Staff's contention that the increased capital costs in the fall of 2022 were temporary  
17 has been shown to be wrong. Both short- and long-term interest rates remain high  
18 and, as discussed earlier, the Fed has indicated it will likely increase interest rates  
19 further during 2023. Moreover, because inflation continues to be well in excess of  
20 the Fed's target level and unemployment remains low, there is no reason to expect  
21 that interest rates will decline in the foreseeable future.

22 As to reliance on the DCF model, aside from the caveats discussed earlier  
23 in my testimony, the DCF analysis performed by Staff in OS-22-00009896  
24 arbitrarily discarded all high growth rates, which biased downward the DCF cost  
25 of equity estimates. Similarly, Staff's CAPM analysis arbitrarily excluded two

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<sup>1</sup> *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, the North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896 consol., Amended PFD at 28 (Jan. 11, 2023).

<sup>2</sup> *Id.* at 29.

1 LDCs with higher betas, which also biased downward the CAPM cost of equity  
2 estimate. Had Staff performed more balanced DCF and CAPM analyses in OS-22-  
3 00009896, the end-result would have been an ROE not appreciably different from  
4 the 10.25% I recommended in that case. Instead, Staff recommended, and the  
5 Administrative Law Judge and Technical Examiners essentially accepted, an ROE  
6 of 9.54% that was not only flawed but also failed to reflect current and prospective  
7 capital market conditions.

## 8 VI. OVERALL RATE OF RETURN

9 **Q. WHAT OVERALL RATE OF RETURN DO YOU RECOMMEND BE**  
10 **APPLIED TO THE INVESTED CAPITAL OF TGS'S RGV SERVICE**  
11 **AREA?**

12 A. I recommend that the Commission authorize an overall rate of return on the invested  
13 capital in TGS's RGV service area of 7.75%. As developed in Schedule BHF-1,  
14 this overall rate of return is the result of combining ONE Gas' December 30, 2022  
15 adjusted capital structure ratios of 40.93% debt and 59.07% equity with its average  
16 cost of debt of 4.14% and an ROE of 10.25%.

17 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?**

18 A. Yes, it does.

## APPENDIX A

### BRUCE H. FAIRCHILD

FINCAP, INC.  
Financial Concepts and Applications  
*Economic and Financial Counsel*

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Austin, Texas 78751  
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#### Summary of Qualifications

M.B.A. and Ph.D. in finance, accounting, and economics; Certified Public Accountant. Extensive consulting experience involving regulated industries, valuation of closely-held businesses, and other economic analyses. Previously held managerial and technical positions in government, academia, and business, and taught at the undergraduate, graduate, and executive education levels. Broad experience in technical research, computer modeling, and expert witness testimony.

#### Employment

*Principal,*  
FINCAP, Inc.  
(Sep. 1979 to present)

Economic consulting firm specializing in regulated industries and valuation of closely-held businesses. Assignments have involved electric, gas, telecommunication, and water/sewer utilities, with clients including utilities, consumer groups, municipalities, regulatory agencies, and cogenerators. Areas of participation have included revenue requirements, rate of return, rate design, tariff analysis, avoided cost, forecasting, and negotiations. Other assignments have involved some seventy valuations as well as various economic (e.g., damage) analyses, typically in connection with litigation. Presented expert witness testimony before courts and regulatory agencies on over one hundred occasions.

*Adjunct Assistant Professor,* University  
of Texas at Austin  
(Sep. 1979 to May. 1981)

Taught undergraduate courses in finance: Fin. 370 – Integrative Finance and Fin. 357 – Managerial Finance.

*Assistant Director, Economic Research  
Division,*  
Public Utility Commission of Texas  
(Sep. 1976 to Aug. 1979)

Division consisted of approximately twenty-five financial analysts, economists, and systems analysts responsible for rate of return, rate design, special projects, and computer systems. Directed Staff participation in rate cases, presented testimony on approximately thirty-five occasions, and was involved in some forty other cases ultimately settled. Instrumental in the initial development of rate of return and financial policy for newly-created agency. Performed independent research and managed State and Federal funded projects. Assisted in preparing appeals to the Texas Supreme Court and testimony presented before the Interstate Commerce Commission and Department of Energy. Maintained communications with financial community, industry representatives, media, and consumer groups. Appointed by Commissioners as Acting Director.



*Assistant Professor, College of Business Administration,*  
University of Colorado at Boulder  
(Jan. 1977 to Dec. 1978)

Taught graduate and undergraduate courses in finance: Fin. 305 – Introductory Finance, Fin. 401 – Managerial Finance, Fin. 402 – Case Problems in Finance, and Fin. 602 – Graduate Corporate Finance.

*Teaching Assistant,*  
University of Texas at Austin  
(Jan. 1973 to Dec. 1976)

Taught undergraduate courses in finance and accounting: Acc. 311 – Financial Accounting, Acc. 312 – Managerial Accounting, and Fin. 357 – Managerial Finance. Elected to College of Business Administration Teaching Assistants' Committee.

*Internal Auditor,*  
Sears, Roebuck and Company, Dallas,  
Texas  
(Nov. 1970 to Aug 1972)

Performed audits on internal operations involving cash, accounts receivable, merchandise, accounting, and operational controls, purchasing, payroll, etc. Developed operating and administrative policy and instruction. Performed special assignments on inventory irregularities and Justice Department Civil Investigative Demands.

*Accounts Payable Clerk,*  
Transcontinental Gas Pipeline Corp.,  
Houston, Texas  
(May. 1969 to Aug. 1969)

Processed documentation and authorized payments to suppliers and creditors.

### **Education**

*Ph.D., Finance, Accounting, and Economics,*  
University of Texas at Austin  
(Sep. 1974 to May 1980)

Doctoral program included coursework in corporate finance, investment theory, accounting, and economics. Elected to honor society of Phi Kappa Phi. Received University outstanding doctoral dissertation award.

Dissertation: *Estimating the Cost of Equity to Texas Public Utility Companies*

*M.B.A., Finance and Accounting,*  
University of Texas at Austin,  
(Sep. 1972 to Aug. 1974)

Awarded Wright Patman Scholarship by World and Texas Credit Union Leagues.

Professional Report: *Planning a Small Business Enterprise in Austin, Texas*

*B.B.A., Accounting and Finance,*  
Southern Methodist University, Dallas,  
Texas  
(Sep. 1967 to Dec. 1971)

Dean's List 1967-1971 and member of Phi Gamma Delta Fraternity.

### **Other Professional Activities**

Certified Public Accountant, Texas Certificate No. 13,710 (October 1974); entire exam passed in May 1972. Member of the American Institute of Certified Public Accountants (Honorary).

Participated as session chairman, moderator, and paper discussant at annual meetings of Financial Management Association, Southwestern Finance Association, American Finance Association, and other professional associations.

Visiting lecturer in Executive M.B.A program at the University of Stellenbosch Graduate Business School, Belleville, South Africa (1983 and 1984).

Associate Editor of *Austin Financial Digest*, 1974-1975. Wrote and edited a series of investment and economic articles published in a local investment advisory service.

**Military**

Texas Army National Guard, Feb. 1970 to Sep. 1976. Specialist 5th Class with duty assignments including recovery vehicle operator for armor unit and company clerk for finance unit.

**Bibliography****Monographs**

- “On the Use of Security Analysts’ Growth Projections in the DCF Model,” with William E. Avera, *Earnings Regulation Under Inflation*, J. R. Foster and S. R. Holmberg, eds., Institute for Study of Regulation (1982).
- “An Examination of the Concept of Using Relative Customer Class Risk to Set Target Rates of Return in Electric Cost-of-Service Studies”, with William E. Avera, Electricity Consumers Resource Council (ELCON) (1981); portions reprinted in *Public Utilities Fortnightly* (Nov. 11, 1982).
- “The Spring Thing (A) and (B)” and “Teaching Notes”, with Mike E. Miles, a two-part case study in the evaluation, management, and control of risk; distributed by *Harvard's Intercollegiate Case Clearing House*; reprinted in *Strategy and Policy: Concepts and Cases*, A. A. Strickland and A. J. Thompson, Business Publications, Inc. (1978) and *Cases in Managing Financial Resources*, I. Matur and D. Loy, Reston Publishing Co., Inc. (1984).
- “Energy Conservation in Existing Residences, Project Director for development of instruction manual and workshops promoting retrofitting of existing homes, *Governor's Office of Energy Resources and Department of Energy* (1977-1978).
- “Linear Algebra,” “Calculus,” “Sets and Functions,” and “Simulation Techniques,” contributed to and edited four mathematics programmed learning texts for MBA students, *Texas Bureau of Business Research* (1975).

**Articles and Notes**

- “How to Value Personal Service Practices,” with Keith Wm. Fairchild, *The Practical Accountant* (August 1989).
- “The Impact of Regulatory Climate on Utility Capital Costs: An Alternative Test,” with Adrien M. McKenzie, *Public Utilities Fortnightly* (May 25, 1989).
- “North Arctic Industries, Limited,” with Keith Wm. Fairchild, *Case Research Journal* (Spring 1988).
- “Regulatory Effects on Electric Utilities' Cost of Capital Reexamined,” with Louis E. Buck, Jr., *Public Utilities Fortnightly* (September 2, 1982).
- “Capital Needs for Electric Utility Companies in Texas: 1976-1985”, *Texas Business Review* (January-February 1979), reprinted in “The Energy Picture: Problems and Prospects”, J. E. Pluta, ed., *Bureau of Business Research* (1980).
- “Some Thoughts on the Rate of Return to Public Utility Companies,” with William E. Avera, *Proceedings of the NARUC Biennial Regulatory Information Conference* (1978).
- “Regulatory Problems of EFTS,” with Robert McLeod, *Issues in Bank Regulation* (Summer 1978) reprinted in *Illinois Banker* (January 1979).
- “Regulation of EFTS as a Public Utility,” with Robert McLeod, *Proceedings of the Conference on Bank Structure and Competition* (1978).
- “Equity Management of REA Cooperatives,” with Jerry Thomas, *Proceedings of the Southwestern Finance Association* (1978).
- “Capital Costs Within a Firm,” *Proceedings of the Southwestern Finance Association* (1977).
- “The Cost of Capital to a Wholly-Owned Public Utility Subsidiary,” *Proceedings of the Southwestern Finance Association* (1977).

**Selected Papers and Presentations**

- “Federal Energy Regulatory Commission Audits of Common Carriers (Procedures for Audit Compliance)”, Energy Transfer Accounting Employee Education, Dallas and Houston, Texas (December 2018).
- “Perspectives on Texas Utility Regulation”, TSCPA 2016 Energy Conference, Austin, Texas (May 16, 2016).
- “Legislative Changes Affecting Texas Utilities,” Texas Committee of Utility and Railroad Tax Representatives, Fall Meeting, Austin, Texas (September 1995).
- “Rate of Return,” “Origins of Information,” “Economics,” and “Deferred Taxes and ITC’s,” New Mexico State University and National Association of Regulatory Utility Commissioners Public Utility Conferences on Regulation and the Rate-Making Process, Albuquerque, New Mexico (October 1983, 1984, 1985, 1986, 1987, 1988, 1990, 1991, 1992, 1994, and 1995, and September 1989); Pittsburgh, Pennsylvania (April 1993); and Baltimore, Maryland (May 1994 and 1995).
- “Developing a Cost-of-Service Study,” 1994 Texas Section American Water Works Association Annual Conference, Amarillo, Texas (March 1994).
- “Financial Aspects of Cost of Capital and Common Cost Considerations,” Kidder, Peabody & Co. Two-Day Rate Case Workshop for Regulated Utility Companies, New York, New York (June 1993).
- “Cost-of-Service Studies and Rate Design,” General Management of Electric Utilities (A Training Program for Electric Utility Managers from Developing Countries), Austin, Texas (October 1989 and November 1990 and 1991).
- “Rate Base and Revenue Requirements,” The University of Texas Regulatory Institute Fundamentals of Utility Regulation, Austin, Texas (June 1989 and 1990).
- “Determining the Cost of Capital in Today's Diversified Companies,” New Mexico State University Public Utilities Course Part II, Advanced Analysis of Pricing and Utility Revenues, San Francisco, California (June 1990).
- “Estimating the Cost of Equity,” Oklahoma Association of Tax Representatives, Tulsa, Oklahoma (May 1990).
- “Impact of Regulations,” Business and the Economy, Leadership Dallas, Dallas, Texas (November 1989).
- “Accounting and Finance Workshop” and “Divisional Cost of Capital,” New Mexico State University Current Issues Challenging the Regulatory Process, Albuquerque, New Mexico (April 1985 and 1986) and Santa Fe, New Mexico (March 1989).
- “Divisional Cost of Equity by Risk Comparability and DCF Analyses,” NARUC Advanced Regulatory Studies Program, Williamsburg, Virginia (February 1988) and USTA Rate of Return Task Force, Chicago, Illinois (June 1988).
- “Revenue Requirements,” Revenue, Pricing, and Regulation in Texas Water Utilities, Texas Water Utilities Conference, Austin, Texas (August 1987 and May 1988).
- “Rate Filing – Basic Ratemaking,” Texas Gas Association Accounting Workshop, Austin, Texas (March 1988).
- “The Effects of Regulation on Fair Market Value: P.H. Robinson – A Case Study,” Annual Meeting of the Texas Committee of Utility and Railroad Tax Representatives, Austin, Texas (September 1987).
- “How to Value Closely-held Businesses,” TSCPA 1987 Entrepreneurs Conference, San Antonio, Texas (May 1987).
- “Revenue Requirements” and “Determining the Rate of Return”, New Mexico State University Regulation and the Rate-Making Process, Southwestern Water Utilities Conference, Albuquerque, New Mexico (July 1986) and El Paso, Texas (November 1980).
- “How to Evaluate Personal Service Practices,” TSCPA CPE Exposition 1985, Houston and Dallas, Texas (December 1985).
- “How to Start a Small Business – Accounting and Record Keeping,” University of Texas Management Development Program, Austin, Texas (October 1984).

- “Project Financing of Public Utility Facilities”, TSCPA Conference on Public Utilities Accounting and Ratemaking, San Antonio, Texas (April 1984).
- “Valuation of Closely-Held Businesses,” Concho Valley Estate Planning Council, San Angelo, Texas (September 1982).
- “Rating Regulatory Performance and Its Impact on the Cost of Capital,” New Mexico State University Seminar on Regulation and the Cost of Capital, El Paso, Texas (May 1982).
- “Effect of Inflation on Rate of Return,” Cost of Capital Conference and Workshop, Pinehurst, North Carolina (April 1981).
- “Original Cost Versus Current Cost Regulation: A Re-examination,” Financial Management Association, New Orleans, Louisiana (October 1980).
- “Capital Investment Analysis for Electric Utilities,” The University of Texas at Dallas, Richardson, Texas (June 1980).
- “The Determinants of Capital Costs to the Electric Utility Industry,” with Cedric E. Grice, Southwestern Finance Association, San Antonio, Texas (March 1980).
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- “Issues in Regulated Industries – Electric Utilities,” University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).
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- “Attrition: A Practical Problem in Determining a Fair Return to Public Utility Companies,” Financial Management Association, Minneapolis, Minnesota (October 1978).
- “The Cost of Equity to Wholly-Owned Electric Utility Subsidiaries,” with William L. Beedles, Financial Management Association, Minneapolis, Minnesota (October 1978).
- “PUC Retrofitting Program,” Texas Electric Cooperatives Spring Workshop, Austin, Texas (May 1978).
- “The Economics of Regulated Industries,” Consumer Economics Forum, Houston, Texas (November 1977).
- “Public Utilities as Consumer Targets – Is the Pressure Justified?” University of Texas at Dallas 2nd Annual Public Utilities Conference, Dallas, Texas (July 1977).

**APPENDIX B**

**BRUCE H. FAIRCHILD  
SUMMARY OF TESTIMONY BEFORE REGULATORY AGENCIES**

<b>No.</b>	<b>Utility Case</b>	<b>Agency</b>	<b>Docket</b>	<b>Date</b>	<b>Nature of Testimony</b>
1.	Arkansas Electric Cooperative	Arkansas PSC	U-3071	Aug-80	Wholesale Rate Design
2.	East Central Oklahoma Electric Cooperative	Oklahoma CC	26925	Sep-80	Retail Rate Design
3.	Kansas Gas & Electric Company	Kansas CC	115379-U	Nov-80	PURPA Rate Design Standards
4.	Kansas Gas & Electric Company	Kansas CC	128139-U	May-81	Attrition
5.	City of Austin Electric Department	City of Austin	--	Jun-81	PURPA Rate Design Standards
6.	Tarrant County Water Control and Improvement District No. 1	Texas Water Commission	--	Oct-81	Wholesale Rate Design
7.	Owentown Gas Company	Texas RRC	2720	Jan-82	Revenue Requirements and Retail Rate Design
8.	Kansas Gas & Electric Company	Kansas CC	134792-U	Aug-82	Attrition
9.	Mississippi Power Company	Mississippi PSC	U-4190	Sep-82	Working Capital
10.	Lone Star Gas Company	Texas RRC	3757; 3794	Feb-83	Rate of Return on Equity
11.	Kansas Gas & Electric Company	Kansas CC	134792-U	Feb-83	Rate of Return on Equity
12.	Southwestern Bell Telephone Company	Oklahoma CC	28002	Oct-83	Rate of Return on Equity
13.	Morgas Company	Texas RRC	4063	Nov-83	Revenue Requirements
14.	Seagull Energy	Texas RRC	4541	Jul-84	Rate of Return
15.	Southwestern Bell Telephone Company	FCC	84-800	Nov-84	Rate of Return on Equity
16.	Kansas Gas & Electric Company, Kansas City Power & Light Company, and Kansas Electric Power Cooperatives	Kansas CC	142098-U; 142099-U; 142100-U	May-85	Nuclear Plant Capital Costs and Allowance for Funds Used During Construction
17.	Lone Star Gas Company	Texas RRC	5207	Oct-85	Overhead Cost Allocation
18.	Westar Transmission Company	Texas RRC	5787	Nov-85 Jan-86 Jul-86	Rate of Return, Rate Design, and Gas Processing Plant Economics
19.	City of Houston	Texas Water Commission	RC-022; RC-023	Nov-86	Line Losses and Known and Measurable Changes
20.	ENSTAR Natural Company	Alaska PUC	TA 50-4; R-87-2; U-87-2	Nov-86 May-87 May-87	Cost Allocation, Rate Design, and Tax Rate Changes
21.	Brazos River Authority	Texas Water Commission	RC-020	Jan-87	Revenue Requirements and Rate Design
22.	East Texas Industrial Gas Company	Texas RRC	5878	Feb-87	Revenue Requirements and Rate Design

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23.	Seagull Energy	Texas RRC	6629	Jun-87	Revenue Requirements
24.	ENSTAR Natural Company	Alaska PUC	U-87-42	Jul-87 Sep-87 Sep-87	Cost Allocation, Rate Design, and Contracts
25.	High Plains Natural Gas Company	Texas RRC	6779	Sep-87	Rate of Return
26.	Hughes Texas Petroleum	Texas RRC	2-91,855	Jan-88	Interim Rates
27.	Cavallo Pipeline Company	Texas RRC	7086	Sep-88	Revenue Requirements
28.	Union Gas System, Inc.	Kansas CC	165591-U	Mar-89 Aug-89	Rate of Return
29.	ENSTAR Natural Gas Company	Alaska PUC	U-88-70	Mar-89	Cost Allocation and Bypass
30.	Morgas Co.	Texas RRC	7538	Aug-89	Rate of Return and Cost Allocation
31.	Corpus Christi Transmission Company	Texas RRC	7346	Sep-89	Revenue Requirements
32.	Amoco Gas Co.	Texas RRC	7550	Oct-89	Rate of Return and Cost Allocation
33.	Iowa Southern Utilities	Iowa Utilities Board	RPU-89-7	Nov-89 Mar-90	Rate of Return on Equity
34.	Southwestern Bell Telephone Company	FCC	89-624	Feb-90 Apr-90	Rate of Return on Equity
35.	Lower Colorado River Authority	Texas PUC	9427	Mar-90 Aug-90 Aug-90	Revenue Requirements
36.	Rio Grande Valley Gas Company	Texas RRC	7604	May-90	Consolidated FIT and Depreciation
37.	Southern Union Gas Company	El Paso PURB	--	Oct-90	Disallowed Expenses and FIT
38.	Iowa Southern Utilities	Iowa Utilities Board	RPU-90-8	Nov-90 Feb-91	Rate of Return on Equity
39.	East Texas Gas Systems	Texas RRC	7863	Dec-90	Revenue Requirements
40.	San Jacinto Gas Transmission	Texas RRC	7865	Dec-90	Revenue Requirements
41.	Southern Union Gas Company	Austin; Texas RRC	-- 7878	Feb-91 Feb-91	Rate of Return and Acquisition Adjustment
42.	Southern Union Gas Company	Port Arthur; Texas RRC	-- 8033	Mar-91 Aug-91 Oct-91	Rate of Return and Acquisition Adjustment
43.	Cavallo Pipeline Company	Texas RRC	8016	Jun-91	Revenue Requirements

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44.	New Orleans Public Service Inc.	New Orleans City Council	CD-91-1	Jun-91 Mar-92	Rate of Return on Equity
45.	Houston Pipe Line Company	Texas RRC	8017	Jul-91	Rate of Return
46.	Southern Union Gas Company	El Paso PURB	--	Aug-91 Sep-91	Acquisition Adjustment
47.	Southwestern Gas Pipeline, Inc.	Texas RRC	8040	Jan-92 Feb-92	Rate Design and Settlement
48.	City of Fort Worth	Texas Water Commission	8748-A 9261-A	Mar-92 Aug-92 Dec-92 Oct-94 Nov-94	Interim Rates, Revenue Requirements, and Public Interest
49.	Southern Union Gas Company	Oklahoma Corp. Com.	--	Jun-92	Rate of Return
50.	Minnegasco	Minnesota PUC	G-008/GR-92-400	Jul-92 Dec-92	Rate of Return
51.	Guadalupe-Blanco River Authority	Texas PUC	11266	Sep-92	Cost Allocation and Bond Funds
52.	Dorchester Intra-State Gas System	Texas RRC	8111	Oct-92 Nov-92	Rate Impact of System Upgrade
53.	Corpus Christi Transmission Company GP and GPII	Texas RRC	8300 8301	Oct-92 Oct-92	Revenue Requirements
54.	East Texas Industrial Gas Company	Texas RRC	8326	Mar-93	Revenue Requirements
55.	Arkansas Louisiana Gas Company	Arkansas PSC	93-081-U	Apr-93 Oct-93	Rate of Return on Equity
56.	Texas Utilities Electric Company	Texas PUC	11735	Jun-93 Jul-93	Impact of Nuclear Plant Construction Delay
57.	Minnegasco	Minnesota PUC	G-008/GR-93-1090	Nov-93 Apr-94	Rate of Return
58.	Gulf States Utilities Company	Municipalities	--	May-94 Oct-94 Nov-94	Rate of Return on Equity
59.	Louisiana Power & Light Company	Louisiana PSC	U-20925	Aug-94 Feb-95	Rate of Return on Equity
60.	San Jacinto Gas Transmission	Texas RRC	8429	Sep-94	Revenue Requirements
61.	Cavallo Pipeline Company	Texas RRC	8465	Sep-94	Revenue Requirements
62.	Eastrans Limited Partnership	Texas RRC	8385	Oct-94	Revenue Requirements
63.	Gulf States Utilities Company	Louisiana PSC	U-19904	Oct-94	Rate of Return on Equity

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64.	Entergy Services, Inc.	FERC	ER95-112-000	Mar-95 Nov-95	Rate of Return on Equity
65.	East Texas Gas Systems	Texas RRC	8435	Apr-95	Revenue Requirements
66.	System Energy Resources, Inc.	FERC	ER95-1042-000	May-95 Dec-95 Jan-96	Rate of Return on Equity
67.	Minnegasco	Minnesota PUC	G-008/GR-95-700	Aug-95 Dec-95	Rate of Return
68.	Entex	Louisiana PSC	U-21586	Aug-95	Rate of Return
69.	City of Fort Worth	Texas NRCC	SOAH 582-95-1084	Nov-95	Public Interest of Contract
70.	Seagull Energy Corporation	Texas RRC	8589	Nov-95	Revenue Requirements
71.	Corpus Christi Transmission Company LP	Texas RRC	8449	Feb-96	Revenue Requirements
72.	Missouri Gas Energy	Missouri PSC	GR-96-285	Apr-96 Sep-96 Oct-96	Rate of Return
73.	Entex	Mississippi PSC	96-UA-202	May-96	Rate of Return
74.	Entergy Gulf States, Inc.	Louisiana PSC	U-22084	May-96	Rate of Return on Equity (Gas)
75.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-96 Oct-96	Rate of Return on Equity
76.	American Gas Storage, L.P.	Texas RRC	8591	Sep-96	Revenue Requirements
77.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	Sep-96 Oct-96	Rate of Return on Equity
78.	Lone Star Pipeline and Gas Company	Texas RRC	8664	Oct-96 Jan-97	Rate of Return
79.	Entergy Arkansas, Inc.	Arkansas PSC	96-360-U	Oct-96 Sep-97	Rate of Return on Equity
80.	East Texas Gas Systems	Texas RRC	8658	Nov-96	Revenue Requirements
81.	Entergy Gulf States, Inc.	Texas PUC	16705	Nov-96 Jul-97	Rate of Return on Equity
82.	Eastrans Limited Partnership	Texas RRC	8657	Nov-96	Revenue Requirements
83.	Enserch Processing, Inc.	Texas RRC	8763	Nov-96	Interim Rates
84.	Entergy New Orleans, Inc.	City of New Orleans	UD-97-1	Feb-97 Mar-97 May-98	Rate of Return on Equity



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85.	ENSTAR Natural Gas Company	Alaska PUC	U-96-108	Mar-97 Apr-97	Service Area Certificate
86.	San Jacinto Gas Transmission	Texas RRC	8741	Sep-97	Revenue Requirements
87.	Missouri Gas Energy	Missouri PSC	GR-98-140	Nov-97 Apr-98 May-98	Rate of Return
88.	Corpus Christi Transmission Company LP	Texas RRC	8762	Dec-97	Revenue Requirements
89.	Texas-New Mexico Power Company	Texas PUC	17751	Feb-98	Excess Cost Over Market
90.	Southern Union Gas Company	Texas RRC	8878	May-98	Rate of Return
91.	Entergy Louisiana, Inc.	Louisiana PSC	U-20925	May-98 Jul-98	Financial Integrity
92.	Entergy Gulf States, Inc.	Louisiana PSC	U-22092	May-98 Jul-98	Financial Integrity
93.	ACGC Gathering Company, LLC	Texas RRC	8896	Sep-98	Cost-based Rates
94.	American Gas Storage, L.P.	Texas RRC	8855	Oct-98	Revenue Requirements
95.	Duke Energy Intrastate Network	Texas RRC	8940	Jun-99	Rate of Return
96.	Aquila Energy Corporation	Texas RRC	8970	Aug-99	Revenue Requirements
97.	San Jacinto Gas Transmission	Texas RRC	8974	Sep-99	Revenue Requirements
98.	Southern Union Gas Company	El Paso PURB	--	Oct-99	Rate of Return
99.	TXU Lone Star Pipeline	Texas RRC	8976	Oct-99 Feb-00	Rate of Return
100.	Sharyland Utilities, L.P.	Texas PUC	21591	Nov-99	Rate of Return
101.	TXU Lone Star Gas Distribution	Texas RRC	9145	Apr-00 Aug-00	Rate of Return
102.	Rotherwood Eastex Gas Storage	Texas RRC	9136	May-00	Revenue Requirements
103.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9137	May-00	Revenue Requirements
104.	Eastex Gas Storage & Exchange, Inc.	Texas RRC	9138	Jul-00	Revenue Requirements
105.	East Texas Gas Systems	Texas RRC	9139	Jul-00	Revenue Requirements
106.	Eastrans Limited Partnership	Texas RRC	9140	Aug-00	Revenue Requirements
107.	Reliant Energy – Entex	City of Tyler	--	Oct-00	Rate of Return
108.	City of Fort Worth	Texas NRCC	SOAH 582-00-1092	Dec-00	CCN – Rates and Financial Ability
109.	Entergy Services, Inc.	FERC	RTO1-75	Dec-00	Rate of Return on Equity

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110	ENSTAR Natural Gas Company	Alaska PUC	U-00-88	Jun-01 Aug-01 Nov-01 Sep-02 Dec-02	Revenue Requirements, Cost Allocation, and Rate Design
111.	TXU Gas Distribution	Texas RRC	9225	Jul-01	Rate of Return
112.	Centana Intrastate Pipeline LLC	Texas RRC	9243	Aug-01	Rate of Return
113.	Maxwell Water Supply Corp.	Texas NRCC	SOAH-582-01-0802	Oct-01 Mar-02 Apr-02	Reasonableness of Rates
114.	Reliant Energy Arkla	Arkansas PSC	01-243-U	Dec-01 Jun-01	Rate of Return
115.	Entergy Services, Inc.	FERC	ER01-2214-000	Mar-02	Rate of Return on Equity
116.	TXU Lone Star Pipeline	Texas RRC	9292	Apr-02	Rate of Return
117.	Southern Union Gas Company	El Paso PURB	--	Apr-02	Rate of Return
118.	San Jacinto Gas Transmission Co.	Texas RRC	9301	May-02	Rate of Return
119.	Duke Energy Intrastate Network	Texas RRC	9302	May-02	Rate of Return
120.	Reliant Energy Arkla	Oklahoma CC	200200166	May-02	Rate of Return
121.	TXU Gas Distribution	Texas RRC	9313	Jul-02 Sep-02	Rate of Return
122.	Entergy Mississippi, Inc.	Mississippi PSC	2002-UN-256	Aug-02	Rate of Return on Equity
123.	Aquila Storage & Transportation LP	Texas RRC	9323	Sep-02	Revenue Requirements
124.	Panther Pipeline Ltd.	Texas RRC	9291	Oct-02	Revenue Requirements
125.	SEMCO Energy	Michigan PSC	U-13575	Nov-02	Revenue Requirements
126.	CenterPoint Energy Entex	Louisiana PSC	U-26720	Jan-03	Rate of Return
127.	Crosstex CCNG Transmission Ltd.	Texas RRC	9363	May-03	Revenue Requirements
128.	TXU Gas Company	Texas RRC	9400	May-03 Jan-04	Rate of Return
129.	Eastrans Limited Partnership	Texas RRC	9386	May-03	Rate of Return
130.	CenterPoint Energy Entex	City of Houston		Jun-03	Rate of Return
131.	East Texas Gas Systems, L.P.	Texas RRC	9385	Jun-03	Rate of Return
132.	ENSTAR Natural Gas Company	Alaska RCA	U-03-084	Aug-03 Nov-03	Line Extension Surcharge
133.	CenterPoint Energy Arkla	Louisiana PSC		Nov-03	Rate of Return
134.	ENSTAR Natural Gas Company	Alaska RCA	U-03-091	Feb-04	Cost Separation and Taxes

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135.	Sid Richardson Pipeline, Ltd.	Texas RRC	9532	Jun-04 Nov-04	Revenue Requirements
136.	ETC Katy Pipeline, Ltd.	Texas RRC	9524	Sep-04	Revenue Requirements
137.	CenterPoint Energy Entex	Mississippi PSC	03-UN-0831	Sep-04	Rate Formula
138.	Centana Intrastate Pipeline LLC	Texas RRC	9527	Sep-04	Rate of Return
139.	SEMCO Energy	Michigan PSC	U-14338	Dec-04	Revenue Requirements
140.	Atmos Energy – Energas	Texas RRC	9539	Feb-05	Regulatory Policy
141.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9613	Sep-05	Revenue Requirements
142.	SiEnergy, L.P.	Texas RRC	9604	Dec-05	Rate of Return, Income Taxes, and Cost Allocation
143.	ENSTAR Natural Gas Company	Alaska RCA	TA-140-4	Feb-06	Connection Fees
144.	SEMCO Energy	Michigan PSC	U-14984	May-06 Dec-06	Revenue Requirements
145.	Atmos Energy – Mid-Tex	Texas RRC	9676	May-06 Oct-06	Revenue Requirements
146.	EasTrans Limited Partnership	Texas RRC	9659	Jun-06	Rate of Return
147.	Kinder Morgan Texas Pipeline, L.P.	Texas RRC	9688	Jul-06	Rate of Return
148.	Crosstex CCNG Transmission Ltd.	Texas RRC	9660	Aug-06	Revenue Requirements
149.	Enbridge Pipelines (North Texas), LP	Texas RRC	9691	Oct-06	Rate of Return
150.	Panther Interstate Pipeline Energy	FERC	CP03-338-00	Mar-07	Revenue Requirements
151.	El Paso Electric Company	Texas PUC	34494	Jul-07	CCN
152.	El Paso Electric Company	NM PRC	07-00301-UT	Jul-07	CCN
153.	Atmos Energy	Kansas CC	08-ATMG- 280-RTS	Sep-07 Feb-08	Rate of Return on Equity
154.	Centana Intrastate Pipeline LLC	Texas RRC	9759	Sep-07	Rate of Return
155.	Texas Gas Service Company	Texas RRC	9770	Nov-07	Rate of Return
156.	ENSTAR Natural Gas Company	Alaska RCA	U-08-25	Jun-08	Rate Class Switching
157.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-131-301	Oct-08	Rate of Return
158.	ExxonMobil Pipeline Co.	Alaska RCA	TL-140-304	Nov-08	Rate of Return
159.	Crosstex North Texas Pipeline, L.P.	Texas RRC	9843	Dec-08	Revenue Requirements
160.	Koch Alaska Pipeline Company	Alaska RCA	TL 128-308	Dec-08	Rate of Return
161.	Unocal Pipeline Company	Alaska RCA	TL 118-312	Dec-08	Rate of Return

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162.	ETC Katy Pipeline, Ltd.	Texas RRC	9841	Dec-08	Revenue Requirements
163.	Oklahoma Natural Gas	Oklahoma CC	200800348	Jan-09	Rate of Return on Equity
164.	Entergy Mississippi, Inc.	Mississippi PSC	EC-123-0082	Mar 09	Rate of Return on Equity
165.	ENSTAR Natural Gas Company	Alaska RCA	U-09-69 U-09-70	Jun-09 Jul-09 Oct-09	Revenue Requirements, Cost Allocation, and Rate Design
166.	EasTrans, LLC	Texas RRC	9857	Jun-09	Rate of Return
167.	Oklahoma Natural Gas	Oklahoma CC	200900110	Jun-09	Rate of Return
168.	Crosstex CCNG Transmission Ltd.	Texas RRC	9858	Jun-09	Revenue Requirements
169.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul-09	Rate of Return
170.	ENSTAR Natural Gas Company	Alaska RCA	U-08-142	Jul-09	Gas Cost Adjustment
171.	Kinder Morgan Texas Pipeline, LLC	Texas RRC	9889	Jul-09	Rate of Return
172.	Koch Alaska Pipeline Company	Alaska RCA	TL 133-308	Aug-09	Rate of Return
173.	ExxonMobil Pipeline Co.	Alaska RCA	TL-147-304	Nov-09	Rate of Return
174.	Texas Gas Service Company	El Paso PURB	--	Dec-09	Rate of Return
175.	Unocal Pipeline Company	Alaska RCA	TL126-312	Dec-09	Rate of Return
176.	Kuparuk Transportation Company	Alaska RCA	P-08-05	Apr-10	Rate of Return
177.	Trans-Alaska Pipeline System	FERC	ISO9-348- 000	Apr 10 Oct 10	Rate of Return
178.	Texas Gas Service	Texas RRC	9988	May 10 Aug 10	Rate of Return
179.	SEMCO Energy Gas Company	Michigan PSC	U-16169	Jun 10 Dec 10	Revenue Requirements
180.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-137-301	Jul 10	Rate of Return
181.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-308	Aug 10	Rate of Return
182.	CPS Energy	Texas PUC	36633	Sep 10 Apr 11	Rate of Return for MOU
183.	ExxonMobil Pipeline Co.	Alaska RCA	TL-151-304	Dec 10	Rate of Return
184.	Unocal Pipeline Company	Alaska RCA	TL132-312	Feb 11	Rate of Return
185.	New Mexico Gas Company	NM PRC	11-00042-UT	Mar 11	Rate of Return
186.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-143-301	May 11	Rate of Return

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187.	Enbridge Pipelines (Southern Lights)	FERC	IS11-146-000	Jun 11 Nov 11	Rate of Return
188.	Koch Alaska Pipeline Company, LLC	Alaska RCA	TL-138-__	Jul 11	Rate of Return
189.	Unocal Pipeline Company	Alaska RCA	TL126-__	Dec 11	Rate of Return
190.	Kansas Gas Service	Kansas CC	12-KGSC-835-RTS	May 12 Oct 12	Rate of Return
191.	ExxonMobil Pipeline Co.	Alaska RCA	TL-157-304	Jun 12	Rate of Return
192.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-149-301	Jul 12	Rate of Return
193.	Seaway Crude Pipeline Company	FERC	IS12-226-000	Aug 12 Feb 13	Rate of Return
194.	Cross Texas Transmission, LLC	Texas PUC	40604	Aug 12 Oct 12 Nov 12	Revenue Requirements
195.	Wind Energy Transmission Texas	Texas PUC	40606	Aug 12 Nov 12	Revenue Requirements
196.	Lone Star Transmission LLC	Texas PUC	40798	Nov 12	Revenue Requirements
197.	West Texas Gas Company	Texas RRC	10235	Jan 13	Rate of Return
198.	Cross Texas Transmission, LLC	Texas PUC	41190	Feb 13	Revenue Requirements
199.	ExxonMobil Pipeline Co.	Alaska RCA	TL-162-304	Apr 13	Rate of Return
200.	EasTrans,LLC	Texas RRC	10276	Jul 13	Rate of Return
201.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-152-301	Jul 13	Rate of Return
202.	BP Pipelines (Alaska) Inc.	Alaska RCA	TL-143-311	Sep 13	Rate of Return
203.	Wind Energy Transmission Texas	Texas PUC	41923	Oct 13	Revenue Requirements
204.	Oliktok Pipeline Company	Alaska RCA	P-13-013	Nov 13	Rate of Return
205.	Aqua Texas Southeast Region-Gray	Texas CEQ	2013-2007-UCR	Apr 14	Revenue Requirements
206.	Entergy Mississippi	Mississippi PSC	EC-123-0082	Jun 14	Rate of Return on Equity
207.	Westlake Ethylene Pipeline	Texas RRC	10358	Jul 14 Aug 15	Rates
208.	ExxonMobil Pipeline Co.	Alaska RCA	TL-164-304	Jul 14	Rate of Return
209.	ConocoPhillips Transportation Alaska	Alaska RCA	TL-154-301	Aug 14	Rate of Return
210.	ENSTAR Natural Gas Company	Alaska RCA	TA-262-4	Sep 14 Jun 15	Revenue Requirements, Cost Allocation, and Rate Design

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211.	Oliktok Pipeline Company	Alaska RCA	TL-44-334	Mar 15	Rate of Return
212.	Entergy Arkansas, Inc.	Arkansas PSC	15-0150U	Apr 15 Oct 15 Dec 15	Rate of Return on Equity
213.	Wind Energy Transmission Texas	Texas PUC	44746	Jun 15	Revenue Requirements
214.	Texas City	Texas RRC	10408	Jun 15 Nov 15	Pipeline Annual Assessment
215.	Oklahoma Natural Gas	Oklahoma CC	201500213	Jul 15 Nov 15	Rate of Return
216.	PTE Pipeline LLC	Alaska RCA	P-12-015	Sep 15	Rate of Return
217.	Northeast Transmission Development, LLC	FERC	ER16-453	Dec 15	Formula Rates
218.	Oncor Electric Delivery	Texas PUC	45188	Dec 15	Public Interest of Acquisition
219.	Corix Utilities (Texas)	Texas PUC	45418	Dec 15 Oct 16	Rate of Return
220.	Texas Gas Service	Texas RRC	10488	Dec 15	Rate of Return
221.	Texas Gas Service	Texas RRC	10506	Mar 16 Jun 16	Rate of Return
222.	Kansas Gas Service	Kansas CC	16-KGSG-491-RTS	May 16 Sep 16	Rate of Return on Equity
223.	ENSTAR Natural Gas Company	Alaska RCA	TA-285-4	Jun 16 Apr 17	Revenue Requirements, Cost Allocation, and Rate Design
224.	Texas Gas Service	Texas RRC	10526	Jun 16	Rate of Return
225.	West Texas LPG Pipeline	Texas RRC	10455	Aug 16 Jan 17	Rates and Rate of Return
226.	Liberty Utilities	Texas PUC	46356	Sep 16 Feb 17 Jun 17	Revenue Requirements and Rate of Return
227.	DesertLink LLC	FERC	ER17-135	Oct 16	Formula Rates
228.	Houston Pipe Line Co.	Texas RRC	10559	Nov 16	Revenue Requirements
229.	Texas Gas Service	Texas RRC	10656	Jun 17	Rate of Return
230.	Trans-Pecos Pipeline	Texas RRC	10646	Sep 17 Feb 18	Revenue Requirements
231.	Comanche Trail Pipeline	Texas RRC	10647	Sep 17 Feb 18	Revenue Requirements
232.	Alpine High Pipeline	Texas RRC	10665	Oct 17 Feb 18	Revenue Requirements

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233.	SiEnergy, LP	Texas RRC	10679	Jan 18	Rate of Return
234.	Targa Midland Gas Pipeline LLC	Texas RRC	10690	Jan 18	Revenue Requirements
235.	ET Fuel, LP	Texas RRC	10706	Apr 18	Revenue Requirements
236.	Texas Gas Service	Texas RRC	10739	Jun 18	Rate of Return
237.	Kansas Gas Service	Kansas CC	18-KGSG-560-RTS	Jun 18 Nov 18	Rate of Return on Equity
238.	Oliktok Pipeline Company	Alaska RCA	TL46-334	Jul 18	Rate of Return
239.	Red Bluff Express, LLC	Texas RRC	10752	Jul 18	Revenue Requirements
240.	PTE Pipeline LLC	Alaska RCA	P-18-0__	Jul 18	Rate of Return
241.	Agua Blanca, LLC	Texas RRC	10761	Aug 18	Revenue Requirements
242.	Texas Gas Service	Texas RRC	10766	Aug 18	Rate of Return
243.	Republic Transmission LLC	FERC	ER19-__	Dec 18	Formula Rates
244.	Gulf Coast Express Pipeline LLC	Texas RRC	10825	Feb 19	Revenue Requirements
245.	Cook Inlet Natural Gas Storage Alaska, LLC	Alaska RCA	U-18-043	Mar 19 Apr 19	Accumulated Deferred Income Taxes and Working Capital
246.	Impulsora Pipeline LLC	Texas RRC	10829	Mar 19	Revenue Requirements
247.	SEMCO Energy Gas Co.	Michigan PSC	U-20479	May 19 Oct 19	Revenue Requirements
248.	Liberty Utilities (Fox River) LLC	AAA	01-18-0002-2510	Jul 19 Oct 19	Revenue Requirements
249.	AMP Intrastate Pipeline LLC	Texas RRC	10887	Aug 19	Revenue Requirements
250.	Corix Utilities (Texas) Inc.	Texas PUC	49923	Aug 19 Jul 20 Aug 20	TCJA Tax Expense Reduction
251.	Colonial Pipeline Company	FERC	OR18-7-002	Nov 19 Feb 20 May 20 Jul 20	Rate of Return
252.	Texas Gas Service	Texas RRC	10928	Dec 19 Apr 20	Rate of Return
253.	Mississippi Power Company	Mississippi PSC	2019-UN-219	Feb 20	Rate of Return on Equity
254.	Corix Utilities (Texas)	Texas PUC	50557	Mar 20 Mar 21	Rate of Return and Excess ADFIT
255.	SouthCross CCNG Transmission	Texas RRC	10967	May 20	Revenue Requirements
256.	Kinder Morgan Border Pipeline LLC	Texas RRC	10980	Jun 20	Revenue Requirements

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**(Continued)**

257. Monarch Utilities I LP	Texas PUC	50944	Jul 20 Nov 20	Rate of Return
258. West Texas Gas, Inc.	Texas RRC	10998	Aug 20	Revenue Requirements, Rate of Return, and Cost of Service Study
259. Centric Gas Services, LLC	Texas RRC		Oct 20	Rate of Return
260. CoServ Gas, Ltd	Texas RRC	00005136	Nov 20	Rate of Return
261. Permian Highway Pipeline LLC	Texas RRC	00005306	Dec 20	Revenue Requirements
262. Whistler Pipeline LLC	Texas RRC	00005675	Feb 21	Revenue Requirements
263. Oklahoma Natural Gas	Oklahoma CC	202100063	May 21 Oct 21	Rate of Return
264. Oliktok Pipeline Company	Alaska RCA	TL47-334	Jul 21	Rate of Return
265. Participating Gas Utilities	Texas RRC	00007061	Jul 21 Oct 21	Excess Gas Cost Securitization
266. Texas Pipeline Webb County Lean System, LLC	Texas RRC	00008188	Nov 21	Revenue Requirements
267. Legend Gas Pipeline LLC	Texas RRC	00008714	Jan 22	Revenue Requirements
268. Oliktok Pipeline Company	Alaska RCA	TL48-334	Mar 22	Rate of Return
269. Texas Gas Service	Texas RRC	00009896	Jun 22 Oct 22	Rate of Return
270. ENSTAR Natural Gas Company	Alaska RCA	U-22-081	Aug 22	Income Taxes, Cost Allocation, and Rate Design
271. Acacia Natural Gas, L.L.C.	Texas RRC	00010150	Aug 22	Revenue Requirements
272. Corix Utilities (Texas)	Texas PUC	53815	Aug 22	Rate of Return, Cost Allocation, and Rate Design
273. Oliktok Pipeline Company	Alaska RCA	TL50-334/51-334	Dec 22	Rate of Return
274. Delaware-Permian Pipeline LLC	Texas RRC	00013058	Mar 23	Revenue Requirements
275. SiEnergy LLC	Texas RRC	00013504	Mar 23	Rate of Return



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2022.  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.  
Commission file number 001-36108

**ONE Gas, Inc.**

(Exact name of registrant as specified in its charter)

**Oklahoma** **46-3561936**  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**15 East Fifth Street**  
**Tulsa, OK** **74103**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(918) 947-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, par value \$0.01 per share	OGS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the equity securities held by nonaffiliates based on the closing trade price of the registrant on June 30, 2022, was \$4.2 billion.

On February 17, 2023, we had 55,350,277 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the definitive proxy statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held May 25, 2023, are incorporated by reference in Part III.

**AVAILABLE INFORMATION**

We make available, free of charge, on our website ([www.onegas.com](http://www.onegas.com)) our Annual Reports, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, amendments to those reports filed or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act and reports of holdings of our securities filed by our officers and directors under Section 16 of the Exchange Act. Such materials are available as soon as reasonably practicable after filing such material electronically or otherwise furnishing it to the SEC, which also makes these materials available on its website ([www.sec.gov](http://www.sec.gov)). Our Code of Business Conduct and Ethics, Corporate Governance Guidelines, Certificate of Incorporation, bylaws, the written charters of our Audit Committee, Executive Compensation Committee, Corporate Governance Committee and Executive Committee and our ESG Report are also available on our website, and copies of these documents are available upon request.

In addition to filings with the SEC and materials posted on our website, we also use social media platforms as channels of information distribution to reach investors and other stakeholders. Information contained on our website and posted on or disseminated through our social media accounts is not incorporated by reference into this report.

**ITEM 1A. RISK FACTORS**

Our investors should consider the following risks that could affect us and our business. Although we believe we have discussed the key factors, our investors need to be aware that other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our financial performance. Investors should carefully consider the following discussion of risks and the other information included or incorporated by reference in this Annual Report, including Forward-Looking Statements, which are included in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**OPERATIONAL RISKS**

*Our business is subject to operational hazards and unforeseen interruptions that could materially and adversely affect our business and for which we may not be insured adequately.*

We are subject to all the risks and hazards typically associated with the natural gas distribution business that could affect the public safety and reliability of our distribution system. Operating risks include, but are not limited to, leaks, accidents, pipeline ruptures and the breakdown or failure of equipment or processes. Other operational hazards and unforeseen interruptions include adverse weather conditions, accidents, explosions, fires, the collision of equipment or vehicles with our pipeline facilities and catastrophic events, such as severe weather events, hurricanes, thunderstorms, tornadoes, sustained extreme temperatures, earthquakes, floods, acts of terrorism, pandemics and other health crises, or other similar events beyond our control. Climate change could cause these catastrophic events to become more severe or more frequent. It is also possible that our facilities, or those of our counterparties or service providers, could be direct targets or indirect casualties of an act of terrorism, including cyber-attacks. These issues could result in legal liability, repair and remediation costs, increased operating costs, significant increased capital expenditures, regulatory fines and penalties and other costs and a loss of customer confidence.

Our general liability, cyber, and property insurance policies for many of these hazards and risks are subject to certain limits, deductibles, and policy exclusions. The insurance proceeds received for any loss of, or any damage to, any of our systems or facilities or to third parties may not be sufficient to restore the total loss or damage. Further, the proceeds of any such insurance may not be received in a timely manner. The occurrence of any of the foregoing could have a material adverse effect on our financial condition, results of operations and cash flows.

*We may be unable to attract and retain management and professional and technical employees, or experience workforce disruptions due to strikes or work stoppages by our unionized employees, which could adversely impact our operations, earnings, and cash flows.*

Our ability to implement our business strategy, satisfy our regulatory requirements, and serve our customers is dependent upon our ability to continue to recruit and employ a skilled, agile, diverse, and engaged workforce consisting of talented and experienced managers, professional and technical employees. The competition for talent has become increasingly intense and we may experience increased employee turnover due to a tightening labor market. If we are unable to recruit and retain an appropriately qualified workforce, we could encounter operating challenges primarily due to a loss of institutional knowledge and expertise, errors due to inexperience, or the lengthy time period typically required to adequately train replacement personnel. In addition, higher costs could result from loss of productivity, increased safety compliance issues, or cost of contract labor. Additionally, approximately 19 percent of our employees are represented by collective-bargaining units under

collective-bargaining agreements. Disputes over the agreements or failure to timely and effectively renegotiate new agreements upon their expiration could have a negative effect on our business, financial condition and results of operations or result in a work stoppage. Any future work stoppage could, depending on the breadth and the length of the work stoppage, have a material adverse effect on our financial condition, results of operations and cash flows.

***The availability of adequate natural gas pipeline transportation and storage capacity and natural gas supply may decrease and impair our ability to meet customers' natural gas requirements and our financial condition may be adversely affected.***

In order to meet customers' natural gas demands, we rely on and must obtain sufficient natural gas supplies, pipeline transportation and storage capacity from third parties. If we are unable to obtain these, our ability to meet our customers' natural gas requirements could be impaired. If a substantial disruption to or reduction in natural gas supply, pipeline capacity or storage capacity occurred due to operational failures or disruptions, legislative or regulatory actions, hurricanes, tornadoes, floods, earthquakes, extreme cold weather, acts of terrorism, or cyber-attacks or acts of war, our operations or financial results could be adversely affected.

***Our business increasingly relies on technology, the failure of which may adversely affect our financial results and cash flows.***

Due to increased technology advances, we have become more reliant on technology to effectively operate our business. We use computer programs and applications to help run our business, including an enterprise resource planning system that integrates data and reporting activities across our Company. Additionally, certain portions of our IT systems and infrastructure are provided or maintained by third-party vendors. The failure of these or other similarly important technologies, the lack of alternative technologies, or our inability to have these technologies supported, updated, expanded, or integrated into other technologies, could hinder our operations, and adversely impact our financial condition and results of operations.

***The occurrence of cyber breaches or physical security attacks on our business, or those of third parties, may disrupt or adversely affect our operations or result in the loss or misuse of confidential and proprietary information.***

Any cyber breaches or physical security attacks, or threats of such attacks, that affect our IT systems, distribution facilities, customers, suppliers and third-party service providers or any financial data could disrupt normal business operations, expose sensitive information, and/or lead to physical damages that may have a material adverse effect on our business. A severe attack or security breach could adversely affect our business reputation, diminish customer confidence, disrupt operations, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability which may not be fully covered by insurance, and our business, financial condition, results of operations and cash flows could be adversely affected. As cyber or physical security attacks become more frequent and sophisticated, we could be required to incur increased costs to strengthen our systems or to obtain additional insurance coverage against potential losses. Federal and state regulatory agencies, such as DHS and TSA, are increasingly focused on risks related to physical security and cybersecurity in general and have promulgated more stringent security regulations specifically for certain federal contractors and critical infrastructure sectors, including natural gas distribution. Any failure to comply with such government regulations may have a material adverse effect on our results of operations and financial condition.

***We are subject to various risks associated with climate change which could increase our operating costs or restrict our opportunities in new or existing markets, adversely affecting our financial results, growth, cash flows and results of operations.***

Climate change may increase the likelihood of extreme weather in our service territory, and our customers' energy use could increase or decrease depending on the duration and magnitude of any changes. A decrease in energy use due to weather changes may affect our financial condition through decreased revenues and cash flows which are not adequately offset by our WNA mechanisms. Extreme weather conditions in general require increased system resiliency, adding to costs, and can contribute to increased system stresses, including service interruptions. Weather conditions outside of our operating territory could also have an impact on our revenues and cash flows by affecting natural gas prices and the availability of our leased transportation and storage capacity. Weather impacts our operations primarily through severe weather events, including hurricanes, thunderstorms, tornadoes, sustained extreme temperatures, snow and ice storms, earthquakes, floods, or other similar events beyond our control. To the extent the frequency of extreme weather events increases, our costs of providing service and our working capital requirements could increase.

## REGULATORY AND LEGISLATIVE RISKS

***We are subject to federal, state, and local regulation of the safety of our systems and operations, including pipeline safety, system integrity, and the safety of our employees and require significant expenditures or, in the case of noncompliance, substantial fines or penalties.***

We are subject to regulation under federal pipeline safety statutes promulgated by PHMSA, DOT, OSHA, and any analogous state regulations. These include safety requirements for the design, construction, operation, and maintenance of pipelines, including transmission and distribution pipelines. Additionally, the workplaces associated with our facilities are subject to the requirements of DOT and OSHA, and comparable state statutes that regulate the protection of the health and safety of workers. Compliance with existing or new laws and regulations may result in increased capital, operating and other costs which may not be recoverable in rates from our customers or may impact materially our competitive position relative to other energy providers. The failure to comply with these laws, regulations and other requirements, or an accident or injury to employees could expose us to civil or criminal liability, enforcement actions, fines, penalties, or injunctive measures that may not be recoverable through our rates and could have a material adverse effect on our business, financial condition, results of operations, cash flows, and reputation.

***We are subject to federal, state, and local laws, rules and regulations that could impact our ability to earn a reasonable rate of return on our invested capital and to fully recover our invested capital, operating costs, and natural gas costs.***

We are subject to regulatory oversight from various federal, state, and local regulatory authorities, including the OCC, KCC, RRC and various municipalities in Texas. Regulatory actions from these authorities relate to allowed rates of return, rate design and construct, and purchased gas and operating cost recovery. Therefore, our returns are continuously monitored and are subject to challenge for their reasonableness by regulatory authorities or third-party intervenors. Our ability to obtain timely future rate increases depends on regulatory discretion and therefore, there can be no assurance that we will be able to obtain rate increases, fully recover our costs or that our authorized rates of return will continue at the current levels, which could adversely impact our results of operations, financial condition, and cash flows.

In the normal course of business, assets are placed in service before regulatory action is taken, such as filing a rate case or seeking interim recovery under a capital tracking mechanism that could result in an adjustment of our returns. Once we make a regulatory filing, regulatory bodies have the authority to suspend implementation of the new rates while evaluating the filing. Because of this process, we may suffer the negative financial effects of having placed assets in service that do not initially earn our authorized rate of return or may not be allowed recovery on such expenditures at all.

***We are subject to environmental regulations and legislation, including those intended to address climate change, which could increase our operating costs, adversely affecting our financial results, growth, cash flows and results of operations.***

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities, including the EPA and any analogous state agencies, relating to protection of the environment, including those that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites, and other properties associated with our operations be operated, maintained, abandoned, and reclaimed to the satisfaction of applicable regulatory authorities. The failure to comply with any laws, regulations, permits and other requirements, or the discovery of presently unknown environmental conditions, could expose us to civil or criminal liability, enforcement actions and regulatory fines and penalties and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

International, federal, regional and/or state legislative and/or regulatory initiatives may attempt to regulate greenhouse gas emissions, including carbon dioxide and methane, as a response to the threat of climate change. Various states and municipalities have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on areas such as greenhouse gas cap and trade programs, carbon taxes, reporting and tracking programs, and restrictions on emissions. Such laws or regulations could impose costs tied to carbon emissions, operational requirements or restrictions, or additional charges to fund energy efficiency activities. They could also incentivize alternative energy sources, impose costs or restrictions on end users of natural gas, or result in other costs or requirements, such as costs associated with the adoption of new infrastructure and technology to respond to new mandates.

***We are subject to federal, state, and local laws, rules and regulations that could affect our operations and financial results.***

Our business and operations are subject to regulation by a number of federal agencies, including FERC, CFTC, IRS and various state agencies in Oklahoma, Kansas, and Texas, and we are subject to numerous other federal and state laws and regulations. Future changes to laws, regulations and policies may impair our ability to compete for business or recover costs and could

adversely affect our cash flows, restrict our ability to make capital investments and may cause us to increase debt and take other actions to conserve cash. Any compliance failure related to laws and regulations may result in fines, penalties or injunctive measures affecting our operating assets. The fines or penalties for noncompliance with laws and regulations may not be recoverable through our rates. Our failure to comply with applicable regulations could result in a material adverse effect on our business, financial condition, results of operations and cash flows.

#### **FINANCIAL, ECONOMIC AND MARKET RISKS**

##### ***Unfavorable economic and market conditions could adversely affect our financial condition, earnings, cash flows and limit our future growth.***

Weakening economic activity in our markets and supply chain disruptions could result in a loss of existing customers, fewer new customers, especially in newly constructed homes and other buildings, or a decline in energy consumption, any of which could adversely affect our revenues or restrict our future growth. These conditions may make it more difficult for customers to pay their natural gas bills, leading to slow collections and higher-than-normal levels of accounts receivable, which in turn could increase our financing requirements and bad debt expense. Customers may also experience difficulties paying their natural gas bills in the instance of severe weather events that result in higher usage and higher natural gas prices, reducing our collections and increasing our financing requirements and bad debt expense, which could have a material adverse effect on our business, contracts, financial condition, operating results, cash flow, liquidity, and prospects.

Changes in supply and demand within the natural gas markets, as well as other factors, could cause an increase in the price of natural gas. Market conditions can also lead to short-term price spikes in natural gas prices, such as high demand during periods of extreme cold weather or system constraints at specific delivery locations. An increase in the price of natural gas could cause us to experience a significant increase in short-term or long-term debt because we must pay suppliers for natural gas when purchased.

We cannot predict the timing, severity, or duration of any future economic slowdowns or natural gas market disruptions. Fluctuations and uncertainties in the economy may result in higher interest rates and inflationary pressures on the costs of goods, services, and labor. This could increase our expenses and capital spending and decrease our cash flows if we are not able to recover or recover timely such increased costs from our customers. The foregoing could adversely affect our business, financial condition, results of operations and cash flows.

##### ***Our business activities are concentrated in three states.***

We provide natural gas distribution services to customers in Oklahoma, Kansas, and Texas. Changes in the regional economies, politics, regulations, regulatory decisions by state and local regulatory authorities, and weather patterns of these states could adversely impact our financial condition, results of operations and cash flows.

##### ***The inability to access capital or significant increases in the cost of capital could adversely affect our results of operations, cash flows and financial condition.***

Our ability to obtain adequate and cost-effective financing is dependent upon the liquidity of the financial markets, as well as our financial condition and credit ratings. Our long-term debt is currently rated as "investment grade" by both of our rating agencies. We rely upon access to both the short-term and long-term credit and capital markets to satisfy our liquidity requirements. If adverse credit conditions or a downgrade in our ratings outlook were to cause a significant limitation on our access to the private credit and public capital markets, we could see a reduction in our liquidity. A significant reduction in our liquidity could in turn trigger a negative change in our ratings outlook or a reduction in our credit ratings by one or both of our rating agencies. Such a downgrade could further limit our access to private credit and/or public capital markets and increase our costs of borrowing. Additionally, the inability to access adequate capital or an increase in the cost of capital may require us to conserve cash, prevent or delay us from making capital expenditures, and require us to reduce or eliminate our dividend or other discretionary uses of cash.

##### ***Our financing arrangements subject us to various restrictions that could limit our operating flexibility, earnings, and cash flows.***

The indentures governing our Senior Notes and our ONE Gas Credit Agreement contain customary covenants that restrict our ability to create or permit certain liens, to consolidate or merge, or to convey, transfer or lease substantially all of our properties and assets. Events beyond our control could impair our ability to satisfy these requirements. As long as our indebtedness remains outstanding, these restrictive covenants could impair our ability to expand or pursue our growth strategy.

In addition, the breach of any covenants or any payment obligations in any of these debt agreements will result in an event of default under the applicable debt instrument. If an event of default were to occur, the holders of the defaulted debt may have the ability to cause all amounts outstanding with respect to that debt to be due and payable, subject to applicable grace periods. This could trigger cross-defaults under our other debt agreements, including our Senior Notes. Forced repayment of some or all of our indebtedness could require us to incur new debt at a higher cost, which would have an adverse impact on our financial condition, results of operations and cash flows.

*We may pursue acquisitions, divestitures, and other strategic opportunities which, if not successful, may adversely impact our results of operations, cash flows and financial condition.*

As part of our strategic objectives, we may pursue acquisitions to complement or expand our business, as well as divestitures and other strategic opportunities. We may not be able to successfully negotiate, finance or receive regulatory approval for future acquisitions or integrate the acquired businesses with our existing business and services. These efforts may also distract our management and employees from day-to-day operations and require substantial commitments of time and resources. Future acquisitions could result in potentially dilutive issuances of equity securities, a decrease in our liquidity as a result of our using a significant portion of our available cash or borrowing capacity to finance the acquisition, the incurrence of debt, contingent liabilities and amortization expenses and substantial goodwill. The effects of these strategic decisions may have long-term implications that are not likely to be known to us in the short-term. We may be materially and adversely affected if we are unable to successfully integrate businesses that we acquire.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The following table sets forth the approximate miles of distribution mains and transmission pipelines we own as of December 31, 2022:

Properties (miles)	OK	KS	TX	Total
Distribution	19,400	11,700	11,000	42,100
Transmission	600	1,500	300	2,400
Total properties	20,000	13,200	11,300	44,500

We lease approximately 300 thousand square feet of office space and other facilities for our operations. In addition, we have 57.6 Bcf of natural gas storage capacity under contract, with maximum allowable daily withdrawal capacity of approximately 1.7 Bcf.

**ITEM 3. LEGAL PROCEEDINGS**

See Note 17 of the Notes to Consolidated Financial Statements in this Annual Report for information regarding legal proceedings.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

OVERALL RATE OF RETURN

<u>Capital Component</u>	<u>Percent of Total</u>	<u>Component Cost</u>	<u>Weighted Cost</u>
Long-term Debt	40.93%	4.14%	1.69%
Common Equity	59.07%	10.25%	6.05%
<b>Total</b>	<b><u>100.00%</u></b>		<b><u>7.75%</u></b>

LDC PROXY GROUP CAPITAL STRUCTURE RATIOS

Company	2022 (a)		2021 (a)		2020 (a)		2019 (a)		2018 (a)	
	Debt	Equity	Debt	Equity	Debt	Equity	Debt	Equity	Debt	Equity
Atmos Energy	37.9%	62.1%	38.4%	61.6%	40.0%	60.0%	38.0%	62.0%	34.3%	65.7%
Chesapeake Utilities	41.0%	59.0%	41.5%	58.5%	42.2%	57.8%	43.9%	56.1%	37.9%	62.1%
New Jersey Resources	57.8%	42.2%	57.0%	43.0%	55.1%	44.9%	49.8%	50.2%	45.4%	54.6%
NiSource	55.7%	44.3%	56.9%	43.1%	61.6%	38.4%	56.8%	43.2%	55.3%	44.7%
Northwest Natural Gas	51.5%	48.5%	52.8%	47.2%	49.2%	50.8%	48.2%	51.8%	48.1%	51.9%
Southwest Gas	(b)	(b)	(b)	(b)	50.5%	49.5%	47.9%	52.1%	48.3%	51.7%
Spire	51.2%	48.8%	52.5%	47.5%	49.0%	51.0%	45.0%	55.0%	45.7%	54.3%
<b>LDC GROUP AVERAGE</b>	<b>49.2%</b>	<b>50.8%</b>	<b>49.9%</b>	<b>50.2%</b>	<b>49.7%</b>	<b>50.3%</b>	<b>47.1%</b>	<b>52.9%</b>	<b>45.0%</b>	<b>55.0%</b>
<b>Minimum</b>	37.9%	42.2%	38.4%	43.0%	40.0%	38.4%	38.0%	43.2%	34.3%	44.7%
<b>Maximum</b>	57.8%	62.1%	57.0%	61.6%	61.6%	60.0%	56.8%	62.0%	55.3%	65.7%

(a) *The Value Line Investment Survey "Ratings & Reports"* (May 26, 2023).

(b) Distorted due to borrowing to finance acquisitions.



DCF MODEL -- DIVIDEND YIELD

<u>Company</u>	<u>Ticker</u>	<u>Expected Dividend (a)</u>	<u>Price (b)</u>	<u>Dividend Yield (c)</u>
Atmos Energy	ATO	\$ 3.14	\$ 116.30	2.70%
Chesapeake Utilities	CPK	\$ 2.40	\$ 125.80	1.91%
New Jersey Resources	NJR	\$ 1.59	\$ 49.87	3.19%
NiSource	NI	\$ 1.00	\$ 27.77	3.60%
Northwest Natural Gas	NWN	\$ 1.95	\$ 45.27	4.31%
ONE Gas	OGS	\$ 2.66	\$ 80.33	3.31%
Southwest Gas	SWX	\$ 2.48	\$ 56.72	4.37%
Spire	SR	\$ 2.94	\$ 67.53	4.35%
				<hr/>
<b>AVERAGE</b>				<b>3.47%</b>
<b>MEDIAN</b>				<b>3.46%</b>

(a) *The Value Line Investment Survey* (June 2, 2023).

(b) *Yahoo! Finance* (average of daily May 2023 closing prices).

(c) Expected Dividend / Price.

DCF MODEL -- EARNINGS GROWTH RATES

<u>Company</u>	<u>Projected Growth</u>			<u>Historical Growth</u>	
	<u>Value Line (a)</u>	<u>I/B/E/S (b)</u>	<u>Zacks (c)</u>	<u>10-Year (a)</u>	<u>5-Year (a)</u>
Atmos Energy	7.0%	N/R	7.5%	9.0%	9.0%
Chesapeake Utilities	6.0%	N/R	N/R	9.5%	11.0%
New Jersey Resources	5.0%	6.0%	6.0%	5.0%	2.5%
NiSource	9.5%	N/R	6.9%	1.5%	15.0%
Northwest Natural Gas	6.5%	N/R	3.7%	-1.0%	2.5%
ONE Gas	6.5%	N/R	5.0%	N/R	8.0%
Southwest Gas	10.0%	4.0%	4.0%	5.5%	4.5%
Spire	8.0%	6.1%	4.2%	2.5%	1.0%
<b>AVERAGE</b>	<b><u>7.3%</u></b>	<b><u>5.4%</u></b>	<b><u>5.3%</u></b>	<b><u>4.6%</u></b>	<b><u>6.7%</u></b>
<b>MEDIAN</b>	<b><u>6.8%</u></b>	<b><u>6.0%</u></b>	<b><u>5.0%</u></b>	<b><u>5.0%</u></b>	<b><u>6.3%</u></b>

(a) *The Value Line Investment Survey* (May 26, 2023).

(b) REFINITIV Stock Reports (May 31, 2023).

(c) Zacks.com "Comparison to Industry" (Retrieved June 1, 2023).

N/R -- None reported.

DCF MODEL -- SUSTAINABLE GROWTH RATES

Company	Ticke	2026-2028 Projected (a)				Shares Outstanding (a)		Earnings Retention Growth			External Financing Growth				Sustainable Growth	
		Earnings per Share	Dividends per Share	Book Value per Share	Price per Share	2022	Proj. 26-28	Retention Ratio	Return on Equity	"b x r"	2026-2028 Market-to-Book Ratio	Growth Rate in Shares	"s"	"v"		"s x v"
Atmos Energy	\$	7.85	\$ 3.90	\$ 79.40	\$ 145.00	140.90	170.00	50.3%	9.9%	5.0%	1.83	3.8%	7.0%	45.2%	3.2%	8.1%
Chesapeake Utilities	\$	6.50	\$ 3.05	\$ 62.55	\$ 147.50	17.74	23.50	53.1%	10.4%	5.5%	2.36	5.8%	13.6%	57.6%	7.9%	13.4%
New Jersey Resources	\$	3.25	\$ 1.95	\$ 27.90	\$ 55.00	95.64	100.00	40.0%	11.6%	4.7%	1.97	0.9%	1.8%	49.3%	0.9%	5.5%
NiSource	\$	2.00	\$ 1.12	\$ 18.00	\$ 37.50	411.10	445.00	44.0%	11.1%	4.9%	2.08	1.6%	3.3%	52.0%	1.7%	6.6%
Northwest Natural Gas	\$	3.15	\$ 2.00	\$ 34.40	\$ 62.50	35.53	40.00	36.5%	9.2%	3.3%	1.82	2.4%	4.4%	45.0%	2.0%	5.3%
ONE Gas	\$	5.60	\$ 3.15	\$ 64.45	\$ 125.00	55.35	57.00	43.8%	8.7%	3.8%	1.94	0.6%	1.1%	48.4%	0.6%	4.4%
Southwest Gas	\$	4.50	\$ 2.60	\$ 58.05	\$ 72.50	67.12	77.50	42.2%	7.8%	3.3%	1.25	2.9%	3.6%	19.9%	0.7%	4.0%
Spire	\$	5.50	\$ 3.45	\$ 67.10	\$ 112.50	52.50	55.00	37.3%	8.2%	3.1%	1.68	0.9%	1.6%	40.4%	0.6%	3.7%
<b>AVERAGE</b>										<b>4.2%</b>					<b>2.2%</b>	<b>6.4%</b>
<b>MEDIAN</b>										<b>4.2%</b>					<b>1.3%</b>	<b>5.4%</b>

(a) *The Value Line Investment Survey* (May 26, 2023).

DCF MODEL -- OTHER PROJECTED AND HISTORICAL GROWTH RATES

Company	Net Book Value (a)			Dividends per Share (a)			Price per Share		
	Pro- jected	Historical		Pro- jected	Historical		Pro- jected (a)	Historical (b)	
		10-Year	5-Year		10-Year	5-Year		10-Year	5-Year
Atmos Energy	5.0%	9.0%	12.0%	7.5%	6.5%	8.5%	5.7%	10.2%	5.9%
Chesapeake Utilities	6.6%	10.0%	10.0%	8.5%	7.5%	9.5%	4.1%	13.4%	10.3%
New Jersey Resources	4.5%	7.5%	7.0%	5.0%	6.5%	6.5%	2.5%	8.1%	2.9%
NiSource	5.0%	-3.0%	0.5%	4.5%	-0.5%	3.5%	7.8%	9.2%	2.2%
Northwest Natural Gas	4.0%	1.0%	0.5%	0.5%	1.5%	0.5%	8.4%	0.2%	-5.5%
ONE Gas	6.5%	N/R	4.0%	5.5%	N/R	10.0%	11.7%	N/R	2.0%
Southwest Gas	7.5%	6.5%	7.0%	5.5%	8.5%	7.0%	6.3%	1.3%	-4.9%
Spire	6.5%	6.5%	4.0%	5.0%	5.0%	6.0%	13.6%	3.9%	-1.0%
<b>AVERAGE</b>	<b>5.7%</b>	<b>5.4%</b>	<b>5.6%</b>	<b>5.3%</b>	<b>5.0%</b>	<b>6.4%</b>	<b>7.5%</b>	<b>6.6%</b>	<b>1.5%</b>
<b>MEDIAN</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.5%</b>	<b>5.3%</b>	<b>6.5%</b>	<b>6.8%</b>	<b>7.1%</b>	<b>8.1%</b>	<b>2.1%</b>

(a) *The Value Line Investment Survey* (May 26, 2023).

(b) *Yahoo! Finance* (Average May 2013 and 2018 closing price to average May 2023 closing price).

N/R -- None reported.

CAPITAL ASSET PRICING MODEL

Description	Historical Rates of Return (a)	Forward-Looking Rates of Return (b)
Market Required Rate of Return	12.00%	11.54%
Long-term Government Bond Return (a)(c)	4.90%	3.86%
Market Risk Premium (d)	7.10%	7.68%
LDC Group Beta (e)	0.83	0.83
LDC Group Risk Premium (f)	5.90%	6.38%
Risk-free Rate of Interest (c)	3.86%	3.86%
Theoretical CAPM Cost of Equity Estimate (g)	9.76%	10.24%
Size Premium (e)	0.75%	0.75%
<b>CAPM Cost of Equity Estimates (h)</b>	<b>10.51%</b>	<b>10.99%</b>

(a) Kroll; Summary of Statistics of Annual Total Returns, Income Returns, and Capital Appreciation Returns of Basic U.S. Asset Classes (1926-2022).

(b) Calculated by applying DCF model applied to S&P 500 firms paying dividends (May 31, 2023):

Expected Dividend Yield	2.10%
Projected Earnings Growth Rate:	
Value Line	9.73%
I/B/E/S	8.72%
Zacks	9.85%
Average	9.43%
Market Required Rate of Return	11.54%

(c) May 2023 yield on 30-year U.S. Treasury bonds (Federal Reserve).

3.86%

(d) Market Required Rate of Return minus Long-term Government Bond Return.

(e) Exhibit BHF-8.

(f) Market risk premium times beta.

(g) Sum of Risk Premium and Risk-free Rate of Interest.

(h) Sum of Theoretical CAPM Cost of Equity Estimate and Size Premium.

**BOND RATINGS, BETA, MARKET CAPITALIZATION, AND SIZE PREMIUMS**

**Risk Measures**

<u>Company</u>	<u>Bond Rating</u>		<u>Beta (c)</u>	<u>Market Capitalization (d)</u>	
	<u>S&amp;P (a)</u>	<u>Moody's (b)</u>		<u>(millions)</u>	<u>Premium(e)</u>
Atmos Energy	A-	A1	0.85	\$ 17,000	0.45%
Chesapeake Utilities	N/R	N/R	0.75	\$ 2,200	1.16%
New Jersey Resources	N/R	A1	0.95	\$ 4,800	0.58%
NiSource	BBB+	Baa2	0.85	\$ 11,600	0.57%
Northwest Natural Gas	A+	Baa1	0.80	\$ 1,600	1.16%
ONE Gas	A-	A3	0.80	\$ 4,500	0.58%
Southwest Gas	BBB-	Baa2	0.85	\$ 4,000	0.58%
Spire	A-	Baa2	0.80	\$ 3,600	0.93%
	<b>A-</b>	<b>A3</b>	<b>0.83</b>	<b>\$ 6,163</b>	<b>0.75%</b>
<b>LDC GROUP AVERAGE</b>					

**CRSP Deciles Size Premiums (e)**

<u>Decile</u>	<u>Market Capitalization of Smallest Company (in millions)</u>	<u>Market Capitalization of Largest Company (in millions)</u>	<u>Size Premium (Return in Excess of CAPM)</u>
1-Largest	\$ 31,549.077	- \$2,203,381.286	-0.26%
2	12,372.885	- 31,316.513	0.45%
3	5,918.981	- 12,323.854	0.57%
4	3,770.176	- 5,916.017	0.58%
5	2,365.425	- 3,769.877	0.93%
6	1,389.851	- 2,365.076	1.16%
7	789.019	- 1,389.118	1.37%
8	377.076	- 782.383	1.18%
9	218.389	- 373.879	2.15%
10- Smallest	2.015	- 218.227	4.83%

- (a) Moody's.com (Retrieved June 2, 2023).  
(b) StandardandPoors.com (June 2, 2023).  
(c) *The Value Line Investment Survey* (June 2, 2023).  
(d) *The Value Line Investment Survey* (May 26, 2023).  
(e) Kroll Cost of Capital Navigator (costofcapital.kroll.com).



COMPARABLE EARNINGS METHOD

Company	Projected Earned Return on Book Equity (a)		
	2023	2024	2026-28
Atmos Energy	8.8%	8.9%	9.9%
Chesapeake Utilities	10.1%	9.8%	10.4%
New Jersey Resources	13.1%	12.0%	11.6%
NiSource	11.4%	11.3%	11.1%
Northwest Natural Gas	7.9%	8.0%	9.2%
Southwest Gas	6.4%	6.5%	7.8%
Spire	9.1%	7.8%	8.2%
<b>LDC GROUP AVERAGE</b>	<b><u>9.5%</u></b>	<b><u>9.2%</u></b>	<b><u>9.7%</u></b>
<b>MEDIAN</b>	<b><u>9.1%</u></b>	<b><u>8.9%</u></b>	<b><u>9.9%</u></b>

(a) *The Value Line Investment Survey* (May 26, 2023).



STATE OF TEXAS       §  
                                  §  
COUNTY OF TRAVIS   §


**AFFIDAVIT OF BRUCE H. FAIRCHILD**

BEFORE ME, the undersigned authority, on this day personally appeared Bruce H. Fairchild who having been placed under oath by me did depose as follows:

1.       “My name is Bruce H. Fairchild. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as a Principal with Financial Concepts and Applications, Inc. The facts stated herein are true and correct based upon my personal knowledge.

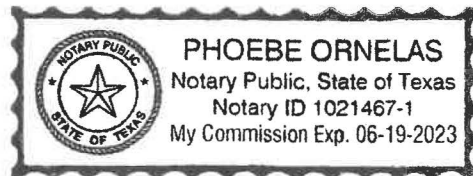
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Bruce H. Fairchild

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bruce H. Fairchild on this 6<sup>th</sup> day of June 2023.

  
\_\_\_\_\_  
Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS §  
GAS SERVICE COMPANY, A §  
DIVISION OF ONE GAS, INC., TO §  
CHANGE GAS UTILITY RATES §  
WITHIN THE UNINCORPORATED §  
AREAS OF THE RIO GRANDE §  
VALLEY SERVICE AREA §**

**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**TERESA SERNA**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

**TABLE OF CONTENTS**

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II. PURPOSE OF TESTIMONY ..... 4  
III. REVENUE ADJUSTMENTS..... 5  
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V. CLASS REVENUE ALLOCATION ..... 23

**LIST OF EXHIBITS**

EXHIBIT TDS-1	Rio Grande Valley Service Area - Class Cost of Service Study
EXHIBIT TDS-2	Rio Grande Valley Service Area - Class Revenue Allocation

1  
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**DIRECT TESTIMONY OF TERESA SERNA**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Teresa Serna, and my business address is 1301 South Mopac Expressway, Suite 400, Austin, Texas 78746.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am a Rates Specialist for Texas Gas Service Company (“TGS” or the “Company”), which is a Division of ONE Gas, Inc.

**Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.**

A. I received a Bachelor of Business Administration Degree in finance from Texas State University in August 2009. I am currently pursuing an MBA from West Texas A&M University. I began my career with TGS in November 2009 as a Rates Analyst II and since January 2020, I have been in the role of Rates Specialist. In my current position at TGS, my responsibilities include analyzing revenue related issues, preparing studies, reports, and testimony related to cost of service, and providing data to support rate design.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?**

A. Yes, I have filed testimony on behalf of TGS in Gas Utilities Docket (“GUD”) Nos. 10526, 10506, 10488, 10094, and 10285 and Docket No. OS-22-00009896 before the Railroad Commission of Texas (“Commission”).

1 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR**  
 2 **TESTIMONY?**

3 A. Yes. I prepared and sponsor the exhibits listed in the Table of Contents.

4 **Q. WERE YOUR TESTIMONY AND EXHIBITS PREPARED BY YOU OR**  
 5 **UNDER YOUR DIRECTION?**

6 A. Yes.

7 **II. PURPOSE OF TESTIMONY**

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

9 A. My testimony presents and supports:

- 10 1. the revenue adjustments used to develop the revenue requirement for TGS's  
 11 Rio Grande Valley Service Area ("RGVSA"); and
- 12 2. the class cost of service ("CCOS") study and class revenue allocation based  
 13 on the CCOS study results for RGVSA. I support the CCOS study tabs  
 14 listed in the table below in the integrated model.

Study Summary
Classified Rate Base
Classified Cost of Service
Classification Factors
Allocated Rate Base
Allocated Cost of Service
Allocation Factors
WKP Plant
WKP Admin&Gen
WKP Selected Data
903 Factors
904 Factors
Bill Determinants Summary
Customer Deposit Factors
Mains Study Summary
Meter and Regulator Factors
Odorization Summary

Peak Demand
Service Charges Summary
Service Line Factors
As Adjusted Revenues Summary
Class Revenue Allocation

1 **Q. ARE YOU SPONSORING ANY SCHEDULES?**

2 A. I am sponsoring Schedules G-1 through G-3.

3 **Q. WERE THESE SCHEDULES PREPARED BY YOU OR UNDER YOUR**  
4 **SUPERVISION?**

5 A. Yes, they were.

### 6 **III. REVENUE ADJUSTMENTS**

7 **Q. WHAT ADJUSTMENTS TO REVENUE ARE YOU SPONSORING?**

8 A. I am sponsoring the adjustments to Gas Sales and Transportation Revenue listed on  
9 Schedules G-1, G-2 and G-3. Schedule G-1 presents the cost of gas expense and  
10 the cost of gas revenues that are removed from the Company's per books test year  
11 expenses and revenues. These adjustments are necessary because gas costs are  
12 recovered via the Cost of Gas Clause ("CGC") rather than through base rates.  
13 Schedule G-2 shows the derivation of the test year base sales revenue through the  
14 removal of the cost of gas revenue from total per book revenues. Schedule G-2  
15 also contains the various adjustments to test year base revenue attributable to Gas  
16 Sales customers that are necessary to make test year revenues representative of  
17 expected annual revenues for purposes of setting rates in this filing. Finally,  
18 Schedule G-3 contains adjustments to base revenue attributable to transportation

1 customers and other utility revenue that are required to normalize test year revenue  
2 in this filing.

3 **Q. PLEASE EXPLAIN THE ADJUSTMENTS ON SCHEDULE G-1.**

4 A. Gas costs are recovered through the Company's CGC instead of through base rates  
5 because: (1) the Company does not make a profit on gas costs, and (2) fluctuations  
6 in the cost of gas are outside the control of the Company. Therefore, it is necessary  
7 to remove gas costs and revenues from the test year cost of service. Line 1 of  
8 Schedule G-1 is the cost of gas revenue collected via the CGC, which is removed  
9 from Base Sales Revenue on Schedule G-2. Line 2 is the test year cost of gas  
10 expense that is removed from this filing as shown on Schedule G. Schedule G is  
11 sponsored by Company witnesses Anthony Brown and Allison Edwards.

12 **Q. WHAT INFORMATION IS SHOWN ON LINES 1-3 OF SCHEDULE G-2?**

13 A. The per book Gas Sales Revenue for the twelve months ending December 31, 2022,  
14 is shown on line 1 of Schedule G-2. This total includes revenue derived from:  
15 (1) charges for the cost of gas, and (2) charges for sales service. Line 2 is the total  
16 per book revenue attributable to recovery of the cost of gas. The revenue on line 2  
17 is subtracted from the revenue on line 1 to remove all revenue associated with gas  
18 costs from the total per book revenues to yield Base Sales Revenue as shown on  
19 line 3.

20 **Q. PLEASE EXPLAIN THE SWITCHING ADJUSTMENT SHOWN ON**  
21 **LINE 4 OF SCHEDULE G-2.**

22 A. The adjustment on line 4 of Schedule G-2 decreases base sales revenue by \$85,883  
23 to account for the revenues lost from a commercial customer that switched from  
24 gas sales to transportation service during the test year. Because the customer's

1 switch to transportation service has already occurred, normalizing the test year  
2 revenues for this known and measurable change is reasonable and appropriate.

3 **Q. PLEASE EXPLAIN THE OUT OF PERIOD ADJUSTMENT ON LINE 5 OF**  
4 **SCHEDULE G-2.**

5 A. The adjustment of \$219,413 removes a prior period billing adjustment that occurred  
6 during the test year for the months of August through December 2021. Because  
7 this adjustment occurred outside the test year, it is necessary and appropriate to  
8 remove these dollars from the amount of base sales revenues in the test year to  
9 accurately reflect the Company's revenues going forward.

10 **Q. PLEASE EXPLAIN THE TERMINATION ADJUSTMENT ON LINE 6 OF**  
11 **SCHEDULE G-2.**

12 A. Line 6 reflects an adjustment of \$(11,115) to remove the revenue of nine church  
13 customers that have terminated service.

14 **Q. PLEASE EXPLAIN THE ANNUALIZATION ADJUSTMENT ON LINE 7**  
15 **OF SCHEDULE G-2.**

16 A. The adjustment on line 7 annualizes revenue to account for a Cost of Service  
17 Adjustment ("COSA") and Gas Reliability Infrastructure Program ("GRIP") that  
18 were filed during the test year period on April 27, 2022 and July 7, 2022,  
19 respectively. The adjustment is derived by taking the difference between revenues  
20 calculated based on current rates and revenues generated during the test year period  
21 ending December 31, 2022. The annualization of this revenue impact over the  
22 entire test year results in a \$1,506,126 increase to base sales revenues.



1 **Q. PLEASE EXPLAIN THE WEATHER NORMALIZATION ADJUSTMENT**  
2 **(“WNA”) ON LINE 8 OF SCHEDULE G-2.**

3 A. TGS currently has WNAs in effect for the RGVSA. Revenue collected or refunded  
4 through the WNA is adjusted each month to offset the impacts of abnormal weather  
5 on customers’ bills and Company revenues. The Company’s test year cost of  
6 service calculation includes an adjustment to reflect revenues that would have been  
7 expected if weather had been normal. In effect, this causes the WNA to be counted  
8 twice in the calculation of the Company’s revenue requirement. To avoid this  
9 redundancy, it is necessary to remove the revenue recognized through the WNA  
10 during the test year. This is accomplished through the adjustment of \$281,187 on  
11 line 8 of Schedule G-2.

12 **Q. PLEASE EXPLAIN A HEATING DEGREE DAY.**

13 A. A heating degree day (“HDD”) is defined as the number of degrees that a day’s  
14 average temperature is below 65 degrees Fahrenheit. A HDD is calculated by  
15 comparing the average of the high and low temperature on a given day with 65  
16 degrees, the outside temperature above which a building needs no heating. If the  
17 average for that day is less than 65 degrees, the resulting HDD for the given day is  
18 the difference between the average temperature and 65. Thus, if the high  
19 temperature on Day X was 70 and the low temperature was 56, then the average  
20 temperature would be 63  $((70+56)/2)$  and would result in two HDDs on Day X. If  
21 the average was equal to or greater than 65, there would be no HDDs for that day.  
22 HDDs are used in determining the demand for gas that is based on the weather and  
23 to adjust actual gas usage to normal weather.

1 **Q. HOW IS “NORMAL” WEATHER DEFINED?**

2 A. Weather varies seasonally and daily. Seasonal weather patterns generally result in  
3 an expected temperature range. Within each season, there are daily variations  
4 within the expected, or “normal,” range. The goal of normalizing weather is to  
5 capture the average of these variations in a way that reflects the most relevant  
6 weather experienced over a period that is sufficiently long to smooth out variations  
7 caused by extreme or unusual weather in a year. TGS uses an average of daily  
8 weather calculated over a ten-year period to derive normal HDDs. In this case,  
9 “normal” weather is calculated by averaging daily HDDs over a ten-year period  
10 ending December 31, 2022.

11 **Q. WHY WAS A PERIOD OF TEN YEARS SELECTED?**

12 A. A ten-year period is consistent with what has been approved in the Company’s other  
13 service areas pursuant to Commission orders issued in GUD No. 10506 and Docket  
14 No. OS-22-00009896, which were fully litigated, and GUD Nos. 9988, 10928,  
15 10488, 10526, 10656, 10739 and 10766, pursuant to settlement. It is also consistent  
16 with the practice of other Texas gas utilities and Commission decisions<sup>1</sup> and has  
17 been found reasonable and precluded from further litigation in prior proceedings.<sup>2</sup>

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<sup>1</sup> See, e.g., *Statement of Intent filed by TXU Gas Company to Change Rates in the Company’s Statewide Gas Utility System*, GUD No. 9400, Final Order (May 25, 2004).

<sup>2</sup> See, e.g., *Statement of Intent filed by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas to Increase Rates on a Division-Wide Basis in the Beaumont/East Texas Division*, GUD No. 10182 consol., Examiners’ Letter 18 (Sept. 17, 2012) (“The company’s use of the last 10 years to establish normal weather for purposes of normalizing revenues and billing determinants [sic] not be re-litigated in this proceeding.”).

1 **Q. PLEASE EXPLAIN HOW THE WNA SHOWN ON LINE 9 OF SCHEDULE**  
2 **G-2 WAS DEVELOPED.**

3 A. The adjustment on line 9 of Schedule G-2 is required to weather normalize  
4 revenues. The analysis was developed based on data from the Brownsville/South  
5 Padre Island International Airport weather station (KBRO). A separate analysis is  
6 conducted for each customer class to reflect usage patterns and to price adjustments  
7 at the appropriate tariff rates. By analyzing the relationship between monthly  
8 average usage per customer for a class and actual HDDs for the month using  
9 regression analysis, an estimated usage per customer per HDD was developed for  
10 each class. This value was then used to develop the weather adjustment for each  
11 billing cycle by multiplying the estimated usage per customer per HDD by the  
12 difference between normal HDDs and actual HDDs. The result was then multiplied  
13 by the number of customers in the billing cycle to yield the total adjustment to  
14 volumes. The resulting volumes were used to normalize usage in each billing cycle  
15 of the test year. This analysis is consistent with that used by TGS in prior rate  
16 cases.<sup>3</sup> This volume adjustment was then priced at the test year tariff rates to yield

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<sup>3</sup> This methodology was utilized in the Company's West-North Service Area in *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the West Texas Service Area, North Texas Service Area, and the Borger Skellytown Service Area*, Docket No. OS-22-00009896, Final Order (Jan. 18, 2023); Central Gulf Service Area in *Statement of Intent of Texas Gas Services Company, a Division of ONE Gas, Inc. ("TGS") to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area and Gulf Coast Service Area*, GUD No. 10928 consol., Final Order (Aug. 4, 2020); Gulf Coast Service Area in *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc. to Increase Gas Utility Rates Within the Unincorporated Areas of the Galveston Service Area (GSA) and South Jefferson County Service Area (SJCSA)*, GUD No. 10488, Final Order (May 3, 2016); West Texas Service Area in *Statement of Intent of Texas Gas Service Company, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the El Paso Service Area (EPSA), Permian Service Area (PSA), and Dell City Service Area (DCSA)*, GUD No. 10506 consol., Final Order (Sept. 27, 2016); Central Texas Service Area in *Statement of Intent of Texas Gas Service Company (TGS), a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Central Texas Service Area (CTSA) and South Texas Service Area (STSA)*, GUD No. 10526, Final Order (Nov. 15, 2016); Rio Grande Valley Service Area in *Statement of Intent of Texas Gas Service Company, a*

1 the revenue adjustment, a \$228,047 decrease to test year base sales revenues, as  
2 shown on line 9 of Schedule G-2. This adjustment decreases base sales revenues  
3 in recognition of the fact that the volumes and resulting revenues were abnormally  
4 high because temperatures in the test year period were 13% colder than normal. By  
5 adjusting sales volumes downward to reflect normal weather conditions in the  
6 RGVSA and applying these volumes to existing rates, the resulting adjusted  
7 revenue reflects the level of revenues reasonably anticipated to be collected under  
8 normal weather conditions. The weather normalized sales volumes are also used  
9 by Company witness Paul H. Raab to develop proposed rates that are reasonably  
10 anticipated to collect the proposed revenue requirement.

11 **Q. PLEASE DESCRIBE THE CUSTOMER GROWTH (LOSS) ADJUSTMENT**  
12 **ON LINE 10 OF SCHEDULE G-2.**

13 A. To account for customer growth or loss, the Company includes an adjustment to  
14 quantify customer growth or loss patterns and adjusts customer counts accordingly.  
15 For each customer class within the RGVSA, this adjustment annualizes the growth  
16 or loss in customers that occurred during the twelve months ended December 31,  
17 2022 by adjusting bill counts and volumes in each month of the test year to reflect  
18 the levels observed at the end of the test year. This adjustment is necessary to  
19 ensure that test year revenues accurately reflect the number of customers served  
20 when new rates take effect.

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*Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the Rio Grande Valley Service Area, GUD No. 10656, Final Order (Mar. 20, 2018); North Texas Service Area in Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Increase Gas Utility Rates Within the Unincorporated Areas of the North Texas Service Area, GUD No. 10739, Final Order (Nov. 13, 2018); and the Borger-Skellytown Service Area in Statement of Intent of Texas Gas Service, a Division of ONE Gas, Inc., to Change Gas Utility Rates Within the Unincorporated Areas of the Borger-Skellytown Service Area, GUD No. 10766, Final Order (Feb. 5, 2019).*

1 **Q. HOW IS THE CUSTOMER GROWTH (LOSS) ADJUSTMENT**  
2 **CALCULATED?**

3 A. The adjustment is calculated by multiplying the change in customer bill counts by  
4 the normal monthly per customer usage for each class to yield the adjustment  
5 volumes. This volume adjustment and the changes to bill counts were then priced  
6 at the test year tariff rates for each customer class to yield the revenue adjustment.  
7 The change in customers as of December 31, 2022, was calculated by comparing  
8 the number of active customers at December 31, 2021, to the number of active  
9 customers at December 31, 2022. The adjustment shown on line 10 on Schedule G-  
10 2 annualizes the customer loss, a \$65,674 decrease to test year base sales revenue.

11 **Q. WHAT IS THE NET IMPACT OF THE PREVIOUSLY DISCUSSED**  
12 **ADJUSTMENTS TO GAS SALES REVENUES?**

13 A. The total adjustment to base revenues attributable to Gas Sales revenues is an  
14 increase of \$1,177,180, as shown on line 11 of Schedule G-2. This results in a total  
15 Base Sales Revenue amount, as adjusted, of \$34,827,922 as shown on line 12 of  
16 Schedule G-2.

17 **Q. PLEASE EXPLAIN TRANSPORTATION REVENUE AS SHOWN ON**  
18 **LINE 1 OF SCHEDULE G-3.**

19 A. The revenue on line 1 reflects the per-books revenue collected from transportation  
20 customers during the test year.

21 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO TRANSPORTATION**  
22 **REVENUE ON LINE 2 OF SCHEDULE G-3.**

23 A. The adjustment on line 2 increases transportation revenue by \$17,639 to account  
24 for revenues associated with a commercial gas sales customer that switched to

1 transportation service during the test year. As noted above, the Company is making  
2 a similar adjustment to gas sales revenues. Because the customer's switch to  
3 transportation service has already occurred, normalizing test year revenues for this  
4 known and measurable adjustment is reasonable and appropriate.

5 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO TRANSPORTATION**  
6 **REVENUE ON LINE 3 OF SCHEDULE G-3.**

7 **A.** As previously described, TGS filed a GRIP and COSA during the test period ending  
8 December 31, 2022. The annualization of this revenue impact over the entire test  
9 year results in a \$26,373 increase to transportation revenues.

10 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO TRANSPORTATION**  
11 **REVENUE ON LINE 4 OF SCHEDULE G-3.**

12 **A.** Transportation customers are not billed until shortly after the billing system closes  
13 for the month. As a result, transportation revenue must be estimated each month  
14 and those estimates are reversed out in the following month when actual revenue is  
15 recorded on the Company's books. Removing these estimates restores  
16 transportation revenues to the actual amount billed during the test year, which  
17 decreases transportation revenues by \$32,250.

18 **Q. WHAT IS THE NET IMPACT OF THE ADJUSTMENTS TO**  
19 **TRANSPORTATION REVENUES ON SCHEDULE G-3?**

20 **A.** The total adjustment to transportation revenues is an increase of \$11,763, as shown  
21 on line 5 of Schedule G-3.

1 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO SERVICE FEES ON LINE 8**  
2 **OF SCHEDULE G-3.**

3 A. Line 8 of Schedule G-3 contains the adjustment to annualize the changes in service  
4 fees. These changes will have the effect of increasing the revenues the Company  
5 would otherwise recover under its existing service fees. To account for these  
6 changes, an increase of \$68,812 to test year revenues is included on line 8 of  
7 Schedule G-3.

8 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO OTHER UTILITY REVENUE**  
9 **ON LINE 11 OF SCHEDULE G-3.**

10 A. This adjustment removes estimated balancing fees booked to Other Utility Revenue  
11 due to timing differences. Removing these estimates restores utility revenues to the  
12 actual balancing fees billed during the test year. This results in a 6,039 decrease to  
13 revenues.

14 **Q. WHAT IS THE TOTAL TRANSPORTATION REVENUE, SERVICE FEE**  
15 **REVENUE AND OTHER UTILITY REVENUE AS ADJUSTED?**

16 A. As shown on line 13 of Schedule G-3, the total amount as adjusted is \$3,004,204.

17 **IV. CLASS COST OF SERVICE STUDY**

18 **Q. WHAT IS A CLASS COST OF SERVICE STUDY?**

19 A. A CCOS study is an analysis that fully allocates a utility's cost of service, or  
20 revenue requirement, to each customer class. The components of a utility's revenue  
21 requirement, including operating expenses, depreciation, taxes, and required return,  
22 are distributed to each customer class based on cost causation principles.

1 **Q. PLEASE EXPLAIN THE PURPOSE OF A CCOS STUDY.**

2 A. Upon setting a utility's revenue requirement, the utility must determine how much  
3 of its revenue requirement to collect from each customer class. The CCOS study  
4 results provide a useful guide in distributing the utility's overall revenue  
5 requirement to its customer classes because interclass equity considerations support  
6 setting rates so that each customer class pays the approximate cost to serve that  
7 class, and interclass inequities can often arise over time when rates for a specific  
8 class do not reflect the actual cost of service for that class. Interclass inequities can  
9 be due to changes in customer class characteristics, adjustments to rates from  
10 interim rate filings, and changes in a company's investment and expenses. In  
11 identifying both fixed and variable costs, the CCOS study also provides information  
12 that is useful in setting monthly customer charges to recover fixed costs and setting  
13 usage charges to recover variable costs for each class. Please see the Direct  
14 Testimony of Mr. Raab discussing the Company's proposed rate design to recover  
15 fixed and variable costs for each class.

16 **Q. HOW IS A CCOS STUDY PREPARED?**

17 A. A CCOS study consists of three steps. The first step is functionalization, where  
18 elements of the cost of service are broken down according to the functions they  
19 perform. The second step is classification, which involves classifying each of the  
20 functionalized components of the cost of service into one of four classifications.  
21 The final step is the allocation step, where each of the classified rate base and cost  
22 of service components are fully assigned to customer classes based on direct  
23 assignment of costs or on application of causally-related allocation factors.



1 **Q. PLEASE DISCUSS THE FUNCTIONALIZATION STEP.**

2 A. A gas utility CCOS study typically consists of three functions: (1) production and  
3 storage, (2) transmission, and (3) distribution. The production and storage function  
4 includes the costs of gas wells, gas field lines, and gas processing plants.  
5 Transmission costs involve the cost of facilities and related expenses associated  
6 with delivering gas from production and storage areas to city gates, which are the  
7 points at which the gas enters a utility's distribution system. Distribution costs refer  
8 to costs and expenses associated with delivering gas from city gates to end use  
9 customers and providing associated services such as meter reading, billing, and  
10 customer service.

11 **Q. PLEASE DISCUSS THE CLASSIFICATIONS USED IN THE**  
12 **CLASSIFICATION STEP.**

13 A. There are four classifications that are used in the second step of a CCOS study.  
14 These classifications are (1) customer-related, (2) demand-related, (3) commodity-  
15 related, and (4) revenue-related costs.

16 Customer-related costs are those costs that vary with the number of  
17 customers or customer locations served, regardless of whether any gas is used.  
18 Examples include the cost of a meter at a customer's location and the portion of the  
19 cost of distribution mains associated with reaching the customer's location. These  
20 costs do not depend on the amount of gas used over the course of the year or at peak  
21 periods but rather are incurred to provide customer access to gas service.

22 Demand-related costs are defined as those costs that depend on the  
23 maximum delivery requirements of the gas system. These delivery requirements  
24 are measured by usage at the time of the system's peak. The system's peak usage

1 is based on historically extreme winter weather conditions that relate to sizing  
2 facilities that are weather-dependent. An example of demand costs is the portion  
3 of the cost of distribution mains associated with the sizing of distribution mains to  
4 meet peak loads. Transmission costs and related expenses are another example of  
5 demand costs.

6 Commodity-related costs are defined as those costs that vary with the  
7 amount of gas that is delivered to customers. Odorization cost and related expenses  
8 are examples of commodity-related costs.<sup>4</sup>

9 Revenue-related costs are those costs that vary directly with the utility's  
10 gross revenue. Revenue-related taxes are examples of revenue-related expenses.  
11 In the CCOS study in this case, I have classified revenue-related elements as  
12 customer-related and allocated them based on revenues in the allocation step of the  
13 study, rather than using a separate revenue classification. The allocated cost results  
14 will be the same with this approach as with the use of the separate revenue-based  
15 classification.

16 **Q. DO SOME OF THE COST COMPONENTS REQUIRE COMBINATIONS**  
17 **OF CLASSIFICATIONS?**

18 A. Yes, while many cost of service components fall into a single classification, several  
19 components involve more than one classification category, which requires  
20 combinations of classifications. For example, the investment in Distribution Mains  
21 (Account 376) is driven by (1) the requirement to reach various customer locations

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<sup>4</sup> Purchased gas expense is also commodity-related, but this expense is removed in determining a company's revenue requirement and is not part of a CCOS study when the expense is separately recovered through a pass-through mechanism.

1 and (2) the need to size the mains to meet the resulting load of these customers on  
2 the system peak. Therefore, the investment in distribution mains, as well as  
3 associated expenses, has both customer-related and demand-related costs.

4 As a second example, Mains and Services Expense (Account 874) is a  
5 distribution operating expense incurred to operate both mains and services.  
6 Services are classified as customer-related costs while mains have both customer-  
7 related and demand-related costs. Account 874 is classified based on the relative  
8 investment in mains and services, which results in a classification that contains both  
9 customer-related and demand-related costs.

10 In addition, various capital and expense costs support multiple  
11 classifications of the cost of service and are classified based on a composite of the  
12 applicable components. For example, Supervision and Engineering Expense  
13 (Account 885) is incurred to support a variety of maintenance activities. This  
14 expense is classified based on the composite classification of the maintenance  
15 expenses associated with distribution mains, measuring and regulating station  
16 equipment, services, and house regulators (Accounts 887 through 893).

17 **Q. PLEASE DISCUSS THE ALLOCATION STEP.**

18 A. Customer, demand, commodity, and revenue allocation factors are applied in the  
19 allocation of the cost of service components. Customer-related costs are generally  
20 allocated to customer classes based on relative meter or bill counts. Weighted  
21 customer count factors are used, when necessary. For example, the investment in  
22 meters and related expenses is a customer cost, but smaller and lower cost meters  
23 are required by residential customers as compared to public authority or industrial  
24 customers. Weighted customer counts based on typical meter costs by class are

1 used in the study to recognize the drivers of the investment in meters. Similar to  
2 meters, weighted customer factors are developed for services and house regulators  
3 in order to recognize sizing and resulting cost differences among customer classes.

4 Demand costs are allocated to classes based on relative class contributions  
5 to system peak usage. Commodity costs are allocated to classes based on each  
6 class' annual volumes relative to total annual volumes. Revenue-related costs are  
7 allocated to customer classes based on relative annual revenues.<sup>5</sup>

8 After functionalizing each of the cost of service components, classifying the  
9 functionalized components, and allocating the classified components, the revenue  
10 requirement is entirely distributed to each of the customer classes. Each class'  
11 fully-distributed revenue requirement represents its actual cost of service.

12 **Q. PLEASE EXPLAIN THE DIFFERENCE BETWEEN DIRECT**  
13 **ASSIGNMENT AND CAUSALLY-RELATED ALLOCATION FACTORS.**

14 A. Direct assignment ensures a more accurate reflection of cost causation. However,  
15 allocation factors must be used for the majority of the cost of service components  
16 because these components either involve joint or common costs or the data needed  
17 to make direct assignments are simply not available. For example, the allocation  
18 of distribution mains put in place to serve all classes cannot be directly assigned  
19 because the system of mains is a network that jointly provides service to all  
20 customers. Service charge revenue, customer deposits, and bad debt expense  
21 allocation factors are directly assigned to the classes.

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<sup>5</sup> Rather than using a separate revenue classification, revenue-related elements in this study were classified as customer-related and allocated based on revenues in the allocation step of the study.

1 **Q. HAS THE COMMISSION REVIEWED PRIOR CCOS STUDIES**  
2 **CONDUCTED BY THE COMPANY USING THE SAME METHODS YOU**  
3 **USE IN THIS CASE?**

4 A. Yes, the Commission has reviewed prior CCOS studies conducted by the Company  
5 using the same methods I use in this case. The Commission reviewed the  
6 Company's CCOS study in Docket No. OS-22-00009896 and found that the study  
7 was "reasonable to use" and that it "classifies and allocates costs in a fair, just, and  
8 reasonable manner."<sup>6</sup>

9 **Q. PLEASE DESCRIBE EXHIBIT TDS-1, WHICH IS THE CCOS STUDY IN**  
10 **THIS CASE.**

11 A. The CCOS study results for RGVSA are provided in Exhibit TDS-1.<sup>7</sup> Page 1 of  
12 Exhibit TDS-1 provides a summary of the results. Line 4 shows each class' cost of  
13 service, or revenue requirement, based on the classification and allocation  
14 methodology described in this testimony. Line 4, column (b) is the total revenue  
15 requirement shown in the Company's Schedule A. Exhibit TDS-1, lines 1 through  
16 3 provide the customer-related, demand-related, and commodity-related costs that  
17 total to the cost of service for each class on line 4.

18 **Q. WHAT ADDITIONAL REVENUES ARE INCLUDED IN THE REVENUE**  
19 **ALLOCATION?**

20 A. To determine how much revenue must be recovered through recurring monthly  
21 customer and usage charges from each class to meet the cost of service, revenue

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<sup>6</sup> Docket No. OS-22-00009896 consol., Final Order at Finding of Facts 92-93.

<sup>7</sup> On Exhibit TDS-1, the transportation cost of service results have been combined into the corresponding gas sales customer classes and are shown on line 4. Additionally, church results have been combined into the commercial class.

1 from other sources must be credited to the cost of service. The revenue credit is  
2 comprised of revenue from service charges, special contracts, irrigation class, and  
3 other utility revenue. Service charge revenue is directly assigned to the customer  
4 classes.<sup>8</sup> Special contract revenue is associated with contract rates negotiated to  
5 keep these customers from bypassing the Company's system. Special contract  
6 revenue, irrigation revenue, and other revenue are credited to customer classes  
7 based on each class' cost of service relative to the total cost of service. The  
8 resulting revenue credits are shown on line 5 of Exhibit TDS-1. Line 6 shows the  
9 cost of service net of these revenue credits. Line 7 shows the current revenue for  
10 each customer class, and line 8 provides the required revenue change net of these  
11 revenue credits for each class. Line 8 shows the amounts that must be collected  
12 through monthly customer and usage charges from each class in order for each class  
13 to pay its cost of service.

14 **Q. PLEASE DESCRIBE THE COST RATIOS FOUND IN EXHIBIT TDS-1 ON**  
15 **PAGE 1.**

16 A. A revenue-to-cost ratio of one indicates that a class' revenue matches the cost to  
17 serve the class. A ratio of less than one indicates that a class' revenue falls short of  
18 the cost to serve the class, and a ratio greater than one indicates that class revenue  
19 exceeds the cost to serve the class. At current revenues, the revenue-to-cost ratio  
20 of less than one for the system [line 10, column (b)] indicates that an overall revenue  
21 increase is required. The residential, industrial and public authority classes

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<sup>8</sup> Service charge revenue includes the additional revenue from the service charge changes proposed by TGS. This revenue is directly assigned to classes based on test year service charge revenue collections in each class.

1 currently have a revenue-to-cost ratio less than one [line 10, column (c, e, and f)],  
2 indicating that the class is paying less than its cost of service today. The revenue-  
3 to-cost ratio of the commercial class is greater than one [line 10, column (d)],  
4 indicating that the class is currently paying more than its cost of service. Line 11  
5 demonstrates that each class will pay its cost of service if the revenue changes  
6 shown on line 8 are assigned to each class.

7 **Q. PLEASE EXPLAIN WHERE THE CLASSIFICATION STEP IS FOUND IN**  
8 **EXHIBIT TDS-1.**

9 A. Pages 2 through 13 of Exhibit TDS-1 contain details on the classification step of  
10 the cost of service study, including the classification of individual plant accounts  
11 and other rate base items on pages 2 through 4. Pages 5 through 8 of Exhibit TDS-  
12 1 show the classification of the individual components of the cost of service, or  
13 revenue requirement. Pages 9 through 13 provide the classification factors used on  
14 pages 2 through 8 of Exhibit TDS-1.

15 **Q. PLEASE EXPLAIN WHERE THE ALLOCATION STEP IS FOUND IN**  
16 **EXHIBIT TDS-1.**

17 A. Pages 14 through 44 of Exhibit TDS-1 contain details on the allocation step of the  
18 study, including the allocation of the classified components of rate base on pages  
19 14 through 20. The allocation of each of the classified components of the cost of  
20 service to customer classes is shown on pages 21 through 39 of Exhibit TDS-1.  
21 The components of the allocated cost of service before revenue credits (shown on  
22 page 39, lines 395 through 398) are carried forward to lines 1 through 4 of the Cost  
23 of Service Study Summary (page 1, Exhibit TDS-1). Pages 40 through 44 of  
24 Exhibit TDS-1 provide the customer, demand, and commodity allocation factors

1 applied in the allocation of the rate base (pages 14 through 20) and the cost of  
2 service (pages 21 through 39) components.

3 **Q. IS YOUR CCOS STUDY METHODOLOGY CONSISTENT WITH THE**  
4 **APPROACH THAT WAS PERFORMED AND APPROVED IN DOCKET**  
5 **NO. OS-22-00009896 AND GUD NO. 10656?**

6 A. Yes.

7 **V. CLASS REVENUE ALLOCATION**

8 **Q. PLEASE EXPLAIN THE CONCEPT OF CLASS REVENUE**  
9 **ALLOCATION.**

10 A. Class revenue allocation is the assignment of revenue to each customer class so that  
11 the total revenue assigned equals the revenue requirement. Upon assignment of  
12 revenue to each class, recurring monthly rates must be designed to collect the  
13 annual revenue assigned to the class. Conceptually, revenues should be fairly  
14 allocated to customer classes and rates should be designed to more accurately  
15 capture fixed and variable costs. Equitable class revenue allocations and rate  
16 designs are effective in attracting and retaining customers in all classes and keeping  
17 their rates reasonable. Interclass inequities that result from residential customers  
18 paying less than their cost of service could, at some point, cause non-residential  
19 customers to find gas service unattractive compared to other energy sources. If  
20 these customers switch to other energy sources, residential customers will end up  
21 paying higher rates in future rate cases in order to cover the Company's cost of  
22 service. Similarly, maintaining lower customer charges with higher usage charges  
23 could cause moderate- and high-use customers to consider alternatives to gas  
24 service.



1 **Q. HOW ARE THE CCOS STUDY RESULTS USED TO ASSIGN REVENUE**  
2 **TO EACH CLASS?**

3 A. The RGVSA CCOS study results that are used for the class revenue allocation are  
4 shown on page 1 of Exhibit TDS-1. For a specific class to cover its cost of service,  
5 rates for monthly service for each customer class must be designed to produce  
6 annual revenue totaling the Company's total cost of service, as shown on line 6.

7 **Q. WHAT FACTORS DID YOU CONSIDER TO DEVELOP THE CLASS**  
8 **REVENUE ALLOCATION?**

9 A. The factors I considered in developing my recommendation were class costs and  
10 the concept of gradualism. First, the Company supports basing the class revenue  
11 allocation on the actual RGVSA CCOS study results so that each class pay its own  
12 cost of service. If cost-based revenue assignments are not made, a portion of the  
13 cost to serve certain classes (those paying less than the cost to serve them) are  
14 unfairly borne by other classes (those paying more than the cost of service).  
15 Implementing cost-based revenue assignments in this case requires revenue  
16 increases for the residential, industrial, and public authority classes and a revenue  
17 decrease for the commercial class.

18 However, it is also important to consider the impacts on each customer class  
19 that result from cost-based revenue assignments. The concept of gradualism  
20 supports that sizable bill impacts to certain classes should be mitigated, while  
21 ensuring that there is movement toward each class' cost of service. To moderate  
22 the increase to the residential, industrial, and public authority classes, I prepared  
23 and evaluated two revenue allocations that represent a more gradual movement for  
24 each class' cost of service in this rate case.

1 **Q. PLEASE EXPLAIN EXHIBIT TDS-2.**

2 A. The three class revenue allocations that I considered are shown on Exhibit TDS-2.  
3 Each class' revenue-to-cost ratio and assigned revenue change is shown along with  
4 the resulting percentage change in non-gas revenue and in total revenue associated  
5 with the assigned revenue change.<sup>9</sup> Additionally, GRIP allocation factors are listed  
6 on lines 7, 13, and 19, which the Company will apply to future GRIP filings after  
7 approval in this case.

8 **Q. PLEASE DESCRIBE THE THREE REVENUE ALLOCATIONS**  
9 **CONSIDERED FOR THE RGVSA.**

10 A. Revenue Allocation One assigns revenue so that each class pays its actual cost of  
11 service. The resulting revenue change for each class is shown on line 4 of Exhibit  
12 TDS-2.

13 Revenue Allocation Two incorporates the principle of gradualism into the  
14 allocation process. This method assigns 20% of the cost-based required decrease  
15 to the commercial class. The benefit from not assigning the full cost-based decrease  
16 to the commercial class is assigned to the residential, industrial, and public  
17 authority classes. The revenue change for each class is shown on line 10 of Exhibit  
18 TDS-2. Importantly, the residential revenue increase in Revenue Allocation Two  
19 is smaller than the cost-based required increase, but there is still significant  
20 movement toward cost-based revenue assignments for each class, as shown by  
21 comparing the revenue-to-cost ratios in line 1 to those in line 9 for each customer  
22 class.

---

<sup>9</sup> The equity goal of achieving cost-based revenue assignments is reached when each class is assigned a revenue level so that its revenue-to-cost ratio equals one.

1 Revenue Allocation Three minimizes the impact on the residential,  
2 industrial, and public authority classes, however it does not improve the cost-based  
3 revenue assignments for the commercial class. Exhibit TDS-2 shows that this  
4 allocation results in movement toward a cost-based revenue assignment for the  
5 residential, industrial, and public authority classes, as shown by comparing the  
6 revenue-to-cost ratio in line 1, column (c), (e), and (f) to the ratios in line 15, column  
7 (c), (e), and (f). Furthermore, this revenue allocation results in no movement  
8 toward cost-based revenue assignments for the commercial class, as shown by  
9 comparing the revenue-to-cost ratio in line 1, column (d) to the ratio in line 15, in  
10 column (d).

11 **Q. WHAT REVENUE ALLOCATION DO YOU RECOMMEND FOR THE**  
12 **RGVSA?**

13 A. While the cost-based revenue assignments of Revenue Allocation One achieve full  
14 equity in the collection of revenue among customer classes, the resulting increase  
15 to the residential class is significant. Revenue Allocation Three results in no  
16 movement towards cost-based revenue assignments for the commercial class. I  
17 recommend Allocation Two because it incorporates the principle of gradualism and  
18 improves the equity in the collection of revenue from all customer classes compared  
19 to today's revenue collection, and is consistent with Commission precedent  
20 regarding cost-based revenue assignments.<sup>10</sup>

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<sup>10</sup> See, *Petition of the De Novo Review of the Denial of the Statements of the Statement of Intent filed by Texas Gas Service Company by the Cities of El Paso, Anthony, Clint, Horizon City, Socorro, and Village of Vinton, Texas*, GUD No. 9988, Proposal for Decision at 45 (Sept. 27, 2016). The Examiners explained that the Commission in previous dockets has expressed a policy of moving toward cost-based revenue assignments.

- 1 Q. **DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**
- 2 A. Yes, it does.

**CLASS COST OF SERVICE STUDY: SUMMARY**

LINE NO.	DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PUBLIC AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)
1	Customer Costs	\$ 28,385,370	\$ 25,897,429	\$ 2,173,560	\$ 62,872	\$ 251,508
2	Demand Costs	\$ 18,883,881	\$ 6,031,998	\$ 8,681,558	\$ 2,329,207	\$ 1,841,118
3	Commodity Costs	\$ 376,114	\$ 62,030	\$ 205,526	\$ 86,437	\$ 22,122
	Cost of Service Before Revenue Credits					
4		\$ 47,645,366	\$ 31,991,456	\$ 11,060,644	\$ 2,478,517	\$ 2,114,749
	Revenues Credited to Cost of Service (1)					
5		\$ 972,829	\$ 746,005	\$ 166,800	\$ 32,402	\$ 27,622
6	Total Cost of Service	\$ 46,672,537	\$ 31,245,451	\$ 10,893,844	\$ 2,446,115	\$ 2,087,127
7	Revenue at Current Rates	\$ 36,859,297	\$ 19,440,391	\$ 13,788,374	\$ 2,020,637	\$ 1,609,896
8	Revenue Deficiency	\$ 9,813,240	\$ 11,805,061	\$ (2,894,530)	\$ 425,478	\$ 477,231
9	Revenue-to-Cost Ratios:					
10	Current Revenue	0.7940	0.6310	1.2617	0.8283	0.7743
11	Required Revenue	1.0000	1.0000	1.0000	1.0000	1.0000

(1) Service charge revenue including Company recommended changes are used to offset each class' cost of service. Service charge revenue is directly assigned to classes and is included in the revenue credit on line 5. Allocation of the remaining revenues to be credited is based on each class' cost of service relative to the total cost of service on line 4. The components of the total revenue credit are as follows:

Service Charges	\$ 352,467
Special Contract	448,123
Irrigation Transport	120,524
Other Revenue	51,715
	<u>972,829</u>
	\$ 972,829

**CLASS COST OF SERVICE STUDY: CLASSIFIED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
<b><u>Intangible Plant</u></b>							
1	301	Organization	NONINTPLT	\$ —	\$ —	\$ —	\$ —
2	302	Franchises and Consents	NONINTPLT	\$ —	\$ —	\$ —	\$ —
3	303	Miscellaneous Intangible Plant	NONINTPLT	\$ —	\$ —	\$ —	\$ —
4		Total Intangible Plant		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
5							
<b><u>Transmission Plant</u></b>							
7	365	Land and Land Rights	DEM	\$ 60,856	\$ —	\$ 60,856	\$ —
8	366	Meas. and Reg. Station Structures	DEM	\$ 1,812,608	\$ —	\$ 1,812,608	\$ —
9	367	Transmission Mains	DEM	\$ 25,279,603	\$ —	\$ 25,279,603	\$ —
10	368	Compression Station Equipment	DEM	\$ 25,667	\$ —	\$ 25,667	\$ —
11	369	Measuring and Reg. Station Equipment	DEM	\$ 13,089,304	\$ —	\$ 13,089,304	\$ —
12	369	Odorization	COM	\$ 185,791	\$ —	\$ —	\$ 185,791
13	371	Other Equipment	DEM	\$ 53,986	\$ —	\$ 53,986	\$ —
14		Total Transmission Plant		<u>\$ 40,507,816</u>	<u>\$ —</u>	<u>\$ 40,322,025</u>	<u>\$ 185,791</u>
15							
<b><u>Distribution Plant</u></b>							
17	374	Land & Land Rights	DIS376-379	\$ 40,448	\$ 19,887	\$ 20,541	\$ 19
18	375	Structures and Improvements	DIS376-379	\$ 114,218	\$ 56,159	\$ 58,004	\$ 55
19	376	Distribution Mains	MAINS	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
20	377	Compressor Station Equipment	DEM	\$ —	\$ —	\$ —	\$ —
21	378	Meas. & Reg. Sta. Equip.- Gen.	DEM	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
22	378	Odorization	COM	\$ 47,614	\$ —	\$ —	\$ 47,614
23	379	Meas. & Reg. Sta. Equip.- City Gate	DEM	\$ 2,596,368	\$ —	\$ 2,596,368	\$ —
24	379	Odorization Tank	COM	\$ 37,759	\$ —	\$ —	\$ 37,759
25	380	Services	CUS	\$ 58,784,897	\$ 58,784,897	\$ —	\$ —
26	381	Meters	CUS	\$ 18,036,958	\$ 18,036,958	\$ —	\$ —
27	382	Meter Installations	CUS	\$ 45,749	\$ 45,749	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: CLASSIFIED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
28		<b>Distribution Plant (Cont'd)</b>					
29	383	House Regulators	CUS	\$ 4,805,577	\$ 4,805,577	\$ —	\$ —
30	385	Meas. & Reg. Sta. Equip. - Ind.	DEM	\$ 2,695,201	\$ —	\$ 2,695,201	\$ —
31	386	Other Property - Customer Premises	CUS	\$ 6,144	\$ 6,144	\$ —	\$ —
32	387	Other Equipment	DIS376-379	\$ —	\$ —	\$ —	\$ —
33		Total Distribution Plant		<u>\$ 163,072,813</u>	<u>\$ 120,350,652</u>	<u>\$ 42,636,714</u>	<u>\$ 85,447</u>
34							
35		<b>General Plant</b>					
36	389	Land & Land Rights	GENPLT	\$ 168,999	\$ 135,631	\$ 33,301	\$ 67
37	390	Structures & Improvements	GENPLT	\$ 3,459,765	\$ 2,744,304	\$ 714,030	\$ 1,431
38	391	Office Furniture and Equipment	GENPLT	\$ 7,629,679	\$ 7,383,784	\$ 245,403	\$ 492
39	392	Transportation Equipment	GENPLT	\$ 5,170,949	\$ 3,816,253	\$ 1,351,987	\$ 2,709
40	393	Stores Equipment	GENPLT	\$ —	\$ —	\$ —	\$ —
41	394	Tools, Shop & Garage	GENPLT	\$ 3,191,624	\$ 2,356,919	\$ 833,035	\$ 1,669
42	394	Odorization	COM	\$ 26,667	\$ —	\$ —	\$ 26,667
43	396	Major Work Equipment	GENPLT	\$ 425,664	\$ 314,148	\$ 111,293	\$ 223
44	397	Communication Equipment	GENPLT	\$ 4,951,826	\$ 3,684,243	\$ 1,265,047	\$ 2,535
45	398	Miscellaneous General Plant	GENPLT	\$ —	\$ —	\$ —	\$ —
46		Total General Plant		<u>\$ 25,025,173</u>	<u>\$ 20,435,281</u>	<u>\$ 4,554,098</u>	<u>\$ 35,794</u>
47							
48		Total Plant in Service		<u>\$ 228,605,803</u>	<u>\$ 140,785,933</u>	<u>\$ 87,512,837</u>	<u>\$ 307,033</u>
49							

**CLASS COST OF SERVICE STUDY: CLASSIFIED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
50		<b>Depreciation &amp; Amortization Reserve</b>					
51	301-303	Intangible Plant	DISPLTRES	\$ —	\$ —	\$ —	\$ —
52	325-371	Transmission Plant	DEM	\$ (860,487)	\$ —	\$ (860,487)	\$ —
53	374-387	Distribution Plant	DISPLTRES	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
54	389-398	General Plant	GENPLTRES	\$ (9,508,006)	\$ (7,947,592)	\$ (1,564,560)	\$ 4,146
55		Total Depreciation & Amortization Reserve		\$ (32,164,618)	\$ (24,049,117)	\$ (8,112,474)	\$ (3,027)
56		Net Plant in Service		\$ 196,441,185	\$ 116,736,816	\$ 79,400,362	\$ 304,006
57							
58		Customer Deposits	CUS	\$ (2,767,300)	\$ (2,767,300)	\$ —	\$ —
59							
60		Customer Advances	MAINS/SVCS	\$ (137,366)	\$ (102,080)	\$ (35,286)	\$ —
61							
62		Accumulated Deferred Income Taxes	TOTPLT	\$ (17,561,856)	\$ (10,815,396)	\$ (6,722,873)	\$ (23,587)
63							
64		Excess Deferred Income Tax	TOTPLT	\$ (2,948,734)	\$ (1,815,965)	\$ (1,128,808)	\$ (3,960)
65							
66		Materials and Supplies	TOTPLT	\$ 2,275,081	\$ 1,401,099	\$ 870,926	\$ 3,056
67							
68		Prepayments	OPEXP	\$ 804,591	\$ 462,057	\$ 330,024	\$ 12,511
69							
70		Pension & FAS 106 Regulatory Asset	OPEXP	\$ 3,964,348	\$ 2,276,627	\$ 1,626,078	\$ 61,643
71							
72		DIMP Deferrals	OPEXP	\$ 277,523	\$ 159,374	\$ 113,833	\$ 4,315
73							
74		Regulatory Assets	OPEXP	\$ 155,829	\$ 89,489	\$ 63,917	\$ 2,423
75							
76		Cash Working Capital	OPEXP	\$ (375,849)	\$ (215,841)	\$ (154,164)	\$ (5,844)
77							
78		Total Rate Base		\$ 180,127,453	\$ 105,408,881	\$ 74,364,009	\$ 354,563



**CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		<b><u>Transmission &amp; Distribution Operations Exp.</u></b>					
2	814-866	Transmission Expenses	DEM	\$ 4,412,226	\$ —	\$ 4,412,226	\$ —
3	8700	Operation Supervision & Engineering	DIS871-879	\$ 340,801	\$ 262,690	\$ 74,266	\$ 3,844
4	8710	Distribution Load Dispatch	COM	\$ 53,929	\$ —	\$ —	\$ 53,929
5	8740	Mains and Services Expenses	MAINS/SVCS	\$ 2,993,055	\$ 2,224,206	\$ 768,849	\$ —
6	8740	Odorization	COM	\$ 1,372	\$ —	\$ —	\$ 1,372
7	8750	Measuring & Reg. Stat. Exp.-Gen.	DEM	\$ 171,550	\$ —	\$ 171,550	\$ —
8	8750	Odorization	COM	\$ 95,756	\$ —	\$ —	\$ 95,756
9	8760	Meas. & Reg. Stat. Exp.- Ind.	DEM	\$ 51,148	\$ —	\$ 51,148	\$ —
10	8770	Meas. & Regulating Station Exp.- City Gate	DEM	\$ 50,230	\$ —	\$ 50,230	\$ —
11	8780	Meter and House Regulator Exp.	CUS	\$ 1,458,538	\$ 1,458,538	\$ —	\$ —
12	8790	Customer Installation Expenses	CUS	\$ 2,185	\$ 2,185	\$ —	\$ —
13	8800	Other Expenses	DIS871-879	\$ 664,569	\$ 512,252	\$ 144,820	\$ 7,497
14	8810	Rents	DIS871-879	\$ 6,295	\$ 4,852	\$ 1,372	\$ 71
15	8820	Corporate & Div. Exp.	DEM	\$ —	\$ —	\$ —	\$ —
16		Total Transmission & Distribution Oper. Exp.		<u>\$ 10,301,651</u>	<u>\$ 4,464,722</u>	<u>\$ 5,674,460</u>	<u>\$ 162,469</u>
17							
18		<b><u>Distribution Maintenance Expenses</u></b>					
19	8850	Maintenance Supervision and Engineering	DIS887-893	\$ —	\$ —	\$ —	\$ —
20	8860	Structures and Improvements	DIS887-893	\$ 322,987	\$ 140,759	\$ 182,228	\$ —
21	8870	Maintenance of Mains	MAINS	\$ 1,309,764	\$ 699,596	\$ 610,168	\$ —
22	8890	Maint. of Meas. & Reg. Sta. Equip.- Gen.	DEM	\$ 568,091	\$ —	\$ 568,091	\$ —
23	8890	Odorization	COM	\$ 109,810	\$ —	\$ —	\$ 109,810
24	8900	Maint. of Meas. & Reg. Sta. Equip. - Ind.	DEM	\$ 127,343	\$ —	\$ 127,343	\$ —
25	8910	Maint. of Meas. & Reg. Sta. Equip. - City Gate	DEM	\$ 20,164	\$ —	\$ 20,164	\$ —
26	8920	Maintenance of Services	CUS	\$ 324,471	\$ 324,471	\$ —	\$ —
27	8930	Main. of Meters & House Reg.	CUS	\$ —	\$ —	\$ —	\$ —
28	8940	Maintenance of Other Equipment	DIS887-893	\$ —	\$ —	\$ —	\$ —
29	8950	Clearing - Meter Shop - Small Meters	DEM	\$ —	\$ —	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
		<b><u>Distribution Maintenance Expenses (Cont'd)</u></b>					
30	8960	Clearing - Meter Shop - Large Meters	DEM	\$ —	\$ —	\$ —	\$ —
31		Total Distribution Maintenance Expenses		<u>\$ 2,782,630</u>	<u>\$ 1,164,826</u>	<u>\$ 1,507,995</u>	<u>\$ 109,810</u>
32							
33		Total Operations & Maintenance Expenses		<u>\$ 13,084,282</u>	<u>\$ 5,629,548</u>	<u>\$ 7,182,455</u>	<u>\$ 272,279</u>
34							
35		<b><u>Customer Accounts Expenses</u></b>					
36	9010	Supervision	CUS	\$ 19,697	\$ 19,697	\$ —	\$ —
37	9020	Meter Reading Expense	CUS	\$ 545,365	\$ 545,365	\$ —	\$ —
38	9030	Customer Accounting	CUS	\$ 723,510	\$ 723,510	\$ —	\$ —
39	9040	Bad Debts (includes gross up)	CUS	\$ 441,815	\$ 441,815	\$ —	\$ —
40	9050	Miscellaneous Customer Accounts Expenses	CUS	\$ 77,317	\$ 77,317	\$ —	\$ —
41		Total Customer Accounts Expenses		<u>\$ 1,807,704</u>	<u>\$ 1,807,704</u>	<u>\$ —</u>	<u>\$ —</u>
42							
43		<b><u>Customer Information Expenses</u></b>					
44	9070	Supervision	CUS	\$ —	\$ —	\$ —	\$ —
45	9080	Customer Assistance	CUS	\$ 192,148	\$ 192,148	\$ —	\$ —
46	9090	Informational and Instructional Advertising	CUS	\$ 12,615	\$ 12,615	\$ —	\$ —
47	9100	Customer Service & Informational Svc.	CUS	\$ —	\$ —	\$ —	\$ —
48		Total Customer Information Expenses		<u>\$ 204,763</u>	<u>\$ 204,763</u>	<u>\$ —</u>	<u>\$ —</u>
49							
50		<b><u>Sales and Advertising Expenses</u></b>					
51	9110	Supervision	CUS	\$ —	\$ —	\$ —	\$ —
52	9120	Demonstrating and Selling	CUS	\$ —	\$ —	\$ —	\$ —
53	9130	Advertising	CUS	\$ (2,495)	\$ (2,495)	\$ —	\$ —
54	9140	Employee Sales Referrals	CUS	\$ —	\$ —	\$ —	\$ —
55	9163	Misc. Gas Sales Expense	CUS	\$ —	\$ —	\$ —	\$ —
56		Total Sales and Advertising Expenses		<u>\$ (2,495)</u>	<u>\$ (2,495)</u>	<u>\$ —</u>	<u>\$ —</u>
57							

**CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
58		<b><u>Administrative &amp; General Expenses</u></b>					
59	920-940	Administrative & General Expenses	ADMINGEN	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
60		Total Administrative & General Expenses		<u>\$ 5,929,328</u>	<u>\$ 4,433,803</u>	<u>\$ 1,440,903</u>	<u>\$ 54,623</u>
61							
62		<b><u>Depreciation and Amortization Expense</u></b>					
63	301-303	Intangible Plant	PLT301-03	\$ —	\$ —	\$ —	\$ —
64	365	Land and Land Rights	DEM	\$ —	\$ —	\$ —	\$ —
65	366	Meas. and Reg. Station Structures	PLT366	\$ 49,122	\$ —	\$ 49,122	\$ —
66	367	Transmission Mains	PLT367	\$ 677,505	\$ —	\$ 677,505	\$ —
67	368	Compression Station Equipment	PLT368	\$ 690	\$ —	\$ 690	\$ —
68	369	Measuring and Reg. Station Equipment	PLT369	\$ 463,301	\$ —	\$ 463,301	\$ —
69	371	Other Equipment	PLT371	\$ 2,813	\$ —	\$ 2,813	\$ —
70	375	Structures and Improvements	PLT375	\$ 4,774	\$ 2,347	\$ 2,425	\$ 2
71	376	Mains	MAINS	\$ 2,081,230	\$ 1,111,666	\$ 969,564	\$ —
72	377	Compressor Station Equipment	DEM	\$ —	\$ —	\$ —	\$ —
73	378	Meas. & Reg. Sta. Equip. - General	PLT378	\$ 84,009	\$ —	\$ 84,009	\$ —
74	378	Odorization Tank	COM	\$ 1,109	\$ —	\$ —	\$ 1,109
75	379	Meas. & Reg. Sta. Equipment - City Gate	PLT379	\$ 52,483	\$ —	\$ 52,483	\$ —
76	379	Odorization Tank	COM	\$ 763	\$ —	\$ —	\$ 763
77	380	Services	PLT380	\$ 1,874,671	\$ 1,874,671	\$ —	\$ —
78	381	Meters	PLT381	\$ 822,485	\$ 822,485	\$ —	\$ —
79	382	Meter Installations	PLT382	\$ —	\$ —	\$ —	\$ —
80	383	House Regulators	PLT383	\$ 188,379	\$ 188,379	\$ —	\$ —
81	385	Meas. & Reg. Sta. Equip. - Ind.	PLT385	\$ 61,922	\$ —	\$ 61,922	\$ —
82	386	Other Property - Customer Premises	PLT386	\$ 1,046	\$ 1,046	\$ —	\$ —
83	387	Other Equipment	PLT387	\$ —	\$ —	\$ —	\$ —
84	389-980	General Plant	GENDEP	\$ 1,358,744	\$ 1,170,563	\$ 186,033	\$ 2,148
85	389-980	General Plant - Odorization	COM	\$ 1,778	\$ —	\$ —	\$ 1,778
86	40730	Pension & FAS 106 Amortization Expense	OPEXP	\$ —	\$ —	\$ —	\$ —
87		Total Depreciation and Amortization Expense		<u>\$ 7,726,825</u>	<u>\$ 5,171,158</u>	<u>\$ 2,549,866</u>	<u>\$ 5,801</u>
88							
89		<b><u>Taxes Other Than Income</u></b>					
90	4080	Payroll and Other	OPEXP	\$ 539,340	\$ 309,730	\$ 221,224	\$ 8,386
91	4080	Ad Valorem - Allocated	TOTPLT	\$ 1,418,507	\$ 873,582	\$ 543,020	\$ 1,905

**CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
92	4080	Revenue Related (includes gross up)	CUS	\$ 73,599	\$ 73,599	\$ —	\$ —
93		Total Taxes Other Than Income		\$ 2,031,446	\$ 1,256,910	\$ 764,244	\$ 10,292
94							
95	4101	Excess Deferred Income Tax Amortization	RB	\$ (38,628)	\$ (22,605)	\$ (15,947)	\$ (76)
96							
97	4310	Interest on Customer Deposits	CUS	\$ 37,635	\$ 37,635	\$ —	\$ —
98							
99		Required Return	RB	\$ 13,959,878	\$ 8,169,188	\$ 5,763,211	\$ 27,479
100		Income Taxes	RB	\$ 2,904,627	\$ 1,699,760	\$ 1,199,149	\$ 5,717
101		Total Cost of Service Before Revenue Credits		<u>\$ 47,645,366</u>	<u>\$ 28,385,370</u>	<u>\$ 18,883,881</u>	<u>\$ 376,114</u>

**CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS**

LINE NO.	ACCT.	CLASSIFICATION FACTOR	DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		CUS	Customer Factor		1.00000	0.00000	0.00000
2							
3		DEM	Demand Factor		0.00000	1.00000	0.00000
4							
5		COM	Commodity Factor		0.00000	0.00000	1.00000
6							
7		DEM-COM	Demand and Commodity Factor		0.00000	0.50000	0.50000
8							
9			Total Transmission Plant	\$ 40,507,816	\$ —	\$ 40,322,025	\$ 185,791
10			Total Distribution Plant	\$ 163,072,813	\$ 120,350,652	\$ 42,636,714	\$ 85,447
11			Total General Plant	\$ 25,025,173	\$ 20,435,281	\$ 4,554,098	\$ 35,794
12			Total Non-Intangible Plant	\$ 228,605,803	\$ 140,785,933	\$ 87,512,837	\$ 307,033
13		NONINTPLT	Non-Intangible Plant Factor	1.00000	0.61585	0.38281	0.00134
14							
15	376		Distribution Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
16	377		Compressor Station Equipment	\$ —	\$ —	\$ —	\$ —
17	378		Meas. & Reg. Sta. Equip.- Gen.	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
18	379		Meas. & Reg. Sta. Equip.- City Gate	\$ 2,634,126	\$ —	\$ 2,596,368	\$ 37,759
19			Total Accounts 376-379	\$ 78,496,008	\$ 38,595,281	\$ 39,862,968	\$ 37,759
20		DIS376-379	Accounts 376-379 Factor	1.00000	0.49168	0.50783	0.00048
21							
22	376		Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
23		MAINS	Distribution Mains Allocated Factor	1.00000	0.53414	0.46586	0.00000
24							
25	376/380		Mains and Services-Allocated	\$ 131,041,904	\$ 97,380,178	\$ 33,661,726	\$ —
26		MAINS/SVCS	Mains and Services Allocated Factor	1.00000	0.74312	0.25688	0.00000
27							
28	374-87		Total Distribution Plant	\$ 163,072,813	\$ 120,350,652	\$ 42,636,714	\$ 85,447
29		DISPLT	Distribution Plant Factor	1.00000	0.73802	0.26146	0.00052
30							
31	374		Land & Land Rights	\$ (35,457)	\$ (17,434)	\$ (18,006)	\$ (17)
32	375		Structures and Improvements	\$ (39,274)	\$ (19,311)	\$ (19,945)	\$ (19)
33	376		Distribution Mains	\$ (10,564,493)	\$ (5,642,907)	\$ (4,921,586)	\$ —
34	378		Meas. & Reg. Sta. Equip.-Gen.	\$ (511,561)	\$ —	\$ (511,561)	\$ —

**CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS**

LINE NO.	ACCT.	CLASSIFICATION FACTOR	DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
35	379		Meas. & Reg. Sta. Equip.-City Gate	\$ (71,669)	\$ —	\$ (71,669)	\$ —
36	378-379		Odorization Tank	\$ (7,135)	\$ —	\$ —	\$ (7,135)
37	380		Services	\$ (5,511,467)	\$ (5,511,467)	\$ —	\$ —
38	381		Meters	\$ (3,910,372)	\$ (3,910,372)	\$ —	\$ —
39	382		Meter Installations	\$ (6,164)	\$ (6,164)	\$ —	\$ —
40	383		House Regulators	\$ (992,306)	\$ (992,306)	\$ —	\$ —
41	385		Meas. & Reg. Sta. Equip.-Ind.	\$ (143,044)	\$ —	\$ (143,044)	\$ —
42	386		Other Property-Customer Premises	\$ (3,183)	\$ (1,565)	\$ (1,616)	\$ (2)
43	378		Other Equipment	\$ —	\$ —	\$ —	\$ —
44			Total Distribution Plant Reserve	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
45		DISPLTRES	Distribution Plant Reserve Factor	\$ 1.00000	0.73873	0.26094	0.00033
46							
47			General Plant Reserve	\$ (9,508,006)	\$ (7,947,592)	\$ (1,564,560)	\$ 4,146
48		GENPLTRES	General Plant Reserve Factor	1.00000	0.83588	0.16455	-0.00044
49							
50			Total Plant	\$ 228,605,803	\$ 140,785,933	\$ 87,512,837	\$ 307,033
51		TOTPLT	Total Plant Factor	1.00000	0.61585	0.38281	0.00134
52							
53	374		Land & Land Rights	\$ (35,457)	\$ (17,434)	\$ (18,006)	\$ (17)
54	375		Structures and Improvements	\$ (39,274)	\$ (19,311)	\$ (19,945)	\$ (19)
55	376		Distribution Mains	\$ (10,564,493)	\$ (5,642,907)	\$ (4,921,586)	\$ —
56	377		Compressor Station Equipment	\$ —	\$ —	\$ —	\$ —
57	378		Meas. & Reg. Station Equip.- Gen.	\$ (511,561)	\$ —	\$ (511,561)	\$ —
58	378		Odorization Tank	\$ 3,297	\$ —	\$ —	\$ 3,297
59	379		Meas. & Reg. Station Equip.- City Gate	\$ (71,669)	\$ —	\$ (71,669)	\$ —
60	379		Odorization Tank	\$ (10,433)	\$ —	\$ —	\$ (10,433)
61	380		Services	\$ (5,511,467)	\$ (5,511,467)	\$ —	\$ —
62	381		Meters	\$ (3,910,372)	\$ (3,910,372)	\$ —	\$ —
63	382		Meter Installations	\$ (6,164)	\$ (6,164)	\$ —	\$ —
64	383		House Regulators	\$ (992,306)	\$ (992,306)	\$ —	\$ —
65	385		Meas. & Reg. Sta. Equip. -Ind.	\$ (143,044)	\$ —	\$ (143,044)	\$ —
66	386		Other Property - Customer Premises	\$ (3,183)	\$ (1,565)	\$ (1,616)	\$ (2)
67	387		Other Equipment	\$ —	\$ —	\$ —	\$ —
68			Total Distribution Plant Reserve	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)

**CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS**

LINE NO.	ACCT.	CLASSIFICATION FACTOR	DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
69		DISPLTRES	Distribution Plant Reserve	1.00000	0.73873	0.26094	0.00033
70							
71			Total Operations and Maintenance Expenses	\$ 13,084,282	\$ 5,629,548	\$ 7,182,455	\$ 272,279
72			Total Customer Accounts Expenses	\$ 1,807,704	\$ 1,807,704	\$ —	\$ —
73			Total Customer Service Expenses	\$ 204,763	\$ 204,763	\$ —	\$ —
74			Total Sales and Advertising Expenses	\$ (2,495)	\$ (2,495)	\$ —	\$ —
75			Administrative and General Expenses	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
76			Total Operating Expenses	\$ 21,023,583	\$ 12,073,323	\$ 8,623,358	\$ 326,902
77		OPEXP	Operating Expense Factor	1.00000	0.57428	0.41018	0.01555
78							
79	8710		Distribution Load Dispatch	\$ 53,929	\$ —	\$ —	\$ 53,929
80	8740		Mains and Services Expenses	\$ 2,993,055	\$ 2,224,206	\$ 768,849	\$ —
81	8750		Measuring & Reg. Stat. Exp.-Gen.	\$ 171,550	\$ —	\$ 171,550	\$ —
82	8760		Meas. & Reg. Stat. Exp.- Ind.	\$ 51,148	\$ —	\$ 51,148	\$ —
83	8770		Meas. & Regulating Station Exp.- City Gate	\$ 50,230	\$ —	\$ 50,230	\$ —
84	8780		Meter and House Regulator Exp.	\$ 1,458,538	\$ 1,458,538	\$ —	\$ —
85	8790		Customer Installation Expenses	\$ 2,185	\$ 2,185	\$ —	\$ —
86			Total Accounts 871-879	\$ 4,780,633	\$ 3,684,928	\$ 1,041,776	\$ 53,929
87		DIS871-879	Accounts 871-879 Factor	1.00000	0.77080	0.21792	0.01128
88							
89	8870		Maintenance of Mains	\$ 1,309,764	\$ 699,596	\$ 610,168	\$ —
90	8890		Maint. of Meas. & Reg. Sta. Equip.- Gen.	\$ 568,091	\$ —	\$ 568,091	\$ —
91	8900		Maint. of Meas. & Reg. Sta. Equip. - Ind.	\$ 127,343	\$ —	\$ 127,343	\$ —
92	8910		Maint. of Meas. & Reg. Sta. Equip. - City Gate	\$ 20,164	\$ —	\$ 20,164	\$ —
93	8920		Maintenance of Services	\$ 324,471	\$ 324,471	\$ —	\$ —
94	8930		Main. of Meters & House Reg.	\$ —	\$ —	\$ —	\$ —
95			Total Accounts 887-893	\$ 2,349,833	\$ 1,024,067	\$ 1,325,767	\$ —
96		DIS887-893	Accounts 887-893 Factor	1.00000	0.43580	0.56420	0.00000
97							
98			Total Operations and Maintenance Expenses	\$ 13,084,282	\$ 5,629,548	\$ 7,182,455	\$ 272,279
99			Total Customer Accounts Expenses	\$ 1,807,704	\$ 1,807,704	\$ —	\$ —
100			Total Customer Service Expenses	\$ 204,763	\$ 204,763	\$ —	\$ —
101			Total Sales and Advertising Expenses	\$ (2,495)	\$ (2,495)	\$ —	\$ —
102			Total Operating Exp. Without A&G Expenses	\$ 15,094,254	\$ 7,639,520	\$ 7,182,455	\$ 272,279

**CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS**

LINE NO.	ACCT.	CLASSIFICATION FACTOR	DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
103		NONAGOPEXP	Non-A&G Operating Expenses Factor	1.00000	0.50612	0.47584	0.01804
104							
105	920-932		Administrative and General Expenses	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
106		ADMINGEN	Administrative and General Expenses Factor	1.00000	0.74777	0.24301	0.00921
107							
108	366		Meas. and Reg. Station Structures	\$ 1,812,608	\$ —	\$ 1,812,608	\$ —
109		PLT366	Measuring and Reg. Station Structures Factor	1.00000	0.00000	1.00000	0.00000
110							
111	367		Transmission Mains	\$ 25,279,603	\$ —	\$ 25,279,603	\$ —
112		PLT367	Transmission Mains	1.00000	0.00000	1.00000	0.00000
113							
114	368		Compression Station Equipment	\$ 25,667	\$ —	\$ 25,667	\$ —
115		PLT368	Compression Station Equipment Factor	1.00000	0.00000	1.00000	0.00000
116							
117	369		Measuring and Reg. Station Equipment	\$ 13,089,304	\$ —	\$ 13,089,304	\$ —
118		PLT369	Measuring & Reg, Station Equipment Factor	1.00000	0.00000	1.00000	0.00000
119							
120	371		Other Equipment	\$ 53,986	\$ —	\$ 53,986	\$ —
121		PLT371	Other Equipment Factor	1.00000	0.00000	1.00000	0.00000
122							
123	375		Structures and Improvements	\$ 114,218	\$ 56,159	\$ 58,004	\$ 55
124		PLT375	Structures and Improvements Factor	1.00000	0.49168	0.50783	0.00048
125							
126	376		Distribution Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
127		PLT376	Distribution Mains Factor	1.00000	0.53414	0.46586	0.00000
128							
129	378		Meas. & Reg. Sta. Equip.- Gen.	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
130		PLT378	Meas. & Reg. Station Equip. - General Factor	1.00000	0.00000	1.00000	0.00000
131							
132	379		Meas. & Reg. Sta. Equip.- City Gate	\$ 2,596,368	\$ —	\$ 2,596,368	\$ —
133		PLT379	Meas. & Reg. Station Equip. - City Gate Factor	1.00000	0.00000	1.00000	0.00000
134							
135	380		Services	\$ 58,784,897	\$ 58,784,897	\$ —	\$ —
136		PLT380	Services Factor	1.00000	1.00000	0.00000	0.00000



**CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS**

LINE NO.	ACCT.	CLASSIFICATION FACTOR	DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
137							
138	381		Meters	\$ 18,036,958	\$ 18,036,958	\$ —	\$ —
139		PLT381	Meters Factor	1.00000	1.00000	0.00000	0.00000
140							
141	382		Meter Installations	\$ 45,749	\$ 45,749	\$ —	\$ —
142		PLT382	Meter Installations Factor	1.00000	1.00000	0.00000	0.00000
143							
144	383		House Regulators	\$ 4,805,577	\$ 4,805,577	\$ —	\$ —
145		PLT383	House Regulators Factor	1.00000	1.00000	0.00000	0.00000
146							
147	385		Meas. & Reg. Sta. Equip. - Ind.	\$ 2,695,201	\$ —	\$ 2,695,201	\$ —
148		PLT385	Meas. & Reg. Sta. Equip.-Industrial Factor	1.00000	0.00000	1.00000	0.00000
149							
150	386		Other Property - Customer Premises	\$ 6,144	\$ 6,144	\$ —	\$ —
151		PLT386	Other Property-Customer Premises Factor	1.00000	1.00000	0.00000	0.00000
152							
153	387		Other Equipment	\$ —	\$ —	\$ —	\$ —
154		PLT387	Other Equipment Factor	0.00000	0.00000	0.00000	0.00000
155							
156	301-03		Intangible Plant	\$ —	\$ —	\$ —	\$ —
157		PLT301-03	Intangible Plant	0.00000	0.00000	0.00000	0.00000
158							
159	389-98		General Plant Depreciation Expense	\$ 1,360,522	\$ 1,172,095	\$ 186,276	\$ 2,151
160		GENDEP	General Plant Depreciation Expense Factor	1.00000	0.86150	0.13692	0.00158
161							
162			Rate Base	\$ 180,127,453	\$ 105,408,881	\$ 74,364,009	\$ 354,563
163		RB	Rate Base Factor	1.00000	0.58519	0.41284	0.00197

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	301-303	<b><u>Intangible Plant</u></b>						
2		Customer	NONINCUS	\$ —	\$ —	\$ —	\$ —	\$ —
3		Demand	NONINDEM	\$ —	\$ —	\$ —	\$ —	\$ —
4		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
5		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
6	365-371	<b><u>Transmission Plant</u></b>						
7		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
8		Demand	DEM	\$ 40,322,025	\$ 13,098,902	\$ 18,389,454	\$ 4,933,775	\$ 3,899,895
9		Commodity	COM	\$ 185,791	\$ 30,641	\$ 101,525	\$ 42,698	\$ 10,928
10		Total Transmission Plant		\$ 40,507,816	\$ 13,129,543	\$ 18,490,979	\$ 4,976,473	\$ 3,910,822
11		<b><u>Distribution Plant</u></b>						
12	374	<b>Land &amp; Land Rights</b>						
13		Customer	CUS	\$ 19,887	\$ 18,474	\$ 1,233	\$ 22	\$ 159
14		Demand	DEM	\$ 20,541	\$ 6,673	\$ 9,368	\$ 2,513	\$ 1,987
15		Commodity	COM	\$ 19	\$ 3	\$ 11	\$ 4	\$ 1
16		Total Land & Land Rights		\$ 40,448	\$ 25,150	\$ 10,612	\$ 2,540	\$ 2,146
17	375	<b>Structures and Improvements</b>						
18		Customer	376-379CUS	\$ 56,159	\$ 52,167	\$ 3,483	\$ 62	\$ 448
19		Demand	DEM	\$ 58,004	\$ 18,843	\$ 26,454	\$ 7,097	\$ 5,610
20		Commodity	COM	\$ 55	\$ 9	\$ 30	\$ 13	\$ 3
21		Total Structures and Improvements		\$ 114,218	\$ 71,019	\$ 29,966	\$ 7,172	\$ 6,061
22	376	<b>Distribution Mains</b>						
23		Customer	CUS	\$ 38,595,281	\$ 35,851,458	\$ 2,393,376	\$ 42,668	\$ 307,779
24		Demand	DEM	\$ 33,661,726	\$ 10,935,255	\$ 15,351,927	\$ 4,118,825	\$ 3,255,719
25		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
26		Total Distribution Mains		\$ 72,257,007	\$ 46,786,714	\$ 17,745,302	\$ 4,161,494	\$ 3,563,498

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
27		<b>Distribution Plant (Cont'd)</b>						
28	377	<b>Compressor Station Equipment</b>						
29		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
30		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
31		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
32		Total Compressor Station Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
33	378	<b>Meas. &amp; Reg. Sta. Equip.- Gen.</b>						
34		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
35		Demand	DEM	\$ 3,604,874	\$ 1,171,069	\$ 1,644,056	\$ 441,090	\$ 348,659
36		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
37		Total Meas. & Reg. Sta. Equip.- Gen.		\$ 3,604,874	\$ 1,171,069	\$ 1,644,056	\$ 441,090	\$ 348,659
38	378	<b>Odorization Tank</b>						
39		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
40		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
41		Commodity	COM	\$ 47,614	\$ 7,853	\$ 26,018	\$ 10,942	\$ 2,800
42		Total Odorization Tank		\$ 47,614	\$ 7,853	\$ 26,018	\$ 10,942	\$ 2,800
43	379	<b>Meas. &amp; Reg. Station - City Gate</b>						
44		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
45		Demand	DEM	\$ 2,596,368	\$ 843,449	\$ 1,184,112	\$ 317,690	\$ 251,117
46		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
47		Total Meas. & Reg. Equip.-City Gate		\$ 2,596,368	\$ 843,449	\$ 1,184,112	\$ 317,690	\$ 251,117
48	379	<b>Odorization Tank</b>						
49		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
50		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
51		Commodity	COM	\$ 37,759	\$ 6,227	\$ 20,633	\$ 8,678	\$ 2,221
52		Total Odorization Tank		\$ 37,759	\$ 6,227	\$ 20,633	\$ 8,678	\$ 2,221

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
53		<b><u>Distribution Plant (Cont'd)</u></b>						
54	380	<b>Services</b>						
55		Customer	SERCUS	\$ 58,784,897	\$ 53,139,524	\$ 4,920,057	\$ 98,515	\$ 626,802
56		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
57		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
58		Total Services		\$ 58,784,897	\$ 53,139,524	\$ 4,920,057	\$ 98,515	\$ 626,802
59	381	<b>Meters</b>						
60		Customer	METCUS	\$ 18,036,958	\$ 15,926,759	\$ 1,817,588	\$ 85,989	\$ 206,623
61		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
62		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
63		Total Meters		\$ 18,036,958	\$ 15,926,759	\$ 1,817,588	\$ 85,989	\$ 206,623
64	382	<b>Meter Installations</b>						
65		Customer	METCUS	\$ 45,749	\$ 40,396	\$ 4,610	\$ 218	\$ 524
66		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
67		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
68		Total Meter Installations		\$ 45,749	\$ 40,396	\$ 4,610	\$ 218	\$ 524
69	383	<b>House Regulators</b>						
70		Customer	REGCUS	\$ 4,805,577	\$ 4,291,718	\$ 423,512	\$ 30,943	\$ 59,404
71		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
72		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
73		Total House Regulators		\$ 4,805,577	\$ 4,291,718	\$ 423,512	\$ 30,943	\$ 59,404
74	385	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>						
75		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
76		Demand	NRDEM	\$ 2,695,201	\$ —	\$ 1,820,632	\$ 488,464	\$ 386,106
77		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
78		Total Meas. & Reg. Sta. Equip.- Ind.		\$ 2,695,201	\$ —	\$ 1,820,632	\$ 488,464	\$ 386,106

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
79		<b><u>Distribution Plant (Cont'd)</u></b>						
80	386	<b>Other Prop.-Customer Premises</b>						
81		Customer	CUS	\$ 6,144	\$ 5,707	\$ 381	\$ 7	\$ 49
82		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
83		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
84		Total Other Prop.- Cust. Premises		\$ 6,144	\$ 5,707	\$ 381	\$ 7	\$ 49
85	387	<b>Other Equipment</b>						
86		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
87		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
88		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
89		Total Other Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
90		<b><u>Total Distribution Plant</u></b>						
91		Customer		\$ 120,350,652	\$ 109,326,202	\$ 9,564,239	\$ 258,424	\$ 1,201,787
92		Demand		\$ 42,636,714	\$ 12,975,289	\$ 20,036,547	\$ 5,375,679	\$ 4,249,197
93		Commodity		\$ 85,447	\$ 14,092	\$ 46,692	\$ 19,637	\$ 5,026
94		Total Distribution Plant		\$ 163,072,813	\$ 122,315,584	\$ 29,647,478	\$ 5,653,741	\$ 5,456,010
95		<b><u>Total General Plant</u></b>						
96		Customer	CUS	\$ 20,435,281	\$ 18,982,492	\$ 1,267,235	\$ 22,592	\$ 162,961
97		Demand	DEM	\$ 4,554,098	\$ 1,479,432	\$ 2,076,963	\$ 557,236	\$ 440,467
98		Commodity	COM	\$ 35,794	\$ 5,903	\$ 19,560	\$ 8,226	\$ 2,105
99		Total General Plant		\$ 25,025,173	\$ 20,467,827	\$ 3,363,758	\$ 588,054	\$ 605,533
100		<b><u>Total Plant in Service</u></b>						
101		Customer		\$ 140,785,933	\$ 128,308,695	\$ 10,831,474	\$ 281,016	\$ 1,364,748
102		Demand		\$ 87,512,837	\$ 27,553,623	\$ 40,502,965	\$ 10,866,690	\$ 8,589,558
103		Commodity		\$ 307,033	\$ 50,637	\$ 167,777	\$ 70,561	\$ 18,059
104		Total Plant in Service		\$ 228,605,803	\$ 155,912,954	\$ 51,502,216	\$ 11,218,267	\$ 9,972,365

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
105		<b>Depreciation &amp; Amort. Reserve</b>						
106		<b>Intangible Plant</b>						
107		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
108		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
109		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
110		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
111		<b>Transmission Plant</b>						
112		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
113		Demand	DEM	\$ (860,487)	\$ (279,535)	\$ (392,438)	\$ (105,289)	\$ (83,225)
114		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
115		Total Transmission Plant		\$ (860,487)	\$ (279,535)	\$ (392,438)	\$ (105,289)	\$ (83,225)
116		<b>Distribution Plant</b>						
117		Customer	DISPLTCUS	\$ (16,101,525)	\$ (14,626,581)	\$ (1,279,584)	\$ (34,574)	\$ (160,785)
118		Demand	DISPLTDEM	\$ (5,687,427)	\$ (1,730,809)	\$ (2,672,730)	\$ (717,077)	\$ (566,812)
119		Commodity	COM	\$ (7,173)	\$ (1,183)	\$ (3,920)	\$ (1,648)	\$ (422)
120		Total Distribution Plant		\$ (21,796,125)	\$ (16,358,573)	\$ (3,956,234)	\$ (753,299)	\$ (728,019)
121		<b>General Plant</b>						
122		Customer	GENPTCUS	\$ (7,947,592)	\$ (7,280,039)	\$ (580,126)	\$ (13,994)	\$ (73,433)
123		Demand	DISPLTDEM	\$ (1,564,560)	\$ (476,130)	\$ (735,244)	\$ (197,261)	\$ (155,925)
124		Commodity	COM	\$ 4,146	\$ 684	\$ 2,266	\$ 953	\$ 244
125		Total General Plant		\$ (9,508,006)	\$ (7,755,485)	\$ (1,313,104)	\$ (210,303)	\$ (229,114)
126		<b>Total Depr. &amp; Amort. Reserve</b>						
127		Customer		\$ (24,049,117)	\$ (21,906,620)	\$ (1,859,710)	\$ (48,569)	\$ (234,218)
128		Demand		\$ (8,112,474)	\$ (2,486,475)	\$ (3,800,411)	\$ (1,019,626)	\$ (805,962)
129		Commodity		\$ (3,027)	\$ (499)	\$ (1,654)	\$ (696)	\$ (178)
130		Total Depr. & Amortization Reserve		\$ (32,164,618)	\$ (24,393,594)	\$ (5,661,775)	\$ (1,068,890)	\$ (1,040,358)

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
131		<b>Net Plant in Service</b>						
132		Customer		\$ 116,736,816	\$ 106,402,075	\$ 8,971,764	\$ 232,447	\$ 1,130,530
133		Demand		\$ 79,400,362	\$ 25,067,148	\$ 36,702,554	\$ 9,847,064	\$ 7,783,596
134		Commodity		\$ 304,006	\$ 50,137	\$ 166,123	\$ 69,865	\$ 17,881
135		Total Net Plant in Service		<u>\$ 196,441,185</u>	<u>\$ 131,519,361</u>	<u>\$ 45,840,440</u>	<u>\$ 10,149,377</u>	<u>\$ 8,932,007</u>
136		<b>Customer Deposits</b>						
137		Customer	DEPCUS	\$ (2,767,300)	\$ (1,046,275)	\$ (1,651,105)	\$ (53,970)	\$ (15,950)
138		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
139		Commodity	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
140		Total Customer Deposits		<u>\$ (2,767,300)</u>	<u>\$ (1,046,275)</u>	<u>\$ (1,651,105)</u>	<u>\$ (53,970)</u>	<u>\$ (15,950)</u>
141		<b>Customer Advances</b>						
142		Customer	MSCUS	\$ (102,080)	\$ (93,286)	\$ (7,666)	\$ (148)	\$ (980)
143		Demand	DEM	\$ (35,286)	\$ (11,463)	\$ (16,093)	\$ (4,318)	\$ (3,413)
144		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
145		Total Customer Advances		<u>\$ (137,366)</u>	<u>\$ (104,749)</u>	<u>\$ (23,759)</u>	<u>\$ (4,466)</u>	<u>\$ (4,393)</u>
146		<b>Accum. Deferred Income Taxes</b>						
147		Customer	TPLTCUS	\$ (10,815,396)	\$ (9,856,875)	\$ (832,091)	\$ (21,588)	\$ (104,842)
148		Demand	TPLTDEM	\$ (6,722,873)	\$ (2,116,712)	\$ (3,111,501)	\$ (834,796)	\$ (659,863)
149		Commodity	COM	\$ (23,587)	\$ (3,890)	\$ (12,889)	\$ (5,421)	\$ (1,387)
150		Total Accum. Deferred Inc. Taxes		<u>\$ (17,561,856)</u>	<u>\$ (11,977,477)</u>	<u>\$ (3,956,481)</u>	<u>\$ (861,805)</u>	<u>\$ (766,093)</u>
151		<b>Excess Deferred Income Taxes</b>						
152		Customer	TPLTCUS	\$ (1,815,965)	\$ (1,655,024)	\$ (139,713)	\$ (3,625)	\$ (17,604)
153		Demand	TPLTDEM	\$ (1,128,808)	\$ (355,408)	\$ (522,438)	\$ (140,167)	\$ (110,795)
154		Commodity	COM	\$ (3,960)	\$ (653)	\$ (2,164)	\$ (910)	\$ (233)
155		Total Excess Deferred Income Taxes		<u>\$ (2,948,734)</u>	<u>\$ (2,011,085)</u>	<u>\$ (664,315)</u>	<u>\$ (144,702)</u>	<u>\$ (128,631)</u>
156		<b>Materials and Supplies</b>						
157		Customer	TPLTCUS	\$ 1,401,099	\$ 1,276,926	\$ 107,795	\$ 2,797	\$ 13,582
158		Demand	TPLTDEM	\$ 870,926	\$ 274,213	\$ 403,085	\$ 108,145	\$ 85,483
159		Commodity	COM	\$ 3,056	\$ 504	\$ 1,670	\$ 702	\$ 180
160		Total Materials and Supplies		<u>\$ 2,275,081</u>	<u>\$ 1,551,643</u>	<u>\$ 512,549</u>	<u>\$ 111,644</u>	<u>\$ 99,245</u>

**CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
161		<b>Prepayments</b>						
162		Customer	OPEXPCUS	\$ 462,057	\$ 418,343	\$ 38,182	\$ 1,258	\$ 4,274
163		Demand	OPEXPDEM	\$ 330,024	\$ 104,240	\$ 152,519	\$ 40,920	\$ 32,345
164		Commodity	COM	\$ 12,511	\$ 2,063	\$ 6,836	\$ 2,875	\$ 736
165		Total Prepayments		\$ 804,591	\$ 524,646	\$ 197,537	\$ 45,053	\$ 37,355
166		<b>Pension &amp; FAS 106 Reg. Asset</b>						
167		Customer	OPEXPCUS	\$ 2,276,627	\$ 2,061,242	\$ 188,128	\$ 6,197	\$ 21,060
168		Demand	OPEXPDEM	\$ 1,626,078	\$ 513,606	\$ 751,485	\$ 201,619	\$ 159,369
169		Commodity	COM	\$ 61,643	\$ 10,166	\$ 33,684	\$ 14,166	\$ 3,626
170		Total Pen. & FAS 106 Reg. Asset		\$ 3,964,348	\$ 2,585,015	\$ 973,297	\$ 221,982	\$ 184,055
171		<b>DIMP Deferrals</b>						
172		Customer	TPLTCUS	\$ 159,374	\$ 145,250	\$ 12,262	\$ 318	\$ 1,545
173		Demand	TPLTDEM	\$ 113,833	\$ 35,841	\$ 52,685	\$ 14,135	\$ 11,173
174		Commodity	COM	\$ 4,315	\$ 712	\$ 2,358	\$ 992	\$ 254
175		Total DIMP Deferrals		\$ 277,523	\$ 181,802	\$ 67,304	\$ 15,445	\$ 12,972
176		<b>Regulatory Assets</b>						
177		Customer	TPLTCUS	\$ 89,489	\$ 81,558	\$ 6,885	\$ 179	\$ 867
178		Demand	TPLTDEM	\$ 63,917	\$ 20,125	\$ 29,582	\$ 7,937	\$ 6,274
179		Commodity	COM	\$ 2,423	\$ 400	\$ 1,324	\$ 557	\$ 143
180		<b>Total Regulatory Assets</b>		\$ 155,829	\$ 102,082	\$ 37,791	\$ 8,672	\$ 7,284
181		<b>Cash Working Capital</b>						
182		Customer	OPEXPCUS	\$ (215,841)	\$ (195,421)	\$ (17,836)	\$ (587)	\$ (1,997)
183		Demand	OPEXPDEM	\$ (154,164)	\$ (48,694)	\$ (71,246)	\$ (19,115)	\$ (15,109)
184		Commodity	COM	\$ (5,844)	\$ (964)	\$ (3,194)	\$ (1,343)	\$ (344)
185		Total Cash Working Capital		\$ (375,849)	\$ (245,078)	\$ (92,276)	\$ (21,046)	\$ (17,450)
186		<b><u>Total Rate Base</u></b>						
187		Customer		\$ 105,408,881	\$ 97,538,513	\$ 6,676,604	\$ 163,277	\$ 1,030,486
188		Demand		\$ 74,364,009	\$ 23,482,896	\$ 34,370,630	\$ 9,221,424	\$ 7,289,060
189		Commodity		\$ 354,563	\$ 58,475	\$ 193,749	\$ 81,484	\$ 20,854
190		Total Rate Base		\$ 180,127,453	\$ 121,079,884	\$ 41,240,984	\$ 9,466,185	\$ 8,340,401



**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1		<b>Transmission and Distribution Operating Expense</b>						
2	814-866	<b>Transmission Expenses</b>						
3		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
4		Demand	DEM	\$ 4,412,226	\$ 1,433,344	\$ 2,012,261	\$ 539,877	\$ 426,745
5		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
6		Total Transmission Expense		\$ 4,412,226	\$ 1,433,344	\$ 2,012,261	\$ 539,877	\$ 426,745
7	8700	<b>Operation Supervision &amp; Engineering</b>						
8		Customer	871-879CUS	\$ 262,690	\$ 237,049	\$ 22,148	\$ 760	\$ 2,733
9		Demand	DEM	\$ 74,266	\$ 24,126	\$ 33,870	\$ 9,087	\$ 7,183
10		Commodity	COM	\$ 3,844	\$ 634	\$ 2,101	\$ 884	\$ 226
11		Total Supervision & Engineering		\$ 340,801	\$ 261,809	\$ 58,119	\$ 10,730	\$ 10,142
12	8710	<b>Distribution Load Dispatch</b>						
13		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
14		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
15		Commodity	COM	\$ 53,929	\$ 8,894	\$ 29,469	\$ 12,394	\$ 3,172
16		Total Distribution Load Dispatch		\$ 53,929	\$ 8,894	\$ 29,469	\$ 12,394	\$ 3,172
17	8740	<b>Mains and Services Expenses</b>						
18		Customer	MSCUS	\$ 2,224,206	\$ 2,032,593	\$ 167,042	\$ 3,225	\$ 21,346
19		Demand	DEM	\$ 768,849	\$ 249,766	\$ 350,645	\$ 94,076	\$ 74,362
20		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
21		Total Mains & Services		\$ 2,993,055	\$ 2,282,359	\$ 517,687	\$ 97,300	\$ 95,708

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
22		<b><u>Transmission and Distribution Operating Expense (Cont'd)</u></b>						
23	8740	<b>Odorization</b>						
24		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
25		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
26		Commodity	COM	\$ 1,372	\$ 226	\$ 750	\$ 315	\$ 81
27		Total Odorization		\$ 1,372	\$ 226	\$ 750	\$ 315	\$ 81
28	8750	<b>Meas. &amp; Reg. Station - Gen.</b>						
29		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
30		Demand	DEM	\$ 171,550	\$ 55,729	\$ 78,238	\$ 20,991	\$ 16,592
31		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
32		Total Meas. & Reg. Station - Gen.		\$ 171,550	\$ 55,729	\$ 78,238	\$ 20,991	\$ 16,592
33	8750	<b>Odorization</b>						
34		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
35		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
36		Commodity	COM	\$ 95,756	\$ 15,792	\$ 52,325	\$ 22,006	\$ 5,632
37		Total Odorization		\$ 95,756	\$ 15,792	\$ 52,325	\$ 22,006	\$ 5,632
38	8760	<b>Meas. &amp; Reg. Stat. - Ind.</b>						
39		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
40		Demand	NRDEM	\$ 51,148	\$ —	\$ 34,551	\$ 9,270	\$ 7,327
41		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
42		Total Meas. & Reg. Stat. - Ind.		\$ 51,148	\$ —	\$ 34,551	\$ 9,270	\$ 7,327

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
43		<b>Transmission and Distribution Operating Expense (Cont'd)</b>						
44	8770	<b>Meas. &amp; Reg. Stat.- City Gate</b>						
45		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
46		Demand	DEM	\$ 50,230	\$ 16,317	\$ 22,908	\$ 6,146	\$ 4,858
47		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
48		Total Meas. & Reg. Stat. - City Gate		\$ 50,230	\$ 16,317	\$ 22,908	\$ 6,146	\$ 4,858
49	8780	<b>Meter &amp; House Reg. Exp.</b>						
50		Customer	MTRGCUS	\$ 1,458,538	\$ 1,290,725	\$ 143,426	\$ 7,423	\$ 16,963
51		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
52		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
53		Total Meter & House Reg. Exp.		\$ 1,458,538	\$ 1,290,725	\$ 143,426	\$ 7,423	\$ 16,963
54	8790	<b>Customer Installation Expense</b>						
55		Customer	METCUS	\$ 2,185	\$ 1,929	\$ 220	\$ 10	\$ 25
56		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
57		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
58		Total Customer Install. Expense		\$ 2,185	\$ 1,929	\$ 220	\$ 10	\$ 25
59	8800	<b>Other Expenses</b>						
60		Customer	871-879CUS	\$ 512,252	\$ 462,252	\$ 43,190	\$ 1,482	\$ 5,329
61		Demand	DEM	\$ 144,820	\$ 47,046	\$ 66,047	\$ 17,720	\$ 14,007
62		Commodity	COM	\$ 7,497	\$ 1,236	\$ 4,097	\$ 1,723	\$ 441
63		Total Other Expenses		\$ 664,569	\$ 510,534	\$ 113,334	\$ 20,925	\$ 19,777

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
64		<b><u>Transmission and Distribution Operating Expense (Cont'd)</u></b>						
65	8810	<b>Rents</b>						
66		Customer	871-879CUS	\$ 4,852	\$ 4,378	\$ 409	\$ 14	\$ 50
67		Demand	DEM	\$ 1,372	\$ 446	\$ 626	\$ 168	\$ 133
68		Commodity	COM	\$ 71	\$ 12	\$ 39	\$ 16	\$ 4
69		Total Rents		\$ 6,295	\$ 4,836	\$ 1,073	\$ 198	\$ 187
70	8820	<b>Corporate &amp; Div. Exp.</b>						
71		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
72		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
73		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
74		Total Corporate & Div. Exp.		\$ —	\$ —	\$ —	\$ —	\$ —
75		<b>Total Distr. &amp; Trans. Op. Expense</b>						
76		Customer		\$ 4,464,722	\$ 4,028,927	\$ 376,436	\$ 12,913	\$ 46,446
77		Demand		\$ 5,674,460	\$ 1,826,774	\$ 2,599,145	\$ 697,334	\$ 551,207
78		Commodity		\$ 162,469	\$ 26,795	\$ 88,780	\$ 37,338	\$ 9,556
79		Total Distr. & Trans. Operations Exp.		<u>\$ 10,301,651</u>	<u>\$ 5,882,495</u>	<u>\$ 3,064,361</u>	<u>\$ 747,586</u>	<u>\$ 607,209</u>
80		<b><u>Distribution Maintenance Expenses</u></b>						
81	8850	<b>Maintenance Supervision and Engineering</b>						
82		Customer	887-893CUS	\$ —	\$ —	\$ —	\$ —	\$ —
83		Demand	887-893DEM	\$ —	\$ —	\$ —	\$ —	\$ —
84		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
85		Total Supervision and Engineering		\$ —	\$ —	\$ —	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
86		<b><u>Distribution Maintenance Expenses (Cont'd)</u></b>						
87	8860	<b>Structures and Improvements</b>						
88		Customer	887-893CUS	\$ 140,759	\$ 129,640	\$ 9,696	\$ 181	\$ 1,242
89		Demand	887-893DEM	\$ 182,228	\$ 53,512	\$ 86,949	\$ 23,328	\$ 18,439
90		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
91		Total Structures and Improvements		\$ 322,987	\$ 183,152	\$ 96,645	\$ 23,509	\$ 19,682
92	8870	<b>Maintenance of Mains</b>						
93		Customer	CUS	\$ 699,596	\$ 649,860	\$ 43,383	\$ 773	\$ 5,579
94		Demand	DEM	\$ 610,168	\$ 198,218	\$ 278,276	\$ 74,660	\$ 59,015
95		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
96		Total Mains		\$ 1,309,764	\$ 848,078	\$ 321,660	\$ 75,433	\$ 64,594
97	8890	<b>Maint. of Meas. &amp; Reg. Sta. Equip.- Gen.</b>						
98		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
99		Demand	DEM	\$ 568,091	\$ 184,549	\$ 259,086	\$ 69,511	\$ 54,945
100		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
101		Total Meas. & Reg. Sta. Equip. - Gen. - Alloc.		\$ 568,091	\$ 184,549	\$ 259,086	\$ 69,511	\$ 54,945
102	8890	<b>Odorization</b>						
103		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
104		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
105		Commodity	COM	\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236	\$ 6,459
106		Total Odorization		\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236	\$ 6,459

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
107		<b><u>Distribution Maintenance Expenses (Cont'd)</u></b>						
108	8900	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>						
109		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
110		Demand	NRDEM	\$ 127,343	\$ —	\$ 86,021	\$ 23,079	\$ 18,243
111		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
112		Total Meas. & Reg. Sta. Eq.- Ind.		\$ 127,343	\$ —	\$ 86,021	\$ 23,079	\$ 18,243
113	8910	<b>Meas. &amp; Reg. Sta. Eq.- City Gate</b>						
114		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
115		Demand	DEM	\$ 20,164	\$ 6,551	\$ 9,196	\$ 2,467	\$ 1,950
116		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
117		Total Meas. & Reg. Sta. Eq.- City Gate		\$ 20,164	\$ 6,551	\$ 9,196	\$ 2,467	\$ 1,950
118	8920	<b>Services</b>						
119		Customer	SERCUS	\$ 324,471	\$ 293,310	\$ 27,157	\$ 544	\$ 3,460
120		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
121		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
122		Total Services		\$ 324,471	\$ 293,310	\$ 27,157	\$ 544	\$ 3,460
123	8930	<b>Meters &amp; House Regulators</b>						
124		Customer	MTRGCUS	\$ —	\$ —	\$ —	\$ —	\$ —
125		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
126		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
127		Total Meters & House Regulators		\$ —	\$ —	\$ —	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
128		<b><u>Distribution Maintenance Expenses (Cont'd)</u></b>						
129	8940	<b>Maintenance of Other Equipment</b>						
130		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
131		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
132		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
133		Total Maintenance of Other Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
134	8950	Clearing - Meter Shop - Small Meters						
135		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
136		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
137		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
138		<b>Total Clearing-Meter-Shop-Small Meters</b>		\$ —	\$ —	\$ —	\$ —	\$ —
139	8960	Clearing - Meter Shop - Large Meters						
140		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
141		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
142		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
143		<b>Total Clearing-Meter Shop-Large Meters</b>		\$ —	\$ —	\$ —	\$ —	\$ —
144		<b>Total Distr. Maintenance Expense</b>						
145		Customer		\$ 1,164,826	\$ 1,072,810	\$ 80,236	\$ 1,498	\$ 10,281
146		Demand		\$ 1,507,995	\$ 442,829	\$ 719,529	\$ 193,045	\$ 152,592
147		Commodity		\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236	\$ 6,459
148		Total Distr. Maintenance Expense		\$ 2,782,630	\$ 1,533,749	\$ 859,770	\$ 219,779	\$ 169,332

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
149		<b>Total Oper. &amp; Maint. Expense</b>						
150		Customer		\$ 5,629,548	\$ 5,101,737	\$ 456,672	\$ 14,412	\$ 56,727
151		Demand		\$ 7,182,455	\$ 2,269,602	\$ 3,318,674	\$ 890,379	\$ 703,799
152		Commodity		\$ 272,279	\$ 44,905	\$ 148,786	\$ 62,574	\$ 16,015
153		Total Operations & Maint. Expense		<u>\$ 13,084,282</u>	<u>\$ 7,416,244</u>	<u>\$ 3,924,131</u>	<u>\$ 967,365</u>	<u>\$ 776,541</u>
154		<b>Customer Accounts Expense</b>		\$ 13,084,282				
155	901	Supervision						
156		Customer	902-904CUS	\$ 19,697	\$ 17,564	\$ 1,944	\$ 94	\$ 95
157		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
158		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
159		Total Supervision		\$ 19,697	\$ 17,564	\$ 1,944	\$ 94	\$ 95
160	902	<b>Meter Reading Expense</b>						
161		Customer	METCUS	\$ 545,365	\$ 481,561	\$ 54,957	\$ 2,600	\$ 6,247
162		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
163		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
164		Total Meter Reading Expense		\$ 545,365	\$ 481,561	\$ 54,957	\$ 2,600	\$ 6,247
165	903	<b>Customer Accounting</b>						
166		Customer	903CUS	\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002
167		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
168		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
169		Total Customer Accounting		\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002



**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
170		<b><u>Customer Accounts Expense (Cont'd)</u></b>						
171	904	<b>Bad Debt Expense</b>						
172		Customer	904CUS	\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
173		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
174		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
175		Total Bad Debt Expense		\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
176	905	<b>Miscellaneous Customer Accounts</b>						
177		Customer	902-904CUS	\$ 77,317	\$ 68,943	\$ 7,631	\$ 371	\$ 373
178		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
179		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
180		Total Misc. Customer Accounts		\$ 77,317	\$ 68,943	\$ 7,631	\$ 371	\$ 373
181	907-910	<b>Customer Information Expense</b>						
182		Customer	CUS	\$ 204,763	\$ 190,206	\$ 12,698	\$ 226	\$ 1,633
183		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
184		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
185		Total Customer Information Expense		\$ 204,763	\$ 190,206	\$ 12,698	\$ 226	\$ 1,633
186		<b><u>Sales and Advertising Expense</u></b>						
187	911	<b>Supervision</b>						
188		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
189		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
190		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
191		<b>Total Supervision Expense</b>		\$ —	\$ —	\$ —	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
192		<b><u>Sales and Advertising Expense Cont'd</u></b>						
193	912	<b>Demonstrating and Selling</b>						
194		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
195		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
196		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
197		Total Demon. and Selling Expense		\$ —	\$ —	\$ —	\$ —	\$ —
198	913	<b>Advertising</b>						
199		Customer	CUS	\$ (2,495)	\$ (2,318)	\$ (155)	\$ (3)	\$ (20)
200		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
201		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
202		Total Advertising		\$ (2,495)	\$ (2,318)	\$ (155)	\$ (3)	\$ (20)
203	914	<b>Employee Sales Referrals</b>						
204		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
205		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
206		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
207		Total Employee Sales Referrals		\$ —	\$ —	\$ —	\$ —	\$ —
208		<b>Misc. Gas Sales Expense</b>						
209	916	Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
210		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
211		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
212		Total Misc. Gas Sales Expense		\$ —	\$ —	\$ —	\$ —	\$ —

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
213		<b><u>Administrative &amp; General Exp.</u></b>						
214	920-940	<b>Administrative &amp; General Expenses</b>						
215		Customer	OPEXPCUS	\$ 4,433,803	\$ 4,014,334	\$ 366,386	\$ 12,068	\$ 41,015
216		Demand	OPEXPDEM	\$ 1,440,903	\$ 455,117	\$ 665,907	\$ 178,659	\$ 141,220
217		Commodity	COM	\$ 54,623	\$ 9,009	\$ 29,849	\$ 12,553	\$ 3,213
218		Total Administrative & General Exp.		\$ 5,929,328	\$ 4,478,460	\$ 1,062,141	\$ 203,280	\$ 185,448
219		<b><u>Depreciation &amp; Amortization Expense</u></b>						
220	301-03	<b>Intangible Plant</b>						
221		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
222		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
223		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
224		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
225	365	<b>Land and Land Rights</b>						
226		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
227		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
228		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
229		Total Land and Land Rights		\$ —	\$ —	\$ —	\$ —	\$ —
230	366	<b>Meas. and Reg. Station Structures</b>						
231		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
232		Demand	DEM	\$ 49,122	\$ 15,958	\$ 22,403	\$ 6,010	\$ 4,751
233		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
234		Total Measuring and Reg. Stat. Struct.		\$ 49,122	\$ 15,958	\$ 22,403	\$ 6,010	\$ 4,751

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
235		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
236	367	<b>Transmission Mains</b>						
237		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
238		Demand	DEM	\$ 677,505	\$ 220,092	\$ 308,986	\$ 82,899	\$ 65,527
239		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
240		Total Transmission Mains		\$ 677,505	\$ 220,092	\$ 308,986	\$ 82,899	\$ 65,527
241	368	<b>Compression Station Equipment</b>						
242		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
243		Demand	DEM	\$ 690	\$ 224	\$ 315	\$ 84	\$ 67
244		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
245		Total Compression Sta. Equipment		\$ 690	\$ 224	\$ 315	\$ 84	\$ 67
246	369	<b>Meas. &amp; Reg. Station Equipment</b>						
247		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
248		Demand	DEM	\$ 463,301	\$ 150,507	\$ 211,295	\$ 56,689	\$ 44,810
249		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
250		Total Meas. & Reg. Stat. Equipment		\$ 463,301	\$ 150,507	\$ 211,295	\$ 56,689	\$ 44,810
251	371	<b>Other Equipment</b>						
252		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
253		Demand	DEM	\$ 2,813	\$ 914	\$ 1,283	\$ 344	\$ 272
254		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
255		Total Other Equipment		\$ 2,813	\$ 914	\$ 1,283	\$ 344	\$ 272

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
256		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
257	375	<b>Structures and Improvements</b>						
258		Customer	376-379CUS	\$ 2,347	\$ 2,181	\$ 146	\$ 3	\$ 19
259		Demand	DEM	\$ 2,425	\$ 788	\$ 1,106	\$ 297	\$ 235
260		Commodity	COM	\$ 2	\$ 0	\$ 1	\$ 1	\$ 0
261		Total Structures and Improvements		\$ 4,774	\$ 2,969	\$ 1,253	\$ 300	\$ 253
262	376	<b>Distribution Mains</b>						
263		Customer	CUS	\$ 1,111,666	\$ 1,032,635	\$ 68,937	\$ 1,229	\$ 8,865
264		Demand	DEM	\$ 969,564	\$ 314,970	\$ 442,184	\$ 118,635	\$ 93,775
265		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
266		Total Distribution Mains		\$ 2,081,230	\$ 1,347,605	\$ 511,121	\$ 119,864	\$ 102,640
267	377	<b>Compressor Station Equipment</b>						
268		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
269		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
270		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
271		Total Compressor Station Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
272	378	<b>Meas. &amp; Reg. Sta. Equip. - Gen.</b>						
273		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
274		Demand	DEM	\$ 84,009	\$ 27,291	\$ 38,314	\$ 10,279	\$ 8,125
275		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
276		Total Meas. & Reg. Sta. Eq.- Gen.		\$ 84,009	\$ 27,291	\$ 38,314	\$ 10,279	\$ 8,125

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
277		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
278	378	<b>Odorization Tank</b>						
279		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
280		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
281		Commodity	COM	\$ 1,109	\$ 183	\$ 606	\$ 255	\$ 65
282		Total Odorization Tank		\$ 1,109	\$ 183	\$ 606	\$ 255	\$ 65
283	379	<b>Meas.&amp; Reg. Sta. Equip.- City Gate</b>						
284		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
285		Demand	DEM	\$ 52,483	\$ 17,049	\$ 23,936	\$ 6,422	\$ 5,076
286		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
287		Total Meas. & Reg. Sta. Eq.- City Gate		\$ 52,483	\$ 17,049	\$ 23,936	\$ 6,422	\$ 5,076
288	379	<b>Odorization Tank</b>						
289		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
290		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
291		Commodity	COM	\$ 763	\$ 126	\$ 417	\$ 175	\$ 45
292		Total Odorization Tank		\$ 763	\$ 126	\$ 417	\$ 175	\$ 45
293	380	<b>Services</b>						
294		Customer	SERCUS	\$ 1,874,671	\$ 1,694,638	\$ 156,902	\$ 3,142	\$ 19,989
295		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
296		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
297		Total Services		\$ 1,874,671	\$ 1,694,638	\$ 156,902	\$ 3,142	\$ 19,989

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
298		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
299	381	<b>Meters</b>						
300		Customer	METCUS	\$ 822,485	\$ 726,260	\$ 82,882	\$ 3,921	\$ 9,422
301		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
302		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
303		Total Meters		\$ 822,485	\$ 726,260	\$ 82,882	\$ 3,921	\$ 9,422
304	382	<b>Meter Installations</b>						
305		Customer	METCUS	\$ —	\$ —	\$ —	\$ —	\$ —
306		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
307		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
308		Total Meter Installations		\$ —	\$ —	\$ —	\$ —	\$ —
309	383	<b>House Regulators</b>						
310		Customer	REGCUS	\$ 188,379	\$ 168,236	\$ 16,602	\$ 1,213	\$ 2,329
311		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
312		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
313		Total House Regulators		\$ 188,379	\$ 168,236	\$ 16,602	\$ 1,213	\$ 2,329
314	385	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>						
315		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
316		Demand	NRDEM	\$ 61,922	\$ —	\$ 41,829	\$ 11,222	\$ 8,871
317		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
318		Total Meas. & Reg. Stat. Eq.- Ind.		\$ 61,922	\$ —	\$ 41,829	\$ 11,222	\$ 8,871

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
319		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
320	386	<b>Other Prop.- Customer Premises</b>						
321		Customer	CUS	\$ 1,046	\$ 972	\$ 65	\$ 1	\$ 8
322		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
323		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
324		Total Other Prop. - Customer Premises		\$ 1,046	\$ 972	\$ 65	\$ 1	\$ 8
325	387	<b>Other Equipment</b>						
326		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
327		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
328		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
329		Total Other Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
330	389-98	<b>General Plant</b>						
331		Customer	GENPTCUS	\$ 1,170,563	\$ 1,072,242	\$ 85,444	\$ 2,061	\$ 10,816
332		Demand	DISPLTDEM	\$ 186,033	\$ 56,614	\$ 87,424	\$ 23,455	\$ 18,540
333		Commodity	COM	\$ 2,148	\$ 354	\$ 1,174	\$ 494	\$ 126
334		Total General Plant		\$ 1,358,744	\$ 1,129,210	\$ 174,042	\$ 26,010	\$ 29,482
335	389-98	<b>General Plant - Odorization</b>						
336		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
337		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
338		Commodity	COM	\$ 1,778	\$ 293	\$ 971	\$ 409	\$ 105
339		Total General Plant - Odorization		\$ 1,778	\$ 293	\$ 971	\$ 409	\$ 105



**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
340		<b><u>Depreciation &amp; Amortization Expense (Cont'd)</u></b>						
341	40730	<b>Pension &amp; FAS 106 Amort. Expense</b>						
342		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
343		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
344		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
345		Total Pension & FAS 106 Amort. Exp.		\$ —	\$ —	\$ —	\$ —	\$ —
346		<b>Total Depreciation &amp; Amort. Exp.</b>						
347		Customer		\$ 5,171,158	\$ 4,697,164	\$ 410,977	\$ 11,570	\$ 51,447
348		Demand		\$ 2,549,866	\$ 804,406	\$ 1,179,073	\$ 316,338	\$ 250,049
349		Commodity		\$ 5,801	\$ 957	\$ 3,170	\$ 1,333	\$ 341
350		Total Depreciation & Amort. Expense		<u>\$ 7,726,825</u>	<u>\$ 5,502,527</u>	<u>\$ 1,593,220</u>	<u>\$ 329,241</u>	<u>\$ 301,837</u>
351		<b><u>Taxes Other Than Income</u></b>						
352	4081	<b>Payroll and Other Taxes</b>						
353		Customer	OPEXPCUS	\$ 309,730	\$ 280,427	\$ 25,594	\$ 843	\$ 2,865
354		Demand	OPEXPDEM	\$ 221,224	\$ 69,875	\$ 102,238	\$ 27,430	\$ 21,682
355		Commodity	COM	\$ 8,386	\$ 1,383	\$ 4,583	\$ 1,927	\$ 493
356		Total Payroll and Other Taxes		\$ 539,340	\$ 351,685	\$ 132,415	\$ 30,200	\$ 25,040
357	4081	<b>Ad Valorem Taxes</b>						
358		Customer	CUS	\$ 873,582	\$ 811,477	\$ 54,173	\$ 966	\$ 6,966
359		Demand	DEM	\$ 543,020	\$ 176,404	\$ 247,652	\$ 66,444	\$ 52,520
360		Commodity	COM	\$ 1,905	\$ 314	\$ 1,041	\$ 438	\$ 112
361		Total Ad Valorem Taxes		\$ 1,418,507	\$ 988,195	\$ 302,866	\$ 67,847	\$ 59,599

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
362		<b>Taxes Other Than Income (Cont'd)</b>						
363		<b>Revenue Related Taxes</b>						
364		Customer	TOTREVCUS	\$ 73,599	\$ 31,918	\$ 35,754	\$ 2,506	\$ 3,421
365		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
366		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
367		Total Revenue Related Taxes		\$ 73,599	\$ 31,918	\$ 35,754	\$ 2,506	\$ 3,421
368		<b>Total Taxes Other Than Income</b>						
369		Customer		\$ 1,256,910	\$ 1,123,821	\$ 115,521	\$ 4,315	\$ 13,253
370		Demand		\$ 764,244	\$ 246,279	\$ 349,890	\$ 93,873	\$ 74,202
371		Commodity		\$ 10,292	\$ 1,697	\$ 5,624	\$ 2,365	\$ 605
372		Total Taxes Other Than Income		\$ 2,031,446	\$ 1,371,798	\$ 471,035	\$ 100,554	\$ 88,060
373		<b>Excess Deferred Income Tax Amortization</b>						
374		Customer	CUS	\$ (22,605)	\$ (20,998)	\$ (1,402)	\$ (25)	\$ (180)
375		Demand	DEM	\$ (15,947)	\$ (5,181)	\$ (7,273)	\$ (1,951)	\$ (1,542)
376		Commodity	COM	\$ (76)	\$ (13)	\$ (42)	\$ (17)	\$ (4)
377		<b>Total Excess Def. Income Tax Amortization</b>		\$ (38,628)	\$ (26,191)	\$ (8,716)	\$ (1,994)	\$ (1,727)
378		<b>Interest on Customer Deposits</b>						
379		Customer	DEPCUS	\$ 37,635	\$ 14,229	\$ 22,455	\$ 734	\$ 217
380		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
381		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
382		Total Interest on Cust. Deposits		\$ 37,635	\$ 14,229	\$ 22,455	\$ 734	\$ 217

**CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE**

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
383		<b>Required Return</b>						
384		Customer	CUS	\$ 8,169,188	\$ 7,588,423	\$ 506,589	\$ 9,031	\$ 65,145
385		Demand	DEM	\$ 5,763,211	\$ 1,872,221	\$ 2,628,397	\$ 705,182	\$ 557,410
386		Commodity	COM	\$ 27,479	\$ 4,532	\$ 15,016	\$ 6,315	\$ 1,616
387		Tot. Req. Return		\$ 13,959,878	\$ 9,465,176	\$ 3,150,002	\$ 720,529	\$ 624,172
388		<b>Income Taxes</b>						
389		Customer	CUS	\$ 1,699,760	\$ 1,578,920	\$ 105,406	\$ 1,879	\$ 13,555
390		Demand	DEM	\$ 1,199,149	\$ 389,552	\$ 546,890	\$ 146,727	\$ 115,980
391		Commodity	COM	\$ 5,717	\$ 943	\$ 3,124	\$ 1,314	\$ 336
392		Total Income Taxes		\$ 2,904,627	\$ 1,969,416	\$ 655,420	\$ 149,920	\$ 129,871
393		<b>Total Cost of Service Before</b>						
394		<b>Revenue Credits</b>						
395		Customer		\$ 28,385,370	\$ 25,897,429	\$ 2,173,560	\$ 62,872	\$ 251,508
396		Demand		\$ 18,883,881	\$ 6,031,998	\$ 8,681,558	\$ 2,329,207	\$ 1,841,118
397		Commodity		\$ 376,114	\$ 62,030	\$ 205,526	\$ 86,437	\$ 22,122
398		<b>Total Cost of Service Before Revenue Credits</b>		<u>\$ 47,645,366</u>	<u>\$ 31,991,456</u>	<u>\$ 11,060,644</u>	<u>\$ 2,478,517</u>	<u>\$ 2,114,749</u>

**CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS**

LINE NO.	DESCRIPTION	ALLOCATION				PUBLIC	
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>Customer Cost Allocation Factors</u>						
2							
3	Total Customers		63,930	59,385	3,964	71	510
4	<b>Total Customers Factor (CUS)</b>	CUS	1.00000	0.92891	0.06201	0.00111	0.00797
5							
6	Services - Allocated Weighting			1.00000	1.38691	1.55771	1.37398
7	Weighted Customers		65,693	59,385	5,498	110	700
8	<b>Weighted Services Customer Factor (SERCUS)</b>	SERCUS	1.00000	0.90397	0.08370	0.00168	0.01066
9							
10	Meters - Allocated Weighting			1.00000	1.70948	4.53645	1.51119
11	Weighted Customers		67,253	59,385	6,777	321	770
12	<b>Weighted Meters Customer Factor (METCUS)</b>	METCUS	1.00000	0.88301	0.10077	0.00477	0.01146
13							
14	Regulators - Allocated Weighting			1.00000	1.47819	6.05807	1.61232
15	Weighted Customers		66,495	59,385	5,860	428	822
16	<b>Weighted Regulators Customer Factor (REGCUS)</b>	REGCUS	1.00000	0.89307	0.08813	0.00644	0.01236
17							
18	Meters and Regulators - Allocated Weighting			1.00000	1.66453	4.83218	1.53085
19	Weighted Customers		67,105	59,385	6,599	342	780
20	<b>Wghtd. Meters &amp; Regs. Cust. Factor (MTRGCUS)</b>	MTRGCUS	1.00000	0.88494	0.09834	0.00509	0.01163
21							
22	Non-Residential Customers		4,545	0	3,964	71	510
23	<b>Non-Residential Customers Factor (NRCUS)</b>	NRCUS	1.00000	0.00000	0.87228	0.01555	0.11217
24							

**CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS**

LINE NO.	DESCRIPTION	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
25	<u>Customer Cost Allocation Factors</u>						
26							
27	Distribution Plant Customer Costs		\$ 120,350,652	\$ 109,326,202	\$ 9,564,239	\$ 258,424	\$ 1,201,787
28	<b>Distr. Plant Cust. Costs Factor (DISPLTCUS)</b>	DISPLTCUS	1.00000	0.90840	0.07947	0.00215	0.00999
29							
30	Account 376-379 Customer Costs		\$ 38,595,281	\$ 35,851,458	\$ 2,393,376	\$ 42,668	\$ 307,779
31	<b>Acct. 376-379 Cust. Costs Factor (376-379CUS)</b>	376-379CUS	1.00000	0.92891	0.06201	0.00111	0.00797
32							
33	Total Revenue (inc. cost of gas)		\$ 57,607,776	\$ 24,982,702	\$ 27,985,298	\$ 1,961,850	\$ 2,677,927
34	<b>Total Revenue Factor (TOTREVCUS)</b>	TOTREVCUS	1.00000	0.43367	0.48579	0.03406	0.04649
35							
36	Mains - Customer Cost Factor		0.39634	0.36816	0.02458	0.00044	0.00316
37	Services - Customer Cost Factor		0.60366	0.54569	0.05052	0.00101	0.00644
38	<b>Mains &amp; Svcs. Cust. Factor (MSCUS)</b>	MSCUS	1.00000	0.91385	0.07510	0.00145	0.00960
39							
40	Total Plant Customer		\$ 140,785,933	\$ 128,308,695	\$ 10,831,474	\$ 281,016	\$ 1,364,748
41	<b>Total Plant Factor (TPLTCUS)</b>	TPLTCUS	1.00000	0.91137	0.07694	0.00200	0.00969
42							
43	Non-Intangible Plant Customer						
44	<b>Non-Intangible Plant Customer Factor (NONINCUS)</b>		\$ 140,785,933	\$ 130,777,154	\$ 8,730,436	\$ 155,643	\$ 1,122,700
45		NONINCUS	1.00000	0.92891	0.06201	0.00111	0.00797
46							
47	Account 871-879 Customer Costs		\$ 3,684,928	\$ 3,325,248	\$ 310,689	\$ 10,658	\$ 38,334
48	<b>Account 871-879 Cust. Costs Factor (871-879CUS)</b>	871-879CUS	1.00000	0.90239	0.08431	0.00289	0.01040
49							
50	Account 887-893 Customer Costs		\$ 1,024,067	\$ 943,170	\$ 70,540	\$ 1,317	\$ 9,039
51	<b>Account 887-893 Cust. Costs Factor (887-893CUS)</b>	887-893CUS	1.00000	0.92100	0.06888	0.00129	0.00883
52							
53	Account 903 Customer		\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002
54	<b>Account 903 Customer Factor (903CUS)</b>	903CUS	1.00000	0.93643	0.06021	0.00059	0.00277

**CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS**

LINE NO.	DESCRIPTION	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
55							
56	<u>Customer Cost Allocation Factors</u>						
57							
58	Account 904 Customer		\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
59	<b>Account 904 Customer Factor (904CUS)</b>	904CUS	1.00000	0.82914	0.15916	0.01170	0.00000
60							
61	Accounts 902-904 Customer		\$ 1,710,690	\$ 1,525,403	\$ 168,839	\$ 8,199	\$ 8,249
62	<b>Accts. 902-904 Customer Factor (902-904CUS)</b>	902-904CUS	1.00000	0.89169	0.09870	0.00479	0.00482
63							
64	Operating Expense Customer		\$ 12,810,678	\$ 11,598,699	\$ 1,058,606	\$ 34,869	\$ 118,504
65	<b>Operating Exp. Customer Factor (OPEXPCUS)</b>	OPEXPCUS	1.00000	0.90539	0.08263	0.00272	0.00925
66							
67	Direct Gen. Plant Customer Costs (DISPLTCUS)	DISPLTCUS	\$ 12,854,852	\$ 11,677,313	\$ 1,021,572	\$ 27,603	\$ 128,365
68	Div. and Corp. Gen. Plant Customer Costs (CUS)	CUS	\$ 7,580,429	\$ 7,041,520	\$ 470,079	\$ 8,380	\$ 60,450
69	Total General Plant Customer Costs		\$ 20,435,281	\$ 18,718,832	\$ 1,491,651	\$ 35,983	\$ 188,815
70	<b>General Plant Customer Factor (GENPTCUS)</b>	GENPTCUS	1.00000	0.91601	0.07299	0.00176	0.00924
71							
72	Customer Deposits		\$ (2,767,300)	\$ (1,046,275)	\$ (1,651,105)	\$ (53,970)	\$ (15,950)
73	<b>Customer Deposits Factor (DEPCUS)</b>	DEPCUS	1.00000	0.37809	0.59665	0.01950	0.00576
74							

**CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS**

LINE NO.	DESCRIPTION	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
		(a)	(b)	(c)	(d)	(e)	(f)
75	<u>Demand Cost Allocation Factors</u>						
76							
77	System Demand						
78	<b>System Demand Factor (DEM)</b>	DEM	1.00000	0.32486	0.45606	0.12236	0.09672
79							
80	Non-Residential Demand						
81	<b>Non-Residential Demand Factor (NRDEM)</b>	NRDEM	1.00000	0.00000	0.67551	0.18123	0.14326
82							
83	Distribution Plant Demand		\$ 42,636,714	\$ 12,975,289	\$ 20,036,547	\$ 5,375,679	\$ 4,249,197
84	<b>Distribution Plant Demand Factor (DISPLTDEM)</b>	DISPLTDEM	1.00000	0.30432	0.46994	0.12608	0.09966
85							
86	<u>Demand Cost Allocation Factors</u>						
87							
88	Non-Intangible Plant Demand		\$ 87,512,837	\$ 28,429,179	\$ 39,911,519	\$ 10,708,009	\$ 8,464,129
89	<b>Non-Int. Plant Demand Factor (NONINDEM)</b>	NONINDEM	1.00000	0.32486	0.45606	0.12236	0.09672
90							
91	Total Plant Demand		\$ 87,512,837	\$ 27,553,623	\$ 40,502,965	\$ 10,866,690	\$ 8,589,558
92	<b>Total Plant Demand Factor (TPLTDEM)</b>	TPLTDEM	1.00000	0.31485	0.46282	0.12417	0.09815
93							
94	Operating Expense Demand		\$ 9,732,321	\$ 3,074,009	\$ 4,497,747	\$ 1,206,717	\$ 953,848
95	<b>Operating Expense Demand Factor (OPEXPDEM)</b>	OPEXPDEM	1.00000	0.31586	0.46215	0.12399	0.09801
96							
97	Acct. 887-893 Demand		\$ 1,325,767	\$ 389,317	\$ 632,580	\$ 169,717	\$ 134,153
98	<b>Acct. 887-893 Demand Factor (887-893DEM)</b>	887-893DEM	1.00000	0.29365	0.47714	0.12801	0.10119
99							
100	Rate Base Demand		\$ 74,364,009	\$ 23,482,896	\$ 34,370,630	\$ 9,221,424	\$ 7,289,060
101	<b>Rate Base Demand Factor (RBDEM)</b>	RBDEM	1.00000	0.31578	0.46219	0.12400	0.09802
102							

**CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS**

LINE NO.	DESCRIPTION	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
103	<u>Commodity Cost Allocation Factors</u>						
104							
105	Annual Distribution Volumes (Ccf)		45,980,824	7,583,273	25,126,004	10,567,113	2,704,434
106	<b>Distribution Commodity Factor (COM)</b>	COM	1.00000	0.16492	0.54645	0.22982	0.05882



**CLASS REVENUE ALLOCATION**

LINE NO.	DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PUBLIC AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)
1	Current Revenue-to-Cost Ratio (1)	0.7940	0.6310	1.2617	0.8283	0.7743
Revenue Allocation One - Cost of Service Study Required						
2	Revenue Changes					
3	Revenue-to-Cost Ratio	1.0000	1.0000	1.0000	1.0000	1.0000
4	Rate Design Revenue Increase	\$ 9,813,240	\$ 11,805,061	\$ (2,894,530)	\$ 425,478	\$ 477,231
5	% Increase - Non-Gas Revenue (2)	25.94%	58.48%	-20.74%	20.72%	29.14%
6	% Increase - Total Revenue (3)	16.10%	45.88%	-9.95%	13.21%	16.53%
7	% Total Revenue (for GRIP)	100.00 %	66.95 %	23.34 %	5.24 %	4.47 %
Revenue Allocation Two - Partial Movement Toward Cost of Service (4)						
8	Revenue-to-Cost Ratio	1.0000	0.9328	1.2094	0.9687	0.9589
9	Rate Design Revenue Increase	\$ 9,813,240	\$ 9,653,929	\$ (578,906)	\$ 347,947	\$ 390,269
10	% Increase - Non-Gas Revenue (2)	25.94%	47.82%	-4.15%	16.95%	23.83%
11	% Increase - Total Revenue (3)	16.10%	37.52%	-1.99%	10.80%	13.52%
12	% Total Revenue (for GRIP)	100.00 %	62.34 %	28.30 %	5.07 %	4.29 %
Revenue Allocation Three - No Movement Toward Cost of Service for Classes Requiring Revenue Decreases (5)						
13	Revenue-to-Cost Ratio	1.0000	0.9159	1.2617	0.9609	0.9486
14	Rate Design Revenue Increase	\$ 9,813,240	\$ 9,116,147	\$ —	\$ 328,564	\$ 368,529
15	% Increase - Non-Gas Revenue (2)	25.94%	45.16%	0.00%	16.00%	22.51%
16	% Increase - Total Revenue (3)	16.10%	35.43%	0.00%	10.20%	12.77%
17	% Total Revenue (for GRIP)	100.00 %	61.18 %	29.54 %	5.03 %	4.24 %

(1) Revenue-to-cost ratios are the ratios of each class' non-gas revenue (including revenue credits) to the cost of service.

(2) Non-gas revenue is the sum of as adjusted test year base revenue (i.e., revenue from recurring monthly charges resulting from as adjusted billing determinants), service charge revenue, special contract revenue, and other revenue credited to the cost of service for each class.

(3) Total revenue is the sum of non-gas revenue (see Note 2) and as adjusted gas costs. As adjusted gas costs are calculated by multiplying the test year average cost of gas (i.e., test year gas cost revenue divided by unadjusted sales service volumes) by as adjusted sales service volumes.

(4) For each class with a cost of service required revenue decrease, 20 percent of the required decrease is implemented. The benefit of implementing less than the required decrease is assigned to the residential, industrial, and public authority classes based on their relative cost-based revenue increases.

(5) No revenue change assigned to a class for which the cost of service required revenue change calls for a decrease. The resulting benefit from not implementing the required decrease is assigned to the residential, industrial, and public authority classes based on their relative cost-based revenue increases.

STATE OF TEXAS §  
COUNTY OF TRAVIS §

**AFFIDAVIT OF TERESA SERNA**

BEFORE ME, the undersigned authority, on this day personally appeared Teresa Serna who having been placed under oath by me did depose as follows:

1. “My name is Teresa Serna. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as a Rates Specialist for Texas Gas Service Company, a division of ONE Gas, Inc. The facts stated herein are true and correct based upon my personal knowledge.

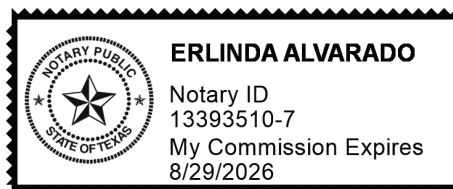
2. I have prepared the foregoing Direct Testimony and the information contained in this document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

DocuSigned by:  
*Teresa Serna*  
14C1A48CC8A4456...  
Teresa Serna

SUBSCRIBED AND SWORN TO BEFORE ME by the said Teresa Serna on this 8<sup>th</sup> day of June 2023.

DocuSigned by:  
**ERLINDA ALVARADO**  
683FDA66B5FD4C2...  
Notary Public in and for the State of Texas



**CASE NO. 00014399**

**STATEMENT OF INTENT OF TEXAS  
GAS SERVICE COMPANY, A  
DIVISION OF ONE GAS, INC., TO  
CHANGE GAS UTILITY RATES  
WITHIN THE UNINCORPORATED  
AREAS OF THE RIO GRANDE  
VALLEY SERVICE AREA**

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**BEFORE THE  
RAILROAD COMMISSION  
OF TEXAS**

**DIRECT TESTIMONY**

**OF**

**PAUL H. RAAB**

**ON BEHALF OF**

**TEXAS GAS SERVICE COMPANY**

**June 30, 2023**

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## LIST OF EXHIBITS

EXHIBIT PHR-1	Qualifications and Experience
EXHIBIT PHR-2	Current and Recommended Rates
EXHIBIT PHR-3	Customer Bill Impacts
EXHIBIT PHR-4	Residential Bill Impacts Existing Rates
EXHIBIT PHR-5	Residential Bill Impacts New Rates
EXHIBIT PHR-6	Commercial Bill Impacts Existing Rates
EXHIBIT PHR-7	Commercial Bill Impacts New Rates
EXHIBIT PHR-8	Transport Bill Impacts
EXHIBIT PHR-9	Proof of Revenue

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**DIRECT TESTIMONY OF PAUL H. RAAB**

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

A. My name is Paul H. Raab, and my business address is 5313 Portsmouth Road, Bethesda, Maryland 20816. I am an independent economic consultant.

**Q. ON WHOSE BEHALF ARE YOU APPEARING TODAY?**

A. I am appearing on behalf of Texas Gas Service Company, a Division of ONE Gas, Inc., (“TGS” or “the Company”).

**Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

A. I have a B.A. in Economics from Rutgers University and an M.A. from the State University of New York at Binghamton with a concentration in Econometrics. While attending Rutgers, I studied as a Henry Rutgers Scholar.

**Q. PLEASE DESCRIBE YOUR BUSINESS EXPERIENCE.**

A. I have been providing consulting services to the utility industry for over 45 years, having assisted electric, gas, telephone, and water utilities; Commissions; and intervenor clients in a variety of areas. I am trained as a quantitative economist so most of this assistance has been in the form of mathematical and economic analysis and information systems development. My areas of focus are planning issues, costing and rate design analysis, and depreciation and life analysis. I began my career with the professional services firm that is now known as Ernst & Young, where I was employed for ten years.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE RAILROAD COMMISSION OF TEXAS (“COMMISSION”) IN REGULATORY PROCEEDINGS?**

A. Yes. I have previously provided expert testimony before the Commission and numerous state regulatory authorities, as well as the Federal Energy Regulatory

1 Commission, the Michigan House Economic Development and Energy  
2 Committee, the Pennsylvania House Consumer Affairs Committee, the Province  
3 of Saskatchewan, and the United States Tax Court. Details on the subject matter  
4 of the testimony presented are provided in Exhibit PHR-1.

5 **Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR**  
6 **DIRECT SUPERVISION?**

7 A. Yes, it was.

8 **Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH**  
9 **YOUR TESTIMONY?**

10 A. Yes. I prepared and sponsor the exhibits listed in the table of contents.

11 **Q. WERE THESE EXHIBITS PREPARED BY YOU OR UNDER YOUR**  
12 **DIRECTION?**

13 A. Yes.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. My testimony presents and supports the rate designs I developed for the Rio  
16 Grande Valley Service Area (“RGVSA”) based on the RGVSA class cost of  
17 service study (“CCOSS”) results sponsored by Company witness Teresa Serna.

18 **II. RATE DESIGN**

19 **A. Overview**

20 **Q. PLEASE PROVIDE AN OVERVIEW OF THE RATE DESIGN**  
21 **PRESENTATION IN YOUR TESTIMONY.**

22 A. As I have previously indicated, my testimony develops rates for the RGVSA.  
23 Certain rates will be eliminated, and the Company is proposing rate structure  
24 changes within some of the remaining rate offerings. Accordingly, this section of  
25 my testimony begins with a discussion of the specific rates to be discontinued and  
26 the rate structure changes being proposed within certain of the existing rate

1 offerings. This is followed by a discussion of how the Company's rate design  
2 objectives translate into specific tariffs for the RGVSA.

3 **Q. WHICH RATE OFFERINGS DOES THE COMPANY PROPOSE TO**  
4 **ELIMINATE?**

5 A. The Company is proposing to consolidate the existing rates for Church Service  
6 customers and other commercial customers under a single Commercial rate. The  
7 bill impact on the affected customers is minimal, as shown in Exhibits PHR-6 and  
8 PHR-7. In addition, the Company is proposing to eliminate the declining block  
9 rate structure for Commercial, Industrial, and Public Authority transportation  
10 customers.

11 **Q. PLEASE DESCRIBE THE NEW RESIDENTIAL AND COMMERCIAL**  
12 **RATE STRUCTURES BEING PROPOSED.**

13 A. To minimize the bill impacts associated with rate eliminations and rate level  
14 increases, to encourage customer choice, and to more appropriately reflect the  
15 Company's costs of providing service, the Company is proposing to split the  
16 existing residential class into two sub-classes: a "large" residential sub-class  
17 composed of residential customers who annually consume more than the average  
18 amount of the combined class and a "small" residential sub-class composed of  
19 residential customers who annually consume less than the average amount of the  
20 combined class. The Company is proposing the same small/large rate distinction  
21 for commercial customers. This same "two-tiered" rate structure was recently  
22 approved by the Commission for TGS residential customers in the Company's  
23 West North Service Area.<sup>1</sup>

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<sup>1</sup> See, Docket No. OS-22-00009896, Final Order at Finding of Fact 103 (Jan. 18, 2023) ("TGS's two tiered-rate proposal for residential customers based upon a large residential class, consisting of customers that annually consume more than the average amount of the combined class, and a small residential class that consumes less than the average amount of the combined class is just and reasonable.").

1 **Q. WHAT EXHIBITS HAVE YOU PROVIDED TO SUPPORT THE**  
2 **PROPOSED RATE DESIGNS FOR EACH CUSTOMER CLASS?**

3 A. I have developed eight exhibits, Exhibit PHR-2 through Exhibit PHR-9, to assist  
4 in the presentation of these rate designs. This presentation focuses on three areas:  
5 (1) the rates themselves and how they compare to existing rates; (2) the customer  
6 bill impacts when moving from existing rates to the new rates; and (3) how  
7 effectively the new rate structures recover Commission-approved levels of  
8 revenues in this case.

9 Exhibit PHR-2 begins with a summary of Current and Recommended  
10 Rates. Bill impacts are documented in Exhibits PHR-3 through PHR-8. These  
11 latter exhibits examine how the proposed rate designs minimize bill impact issues  
12 associated with proposed rate levels and changes in rate structures. Finally,  
13 Exhibit PHR-9 contains a proof of revenues that demonstrates that the new rate  
14 structures recover Company-proposed levels of revenues in this case.

15 **B. Current Rates**

16 **Q. PLEASE DESCRIBE THE CURRENT RESIDENTIAL RATES.**

17 A. Current residential rate structures consist of a fixed customer charge and usage  
18 charges, as shown in Exhibit PHR-2. The residential customer charge is  
19 \$21.87/customer/month in the environs and \$18.02/customer/month in the  
20 incorporated areas. Residential usage is priced at a single per Ccf rate of  
21 \$0.34028 in the environs and \$0.88854/Ccf in incorporated areas.

22 **Q. PLEASE DESCRIBE THE CURRENT COMMERCIAL RATES.**

23 A. As shown in Exhibit PHR-2, current customer charges for commercial sales  
24 customers are \$117.13/customer/month in the environs and  
25 \$141.62/customer/month in the incorporated areas. Commercial usage is priced at  
26 \$0.31650/Ccf in both the environs and incorporated areas.



1 Existing commercial transportation rates incorporate a declining block rate  
2 structure where the first 5,000 Ccf per month is priced at the same volumetric rate  
3 as sales customers, \$0.31650/Ccf. All usage greater than 5,000 Ccf per month is  
4 priced at a single per Ccf rate of \$0.01777/Ccf. These rates apply to commercial  
5 transport customers in both the environs and incorporated areas. Customer  
6 charges for commercial transportation customers of \$459.13/customer/month in  
7 the environs and \$483.62/customer/month reflect the higher metering and  
8 administrative costs associated with providing service to these customers relative  
9 to sales customers.

10 **Q. PLEASE DESCRIBE THE CURRENT CHURCH SERVICE RATES.**

11 A. Current church rate structures consist of a customer charge of  
12 \$99.13/customer/month in the environs and \$123.62/customer/month in the  
13 incorporated areas. Usage is priced at a single per Ccf rate of \$0.31650 in both  
14 the environs and incorporated areas. The Company is proposing to discontinue  
15 this rate and serve these existing customers under the new Commercial sales rate.  
16 Current Church Service rate structures are summarized in Exhibit PHR-2.

17 **Q. PLEASE DESCRIBE THE CURRENT INDUSTRIAL RATES.**

18 A. Current industrial rate structures are also summarized in Exhibit PHR-2. As  
19 shown there, current customer charges for industrial sales customers are  
20 \$680.49/customer/month in the environs and \$903.88/customer/month in  
21 incorporated areas. Usage for these customers is priced at a single per Ccf rate of  
22 \$0.30336/Ccf in both the environs and incorporated areas.

23 Like the existing commercial transportation rates described above,  
24 industrial transportation customers incorporate a declining block rate structure  
25 where the first 5,000 Ccf per month is priced at the same volumetric rate as sales  
26 customers, \$0.30336/Ccf. All usage greater than 5,000 Ccf per month is priced at  
27 a single per Ccf rate of \$0.03453/Ccf. Customer charges for industrial

1 transportation customers are \$930.49/customer/month in the environs and  
2 \$1,153.88/customer/month in the incorporated areas. These rates apply to  
3 industrial transport customers in both the environs and incorporated areas and,  
4 once again, reflect the higher metering and administrative costs associated with  
5 providing service to these customers relative to sales customers.

6 **Q. PLEASE DESCRIBE THE CURRENT PUBLIC AUTHORITY RATES.**

7 A. For public authority sales customers, current customer charges are  
8 \$106.36/customer/month in the environs and \$132.93/customer/month in the  
9 incorporated areas. Public authority sales usage is priced at a single per Ccf rate  
10 of \$0.38068 in both the environs and incorporated areas.

11 The usage of public authority transportation customers is priced at a  
12 declining block rate structure where the first 5,000 Ccf per month is priced at the  
13 same volumetric rate as sales customers, \$0.38068/Ccf. All usage greater than  
14 5,000 Ccf per month is priced at a single per Ccf rate of \$0.01595/Ccf. Customer  
15 charges for public authority transportation customers are \$461.36/customer/month  
16 in the environs and \$487.93/customer/month in the incorporated areas. These  
17 rates, summarized on Exhibit PHR-2, apply to public authority transport  
18 customers in both the environs and incorporated areas and, once again, reflect the  
19 higher metering and administrative costs associated with providing service to  
20 these customers relative to sales customers.

21 **C. Proposed Rates**

22 **Q. HOW DID YOU DESIGN THE PROPOSED RATE**  
23 **RECOMMENDATIONS?**

24 A. I began with class revenue recommendations developed by Ms. Serna. As  
25 described more fully by Ms. Serna in her testimony in this proceeding, those  
26 recommendations are the result of applying class Revenue Allocation Two, under  
27 which the revenue excess of those classes that are indicated to be contributing

1 revenues in excess of their full cost of service are reduced by 20% and credited to  
2 the required revenue of the residential class, which is contributing revenues less  
3 than its full cost of service. This approach relies on the concept of gradualism to  
4 adjust rates so that each class is served under rates that are closer to the class'  
5 actual cost of service. Furthermore, to ensure rate continuity, I relied on the  
6 current rate structures for each class as the starting point in designing the  
7 recommended consolidated rates in this case. The concept of rate continuity  
8 supports using current rate structures to form the basis for recommended rates.

9 I also considered intraclass equity which relates to the fairness in the  
10 collection of revenue from customers within a class who use different amounts of  
11 gas. For each customer class, rates should be designed so that fixed costs are  
12 recovered through the fixed monthly customer charge, and variable costs are  
13 recovered through the volumetric charges. If a class's customer charge is too low  
14 to fully recover fixed costs, moderate-and high-use customers unfairly pay part of  
15 the cost to serve lower use customers. Likewise, if the volumetric charge is too  
16 low to fully recover variable costs, relatively low-use customers unfairly pay part  
17 of the cost to serve moderate-and high-use customers.

18 I also assessed average monthly bill impacts for each customer class.  
19 Furthermore, because the Company is proposing rate structures for many classes  
20 that are different from the rates under which these customers are currently served,  
21 I present a more detailed analysis of rate impacts in which the bill impacts by  
22 annual consumption level are examined. In considering bill impacts, it is  
23 important to recognize that no matter how rates are designed, there will be a  
24 disparity in customer bill impacts, some of which could be large.

1 **Q. HAVE YOU IDENTIFIED ANY CHALLENGES IN DESIGNING RATES?**

2 A. Yes. For all classes, current customer charges are below the fixed cost per bill  
3 indicated by the CCOSS. This means that moderate and high-use customers  
4 within each class are paying a disproportionate amount of the class costs.

5 **Q. WHAT ARE YOUR RECOMMENDED RESIDENTIAL CUSTOMER AND**  
6 **USAGE CHARGES?**

7 A. For “Small” Residential customers whose weather normalized consumption is less  
8 than or equal to 130 Ccf per year, I recommend the following charges:

9 Customer charge: \$20.00/customer/month

10 Volumetric Charge: \$2.33897/Ccf

11 For “Large” Residential customers in the RGVSA whose weather  
12 normalized consumption is greater than 130 Ccf per year, I recommend the  
13 following charges:

14 Customer charge: \$35.00/customer/month

15 Volumetric Charge: \$0.95435/Ccf

16 **Q. PLEASE EXPLAIN HOW YOU DEVELOPED THESE CHARGES.**

17 A. As stated above, I began with the Company’s CCOSS and developed a  
18 benchmark single, two-part (a customer charge and a volumetric charge) rate for  
19 all affected customers. Ms. Serna calculates that a customer charge of \$44.81  
20 most accurately captures the customer-related and demand-related costs by class  
21 identified in the Company’s CCOSS. This customer charge results from the  
22 development of a so-called “Straight Fixed-Variable” or SFV rate. These types of  
23 rates are particularly appropriate for natural gas local distribution companies  
24 (“LDCs”) because they operate in competitive end-use markets for every  
25 residential customer they serve. In other words, there is not one end-user an LDC  
26 serves that cannot also be served by a competing energy source (electricity,  
27 propane, fuel oil, wood, etc.). Because of this, it is extremely important that the

1 rates reflect the costs of providing that service, or customers could make energy-  
2 consumption decisions that do not maximize economic welfare. This is  
3 particularly true on an intraclass basis, where higher volume residential users of  
4 natural gas are predominantly heating customers and lower volume users are non-  
5 heating customers. SFV rates help to ensure that the individual end-use markets  
6 in which these two types of customers participate are not distorted.

7 **Q. WHY ARE YOU NOT SIMPLY PROPOSING THE SFV RATE DESIGN**  
8 **YOU JUST DESCRIBED FOR ALL CUSTOMERS?**

9 A. Because that rate structure, when applied to typical residential class bills, results  
10 in significant bill increases for lower usage customers relative to the Company's  
11 current rate structures. Thus, while the rate structure just described would best  
12 match the costs of service identified by the Company, it would not avoid a  
13 potentially significant rate shock for those customers. Because of this, I adopted  
14 an approach that fits the circumstances of both low-use and high-use customers.

15 **Q. HOW DID YOU DO THIS?**

16 A. Recognizing that lower usage customers would experience the biggest shock from  
17 a rate design with a higher customer charge that more closely reflects the cost of  
18 service, I propose to set the customer charges for lower usage customers equal to  
19 \$20.00/customer/month, a level approximating the current residential customer  
20 charge. I also propose that, because higher usage level customers will not face  
21 rate shock issues because of implementation of rates with higher customer  
22 charges that more closely reflect the cost of service, they should be billed a  
23 customer charge that reflects the full cost of service to the extent possible.

24 **Q. WHAT DID YOU DO NEXT?**

25 A. Because the rates applied to the volumes of the lower usage customers do not  
26 fully collect the cost of service, the more customers that are billed on the lower  
27 usage level rates, the more revenues need to be made up by other customers on

1 the system. In other words, the lower usage customers are being subsidized.  
2 Thus, I had to determine the amount of the subsidy and which customers were  
3 going to pay for that subsidy.

4 **Q. IS THE FACT THAT LOWER USE CUSTOMERS WOULD NOT COVER**  
5 **THEIR RESPECTIVE COST OF SERVICE UNDER PROPOSED RATES**  
6 **UNUSUAL?**

7 A. Not at all. This reality exists in virtually any rate design proposal. The term used  
8 to describe this inherent reality is “intra-class subsidy.”

9 **Q. HOW DID YOU ACCOUNT FOR THE INTRA-CLASS SUBSIDY IN**  
10 **YOUR PROPOSED RATE DESIGN?**

11 A. I recover the intra-class subsidy through an equal, additional charge applied to the  
12 usage charges of both new residential rate classes so that all residential customers  
13 are contributing to make up the shortfall. This not only makes up the revenue  
14 shortfall relative to the identified cost of service of the lower usage customers but  
15 also minimizes the rate impacts of moving to a new rate design. Thus, the new  
16 rate design moves the Company’s rates closer to its underlying cost of service and  
17 avoids the significant rate shock associated with immediate implementation of a  
18 full cost of service-based rate for lower usage customers.

19 **Q. CAN THIS RATE STRUCTURE BE EASILY IMPLEMENTED?**

20 A. Yes. Since both rates contain a two-part structure (customer charges and  
21 volumetric charges), they can be implemented very simply and in a way that is  
22 transparent to customers.

23 **Q. HOW WILL THE PROPOSED RATE DESIGN AFFECT CUSTOMERS**  
24 **WITH AVERAGE USAGE?**

25 A. It is anticipated that customers with average usage will not be overly affected  
26 regardless of the sub-class to which they are assigned, so the Company does not  
27 expect significant migration of customers from one sub-class to the other. This

1 can be seen by comparing the annual bills for two customers near the breakpoint  
2 between sub-classes. Consider a residential customer who uses exactly 130 Ccfs  
3 per year. A Small Residential Customer's annual bill is \$544.07, the same  
4 amount as a Large Residential Customer. If the customer reduces usage by 10%,  
5 to 117 Ccfs per year, there is only a small difference in the annual bill between  
6 the customer's most economical rate schedule (Small Residential) and the  
7 alternative (\$513.66 versus \$531.66, or \$1.50 per month). A similar result occurs  
8 if usage increases by 10%. Thus, at the margin, it makes little difference in the  
9 customer's annual bill what rate schedule the customer is on but makes a much  
10 more significant difference for the relatively small number of very low- or very  
11 high-use customers, who can take service under the rate schedule that best fits  
12 their needs. As a result, most customers will not be much affected, and the  
13 Company's revenues will not change radically because of these proposed rate  
14 changes.

15 **Q. HOW WILL THE COMPANY DETERMINE WHICH RATE TO APPLY**  
16 **TO CUSTOMERS INITIALLY?**

17 A. The Company will initially assign each residential customer to the rate schedule  
18 that appears to be the most economical based on their historical usage and then  
19 allow customers to choose a different rate schedule if the customer believes the  
20 other rate will better suit them due to changed circumstances or personal  
21 preferences, subject to the restriction that they would only be allowed to switch  
22 once per year.

23 **Q. WHAT ARE YOUR RECOMMENDED COMMERCIAL CUSTOMER**  
24 **AND USAGE CHARGES FOR THE PROPOSED RGVSA?**

25 A. For "Small" Commercial customers whose weather normalized consumption is  
26 less than or equal to 5,000 Ccf per year, I recommend the following charges:

1 Customer charge: \$80.00/customer/month

2 Volumetric Charge: \$0.61849/Ccf

3 For “Large” Commercial customers in the RGVSA whose weather  
4 normalized consumption is greater than 5,000 Ccf per year, I recommend the  
5 following charges:

6 Customer charge: \$250.00/customer/month

7 Volumetric Charge: \$0.21049/Ccf

8 **Q. WERE THESE RATES DEVELOPED IN THE SAME MANNER AND**  
9 **DOES THEIR DEVELOPMENT INVOLVE THE SAME**  
10 **CONSIDERATIONS AS THE RESIDENTIAL RATES DESCRIBED**  
11 **ABOVE?**

12 A. Yes. For the proposed Commercial rates, I again began with Ms. Serna’s CCOSS  
13 result and developed a benchmark single, two-part rate for all affected customers.  
14 Ms. Serna calculates that a customer charge of \$228.18 most accurately captures  
15 the customer-related and demand-related costs for the Commercial class. To  
16 develop the Commercial rate, I set the customer charge for lower usage customers  
17 equal to \$80.00/customer/month, a level approximating the current commercial  
18 customer charges, and set the customer charge for higher usage customers equal  
19 to \$250.00/customer/month, a level approximating the full cost of service for  
20 commercial customers.

21 As with the development of the residential rates above, I next developed  
22 the additional charge needed to recover the intraclass subsidy thereby recovering  
23 the revenue shortfall relative to the identified cost of service and minimizing the  
24 rate impacts of moving to a new rate design.



1 **Q. IS IT YOUR RECOMMENDATION THAT THESE CHARGES WILL**  
2 **ALSO APPLY TO CHURCH SERVICE CUSTOMERS, SINCE THEY**  
3 **WILL NOW BE BILLED UNDER COMMERCIAL RATES?**

4 A. Yes. This highlights another advantage of the High/Low rate design: because  
5 Churches are generally lower users of natural gas they fall into the lower usage  
6 rate design, with lower customer charges. As will be discussed further later in my  
7 testimony, this results in most churches seeing bill decreases relative to existing  
8 charges.

9 **Q. HOW DID YOU DESIGN COMMERCIAL TRANSPORTATION RATES?**

10 A. As indicated above, the Company is proposing to eliminate the declining block  
11 rate structure for all transportation customers, including those served under  
12 commercial transportation rates. Thus, the resulting rate design for these  
13 customers is relatively simple and involves the establishment of a single customer  
14 charge, removing the resulting customer-related revenues from the target revenue  
15 for these customers, and calculating the required volumetric charge to recover the  
16 target revenues. Target revenues for these customers were developed by applying  
17 the ratio of proposed revenues for all commercial customers to current test year  
18 revenues for all commercial customers to current test year revenues for  
19 transportation customers. This same approach was used to develop target  
20 revenues for commercial sales customers so that both commercial sales and  
21 commercial transportation customers receive the same percentage decrease, about  
22 4%.

23 The resulting charges for Commercial Transportation customers (in both  
24 the environs and incorporated areas) are customer charges of  
25 \$500.00/customer/month and volumetric charges of \$0.10163/Ccf.

1 **Q. PLEASE EXPLAIN THE RECOMMENDED RATE DESIGN FOR THE**  
2 **RGVSA INDUSTRIAL AND PUBLIC AUTHORITY TRANSPORT AND**  
3 **SALES CLASSES.**

4 A. For these classes, I recommend the same two-part, single-block rate structure that  
5 is currently in place. When adjusting the customer charges for the classes, I  
6 considered both the existing customer charges for each class and fixed costs per  
7 bill determined in Ms. Serna's CCOSS. The assigned revenue for each class, less  
8 the revenue recovered from the recommended customer charges, is the revenue  
9 that must be recovered through usage charges for each non-residential class. As  
10 with the development of the commercial sales and transportation class rates  
11 described above, target revenues for these customers were developed by applying  
12 the ratio of proposed revenues for all Industrial or Public Authority customers to  
13 current test year revenues for all Industrial or Public Authority customers to  
14 current test year revenues for Industrial or Public Authority transportation  
15 customers. Again, because this same approach was used to develop target  
16 revenues for sales customers, both sales and transportation customers within each  
17 class receive the same percentage increase, about 21% for industrial customers  
18 and about 28% for Public Authority customers. The resulting rates are shown in  
19 Exhibit PHR-2 for all customers.

20 **Q. IS THE COMPANY MAKING ANY OTHER RATE DESIGN**  
21 **PROPOSALS IN THIS CASE?**

22 A. Yes. The Company has recently fielded inquiries from its existing electric  
23 generation customers for new rates designed specifically for their unique  
24 requirements. Currently, these customers are served under one of the Company's  
25 existing commercial (sales or transportation) tariffs.

26 To accommodate this request, the Company is proposing to establish new  
27 Electrical Generation sales and transportation tariffs in this case. However, for

1 purposes of this case, the Company is proposing that the specific rates that would  
2 apply to customers who qualify for these tariffs will be the applicable Commercial  
3 rates that are approved by this Commission during this proceeding. In future  
4 cases, the Company will have billing determinants and cost information that will  
5 allow it to develop rates that more specifically reflect the usage characteristics of  
6 these customers and the specific costs to serve them. At that time, unique  
7 Electrical Generation rates will be implemented.

8 This approach will allow to Company to respond to customer requests for  
9 additional services while avoiding any revenue impact from the establishment of  
10 the new rates in this case.

11 **Q. IN YOUR OPINION, IS YOUR RATE DESIGN JUST AND**  
12 **REASONABLE?**

13 A. Yes.

14 **III. CUSTOMER BILL IMPACTS**

15 **Q. HAVE YOU CALCULATED CUSTOMER BILL IMPACTS RESULTING**  
16 **FROM YOUR RECOMMENDED RGVSA RATES?**

17 A. Yes. Exhibit PHR-3 provides proposed customer bill impacts for each service  
18 offering for average monthly usage. The bill amounts for each of the service  
19 offerings are based on current and recommended rates and include the test year  
20 average cost of gas.

21 **Q. PLEASE DESCRIBE HOW THE NEW RESIDENTIAL USAGE**  
22 **SUBCLASSES AVOID SIGNIFICANT RATE SHOCK FOR**  
23 **RESIDENTIAL CUSTOMERS.**

24 A. This can be demonstrated in two ways. First, the rate impacts from  
25 implementation of this rate design for the range of weather-normalized  
26 consumption observed for residential customers can be calculated. These  
27 calculations are shown in Exhibit PHR-4.

1           However, these bill impacts show the combined effect of the required  
2 revenue increase and the change from traditional two-part rates to the proposed  
3 Residential rates. A better way to show the impact of the rate design change is to  
4 compare the proposed rates to the Company's traditional rates, adjusted to collect  
5 the requested revenues in this case, thereby developing an "apples-to-apples"  
6 comparison. This comparison is provided as Exhibit PHR-5 and shows that the  
7 rate design change is mitigating the rate increase by reducing bills for many  
8 customers below levels that they would be if the traditional rate design were  
9 continued. As can be seen, the rate structure particularly benefits the highest and  
10 lowest usage customers on the system.

11 **Q. PLEASE DESCRIBE HOW THE NEW COMMERCIAL HIGH AND LOW**  
12 **USAGE RATES AVOID RATE SHOCK.**

13 A. The proposed usage rates for Commercial customers exhibit the same advantages  
14 as the Residential rates discussed above. Shown on Exhibit PHR-6 and Exhibit  
15 PHR-7, the calculated rate impacts from implementation of this rate design also  
16 show that the rate design change is mitigating the rate increase by reducing bills  
17 for many customers below levels that they would be if the traditional rate design  
18 were continued. As above, Exhibit PHR-7 demonstrates that the rate structure  
19 particularly benefits the highest and lowest usage customers on the system.

20 **Q. HAVE YOU PREPARED A SIMILAR BILLING ANALYSIS FOR THE**  
21 **PROPOSED TRANSPORTATION RATE DESIGNS?**

22 A. No. The comparisons provided in Exhibit PHR-3 are appropriate when  
23 comparing existing rates to proposed rates for Industrial and Public Authority  
24 sales customers because the comparisons evaluate like rate structures (i.e., simple  
25 two-part rates). In the case of transportation customers, however, all the non-  
26 residential rate structures are declining block rate structures. As a result, a simple  
27 comparison can mask billing differences between customers whose usage patterns

1 deviate from the average. For this reason, I have also developed a customer-by-  
2 customer level comparison of bills for transportation customers under the old  
3 declining block structure to bills under the proposed flat rate structure.

4 Exhibit PHR-8 compares annual bills at existing rate levels to annual bills  
5 at proposed rate levels for the range of weather-normalized consumption observed  
6 for commercial transport, industrial transport, and public authority customers. An  
7 evaluation of this exhibit generally confirms that rate impacts are modest or apply  
8 to few customers and that the rate changes are not disadvantaging transportation  
9 customers with a unique load pattern.

10 **Q. DO YOU HAVE ANY COMMENTS ON THE TRANSPORTATION**  
11 **CUSTOMER BILL IMPACTS SHOWN IN THIS EXHIBIT?**

12 A. Yes. Transportation customers secure their own gas supplies rather than relying  
13 on TGS to provide the commodity. While the Company has no way of knowing  
14 the transportation customer's cost of gas, the transportation bill comparisons  
15 assume that transportation customers obtain their gas at a cost that is five percent  
16 less than the Company's average gas cost in the test year. These transportation  
17 bill comparisons provide illustrative approximations of transportation bills and  
18 bill changes and may or may not reflect the actual impacts experienced by any  
19 average-use transportation customer.

20 **IV. PROOF OF REVENUE**

21 **Q. HAVE YOU PREPARED A PROOF OF REVENUE TO SHOW THAT**  
22 **THE RGVSA RECOMMENDED RATES PRODUCE THE REVENUE**  
23 **ASSOCIATED WITH MS. SERNA'S PROPOSED CLASS ALLOCATION?**

24 A. Yes. An arithmetical demonstration that the recommended proposed rates  
25 produce the assigned revenue for each class and for the entire service area is  
26 provided in Exhibit PHR-9. As a result of usage charges being limited to five

1 digits in designing rates, there are small rounding differences for the various  
2 customer classes, as shown in the Exhibit PHR-9.

3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4 A. Yes, it does.

## PAUL H. RAAB

Mr. Raab's consulting focus is on the regulated public utility industry. His experience includes mathematical and economic analyses and system development and his areas of expertise include regulatory change management, load forecasting, supply-side and demand-side planning, management audits, mergers and acquisitions, costing and rate design, and depreciation and life analysis.

### PROFESSIONAL EXPERIENCE

Mr. Raab has directed or has had a key role in numerous engagements in the areas listed above. Representative clients are provided for each of these areas in the subsections below.

**Regulatory Change Management.** Mr. Raab has recently been assisting both electric and natural gas utilities as they prepare to operate in an environment that is significantly different from the one they operate in today. This work has involved the development of unbundled cost of service studies; the development of strategies that will allow companies to prosper in a restructured industry; retail access program development, implementation, and evaluation; and the development of innovative ratemaking approaches to accompany changes in the regulatory structure. Representative clients for whom he has performed such work include:

- Texas Gas Service
- Virginia Natural Gas
- UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.
- The Peoples Natural Gas Company d/b/a Dominion Peoples
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania, Inc.
- Aquila
- Kansas Corporation Commission
- Atmos Energy Corporation
- Electric Cooperatives' Association
- Cleco
- Washington Gas
- Western Resources
- Kansas Gas Service
- Mid Continent Market Center.

**Load Forecasting.** Mr. Raab has broad experience in the review and development of forecasts of sales forecasts for electric and natural gas utilities. This work has also included the development of elasticity of demand measures that have been used for attrition adjustments and revenue requirement reconciliations. Representative clients for whom he has performed such work include:

- Washington Gas Energy Services
- Central Louisiana Electric Company
- Washington Gas
- Saskatchewan Public Utilities Review Commission
- Union Gas Limited
- Nova Scotia Power Corporation
- Cajun Electric Power Cooperative
- Cincinnati Gas & Electric
- Commonwealth Edison Company
- Cleveland Electric Illuminating
- Public Service of Indiana
- Atlantic City Electric Company
- Detroit Edison Company
- Sierra Pacific Power
- Connecticut Natural Gas Corporation
- Appalachian Power Company
- Missouri Public Service Company
- Empire District Electric Company
- Public Service Company of Oklahoma
- Wisconsin Electric Power Company
- Northern States Power Company
- Iowa State Commerce Commission
- Missouri Public Service Commission.

**Supply Side Planning.** Mr. Raab has assisted clients to determine the most appropriate supply-side resources to meet future demands. This assistance has included the determination of optimal sizes and types of capacity to install, determination of production costs including and excluding the resource, and an assessment of system reliability changes because of different resource additions. Much of this work for the following clients has been done in conjunction with litigation:

- Enstar Natural Gas
- AGL Resources
- Washington Gas
- Soyland Electric Cooperative
- Houston Lighting and Power
- City of Farmington, New Mexico
- Big Rivers Electric Cooperative
- City of Redding, California
- Brown & Root
- Kentucky Joint Committee on Electric Power Planning Coordination
- Sierra Pacific Power.

**Demand Side Planning.** Demand Side Planning involves the forecasting of future demands; the design, development, implementation, and evaluation of demand side management programs; the determination of future supply side costs; and the integration



of cost-effective demand side management programs into an Integrated Least Cost Resource Plan. Mr. Raab has performed such work for the following clients:

- UGI Utilities
- Dominion Peoples Gas
- National Fuel Gas Distribution Corporation
- Columbia Gas of Pennsylvania
- Kansas Gas Service
- Atmos Energy Corporation
- Black Hills Gas Company
- Oklahoma Natural Gas Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- Montana-Dakota Utilities.

**Management Audits.** Mr. Raab has been involved in several management audits. Consistent with his other experience, the focus of his efforts has been in the areas of load forecasting, demand- and supply-side planning, integrated resource planning, sales and marketing, and rates. Representative commission/utility clients are as follows:

- Arizona Corporation Commission/Arizona Public Service Company
- Public Utilities Commission of Ohio/East Ohio Gas
- Kentucky Public Service Commission/Louisville Gas & Electric
- New Hampshire Public Service Commission/Public Service Company of New Hampshire
- New Mexico Public Service Commission/Public Service of New Mexico
- New York Public Service Commission/New York State Electric & Gas
- Missouri Public Service Commission/Laclede Gas Company
- New Jersey Board of Public Utilities/Jersey Central Power & Light
- New Jersey Board of Public Utilities/New Jersey Natural Gas
- Pennsylvania Public Utilities Commission/ Pennsylvania Power & Light
- California Public Utilities Commission/San Diego Gas & Electric Company.

**Mergers and Acquisitions.** Mr. Raab has been involved in several merger and acquisition studies throughout his career. Many of these were conducted as confidential studies and cannot be listed. Those in which his involvement was publicly known are:

- ONEOK, Inc./Southwest Gas Corporation
- Western Resources
- Constellation.

**Costing and Rate Design Analysis.** Mr. Raab has prepared generic rate design studies for the National Governor's Conference, the Electricity Consumer's Resource Council, the Tennessee Valley Industrial Committee, the State Electricity Commission of

Western Australia, and the State Electricity Commission of Victoria. These generic studies addressed advantages and disadvantages of alternative costing approaches in the electric utility industry; the strengths and weaknesses of commonly encountered costing methodologies; future tariff policies to promote equity, efficiency, and fairness criteria; and the advisability of changing tariff policies. Mr. Raab has performed specific costing and rate design studies for the following companies:

- New Mexico Gas
- SEMCO Gas
- Enstar Natural Gas
- Atmos Energy Corporation
- Southern Maryland Electric Cooperative, Inc.
- Comcast Cable Communications, Inc.
- Cable Television Association of Georgia
- Devon Energy
- Aquila
- Oklahoma Natural Gas
- Semco Energy Gas Company
- Laclede Gas
- Western Resources
- Kansas Gas Service Company
- Central Louisiana Electric Company
- Washington Gas Light Company
- Piedmont Natural Gas Company
- Chesapeake Utilities
- Pennsylvania & Southern Gas
- KPL Gas Service Company
- Allegheny Power Systems
- Northern States Power
- Interstate Power Company
- Iowa-Illinois Gas & Electric Company
- Arkansas Power and Light
- Iowa Power & Light
- Iowa Public Service Company
- Southern California Edison
- Pacific Gas & Electric
- New York State Electric & Gas
- Middle South Utilities
- Missouri Public Service Company
- Empire District Electric Company
- Sierra Pacific Power
- Commonwealth Edison Company
- South Carolina Electric & Gas
- State Electricity Commission of Western Australia
- State Electricity Commission of Victoria, Australia
- Public Service Company of New Mexico

- Tennessee Valley Authority.

**Depreciation and Life Analysis.** Mr. Raab has extensive experience in depreciation and life analysis studies for the electric, gas, rail, and telephone industries and has taught a course on depreciation at George Washington University, Washington, DC. Representative clients in this area include:

- Champaign Telephone Company
- Plains Generation & Transmission Cooperative
- CSX Corporation (Includes work for Seaboard Coast Line, Louisville & Nashville, Baltimore & Ohio, Chesapeake & Ohio, and Western Maryland Railroads)
- Lea County Electric Cooperative, Inc.
- North Carolina Electric Membership Cooperative
- Alberta Gas Trunk Lines (NOVA)
- Federal Communications Commission.

### TESTIMONY

The following table summarizes Mr. Raab's testimony experience.

<b>Jurisdiction</b>	<b>Docket Number</b>	<b>Subject</b>
Alaska	U-09-069, U-09-070	Rate Design
	U-14-010	Rate Design
Colorado	14AL-0300G	Costing/Rate Design
	17AL-0363G	Costing/Rate Design
	19AL-0309G	Costing/Rate Design
	22AL-0046G	Costing/Rate Design
District of Columbia	834	Demand Side Planning
	905	Costing/Rate Design
	917	Costing/Rate Design
	921	Demand Side Planning
	922	Rate Design
	934	Rate Design
	989	Rate Design
	1016	Rate Design
	1053	Costing/Rate Design
	1054	Costing/Rate Design
	1079	Rate Design
	1093	Costing/Rate Design
	1137	Costing/Rate Design
1162	Costing/Rate Design	
1169	Costing/Rate Design	

<b>Jurisdiction</b>	<b>Docket Number</b>	<b>Subject</b>
Georgia	18300-U	Costing/Rate Design
Indiana	36818	Capacity Planning
Iowa	RPU-05-2	Costing/Rate Design
Kansas	174,155-U	Retail Competition
	176,716-U	Costing/Rate Design
	98-KGSG-822-TAR	Rate Design
	99-KGSG-705-GIG	Restructuring
	01-KGSG-229-TAR	Rate Design
	02-KGSG-018-TAR	Rate Design
	02-WSRE-301-RTS	Cost of Service
	03-KGSG-602-RTS	Cost of Service/Rate Design
	03-AQLG-1076-TAR	Rate Design
	05-AQLG-367-RTS	Cost of Service/Rate Design
	06-KGSG-1209-RTS	Cost of Service/Rate Design
	07-AQLG-431-RTS	Rate Design
	08-WSEE-1041-RTS	Cost of Service
	10-KCPE-415-RTS	Cost of Service/Rate Design
	10-KGSG-421-TAR	Demand Side Planning
	10-KCPE-795-TAR	Demand Side Planning
	12-WSEE-112-RTS	Cost of Service/Rate Design
	12-KGSG-835-RTS	Cost of Service/Rate Design
	12-GIMX-337-GIV	Demand Side Planning
	12-KG&E-718-CON	Cost of Service
	13-KG&E-451-CON	Cost of Service
	13-WSEE-629-RTS	Cost of Service/Rate Design
	14-ATMG-320-RTS	Cost of Service/Rate Design
15-WSEE-181-TAR	Demand Side Planning	
15-KCPE-116-RTS	Cost of Service/Rate Design	
16-ATMG-079-RTS	Cost of Service/Rate Design	
16-KGSG-491-RTS	Cost of Service/Rate Design	
16-KCPE-446-TAR	Demand Side Planning	
18-KCPE-480-RTS	Cost of Service/Rate Design	
18-KGSG-560-RTS	Cost of Service/Rate Design	
19-ATMG-525-RTS	Cost of Service/Rate Design	
22-EKME-254-TAR	Demand Side Planning	
23-ATMG-359-RTS	Cost of Service/Rate Design	

<b>Jurisdiction</b>	<b>Docket Number</b>	<b>Subject</b>
Kentucky	9613	Capacity Planning
	97-083	Management Audit
	2009-00354	Cost of Service
	2013-00148	Cost of Service
	2015-00343	Cost of Service
	2017-00349	Cost of Service
	2018-00281 2021-00214	Cost of Service Cost of Service
Louisiana	U-21453	Restructuring/Market Power
Maryland	8251	Costing/Rate Design
	8259	Demand Side Planning
	8315	Costing/Rate Design
	8720	Demand Side Planning
	8791	Costing/Rate Design
	8920	Costing/Rate Design
	8959	Costing/Rate Design
	9092	Costing/Rate Design
	9104	Costing/Rate Design
	9106	Costing/Rate Design
	9180	Capacity Planning
	9267	Costing/Rate Design
	9433	Capacity Planning
	9481	Costing
9651	Costing/Rate Design	
Michigan	U-6949	Load Forecasting
	U-13575	Costing/Rate Design
	U-16169	Costing/Rate Design
	U-20479	Costing/Rate Design
Missouri	GR-2002-356	Rate Design
Montana	D2005.4.48	Costing/Rate Design
Nebraska	NG-0001, NG-0002, NG-0003	Rate Design
	NG-0041	Rate Design
Nevada	81-660	Load Forecasting
New Jersey	OAL# PUC 1876-82 BPU# 822-0116	Load Forecasting



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<b>Jurisdiction</b>	<b>Docket Number</b>	<b>Subject</b>
Pennsylvania	R-0061346	Costing/Rate Design
	M-2009-2092222, M-2009-2112952, M-2009-2112956	Demand Side Planning
	M-2009-2093216	Demand Side Planning
	M-2009-2093217	Demand Side Planning
	M-2009-2093218	Demand Side Planning
	M-2010-2210316	Demand Side Planning
	R-2010-2214415	Demand Side Planning
	M-2012-2334387, M-2012-2334392, M-2012-2334398	Demand Side Planning
	M-2012-2334388	Demand Side Planning
	M-2015-2177174	Demand Side Planning
Tennessee	PURPA Hearings	Costing/Rate Design
US Tax Court	4870	Life Analysis
	4875	Life Analysis
Texas	GUD No. 9762	Costing/Rate Design
	GUD No. 10170	Costing/Rate Design
	GUD No. 10174	Costing/Rate Design
	GUD No. 10506	Demand Side Planning
	GUD No. 10526	Demand Side Planning
	GUD No. 10779	Costing/Rate Design
	GUD No. 10928	Costing/Rate Design
	OS-22-00009896	Costing/Rate Design

<b>Jurisdiction</b>	<b>Docket Number</b>	<b>Subject</b>
Virginia	PUE900013	Demand Side Planning
	PUE920041	Costing/Rate Design
	PUE940030	Costing/Rate Design
	PUE940031	Costing/Rate Design
	PUE950131	Capacity Planning
	PUE980813	Costing/Rate Design
	PUE-2002-00364	Costing/Rate Design
	PUE-2003-00603	Costing/Rate Design
	PUE-2006-00059	Costing/Rate Design
	PUE-2008-00060	Demand Side Planning
	PUE-2009-00064	Demand Side Planning
	PUE-2012-00118	Demand Side Planning
	PUE-2015-00132	Demand Side Planning
	PUE-2015-00138	Demand Side Planning
	PUE-2016-00001	Capacity Planning
	PUR-2018-00080	Capacity Planning
	PUR-2018-00193	Demand Side Planning
PUR-2021-00288	Demand Side Planning	
PUR-2022-00054	Costing/Rate Design	
West Virginia	79-140-E-42T	Capacity Planning
	90-046-E-PC	Demand Side Planning
Wisconsin	05-EP-2	Capacity Planning

In addition, Mr. Raab has presented expert testimony before the Federal Energy Regulatory Commission, the Pennsylvania House Consumer Affairs Committee, the Michigan House Economic Development and Energy Committee and the Province of Saskatchewan. He has also served on the Advisory Board of the Expert Evidence Report, published by The Bureau of National Affairs, Inc.

### **EDUCATION**

Mr. Raab holds a B.A. (with high distinction) in Economics from Rutgers University and an M.A. from SUNY at Binghamton with a concentration in Econometrics. While attending Rutgers, he studied as a Henry Rutgers Scholar.

### **PUBLICATIONS AND PRESENTATIONS**

Mr. Raab has published in several professional journals and spoken at several industry conferences. His publications/ presentations include:

- "Natural Gas as an Electric DSM Tool," American Gas Association Membership Services Committee Meeting, Williamsburg, VA, September 15, 2009.



- "Electric-to-Gas Fuel Switching," NARUC Summer Meeting, Seattle, WA, July 20, 2009.
- "The Future of Fuel in Virginia: Natural Gas," The Twenty-Seventh National Regulatory Conference, Williamsburg, VA, May 19, 2009.
- "Revenue Decoupling for Natural Gas Utilities," Energy Bar Association Midwest Energy Conference, Chicago, IL, March 6, 2008.
- "Responses to Arrearage Problems from High Natural Gas Bills," American Gas Association Rate and Regulatory Issues Seminar, Phoenix, AZ, April 8, 2004.
- "Factors Influencing Cooperative Power Supply," National Rural Utilities Cooperative Finance Corporation Independent Borrower's Conference, Boston, MA, July 3, 1997.
- "Current Status of LDC Unbundling," American Gas Association Unbundling Conference: Regulatory and Competitive Issues, Arlington, VA, June 19, 1997.
- "Balancing, Capacity Assignment, and Stranded Costs," American Gas Association Rate and Strategic Planning Committee Spring Meeting, Phoenix, AZ, March 26, 1997.
- "Gas Industry Restructuring and Changes: The Relationship of Economics and Marketing" (with Jed Smith), National Association of Business Economists, 38th Annual Meeting, Boston, MA September 10, 1996.
- "Improving Corporate Performance By Better Forecasting," 1996 Peak Day Demand and Supply Planning Seminar, San Francisco, CA, April 11, 1996.
- "Natural Gas Price Elasticity Estimation," AGA Forecasting Review, Vol. 6, No. 1, November 1995.
- "Assessing Price Competitiveness," Competitive Analysis & Benchmarking for Power Companies, Washington, DC, November 13, 1995.
- "Avoided Cost Concepts and Management Considerations," Workshop on Avoided Costs in a Post 636 Gas Industry: Is It Time to Unbundle Avoided Cost? Sponsored by the Gas Research Institute and Wisconsin Center for Demand-Side Research, Milwaukee, WI, June 29, 1994.
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- "Development of Conditional Demand Estimates of Gas Appliances," AGA Forecasting Review, Vol. 1, No. 1, October 1988.
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- "Forecasting Public Utilities," The Journal of Business Forecasting, Vol. 1, No. 4, Summer, 1982.
- "Are Utilities Underforecasting," Electric Ratemaking, Vol. 1. No. 1, February 1982.
- "A Polynomial Spline Function Technique for Defining and Forecasting Electric Utility Load Duration Curves," First International Forecasting Symposium, Montreal, Canada, May 1981.
- "Time-of-Use Rates and Marginal Costs," ELCON Legal Seminar, March 20, 1980.
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- "Marginal Cost in Electric Utilities - A Multi-Technology Multi-Period Analysis" (with Frederick McCoy), ORSA/Tims Joint National Meeting, Los Angeles, California, November 13-15, 1978.

Current & Rec Rates

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CURRENT AND RECOMMENDED RATES

Description (a)	RGVSA Environments Rates		RGVSA Incorporated Rates	Recommended	
	(b)	(c)	(d)	(e)	
<b>Residential</b>					
Customer Charge		\$21.87	\$18.02	Small	\$20.00
Usage Rates	All Ccf	\$0.34028	\$0.88854		\$35.00
					\$0.95435
<b>Commercial</b>					
Customer Charge - Sales		\$117.13	\$141.62		\$80.00
Usage Rates	All Ccf	\$0.31650	\$0.31650		\$250.00
					\$0.21049
Customer Charge - Transportation		\$459.13	\$483.62		\$500.00
Usage Rates	First 5000 Ccf	\$0.31650	\$0.31650		\$0.10163
	All Over 5000 Ccf	\$0.01777	\$0.01777		
<b>Church</b>					
Customer Charge - Sales		\$99.13	\$123.62		\$80.00
Usage Rates	All Ccf	\$0.31650	\$0.31650		\$0.61849
<b>Industrial</b>					
Customer Charge - Sales		\$680.49	\$903.88		\$850.00
Usage Rates	All Ccf	\$0.30336	\$0.30336		\$0.36782
Customer Charge - Transportation		\$930.49	\$1,153.88		\$1,000.00
Usage Rates	First 5000 Ccf	\$0.30336	\$0.30336		\$0.11076
	All Over 5000 Ccf	\$0.03453	\$0.03453		
<b>Public Authority</b>					
Customer Charge - Sales		\$106.36	\$132.93		\$200.00
Usage Rates	All Ccf	\$0.38068	\$0.38068		\$0.33119
Customer Charge - Transportation		\$461.36	\$487.93		\$2,500.00
Usage Rates	First 5000 Ccf	\$0.38068	\$0.38068		\$0.04521
	All Over 5000 Ccf	\$0.01595	\$0.01595		
<b>Electric Generation</b>					
Customer Charge - Sales		N/A	N/A		\$250.00
Usage Rates	All Ccf	N/A	N/A		\$0.21049
Customer Charge - Transportation		N/A	N/A		\$500.00
Usage Rates	All Ccf	N/A	N/A		\$0.10163

Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.

Customer Bill  
Impacts

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CUSTOMER BILL IMPACTS

Description	Year-Round Average Bill			
	Current	Recommended	Change	
			Dollars	%
(a)	(b)	(c)	(d)	(e)
<b>Sales Service: (1) (2)</b>				
<b>Residential - Small (3)</b>				
Incorporated	\$ 26.63	\$ 36.31	\$ 9.68	36.3%
Environs	\$ 27.56	\$ 36.31	\$ 8.75	31.7%
<b>Residential - Large (3)</b>				
Incorporated	\$ 46.52	\$ 64.66	\$ 18.14	39.0%
Environs	\$ 40.72	\$ 64.66	\$ 23.94	58.8%
<b>Commercial - Small (3)</b>				
Incorporated	\$ 283.08	\$ 262.25	\$ (20.83)	-7.4%
Environs	\$ 258.59	\$ 262.25	\$ 3.66	1.4%
<b>Commercial - Large (3)</b>				
Incorporated	\$ 1,258.55	1,253.87	\$ (4.68)	-0.4%
Environs	\$ 1,234.06	1,253.87	\$ 19.81	1.6%
<b>Church (Withdrawing/Proposed Reclas to Commercial)</b>				
Incorporated	\$ 147.71	111.04	\$ (36.67)	-24.8%
Environs	\$ 123.22	111.04	\$ (12.18)	-9.9%
<b>Industrial</b>				
Incorporated	\$ 4,992.15	\$ 5,193.08	\$ 200.93	4.0%
Environs	\$ 4,768.76	\$ 5,193.08	\$ 424.32	8.9%
<b>Public Authority</b>				
Incorporated	\$ 447.50	\$ 500.56	\$ 53.06	11.9%
Environs	\$ 420.93	\$ 500.56	\$ 79.63	18.9%
<b>Electric Generation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A
<b>Transportation Service: (4)</b>				
<b>Commercial Transportation</b>				
Incorporated	\$ 11,603.26	\$ 11,259.61	\$ (343.65)	-3.0%
Environs	\$ 11,578.77	\$ 11,259.61	\$ (319.16)	-2.8%
<b>Industrial Transportation</b>				
Incorporated	\$ 17,222.20	\$ 17,264.17	\$ 41.97	0.2%
Environs	\$ 16,998.81	\$ 17,264.17	\$ 265.36	1.6%
<b>Public Authority Transportation</b>				
Incorporated	\$ 12,130.31	\$ 12,723.22	\$ 592.91	4.9%
Environs	\$ 12,103.74	\$ 12,723.22	\$ 619.48	5.1%
<b>Electric Generation Transportation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A

(1) Bill impacts are shown for those schedules with customers during the test year. The test year cost of gas in each area is included in the bill calculations. Bills under current and recommended rates do not include revenue-related taxes. These taxes vary across different locations in the service area.

(2) Bills are based on the following average usage levels:

	Year-Round
Residential - Small	5
Residential - Large	18
Commercial - Small	135
Commercial - Large	1,066
Church	23
Industrial	3,953
Public Authority	283

(3) Calculations for residential and commercial are based on usage at the Small and Large amounts shown in Note 2 (Residential: 5 Ccf for Small and 18 Ccf for Large/Commercial: 135 Ccf for Small and 1,066 for Large).

(4) Transportation customers secure their own gas. While the Company has no way of knowing the customer's cost of gas, these bill comparisons assume that customers obtain their gas at a cost that is five percent less than the Company's gas cost. These transportation bill comparisons are only illustrations of the level of total bills and the percentage changes in those bills. Bills are based on the following average usage levels:

	Year-Round
Commercial Transportation	13,518
Industrial Transportation	20,202
Public Authority Transportation	13,824

(5) Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.





TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Commercial Bill  
Impacts Existing  
Rates

PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO EXISTING RATES

Table with columns: Consumption (High/Low), Customers, Current Charges (Customer, Low Cons, High Cons, Low Total, High Total), Proposed Charges (Customer, Low Cons, High Cons, Low Total, High Total), Absolute Change (High/Low), Percentage Change (High/Low). Rows include various customer IDs and consumption levels.

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Environs Rates

Table with columns: Consumption (High/Low), Customers, Current Charges (Customer, Low Cons, High Cons, Low Total, High Total), Proposed Charges (Customer, Low Cons, High Cons, Low Total, High Total), Absolute Change (High/Low), Percentage Change (High/Low). Rows include various customer IDs and consumption levels.









Transport Bill Impacts

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED TRANSPORT BILL IMPACTS COMPARED TO EXISTING RATES

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Commercial Transport Rates

		Customer Charge Incorporated Environs	483.62	500		
		Usage Rate				
		First 5000 Ccf	\$ 1.01082	\$ 0.79595		
		All Over 5000 Ccf	\$ 0.71209	\$ 0.79595		
Step 1 Units	Step 2 Units	Environs = 1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change	%
60000	137530	0	\$ 164,385.79	\$ 163,223.41	\$ (1,162.37)	(1)%
60000	170900	0	\$ 188,148.13	\$ 189,784.16	\$ 1,636.03	1%
60000	201140	0	\$ 209,681.64	\$ 213,853.60	\$ 4,171.96	2%
60000	49830	0	\$ 101,935.76	\$ 93,418.86	\$ (8,516.90)	(8)%
60000	67660	0	\$ 114,632.27	\$ 107,610.59	\$ (7,021.67)	(6)%
60000	277240	0	\$ 263,871.46	\$ 274,425.17	\$ 10,553.71	4%
38400	0	0	\$ 44,618.81	\$ 36,564.36	\$ (8,054.45)	(18)%
60000	229230	0	\$ 229,684.16	\$ 236,211.75	\$ 6,527.59	3%
60000	116520	0	\$ 149,424.84	\$ 146,500.56	\$ (2,924.27)	(2)%
60000	141590	0	\$ 167,276.86	\$ 166,454.96	\$ (821.90)	(0)%
60000	60400	0	\$ 109,462.51	\$ 101,832.02	\$ (7,630.50)	(7)%
60000	101070	0	\$ 138,423.09	\$ 134,203.18	\$ (4,219.91)	(3)%
60000	340300	0	\$ 308,775.67	\$ 324,617.58	\$ 15,841.92	5%
60000	50990	0	\$ 102,761.78	\$ 94,342.16	\$ (8,419.62)	(8)%
60000	348090	0	\$ 314,322.82	\$ 330,818.01	\$ 16,495.19	5%
60000	72740	0	\$ 118,249.67	\$ 111,654.00	\$ (6,595.66)	(6)%
60000	122790	0	\$ 153,889.62	\$ 151,491.15	\$ (2,398.47)	(2)%
60000	23155	0	\$ 82,940.83	\$ 72,186.97	\$ (10,753.86)	(13)%
60000	103340	0	\$ 140,039.53	\$ 136,009.98	\$ (4,029.55)	(3)%
59730	44640	1	\$ 97,673.22	\$ 89,072.99	\$ (8,600.23)	(9)%
3916	0	0	\$ 9,761.80	\$ 9,116.93	\$ (644.87)	(7)%
9980	0	0	\$ 15,891.39	\$ 13,943.55	\$ (1,947.84)	(12)%
5169	0	0	\$ 11,028.35	\$ 10,114.25	\$ (914.10)	(8)%
5711	0	0	\$ 11,576.22	\$ 10,545.65	\$ (1,030.56)	(9)%

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Industrial Transport Rates

		Customer Charge Incorporated Environs	\$ 1,153.88	\$ 1,000.00		
		Usage Rate				
		First 5000 Ccf	\$ 0.99768	\$ 0.80508		
		All Over 5000 Ccf	\$ 0.72885	\$ 0.80508		
Step 1 Units	Step 2 Units	Environs=1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change	%
7180	0	1	\$ 18,329.20	\$ 17,780.45	\$ (548.75)	(3)%
60000	80300	0	\$ 132,233.59	\$ 124,952.30	\$ (7,281.29)	(6)%
60000	46150	0	\$ 107,343.47	\$ 97,458.92	\$ (9,884.55)	(9)%
42980	940	1	\$ 54,731.15	\$ 47,358.98	\$ (7,372.17)	(13)%
60000	37430	0	\$ 100,987.92	\$ 90,438.65	\$ (10,549.27)	(10)%
60000	151810	0	\$ 184,353.44	\$ 182,523.36	\$ (1,830.08)	(1)%
60000	567200	0	\$ 487,109.20	\$ 516,944.29	\$ 29,835.10	6%
41730	241510	0	\$ 231,503.46	\$ 240,030.01	\$ 8,526.55	4%
60000	160318	0	\$ 190,554.47	\$ 189,372.95	\$ (1,181.52)	(1)%
60000	407990	1	\$ 368,388.79	\$ 388,767.99	\$ 20,379.20	6%
60000	438060	0	\$ 392,985.90	\$ 412,976.65	\$ 19,990.75	5%
60000	381120	0	\$ 351,485.35	\$ 367,135.57	\$ 15,650.22	4%
60000	244990	1	\$ 249,586.73	\$ 257,540.43	\$ 7,953.71	3%
2450	0	1	\$ 13,610.19	\$ 13,972.44	\$ 362.25	3%
0	0	1	\$ 11,165.88	\$ 12,000.00	\$ 834.12	7%
60000	243110	0	\$ 250,897.17	\$ 256,026.89	\$ 5,129.72	2%
60000	1024480	0	\$ 820,396.35	\$ 885,089.90	\$ 64,693.55	8%
60000	212810	0	\$ 228,813.11	\$ 231,633.06	\$ 2,819.95	1%
60000	64960	0	\$ 121,053.08	\$ 112,602.42	\$ (8,450.66)	(7)%
60000	152930	1	\$ 182,489.07	\$ 183,425.05	\$ 935.97	1%
60000	280340	1	\$ 275,351.47	\$ 285,999.91	\$ 10,648.44	4%
58620	16340	1	\$ 81,559.07	\$ 72,348.57	\$ (9,210.49)	(11)%
20	0	1	\$ 11,185.83	\$ 12,016.10	\$ 830.27	7%
8362	0	1	\$ 19,508.46	\$ 18,732.05	\$ (776.40)	(4)%
60000	271060	1	\$ 268,587.77	\$ 278,528.79	\$ 9,941.02	4%
51780	6150	1	\$ 67,308.00	\$ 58,638.11	\$ (8,669.89)	(13)%
57840	902080	0	\$ 729,030.50	\$ 784,809.51	\$ 55,779.01	8%
42892	940	0	\$ 57,324.04	\$ 47,288.14	\$ (10,035.90)	(18)%
36370	25270	1	\$ 65,869.36	\$ 61,624.95	\$ (4,244.41)	(6)%
55970	59580	1	\$ 110,430.57	\$ 105,026.65	\$ (5,403.92)	(5)%
60000	161460	0	\$ 191,386.82	\$ 190,292.35	\$ (1,094.46)	(1)%
60000	294590	1	\$ 285,737.54	\$ 297,472.25	\$ 11,734.72	4%
0	0	1	\$ 11,165.88	\$ 12,000.00	\$ 834.12	7%
60000	295100	0	\$ 288,789.93	\$ 297,882.84	\$ 9,092.91	3%
60000	180110	1	\$ 202,299.13	\$ 205,307.04	\$ 3,007.91	1%
60000	109190	1	\$ 150,609.30	\$ 148,210.98	\$ (2,398.33)	(2)%
59880	125230	1	\$ 162,180.29	\$ 161,027.80	\$ (1,152.49)	(1)%

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Public Authority Transport Rates

		Customer Charge Incorporated Environs	\$ 487.93	\$ 2,500.00		
		Usage Rate				
		First 5000 Ccf	\$ 1.07500	\$ 0.73953		
		All Over 5000 Ccf	\$ 0.71027	\$ 0.73953		
Step 1 Units	Step 2 Units	Environs=1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change	%
60000	346380	0	\$ 316,377.26	\$ 330,528.98	\$ 14,151.72	4%
60000	64110	0	\$ 115,890.20	\$ 121,782.70	\$ 5,892.50	5%
60000	42900	1	\$ 100,506.59	\$ 106,097.33	\$ 5,590.73	6%
59650	18800	0	\$ 83,331.75	\$ 88,015.89	\$ 4,684.14	6%

Proof of Revenue

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROOF OF REVENUE

Line No.	Description	Bills (b)	Volumes (c)	Recommended Rates		Calculated Revenue at Recommended Rates		Assigned Revenue (i)	Rounding Diff. (j)	GRIP Allocation (k)	
				Customer Charge (e)	Usage Charges (f)	Customer Charge (e)	Usage Charges (f)				
1	Residential - Small	403,583		\$ 20.00	\$	\$ 8,071,660					
2			All Ccf	2,144,543		2.33897 \$	5,016,022				
3	Residential - Large	309,033		\$ 35.00	\$	10,816,155					
4			All Ccf	5,438,730		0.95435 \$	5,190,452	\$ 29,094,289	\$ 29,094,320	(32)	62.34 %
5	Residential Total										
6											
7	Commercial - Small	31,545		\$ 80.00	\$	2,523,600					
8			All Ccf	4,260,553		0.61849 \$	2,635,109				
9	Commercial - Large	15,708		\$ 250.00	\$	3,927,000					
10			All Ccf	16,751,319		0.21049 \$	3,525,985	\$ 12,611,695			
11											
12	Commercial - Transport	319		500	\$	159,500					
13			All Ccf	4,312,335		0.10163 \$	438,263	\$ 597,763			
14											
15	Commercial Total							\$ 13,209,457	\$ 13,209,468	(11)	28.30 %
16											
17	Industrial	404		\$ 850.00	\$	343,497					
18			All Ccf	1,597,491		0.36782 \$	587,589	\$ 931,086			
19											
20		444		\$ 1,000.00	\$	\$444,000					
21	Industrial - Transport		All Ccf	8,969,622		0.11076 \$	993,475	\$ 1,437,475			
22											
23	Industrial Total							\$ 2,368,561	\$ 2,368,584	(23)	5.07 %
24											
25	Public Authority	6,046		\$ 200.00	\$	1,209,137					
26			All Ccf	1,709,116		0.33119 \$	566,042	\$ 1,775,179			
27											
28	Public Authority - Transport	72		2500	\$	\$180,000					
29			All Ccf	995,318		0.04521 \$	44,998	\$ 224,998			
30											
31	Public Authority Total							\$ 2,000,178	\$ 2,000,165	12	4.29 %
32											
33	<u>Total Revenue - All Classes</u>										
34											
35	Recommended Rate Revenue						\$ 46,672,485	\$ 46,672,537			
36	Current Rate Revenue						\$ 36,859,297	\$ 36,859,297			
37	Revenue Change						\$ 9,813,187	\$ 9,813,240			
38											
39	Schedule A - Revenue Deficiency							\$ 9,813,240	\$ (0)		

STATE OF MARYLAND       §  
   §  
COUNTY OF MONTGOMERY §

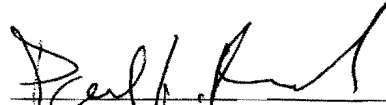
**AFFIDAVIT OF PAUL H. RAAB**

BEFORE ME, the undersigned authority, on this day personally appeared Paul H. Raab who having been placed under oath by me did depose as follows:

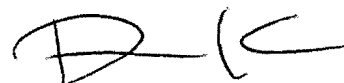
1.       “My name is Paul H. Raab. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as an Economic Consultant. The facts stated herein are true and correct based upon my personal knowledge.

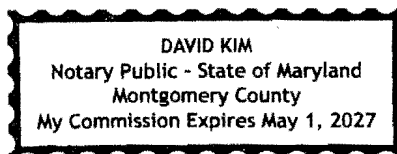
2.       I have prepared the foregoing Direct Testimony and the information contained in that document is true and correct to the best of my knowledge.”

Further affiant sayeth not.

  
\_\_\_\_\_  
Paul H. Raab

SUBSCRIBED AND SWORN TO BEFORE ME by the said Paul H. Raab on this 6 day of June 2023.

  
\_\_\_\_\_  
Notary Public in and for the State of Maryland



**PUBLIC NOTICE OF PROPOSED RATE CHANGE  
NATURAL GAS UTILITY RATES**

On June 30, 2023, Texas Gas Service Company, a Division of ONE Gas, Inc. (“TGS” or the “Company”), filed a Statement of Intent to Change Rates (“Statement of Intent”) in the Rio Grande Valley Service Area (“RGVSA”) with the Railroad Commission of Texas (“Commission”) and with the Cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, Laguna Vista, La Joya, La Villa, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas for the gas utility rates charged by the Company to customers. The proposed change in rates will affect all residential, commercial, commercial transportation, church, industrial, industrial transportation, public authority, and public authority transportation customers within the cities listed above and the unincorporated areas of the RGVSA. The proposed effective date of the requested rate changes is August 23, 2023.

The proposed rates and tariffs are expected to increase the Company’s annual system-wide revenues within the RGVSA by approximately \$9.81 million or 16.10% including gas cost or 25.94% excluding gas cost. The proposed change in rates does constitute a “major change” as that term is defined by Section 104.101 of the Texas Utilities Code because the proposed rates will increase the total aggregate revenues of the Company in the RGVSA by more than two and one-half percent. The proposed change in rates will not become effective until similar changes have become effective within the nearest incorporated city.

The Company proposes to implement the rates included in Table 1 below:

**TABLE 1 – Proposed Rate Changes for Incorporated and Unincorporated/Environs Customers**

Customer Class	Current Rates Incorporated and Unincorporated/Environs		Proposed RGVSA Rates
	RGVSA Incorporated Rates	RGVSA Environs Rates	
<b>Residential</b>			
No. of Customers Affected	56,078	3,306	
Customer Charge	\$18.02	\$21.87	
Volumetric Charge (per Ccf)	\$0.88854	\$0.34028	
Small Customer Charge			\$20.00
Small Volumetric Charge (per Ccf)			\$2.33897
Large Customer Charge			\$35.00
Large Volumetric Charge (per Ccf)			\$0.95435
<b>Commercial</b>			
No. of Customers Affected	3,574	164	
Customer Charge	\$141.62	\$117.13	
Volumetric Charge (per Ccf)	\$0.31650	\$0.31650	
Small Customer Charge			\$80.00
Small Volumetric Charge (per Ccf)			\$0.61849
Large Customer Charge			\$250.00
Large Volumetric Charge (per Ccf)			\$0.21049

<b>Commercial Transportation</b>			
No. of Customers Affected	24	3	
Customer Charge	\$483.62	\$459.13	\$500.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.10163
First 5000	\$0.31650	\$0.31650	N/A
All Over 5000	\$0.01777	\$0.01777	N/A
<b>Church (Reclassified to Commercial)</b>			
No. of Customers Affected	194	5	
Customer Charge	\$123.62	\$99.13	\$80.00
Volumetric Charge (per Ccf)	\$0.31650	\$0.31650	\$0.61849
<b>Industrial</b>			
No. of Customers Affected	20	14	
Customer Charge	\$903.88	\$680.49	\$850.00
Volumetric Charge (per Ccf)	\$0.30336	\$0.30336	\$0.36782
<b>Industrial Transportation</b>			
No. of Customers Affected	17	20	
Customer Charge	\$1,153.88	\$930.49	\$1,000.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.11076
First 5000	\$0.30336	\$0.30336	N/A
All Over 5000	\$0.03453	\$0.03453	N/A
<b>Public Authority</b>			
No. of Customers Affected	449	55	
Customer Charge	\$132.93	\$106.36	\$200.00
Volumetric Charge (per Ccf)	\$0.38068	\$0.38068	\$0.33119
<b>Public Authority Transportation</b>			
No. of Customers Affected	3	3	
Customer Charge	\$487.93	\$461.36	\$2,500.00
Volumetric Charge (per Ccf)			
All Ccf			\$0.04521
First 5000	\$0.38068	\$0.38068	N/A
All Over 5000	\$0.01595	\$0.01595	N/A
<b>Electric Generation</b>			
No. of Customers Affected	0	0	
Customer Charge	N/A	N/A	\$250.00
Volumetric Charge (per Ccf)	N/A	N/A	\$0.21049
<b>Electric Generation Transportation</b>			
No. of Customers Affected	0	0	
Customer Charge	N/A	N/A	\$500.00
Volumetric Charge (per Ccf)			
All Ccf	N/A	N/A	\$0.10163

\*Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.

**TABLE 2 – Impact on Average Bill**

<b>Customer Class RGVSA</b>	<b>Current Average Monthly Bill Including Cost of Gas</b>	<b>Proposed Average Monthly Bill Including Cost of Gas</b>	<b>Proposed Monthly Dollar Change</b>	<b>Proposed Percentage Change with Gas Cost</b>	<b>Proposed Percentage Change without Gas Cost</b>
<b>Sales Service</b>					
<b>Residential - Small</b>					
Incorporated	\$26.63	\$36.31	\$9.68	36.35%	42.61%
Environs	\$27.56	\$36.31	\$8.75	31.75%	36.95%
<b>Residential - Large</b>					
Incorporated	\$46.52	\$64.66	\$18.14	38.99%	53.89%
Environs	\$40.72	\$64.66	\$23.94	58.79%	85.93%
<b>Commercial - Small</b>					
Incorporated	\$283.08	\$262.25	\$(20.83)	(7.36)%	(11.30)%
Environs	\$258.59	\$262.25	\$3.66	1.42%	2.28%
<b>Commercial - Large</b>					
Incorporated	\$1,258.55	\$1,253.87	\$(4.68)	(0.37)%	(0.97)%
Environs	\$1,234.06	\$1,253.87	\$19.81	1.61%	4.36%
<b>Church (Withdrawina/Proposed Reclass to Commercial)</b>					
Incorporated	\$147.71	\$111.04	\$(36.67)	(24.83)%	(28.01)%
Environs	\$123.22	\$111.04	\$(12.18)	(9.88)%	(11.45)%
<b>Industrial</b>					
Incorporated	\$4,992.15	\$5,193.08	\$200.93	4.02%	9.55%
Environs	\$4,768.76	\$5,193.08	\$424.32	8.90%	22.57%
<b>Public Authority</b>					
Incorporated	\$447.50	\$500.56	\$53.06	11.86%	22.05%
Environs	\$420.93	\$500.56	\$79.63	18.92%	37.20%
<b>Electric Generation</b>					
Incorporated	N/A	N/A	\$0.00	0.00%	
Environs	N/A	N/A	\$0.00	0.00%	
<b>Transportation Service</b>					
<b>Commercial Transportation</b>					
Incorporated	\$11,603.26	\$11,259.61	\$(343.65)	(2.96)%	(15.50)%
Environs	\$11,578.77	\$11,259.61	\$(319.16)	(2.76)%	(14.55)%
<b>Industrial Transportation</b>					
Incorporated	\$17,222.20	\$17,264.17	\$41.97	0.24%	1.31%
Environs	\$16,998.81	\$17,264.17	\$265.36	1.56%	8.93%
<b>Public Authority Transportation</b>					
Incorporated	\$12,130.31	\$12,723.22	\$592.91	4.89%	23.42%
Environs	\$12,103.74	\$12,723.22	\$619.48	5.12%	24.72%
<b>Electric Generation Transportation</b>					
Incorporated	N/A	N/A	\$0.00	0.00%	
Environs	N/A	N/A	\$0.00	0.00%	

\*Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.



Table 2 calculations are based on a \$0.73 cost of gas and do not include revenue-related taxes.

The Company also proposes changes to Miscellaneous Service Charges included in Table 3 below.

**Table 3 – Miscellaneous Service Charges**

Incorporated/Environs Service Fees and Deposits	RGVSA	
	Current Fee	Proposed Fee
Reconnect	\$35.00	\$38.00
Connect Fee - Read Only	\$10.00	\$18.00
Special Handling	\$6.00	\$18.00
Expedited Service/Overtime/After Hours	\$67.50	\$70.00
Regular Labor Rate	\$45.00	\$50.00
After Hours Rates		
No Access Fee (Door Tag)	\$10.00	\$18.00
Meter Test Up to 1500 CFH	\$80.00	\$150.00
Meter Test Over 1500 CFH	\$100.00	\$225.00
Orifice Meters	\$100.00	\$200.00
Payment Re-processing Fee (Returned Check Fee)	\$25.00	\$25.00
Collection Fee (All Classes)	\$12.00	\$18.00
Special Read	\$10.00	\$20.00
Meter Exchange without ERT (Customer Request)	\$100.00	Discontinue
Meter Exchange (Customer Request)	\$150.00	\$180.00
Unauthorized Consumption (Plus Expenses)	\$20.00	\$30.00
Meter Removal Fee	\$50.00	\$25.00
Account Research per hour Fee	\$25.00	\$20.00
Excess Flow Valve Installation Fee	\$400.00	\$400.00
Minimum Deposit Residential	\$75.00	\$75.00
Minimum Non Residential Deposit	\$250.00	\$250.00
Meter Tampering (Residential)	\$100.00	\$180.00

The proposed changes in Table 3 reflect a net increase of \$68,812 in revenues.

In addition to requesting new rates in RGVSA, TGS is requesting: (1) Commission approval of new depreciation rates for Direct and Division distribution and general plant within the RGVSA; (2) a finding from the Commission that the approvals of the administrative orders by the Gas Services Department of the Commission based on the Accounting Order in Gas Utilities Docket (“GUD”) No. 10695 are reasonable and accurate and that TGS has fully complied with the requirements in GUD No. 10695; (3) a finding from the Commission that expenses for Winter Storm Uri and COVID-19 that are contained in regulatory assets authorized by the Commission are reasonable, necessary and accurate; (4) a prudence determination for capital investment made in the RGVSA through December 31, 2022, including capital investment in the Company’s Interim Rate Adjustment (“IRA”) filings made since the last rate cases in the RGVSA pursuant to Texas Utilities Code § 104.301; (5) approval to include Excess Deferred Income Taxes (“EDIT”) in base rates, with discontinuance of the EDIT Rider, to return EDIT to customers; and (6) approval to recover the reasonable rate case expenses associated with this filing through a surcharge on rates, as provided by law.

The Company also proposes revisions to RGVSA rate schedules and tariffs that contain the proposed rates in Table 1. For all proposed incorporated Rate Schedules for General Sales and Transportation Customers, TGS proposes revisions to the "Other Adjustments" section to remove references to Rate Schedule EDIT-Rider, add references to Rate Schedules RCE and PSF, a revision to the "Cost of Service Rate" section to clarify the Company's delivery charge and revisions to the "Territory" section in General Sales rate schedules and the "Availability" section in the Transportation rate schedule for consistency with other Company service areas. For all proposed environs Rate Schedules for General Sales and Transportation Customers, TGS proposes revisions to the "Other Adjustments" section to add references to Rate Schedules RCE-ENV and PSF, a revision to the "Cost of Service Rate" section to clarify the Company's delivery charge and revisions to the "Territory" section in General Sales rate schedules and the "Availability" section in the Transportation rate schedule for consistency with other Company service areas. For Residential Rate Schedules 10, 15, 1Y and 1Z, TGS proposes to add residential builders to the "Applicability" sections, designate 10 and 1Z as Small Residential, add new 15 and 1Y Large Residential rate schedules and revisions to the "Applicability" section for consistency with other Company service areas. For Commercial Rate Schedules, TGS proposes to withdraw the rate for Church service, designate 20 and 2Z as Small Commercial, and add new 25 and 2Y Large Commercial rate schedules. For Public Authority Rate Schedules 40 and 4Z, TGS proposes revisions to the "Applicability" section for consistency with other Company service areas. For Unmetered Gas Light Rate Schedules 70 and 7Z, TGS proposes new rate schedules that provide a mechanism to provide unmetered gas service to customers for gas lighting only. For Electric Generation Rate Schedules C-1 and C-1-ENV, TGS proposes new rate schedules that provide a mechanism for provide natural gas service to non-residential customers for the purpose of electric generation. For Transportation Rate Schedules T-1, T-1-ENV and T-TERMS, TGS proposes to add rates for Electric Generation service; revise section 1.2 to add definitions for "Firm Service" and "Force Majeure" to provide clarity for Customer and Company rights and responsibilities during a curtailment event and add a definition for "Electric Generation Service" to align with Commission Rule §7.455 and include distributed generation and backup power systems that are registered with the applicable balancing authorities; revise sections 1.4 and 1.6 to clarify Qualified Supplier and Company responsibilities for designating receipt points; add clarifying language to section 1.5(g) for Customer's responsibility to provide written notice to the Company; revisions to the "Applicability," "Availability," "Additional Charges," and "Subject To" sections in T-1 and T-1-ENV and sections 1.1, 1.2, 1.4, 1.5, 1.6 and 1.7 in T-TERMS for consistency with other Company service areas; and add sections 1.3 and 1.8 for consistency with other Company service areas. For the Cost of Gas Clauses 1-INC and 1-ENV, TGS proposes to expand language in section B.3 to include other renewable sources of natural gas consistent with approved cost of gas clauses in Docket No. OS-22-00009896; add section B.4 for a Customer Rate Relief charge applicable to all RGVSA customers, authorized by the Commission's Financing Order in Docket No. OS-21-00007061 and update sections B.1 and G to add references to the Customer Rate Relief charge; add clarifying language to sections B, C, F, and H to make consistent with approved Cost of Gas clauses in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766, and 10928; and add clarifying language for the use of financial instruments in sections B.3, B.6, B.8, and H.4 in the incorporated tariff to make consistent with the recently approved cost of gas clauses in Docket No. OS-22-00009896 and GUD No. 10928. For Rate Schedule WNA, TGS proposes revisions to the "Applicability" section to reference new Rate Schedules for Large Residential and Large Commercial; updated weather factors for each class consistent with weather normalization calculation in this case; removed reference to Commercial Church weather factor; and revisions to the "Applicability" and "Filing with the Cities and the Railroad Commission of Texas (RRC)" sections for consistency with the other Company service areas. Proposed Rate Schedules RCE and RCE-ENV provide a mechanism to recover all reasonable rate case expenses incurred by the Company and cities in connection with the Statement of Intent filings that have been made with the cities and the Commission. For the Rules of Service, TGS proposes revisions for consistency with the Commission's Quality of Service Rules and the approved Rules of Service in Docket No. OS-22-00009896. In addition, the Company proposes: updating the Company's contact information on page 1 for customer inquiries; updating § 1.3, Definitions, to include all definitions of terminology in the Rules of Service consistent with approved Rules of Service in Docket No. OS-22-00009896 and GUD Nos. 10739, 10766, and 10928 as well as add definitions for "Firm Service" and "Force Majeure" to provide clarity for Customer and Company rights and responsibilities during a curtailment event, while revising "Electrical Cogeneration Service" to

"Electric Generation Service" and expand its definition to align with Commission Rule §7.455 and include distributed generation and backup power systems that are registered with the applicable balancing authorities; revisions to § 3 to include language for the availability of rate schedules on the Company's website; revisions to § 4.4 to remove a reference to the Company's previous filed curtailment plan and § 4.4(iv) to include curtailment language consistent with the new Commission Rule §7.455; revisions to § 4.9 to add language regarding force majeure situations to the limitation of liability provision; revisions to § 4.6, § 7.4, § 7.7, § 9.1 and § 9.6 to provide for electronic billing and notice; revisions to § 9.9 (previously § 20.1) to update the language to reflect the current plan description for Average Payment Plan; making an administrative correction to § 12.9; revisions to § 15 (previously § 21), Fees and Deposits, to establish greater consistency for service fees and deposits among the Company's service areas; and withdraw the rules of service addenda RGVSA-Env 7-45 and RGVSA-Env 7-46, as these provisions have been included within the proposed RGVSA Rules of Service in Sections 7.7 and 8.3(e). Finally, TGS proposes to withdraw the Cost of Service Adjustment Clause, Rate Schedule 1-1, Franchise Fee and State Occupancy Tax Factors, Rate Schedule 1B, City Ordinance Listing, Rate Schedule ORD-RGV, and Excess Deferred Income Tax Credit, Rate Schedule EDIT-Rider.

Persons with specific questions or desiring additional information about this filing may contact TGS at 1-800-700-2443. Complete copies of the filed Statement of Intent, including all proposed rates and schedule changes, are available for inspection at TGS's offices located at 5602 E. Grimes Rd., Harlingen, Texas 78550, or on the Company's website at <https://www.texasgasservice.com/RateInformation/RioGrandeValley>. Any affected person may file written comments or a protest concerning the proposed rate change with the Docket Services Section of the Office of the Hearings Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967, at any time within 30 days following the date on which this change would or has become effective, or September \_\_, 2023. Please reference Docket No. OS-23-00014399. Any affected person within an incorporated area may contact their city council.

Este aviso tiene como fin informarle a los clientes de Texas Gas Service Company, una Division de ONE Gas, Inc. ("TGS" o la "Compañía") de el área del Valle del Rio Grande que la Compañía ha presentado una solicitud para aumentar las tarifas del servicio público de gas. Esta solicitud afecta a todos los clientes residenciales, comerciales, transporte comercial, industriales, transporte industrial, de autoridad pública, transporte de autoridad pública, generacion electrica, y transporte de generacion electrica. Las personas que deseen hacer preguntas específicas o recibir más información sobre esta solicitud pueden comunicarse con la Compañía llamando al 1-800-700-2443 o envíe un mensaje de correo electrónico a la dirección ODCInformationCenterWebTeam@onegas.com. Cualquier persona afectada puede presentar por escrito comentarios o una protesta sobre el cambio de tarifas propuesto a la Sección de Servicios de la Oficina de la División de Audiencias, Comisión Ferroviaria de Texas, P.O. Box 12967, Austin, Texas 78711-2967, en cualquier momento dentro de los 30 días siguientes a la fecha en que este cambio entraría en vigencia o el \_\_ de septiembre del 2023. Por favor, haga referencia a Docket No. OS-23-00014399. Cualquier persona afectada dentro de un área incorporada puede contactar a su Consejo Municipal.

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.,  
STATEMENT OF INTENT TO CHANGE GAS UTILITY RATES WITHIN  
THE INCORPORATED AREAS OF THE RIO GRANDE VALLEY SERVICE AREA  
PROTECTIVE AGREEMENT**

This Protective Agreement shall govern the use of all information deemed confidential or highly sensitive confidential information by a party providing information to the Cities or responding to discovery requests, including information whose confidentiality may be under dispute in this matter.

**1. Designation of Protected Materials**

Any party or person producing or filing a document, including, but not limited to, records stored or encoded on a computer disk or other similar electronic storage medium, in this proceeding may designate that document, or any portion of it, as confidential by typing or stamping on its face **“PROTECTED MATERIALS PROVIDED PURSUANT TO PROTECTIVE AGREEMENT”** (hereinafter referred to as “protected materials”). The documents shall be consecutively Bates Stamped when necessary. On or before the date the protected materials or highly sensitive materials (as this term is defined in Paragraph 6 herein) are provided to the Commission or parties, the producing party shall file and deliver to each party to the proceeding a written statement, which may be in the form of an objection, indicating: (1) any and all exemptions to the Public Information Act, TEX. GOV'T CODE ANN. Chapter 552, claimed to be applicable to the alleged protected materials; (2) the reasons supporting the providing party's claim that the responsive information is exempt from the public disclosure under the Public Information Act and subject to treatment as protected materials; and (3) that counsel for the providing party has reviewed the information sufficiently to state in good faith that the information is exempt from public disclosure under the Public Information Act and merits protected materials designation.

**2. Materials Excluded from Protected Materials Designation**

Protected materials shall not include any information or document contained in the public files of the Railroad Commission of Texas, or any other federal or state agency, court, or local government authority subject to the Public Information Act or under the Federal Freedom of Information Act provided however, that any party or person may assert any privilege or exception available under these Acts. Protected materials also shall not include materials that at the time of or prior to disclosure in these proceedings, is or was publicly disclosed, on a non-confidential basis. The disclosure of materials to a party, its customers, or their respective employees, agents, consultants, or counsel in the normal course of business shall not preclude a claim that such materials are protected materials hereunder. Protected materials disclosed by someone other than an employee, agent, or consultant of the originating party in violation of this Protective Agreement shall not lose their status as protected material as a result of such disclosure.

**3. Definition of “reviewing party”**

A “reviewing party” is defined for purposes of this Protective Agreement as a party to the city-level Statement of Intent proceeding filed by Texas Gas Service Company, a division of ONE Gas, Inc. (“TGS”), including TGS or a representative for a city within the Rio Grande Valley Service Area, or other party with standing to participate in the proceeding.

**4. Definition of “producing party”**

A “producing party” is defined for purposes of this Protective Agreement as TGS, a city within the Rio Grande Valley Service Area, or any other party with standing to participate in the proceeding.

**5. Access to Protected Materials**

A reviewing party shall be permitted access to protected materials only through its authorized representatives. “Authorized representatives” of a party include its counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by the party and directly engaged in these proceedings, provided that such person has signed the certification required by Paragraph 8.

**6. Designation of Highly Sensitive Protected Materials**

The term “highly sensitive protected materials” is a subset of “protected materials.” The term refers to, but is not limited to, documents and information the provision of which to the reviewing party or its authorized representatives would: (1) expose the producing party or any of its affiliates to an unreasonable risk of harm, or (2) would result in disclosure of information that would be subject to a privilege against disclosure, a contractual confidentiality agreement or other Protective Agreement or agreement. Highly sensitive protected materials further include, but are not limited to, business operations or financial information that is commercially sensitive. Documents so classified by a producing party shall bear the designation “HIGHLY SENSITIVE PROTECTED MATERIALS PROVIDED PURSUANT TO THE PROTECTIVE AGREEMENT.”

**7. Restrictions on Copies and Inspection of Highly Sensitive Protected Materials**

Highly sensitive protected materials shall be made available for inspection only at the address specified pursuant to Paragraph 9. Additionally, only one copy of highly sensitive protected materials shall be provided to counsel of any party to this proceeding upon written request following completion of the certifications required by Paragraph 8 herein. A party may make one additional copy of reproduced highly sensitive protected materials for use in this proceeding pursuant to this Protective Agreement. No additional copies of such highly sensitive protected materials may be made, except that additional copies may be made in order to have sufficient copies for introduction of the material into the evidentiary record if the material is to be offered for admission into the record. A record of any copies that are made of highly sensitive protected material shall be kept and a copy of the record shall be sent to the producing party upon request. The record shall include information on the location and the person in possession of the

copy. The authorized representatives for the purpose of access to highly sensitive protected materials must be persons who are: (1) counsel for the reviewing party, (2) consultants for the reviewing party working under the direction of the reviewing party's counsel, (3) permanent non-elected employees of municipalities that are parties in this proceeding, who have primary responsibility for utility regulation. The authorized representatives for the Cities for the purpose of access to these materials shall consist of its respective counsel of record in this proceeding and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by those agencies and directly engaged in this proceeding. Limited notes may be made of highly sensitive protected materials, and such notes shall themselves be treated as highly sensitive protected material unless such notes are restricted to a description of the document and a general characterization of its subject matter in a manner that does not include any substantive information contained in such highly sensitive protected materials.

## **8. Required Certification**

Each person who inspects the protected materials shall, before such inspection, agree in writing to follow certification set forth in Exhibit A to this Agreement:

I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Agreement in this proceeding, and that I have been given a copy of it and have read the Protective Agreement and agree to be bound by it. I understand that the contents of the protected materials, any notes, memoranda, or any other form of information regarding or derived from the protected materials shall not be disclosed to anyone other than in accordance with the Protective Agreement and shall be used only for the purpose of this proceeding. If the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this proceeding, the understanding stated herein shall not apply.

In addition, reviewing parties who are permitted access to highly sensitive protected material under the terms of this ruling shall, before inspection of such materials, agree in writing to the following certification set forth in Exhibit A to this Protective Agreement:

I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Agreement in this proceeding.

A copy of each signed certification shall be provided to counsel for the party asserting confidentiality. Except for highly sensitive protected materials, any authorized representative may disclose protected materials to any other person who is an authorized representative, provided that, if the person to whom disclosure is to be made has not executed and provided for delivery of a signed certification to the party asserting confidentiality, that certification shall be executed prior to any disclosure. An authorized representative may disclose highly sensitive protected material to other reviewing representatives who are permitted access to such materials and have executed the additional certification required for persons who receive access to highly sensitive protected material. In the event that any authorized representative to whom protected materials are disclosed ceases to be engaged in these proceedings, access to protected materials by that person shall be terminated and all notes or memoranda or other information derived from the protected material shall be returned to the party on whose behalf that person was acting. Any person who has agreed

to either or both of the foregoing certifications shall continue to be bound by the provisions of this Protective Agreement, even if no longer engaged in these proceedings. Parties who assert confidentiality shall maintain a list of persons who sign a certification pursuant to this Paragraph.

## **9. Voluminous Materials**

(a) Voluminous protected materials which exceed eight linear feet shall be made available for inspections in its normal repository between the hours of 9:30 a.m. and 5:00 p.m., Monday through Friday (except holidays) in accordance with the Texas Rules of Civil Procedure. A party shall notify the other parties of the address at which the voluminous data will be produced simultaneously with the production of such data. For purposes of this Protective Agreement voluminous materials or data shall mean responses to a particular question or subpart that consist of one hundred pages or more in the aggregate.

(b) Except for highly sensitive protected materials as provided for in Paragraph 7, and for protected materials that are voluminous, the party asserting confidentiality shall provide a party one copy of the protected materials upon receipt of the signed certifications described in Paragraph 8. Except as provided above for highly sensitive protected materials, parties may take notes regarding the information contained in protected materials made available for inspection pursuant to Paragraph 9(a). Only one copy of such protected materials shall be reproduced for each party. Parties shall make a diligent, good-faith effort to limit the amount of copying requested to only that which is appropriate for purposes of this proceeding. Notwithstanding the foregoing provisions of this Paragraph 9(b), a party may make further copies of reproduced protected materials for use in this proceeding pursuant to this Protective Agreement, but a record shall be maintained as to the documents produced and the number of copies made, and upon request, the party shall provide the party asserting confidentiality with a copy of that record.

## **10. Availability for Purposes of this Filing**

All protected materials shall be made available to the Cities solely for the purposes of this proceeding. Protected materials, as well as a party's notes, memoranda, or other information regarding, or derived from the protected materials are to be treated confidentially by the parties and shall not be disclosed or used by the party except as permitted and provided in this Protective Agreement. Information derived from or describing the protected materials shall be maintained in a secure place and shall not be placed in the public or general files of the party except in accordance with the provisions of this Protective Agreement. Cities must take all reasonable precautions to ensure that the protected materials, including notes and analysis made from protected materials, are not viewed or taken by any person other than an authorized representative of the Cities.

## **11. Changes to Protective Agreement**

Nothing herein restricts the party seeking protected material and the party producing the protected material from agreeing to other procedures/methods for handling of protected material, including highly sensitive protected material. In addition, each party shall have the right to seek changes in this Protective Agreement as appropriate from the Examiners, the Commission, or the courts. Nothing herein shall prevent any party from opposing efforts to seek changes to this ruling.

## **12. Objection to Protected Materials**

Nothing in this ruling shall be construed as precluding any party from objecting to the use of protected materials on grounds other than confidentiality, including the lack of required relevance. Nothing in this ruling shall be construed as an agreement by any party that the protected materials are entitled to confidential classification.

## **13. Acts Upon Conclusion of Proceeding**

Following the conclusion of these proceedings, each party must, no later than thirty days following receipt of the notice described below, destroy or return to the party asserting confidentiality all copies of the protected materials provided by that party pursuant to this Protective Agreement and all copies reproduced by a reviewing party, and counsel for each party must provide to the party asserting confidentiality a verified certification that, to the best of his or her knowledge, information, and belief, all copies of notes, memorandum, and other documents regarding or derived from the protected materials (including copies of protected materials) that have not been so returned, if any, have been destroyed, other than notes, memoranda, or other documents which contain information in a form which, if made public, would not cause disclosure of protected materials. Promptly following the conclusion of this proceeding, counsel for the party asserting confidentiality will send a written notice to all parties, reminding them of their obligations under this Paragraph. Nothing in this Paragraph shall prohibit counsel for each party from retaining two copies of any filed testimony, exhibit, brief, application for rehearing, or other pleading which refers to protected materials provided that any such protected materials retained by counsel shall remain subject to the provisions of this ruling. As used in this Paragraph, “conclusion of this proceeding” refers to the exhaustion of available appeals, or the running of the time for making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then “the conclusion of these proceedings” is extended by the remand to the exhaustion of available appeals, or the running of the time for the making of such appeals, as provided by applicable law. If, following any appeal, the Commission conducts a remand proceeding, then the “conclusion of this proceeding” is extended by the remand to the exhaustion of available appeals of the remand or the running of time for making such appeals of the remand, as provided by applicable law.

## **14. Compliance with Legal Requirements**

This Protective Agreement is subject to the requirements of the Public Information Act, the Open Meetings Act, and any other applicable law, provided that parties subject to those acts will give the party asserting confidentiality notice, if possible, under those acts, prior to disclosure pursuant to those acts.

## **15. Effect of Court Order**

If required by order of a government or judicial body, the party may release to such body the confidential information required by such order, provided, however, the party agrees that prior to such disclosure, it shall promptly notify the party asserting confidentiality of the order and allow such party sufficient time to contest release of the confidential information; provided, further, the party shall use its best efforts to prevent such confidential information from being disclosed.



The term “best efforts” as used in the preceding paragraph requires that the party’s attempt to ensure that disclosure is not made by its employees or authorized representatives unless such disclosure is pursuant to a final order of a governmental or judicial body or written opinion of the Attorney General which was sought in compliance with V.T.C.A., Government Code §552.301 (Public Information). The party is not required to delay compliance with a lawful order to disclose such information but is simply required to timely notify the party asserting confidentiality, or its counsel, that it has received a challenge to the confidentiality of the information and that the reviewing party will either proceed under the provisions of §552.301 of the Texas Government Code or intends to comply with the final governmental or court order.

#### **16. Effect of Violation of Court Order**

In the event of a breach of the provisions contained in Paragraph 15, the party asserting confidentiality will not have an adequate remedy in money or damages, and accordingly, shall in addition to any other available legal or equitable remedies, be entitled to an injunction against such breach. The producing party shall not be relieved of proof of any element required to establish the right to injunctive relief.

**EXHIBIT A**  
**CERTIFICATIONS**

**Certification for Protected Materials Only:**

I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Agreement in this proceeding, and that I have been given a copy of it and have read the Protective Agreement and agree to be bound by it. I understand that the contents of the protected materials, any notes, memoranda, or any other form of information regarding or derived from the protected materials shall not be disclosed to anyone other than in accordance with the Protective Agreement and shall be used only for the purpose of this proceeding. If the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this proceeding, the understanding stated herein shall not apply.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Party Represented

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

**Additional Certification for Highly Sensitive Protected Materials:**

I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Agreement in this proceeding.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Party Represented

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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2	WKP A.a	Proof of Revenue Requirement	Anthony Brown
3	WKP A.b	Customer Allocation Factors	Anthony Brown
4	SCHEDULE B	Rate Base	Anthony Brown / Allison Edwards
5	WKP B.a	Summary of Plant Adjustments	Anthony Brown
6	SCHEDULE B-1	Materials and Supplies	Anthony Brown
7	SCHEDULE B-2	Prepayments	Anthony Brown / Allison Edwards
8	WKP B-2.a.1	Prepayments - TGS Division	Allison Edwards
9	WKP B-2.b.1	Prepayments - Corporate Allocated through Distrigas	Allison Edwards
10	SCHEDULE B-3	Rule 8.209 Regulatory Asset	Anthony Brown / Stacey McTaggart
11	WKP B-3.a	Rule 8.209 Regulatory Asset	Anthony Brown
12	SCHEDULE B-4	Pension and OPEB Regulatory Asset	N/A in RGVSA Rate Case
13	WKP B-4.a	Pension and OPEB Regulatory Asset	N/A in RGVSA Rate Case
14	SCHEDULE B-5	Prepaid Pension Asset	Cyndi King
15	SCHEDULE B-6	Cash Working Capital	Timothy Lyons
16	SCHEDULE B-7	Customer Deposits	Anthony Brown
17	SCHEDULE B-8	Customer Advances	Anthony Brown
18	SCHEDULE B-9	Accumulated Deferred Income Taxes	Janet Simpson
19	SCHEDULE B-10	Unamortized Excess Accumulated Deferred Income Taxes	Kenneth Eakens / Stacey McTaggart
20	SCHEDULE B-11	Regulatory Assets	Stacey McTaggart
21	SCHEDULE C	Total Plant in Service - Direct and Allocated	Anthony Brown / Allison Edwards
22	WKP C.a	Plant in Service - Service Area Direct	Anthony Brown
23	WKP Ca.1	N/A	N/A
24	WKP C.b	Plant in Service - TGS Division	Allison Edwards
25	WKP C.c	Plant in Service - Corporate	Allison Edwards
26	SCHEDULE C-1	Total Completed Construction Not Classified (CCNC) - Direct and Allocated	Anthony Brown / Allison Edwards
27	WKP C-1.a	CCNC - Service Area Direct	Anthony Brown
28	WKP C-1.a.1	N/A	N/A
29	WKP C-1.b	CCNC - TGS Division	Allison Edwards
30	WKP C-1.c	CCNC - Corporate	Allison Edwards
31	SCHEDULE D	Total Accumulated Reserves for Depreciation and Amortization - Direct and Allocated	Anthony Brown / Allison Edwards
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33	WKP D.a.1	N/A	N/A
34	WKP D.b	Total Accumulated Reserves for Depreciation and Amortization - TGS Division	Allison Edwards
35	WKP D.c	Total Accumulated Reserves for Depreciation and Amortization - Corporate	Allison Edwards
36	SCHEDULE E	Cost of Capital	Bruce Fairchild
37	SCHEDULE F	Federal Income Tax	Anthony Brown
38	SCHEDULE G	Summary of Operating Revenue and Expense Adjustments	Anthony Brown / Allison Edwards / Teresa Serna
39	SCHEDULE G	Summary of Operating Revenue and Expenses	Anthony Brown / Allison Edwards
40	WKP G.a.1	Operating Revenue and Expense Adjustments	Anthony Brown / Allison Edwards
41	WKP G.a.2	Operating Revenue and Expense Per Book	Anthony Brown / Allison Edwards
42	WKP G.a.2.a	Supporting Workpaper for Operating Revenue and Expense Per Book, Including O&M Expense Factor for Shared Service, Including Costs Allocated Through Distrigas	Allison Edwards
43	SCHEDULE G-1	Remove Gas Revenue, Cost of Gas and Related Taxes	Teresa Serna
44	SCHEDULE G-2	Normalize Gas Sales Revenue	Teresa Serna

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47	WKP G-4.a	Base Payroll Expense	Allison Edwards
48	WKP G-4.b	Test Year Payroll	Allison Edwards
49	WKP G-4.c	December Base Payroll	Allison Edwards
50	SCHEDULE G-5	Overtime Payroll Adjustment	Allison Edwards
51	WKP G-5.a	Overtime Payroll Expense	Allison Edwards
52	SCHEDULE G-6	Benefits and Payroll Tax Adjustment	Allison Edwards
53	WKP G-6.a	Benefits and Payroll Tax Expense	Allison Edwards
54	WKP G-6.b	Benefits and Taxes	Allison Edwards
55	WKP G-6.c	Base Level Pension and OPEB	Allison Edwards
56	SCHEDULE G-7	N/A	N/A
57	SCHEDULE G-8	Incentive Compensation	Allison Edwards
58	SCHEDULE G-8.a	STI Adjustment	Allison Edwards
59	SCHEDULE G-8.b	LTI Adjustment	Allison Edwards
60	SCHEDULE G-9	Miscellaneous Adjustments	Anthony Brown / Allison Edwards
61	WKP G-9.a	Miscellaneous Adjustments - Direct Service Area	Anthony Brown
62	WKP G-9.b	Miscellaneous Adjustments - Shared Services	Allison Edwards
63	WKP G-9.c	Miscellaneous Adjustments - Dstrigas	Allison Edwards
64	SCHEDULE G-10	Rents and Leases	Anthony Brown / Allison Edwards
65	WKP G-10.a	Rents and Leases - Direct Service Area	Anthony Brown
66	WKP G-10.b	Rents and Leases - Shared Services	Allison Edwards
67	SCHEDULE G-11	Interest on Customer Deposits	Anthony Brown
68	SCHEDULE G-12	Uncollectible Expense	Anthony Brown
69	SCHEDULE G-13	Injuries and Damages	Allison Edwards
70	WKP G-13.a	Injuries and Damages Workpaper	Allison Edwards
71	SCHEDULE G-14	Advertising Expense	Anthony Brown / Allison Edwards
72	SCHEDULE G-15	Depreciation and Amortization Expense	Anthony Brown / Allison Edwards
73	WKP G-15.a.1	Depreciation and Amortization Expense - Direct Service Area	Anthony Brown
74	WKP G-15.a.2	Fully Depreciated Plant - Direct Service Area	Anthony Brown
75	WKP G-15.b.1	Depreciation and Amortization Expense - TGS Division	Allison Edwards
76	WKP G-15.b.2	Fully Depreciated Plant - TGS Division	Allison Edwards
77	WKP G-15.c.1	Depreciation and Amortization Expense - Corporate	Allison Edwards
78	WKP G-15.c.2	Fully Depreciated Plant - Corporate	Allison Edwards
79	SCHEDULE G-16	Ad Valorem Tax Expense	Anthony Brown
80	WKP G-16.a	Plant in Service - Direct, Ad Valorem Tax Workpaper	Anthony Brown
81	WKP G-16.b	CCNC - Direct, Ad Valorem Tax Workpaper	Anthony Brown
82	WKP G-16.c	Accumulated Reserves for Depreciation and Amortization - Direct, Ad Valorem Tax Workpaper	Anthony Brown
83	SCHEDULE G-17	Franchise ("Gross Margin") Tax Expense	Anthony Brown
84	SCHEDULE G-18	Stores Load Clearing	Anthony Brown
85	SCHEDULE G-19	Transportation and Work Equipment Clearing	Anthony Brown
86	SCHEDULE G-20	Regulatory Expense Amortization	Anthony Brown / Stacey McTaggart
87	SCHEDULE G-21	Dstrigas Allocation Percentage	Allison Edwards
88	WKP G-21.a	Dstrigas Allocation Percentage Workpaper	Allison Edwards
89	SCHEDULE G-22	Causal Allocation Percentage	Allison Edwards
90	WKP G-22.a	Causal Allocation Factor	Allison Edwards

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91	SCHEDULE G-23	Pipeline Integrity Testing Expense	Anthony Brown
92	SCHEDULE G-24	Excess Deferred Income Tax Amortization	Anthony Brown / Kenneth Eakens / Stacey McTaggart
93	Study Summary	Class Cost of Service Study Summary	Teresa Serna
94	Classified Rate Base	Classified Rate Base	Teresa Serna
95	Classified Cost of Service	Classified Cost of Service	Teresa Serna
96	Classification Factors	Classification Factors	Teresa Serna
97	Allocated Rate Base	Allocated Rate Base	Teresa Serna
98	Allocated Cost of Service	Allocated Cost of Service	Teresa Serna
99	Allocation Factors	Allocation Factors	Teresa Serna
100	WKP Plant	Plant and Depreciation Workpaper	Teresa Serna
101	WKP Admin&Gen	Administrative & General Workpaper	Teresa Serna
102	WKP Selected Data	Selected Data Workpaper - Volumes, Bills, Margin, Odorization, Distrigas, Allocation Factors, Mains (Customer) Percentage	Teresa Serna
103	903 Factors	Account 903 Factors Summary for CCOSS	Teresa Serna
104	904 Factors	Account 904 Factors Summary for CCOSS	Teresa Serna
105	Billing Determinants Summary	Billing Determinants Summary for CCOSS	Teresa Serna
106	Customer Deposit Factors	Customer Deposit Factors Summary for CCOSS	Teresa Serna
107	Mains Study Summary	Mains Study Summary for CCOSS	Teresa Serna
108	Meters & Regulator Factors	Meter & Regulator Factors Summar for COSS	Teresa Serna
109	Odorization Summary	Odorization Summary for COSS	Teresa Serna
110	Peak Demand	Peak Demand Summary for COSS	Teresa Serna
111	Service Charges Summary	Service Charges Summary for COSS	Teresa Serna
112	Service Line Factors	Service Line Factors Summary for COSS	Teresa Serna
113	As Adjusted Revenues Summary	Summary of As Adjusted Revenues for CCOSS	Teresa Serna
114	Class Revenue Allocation	Class Revenue Allocation	Teresa Serna
115	Proof of Revenue	Proof of Revenue	Paul Raab
116	Current & Rec Rates	Current and Recommended Rates	Paul Raab
117	WKP Current & Rec Rates	Current and Recommended Rates Workpaper	Paul Raab
118	Customer Bill Impacts	Customer Bill Impacts	Paul Raab
119	Residential Bill Impacts Existing Rates	Annual Residential Bill Impacts - Proposed A/B Rate Structure compared to Existing Rate Structure	Paul Raab
120	Residential Bill Impacts New Rates	Annual Residential Bill Impacts - Proposed A/B Rate Structure compared to Traditional Rate Structure	Paul Raab
121	Commercial Bill Impacts Existing Rates	Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing Commercial Incorporated Rates	Paul Raab
122	Commercial Bill Impacts New Rates	Incorporated Rates	Paul Raab
123	Transport Bill Impacts	Annual Bill Impacts of Flat Transport Rate Relative to Existing Commercial Transport Rates	Paul Raab
121	Residential	Residential Rate Design	Paul Raab
122	Commercial	Commercial Rate Design	Paul Raab
123	Industrial	Industrial Rate Design	Paul Raab
124	Public Authority	Public Authority Rate Design	Paul Raab

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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SUMMARY OF REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
			(a)	(b)	(c)
1	Rate Base	B	\$183,854,021	\$(3,726,568)	\$180,127,453
2	Rate of Return	E	7.7500%	7.7500%	7.7500%
3	Required Return		\$14,248,687	\$(288,809)	\$13,959,878
4	Cost of Gas	G	24,160,951	(24,160,951)	0
5	Depreciation and Amortization Expense	G	6,443,088	1,245,109	7,688,197
6	Taxes Other Than Income Taxes	G	1,691,576	266,271	1,957,847
7	Interest on Customer Deposits	G	1,044	36,591	37,635
8	Transmission and High-Pressure Distribution Expense	G	1,546,962	2,865,265	4,412,226
9	Distribution Expense	G	8,751,380	(79,325)	8,672,055
10	Customer Accounts Expense	G	1,763,152	155,822	1,918,974
11	Administrative and General Expense	G	6,400,871	(471,542)	5,929,328
12	Federal Income Tax	F	2,964,558	(59,932)	2,904,627
13	Revenue Requirement before Gross-up		\$67,972,270	\$(20,491,501)	\$47,480,768
14	Test Year Adjusted Revenue	G	60,741,361	(22,909,235)	37,832,126
15	Revenue Deficiency		\$7,230,908	\$2,417,734	\$9,648,642
	Gross-up for Revenue Related Expenses:	Factors:			
16	Uncollectible Expense	0.0092730			
17	Texas Franchise Tax	0.0075000			
18	Gross-Up Percentage	0.0167730	123,353	41,244	164,597
19	Total Revenue Deficiency		\$7,354,261	\$2,458,978	\$9,813,240
20	Total Revenue Requirement (Line 13 + Line 18)		\$68,095,623	\$(20,450,257)	\$47,645,366

WKP A.a

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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PROOF OF REVENUE REQUIREMENT

LINE NO.	DESCRIPTION	AMOUNT (a)	AMOUNT (b)
1	Total Revenue Requirement		\$47,645,366
	Less:		
2	Depreciation	\$7,688,197	
3	Taxes	\$1,957,847	
4	Interest on Deposits	\$37,635	
5	Transmission Expense	\$4,412,226	
6	Distribution Expense	\$8,672,055	
7	Customer Accounting	\$1,918,974	
8	Administrative and General Expense	\$5,929,328	
9	Gross-Up Expenses	\$164,597	
10	Total Operating Expense	\$30,780,861	\$30,780,861
11	Less Interest on Long-Term Debt		\$3,062,167
12	Taxable Income	\$13,802,338	\$13,802,338
13	Add back disallowed parking expense		\$29,218
14	Tax Rate	21 %	
15	Income Taxes	\$2,904,627	
16	Less Tax Adjustments	\$0	
17	Net Income Tax	\$2,904,627	\$2,904,627
18	Net Income		\$10,897,711
19	Rate Base	\$180,127,453	
20	Wtd Cost of Equity (Common + Preferred)	6.05 %	
21	Required Return	\$10,897,711	\$10,897,711
22	Variance		\$0

WKP A.b

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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CUSTOMER ALLOCATION FACTORS

LINE NO.	DESCRIPTION	TOTAL BILLED	ALLOCATION FACTOR
		CUSTOMERS (TEST YEAR AVERAGE)	
		(a)	(b)
1	Texas Gas Service Company, a Division of ONE Gas, Inc. - Service Areas		
2	Central-Gulf Service Area	322,250	46.542%
3	Rio Grande Valley Service Area	64,478	9.312%
4	West North Service Area	305,665	44.146%
5	Total TGS	692,393	100.000%
6	Service Area Factor for this Filing		9.312%

Based on Test Year Average Total Billed Customers



**SCHEDULE B**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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**RATE BASE**

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
			(a)	(b)	(c)
<b>NET PLANT IN SERVICE</b>					
1	Gross Plant In Service	C	\$208,339,003	\$(1,753,979)	\$206,585,024
2	Completed Construction Not Classified	C-1	22,021,931	-1,153	22,020,778
3	Accumulated Reserves for Depreciation and Amortization	D	(33,950,576)	1,785,959	(32,164,618)
4	Net Plant in Service		\$196,410,358	\$30,827	\$196,441,185
<b>OTHER RATE BASE ITEMS</b>					
5	Materials and Supplies Inventory	B-1	\$2,706,440	\$(431,359)	\$2,275,081
6	Prepayments	B-2	806,045	(1,454)	804,591
7	Rule 8.209 Regulatory Asset - DIMP Deferrals	B-3	277,523	0	277,523
8	Regulatory Assets	B-11	\$155,829	0	155,829
9	Pension & OPEB Regulatory Asset	B-4	0	0	0
10	Prepaid Pension Asset	B-5	3,964,348	0	3,964,348
11	Cash Working Capital	B-6	0	\$(375,849.21)	(375,849)
<b>NON-INVESTOR SUPPLIED FUNDS</b>					
12	Customer Deposits	B-7	\$(2,767,300)	\$0	\$(2,767,300)
13	Customer Advances	B-8	(137,366)	0	(137,366)
14	Accumulated Deferred Taxes	B-9	(17,561,856)	0	(17,561,856)
15	Excess Deferred Income Taxes	B-10	0	(2,948,734)	(2,948,734)
16	Total Rate Base		\$183,854,021	\$(3,726,568)	\$180,127,453

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
 RIO GRANDE VALLEY SERVICE AREA  
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## SUMMARY OF PLANT ADJUSTMENTS

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK	ADJUSTMENTS	ADJUSTED TEST YEAR
			(a)	(b)	(c)
1	PLANT IN SERVICE	Schedule C	\$208,339,003		\$206,585,024
2	Excludable Meals and Hotel	WKP C.a, C.b and C.c		\$(3,752)	
3	Plant Miscoded to Service Area	WKP C.a		46,164	
4	Reclassification to Correction Location Adjustment	WKP C.a		0	
5	TGS Direct Post Test Year Adjustment to include plant	WKP C.a		0	
6	Asset Not Used by TGS Division	WKP C.b		(72)	
7	Asset with Insufficient Documentation	WKP C.b		(37,850)	
8	Remove TGS Direct Costs	WKP C.b		1	
9	TGS DIV Post Test Year Adjustment to include plant	WKP C.b		0	
10	Remove Duplicate Vertex Sales Tax	WKP C.b, C.c		(814)	
11	Include TGS Division Costs Miscoded to Direct	WKP C.b		2,497	
12	Artwork	WKP C.c		(1,301)	
13	ONE Gas Aviation	WKP C.c		(365,744)	
14	ONE Gas Foundation Software	WKP C.c		(2,068)	
15	ONE Gas Lease Incentive	WKP C.c		(15,266)	
16	ONE Gas Post Test Year Adjustment to include plant	WKP C.c		0	
17	Assets with Insufficient Documentation	WKP C.c		(466)	
18	Removal of Retiring Asset	WKP C.a, C.b		(1,367,934)	
19	Remove Miscodeed Charges	WKP C.c		0	
20	Remove Late Fees	WKP C.c		0	
21	Remove Promotional Items	WKP C.c		0	
22	Remove TGS Specific Project			(7,373)	
23	Total		\$208,339,003	\$(1,753,979)	\$206,585,024
24	COMPLETED CONSTRUCTION NOT CLASSIFIED	Schedule C-1	\$22,021,931		\$22,020,778
25	Excludable Meals and Hotel	WKP C-1.a and C-1.c		(166)	
26	TGS Direct Post Test Year Adjustment to include plant	WKP C-1.a and C-1.c		0	
27	Plant Miscoded to Service Area	WKP C-1.a		0	
28	TGS DIV Post Test Year Adjustment to include plant	WKP C-1.b		0	
29	Remove Direct Specific Project	WKP C-1.c		(987)	
30	ONE Gas Post Test Year Adjustment to include plant	WKP C-1.c		0	
31	Total		\$22,021,931	\$(1,153)	\$22,020,778
32	ACCUMULATED RESERVES FOR DEPRECIATION AND AMORTIZATION	Schedule D	\$(33,950,576)		\$(32,164,618)
33	Plant Miscoded to Service Area	WKP D.a		\$23,794.53	
34	Removal of Retiring Asset	WKP D.a, D.b		1,367,934	
35	Pro Forma Adjustment Reserve Rebalancing	WKP D.a		44,612	
36	TGS Direct Post Test Year Adjustment to include reserve	WKP D.a		0	
37	Asset Not Used by TGS Division	WKP D.b		67	
38	Asset with Insufficient Documentation	WKP D.b		37,808	
39	Remove Land Depreciation	WKP D.b		403	
40	Include TGS Division Costs Miscoded to Direct	WKP D.b		(92)	
41	Pro Forma Adjustment Reserve Rebalancing	WKP D.b		(44,169)	
42	Artwork	WKP D.c		491	
43	ONE Gas Aviation	WKP D.c		349,128	
44	ONE Gas Foundation Software	WKP D.c		540	
45	Remove Lease Incentive	WKP D.c		4,852	
46	Remove Direct Specific Project	WKP D.c		591	
47	Total		\$(33,950,576)	\$1,785,959	\$(32,164,618)

**SCHEDULE B-1**  
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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**MATERIALS AND SUPPLIES**

LINE NO.	DESCRIPTION	DIRECT INVENTORY	DIRECT STORES LOAD	OMA INVENTORY	TOTAL
		(a)	(b)	(c)	(d)
1	December 31, 2021	\$1,291,566	\$20,058	\$297,498	\$1,609,122
2	January 30, 2022	1,438,218	17,770.62	267,550	1,723,538
3	February 28, 2022	1,486,306	(574.14)	255,207	1,740,938
4	March 31, 2022	1,491,970	(1,387.84)	245,150	1,735,733
5	April 30, 2022	1,409,178	(18,918.89)	267,428	1,657,687
6	May 31, 2022	1,355,486	(8,554.09)	291,273	1,638,205
7	June 30, 2022	2,219,248	26,344.63	330,811	2,576,404
8	July 31, 2022	2,293,207	6,697.98	331,192	2,631,097
9	August 31, 2022	2,224,462	12,245.95	339,400	2,576,108
10	September 30, 2022	2,298,380	12,071.05	411,740	2,722,191
11	October 31, 2022	2,442,260	18,459.92	419,469	2,880,189
12	November 30, 2022	2,981,353	(1,148.42)	398,197	3,378,401
13	December 31, 2022	2,298,514	4,896.26	403,030	2,706,440
14	13 Month Average	\$1,940,781	\$6,766	\$327,534	\$2,275,081

Source: SCH B-1 TGS Materials and Supplies.xlsx

Source: SCH B-1 Stores Balances.xlsx

Source: SCH B-1 Corporate Materials and Supplies.xlsx

**SCHEDULE B-2**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**PREPAYMENTS**

LINE NO.	DESCRIPTION	DIRECT (a)	TGS DIVISION (b)	CORPORATE (c)	TOTAL (d)
1	December 31, 2021	\$0	\$3,614,350	\$18,154,083	
2	January 30, 2022	0	3,250,250	20,257,036	
3	February 28, 2022	0	2,890,562	22,633,315	
4	March 31, 2022	0	2,540,412	22,837,654	
5	April 30, 2022	0	2,191,309	22,683,047	
6	May 31, 2022	0	2,504,791	23,670,364	
7	June 30, 2022	0	2,172,506	22,708,913	
8	July 31, 2022	0	1,876,307	21,123,779	
9	August 31, 2022	0	1,508,446	21,187,797	
10	September 30, 2022	0	1,178,026	19,812,285	
11	October 31, 2022	0	813,580	18,713,462	
12	November 30, 2022	0	5,295,434	19,716,229	
13	December 31, 2022	0	4,798,304	21,597,370	
14	13 Month Average	\$0	\$2,664,175	\$21,161,180	
15	Allocation Factor to TGS	100.0000%	100.0000%	28.2400%	
16	Allocation Factor to Service Area	100.0000%	9.3123%	9.3123%	
17	Total Allocated Prepayments	\$0	\$248,096	\$556,495	\$804,591

**WKP B-2.a.1**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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**PREPAYMENTS - TGS DIVISION**

LINE NO.	MONTH/YEAR ENDING	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
	(a)	(b)	(c)	(d) = (b)+(c)
1	December 31, 2021	\$3,614,350	\$0	\$3,614,350
2	January 30, 2022	3,250,250	0	3,250,250
3	February 28, 2022	2,890,562	0	2,890,562
4	March 31, 2022	2,540,412	0	2,540,412
5	April 30, 2022	2,191,309	0	2,191,309
6	May 31, 2022	2,504,791	0	2,504,791
7	June 30, 2022	2,172,506	0	2,172,506
8	July 31, 2022	1,876,307	0	1,876,307
9	August 31, 2022	1,508,446	0	1,508,446
10	September 30, 2022	1,178,026	0	1,178,026
11	October 31, 2022	813,580	0	813,580
12	November 30, 2022	5,295,434	0	5,295,434
13	December 31, 2022	4,798,304	0	4,798,304
14	13-Month Average	<u>\$2,664,175</u>	<u>\$0</u>	<u>\$2,664,175</u>
15	Allocation Factor to TGS	100.0000%	100.0000%	100.0000%
16	Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%
17	Total Allocated Prepayments	<u><u>\$248,096</u></u>	<u><u>\$0</u></u>	<u><u>\$248,096</u></u>

Source: WKP B-2.a.1 Prepayments - TGS Division Detail (CONFIDENTIAL).xlsx

WKP B-2.b.1

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PREPAYMENTS - CORPORATE ALLOCATED THROUGH DISTRIGAS

LINE NO.	MONTH/YEAR ENDING	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
	(a)	(b)	(c)	(d) = (b)+(c)
1	December 31, 2021	\$18,200,109	\$(46,026)	\$18,154,083
2	January 30, 2022	20,297,756	(40,720)	20,257,036
3	February 28, 2022	22,668,729	(35,414)	22,633,315
4	March 31, 2022	22,867,762	(30,108)	22,837,654
5	April 30, 2022	22,707,849	(24,802)	22,683,047
6	May 31, 2022	23,689,860	(19,496)	23,670,364
7	June 30, 2022	22,723,103	(14,190)	22,708,913
8	July 31, 2022	21,146,611	(22,833)	21,123,779
9	August 31, 2022	21,202,534	(14,737)	21,187,797
10	September 30, 2022	19,994,502	(182,216)	19,812,285
11	October 31, 2022	18,843,669	(130,207)	18,713,462
12	November 30, 2022	19,821,418	(105,189)	19,716,229
13	December 31, 2022	21,650,048	(52,678)	21,597,370
14	13-Month Average	<u>\$21,216,458</u>	<u>\$(55,278)</u>	<u>\$21,161,180</u>
15	Pro Forma, Q1 2023, Allocation Factor to TGS	28.2400%	28.2400%	28.2400%
16	13-Month Average Allocated to TGS	<u>\$5,991,528</u>	<u>\$(15,611)</u>	<u>\$5,975,917</u>
17	Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%
18	Total Allocated Prepayments	<u>\$557,949</u>	<u>\$(1,454)</u>	<u>\$556,495</u>

Source: WKP B-2.b.1 Prepayments - ONE Gas Corp Prepayments Detail (CONFIDENTIAL).xlsx

**SCHEDULE B-3**  
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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**RULE 8.209 REGULATORY ASSET**

LINE NO.	FERC ACCOUNT	TEST YEAR ACCRUAL	ADJUSTMENT TO	TOTAL ACCRUAL
		(a)	ACCRUAL	(c)
1	(367.0) Mains	\$443	\$0	\$443
2	(371) Other Transmission System	6	0	6
3	(374.2) Land Rights	0	0	0
4	(376) Mains	48,302	0	48,302
5	(376.9) Cathodic Protection Anodes	129	0	129
6	(378) Meas & Reg Stat Eq-General	664	0	664
7	(379) Meas & Reg Stat Eq-City	1,791	0	1,791
8	(380) Services	228,210	0	228,210
9	(380.1) Ind Service Line Equip	0	0	0
10	(380.2) Comm Service Line Equip	75	0	75
11	(380.4) Yard Lines-Customer Svc	96	0	96
12	(381) Meters	0	0	0
13	(382) Meter Installations	18	0	18
14	(383) House Regulators	6	0	6
15	(385) Ind Meas & Reg Sta Equip	(2,941)	0	(2,941)
16	(394.1) Tools	0	0	0
17	(397) Communication Equipment	724	0	724
18	Total	<u>\$277,523</u>	<u>\$0</u>	<u>\$277,523</u>

Source: SCH B-3 Rule 8.209 Accrual.xlsx

WKP B-3.a

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

RULE 8.209 REGULATORY ASSET

LINE NO.	PROJECT NO.	SERVICE AREA	PROPERTY		ROE	ROI	GRAND TOTAL
			DEPRECIATION	TAX			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	091.053.7700.005100	Rio Grande Valley	\$30,107	\$12,853	\$108,213	\$83,983	\$235,156
2	091.053.7700.010112	Rio Grande Valley	102	21	181	138	441
3	091.053.7700.010113	Rio Grande Valley	100	35	303	230	668
4	091.053.7700.010125	Rio Grande Valley	116	45	388	295	844
5	091.053.7700.010126	Rio Grande Valley	476	165			641
6	091.053.7700.010135	Rio Grande Valley	(9)	67			58
7	091.053.7700.010138	Rio Grande Valley	(58)	76	632	496	1,146
8	091.053.7700.010139	Rio Grande Valley	67	28	238	181	515
9	091.053.7700.010141	Rio Grande Valley	85	30	258	196	570
10	091.053.7700.010143	Rio Grande Valley	(1)	(1)	(9)	(7)	(19)
11	091.053.7700.010145	Rio Grande Valley	315	121	997	793	2,227
12	091.053.7700.010147	Rio Grande Valley	294	101	831	661	1,887
13	091.053.7700.010148	Rio Grande Valley	279	86	720	564	1,649
14	091.053.7700.010149	Rio Grande Valley	147	53	435	346	981
15	091.053.7700.010153	Rio Grande Valley	783	293	2,417	1,916	5,409
16	091.053.7700.010154	Rio Grande Valley	367	109	899	715	2,091
17	091.053.7700.010157	Rio Grande Valley	212	75	614	489	1,391
18	091.053.7700.010158	Rio Grande Valley	115	41	333	265	753
19	091.053.7700.010160	Rio Grande Valley	2	25	208	165	400
20	091.053.7700.010162	Rio Grande Valley	41	14	112	89	255
21	091.053.7700.010166	Rio Grande Valley	321	143	1,171	932	2,567
22	091.053.7700.010170	Rio Grande Valley	20	8	66	52	146
23	091.053.7700.010173	Rio Grande Valley	(179)	(6)	(47)	(38)	(270)
24	091.053.7700.010177	Rio Grande Valley	46	18	145	116	324
25	091.053.7700.010180	Rio Grande Valley	123	57	467	372	1,019
26	091.053.7703.005100	Rio Grande Valley	12	4	31	24	72
27	091.053.7705.005100	Rio Grande Valley	0	0	0	0	0
28	091.053.7706.005100	Rio Grande Valley	0	0	1	1	3
29	091.053.7707.005100	Rio Grande Valley	0	0	0	0	1
30	091.053.7708.005100	Rio Grande Valley	0	0	0	0	0
31	091.053.7709.005100	Rio Grande Valley	1	0	1	1	3
32	091.053.7710.005100	Rio Grande Valley	3	1	8	6	19
33	091.053.7711.005100	Rio Grande Valley	10	3	23	18	53
34	091.053.7712.005100	Rio Grande Valley	4	1	9	7	21
35	091.053.7713.005100	Rio Grande Valley	0	0	0	0	0
36	091.053.7714.005100	Rio Grande Valley	0	0	1	1	2
37	091.053.7715.005100	Rio Grande Valley	0	0	1	1	2
38	091.053.7716.005100	Rio Grande Valley	3	1	7	6	17
39	091.053.7717.005100	Rio Grande Valley	0	0	1	1	2
40	091.053.7718.005100	Rio Grande Valley	0	0	0	0	0
41	091.053.7719.005100	Rio Grande Valley	4	1	10	8	23
42	091.053.7720.005100	Rio Grande Valley	1	0	3	3	8
43	091.053.7721.005100	Rio Grande Valley	0	0	1	0	1
44	091.053.7722.005100	Rio Grande Valley	0	0	1	1	1



RULE 8.209 REGULATORY ASSET

LINE NO.	PROJECT NO.	SERVICE AREA	PROPERTY				GRAND TOTAL
			DEPRECIATION	TAX	ROE	ROI	
45	091.053.7723.005100	Rio Grande Valley	2	1	4	3	10
46	091.053.7724.005100	Rio Grande Valley	5	1	12	9	28
47	091.053.7725.005100	Rio Grande Valley	1	0	2	1	4
48	091.053.7726.005100	Rio Grande Valley	4	1	10	8	23
49	091.053.7727.005100	Rio Grande Valley	0	0	0	0	0
50	091.053.7728.005100	Rio Grande Valley	0	0	0	0	0
51	091.053.7729.005100	Rio Grande Valley	2	0	4	3	9
52	091.053.7730.005100	Rio Grande Valley	0	0	0	0	0
53	091.053.7731.005100	Rio Grande Valley	1	0	4	3	8
54	091.053.7732.005100	Rio Grande Valley	1	0	3	2	6
55	091.053.7733.005100	Rio Grande Valley	0	0	1	0	1
56	091.053.7734.005100	Rio Grande Valley	1	0	2	1	4
57	091.053.7735.005100	Rio Grande Valley	8	3	22	17	49
58	091.053.7736.005100	Rio Grande Valley	5	1	12	9	27
59	091.053.7737.005100	Rio Grande Valley	0	0	1	0	1
60	091.053.7738.005100	Rio Grande Valley	0	0	1	0	1
61	091.053.7739.005100	Rio Grande Valley	0	0	0	0	1
62	091.054.7700.010030	Rio Grande Valley	445	141	1,214	923	2,723
63	091.054.7700.010056	Rio Grande Valley	58	17	144	109	328
64	091.054.7700.010058	Rio Grande Valley	637	240	2,049	1,569	4,494
65	091.054.7700.010060	Rio Grande Valley	76	59	486	387	1,008
66	091.054.7700.010065	Rio Grande Valley	(25)	11	88	70	143
67	091.054.7700.010069	Rio Grande Valley	65	26	212	169	471
68	091.054.7700.010071	Rio Grande Valley	395	108	891	709	2,104
69	091.054.7700.010074	Rio Grande Valley	74	30	248	197	549
70	091.054.7700.010075	Rio Grande Valley	49	20	165	131	364
71	091.054.7700.010076	Rio Grande Valley	51	21	171	136	379
72	091.054.7700.010079	Rio Grande Valley	17	8	66	53	144
73	091.054.7701.005100	Rio Grande Valley	0	0	(0)	0	(0)
74	091.054.7703.005100	Rio Grande Valley	2	1	6	5	14
75	091.054.7709.005100	Rio Grande Valley	0	0	0	0	0
76	091.054.7710.005100	Rio Grande Valley	1	0	1	1	3
77	091.054.7711.005100	Rio Grande Valley	1	0	3	2	7
78	091.054.7716.005100	Rio Grande Valley	1	0	2	1	4
79	091.054.7717.005100	Rio Grande Valley	0	0	0	0	0
80	091.054.7719.005100	Rio Grande Valley	1	0	1	1	3
81	091.054.7720.005100	Rio Grande Valley	0	0	0	0	1
82	091.054.7723.005100	Rio Grande Valley	0	0	1	1	2
83	091.054.7724.005100	Rio Grande Valley	1	0	2	1	4
84	091.054.7734.005100	Rio Grande Valley	0	0	1	1	2
85	091.054.7735.005100	Rio Grande Valley	2	1	5	4	12
86	091.054.7736.005100	Rio Grande Valley	1	0	3	2	6
Total			\$35,793	\$15,162	\$125,504	\$97,556	\$274,015

Source: SCH B-3 Rule 8.209 Accrual.xlsx

**SCHEDULE B-5**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**PREPAID PENSION ASSET**

LINE NO.	DESCRIPTION	PREPAID PENSION BALANCE
	(a)	(b)
1	Prepaid Pension Asset - TGS	\$42,571,097
2	Allocation to Service Area	9.31%
3	Prepaid Pension Asset - RGVSA	<u>\$3,964,348</u>

Source: SCH B-5 Prepaid Pension Asset.xlsx

**SCHEDULE B-6**  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**CASH WORKING CAPITAL**

LINE NO.	DESCRIPTION	TEST YEAR AMOUNT (a)	AVERAGE DAILY AMOUNT (b)	REVENUE LAG (c)	REFERENCE (d)	EXPENSE LAG (e)	REFERENCE (f)	NET (LEAD)/LAG DAYS (g)	WORKING CAPITAL REQUIREMENT (h)
1	Operations and Maintenance Expenses								
2	Purchased Gas Costs	\$24,160,951	\$66,194	45.47	A	(40.63)	B	4.84	\$320,573
3	Labor - Regular Payroll Expense	6,485,748	17,769	45.47	A	(27.70)	C	17.78	315,852
4	Labor - STI Expense	697,837	1,912	45.47	A	(242.92)	C	(197.44)	(377,491)
5	Non-Labor - Other O&M Expense	13,662,548	37,432	45.47	A	(39.20)	C	6.28	234,891
6	<u>Total O&amp;M Expenses</u>	<u>\$45,007,083</u>	<u>\$123,307</u>						<u>\$493,825</u>
7	Federal Income Taxes								
8	Current Income Taxes	\$2,904,627	\$7,958	45.47	A	(37.00)	D	8.47	\$67,419
9	Deferred Income Taxes	0	0	0.00		0.00		0.00	0
10	<u>Total Federal Income Taxes</u>	<u>\$2,904,627</u>	<u>\$7,958</u>						<u>\$67,419</u>
11	Taxes Other Than Income Taxes								
12	FICA	\$451,489	\$1,237	45.47	A	(12.61)	E	32.87	\$40,654
13	Federal Unemployment	3,696	10	45.47	A	(30.01)	E	15.46	157
14	State Unemployment	15,066	41	45.47	A	(113.17)	E	(67.70)	(2,794)
15	State Gross Receipts	1,097,064	3,006	45.47	A	(77.00)	E	(31.53)	(94,773)
16	Local Franchise Tax	2,978,367	8,160	45.47	A	(93.29)	E	(47.82)	(390,207)
17	State Franchise Tax	150,009	411	45.47	A	47.71	E	93.18	38,296
18	Ad Valorem	1,418,507	3,886	45.47	A	(196.17)	E	(150.70)	(585,659)
19	Sales Tax	2,733,360	7,489	45.47	A	(35.88)	E	9.59	71,836
20	RRC Gas Utility Tax	16,689	46	45.47	A	(86.81)	E	(41.34)	(1,890)
21	<u>Taxes Other Than Income Taxes</u>	<u>\$8,864,248</u>	<u>\$24,286</u>		A				<u>\$(924,380)</u>
22	<u>Interest on Customer Deposits</u>	<u>\$37,635</u>	<u>\$103</u>	45.47	A	(168.77)	F	(123.30)	<u>\$(12,713)</u>
23	<u>Labor - LTI Expense</u>	<u>\$170,129</u>	<u>\$466</u>	0.00		0.00		0.00	<u>\$0</u>
24	<u>Depreciation Expense</u>	<u>\$7,688,197</u>	<u>\$21,064</u>	0.00		0.00		0.00	<u>\$0</u>
25	<u>Return</u>	<u>\$13,959,878</u>	<u>\$38,246</u>	0.00		0.00		0.00	<u>\$0</u>
26	<u>Total</u>	<u>\$78,631,797</u>	<u>\$214,963</u>						<u>\$(375,849)</u>

Source: SCH B-6 CWC Tax  
SCH B-6 Texas Gas Service Lead-Lag Study

SCHEDULE B-7  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CUSTOMER DEPOSITS

LINE NO.	RATE JURISDICTION	DEPOSIT BALANCE
		(a)
1	7701 Bayview - Environs	\$1,500
2	7703 Brownsville - Incorporated	562,525
3	7704 Rancho Viejo - Incorporated	4,440
4	7705 Laguna Heights - Environs	1,680
5	7706 Port Isabel - Incorporated	29,121
6	7707 Olmito - Environs	4,910
7	7708 Laguna Vista - Incorporated	2,420
8	7709 Los Fresnos - Incorporated	19,152
9	7710 San Benito - Incorporated	82,308
10	7711 Harlingen - Incorporated	243,807
11	7712 Mercedes - Incorporated	79,578
12	7713 Palm Valley - Incorporated	840
13	7714 Rio Hondo - Incorporated	8,596
14	7715 Santa Rosa - Incorporated	4,164
15	7716 Weslaco - Incorporated	124,142
16	7717 Primera - Incorporated	7,211
17	7718 Progreso - Incorporated	2,635
18	7719 Raymondville - Incorporated	44,189
19	7720 La Feria - Incorporated	22,598
20	7721 Combes - Incorporated	2,865
21	7722 Lyford - Incorporated	3,814
22	7723 Donna - Incorporated	55,246
23	7724 Pharr - Incorporated	214,235
24	7725 Edcouch - Incorporated	7,001
25	7726 Edinburg - Incorporated	193,792
26	7727 Penitas - Incorporated	3,565
27	7728 Alton - Incorporated	7,739
28	7729 Alamo - Incorporated	46,529
29	7730 San Carlos - Environs	1,650
30	7731 San Juan - Incorporated	56,995
31	7732 Elsa - Incorporated	18,702
32	7733 Monte Alto - Environs	1,780
33	7734 La Villa - Incorporated	12,439
34	7735 McAllen - Incorporated	553,203
35	7736 Mission - Incorporated	169,860
36	7737 Hidalgo - Incorporated	15,155
37	7738 La Joya - Incorporated	6,756
38	7739 Palmview - Incorporated	12,100
39	7742 Los Fresnos - Environs	3,656
40	7743 Santa Rosa - Environs	50
41	7744 Penitas - Environs	1,000
42	7745 Rio Hondo - Environs	\$250
43	7753 Brownsville - Environs	\$53,247
44	7754 Rancho Viejo - Environs	\$75
45	7755 Port Isabel - Environs	\$0
46	7756 Palmhurst - Incorporated	\$8,815
47	7760 San Benito - Environs	\$2,925
48	7761 Harlingen - Environs	\$19,420
49	7762 Mercedes - Environs	\$2,700
50	7764 Weslaco - Environs	\$6,085
51	7765 Primera - Environs	\$0
52	7767 Raymondville - Environs	\$1,657
53	7768 La Feria - Environs	\$3,037
54	7773 Lyford - Environs	\$350
55	7774 Donna - Environs	\$5,013
56	7775 Pharr - Environs	\$50
57	7776 Edcouch - Environs	\$75
58	7777 Edinburg - Environs	\$350
59	7778 Alton - Environs	\$125
60	7779 Alamo - Environs	\$2,050
61	7790 San Juan - Environs	\$200
62	7791 Elsa - Environs	\$1,405
63	7793 McAllen - Environs	\$3,040
64	7794 Mission - Environs	\$19,572
65	7797 Palmview - Environs	\$2,911
42	Total	\$2,767,300

Source: SCH B-7 Customer Deposit Balances.xlsx

**SCHEDULE B-8**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CUSTOMER ADVANCES**

LINE NO.	FERC ACCOUNT	DESCRIPTION	ENDING BALANCE
			(a)
1	2520	LINE EXT DEPOSITS FORFEITED	\$2,815,885
2	2520	LINE EXT DEPOSITS RECEIVED	(3,709,326)
3	2520	LINE EXT DEPOSITS REIMBURSED	756,075
4		Total	\$(137,366)

Source: SCH B-8 Customer Advances Balances.xlsx

**SCHEDULE B-9**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**ACCUMULATED DEFERRED INCOME TAXES**

LINE NO.	DESCRIPTION	TOTAL ALLOCATED ADIT TO SERVICE AREA
		(b)
1	Rio Grand Valley Service Area Plant Assets Depreciation	\$(18,065,435)
2	Rio Grande Valley Service Area Direct Plant Repairs	(5,888,608)
3	Subtotal RGVSA Direct Plant Assets Depreciation	\$(23,954,043)
4	Rio Grande Valley Service Area Other Rate Base Items	(923,517)
5	TGS Division Plant Assets Depreciation	(139,678)
6	ONEGAS Plant Assets Depreciation	(516,089)
7	Rio Grande Valley Service Area NOL	7,971,471
8	ADFIT - Accumulated Deferred Federal Income Taxes	\$(17,561,856)

Source: SCH B-9 ADIT WPs 12.31.22  
SCH B-9 Reg NOL WP 12.31.22

**SCHEDULE B-10**  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**UNAMORTIZED EXCESS ACCUMULATED DEFERRED INCOME TAXES**

LINE NO.	DESCRIPTION	PROTECTED (ARAM) (a)	NON- PROTECTED (ARAM) (b)	UNPROTECTED (c)	REGULATORY LIABILITY (d)	GROSS UP (e)	REGULATORY LIABILITY WITH GROSS UP (f)
1	Rio Grande Valley Service Area Plant Assets Depreciation	\$(13,823,441)			\$(13,823,441)		\$(13,823,441)
2	Rio Grande Valley Service Area Repairs			(1,821,025)	(1,821,025)		(1,821,025)
3	Rio Grande Valley Cost of Removal Asset		3,999,073		3,999,073		3,999,073
4	Rio Grande Valley Service Area Other Nonprotected plant				0		0
5	Rio Grande Valley Other Rate Base Items			(708,090)	(708,090)		(708,090)
6	TGS Division Plant Assets Depreciation	(58,101)			(58,101)		(58,101)
7	ONEGas Plant Assets Depreciation	(345,123)			(345,123)		(345,123)
8	Rio Grande Valley NOL	6,847,849			6,847,849		6,847,849
9	Total EDIT at December 31, 2017	\$(7,378,816)	\$3,999,073	\$(2,529,115)	\$(5,908,858)	\$0	\$(5,908,858)
10	Less 2018 Amortization				\$722,199		\$722,199
11	Less 2019 Amortization				750,325		750,325
12	Less 2020 Amortization				704,265		704,265
13	Less 2021 Amortization				744,707		744,707
14	Less 2022 Amortization				38,628		\$38,628
15	Total EDIT at December 31, 2022	\$0	\$0	\$0	\$(2,948,734)	\$0	\$(2,948,734)

Source: SCH B-10 EDIT

**SCHEDULE B-11**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**REG ASSETS**

LINE NO.	DESCRIPTION	AMOUNT
		(a)
1	Unamortized balance of Reg Assets	\$0
2	Less 12 mos. Amortization (line 20, January 2022 - January 2023) <sup>Note 1</sup>	0
3	Overcollection of rate case expense from GUD 10656	(3,072)
4	Deferred Regulatory Expense at December 31, 2022 not included in prior cases	0
5	Deferred Winter Storm URI O&M at December 31, 2022	123,466
6	Winter Storm URI related STI	0
7	Covid related O&M	35,436
8	Regulatory Assets - Total	<u>\$155,829</u>

Note 1: See data on SCH G-20



**SCHEDULE C**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**TOTAL PLANT IN SERVICE - DIRECT AND ALLOCATED**

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK ACCT 1010 (a)	ADJUSTMENTS ACCT 1010 (b)	TEST YEAR ADJUSTED ACCT 1010 (c)
1	Service Area Direct Plant In Service	WKP C.a	\$200,489,272	\$(1,321,770)	\$199,167,502
2	Allocated TGS Division Plant In Service	WKP C.b	1,003,858	(36,997)	966,862
3	Allocated Corporate Plant In Service	WKP C.c	6,845,873	(395,212)	6,450,661
4	Total Plant In Service		<u>\$208,339,003</u>	<u>\$(1,753,979)</u>	<u>\$206,585,024</u>



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP C.a  
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PLANT IN SERVICE - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT PER BOOK	FERC RECLASS	MEALS & HOTEL	MISCODED	MISCODED	REMOVAL OF	RECLASSIFICATION	TOTAL	DIRECT TEST YEAR	KNOWN AND	DIRECT ADJUSTED ACCT
			ACCT 1010		ADJUSTMENTS	ADJUSTMENT ACCT 1010	ADJUSTMENT ACCT 1010		TO CORRECT LOCATION ADJUSTMENT ACCT 1010		ADJUSTED ACCT 1010	MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0	0	0	0	0
38	381	Meters	16,550,139	0	0	0	0	0	0	0	16,550,139	0	16,550,139
39	382	Meter Installations	0	0	0	0	0	0	0	0	0	0	0
40	383	House Regulators	4,740,345	0	0	0	0	0	0	0	4,740,345	0	4,740,345
41	385	Indust. Meas. & Reg. Stat. Equipment	2,470,084	0	0	0	0	0	0	0	2,470,084	0	2,470,084
42	386	Other Property on Customer Premises	6,144	0	0	0	0	0	0	0	6,144	0	6,144
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0
44		Total Distribution Plant	<u>\$155,434,313</u>	<u>\$0</u>	<u>\$0</u>	<u>\$39,038</u>	<u>\$6,941</u>	<u>\$(759,337)</u>	<u>\$0</u>	<u>\$(713,357)</u>	<u>\$154,720,955</u>	<u>\$0</u>	<u>\$154,720,955</u>
45		GENERAL PLANT											
46	389	Land & Land Rights	\$127,368	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$127,368	\$0	\$127,368
47	390	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0
48	390.1	Structures & Improvements	2,528,004	0	0	0	0	0	0	0	2,528,004	0	2,528,004
49	390.17	Building Improv Plum	0	0	0	0	0	0	0	0	0	0	0
50	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0
51	390.2	Leasehold Improvement	0	0	0	0	0	0	0	0	0	0	0
52	390.2	OGS Lease Incentive	0	0	0	0	0	0	0	0	0	0	0
53	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	0	0	0	0	0
54	391	Office Furniture & Equipment	0	0	0	0	0	0	0	0	0	0	0
55	391.1	Office Furniture & Equipment	260,665	0	0	0	0	(15,421)	0	(15,421)	245,243	0	245,243
56	391.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0
57	391.2	Data Processing Equipment	0	0	0	0	0	0	0	0	0	0	0
58	391.2	Oracle Equipment	0	0	0	0	0	0	0	0	0	0	0
59	391.3	Office Machines	0	0	0	0	0	0	0	0	0	0	0
60	391.4	Audio Visual Equipment	0	0	0	0	0	0	0	0	0	0	0
61	391.5	Artwork	0	0	0	0	0	0	0	0	0	0	0
62	391.6	Purchased Software	0	0	0	0	0	0	0	0	0	0	0
63	391.6	Banner Software	0	0	0	0	0	0	0	0	0	0	0
64	391.6	PowerPlant System	0	0	0	0	0	0	0	0	0	0	0
65	391.6	Riskworks	0	0	0	0	0	0	0	0	0	0	0
66	391.6	Maximo	0	0	0	0	0	0	0	0	0	0	0
67	391.6	Foundation Software	0	0	0	0	0	0	0	0	0	0	0
68	391.6	Concur Project	0	0	0	0	0	0	0	0	0	0	0
69	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0	0	0	0	0	0	0
70	391.6	Journey-Employee Count	0	0	0	0	0	0	0	0	0	0	0
71	391.6	Payroll - Time Management	0	0	0	0	0	0	0	0	0	0	0
72	391.6	Accounts Payable Software	0	0	0	0	0	0	0	0	0	0	0
73	391.6	Customer Relations Software	0	0	0	0	0	0	0	0	0	0	0
74	391.8	Micro Computer Software	0	0	0	0	0	0	0	0	0	0	0
75	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	0	0	0	0	0
76	391.9	Computer & Equipment	774,857	0	0	0	0	(233,845)	0	(233,845)	541,012	0	541,012

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP C.a  
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PLANT IN SERVICE - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT PER BOOK	FERC RECLASS	MEALS & HOTEL	MISCODED	MISCODED	REMOVAL OF	RECLASSIFICATION	TOTAL	DIRECT TEST YEAR	KNOWN AND	DIRECT ADJUSTED ACCT
			ACCT 1010		ADJUSTMENTS	ADJUSTMENT ACCT	ADJUSTMENT ACCT		TO CORRECT		ADJUSTED ACCT	MEASURABLE	
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
77	391.99	Cloud Computing	0	0	0	0	0	0	0	0	0	0	0
78	392	Transportation Equipment	3,895,270	0	0	0	0	0	0	0	3,895,270	0	3,895,270
79	392.2	Transport Equip Pickup Trucks & Vans	0	0	0	0	0	0	0	0	0	0	0
80	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	0	0
81	392.5	Trailers	0	0	0	0	0	0	0	0	0	0	0
82	392.6	Aircraft	0	0	0	0	0	0	0	0	0	0	0
83	393	Stores Equipment	0	0	0	0	0	0	0	0	0	0	0
84	394	Tools, Shop & Garage	3,176,602	0	0	0	0	(105,919)	0	(105,919)	3,070,683	0	3,070,683
85	394.1	Tools	17,658	0	0	0	0	0	0	0	17,658	0	17,658
86	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	0	0
87	395	CNG Equipment	0	0	0	0	0	0	0	0	0	0	0
88	396	Major Work Equipment	425,664	0	0	0	0	0	0	0	425,664	0	425,664
89	397	Communication Equipment	4,725,539	0	0	0	0	(253,412)	0	(253,412)	4,472,127	0	4,472,127
90	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	0	0
91	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0	0	0	0
92		Total General Plant	<u>\$15,931,627</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(608,597)</u>	<u>\$0</u>	<u>\$(608,597)</u>	<u>\$15,323,030</u>	<u>\$0</u>	<u>\$15,323,030</u>
93		Total Orig Cost Plant in Service	<u>\$200,489,272</u>	<u>\$0</u>	<u>\$0</u>	<u>\$39,038</u>	<u>\$7,126</u>	<u>\$(1,367,934)</u>	<u>\$0</u>	<u>\$(1,321,770)</u>	<u>\$199,167,502</u>	<u>\$0</u>	<u>\$199,167,502</u>

Source: WKP C.a & WKP C-1.a Direct Plant and CCNC.xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PLANT IN SERVICE - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER BOOK ACCT 1010	REMOVE ASSET NOT USED BY DIVISION	ASSET WITH MISSING BACKUP	REMOVE TGS DIRECT COSTS	REMOVE DUPLICATE VERTEX SALES TAX	INCLUDE TGS DIVISION COSTS MISCODED TO DIRECT	REMOVE MEALS & HOTEL	REMOVAL OF RETIRING ASSETS	TGS DIVISION TEST YEAR ADJUSTED ACCT 1010	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	TGS DIVISION ADJUSTED ACCT 1010	ALLOCATION TO SERVICE AREA	TGS DIVISION TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
INTANGIBLE PLANT															
1	301	Organization	\$127,437	\$0	\$(127,437)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
3	303	Misc. Intangible	278,560	0	(278,560)	0	0	0	0	0	0	0	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
5		Total Intangible Plant	\$405,997	\$0	\$(405,997)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT															
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
7	327	Field Comprss Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
18	367	Mains	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
DISTRIBUTION PLANT															
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
24	374.1	Land	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
25	374.2	Land Rights	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
26	375	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
28	375.2	Other System Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
29	376	Mains	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
34	380	Services	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
38	381	Meters	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
39	382	Meter Installations	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
40	383	House Regulators	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
44		Total Distribution Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GENERAL PLANT															
45	389	Land & Land Rights	\$434,697	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$434,697	\$0	\$434,697	9.3123%	\$40,480
46	390	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
47	390.1	Structures & Improvements	4,357,262	0	0	9	(8,657)	0	(492)	0	4,348,122	0	4,348,122	9.3123%	404,910
48	390.17	Building Improv Plum	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
50	390.2	Leasehold Improvement	235,077	(774)	0	0	0	0	0	0	234,303	0	234,303	9.3123%	21,819
51	390.2	OGS Lease Incentive	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
54	391.1	Office Furniture & Equipment	2,552,043	0	0	0	0	26,814	0	0	2,578,857	0	2,578,857	9.3123%	240,151
55	391.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP C.b  
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PLANT IN SERVICE - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER BOOK ACCT 1010 (a)	REMOVE ASSET NOT USED BY DIVISION (b)	ASSET WITH MISSING BACKUP (c)	REMOVE TGS DIRECT COSTS (d)	REMOVE DUPLICATE VERTEX SALES TAX (e)	INCLUDE TGS DIVISION COSTS MISCODED TO DIRECT (f)	REMOVE MEALS & HOTEL (g)	REMOVAL OF RETIRING ASSETS (h)	TGS DIVISION TEST YEAR ADJUSTED ACCT 1010 (i)	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE (j)	TGS DIVISION ADJUSTED ACCT 1010 (k)	ALLOCATION TO SERVICE AREA (l)	TGS DIVISION TEST YEAR ALLOCATED TO SERVICE AREA (m)
56	391.2	Data Processing Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
57	391.2	Oracle Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
58	391.3	Office Machines	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
59	391.4	Audio Visual Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
60	391.5	Artwork	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
61	391.6	Purchased Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
62	391.6	Banner Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
63	391.6	PowerPlant System	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
64	391.6	Riskworks	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
65	391.6	Maximo	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
66	391.6	Foundation Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
67	391.6	Concur Project	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
69	391.6	Journey-Employee Count	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
70	391.6	Payroll - Time Management	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
71	391.6	Accounts Payable Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
72	391.6	Customer Relations Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
73	391.8	Micro Computer Software	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
75	391.9	Computer & Equipment	1,577,353	0	(459)	0	(89)	0	(7,466)	0	1,569,339	0	1,569,339	9.3123%	146,142
76	391.99	Cloud Computing	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
77	392	Transportation Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
80	392.5	Trailers	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
81	392.6	Aircraft	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
82	393	Stores Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
83	394	Tools, Shop & Garage	28,756	0	0	0	0	0	(180)	0	28,576	0	28,576	9.3123%	2,661
84	394.1	Tools	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
87	396	Major Work Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
88	397	Communication Equipment	1,188,735	0	0	0	0	0	0	0	1,188,735	0	1,188,735	9.3123%	110,699
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
91		Total General Plant	\$10,373,923	\$(774)	\$(459)	\$9	\$(8,746)	\$26,814	\$(8,138)	\$0	\$10,382,630	\$0	\$10,382,630		\$966,862
92		Total Orig Cost Plant in Service	\$10,779,920	\$(774)	\$(406,456)	\$9	\$(8,746)	\$26,814	\$(8,138)	\$0	\$10,382,630	\$0	\$10,382,630		
93		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%		
94		Total Allocated Plant In Service	\$1,003,858	\$(72)	\$(37,850)	\$1	\$(814)	\$2,497	\$(758)	\$0	\$966,862	\$0	\$966,862		

Source: WKP C.b C-1.b and D.b TGS Division Assets, CCNC, and Accumulated Reserve.xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PLANT IN SERVICE - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE PER BOOK ACCT 1010	REMOVE ARTWORK	REMOVE AVIATION	REMOVE ONE GAS FOUNDATION SOFTWARE	REMOVE LEASE INCENTIVE	MISCELLANEOUS ADJUSTMENTS	REMOVE DIRECT SPECIFIC PROJECT	REMOVE MEALS & HOTEL COSTS	CORPORATE TEST YEAR ADJUSTED ACCT 1010	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE AS OF 3/31/2022	CORPORATE ADJUSTED ACCT 1010	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
<b>INTANGIBLE PLANT</b>																	
1	301	Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
3	303	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
<b>GATHERING AND TRANSMISSION PLANT</b>																	
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
7	327	Field Comprss Station Structures	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
18	367	Mains	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
<b>DISTRIBUTION PLANT</b>																	
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
24	374.1	Land	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
25	374.2	Land Rights	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
26	375	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
28	375.2	Other System Structures	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
29	376	Mains	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
34	380	Services	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
38	381	Meters	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
39	382	Meter Installations	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
40	383	House Regulators	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
44		Total Distribution Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
<b>GENERAL PLANT</b>																	
45	389	Land & Land Rights	\$43,763	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$43,763	\$0	\$43,763	28.24%	\$12,359	9.3123%	\$1,151
46	390	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
47	390.1	Structures & Improvements	4,861,475	0	0	0	0	(36)	(6,222)	(29)	4,855,188	0	4,855,188	28.24%	1,371,105	9.3123%	127,681
48	390.17	Building Improv Plum	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
50	390.2	Leasehold Improvement	6,025,621	0	(93,620)	0	55,663	(9,201)	0	(189)	5,978,274	0	5,978,274	28.24%	1,688,265	9.3123%	157,216
51	390.2	OGS Lease Incentive	635,449	0	0	0	(635,449)	0	0	0	0	0	0	28.24%	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
54	391.1	Office Furniture & Equipment	4,673,742	0	(55,418)	0	0	(77,637)	0	0	4,540,688	0	4,540,688	28.24%	1,282,290	9.3123%	119,411
55	391.19	Airplane Hanger Furniture	59,246	0	(59,246)	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
56	391.2	Data Processing Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
57	391.2	Oracle Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
58	391.3	Office Machines	316,640	0	0	0	0	0	0	0	316,640	0	316,640	28.24%	89,419	9.3123%	8,327
59	391.4	Audio Visual Equipment	1,075,637	0	0	0	0	(497)	0	0	1,075,141	0	1,075,141	28.24%	303,620	9.3123%	28,274

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PLANT IN SERVICE - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE PER BOOK Acct 1010	REMOVE ARTWORK	REMOVE AVIATION	REMOVE ONE GAS FOUNDATION SOFTWARE	REMOVE LEASE INCENTIVE	MISCELLANEOUS ADJUSTMENTS	REMOVE DIRECT SPECIFIC PROJECT	REMOVE MEALS & HOTEL COSTS	CORPORATE TEST YEAR ADJUSTED ACCT 1010	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE AS OF 3/31/2022	CORPORATE ADJUSTED ACCT 1010	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
60	391.5	Artwork	49,414	(49,414)	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
61	391.6	Purchased Software	116,925,064	0	0	(7,658)	0	192	0	(100,393)	116,817,205	0	116,817,205	28.24%	32,989,179	9.3123%	3,072,051
62	391.6	Banner Software	5,942,237	0	0	0	0	0	0	(355)	5,941,882	0	5,941,882	30.81%	1,830,500	9.3123%	170,462
63	391.6	PowerPlant System	2,171,982	0	0	0	0	0	0	0	2,171,982	0	2,171,982	27.03%	587,002	9.3123%	54,663
64	391.6	Riskworks	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
65	391.6	Maximo	5,342,658	0	0	0	0	0	0	0	5,342,658	0	5,342,658	25.39%	1,356,675	9.3123%	126,338
66	391.6	Foundation Software	70,872	0	0	(70,872)	0	0	0	0	0	0	0	0.00%	0	9.3123%	0
67	391.6	Concur Project	71,646	0	0	0	0	0	0	0	71,646	0	71,646	29.34%	21,022	9.3123%	1,958
68	391.6	Journey-Employee-ODC Distrigas	69,580,940	0	0	0	0	0	0	(12,655)	69,568,284	0	69,568,284	28.24%	19,646,083	9.3123%	1,829,502
69	391.6	Journey-Employee Count	1,848,836	0	0	0	0	0	0	0	1,848,836	0	1,848,836	29.34%	542,485	9.3123%	50,518
70	391.6	Payroll - Time Management	2,945,016	0	0	0	0	(8,106)	0	0	2,936,911	0	2,936,911	29.34%	861,748	9.3123%	80,249
71	391.6	Accounts Payable Software	1,110,246	0	0	0	0	0	0	0	1,110,246	0	1,110,246	33.47%	371,622	9.3123%	34,607
72	391.6	Customer Relations Software	13,184	0	0	0	0	0	0	0	13,184	0	13,184	30.81%	4,062	9.3123%	378
73	391.8	Micro Computer Software	21,505,102	0	0	0	0	(59)	(196,157)	(82)	21,308,804	0	21,308,804	28.24%	6,017,606	9.3123%	560,378
74	391.81	Aircraft Computer Equipment	36,559	0	(36,559)	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
75	391.9	Computer & Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
76	391.99	Cloud Computing	943,142	0	0	0	0	0	0	0	943,142	0	943,142	28.24%	266,343	9.3123%	24,803
77	392	Transportation Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
80	392.5	Trailers	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
81	392.6	Aircraft	13,608,723	0	(13,608,723)	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
82	393	Stores Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
83	394	Tools, Shop & Garage	36,883	0	(36,883)	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
84	394.1	Tools	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
87	396	Major Work Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
88	397	Communication Equipment	102,489	0	0	0	0	0	0	0	102,489	0	102,489	28.24%	28,943	9.3123%	2,695
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123%	0
91		Total General Plant	\$259,996,566	\$(49,414)	\$(13,890,448)	\$(78,530)	\$(579,787)	\$(17,707)	\$(280,016)	\$(113,702)	\$244,986,962	\$0	\$244,986,962	28.28%	\$69,270,327		\$6,450,661
92		Total Orig Cost Plant in Service	\$259,996,566	\$(49,414)	\$(13,890,448)	\$(78,530)	\$(579,787)	\$(17,707)	\$(280,016)	\$(113,702)	\$244,986,962	\$0	\$244,986,962				
93		Allocation Factor to TGS	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%	28.2751%			
94		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%			
95		Total Allocated Plant in Service	\$6,845,873	\$(1,301)	\$(365,744)	\$(2,068)	\$(15,266)	\$(466)	\$(7,373)	\$(2,994)	\$6,450,661	\$0	\$6,450,661				

Source: WKP C.c C-1.c and D.c Corporate Assets, CCNC, and Accumulated Reserve.xlsx



**SCHEDULE C-1**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**TOTAL COMPLETED CONSTRUCTION NOT CLASSIFIED (CCNC) - DIRECT AND ALLOCATED**

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK ACCT 1060 (a)	ADJUSTMENTS ACCT 1060 (b)	TEST YEAR ADJUSTED ACCT 1060 (c)
1	Service Area Direct Completed Construction Not Classified	WKP C-1.a	\$21,858,038	\$(166)	\$21,857,872
2	Allocated TGS Division Completed Construction Not Classified	WKP C-1.b	14,944	0	14,944
3	Allocated Corporate Completed Construction Not Classified	WKP C-1.c	148,950	(987)	147,963
4	Total Completed Construction Not Classified		<u>\$22,021,931</u>	<u>\$(1,153)</u>	<u>\$22,020,778</u>



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP C-1.a  
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COMPLETED CONSTRUCTION NOT CLASSIFIED - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT PER BOOK	MEAL & HOTEL	MISCODED	MISCODED	TOTAL	DIRECT TEST YEAR	KNOWN AND	DIRECT ADJUSTED
			ACCT 1060	ADJUSTMENTS	ADJUSTMENT	RETIREMENTS	ADJUSTMENTS	ADJUSTED ACCT 1060	MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	ACCT 1060
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
66	391.6	Foundation Software	0	0	0	0	0	0	0	0
67	391.6	Concur Project	0	0	0	0	0	0	0	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0	0	0	0
69	391.6	Journey-Employee Count	0	0	0	0	0	0	0	0
70	391.6	Payroll - Time Management	0	0	0	0	0	0	0	0
71	391.6	Accounts Payable Software	0	0	0	0	0	0	0	0
72	391.6	Customer Relations Software	0	0	0	0	0	0	0	0
73	391.8	Micro Computer Software	0	0	0	0	0	0	0	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	0	0
75	391.9	Computer & Equipment	54,186	-166	0	0	-166	54,020	0	54,020
76	391.99	Cloud Computing	0	0	0	0	0	0	0	0
77	392	Transportation Equipment	1,275,679	0	0	0	0	1,275,679	0	1,275,679
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0
80	392.5	Trailers	0	0	0	0	0	0	0	0
81	392.6	Aircraft	0	0	0	0	0	0	0	0
82	393	Stores Equipment	0	0	0	0	0	0	0	0
83	394	Tools, Shop & Garage	124,440	0	0	0	0	124,440	0	124,440
84	394.1	Tools	0	0	0	0	0	0	0	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0
87	396	Major Work Equipment	0	0	0	0	0	0	0	0
88	397	Communication Equipment	366,305	0	0	0	0	366,305	0	366,305
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0
91		Total General CCNC	\$2,121,880	\$(166)	\$0	\$0	\$(166)	\$2,121,714	\$0	\$2,121,714
92		Total Orig Cost CCNC	\$21,858,038	\$(166)	\$0	\$0	\$(166)	\$21,857,872	\$0	\$21,857,872

Source: WKP C.a & WKP C-1.a Direct Plant and CCNC.xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP C-1.b  
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COMPLETED CONSTRUCTION NOT CLASSIFIED - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER BOOK ACCT 1060	REMOVE MEALS & HOTEL	REMOVE TGS DIRECT COSTS	TGS DIVISION TEST YEAR ADJUSTED ACCT 1060	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	TGS DIVISION ADJUSTED ACCT 1060	ALLOCATION TO SERVICE AREA	TGS DIVISION TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
INTANGIBLE PLANT										
1	301	Organization	\$0	\$0	\$0	\$0	\$0	0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	9.3123%	0
3	303	Misc. Intangible	0	0	0	0	0	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	9.3123 %	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT										
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
7	327	Field Comprss Station Strucutres	0	0	0	0	0	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	9.3123%	0
18	367	Mains	0	0	0	0	0	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0	0	9.3123 %	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0	\$0	\$0		\$0
DISTRIBUTION PLANT										
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	9.3123 %	\$0
24	374.1	Land	0	0	0	0	0	0	9.3123 %	0
25	374.2	Land Rights	0	0	0	0	0	0	9.3123 %	0
26	375	Structures & Improvements	0	0	0	0	0	0	9.3123 %	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	9.3123 %	0
28	375.2	Other System Structures	0	0	0	0	0	0	9.3123 %	0
29	376	Mains	0	0	0	0	0	0	9.3123 %	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	9.3123 %	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	9.3123 %	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	9.3123 %	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	9.3123 %	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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COMPLETED CONSTRUCTION NOT CLASSIFIED - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER	REMOVE MEALS &	REMOVE TGS	TGS DIVISION TEST YEAR	KNOWN AND	TGS DIVISION ADJUSTED	ALLOCATION TO SERVICE	TGS DIVISION TEST YEAR
			BOOK ACCT 1060	HOTEL	DIRECT COSTS	ADJUSTED ACCT 1060	MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	ACCT 1060	AREA	ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
34	380	Services	0	0	0	0	0	0	9.3123 %	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	9.3123 %	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	9.3123 %	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	9.3123 %	0
38	381	Meters	0	0	0	0	0	0	9.3123 %	0
39	382	Meter Installations	0	0	0	0	0	0	9.3123 %	0
40	383	House Regulators	0	0	0	0	0	0	9.3123 %	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	9.3123 %	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	9.3123 %	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	9.3123 %	0
44		Total Distribution CCNC	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GENERAL PLANT										
45	389	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	0
46	390	Structures & Improvements	0	0	0	0	0	0	9.3123%	0
47	390.1	Structures & Improvements	142,293	0	0	142,293	0	142,293	9.3123%	13,251
48	390.17	Building Improv Plum	0	0	0	0	0	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	9.3123%	0
50	390.2	Leasehold Improvement	18,181	0	0	18,181	0	18,181	9.3123%	1,693
51	390.2	OGS Lease Incentive	0	0	0	0	0	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0	0	9.3123%	0
54	391.1	Office Furniture & Equipment	0	0	0	0	0	0	9.3123%	0
55	391.19	Airplane Hanger Furniture	0	0	0	0	0	0	9.3123%	0
56	391.2	Data Processing Equipment	0	0	0	0	0	0	9.3123%	0
57	391.2	Oracle Equipment	0	0	0	0	0	0	9.3123%	0
58	391.3	Office Machines	0	0	0	0	0	0	9.3123%	0
59	391.4	Audio Visual Equipment	0	0	0	0	0	0	9.3123%	0
60	391.5	Artwork	0	0	0	0	0	0	9.3123%	0
61	391.6	Purchased Software	0	0	0	0	0	0	9.3123%	0
62	391.6	Banner Software	0	0	0	0	0	0	9.3123%	0
63	391.6	PowerPlant System	0	0	0	0	0	0	9.3123%	0
64	391.6	Riskworks	0	0	0	0	0	0	9.3123%	0
65	391.6	Maximo	0	0	0	0	0	0	9.3123%	0
66	391.6	Foundation Software	0	0	0	0	0	0	9.3123%	0
67	391.6	Concur Project	0	0	0	0	0	0	9.3123%	0
68	391.6	Journey-Employee-ODC Dstrigas	0	0	0	0	0	0	9.3123%	0
69	391.6	Journey-Employee Count	0	0	0	0	0	0	9.3123%	0

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COMPLETED CONSTRUCTION NOT CLASSIFIED - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER	REMOVE MEALS &	REMOVE TGS	TGS DIVISION TEST YEAR	KNOWN AND	TGS DIVISION ADJUSTED	ALLOCATION TO SERVICE	TGS DIVISION TEST YEAR
			BOOK ACCT 1060	HOTEL	DIRECT COSTS	ADJUSTED ACCT 1060	MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	ACCT 1060	AREA	ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
70	391.6	Payroll - Time Management	0	0	0	0	0	0	9.3123%	0
71	391.6	Accounts Payable Software	0	0	0	0	0	0	9.3123%	0
72	391.6	Customer Relations Software	0	0	0	0	0	0	9.3123%	0
73	391.8	Micro Computer Software	0	0	0	0	0	0	9.3123%	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	9.3123%	0
75	391.9	Computer & Equipment	0	0	0	0	0	0	9.3123%	0
76	391.99	Cloud Computing	0	0	0	0	0	0	9.3123%	0
77	392	Transportation Equipment	0	0	0	0	0	0	9.3123%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	9.3123%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	9.3123%	0
80	392.5	Trailers	0	0	0	0	0	0	9.3123%	0
81	392.6	Aircraft	0	0	0	0	0	0	9.3123%	0
82	393	Stores Equipment	0	0	0	0	0	0	9.3123%	0
83	394	Tools, Shop & Garage	0	0	0	0	0	0	9.3123%	0
84	394.1	Tools	0	0	0	0	0	0	9.3123%	0
85	394.2	Shop Equipment	0	0	0	0	0	0	9.3123%	0
86	395	CNG Equipment	0	0	0	0	0	0	9.3123%	0
87	396	Major Work Equipment	0	0	0	0	0	0	9.3123%	0
88	397	Communication Equipment	0	0	0	0	0	0	9.3123%	0
89	397.2	Telephone Equipment	0	0	0	0	0	0	9.3123%	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	9.3123%	0
91		Total General plant	\$160,473	\$0	\$0	\$160,473	\$0	\$160,473		\$14,944
92		Total Orig Cost Plant in Service	\$160,473	\$0	\$0	\$160,473	\$0	\$160,473		\$14,944
93		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%		
94		Total Allocated CCNC	\$14,944	\$0	\$0	\$14,944	\$0	\$14,944		

Source: WKP C.b C-1.b and D.b TGS Division Assets, CCNC, and Accumulated Reserve.xlsx

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COMPLETED CONSTRUCTION NOT CLASSIFIED - CORPORATE

LINE NO.	ACCOUNTS	DESCRIPTION	CORPORATE PER BOOK ACCT 1060	REMOVE MEALS & HOTEL COSTS	REMOVE DIRECT SPECIFIC PROJECT	CORPORATE TEST YEAR ADJUSTED ACCT 1060	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	CORPORATE ADJUSTED ACCT 1060	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
INTANGIBLE PLANT												
1	301	Organization	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0.00%	0	9.3123%	0
3	303	Misc. Intangible	0	0	0	0	0	0	0.00%	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0.00%	0	9.3123%	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT												
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
7	327	Field Comprss Station Structutres	0	0	0	0	0	0	0.00%	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0.00%	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0	0	0.00%	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0	0	0.00%	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0	0	0.00%	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	0.00%	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	0.00%	0	9.3123%	0
18	367	Mains	0	0	0	0	0	0	0.00%	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
DISTRIBUTION PLANT												
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123%	\$0
24	374.1	Land	0	0	0	0	0	0	0.00%	0	9.3123%	0
25	374.2	Land Rights	0	0	0	0	0	0	0.00%	0	9.3123%	0
26	375	Structures & Improvements	0	0	0	0	0	0	0.00%	0	9.3123%	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	0.00%	0	9.3123%	0
28	375.2	Other System Structures	0	0	0	0	0	0	0.00%	0	9.3123%	0
29	376	Mains	0	0	0	0	0	0	0.00%	0	9.3123%	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	0.00%	0	9.3123%	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	0.00%	0	9.3123%	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	0.00%	0	9.3123%	0
34	380	Services	0	0	0	0	0	0	0.00%	0	9.3123%	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	0.00%	0	9.3123%	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0.00%	0	9.3123%	0
38	381	Meters	0	0	0	0	0	0	0.00%	0	9.3123%	0

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LINE NO.	ACCOUNTS	DESCRIPTION	CORPORATE PER BOOK ACCT 1060	REMOVE MEALS & HOTEL COSTS	REMOVE DIRECT SPECIFIC PROJECT	CORPORATE TEST YEAR ADJUSTED ACCT 1060	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	CORPORATE ADJUSTED ACCT 1060	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
39	382	Meter Installations	0	0	0	0	0	0	0.00%	0	9.3123%	0
40	383	House Regulators	0	0	0	0	0	0	0.00%	0	9.3123%	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	0.00%	0	9.3123%	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0.00%	0	9.3123%	0
44		Total Distribution CCNC	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GENERAL PLANT												
45	389	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	28.24%	\$0	9.3123%	0
46	390	Structures & Improvements	0	0	0	0	0	0	28.24%	0	9.3123%	0
47	390.1	Structures & Improvements	75,864	0	(37,520)	38,345	0	38,345	28.24%	10,829	9.3123%	1,008
48	390.17	Building Improv Plum	0	0	0	0	0	0	28.24%	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	28.24%	0	9.3123%	0
50	390.2	Leasehold Improvement	46,813	0	0	46,813	0	46,813	28.24%	13,220	9.3123%	1,231
51	390.2	OGS Lease Incentive	0	0	0	0	0	0	28.24%	0	9.3123%	0
51	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	28.24%	0	9.3123%	0
52	391	Office Furniture & Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
53	391.1	Office Furniture & Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
54	391.19	Airplane Hanger Furniture	0	0	0	0	0	0	28.24%	0	9.3123%	0
55	391.2	Data Processing Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
56	391.2	Oracle Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
57	391.3	Office Machines	900,990	0	0	900,990	0	900,990	28.24%	254,440	9.3123%	23,694
58	391.4	Audio Visual Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
59	391.5	Artwork	0	0	0	0	0	0	28.24%	0	9.3123%	0
60	391.6	Purchased Software	4,531,938	(5)	0	4,531,933	0	4,531,933	28.24%	1,279,818	9.3123%	119,180
61	391.6	Banner Software	0	0	0	0	0	0	30.81%	0	9.3123%	0
62	391.6	PowerPlant System	0	0	0	0	0	0	27.03%	0	9.3123%	0
63	391.6	Riskworks	0	0	0	0	0	0	28.24%	0	9.3123%	0
64	391.6	Maximo	0	0	0	0	0	0	25.39%	0	9.3123%	0
65	391.6	Foundation Software	0	0	0	0	0	0	0.00%	0	9.3123%	0
66	391.6	Concur Project	0	0	0	0	0	0	29.34%	0	9.3123%	0
67	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0	0	28.24%	0	9.3123%	0
68	391.6	Journey-Employee Count	0	0	0	0	0	0	29.34%	0	9.3123%	0
69	391.6	Payroll - Time Management	0	0	0	0	0	0	29.34%	0	9.3123%	0
70	391.6	Accounts Payable Software	0	0	0	0	0	0	33.47%	0	9.3123%	0
71	391.6	Customer Relations Software	0	0	0	0	0	0	30.81%	0	9.3123%	0
72	391.8	Micro Computer Software	0	0	0	0	0	0	28.24%	0	9.3123%	0
73	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
74	391.9	Computer & Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
75	391.99	Cloud Computing	0	0	0	0	0	0	28.24%	0	9.3123%	0
76	392	Transportation Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
77	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	28.24%	0	9.3123%	0
78	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	28.24%	0	9.3123%	0



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COMPLETED CONSTRUCTION NOT CLASSIFIED - CORPORATE

LINE NO.	ACCOUNTS	DESCRIPTION	CORPORATE PER BOOK ACCT 1060	REMOVE MEALS & HOTEL COSTS	REMOVE DIRECT SPECIFIC PROJECT	CORPORATE TEST YEAR ADJUSTED ACCT 1060	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE ASSETS IN SERVICE	CORPORATE ADJUSTED ACCT 1060	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
79	392.5	Trailers	0	0	0	0	0	0	28.24%	0	9.3123%	0
80	392.6	Aircraft	0	0	0	0	0	0	28.24%	0	9.3123%	0
81	393	Stores Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
82	394	Tools, Shop & Garage	108,323	0	0	108,323	0	108,323	28.24%	30,590	9.3123%	2,849
83	394.1	Tools	0	0	0	0	0	0	28.24%	0	9.3123%	0
84	394.2	Shop Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
85	395	CNG Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
86	396	Major Work Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
87	397	Communication Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
88	397.2	Telephone Equipment	0	0	0	0	0	0	28.24%	0	9.3123%	0
89	398	Miscellaneous General Plant	0	0	0	0	0	0	28.24%	0	9.3123%	0
90		Total General plant	\$5,663,928	\$(5)	\$(37,520)	\$5,626,403	\$0	\$5,626,403	28.24%	\$1,588,896		\$147,963
91		Total Orig Cost Plant in Service	\$5,663,928	\$(5)	\$(37,520)	\$5,626,403	\$0	\$5,626,403				
92		Allocation Factor to TGS	28.2400%	28.2400%	28.2400%	28.2400%	28.2400%	28.2400%				
93		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%				
94		Total Allocated CCNC	\$148,950	\$(0)	\$(987)	\$147,963	\$0	\$147,963				

Source: WKP C.c C-1.c and D.c Corporate Assets, CCNC, and Accumulated Reserve.xlsx

**SCHEDULE D**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**TOTAL ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - DIRECT AND ALLOCATED**

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK	ADJUSTMENTS ACCTS	TEST YEAR ADJUSTED
			ACCTS 1080100 & 1110	1080100 & 1110	ACCTS 1080100 & 1110
			(a)	(b)	(c)
1	Service Area Direct Accumulated Reserves	WKP D.a	\$(30,069,651)	\$1,436,341	\$(28,633,310)
2	Allocated TGS Division Accumulated Reserves	WKP D.b	(251,855)	(5,983)	(257,838)
3	Allocated Corporate Accumulated Reserves	WKP D.c	(3,629,070)	355,601	(3,273,469)
4	Total Accumulated Reserves		<u>\$(33,950,576)</u>	<u>\$1,785,959</u>	<u>\$(32,164,618)</u>



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
RIO GRANDE VALLEY SERVICE AREA

ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT PER BOOK	DIRECT PER BOOK	DIRECT PER BOOK	MISCODED ADDITIONS AND TRANSFERS ADJUSTMENT	MISCODED RETIREMENTS ADJUSTMENT	REMOVAL OF	RESERVE	TOTAL	DIRECT	KNOWN AND MEASURABLE	DIRECT
			ACCT 1080100 DEPR	ACCT 1110 AMORT	ACCTS 1080100 & 1110	ACCTS 1080100 & 1110	ACCTS 1080100 & 1110	RETIRING ASSETS	BALANCING	ADJUSTMENTS	TEST YEAR ADJUSTED ACCTS 1080100 & 1110	ADJUSTMENT TO INCLUDE RESERVE CHANGES	ADJUSTED ACCTS 1080100 & 1110
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
59	391.4	Audio Visual Equipment	0	0	0	0	0	0	0	0	0	0	0
60	391.5	Artwork	0	0	0	0	0	0	0	0	0	0	0
61	391.6	Purchased Software	0	0	0	0	0	0	0	0	0	0	0
62	391.6	Banner Software	0	0	0	0	0	0	0	0	0	0	0
63	391.6	PowerPlant System	0	0	0	0	0	0	0	0	0	0	0
64	391.6	Riskworks	0	0	0	0	0	0	0	0	0	0	0
65	391.6	Maximo	0	0	0	0	0	0	0	0	0	0	0
66	391.6	Foundation Software	0	0	0	0	0	0	0	0	0	0	0
67	391.6	Concur Project	0	0	0	0	0	0	0	0	0	0	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0	0	0	0	0	0	0
69	391.6	Journey-Employee Count	0	0	0	0	0	0	0	0	0	0	0
70	391.6	Payroll - Time Management	0	0	0	0	0	0	0	0	0	0	0
71	391.6	Accounts Payable Software	0	0	0	0	0	0	0	0	0	0	0
72	391.6	Customer Relations Software	0	0	0	0	0	0	0	0	0	0	0
73	391.8	Micro Computer Software	0	0	0	0	0	0	0	0	0	0	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	0	0	0	0	0
75	391.9	Computer & Equipment	(415,337)	0	(415,337)	0	0	233,845	(68,775)	165,070	(250,267)	0	(250,267)
76	391.99	Cloud Computing	0	0	0	0	0	0	0	0	0	0	0
77	392	Transportation Equipment	(1,856,905)	0	(1,856,905)	0	0	700,344	700,344	(1,156,561)	0	(1,156,561)	
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	0	0	0	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	0	0
80	392.5	Trailers	0	0	0	0	0	0	0	0	0	0	0
81	392.6	Aircraft	0	0	0	0	0	0	0	0	0	0	0
82	393	Stores Equipment	42	0	42	0	0	0	0	0	42	0	42
83	394	Tools, Shop & Garage	(1,571,595)	0	(1,571,595)	0	0	105,919	(43,268)	62,651	(1,508,944)	0	(1,508,944)
84	394.1	Tools	0	0	0	0	0	0	0	0	0	0	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	0	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0	0	0	0
87	396	Major Work Equipment	(254,568)	0	(254,568)	0	0	96,926	96,926	(157,642)	0	(157,642)	
88	397	Communication Equipment	(2,364,205)	0	(2,364,205)	0	0	253,412	(43,565)	209,847	(2,154,358)	0	(2,154,358)
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	0	0
90	398	Miscellaneous General Plant	631	0	631	0	0	0	0	0	631	0	631
91		Total General Plant Reserves	\$(6,628,068)	\$(1,839)	\$(6,629,907)	\$0	\$0	\$608,597	\$44,611	\$653,209	\$(5,976,699)	\$0	\$(5,976,699)
92		Total Accumulated Reserves For Depreciation	(30,067,812)	\$(1,839)	\$(30,069,651)	\$16,669	\$7,126	\$1,367,934	\$44,612	\$1,436,341	\$(28,633,310)	\$0	\$(28,633,310)

Source: WKP C.a and WKP C-1.a\_D.a Accum Depr and Amort Adjustment.xlsx  
 Source: WKP D.a REG BKS\_091\_PP Rpt\_1080100\_1080500\_Accum Depreciation.xlsx  
 Source: WKP D.a REG BKS\_091\_PP Rpt\_1110100\_1110500\_Accum Amortization.xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP D.b  
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ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER BOOK ACCTS 1080100 & 1110	REMOVE ASSET NOT USED BY DIVISION	REMOVE ASSET WITH INSUFFICIENT DOCUMENTATION	INCLUDE TGS DIVISION COSTS MISCODED TO DIRECT	RECLASSIFY DEPRECIATION TO CORRECT FERC ACCT	REMOVE LAND DEPRECIATION	PRO FORMA ADJUSTMENT RESERVE BALANCING	REMOVAL OF RETIRING ASSETS	TGS DIVISION TEST YEAR ADJUSTED ACCTS 1080100 & 1110	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE RESERVES	TGS DIVISION ADJUSTED ACCT 1060	ALLOCATION TO SERVICE AREA	TGS DIVISION TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
INTANGIBLE PLANT															
1	301	Organization	\$(127,437)	\$0	\$127,437	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
3	303	Misc. Intangible	(278,560)	0	278,560	0	0	0	0	0	0	0	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
5		Total Intangible Plant Reserves	\$(405,997)	\$0	\$405,997	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT															
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
7	327	Field Comprss Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
18	367	Mains	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
22		Total Gathering and Transmission Plant Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
DISTRIBUTION PLANT															
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
24	374.1	Land	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
25	374.2	Land Rights	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
26	375	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
28	375.2	Other System Structures	(719)	0	0	0	719	0	0	0	0	0	0	9.3123%	0
29	376	Mains	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
34	380	Services	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
38	381	Meters	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
39	382	Meter Installations	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
40	383	House Regulators	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
44		Total Distribution Plant Reserves	\$(719)	\$0	\$0	\$0	\$719	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GENERAL PLANT															
45	389	Land & Land Rights	\$(4,331)	\$0	\$0	\$0	\$0	\$4,331	\$0	\$0	\$0	\$0	\$0	9.3123%	\$0
46	390	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
47	390.1	Structures & Improvements	(434,777)	0	0	0	0	0	55,013	0	(379,764)	0	(379,764)	9.3123%	(35,365)
48	390.17	Building Improv Plum	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
50	390.2	Leasehold Improvement	(202,231)	719	0	0	0	0	0	0	(201,513)	0	(201,513)	9.3123%	(18,765)
51	390.2	OCS Lease Incentive	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0
54	391.1	Office Furniture & Equipment	(347,461)	0	0	(986)	0	0	(201,812)	0	(550,259)	0	(550,259)	9.3123%	(51,242)
55	391.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	0	0	9.3123%	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

WKP D.b  
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ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - TGS DIVISION

LINE NO.	ACCOUNT	DESCRIPTION	TGS DIVISION PER BOOK ACCTS 1080100 & 1110	REMOVE ASSET NOT USED BY DIVISION	REMOVE ASSET WITH INSUFFICIENT DOCUMENTATION	INCLUDE TGS DIVISION COSTS MISCODED TO DIRECT	RECLASSIFY DEPRECIATION TO CORRECT FERC ACCT	REMOVE LAND DEPRECIATION	PRO FORMA ADJUSTMENT RESERVE BALANCING	REMOVAL OF RETIRING ASSETS	TGS DIVISION TEST YEAR ADJUSTED ACCTS 1080100 & 1110	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE RESERVES	TGS DIVISION ADJUSTED ACCT 1060	ALLOCATION TO SERVICE AREA	TGS DIVISION TEST YEAR ALLOCATED TO SERVICE AREA	
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	
56	391.2	Data Processing Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
57	391.2	Oracle Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
58	391.3	Office Machines	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
59	391.4	Audio Visual Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
60	391.5	Artwork	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
61	391.6	Purchased Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
62	391.6	Banner Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
63	391.6	PowerPlant System	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
64	391.6	Riskworks	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
65	391.6	Maximo	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
66	391.6	Foundation Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
67	391.6	Concur Project	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
68	391.6	Journey-Employee-ODC Dstrigas	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
69	391.6	Journey-Employee Count	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
70	391.6	Payroll - Time Management	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
71	391.6	Accounts Payable Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
72	391.6	Customer Relations Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
73	391.8	Micro Computer Software	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
75	391.9	Computer & Equipment	(468,648)	0	0	0	0	0	(326,459)	0	(795,107)	0	(795,107)	0	9.3123 %	(74,043)
76	391.99	Cloud Computing	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
77	392	Transportation Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
80	392.5	Trailers	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
81	392.6	Aircraft	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
82	393	Stores Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
83	394	Tools, Shop & Garage	(6,654)	0	0	0	(719)	0	(243)	0	(7,617)	0	(7,617)	0	9.3123 %	(709)
84	394.1	Tools	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
87	396	Major Work Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
88	397	Communication Equipment	(833,725)	0	0	0	0	0	(812)	0	(834,536)	0	(834,536)	0	9.3123 %	(77,715)
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0	0	0	0	0	9.3123 %	0
91		Total General Plant Reserves	\$(2,297,827)	\$719	\$0	\$(986)	\$(719)	\$4,331	\$(474,312)	\$0	\$(2,768,795)	\$0	\$(2,768,795)		\$(257,838)	
92		Total Accumulated Reserves For Depreciation	\$(2,704,543)	\$719	\$405,997	\$(986)	\$0	\$4,331	\$(474,312)	\$0	\$(2,768,795)	\$0	\$(2,768,795)		\$(257,838)	
93		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%			
94		Total Allocated Accumulated Reserves	\$(251,855)	\$67	\$37,808	\$(92)	\$0	\$403	\$(44,169)	\$0	\$(257,838)	\$0	\$(257,838)			

Source: WKP C.b C-1.b and D.b TGS Division Assets, CCNC, and Accumulated Reserve.xls

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE PER	REMOVE	REMOVE AVIATION	REMOVE LEASE	REMOVE ONE GAS	REMOVE DIRECT	CORPORATE TEST	KNOWN AND	CORPORATE	CORPORATE TEST	ALLOCATION TO	CORPORATE TEST		
			BOOK ACCTS 1080100 & 1110	ARTWORK	(c)	INCENTIVE	FOUNDATION SOFTWARE	SPECIFIC ASSET	YEAR ADJUSTED ACCTS 1080100 & 1110	MEASURABLE ADJUSTMENT TO INCLUDE RESERVES	ADJUSTED ACCTS 1080100 & 1110	YEAR ADJUSTED AS ALLOCATED	TO TGS	ALLOCATION TO SERVICE AREA		YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(k)	(j)	(l)	(m)	
INTANGIBLE PLANT																
1	301	Organization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123 %	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
3	303	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
5		Total Intangible Plant Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT																
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123 %	\$0
7	327	Field Compress Station Structures	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
9	329	Other Structures	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
10	332	Field Lines	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
13	336	Purification Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
14	337	Other Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
15	365	Land & Land Rights	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
16	365.2	Rights-of-Way	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
17	366	Meas/Reg Station Structures	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
18	367	Mains	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
19	368	Compressor Station Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
21	371	Other Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
22		Total Gathering and Transmission Plant Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
DISTRIBUTION PLANT																
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$0	9.3123 %	\$0
24	374.1	Land	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
25	374.2	Land Rights	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
26	375	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
27	375.1	Structures & Improvements	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
28	375.2	Other System Structures	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
29	376	Mains	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
31	377	Compressor Station Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
34	380	Services	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
35	380.1	Ind Service Line Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
36	380.2	Comm Service Line Equip	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
38	381	Meters	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
39	382	Meter Installations	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
40	383	House Regulators	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
42	386	Other Property on Customer Premises	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0	0	0	0	0	0	0.00%	0	9.3123 %	0
44		Total Distribution Plant Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GENERAL PLANT																
45	389	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	28.24%	\$0	9.3123 %	\$0	
46	390	Structures & Improvements	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
47	390.1	Structures & Improvements	(225,512)	0	0	0	0	1,779	(223,733)	0	(223,733)	28.24%	(63,182)	9.3123 %	(5,884)	
48	390.17	Building Improv Plum	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
49	390.19	Airplane Hanger Furniture	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
50	390.2	Leasehold Improvement	(3,368,993)	0	1,957	(4,218)	0	0	(3,371,254)	0	(3,371,254)	28.24%	(952,042)	9.3123 %	(88,657)	
51	390.2	OGS Lease Incentive	(188,847)	0	0	188,847	0	0	0	0	0	28.24%	0	9.3123 %	0	
52	390.21	Leasehold Equipment EOL	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
53	391	Office Furniture & Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
54	391.1	Office Furniture & Equipment	(1,721,654)	0	1,565	0	0	2,193	(1,717,895)	0	(1,717,895)	28.24%	(485,134)	9.3123 %	(45,177)	
55	391.19	Airplane Hanger Furniture	(6,618)	0	6,618	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
56	391.2	Data Processing Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
57	391.2	Oracle Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0	
58	391.3	Office Machines	(83,048)	0	0	0	0	0	(83,048)	0	(83,048)	28.24%	(23,453)	9.3123 %	(2,184)	
59	391.4	Audio Visual Equipment	(506,468)	0	0	0	0	0	(506,468)	0	(506,468)	28.24%	(143,027)	9.3123 %	(13,319)	

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

ACCUMULATED RESERVES FOR DEPRECIATION & AMORTIZATION - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE PER BOOK ACCTS 1080100 & 1110	REMOVE ARTWORK	REMOVE AVIATION	REMOVE LEASE INCENTIVE	REMOVE ONE GAS FOUNDATION SOFTWARE	REMOVE DIRECT SPECIFIC ASSET	CORPORATE TEST YEAR ADJUSTED ACCTS 1080100 & 1110	KNOWN AND MEASURABLE ADJUSTMENT TO INCLUDE RESERVES	CORPORATE ADJUSTED ACCTS 1080100 & 1110	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED	ALLOCATION TO SERVICE AREA	CORPORATE TEST YEAR ALLOCATED TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
60	391.5	Artwork	(18,665)	18,665	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
61	391.6	Purchased Software	(52,569,946)	0	0	0	6,493	0	(52,563,453)	0	(52,563,453)	28.24%	(14,843,919)	9.3123 %	(1,382,310)
62	391.6	Banner Software	(1,790,095)	0	0	0	0	0	(1,790,095)	0	(1,790,095)	30.81%	(551,470)	9.3123 %	(51,355)
63	391.6	PowerPlant System	(769,284)	0	0	0	0	0	(769,284)	0	(769,284)	27.03%	(207,908)	9.3123 %	(19,361)
64	391.6	Riskworks	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
65	391.6	Maximo	(3,414,729)	0	0	0	0	0	(3,414,729)	0	(3,414,729)	25.39%	(867,111)	9.3123 %	(80,748)
66	391.6	Foundation Software	(14,045)	0	0	0	14,045	0	0	0	0	0.00%	0	9.3123 %	0
67	391.6	Concur Project	(51,703)	0	0	0	0	0	(51,703)	0	(51,703)	29.34%	(15,171)	9.3123 %	(1,413)
68	391.6	Journey-Employee-ODC Distrigas	(43,662,827)	0	0	0	0	0	(43,662,827)	0	(43,662,827)	28.24%	(12,330,382)	9.3123 %	(1,148,242)
69	391.6	Journey-Employee Count	(1,295,693)	0	0	0	0	0	(1,295,693)	0	(1,295,693)	29.34%	(380,182)	9.3123 %	(35,404)
70	391.6	Payroll - Time Management	(401,854)	0	0	0	0	0	(401,854)	0	(401,854)	29.34%	(117,912)	9.3123 %	(10,980)
71	391.6	Accounts Payable Software	(325,180)	0	0	0	0	0	(325,180)	0	(325,180)	33.47%	(108,844)	9.3123 %	(10,136)
72	391.6	Customer Relations Software	(571)	0	0	0	0	0	(571)	0	(571)	30.81%	(176)	9.3123 %	(16)
73	391.8	Micro Computer Software	(14,266,143)	0	0	0	0	18,466	(14,247,677)	0	(14,247,677)	28.24%	(4,023,544)	9.3123 %	(374,684)
74	391.81	Aircraft Computer Equipment	33,099	0	(33,099)	0	0	0	0	0	0	28.24%	0	9.3123 %	0
75	391.9	Computer & Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
76	391.99	Cloud Computing	(106,078)	0	0	0	0	0	(106,078)	0	(106,078)	28.24%	(29,957)	9.3123 %	(2,790)
77	392	Transportation Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
78	392.2	Transport Equip Pickup Trucks& Vans	(59)	0	0	0	0	59	0	0	0	28.24%	0	9.3123 %	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
80	392.5	Trailers	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
81	392.6	Aircraft	(13,302,290)	0	13,302,290	0	0	0	0	0	0	28.24%	0	9.3123 %	0
82	393	Stores Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
83	394	Tools, Shop & Garage	(12,628)	0	5,704	0	0	0	(6,924)	0	(6,924)	28.24%	(1,955)	9.3123 %	(182)
84	394.1	Tools	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
85	394.2	Shop Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
86	395	CNG Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
87	396	Major Work Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
88	397	Communication Equipment	(23,845)	0	0	0	0	0	(23,845)	0	(23,845)	28.24%	(6,734)	9.3123 %	(627)
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	0	0	28.24%	0	9.3123 %	0
91		Total General Plant Reserves	\$(138,093,675)	\$18,665	\$13,285,035	\$184,629	\$20,538	\$22,498	\$(124,562,310)	\$0	\$(124,562,310)	28.22 %	\$(35,152,101)		\$(3,273,469)
92		Total Accumulated Reserves For Depreciation	\$(138,093,675)	\$18,665	\$13,285,035	\$184,629	\$20,538	\$22,498	\$(124,562,310)	\$0	\$(124,562,310)				
93		Allocation Factor to TGS	28.2205%	28.2205%	28.2205%	28.2205%	28.2205%	28.2205%	28.2205%	28.2205%	28.2205%				
94		Allocation Factor to Service Area	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%	9.3123%				
95		Total Allocated Accumulated Reserves	\$(3,629,070)	\$491	\$349,128	\$4,852	\$540	\$591	\$(3,273,469)	\$0	\$(3,273,469)				

Source: WKP C.c C-1.c and D.c Corporate Assets, CCNC, and Accumulated Reserve.xls



**SCHEDULE E**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**COST OF CAPITAL**

LINE NO.	DESCRIPTION	RATIO	COST RATE %	COMPOSITE RATE %
		(a)	(b)	(c)
1	Long-Term Debt	40.93%	4.15%	1.70%
2	Common Equity	59.07%	10.25%	<u>6.05%</u>
3	Total	<u><u>100.000%</u></u>		<u><u>7.75%</u></u>

Source: SCH E Cost of Capital

## SCHEDULE F

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## TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

## RIO GRANDE VALLEY SERVICE AREA

TWELVE MONTHS ENDED DECEMBER 31, 2022

## FEDERAL INCOME TAX

LINE NO.	DESCRIPTION	REFERENCE	PER BOOKS	ADJUSTMENT	TEST YEAR ADJUSTED
			(a)	(b)	(c)
1	Rate Base	B	\$183,854,021	\$(3,726,568)	\$180,127,453
2	Rate of Return	E	7.7500%	7.7500%	7.7500%
3	Required Return		\$14,248,687	\$(288,809)	\$13,959,878
4	Less: Interest on Long-Term Debt (1)		3,125,518	(63,352)	3,062,167
5	Net After Tax Income before parking adjustment		\$11,123,168	\$(225,457)	\$10,897,711
6	Add: Parking Expense (2)		29,218		29,218
7	Net After Tax Income		\$11,152,386	\$(225,457)	\$10,926,929
8	Gross-Up Factor [1 / (1-0.21)]		1.2658228	1.2658228	1.2658228
9	Net Taxable Income		\$14,116,944	\$(285,389)	\$13,831,555
10	Tax Rate		21.0000%	21.0000%	21.0000%
11	Federal Income Tax		\$2,964,558	\$(59,932)	\$2,904,627
12	Net Income Tax Expense		<u>\$2,964,558</u>	<u>\$(59,932)</u>	<u>\$2,904,627</u>
Note (1)					
13	Debt Component of Return	E	1.7000%		1.7000%
14	Total Rate Base	B	<u>\$183,854,021</u>		<u>\$180,127,453</u>
15	Interest on Long-Term Debt		<u>\$3,125,518</u>		<u>\$3,062,167</u>
Note (2)					
16	Per IRS Notice 2018-99, the Tax Cuts and Jobs Act of 2017 added Code Section 274(a)(4) precluding employers from deducting for tax purposes the amount paid to a third party for the use of a parking lot. In calendar year 2021, there was new tax guidance and there was no direct parking diallowance to the direct service areas but includes the allocation for Corporate and Division.				

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SUMMARY OF OPERATING REVENUE & EXPENSE ADJUSTMENTS

LINE NO.	DESCRIPTION	REFERENCE	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
			(a)	(b)	(c)
OPERATING REVENUES					
1	Gas Sales, Transportation & Other Utility Revenue	G-1,2,3	\$60,741,361	\$(22,909,235)	\$37,832,126
OPERATING EXPENSES					
2	Cost of Gas	G-1	\$24,160,951	\$(24,160,951)	\$0
3	Base Payroll Expense	G-4	5,524,301	298,315	5,822,616
4	Overtime Payroll Expense	G-5	623,353	39,778	663,131
5	Employee Benefits and Payroll Taxes	G-6	1,988,777	(151,459)	1,837,318
6	Pension and Other Post Employment Benefits Regulatory Asset Amortization	G-7	0	0	0
7	Incentive Compensation	G-8	967,569	(99,603)	867,966
8	Miscellaneous Adjustments	G-9	584,128	(584,128)	0
9	Rents and Leases Adjustment	G-10	147,796	(3,904)	143,892
10	Interest on Customer Deposits	G-11	1,044	36,591	37,635
11	Uncollectible Expense	G-12	215,059	135,758	350,817
12	Injuries and Damages	G-13	32,233	1,362	33,595
13	Advertising Expense	G-14	6,133	(3,604)	2,529
14	Depreciation and Amortization Expense	G-15	6,443,088	1,283,737	7,726,825
15	Ad Valorem Tax Expense	G-16	1,265,347	153,160	1,418,507
16	Texas Franchise Tax Expense	G-17	0	76,410	76,410
17	Stores Load Clearing	G-18	43,690	2,384	46,074
18	Transportation & Work Equipment Clearing	G-19	783,553	(49,412)	734,140
19	Regulatory Expense	G-20	0	25,972	25,972
20	Distrigas % Adjustment	G-21	0	48,106	48,106
21	Causal % Adjustment - NOT USED	G-22	0	0	0
22	Pipeline Integrity Testing	G-23	0	2,847,355	2,847,355
23	Excess Deferred Income Tax Amortization	G-24	0	(38,628)	(38,628)
24	Unadjusted Expenses		7,972,002		7,972,002
25	Total Operating Expense Adjustments		\$50,759,024	\$(20,142,761)	\$30,616,264
26					
27	Net Operating Revenue & Expense Adjustments		\$9,982,337	\$(2,766,475)	\$7,215,862

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SCHEDULE G

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SUMMARY OF OPERATING REVENUES & EXPENSES

LINE NO.	DESCRIPTION	ACCOUNT NUMBER	SUB ACCOUNT	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
				(a)	(b)	(c)
<b>REVENUE</b>						
1	Gas Sales Revenue	480-482		\$57,811,693	\$(22,983,770)	\$34,827,922
				0	0	0
2	Forfeited Discounts	4870		0	0	0
3	Misc Fees	4880		283,656	68,812	352,467
4	Transportation	4893		2,588,259	11,763	2,600,022
5	Misc. Rent Revenue	4930		0	0	0
6	Other Utility Revenue	4950		57,754	(6,039)	51,715
7	Total Revenue			<u>\$60,741,361</u>	<u>\$(22,909,235)</u>	<u>\$37,832,126</u>
8	COST OF GAS	805		<u>\$24,160,951</u>	<u>\$(24,160,951)</u>	<u>\$0</u>
<b>DEPRECIATION &amp; AMORTIZATION</b>						
9	Depreciation and Amortization Expense	4030-4050		\$6,443,088	\$1,283,737	\$7,726,825
10	Pension and OPEB Reg Asset Amortization Expense	4073		0	0	0
11	Total Depr. & Amort.			<u>\$6,443,088</u>	<u>\$1,283,737</u>	<u>\$7,726,825</u>
<b>TAXES OTHER THAN INCOME</b>						
12	Payroll	4081		\$293,068	\$36,701	\$329,768
13	Ad Valorem	4081	190	1,265,347	153,160	1,418,507
14	Revenue Related	4081	133, 138 & 140	0	0	0
15	Other	4081	233	133,162	76,410	209,572
16	Total Taxes Other Than Income			<u>\$1,691,576</u>	<u>\$266,271</u>	<u>\$1,957,847</u>
17	Excess Deferred Income Tax Amortization	4101	102	\$0	\$(38,628)	\$(38,628)
18	INTEREST ON CUSTOMER DEPOSITS	4310		<u>\$1,044</u>	<u>\$36,591</u>	<u>\$37,635</u>
<b>TRANSMISSION AND HIGH PRESSURE DISTRIBUTION</b>						
19	Underground Storage	8140-8360		\$18	\$0	\$18
20	Operation Supervision and Engineering	8500		1,495	37	1,533
21	Transmission Communication Equip	8520		0	0	0
22	Compressor Station Labor and Expenses	8530		27	1	29
23	Mains Expenses	8560		919,976	2,855,778	3,775,754
24	Measuring and Regulating Station Expenses	8570		335,326	4,159	339,485
25	Trans/Compression of Gas by Others	8580		0	0	0
26	Other Expenses	8590		325	0	325
27	Rent	8600		18,767	0	18,767
28	Maintenance Supervision and Engineering	8610		567	0	567
29	Maintenance of Mains	8630		197,578	5,289	202,868
30	Maintenance of Measuring and Regulating Station Equipment	8650		72,883	0	72,883
31	Maintenance of Communication Equipment	8660		0	0	0
32	Total Transmission			<u>\$1,546,962</u>	<u>\$2,865,265</u>	<u>\$4,412,226</u>
<b>DISTRIBUTION OPERATIONS</b>						
33	Supervision and Engineering	8700		\$326,301	\$14,500	\$340,801
34	Distribution Load Dispatch	8710		51,386	2,543	53,929
35	Mains & Services	8740		2,982,775	11,651	2,994,427
36	Meas & Reg. Stat. Exp. - General	8750		259,213	8,093	267,306
37	Meas & Reg. Stat. Exp. - Ind.	8760		48,588	2,560	51,148
38	Meas & Reg. Stat. Exp. - City Gate	8770		47,840	2,390	50,230
39	Meter & House Reg. Exp.	8780		1,417,846	40,692	1,458,538
40	Customer Installation Exp	8790		2,089	95	2,185
41	Other Expense	8800		863,369	(198,800)	664,569
42	Rents	8810		6,295	0	6,295
43	Corporate & TGS Division Expenses	8820		0	0	0
44	Total Distribution Operations			<u>\$6,005,701</u>	<u>\$(116,276)</u>	<u>\$5,889,425</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SCHEDULE G

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SUMMARY OF OPERATING REVENUES & EXPENSES

LINE NO.	DESCRIPTION	ACCOUNT NUMBER	SUB ACCOUNT	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
				(a)	(b)	(c)

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SCHEDULE G

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SUMMARY OF OPERATING REVENUES & EXPENSES

LINE NO.	DESCRIPTION	ACCOUNT NUMBER	SUB ACCOUNT	PER BOOK	ADJUSTMENTS	TEST YEAR ADJUSTED
				(a)	(b)	(c)
DISTRIBUTION MAINTENANCE						
45	Supervision and Engineering	8850		\$0	\$0	\$0
46	Struct. & Improv.	8860		322,987	0	322,987
47	Mains	8870		1,297,380	12,385	1,309,764
48	Meas. & Reg. Stat. Exp. - Gen	8890		666,098	11,804	677,902
49	Meas. & Reg. Stat. Exp. - Ind.	8900		123,363	3,980	127,343
50	Meas. & Reg. Stat. Exp. - City Gate	8910		20,164	0	20,164
51	Maintenance of Services	8920		315,688	8,783	324,471
52	Meters & House Reg.	8930		0	0	0
53	Other Equipment	8940		0	0	0
54	Clearing - Meter Shop - Small Meters	8950		0	0	0
55	Clearing - Meter Shop - Large Meters	8960		0	0	0
56	Total Distribution Maintenance			<u>\$2,745,679</u>	<u>\$36,951</u>	<u>\$2,782,630</u>
57	Total Distribution Expense			<u>\$8,751,380</u>	<u>\$(79,325)</u>	<u>\$8,672,055</u>
CUSTOMER ACCOUNTING						
58	Supervision	9010		\$18,814	\$883	\$19,697
59	Meter Reading	9020		547,176	(1,811)	545,365
60	Customer Accounting	9030		704,722	18,788	723,510
61	Bad Debts	9040		215,059	135,758	350,817
62	Miscellaneous	9050		77,294	23	77,317
63	Total Customer Accounting			<u>\$1,563,065</u>	<u>\$153,641</u>	<u>\$1,716,706</u>
CUSTOMER INFORMATION						
64	Supervision	9070		\$0	\$0	\$0
65	Customer Assistance Expense	9080		183,868	8,280	192,148
66	Inform. & Instruct. Adver. Exp.	9090		12,615	0	12,615
67	Customer Svc and Informational Svc	9100		0	0	0
68	Total Customer Information			<u>\$196,483</u>	<u>\$8,280</u>	<u>\$204,763</u>
SALES						
69	Supervision	9110		\$0	\$0	\$0
70	Demonstrating and Selling Expense	9120		0	0	0
71	Advertising	9130		3,604	(6,099)	(2,495)
72	Employee Sales Referrals	9140		0	0	0
73	Misc. Gas Sales Expense	9163		0	0	0
74	Total Sales			<u>\$3,604</u>	<u>\$(6,099)</u>	<u>\$(2,495)</u>
75	Total Customer Accounts Expense			<u>\$1,763,152</u>	<u>\$155,822</u>	<u>\$1,918,974</u>
ADMINISTRATIVE & GENERAL						
76	Salaries	9200		\$1,354,009	\$35,876	\$1,389,884
77	Office Supplies & Expenses	9210		437,051	(36,695)	400,356
78	Transferred Credit	9220		(1,134,412)	0	(1,134,412)
79	Outside Services	9230		145,107	0	145,107
80	Property Insurance	9240		61,455	839	62,295
81	Injuries & Damages	9250		277,194	120,366	397,560
82	Employee Pensions & Benefits	9260		830,250	117,539	947,790
83	A&G Franchise Elections	9270		2,731	0	2,731
84	Regulatory Commission Expenses	9280		105,868	25,972	131,840
85	Duplicate Charges- Credit	9290		0	0	0
86	General Advertising Expense	9301		1,774	0	1,774
87	Misc. General Expenses	9302		4,130,830	(732,990)	3,397,841
88	Rents	9310		147,796	(2,449)	145,347
89	Maintenance of General Plant	9320		41,218	0	41,218
90	Misc. General Expenses	9400's		0	0	0
91	Total Administrative & General Expense			<u>\$6,400,871</u>	<u>\$(471,542)</u>	<u>\$5,929,328</u>
92	Total Operating Expense			<u>\$50,759,024</u>	<u>\$(20,142,761)</u>	<u>\$30,616,264</u>
93	Earnings Before Income Tax & Interest Expense			<u>\$9,982,337</u>	<u>\$(2,766,475)</u>	<u>\$7,215,862</u>





TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

OPERATING REVENUE & EXPENSE PER BOOK

LINE NO.	DESCRIPTION	ACCT. NO.	SUB ACCT.	SERVICE AREA PER		SHARED SERVICES INCLUDING DISTRIGAS (c)	ALLOCATED SHARED SERVICES PER BOOKS (Note 1) (d)	TOTAL SERVICE AREA AND ALLOCATED SHARED SERVICES PER BOOKS (e) = (a) + (b) + (d)
				BOOKS (a)	BOOKS (b)			
Revenue								
1	Gas Sales Revenue	480-482		\$57,811,693	\$0	\$0	\$0	\$57,811,693
2	Forfeited Discounts	4870		0	0	0	0	0
3	Misc Fees	4880		283,656	0	0	0	283,656
4	Transportation	4893		2,588,259	0	0	0	2,588,259
5	Misc. Rent Revenue	4930		0	0	0	0	0
6	Other Utility Revenue	4950		57,754	0	0	0	57,754
7	Total Revenue			\$60,741,361	\$0	\$0	\$0	\$60,741,361
Cost of Gas								
8	Cost of Gas	805		\$24,160,951	\$0	\$0	\$0	\$24,160,951
Deprec. & Amort. Expense								
9	Depreciation and Amortization Expense	4030-4050		\$5,802,572	\$0	\$6,878,175	\$640,516	\$6,443,088
10	Pension and OPEB Reg Asset Amortization Expense (Note 2)	4073		0	0	0	0	0
11	Total Depr. & Amort.			\$5,802,572	\$0	\$6,878,175	\$640,516	\$6,443,088
Taxes Other Than Income								
12	Payroll	4081		\$0	\$0	\$3,147,102	\$293,068	\$293,068
13	Ad Valorem	4081	190	1,284,617	0	-206,936	-19,270	1,265,347
14	Revenue Related	4081	133, 138 & 140	0	0	\$0	\$0	0
15	Other	4081	131, 233 & 995	0	0	\$1,429,957	\$133,162	\$133,162
16	Total Taxes Other Than Income			\$1,284,617	\$0	\$4,370,123	\$406,959	\$1,691,576
17	Excess Deferred Income Tax Amortization	4101	102	\$0	\$0	\$0	\$0	\$0
18	Interest on Customer Deposits	4310		\$1,044	\$0	\$0	\$0	\$1,044
19	Storage Misc.	8140-8360		\$0	\$0	\$196	\$18	\$18
Transmission & High-Pressure Distribution								
20	Operation Supervision and Engineering	8500		\$0	\$0	\$16,059	\$1,495	\$1,495
21	Transmission Communication Equip	8520		0	0	0	0	0
22	Compressor Station Labor and Expenses	8530		0	0	293	27	27
23	Mains Expenses	8560		873,079	0	503,604	46,897	919,976
24	Measuring and Regulating Station Expenses	8570		335,326	0	0	0	335,326
25	Trans/Compression of Gas by Others	8580		0	0	0	0	0
26	Other Expenses	8590		0	0	3,491	325	325
27	Rent	8600		18,767	0	0	0	18,767
28	Maintenance Supervision and Engineering	8610		0	0	6,085	567	567
29	Maintenance of Mains	8630		186,882	0	114,863	10,696	197,578
30	Maintenance of Measuring and Regulating Station Equipment	8650		72,880	0	26	2	72,883
31	Maintenance of Communication Equipment	8660		0	0	0	0	0
32	Total Transmission			\$1,486,933	\$0	\$644,421	\$60,010	\$1,546,943
Distribution Operations								
33	Supervision and Engineering	8700		\$236,765	\$0	\$961,477	\$89,536	\$326,301
34	Distribution Load Dispatch	8710		0	0	551,806	51,386	51,386
35	Mains & Services	8740		2,944,321	0	412,945	38,455	2,982,775
36	Meas & Reg. Stat. Exp. - General	8750		256,739	0	26,573	2,475	259,213
37	Meas & Reg. Stat. Exp. - Ind.	8760		42,182	0	68,789	6,406	48,588
38	Meas & Reg. Stat. Exp. - City Gate	8770		46,293	0	16,610	1,547	47,840
39	Meter & House Reg. Exp.	8780		1,410,584	0	77,985	7,262	1,417,846
40	Customer Installation Exp	8790		2,089	0	0	0	2,089
41	Other Expense	8800		810,437	0	568,411	52,932	863,369
42	Rents	8810		6,295	0	0	0	6,295
43	Corporate & TGS Division Expenses Credit	8820		0	0	\$0	\$0	\$0
44	Total Distribution Operations			\$5,755,703	\$0	\$2,684,595	\$249,998	\$6,005,701
Distribution Maintenance								
45	Supervision and Engineering	8850		\$0	\$0	\$0	\$0	\$0
46	Struct. & Improv.	8860		318,435	0	48,883	4,552	322,987
47	Mains	8870		1,268,407	0	311,117	28,972	1,297,380
48	Meas. & Reg. Stat. Exp. - Gen	8890		670,254	0	(44,636)	(4,157)	666,098
49	Meas. & Reg. Stat. Exp. - Ind.	8900		123,348	0	158	15	123,363
50	Meas. & Reg. Stat. Exp. - City Gate	8910		20,164	0	0	0	20,164
51	Maintenance of Services	8920		315,549	0	1,491	139	315,688
52	Meters & House Reg.	8930		0	0	0	0	0
53	Other Equipment	8940		0	0	0	0	0
54	Clearing - Meter Shop - Small Meters	8950		0	0	0	0	0
55	Clearing - Meter Shop - Large Meters	8960		0	0	0	0	0
56	Total Distribution Maintenance			\$2,716,158	\$0	\$317,014	\$29,521	\$2,745,679



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

OPERATING REVENUE & EXPENSE PER BOOK

LINE NO.	DESCRIPTION	ACCT. NO.	SUB ACCT.	SERVICE AREA PER BOOKS		SHARED SERVICES INCLUDING DISTRIGAS	ALLOCATED SHARED SERVICES PER BOOKS (Note 1)	TOTAL SERVICE AREA AND ALLOCATED SHARED SERVICES PER BOOKS
				(a)	(b)	(c)	(d)	(e) = (a) + (b) + (d)
57	Total Distribution			\$8,471,861	\$0	\$3,001,609	\$279,519	\$8,751,380
	Customer Accounting							
58	Supervision	9010		\$0	\$0	\$202,039	\$18,814	\$18,814
59	Meter Reading	9020		547,176	0	0	0	547,176
60	Customer Accounting	9030		2,388	0	7,542,000	702,334	704,722
61	Bad Debts	9040		215,059	0	0	0	215,059
62	Miscellaneous	9050		0	0	830,018	77,294	77,294
63	Total Customer Accounting			\$764,623	\$0	\$8,574,057	\$798,442	\$1,563,065
	Customer Information							
64	Supervision	9070		\$0	\$0	\$0	\$0	\$0
65	Customer Assistance Expense	9080		160,111	0	255,112	23,757	183,868
66	Inform. & Instruct. Adver. Exp.	9090		0	0	135,468	12,615	12,615
67	Customer Svc and Informational Svc	9100		0	0	0	0	0
68	Total Customer Information			\$160,111	\$0	\$390,580	\$36,372	\$196,483
	Sales							
69	Supervision	9110		\$0	\$0	\$0	\$0	\$0
70	Demonstrating and Selling Expense	9120		0	0	0	0	0
71	Advertising	9130		3,604	0	0	0	3,604
72	Employee Sales Referrals	9140		0	0	0	0	0
73	Misc. Gas Sales Expense	9163		0	0	0	0	0
74	Total Sales			\$3,604	\$0	\$0	\$0	\$3,604
75	Total Customer Accounts Expense			\$928,338	\$0	\$8,964,637	\$834,814	\$1,763,152
	Administrative & General							
76	Salaries	9200		\$105,964	\$0	\$13,402,105	\$1,248,044	\$1,354,009
77	Office Supplies & Expenses	9210		205,258	0	2,489,108	231,793	437,051
78	Transferred Credit	9220		0	0	(12,181,865)	(1,134,412)	(1,134,412)
79	Outside Services	9230		3,091	0	1,525,036	142,016	145,107
80	Property Insurance	9240		0	0	659,939	61,455	61,455
81	Injuries & Damages	9250		(121,380)	0	4,280,072	398,573	277,194
82	Employee Pensions & Benefits	9260		2,153	0	8,892,514	828,098	830,250
83	A&G Franchise Elections	9270		2,731	0	0	0	2,731
84	Regulatory Commission Expenses	9280		88,255	0	189,138	17,613	105,868
85	Duplicate Charges- Credit	9290		0	0	0	0	0
86	General Advertising Expenses	9301		51	0	18,503	1,723	1,774
87	Miscellaneous General Expenses	9302		35,334	0	43,979,435	4,095,497	4,130,830
88	Rents	9310		6,016	0	1,522,494	141,779	147,796
89	Maintenance of General Plant	9320		627	0	435,884	40,591	41,218
90	Misc. General Expenses	9400's		0	0	0	0	0
91	Total A&G Operations			\$328,100	\$0	\$65,212,363	\$6,072,771	\$6,400,871
92	Total Operating Expense			\$42,464,417	\$0	\$89,071,525	\$8,294,608	\$50,759,024
93	Net Income before Income Tax			\$18,276,945	\$0	\$(89,071,525)	\$(8,294,608)	\$9,982,337

Note 1: Allocation Factor 0.09312

Source: WKP G.a.2 Op Inc Book TYE12 2022 GL Detail Rev Exp acct (CONFIDENTIAL).xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SUPPORTING WORKPAPER FOR OPERATING REVENUE & EXPENSE PER BOOK, INCLUDING O&M EXPENSE FACTOR  
FOR SHARED SERVICE, INCLUDING COSTS ALLOCATED ON A CAUSAL BASIS AND THROUGH DISTRIGAS

LINE NO.	FERC ACCOUNT	NATURAL ACCOUNT	ACCOUNT DESCRIPTION	SHARED SERVICES	CAUSAL	DISTRIGAS	TOTAL
				(a)	(b)	(c)	(d)
1	4030	4030100	DEPRECIATION EXPENSE	\$620,108	\$0	\$0	\$620,108
2	4030	4030300	DEPR EXP-TEXAS 8.209 ACCRUAL	1,095	0	0	1,095
3	4030	4030500	DEPRECIATION EXPENSE - NSC	208	0	0	208
4	4030	4030995	DEPR INDIRECT ALLOCATION	0	385,724	5,837,018	6,222,741
5	4043	4043100	AMORT OF GAS PLANT	34,006	0	0	34,006
6	4043	4043500	AMORT OF GAS PLANT - NSC	16	0	0	16
7	4081	4081100	GEN TAX O/H TRF TO CAPITAL	(2,326,270)	0	0	(2,326,270)
8	4081	4081101	GEN TAX FED UNEMPL INS TAX	43,099	0	0	43,099
9	4081	4081102	GEN TAX FICA	4,945,426	0	0	4,945,426
10	4081	4081103	GEN TAX FICA INCENTIVE	307,844	0	0	307,844
11	4081	4081131	GEN TAX SALES TAX ALLOWANCE	(73,248)	0	0	(73,248)
12	4081	4081132	GEN TAX STATE UNEMPL INS	177,003	0	0	177,003
13	4081	4081190	GEN TAX AD VALOREM	(206,936)	0	0	(206,936)
14	4081	4081191	GEN TAX AD VALOREM RULE 8.209	0	0	0	0
15	4081	4081995	GEN TAX DISTRIGAS ALLOCATION	0	0	1,503,205	1,503,205
16	4091	4091100	CURRENT INCOME TAX ACCR	0	0	0	0
17	4101	4101100	DEFERRED INCOME TAX ACCR	0	0	0	0
18	4101	4101102	DEFERRED INCOME TAX AMORTIZATION EXCESS DTL	0	0	0	0
19	4140	4140230	MISC UTIL INCOME-DISTR	0	0	0	0
20	4170	4170110	MISC NON UTIL REV	0	0	0	0
21	4170	4170112	MISC NONUTIL REV CNG EXCISE TAX	0	0	0	0
22	4170	4170980	MISC REV RECEIVABLES	0	0	0	0
23	4171	4171995	OPER REV DISTRIGAS ALLOCATION	0	0	0	0
24	4191	4191120	INT CAP AFTER CONSTRUC	0	0	0	0
25	4210	4210100	MISC NONOPERATING INCOME	0	0	0	0
26	4210	4210995	MISC NONOP INCOME DISTRIGAS ALLOCATION	0	0	0	0
27	4261	4261213	CIVIC EXPENSES - PROFESSIONAL ASSOCIATIONS SPONSORSHIPS	0	0	0	0
28	4261	4261225	DONATIONS-OTHER 501 (C)(3)	0	0	0	0
29	4263	4263100	PENALTIES	0	0	0	0
30	4264	4264102	GOVERNMENTAL AFFAIRS EXPENSE	0	0	0	0
31	4265	4265101	MISCELLANEOUS NONOPERATING EXPENSES	0	0	0	0
32	4265	4265116	WRITE-OFF DISALLOWED CAPITAL	0	0	0	0
33	4265	4265995	MISC NONOP DISTRIGAS ALLOCATION	0	0	0	0
34	4300	4300901	ALLOC INTERCO INTEREST	0	0	0	0
35	4310	4310100	MISC INTEREST EXP	0	0	0	0
36	4310	4310103	INT EXP CUSTOMER DEPOSITS	0	0	0	0
37	4310	4310104	INT EXP TAX	0	0	0	0
38	4310	4310901	ST DEBT INT EXP INTERCO	0	0	0	0
39	4320	4320100	INT CAP DURING CONSTRUC	0	0	0	0
40	4320	4320101	INT CAP AFTER CONSTRUC	0	0	0	0
41	4800	4800111	UTIL GAS SALES RES UNBILLED	0	0	0	0
42	4800	4800114	UTIL GAS SALES RES EST	0	0	0	0
43	4810	4810111	UTIL GAS SALES COMM UNBILLED	0	0	0	0
44	4810	4810211	UTIL GAS SALES IND UNBILLED	0	0	0	0
45	4820	4820111	UTIL GAS SALES CITY GATE UNBILLED	0	0	0	0
46	4880	4880100	SVC REVENUE MISC	0	0	0	0
47	4950	4950300	OTH GAS REV UTIL MISC	0	0	0	0
48	8040	8040100	NATURAL GAS CITY GATE PURCHASES	0	0	0	0
49	8050	8050108	OTH GAS PURCH RESIDENTIAL UNBILLED	0	0	0	0
50	8050	8050134	OTH GAS PURCH UNBILLED COMM	0	0	0	0
51	8050	8050144	OTH GAS PURCH UNBILLED IND	0	0	0	0
52	8050	8050208	OTH GAS PURCH PUBLIC AUTHORITY UNBILLED	0	0	0	0
53	8051	8051100	OTH GAS PURCH UNRECOV GAS ADJ	0	0	0	0
54	8210	8210100	STRG PURIFICATION EXP	196	0	0	196
55	8500	8500100	TRANS GEN SUPERVISION	8,000	8,059	0	16,059
56	8530	8530100	TRANS COMPR ST MISC	293	0	0	293
57	8560	8560100	TRANS MAINS MISC EXP	143,174	161	0	143,335

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SUPPORTING WORKPAPER FOR OPERATING REVENUE & EXPENSE PER BOOK, INCLUDING O&M EXPENSE FACTOR  
FOR SHARED SERVICE, INCLUDING COSTS ALLOCATED ON A CAUSAL BASIS AND THROUGH DISTRIGAS

LINE NO.	FERC ACCOUNT	NATURAL ACCOUNT	ACCOUNT DESCRIPTION	SHARED SERVICES	CAUSAL	DISTRIGAS	TOTAL
				(a)	(b)	(c)	(d)
58	8560	8560207	TRANS MAINS TOOLS	2,219	0	0	2,219
59	8560	8560250	TRANS MAINS PIPELINE INTEGRITY MANAGEMENT	186,307	170,333	0	356,639
60	8560	8560402	TRANS MAINS CODE LEAK SURVEY	1,410	0	0	1,410
61	8590	8590100	TRANS OTH MISC EXP	3,491	0	0	3,491
62	8610	8610100	TRANS MNT GEN SUPERVISION	0	6,085	0	6,085
63	8630	8630100	TRANS MNT MAINS	69,226	0	0	69,226
64	8630	8630115	TRANS MNT MAINS REPAIRS FR LEAKAGE	45,637	0	0	45,637
65	8650	8650123	TRANS MNT MEAS & REG ST SCADA	26	0	0	26
66	8700	8700100	DISTR GEN SUPERVISION	736,582	224,894	0	961,477
67	8710	8710100	DISTR LOAD DISPATCHING	551,778	0	0	551,778
68	8710	8710228	DISTR LOAD PERS USE AUTO	28	0	0	28
69	8740	8740100	DISTR MAINS & SVC MISC	849	0	0	849
70	8740	8740207	DISTR MAINS & SVC TOOLS	5,324	1,377	0	6,701
71	8740	8740210	DISTR MAINS & SVC OFFICE SUPPLIES	108	0	0	108
72	8740	8740225	DISTR MAINS & SVC UNIFORMS	1,293	0	0	1,293
73	8740	8740250	DISTR MAINS & SVC DISTR INTEGRITY MGMT PROGRAM	50,013	130,206	0	180,218
74	8740	8740302	DISTR MAINS & SVC CODE LINE LOCATE	159	0	0	159
75	8740	8740400	DISTR MAINS & SVC LEAK SURVEY MAINS	223,616	0	0	223,616
76	8750	8750100	DISTR MEAS & REG ST MISC	26,573	0	0	26,573
77	8760	8760100	DISTR IND MEAS & REG ST MISC	68,789	0	0	68,789
78	8770	8770100	DISTR C G MEAS & REG ST MISC	16,610	0	0	16,610
79	8780	8780100	DISTR MEAS & HOUSE REG MISC	59,506	4,190	0	63,696
80	8780	8780112	DISTR MEAS & HOUSE REG TURN ON/OFFS & SVC ORDER	3,010	0	0	3,010
81	8780	8780139	DISTR MEAS & HOUSE MEAS SVC CTR	11,278	0	0	11,278
82	8800	8800100	DISTR OTHER EXPENSES	477,205	36,467	0	513,672
83	8800	8800210	DISTR OTH OFFICE SUPPLIES	1,120	173	0	1,293
84	8800	8800221	DISTR OTH TRAINING & EDUCATION	53,170	0	0	53,170
85	8800	8800400	DISTR OTH SAFETY	276	0	0	276
86	8860	8860120	DISTR MNT STRUC & IMPROV SVC BLDG	48,883	0	0	48,883
87	8870	8870100	DISTR MNT MAINS MISC	297,500	193	0	297,693
88	8870	8870101	DISTR MNT MAINS CATHODIC PROTECT	9,665	0	0	9,665
89	8870	8870120	DISTR MNT MAINS LEAK REPAIR	3,760	0	0	3,760
90	8890	8890114	DISTR MNT MEAS & REG ODORIZATION	(44,636)	0	0	(44,636)
91	8900	8900100	DISTR MNT IND MEAS & REG ST MISC	158	0	0	158
92	8920	8920100	DISTR MNT SERVICES MISC	1,491	0	0	1,491
93	9010	9010100	CUST ACCTG/COLL SUPERVISION	202,039	0	0	202,039
94	9030	9030100	CUST REC/COLLEC EXP MISC	1,678,239	38	0	1,678,277
95	9030	9030110	CUST RECORDS EXPENSE	3,363,561	0	0	3,363,561
96	9030	9030125	CUST REC/COLLEC LOCKBOX	214,645	0	0	214,645
97	9030	9030170	CUST COLLEC AGENCY FEE	58,155	0	0	58,155
98	9030	9030210	CUST REC/COLLEC OFFICE SUPPLIES	241,798	0	0	241,798
99	9030	9030226	CUST REC/COLLEC POSTAGE	1,985,564	0	0	1,985,564
100	9050	9050100	CUST ACCTS MISC EXP	2,170	708,227	0	710,397
101	9050	9050110	CUST ACCTS CUSTOMER PROTECTION PROGRAM	168	0	0	168
102	9050	9050120	CUST ACCTS SVC BLDG	114,464	0	0	114,464
103	9050	9050221	CUST ACCTS TRAINING & EDUCATION	4,988	0	0	4,988
104	9080	9080100	CUST ASST MISC EXP	255,112	0	0	255,112
105	9090	9090100	INFO/INSTRUC MISC	1,518	0	0	1,518
106	9090	9090321	INFO/INSTRUC CORP COMM DIRECT	133,950	0	0	133,950
107	9200	9200100	A&G SALARIES	5,950,260	3,040,940	0	8,991,200
108	9200	9200700	A&G SALARIES INCENTIVE PLAN	3,869,760	0	0	3,869,760
109	9200	9200712	A&G SALARIES ESPP	184,382	0	0	184,382
110	9200	9200713	A&G SALARIES LT INCENT-RESTRICTED	181,670	0	0	181,670
111	9200	9200714	A&G SALARIES LT INCENT-PERFORMANCE	175,093	0	0	175,093
112	9210	9210100	A&G SUPPLIES & EXPENSES MISC	931,060	60,902	0	991,962
113	9210	9210102	A&G S&E EMPL MISC	7,927	34	0	7,961
114	9210	9210106	A&G COVID 19 RESPONSE	196,120	1,126	0	197,246

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SUPPORTING WORKPAPER FOR OPERATING REVENUE & EXPENSE PER BOOK, INCLUDING O&M EXPENSE FACTOR  
FOR SHARED SERVICE, INCLUDING COSTS ALLOCATED ON A CAUSAL BASIS AND THROUGH DISTRIGAS

LINE NO.	FERC ACCOUNT	NATURAL ACCOUNT	ACCOUNT DESCRIPTION	SHARED SERVICES	CAUSAL	DISTRIGAS	TOTAL
				(a)	(b)	(c)	(d)
115	9210	9210201	A&G S&E ASSOC MTGS	12,880	1,913	0	14,793
116	9210	9210202	A&G S&E SUBS/PUBLICATIONS	8,947	2,347	0	11,294
117	9210	9210207	A&G S&E TRAVEL/ENTERTAINMENT	177,027	41,329	0	218,356
118	9210	9210210	A&G S&E OFFICE SUPPLIES	(2,150)	426	0	(1,724)
119	9210	9210220	A&G S&E MEMBERSHIP DUES	5,614	2,680	0	8,294
120	9210	9210221	A&G S&E TRAINING & ED	68,487	8,304	0	76,791
121	9210	9210222	A&G S&E LODGING	361	77	0	438
122	9210	9210223	A&G S&E AIRFARE	146	97	0	243
123	9210	9210226	A&G S&E POSTAGE	268	8	0	276
124	9210	9210228	A&G S&E PERS USE AUTO	36	33	0	69
125	9210	9210240	A&G S&E PERMITS/FEES/ASSESSMENTS	14,784	0	0	14,784
126	9210	9210301	A&G S&E TELE LONG DISTANCE	40,477	0	0	40,477
127	9210	9210303	A&G S&E TELE LOCAL LINES	153,288	0	0	153,288
128	9210	9210304	A&G S&E CELLULAR PHONES	369,908	24	0	369,932
129	9210	9210308	A&G S&E TELE DATA	238,562	0	0	238,562
130	9210	9210309	A&G S&E TELE SCADA	2,839	0	0	2,839
131	9210	9210400	A&G S&E SAFETY	3,655	0	0	3,655
132	9210	9210402	A&G S&E OTH BLDG OPER	25,692	39,898	0	65,590
133	9210	9210404	A&G S&E MAIL ROOM	28,464	0	0	28,464
134	9210	9210411	A&G S&E TRAIN MGMT PROGRAM	4,071	0	0	4,071
135	9210	9210412	A&G S&E EMPL TRAINING PROGRAM	0	384	0	384
136	9210	9210413	A&G S&E TECH/CUST SVC TRAINING	8,918	0	0	8,918
137	9210	9210417	A&G S&E VISA/IMMIGRATION AND NATIONALITY COSTS	0	3,808	0	3,808
138	9210	9210807	A&G S&E TRANSITION COSTS	23,416	0	0	23,416
139	9210	9210880	A&G S&E Auto-NSC	4,922	0	0	4,922
140	9220	9220902	A&G TRF TO CONSTRUCTION	(12,181,865)	0	0	(12,181,865)
141	9230	9230110	A&G OUTSIDE SVC MISC	659,185	154,388	0	813,573
142	9230	9230115	A&G OUTSIDE SVC LEGAL REGULATORY	214,597	0	0	214,597
143	9230	9230120	A&G OUTSIDE SVC LEGAL	256,541	0	0	256,541
144	9230	9230302	A&G OUTSIDE SVC IT APPLICATION SUPPORT	0	111,733	0	111,733
145	9230	9230307	A&G OUTSIDE SVC CLOUD COMPUTING ARRANGEMENTS	96,796	28,593	0	125,388
146	9230	9230810	A&G OUTSIDE SVC CONTRACT	3,204	0	0	3,204
147	9240	9240100	A&G PROPERTY INSURANCE	659,939	0	0	659,939
148	9250	9250100	A&G INSURANCE	41,399	0	0	41,399
149	9250	9250120	A&G INJ & DAMAGES WORKERS COMP	304,863	0	0	304,863
150	9250	9250130	A&G INJ & DAMAGES 3RD PARTY GENERAL LIABILITY DAMAGES	274,294	0	0	274,294
151	9250	9250140	A&G INJ & DAMAGES 3RD PARTY VEHICLE ACCIDENT DAMAGES	27,757	0	0	27,757
152	9250	9250180	A&G INJ & DAMAGES LIABILITY INSURANCE	3,417,675	0	0	3,417,675
153	9250	9250200	A&G INJ & DAMAGES MISC SETTLEMENTS	214,086	0	0	214,086
154	9260	9260101	A&G EMPL BEN 401(K) CO MATCH	3,320,629	0	0	3,320,629
155	9260	9260102	A&G EMPL BEN 401(K) ADMIN	107,386	28,754	0	136,140
156	9260	9260103	A&G EMPL BEN DEF COMP CO MATCH	693	0	0	693
157	9260	9260112	A&G EMPL BEN SERP ADMIN	0	179	0	179
158	9260	9260115	A&G EMPL BEN PENSION ADMIN	33,400	4,705	0	38,106
159	9260	9260140	A&G EMPL BEN PROFIT SHARING ADMIN	(1,449)	4,748	0	3,299
160	9260	9260141	A&G EMPL BEN PROFIT SHARING	2,556,087	0	0	2,556,087
161	9260	9260190	A&G EMPL BEN RESERVE	9,445,374	0	0	9,445,374
162	9260	9260192	A&G EMPL BEN RESERVE IBNR	(313,157)	0	0	(313,157)
163	9260	9260197	A&G EMPL BEN ACCR 401(K) CO MATCH - STI	198,899	0	0	198,899
164	9260	9260198	A&G EMPL BEN ACCR PSP ON STI	119,755	0	0	119,755
165	9260	9260302	A&G EMPL BEN TUITION LOANS	52,973	1,128	0	54,101
166	9260	9260307	A&G EMPL BEN EMPLOYEE EVENTS	7,108	106	0	7,215
167	9260	9260310	A&G EMPL BEN SVC RECOGNITION	72,200	0	0	72,200

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SUPPORTING WORKPAPER FOR OPERATING REVENUE & EXPENSE PER BOOK, INCLUDING O&M EXPENSE FACTOR  
FOR SHARED SERVICE, INCLUDING COSTS ALLOCATED ON A CAUSAL BASIS AND THROUGH DISTRIGAS

LINE NO.	FERC ACCOUNT	NATURAL ACCOUNT	ACCOUNT DESCRIPTION	SHARED SERVICES	CAUSAL	DISTRIGAS	TOTAL
				(a)	(b)	(c)	(d)
168	9260	9260326	A&G EMPL BEN EMPL ASST PROGRAM	26,654	0	0	26,654
169	9260	9260328	A&G EMPL BEN DISABILITY	57,235	0	0	57,235
170	9260	9260413	A&G EMPL BEN ACTUARY ONE GAS PENSION-SC	2,055,039	0	0	2,055,039
171	9260	9260431	A&G EMPL BEN ACTUARY OPEB-SC	74,944	0	0	74,944
172	9260	9260511	A&G EMPL BEN ACTUARY SERP-NSC	3,519	0	0	3,519
173	9260	9260513	A&G EMPL BEN ACTUARY ONE GAS PENSION-NSC	(616,611)	0	0	(616,611)
174	9260	9260531	A&G EMPL BEN ACTUARY OPEB-NSC	(276)	0	0	(276)
175	9260	9260902	A&G EMPL BEN O/H TRF CAPITAL	(8,902,075)	0	0	(8,902,075)
176	9260	9260905	A&G EMPL BEN O/H TRF CAPITAL - NSC	95,239	0	0	95,239
177	9260	9260995	A&G EMPL BEN SERP DISTRIGAS ALLOC	0	0	324,186	324,186
178	9260	9260996	A&G EMPL BEN PENSION DISTRIGAS	0	0	189,934	189,934
179	9260	9260997	A&G EMPL BEN FAS 106 DISTRIGAS ALLOC	0	0	(54,794)	(54,794)
180	9280	9280100	A&G REG COMMISSION EXP	189,138	0	0	189,138
181	9301	9301100	A&G ADVERTISING MISC	18,503	0	0	18,503
182	9302	9302105	A&G MISC INDUSTRY DUES	14,540	0	0	14,540
183	9302	9302106	A&G MISC AGA INDUSTRY DUES	164,003	0	0	164,003
184	9302	9302120	A&G MISC EMPL MOVING	14,211	0	0	14,211
185	9302	9302121	A&G ENTERPRISE SERVICES OWNED ASSETS MOVING COSTS	(8,500)	0	0	(8,500)
186	9302	9302310	A&G MISC UNITED WAY	1,816	0	0	1,816
187	9302	9302311	A&G MISC OGS VOLUNTEERS	2,853	0	0	2,853
188	9302	9302320	A&G MISC DIVERSITY & INCLUSION	140	0	0	140
189	9302	9302409	A&G MISC	32	0	0	32
190	9302	9302800	A&G MISC PROCUREMENT CARD CLEARING	18,071	0	0	18,071
191	9302	9302901	A&G MISC O/H TRF TO AFFIL	1,646,930	0	0	1,646,930
192	9302	9302915	A&G MISC ROYALTY ALLOCATED	9,122,580	0	0	9,122,580
193	9302	9302920	A&G MISC HR ALLOC BASED ON HEADCOUNT	0	832,889	0	832,889
194	9302	9302995	A&G MISC DISTRIGAS ALLOC	0	0	32,169,869	32,169,869
195	9310	9310100	A&G RENTS LAND/FACILITY	1,482,929	0	0	1,482,929
196	9310	9310120	A&G RENTS EQUIPMENT	39,566	0	0	39,566
197	9320	9320140	A&G MNT AGREEMENT FEES	234,273	201,612	0	435,884
198				<u>\$42,852,816</u>	<u>\$6,249,290</u>	<u>\$39,969,419</u>	<u>\$89,071,525</u>

201	Calculation of O&M Expense Factor		
202			
203	Per Book Shared Services (net of the A&G transfer credit)		\$89,071,525
204	Less: depreciation expense that does not get an O&M factor		(6,878,175)
205	Less: tax expense accounts		(4,370,123)
206	Total O&M Shared Service Expenses		<u>\$77,823,226</u>
207			
208			
209			
210	Total O&M Shared Service Expenses		\$77,823,226
211	Add back Account 9220902 A&G Transfer Credit/Construction Overhead		<u>12,181,865</u>
212	Grand Total Shared Service Expenses:		<u>\$90,005,091</u>
213			
214	O&M effective expense factor		86.47%
215	Capitalization factor		<u>13.53%</u>
216			100.00%

Source: WKP G.a.2.a1 Shared Service per book including DISTRIGAS (CONFIDENTIAL).xlsx  
Source: WKP G.a.2.a2 Corporate Costs Allocated on a Causal Basis and Through DISTRIGAS-(CONFIDENTIAL).xlsx

**SCHEDULE G-1**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**REMOVE GAS REVENUE AND COST OF GAS**

LINE NO.	DESCRIPTION	AMOUNT
		(a)
1	Remove Cost of Gas Revenue Collected through Cost of Gas Clause	\$24,160,951 Source: SCH G-2 and SCH G-3 Revenue Reconciliation
2	Remove Test Year Cost of Gas Expense	<u>(24,160,951) Source: SCH G-2 and SCH G-3 Revenue Reconciliation</u>
3	Net Adjustment	<u><u>\$0</u></u>

Source: SCH G-2 and SCH G-3 Revenue Reconciliation.xlsx

SCHEDULE G-2

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

NORMALIZE GAS SALES REVENUE

LINE NO.	DESCRIPTION	TOTAL # OF BILLS (a)	CCF (b)	REVENUE (c)	
1	Operating Gas Sales Revenue (1):	769,241	33,058,382	\$57,811,693	Source: SCH G-2 and SCH G-3 Proof of Revenues.xlsx, SCH G-2 and SCH G-3 Billing Determinants By Class.xlsx
2	Less: Test Year Gas Costs collected through Cost of Gas Clause			<u>(24,160,951)</u>	
3	Base Sales Revenue as Recorded	769,241	33,058,382	<u>\$33,650,742</u>	
Adjustments:					
4	Switching between Gas Sales and Transportation	(7)	(269,069)	\$(85,883)	Source: SCH G-2 and SCH G-3 Switching Adjustment.xlsx
5	Out of Period Adjustment	(5)	(693,792)	(219,413)	Source: SCH G-2 Out of Period Adjustment.xlsx
6	Termination Adjustment	(66)	(12,238)	(11,115)	Source: SCH G-2 Termination Adjustment.xlsx
7	Annualization Adjustment			1,506,126	Source: SCH G-2 and SCH G-3 Annualization.xlsx
8	Remove Test Year WNA Collections			281,187	Source: SCH G-2 and SCH G-3 Proof of Revenues.xlsx
9	Weather Normalization Adjustment		(373,327)	(228,047)	Source: SCH G-2 Weather Adjustment 10 Norm.xlsx, SCH G-2 HDD Detail.xlsx
10	Customer Growth (Loss) Adjustment	(2,844)	(6,407)	(65,674)	Source: SCH G-2 Growth Adjustment.xlsx
11	Total Adjustments	<u>(2,922)</u>	<u>(1,354,833)</u>	<u>\$1,177,180</u>	
12	Base Revenue As Adjusted	<u>766,319</u>	<u>31,703,549</u>	<u>\$34,827,922</u>	

Calculation of Normalized Gas Sales Revenue used for Advertising Limitation Calculation:

14	Calculation of Normalized Cost of Gas Revenue				
15	Normalized CCF		31,703,549		
16	Test Year Cost of Gas Revenue	\$24,160,951			
17	Test Year CCF	33,058,382			
18	Effective Rate	0.73086	0.73086		
19	Normalized Cost of Gas Revenue		<u>\$23,170,856</u>		

Note 1: Operating gas sales revenue does not include franchise or gross receipt taxes.

**SCHEDULE G-3**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**NORMALIZE OTHER UTILITY REVENUE**

LINE NO.	DESCRIPTION	TOTAL BILLS (a)	TOTAL VOLUMES (b)	REVENUE (c)	
1	Test Year Transportation Revenue - Acct 4893	<u>828</u>	<u>14,008,206</u>	<u>\$2,588,259</u>	Source: SCH G-2 and SCH G-3 Proof of Revenues.xlsx and SCH G-2 and SCH G-3 Billing Determinants By Class.xlsx
	Adjustments:				
2	Switching between Gas Sales and Transportation	7	269,069	\$17,639	Source: SCH G-2 and SCH G-3 Switching Adjustment.xlsx
3	Annualization Adjustment			26,373	Source: SCH G-2 and SCH G-3 Annualization.xlsx
4	Remove Estimated Revenue Journal Entries			(32,250)	Source: SCH G-2 and SCH G-3 Revenue Reconciliation.xlsx
5	Total Adjustments	<u>7</u>	<u>269,069</u>	<u>\$11,763</u>	
6	Total Transportation Revenue As Adjusted	<u>835</u>	<u>14,277,275</u>	<u>\$2,600,022</u>	
7	Test Year Service Fees - Acct 4880			\$283,656	Source: SCH G-2 and SCH G-3 Revenue Reconciliation.xlsx
8	Service Fee Adjustment			68,812	Source: SCH G-3 Service Fee Annualization.xlsx
9	Total Service Fee Revenue As Adjusted			<u>\$352,467</u>	
10	Test Year Other Utility Revenue - Acct 4950			\$57,754	Source: SCH G-2 and SCH G-3 Revenue Reconciliation.xlsx
11	Remove Estimated Balancing Fees			(6,039)	Source: SCH G-2 and SCH G-3 Revenue Reconciliation.xlsx
12	Total Other Utility Revenue As Adjusted			<u>\$51,715</u>	
13	Total Transportation, Service Fees, and Other Utility Revenue As Adjusted			<u>\$3,004,204</u>	



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BASE PAYROLL ADJUSTMENT

LINE NO.	DESCRIPTION	REFERENCE	PAYROLL DIRECTLY	SHARED SERVICES	DISTRIGAS PAYROLL	TOTAL ADJUSTMENT
			CHARGED TO SERVICE AREA	PAYROLL NOT DIRECTLY CHARGED TO SERVICE AREA		
			(a)	(b)	(c)	(d)
1	Hourly Base Payroll for December 2022	WKP G-4.c	\$430,587	\$990,761	\$568,043	
2	Salary Base Payroll for December 2022	WKP G-4.c	105,765	1,245,672	5,225,413	
3	Total Base Payroll for December 2022		\$536,352	\$2,236,434	\$5,793,455	
4	Annualized Hourly Base Payroll		\$3,731,752	\$8,586,598	\$4,923,038	
5	Annualized Salary Base Payroll		1,269,184	14,948,070	62,704,951	
6	Total Proforma Base Payroll		\$5,000,937	\$23,534,668	\$67,627,989	
7	December Merit Increase Percent		0.000%	0.000%	0.000%	
8	Adjustment to include December Merit Increases		0	0	0	
9	Total Proforma Base Payroll		\$5,000,937	\$23,534,668	\$67,627,989	
10	Total Test Year Base Payroll	WKP G-4.b	4,757,970	22,398,060	63,622,027	
11	Total Allocable Base Payroll Adjustment (Ln 9 minus Ln 10)		\$242,966	\$1,136,607	\$4,005,962	
12	Allocation to TGS		100%	100%	28.24%	
13	Allocated Base Payroll Adjustment to TGS (Ln 11 times Ln 12)		\$242,966	\$1,136,607	\$1,131,284	
14	Allocation to Service Area	WKP A.b	100%	9.31%	9.31%	
15	Allocated Base Payroll Adjustment to Service Area (Ln 13 times Ln 14)		\$242,966	\$105,844	\$105,349	
16	Payroll Expense Factor	WKP G-4.b	63.08%	54.17%	83.26%	
17	Test Year Base Payroll O&M Expense Adjustment (Ln 15 times Ln 16)		\$153,263.66	\$57,340	\$87,712	
18	Adjustment Summary:					
19	Account 9302		\$0	\$0	\$87,712	\$87,712
20	Other O&M Accounts (See WKP G-4.a for Distribution by FERC Account)		153,264	57,340	0	210,603
21	Total		\$153,264	\$57,340	\$87,712	\$298,315
22	Total Test Year Base Payroll Expense after Allocation		\$3,001,337	\$1,129,938	\$1,393,026	\$5,524,301
23	Total as Adjusted Base Payroll Expense after Allocation		\$3,154,601	\$1,187,278	\$1,480,738	\$5,822,616

WKP G-4.a

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BASE PAYROLL EXPENSE

DISTRIBUTION OF DIRECT BASE PAYROLL O&M EXPENSE ADJUSTMENT-  
BY FERC ACCOUNT

LINE NO.	MAIN ACCOUNT	PER BOOK O&M PAYROLL	RATIO OF PAYROLL BY ACCOUNT	TOTAL
	(a)	(b)	(c)	
1	8500	\$0	0.00%	\$0
2	8530	0	0.00%	0
3	8560	185,687	5.21%	7,989
4	8570	90,216	2.53%	3,881
5	8590	0	0.00%	0
6	8610	0	0.00%	0
7	8630	96,535	2.71%	4,153
8	8650	0	0.00%	0
9	8700	222,873	6.26%	9,589
10	8710	0	0.00%	0
11	8740	233,508	6.55%	10,046
12	8750	154,004	4.32%	6,626
13	8760	41,826	1.17%	1,799
14	8770	43,170	1.21%	1,857
15	8780	1,106,136	31.05%	47,589
16	8790	1,781	0.05%	77
17	8800	37,538	1.05%	1,615
18	8850	0	0.00%	0
19	8860	0	0.00%	0
20	8870	402,996	11.31%	17,338
21	8890	352,378	9.89%	15,160
22	8900	100,228	2.81%	4,312
23	8910	0	0.00%	0
24	8920	235,771	6.62%	10,144
25	8930	0	0.00%	0
26	9010	0	0.00%	0
27	9020	0	0.00%	0
28	9030	0	0.00%	0
29	9050	0	0.00%	0
30	9080	151,748	4.26%	6,529
31	9120	0	0.00%	0
32	9130	0	0.00%	0
33	9200	105,964	2.97%	4,559
34	9210	0	0.00%	0
35	9260	0	0.00%	0
36	9280	0	0.00%	0
37	9302	0	0.00%	0
38	9320	0	0.00%	0
39 Total		<u>\$3,562,360</u>	<u>100.00%</u>	<u>\$153,264</u>

DISTRIBUTION OF SHARED SERVICE BASE PAYROLL O&M EXPENSE ADJUSTMENT-  
BY FERC ACCOUNT

MAIN ACCOUNT	PER BOOK O&M PAYROLL	RATIO OF PAYROLL BY ACCOUNT	TOTAL
(d)	(e)	(f)	
8500	\$8,000	0.06%	\$36
8530	293	0.00%	1
8560	193,624	1.52%	871
8570	0	0.00%	0
8590	0	0.00%	0
8610	0	0.00%	0
8630	111,492	0.87%	502
8650	0	0.00%	0
8700	709,829	5.57%	3,194
8710	548,393	4.30%	2,468
8740	273,648	2.15%	1,231
8750	26,286	0.21%	118
8760	68,789	0.54%	310
8770	16,610	0.13%	75
8780	3,010	0.02%	14
8790	0	0.00%	0
8800	379,924	2.98%	1,710
8850	0	0.00%	0
8860	0	0.00%	0
8870	7,620	0.06%	34
8890	0	0.00%	0
8900	0	0.00%	0
8910	0	0.00%	0
8920	1,491	0.01%	7
8930	0	0.00%	0
9010	190,377	1.49%	857
9020	0	0.00%	0
9030	4,054,646	31.82%	18,245
9050	4,988	0.04%	22
9080	208,659	1.64%	939
9120	0	0.00%	0
9130	0	0.00%	0
9200	5,935,225	46.58%	26,707
9210	0	0.00%	0
9260	0	0.00%	0
9302	0	0.00%	0
9320	0	0.00%	0
Total	<u>\$12,742,901</u>	<u>100.00%</u>	<u>\$57,340</u>



Source: WKP G-4.b and WKP G-4.c Test Year and Dec Payroll Direct and Shared Service(CONFIDENTIAL).xlsx  
Source: WKP G-4.b and WKP G-4.c Test Year and Dec Payroll Corporate(CONFIDENTIAL).xlsx

Percentages to use on TWE and Stores calculation of proforma payroll for Direct:		
Main Account	Direct Per Book Non-Expense Payroll	Ratio by Account to Total Payroll
FERC 1540	\$0	0.00%
1630	90,839	1.61%
1840 (non TWE)	1,994,152	35.31%
1840 (TWE 1840100-1840289)	0	0.00%
1860	0	0.00%
2530	0	0.00%
Total Non-Exp Mains	\$2,084,991	36.92%
Total Expense Mains	3,562,360	63.08%
Total Payroll	\$5,647,350	100.00%

Percentages to use on TWE and Stores calculation of proforma payroll for Shared Svcs:		
Main Account	Shared Services Per Book Capital Payroll	Ratio by Account to Total Payroll
FERC 1540	\$0	0.00%
1630	4,049	0.02%
1840 (non TWE)	10,541,498	44.81%
1840 (TWE 1840100-1840289)	151,164	0.64%
1860	29,664	0.13%
2530	53,091	0.23%
Total Non-Exp Mains	\$10,779,465	45.83%
Total Expense Mains	12,742,901	54.17%
Total Payroll	\$23,522,367	100.00%

Note: Average load rate for Stores during the test year 21.74 %  
Note: Average load rate for TWE during the test year 48.90 %

WKP G-4.c

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BASE PAYROLL

LINE NO.	DESCRIPTION	BASE					
		HOURLY			SALARY		
		PAYROLL DIRECTLY CHARGED TO SERVICE AREA	SHARED SERVICES PAYROLL NOT DIRECTLY CHARGED TO SERVICE AREA	DISTRIGAS PAYROLL	PAYROLL DIRECTLY CHARGED TO SERVICE AREA	SHARED SERVICES PAYROLL NOT DIRECTLY CHARGED TO SERVICE AREA	DISTRIGAS PAYROLL
(a)	(b)	(c)	(d)	(e)	(f)		
Capital							
1	1010	\$0	\$0	\$0	\$0	\$0	\$0
2	1540	0	0	0	0	0	0
3	1630	10,597	0	1,805	0	0	2,955
4	1840	169,175	522,384	121,979	33,875	493,956	988,113
5	1860	0	0	0	0	0	0
6	2530	0	2,659	0	0	0	0
7	Total Capital	\$179,772	\$525,043	\$123,784	\$33,875	\$493,956	\$991,068
Expense							
8	8500	\$0	\$0	\$0	\$0	\$1,750	\$6,618
9	8530	0	0	0	0	0	0
10	8560	12,004	759	15,119	4,298	15,561	9,776
11	8570	8,392	0	0	0	0	0
12	8590	0	0	0	0	0	0
13	8610	0	0	0	0	0	2,716
14	8630	11,562	12,392	0	0	0	0
15	8650	0	0	0	0	0	0
16	8700	2,192	7,070	9,208	20,011	57,662	109,116
17	8710	0	34,403	0	0	9,198	0
18	8740	14,166	15,701	4,906	13,289	16,024	34,854
19	8750	12,826	0	0	2,423	2,337	0
20	8760	3,744	8,028	0	0	323	0
21	8770	2,995	1,606	0	0	323	0
22	8780	82,505	0	14,592	5,909	0	6,324
23	8790	0	0	0	0	0	0
24	8800	3,444	1,535	6,526	0	33,478	5,450
25	8850	0	0	0	0	0	10,612
26	8860	0	0	0	0	0	0
27	8870	30,021	2,587	0	3,030	0	0
28	8890	29,704	0	0	5,809	0	0
29	8900	8,487	0	0	1,660	0	0
30	8910	0	0	0	0	0	0
31	8920	19,328	0	0	0	0	0
32	8930	0	0	0	0	0	0
33	9010	0	5,347	0	0	15,700	0
34	9020	0	0	0	0	0	0
35	9030	0	317,879	0	0	103,439	0
36	9050	0	1,431	62,173	0	0	142,487
37	9080	9,445	0	0	6,300	21,395	107,703
38	9120	0	0	0	0	0	0
39	9130	0	0	0	0	0	0
40	9200	0	56,982	331,736	9,163	474,527	3,795,853
41	9210	0	0	0	0	0	0
42	9260	0	0	0	0	0	0
43	9280	0	0	0	0	0	0
44	9302	0	0	0	0	0	0
45	9320	0	0	0	0	0	2,837
46	Total Expense	\$250,815	\$465,718	\$444,259	\$71,891	\$751,717	\$4,234,344
47	Total Base Payroll	\$430,587	\$990,761	\$568,043	\$105,765	\$1,245,672	\$5,225,413

Source: WKP G-4.b and WKP G-4.c Test Year and Dec Payroll Direct and Shared Service(CONFIDENTIAL).xlsx

Source: WKP G-4.b and WKP G-4.c Test Year and Dec Payroll Corporate(CONFIDENTIAL).xlsx

SCHEDULE G-5

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

OVERTIME PAYROLL ADJUSTMENT

LINE NO.	DESCRIPTION	REFERENCE	PAYROLL DIRECTLY CHARGED TO SERVICE AREA (a)	SHARED SERVICES PAYROLL NOT DIRECTLY CHARGED TO SERVICE AREA (b)	DISTRIGAS PAYROLL (c)	TOTAL ADJUSTMENT (d)
1	Total Proforma Hourly Base Payroll	G-4	\$3,731,752	\$8,586,598	\$4,923,038	
2	Overtime as a % of Hourly Base Payroll (Actual for the Test Period)	WKP G-4.b	25%	13%	6%	
3	Total Annualized Overtime Payroll (Ln 1 times Ln 2)		\$948,957	\$1,156,662	\$282,073	
4	Test Period Overtime Payroll	WKP G-4.b	889,332	1,121,990	263,021	
5	Overtime Payroll Adjustment Total (Ln 3 minus Ln 4)		\$59,625	\$34,672	\$19,052	
6	Allocation to TGS		100.00%	100.00%	28.24%	
7	Allocated Base Payroll Adjustment to TGS (Ln 5 times Ln 6)		\$59,625	\$34,672	\$5,380	
8	Allocation to Service Area	WKP A.b	100.00%	9.31%	9.31%	
9	Allocated Base Payroll Adjustment to Service Area (Ln 7 times Ln 8)		\$59,625	\$3,229	\$501	
10	Payroll Expense Factor	WKP G-4.b	63%	54%	83%	
11	Test Year Base Payroll O&M Expense Adjustment (Ln 9 times Ln 10)		\$37,611	\$1,749	\$417	
	Adjustment Summary:					
12	Account 9302		\$0	\$0	\$417	\$417
13	Other O&M Accounts (See WKP G-5.a for Distribution by FERC Account)		37,611	1,749	0	39,361
14	Total (Ln 12 plus Ln 13)		\$37,611	\$1,749	\$417	\$39,778
15	Total Test Year Overtime Expense after Allocation		\$560,992	\$56,602	\$5,759	\$623,353
16	Total As Adjusted Overtime Expense after Allocation		598,604	58,351	6,176	663,131

WKP G-5.a

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

OVERTIME PAYROLL EXPENSE

DISTRIBUTION OF DIRECT OVERTIME PAYROLL O&M EXPENSE ADJUSTMENT-  
BY FERC ACCOUNT

LINE NO.	MAIN ACCOUNT	PER BOOK O&M PAYROLL	RATIO OF PAYROLL BY	
			ACCOUNT	TOTAL
		(a)	(b)	(c)
1	8500	\$0	0.00%	\$0
2	8530	0	0.00%	0
3	8560	185,687	5.21%	1,960
4	8570	90,216	2.53%	953
5	8590	0	0.00%	0
6	8610	0	0.00%	0
7	8630	96,535	2.71%	1,019
8	8650	0	0.00%	0
9	8700	222,873	6.26%	2,353
10	8710	0	0.00%	0
11	8740	233,508	6.55%	2,465
12	8750	154,004	4.32%	1,626
13	8760	41,826	1.17%	442
14	8770	43,170	1.21%	456
15	8780	1,106,136	31.05%	11,679
16	8790	1,781	0.05%	19
17	8800	37,538	1.05%	396
18	8850	0	0.00%	0
19	8860	0	0.00%	0
20	8870	402,996	11.31%	4,255
21	8890	352,378	9.89%	3,720
22	8900	100,228	2.81%	1,058
23	8910	0	0.00%	0
24	8920	235,771	6.62%	2,489
25	8930	0	0.00%	0
26	9010	0	0.00%	0
27	9020	0	0.00%	0
28	9030	0	0.00%	0
29	9050	0	0.00%	0
30	9080	151,748	4.26%	1,602
31	9120	0	0.00%	0
32	9130	0	0.00%	0
33	9200	105,964	2.97%	1,119
34	9210	0	0.00%	0
35	9260	0	0.00%	0
36	9301	0	0.00%	0
37	9302	0	0.00%	0
38	9320	0	0.00%	0
39	Total	<u>\$3,562,360</u>	<u>100.00%</u>	<u>\$37,611</u>

DISTRIBUTION OF SHARED SERVICES OVERTIME PAYROLL O&M EXPENSE  
ADJUSTMENT- BY FERC ACCOUNT

MAIN ACCOUNT	PER BOOK O&M PAYROLL	RATIO OF PAYROLL BY	
		ACCOUNT	TOTAL
	(d)	(e)	(f)
8500	\$8,000	0.06%	\$1
8530	293	0.00%	0
8560	193,624	1.52%	27
8570	0	0.00%	0
8590	0	0.00%	0
8610	0	0.00%	0
8630	111,492	0.87%	15
8650	0	0.00%	0
8700	709,829	5.57%	97
8710	548,393	4.30%	75
8740	273,648	2.15%	38
8750	26,286	0.21%	4
8760	68,789	0.54%	9
8770	16,610	0.13%	2
8780	3,010	0.02%	0
8790	0	0.00%	0
8800	379,924	2.98%	52
8850	0	0.00%	0
8860	0	0.00%	0
8870	7,620	0.06%	1
8890	0	0.00%	0
8900	0	0.00%	0
8910	0	0.00%	0
8920	1,491	0.01%	0
8930	0	0.00%	0
9010	190,377	1.49%	26
9020	0	0.00%	0
9030	4,054,646	31.82%	557
9050	4,988	0.04%	1
9080	208,659	1.64%	29
9120	0	0.00%	0
9130	0	0.00%	0
9200	5,935,225	46.58%	815
9210	0	0.00%	0
9260	0	0.00%	0
9301	0	0.00%	0
9302	0	0.00%	0
9320	0	0.00%	0
Total	<u>\$12,742,901</u>	<u>100.00%</u>	<u>\$1,749</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BENEFITS AND PAYROLL TAX ADJUSTMENT

LINE NO.	DESCRIPTION	REFERENCE	RATE PER DIRECT		RATE PER SHARED SERVICES		RATE PER DISTRIGAS		TOTAL ADJUSTMENT
			PAYROLL \$	DIRECT	PAYROLL \$	SHARED SERVICES	PAYROLL \$	DISTRIGAS	
			(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Total Proforma Base and Overtime Payroll \$	G-4		<u>\$5,949,893</u>		<u>\$24,691,330</u>		<u>\$67,910,062</u>	
2	BENEFITS COMPUTED PER PAYROLL \$								
3	H&W BENEFITS*	WKP G-6.b	14.05%	\$836,161	14.05%	\$3,469,967	12.73%	\$8,648,345	
4	PENSION	WKP G-6.b	-0.58%	(34,412)	-0.58%	(142,804)	-2.07%	(1,406,638)	
5	OPEB	WKP G-6.b	0.08%	4,995	0.08%	20,729	0.12%	83,366	
6	SERP	WKP G-6.b	0.00%	295	0.00%	0	1.63%	0	
7	401K & NQDC	WKP G-6.b	4.65%	276,563	4.65%	1,147,701	5.49%	3,729,655	
8	PROFIT SHARING	WKP G-6.b	3.44%	204,725	3.44%	849,586	3.76%	2,554,806	
9	A&G EMPL BEN ESPP ADMIN FEES	WKP G-6.b	0.00%	0	0.00%	0	0.00%	0	
10	A&G EMPL BEN RESERVE IBNR	WKP G-6.b	-0.42%	(25,049)	-0.42%	(103,952)	-0.34%	(233,568)	
11	A&G EMPL BEN STOCK RECEIVED	WKP G-6.b	0.00%	<u>0</u>	0.00%	<u>0</u>	0.00%	<u>0</u>	
				<u>\$1,263,279</u>		<u>\$5,241,227</u>		<u>\$13,375,966</u>	
12	ADDITIONAL BENEFITS								
13	A&G EMPL BEN HEALTH	WKP G-6.b		\$0		0		\$0	
14	A&G EMPL BEN DEF COMP INVESTMENT GAIN/LOSS	WKP G-6.b		0		0		(2,278,195)	
15	A&G EMPL BEN MISC ADMIN	WKP G-6.b		0		0		(485)	
16	A&G EMPL BEN FAS 112	WKP G-6.b		0		0		2,757	
17	A&G EMPL BEN HRA	WKP G-6.b		0		0		0	
18	A&G EMPL BEN RESERVE IBNR	WKP G-6.b		0		0		0	
19	A&G EMPL BEN ACCR 401(K) CO MATCH - STI	WKP G-6.b		0		198,899		432,217	
20	A&G EMPL BEN ACCR PSP ON STI	WKP G-6.b		0		119,755		306,114	
21	A&G EMPL BEN SCHOLARSHIPS	WKP G-6.b		0		0		114,500	
22	A&G EMPL BEN TUITION LOANS	WKP G-6.b		0		54,101		62,269	
23	A&G EMPL BEN ADOPTION ALLOW	WKP G-6.b		0		0		0	
24	A&G EMPL BEN CLUB MEMBERSHIP	WKP G-6.b		0		0		0	
25	A&G EMPL BEN SPR/SUMMER ACTIVITIES	WKP G-6.b		493		0		0	
26	A&G EMPL BEN EMPLOYEE EVENTS	WKP G-6.b		1,660		7,215		136,453	
27	A&G EMPL BEN SVC RECOGNITION	WKP G-6.b		0		72,200		54,000	
28	A&G EMPL BEN STOCK RECEIVED	WKP G-6.b		0		0		0	
29	A&G EMPL BEN EMPLOYEE REFERRAL	WKP G-6.b		0		0		189,553	
30	A&G EMPL BEN DRUG & ALCOHOL TESTING	WKP G-6.b		0		0		115,484	
31	A&G EMPL BEN EMPL ASST PROGRAM	WKP G-6.b		0		26,654		20,572	
32	A&G EMPL BEN CHEMICAL DEPENDENCY TREATMENT	WKP G-6.b		0		0		0	
33	A&G EMPL BEN DISABILITY	WKP G-6.b		0		57,235		44,611	
34	A&G EMPL BEN ACCOMMODATIONS	WKP G-6.b		0		0		790	
35	A&G EMPL BEN WELLNESS PROGRAM	WKP G-6.b		0		0		91,693	
36	A&G EMPL BEN MEDICAL CLINIC	WKP G-6.b		0		0		0	
37	A&G EMPL BEN EMPL APPL LOANS	WKP G-6.b		0		0		0	
38	A&G EMPL BEN INTERCO PARKING	WKP G-6.b		<u>0</u>		<u>0</u>		<u>0</u>	
				<u>\$2,153</u>		<u>\$536,057</u>		<u>\$(707,666)</u>	
39	Annualized Test Year Benefits			\$1,265,432		\$5,777,285		\$12,668,300	



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BENEFITS AND PAYROLL TAX ADJUSTMENT

LINE NO.	DESCRIPTION	REFERENCE	RATE PER	DIRECT	RATE PER	SHARED SERVICES	RATE PER	DISTRIGAS	TOTAL ADJUSTMENT
			DIRECT	PAYROLL \$	PAYROLL \$	PAYROLL \$	PAYROLL \$		
			(a)	(b)	(c)	(d)	(e)	(f)	(g)
40	PAYROLL TAX RATE PER PAYROLL \$	WKP G-6.b	7.05%	\$419,523	7.05%	\$1,740,968	7.92%	\$5,379,570	
41	Total Annualized Benefits and Payroll Tax			\$1,684,954		\$7,518,252		\$18,047,870	
42	Test Year Benefits and Payroll Tax			1,873,474		8,060,092		18,285,636	
43	Allocable Adjustment to Benefits and Payroll Tax			\$(188,520)		\$(541,839)		\$(237,767)	
44	Allocation to TGS			100%		100%		28.24%	
45	Allocated Benefits and Payroll Tax Adjustment to TGS			\$(188,520)		\$(541,839)		\$(67,145)	
46	Allocation to Service Area	WKP A.b		100%		9.31%		9.31%	
47	Allocated Benefits and Payroll Tax Adjustment to Service Area			\$(188,520)		\$(50,458)		(6,253)	
48	Payroll Expense Factor	WKP G-4.b		63%		54%		83%	
49	Test Year Benefits and Payroll Tax Adjustment			\$(118,918)		\$(27,335)		\$(5,206)	
50	Adjustment Summary:								
51	Account 9302			\$0		\$0		\$(5,206)	\$(5,206)
52	Other O&M Accounts (See WKP G4a for Distribution by FERC Account)			\$(118,918)		\$(27,335)		0	\$(146,253)
53	Total			\$(118,918)		\$(27,335)		\$(5,206)	\$(151,459)

\* Includes: Medical, Dental, Flexible Spending Plan Administration, Accidental Death & Dismemberment, Long Term Disability and Life Insurance

Total Test Year Benefits and Payroll Tax Expense after Allocation	\$1,181,791	\$406,616	\$400,370	\$1,988,777
Total As Adjusted Benefits and Payroll Tax Expense after Allocation	1,062,873	379,281	395,164	1,837,318
Taxes only	\$264,636	\$87,828	\$117,787	\$470,252

Source: SCH G-6 -Corporate Test Year Benefits and Payroll Taxes (CONFIDENTIAL).xlsx  
Source: SCH G-6 Shared Service Test Year Benefits and Payroll Taxes-Direct and Shared Services.xlsx

WKP G-6.a

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BENEFITS AND PAYROLL TAX EXPENSE

DISTRIBUTION OF DIRECT BENEFITS AND PAYROLL TAX O&M EXPENSE ADJUSTMENT- BY FERC ACCOUNT					DISTRIBUTION OF SHARED SERVICE BENEFITS AND PAYROLL TAX O&M EXPENSE ADJUSTMENT- BY FERC ACCOUNT				
LINE NO.	MAIN ACCOUNT	TEST YEAR BENEFITS AND PAYROLL TAX	RATIO OF PAYROLL	TOTAL	MAIN ACCOUNT	TEST YEAR BENEFITS AND PAYROLL TAX	RATIO OF PAYROLL BY	TOTAL	
		ADJUSTMENT	BY ACCOUNT			ACCOUNT	ACCOUNT		
		(a)	(b)	(c)		(d)	(e)	(f)	
1	4081	\$455,301	24.08%	\$(28,636)	4081	\$1,908,160	24.08%	\$(6,582)	
2	8560	0	0.00%	0	8560	0	0.00%	0	
3	8570	0	0.00%	0	8570	0	0.00%	0	
4	8590	0	0.00%	0	8590	0	0.00%	0	
5	8610	0	0.00%	0	8610	0	0.00%	0	
6	8630	0	0.00%	0	8630	0	0.00%	0	
7	8650	0	0.00%	0	8650	0	0.00%	0	
8	8700	0	0.00%	0	8700	0	0.00%	0	
9	8710	0	0.00%	0	8710	0	0.00%	0	
10	8740	0	0.00%	0	8740	0	0.00%	0	
11	8750	0	0.00%	0	8750	0	0.00%	0	
12	8760	0	0.00%	0	8760	0	0.00%	0	
13	8770	0	0.00%	0	8770	0	0.00%	0	
14	8780	0	0.00%	0	8780	0	0.00%	0	
15	8790	0	0.00%	0	8790	0	0.00%	0	
16	8800	0	0.00%	0	8800	0	0.00%	0	
17	8850	0	0.00%	0	8850	0	0.00%	0	
18	8860	0	0.00%	0	8860	0	0.00%	0	
19	8870	0	0.00%	0	8870	0	0.00%	0	
20	8890	0	0.00%	0	8890	0	0.00%	0	
21	8900	0	0.00%	0	8900	0	0.00%	0	
22	8910	0	0.00%	0	8910	0	0.00%	0	
23	8920	0	0.00%	0	8920	0	0.00%	0	
24	8930	0	0.00%	0	8920	0	0.00%	0	
25	9010	0	0.00%	0	9010	0	0.00%	0	
26	9020	0	0.00%	0	9020	0	0.00%	0	
27	9030	0	0.00%	0	9030	0	0.00%	0	
28	9050	0	0.00%	0	9050	0	0.00%	0	
29	9080	0	0.00%	0	9080	0	0.00%	0	
30	9120	0	0.00%	0	9120	0	0.00%	0	
31	9130	0	0.00%	0	9130	0	0.00%	0	
32	9200	0	0.00%	0	9200	0	0.00%	0	
33	9210	0	0.00%	0	9210	0	0.00%	0	
34	9260	1,418,173	75.92%	(90,283)	9260	6,151,932	75.92%	(20,753)	
35	9302	0	0.00%	0	9302	0	0.00%	0	
36	9320	0	0.00%	0	9320	0	0.00%	0	
37	Total	<u>\$1,873,474</u>	<u>100.00%</u>	<u>\$(118,918)</u>	Total	<u>\$8,060,092</u>	<u>100.00%</u>	<u>\$(27,335)</u>	

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BENEFITS AND TAXES

LINE NO.	DESCRIPTION	TEXAS EMPLOYEES		CORPORATE SHARED SERVICE AND DISTRIGAS EMPLOYEES		
		(a)	(b)	(c)	(d)	
Based on Known and Measurable for 2023						
H&W Benefits						
1	9260190	A&G EMPL BEN RESERVE	\$10,453,313		\$8,949,396	
2	9260191	A&G EMPL BEN RESERVE UNION	0		0	
3			<u>\$10,453,313</u>	14.05%	<u>\$8,949,396</u>	12.73%
Pension						
4	9260413	ONE GAS RETIREMENT PLAN SC	\$1,403,673		\$1,696,703	
5	9260513	ONE GAS RETIREMENT PLAN NSC	(1,972,212)		(3,258,058)	
6	9260115	EMPL BEN PENSION ADMIN	<u>138,340</u>		<u>105,752</u>	
			<u>\$(430,199)</u>	-0.58%	<u>\$(1,455,603)</u>	-2.07%
OPEB						
7	9260431	OPEB SC	\$33,851		\$94,834	
8	9260531	OPEB NSC	28,596		(8,566)	
9	9260132	A&G EMPL BEN FAS 106 ADMIN	<u>0</u>		<u>0</u>	
			<u>\$62,447</u>	0.08%	<u>\$86,268</u>	0.12%
SERP						
10	9260411	SERP SC			\$252,512	
11	9260511	SERP NSC	3,692		809,468	
12	9260112	A&G EMPL BEN SERP ADMIN	<u>0</u>		<u>84,000</u>	
			<u>\$3,692</u>	0.00%	<u>\$1,145,980</u>	1.63%
Based on Test Year Data						
401k & NQDC						
13	9260101	A&G EMPL BEN 401(K) CO MATCH	\$3,320,629		\$3,545,083	
14	9260102	A&G EMPL BEN 401(K) ADMIN	136,140		21,979	
15	9260103	A&G EMPL BEN DEF COMP CO MATCH	693		265,865	
16	9260104	A&G EMPL BEN DEF COMP ADMIN	<u>0</u>		<u>26,558</u>	
			<u>\$3,457,462</u>	4.65%	<u>\$3,859,485</u>	5.49%
Profit Sharing Plan						
17	9260141	A&G EMPL BEN PROFIT SHARING	\$2,556,087		\$2,640,109	
18	9260140	A&G EMPL BEN PROFIT SHARING ADMIN	<u>3,299</u>		<u>3,629</u>	
			<u>\$2,559,386</u>	3.44%	<u>\$2,643,739</u>	3.76%
Payroll Related 9260 Expenditures						
19	9260123	A&G EMPL BEN ESPP ADMIN FEES	\$0	0.00%	\$0	0.00%
20	9260192	A&G EMPL BEN RESERVE IBNR	(313,157)	-0.42%	(241,698)	-0.34%
21	9260312	A&G EMPL BEN STOCK RECEIVED	<u>0</u>	0.00%	<u>0</u>	0.00%
			<u>\$(313,157)</u>		<u>\$(241,698)</u>	
Non - Payroll Related 9260 Expenditures						
22	9260100	A&G EMPL BEN HEALTH	\$0		\$0	
23	9260105	A&G EMPL BEN DEF COMP INVESTMENT GAIN/LOSS	0		(2,278,195)	
24	9260118	A&G EMPL BEN MISC ADMIN	0		(485)	
25	9260119	A&G EMPL BEN FAS 112	0		2,757	
26	9260120	A&G EMPL BEN HRA	0		0	
27	9260192	A&G EMPL BEN RESERVE IBNR	0		0	
28	9260197	A&G EMPL BEN ACCR 401(K) CO MATCH - STI	198,899		432,217	
29	9260198	A&G EMPL BEN ACCR PSP ON STI	119,755		306,114	
30	9260301	A&G EMPL BEN SCHOLARSHIPS	0		114,500	
31	9260302	A&G EMPL BEN TUITION LOANS	54,101		62,269	
32	9260303	A&G EMPL BEN ADOPTION ALLOW	0		0	
33	9260304	A&G EMPL BEN CLUB MEMBERSHIP	0		0	
34	9260306	A&G EMPL BEN SPR/SUMMER ACTIVITIES	826		0	

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

BENEFITS AND TAXES

LINE NO.	DESCRIPTION	TEXAS EMPLOYEES		CORPORATE SHARED SERVICE AND DISTRIGAS EMPLOYEES		
		(a)	(b)	(c)	(d)	
35	9260307	A&G EMPL BEN EMPLOYEE EVENTS	22,046		136,453	
36	9260310	A&G EMPL BEN SVC RECOGNITION	72,200		54,000	
37	9260312	A&G EMPL BEN STOCK RECEIVED	0		0	
38	9260314	A&G EMPL BEN EMPLOYEE REFERRAL	0		189,553	
39	9260321	A&G EMPL BEN DRUG & ALCOHOL TESTING	0		115,484	
40	9260326	A&G EMPL BEN EMPL ASST PROGRAM	26,654		20,572	
41	9260327	A&G EMPL BEN CHEMICAL DEPENDENCY TREATMENT	0		0	
42	9260328	A&G EMPL BEN DISABILITY	57,235		44,611	
43	9260329	A&G EMPL BEN ACCOMMODATIONS	0		790	
44	9260337	A&G EMPL BEN WELLNESS PROGRAM	0		91,693	
45	9260338	A&G EMPL BEN MEDICAL CLINIC	0		0	
46	9260340	A&G EMPL BEN EMPL APPL LOANS	0		0	
47	9260901	A&G EMPL BEN INTERCO PARKING	0		0	
			<u>\$551,715</u>		<u>\$(707,666)</u>	
Based on Known and Measurable for 2023						
Payroll Taxes						
48	4081102	GEN TAX FICA	\$4,715,646	6.34%	\$4,852,642	6.91%
49	4081101	GEN TAX FED UNEMPL INS TAX	43,295	0.06%	30,626	0.04%
50	4081103	GEN TAX FICA INCENTIVE	307,844	0.41%	530,522	0.75%
51	4081132	GEN TAX STATE UNEMPL INS	177,899	0.24%	153,044	0.22%
			<u>5,244,683</u>	7.05%	<u>5,566,834</u>	7.92%
52		Total Benefit and Payroll Expense	<u>\$21,589,342</u>		<u>\$19,846,734</u>	
53		Total Labor*	<u>\$74,382,891</u>	28.28%	<u>\$70,274,025</u>	29.25%
54	* Total Labor used to calculate % is adjusted for known and measurable changes					

Source: WKP G-6.b Benefits and Payroll Tax Support.xlsx

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**BASE YEAR LEVEL PENSION AND OPEB**

LINE NO.	DESCRIPTION	REFERENCE	DIRECT (a)	SHARED SERVICES (b)	DISTRIGAS (c)	TOTAL (d)
1	PENSION	SCH G-6	(34,412)	(142,804)	(1,406,638)	
2	OPEB	SCH G-6	4,995	20,729	83,366	
3	TOTAL		<u>(29,417)</u>	<u>(122,075)</u>	<u>(1,323,272)</u>	
4	Allocation to TGS	SCH G-6	100.00 %	100.00 %	28.24 %	
5	PENSION		(34,412)	(142,804)	(397,234)	
6	OPEB		4,995	20,729	23,543	
7	TOTAL		<u>(29,417)</u>	<u>(122,075)</u>	<u>(373,692)</u>	
8	Allocation to Service Area	SCH G-6	100.00 %	9.31 %	9.31 %	
9	PENSION		(34,412)	(13,298)	(36,992)	
10	OPEB		4,995	1,930	2,192	
11	TOTAL		<u>(29,417)</u>	<u>(11,368)</u>	<u>(34,799)</u>	
12	Payroll Expense Factor	SCH G-6	63.08 %	54.17 %	83.26 %	
13	PENSION		(21,707)	(7,204)	(30,799)	(59,710)
14	OPEB		3,151	1,046	1,825	6,022
15	TOTAL		<u>(18,556)</u>	<u>(6,158)</u>	<u>(28,973)</u>	<u>(53,688)</u>

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

INCENTIVE COMPENSATION

CORPORATE ALLOCATED TO TGS										ALLOCATED TO SERVICE AREA		
LINE NO.	DESCRIPTION	ACCT. 'NO.	UNALLOCATED CORPORATE PER BOOK	ADJUSTMENTS	UNALLOCATED ADJUSTED TEST YEAR	ALLOCATION TO TGS	ALLOCATED CORPORATE PER BOOK TO TGS	ALLOCATED ADJUSTMENT TO TGS	ALLOCATED ADJUSTED TEST YEAR TO TGS	TOTAL PER BOOK AS ALLOCATED TO RGVSA	TOTAL ADJUSTMENT AS ALLOCATED TO RGVSA	TOTAL TEST YEAR ADJUSTED AS ALLOCATED TO RGVSA
										9.3123%		
1	GEN TAX FICA INCENTIVE	4081	\$601,000	\$(15,961)	\$585,039	28.24%	\$169,722	\$(4,507)	\$165,215	\$15,805	\$(420)	\$15,385
2	A&G SALARIES INCENTIVE PLAN	9302	10,322,684	(1,064,119)	9,258,565	28.24%	2,915,126	(300,507)	2,614,619	271,465	(27,984)	243,481
3	A&G EMPL BEN ACR 401(K) CO MATCH	9302	493,000	(34,250)	458,750	28.24%	139,223	(9,672)	129,551	12,965	(901)	12,064
4	A&G EMPL BEN ACR PSP ON STI	9302	404,600	(2,602)	401,998	28.24%	114,259	(735)	113,524	10,640	(68)	10,572
5	TOTAL SHORT TERM INCENTIVE		<u>\$11,821,284</u>	<u>\$(1,116,931)</u>	<u>\$10,704,353</u>		<u>\$3,338,331</u>	<u>\$(315,421)</u>	<u>\$3,022,909</u>	<u>\$310,875</u>	<u>\$(29,373)</u>	<u>\$281,502</u>
6	A&G SALARIES LT INCENT-RESTRICTED	9302	\$2,455,550		\$2,455,550	28.24%	\$693,447	\$0	\$693,447	\$64,576	\$0	\$64,576
7	A&G SALARIES LT INCENT-PERFORMANCE	9302	5,420,984	(2,670,554)	2,750,430	28.24%	1,530,886	(754,164)	776,721	142,561	(70,230)	72,331
8	TOTAL LONG TERM INCENTIVE		<u>\$7,876,534</u>	<u>\$(2,670,554)</u>	<u>\$5,205,980</u>	28.24%	<u>\$2,224,333</u>	<u>\$(754,164)</u>	<u>\$1,470,169</u>	<u>\$207,137</u>	<u>\$(70,230)</u>	<u>\$136,907</u>

TGS					ALLOCATED TO SERVICE AREA			
LINE NO.	DESCRIPTION	ACCT. 'NO.	TGS PER BOOK	ADJUSTMENTS	TGS ADJUSTED TEST YEAR	TOTAL PER BOOK AS ALLOCATED TO RGVSA	TOTAL ADJUSTMENT AS ALLOCATED TO RGVSA	TOTAL TEST YEAR ADJUSTED AS ALLOCATED TO RGVSA
						9.3123%		
	Short Term Incentive							
1	GEN TAX FICA INCENTIVE	4081	\$228,000		\$228,000	\$21,232	\$0	\$21,232
2	A&G SALARIES INCENTIVE PLAN	9200	3,903,000		3,903,000	363,459	0	363,459
3	A&G EMPL BEN ACR 401(K) CO MATCH	9260	186,000		186,000	17,321	0	17,321
4	A&G EMPL BEN ACR PSP ON STI	9260	153,800		153,800	14,322	0	14,322
5	TOTAL SHORT TERM INCENTIVE		<u>\$4,470,800</u>	<u>\$0</u>	<u>\$4,470,800</u>	<u>\$416,334</u>	<u>\$0</u>	<u>\$416,334</u>
6								
7	A&G SALARIES LT INCENT-RESTRICTED	9200	\$181,670		\$181,670	\$16,918	\$0	\$16,918
8	A&G SALARIES LT INCENT-PERFORMANCE	9200	175,093		175,093	16,305	0	16,305
9	TOTAL LONG TERM INCENTIVE		<u>\$356,763</u>	<u>\$0</u>	<u>\$356,763</u>	<u>\$33,223</u>	<u>\$0</u>	<u>\$33,223</u>
	Total Test Year Incentive Compensation after Allocation					\$967,569		
	Total As Adjusted Benefits and Payroll Tax Expense after Allocation					\$867,966		

Source: SCH G-8 Incentive Compensation per book (CONFIDENTIAL).xlsx

**WKP G-8.a STI  
ADJUSTMENT**  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

STI ADJUSTMENT FOR NAMED EXECUTIVE OFFICERS

ADJUSTMENT BASED ON FINANCIAL METRIC											
LINE NO.	NAMED EXECUTIVE OFFICER	STI PAID	FICA TAXES	401(k) MATCH	PROFIT SHARE	FINANCIAL METRIC WEIGHT	SAFETY METRIC WEIGHT	GEN TAX FICA INCENTIVE	A&G SALARIES INCENTIVE PLAN	A&G EMPL BEN ACCR 401(K) CO MATCH	A&G EMPL BEN ACCR PSP ON STI
ACCT	(a)	9302	4081	9302	9302	(f)	(g)	4081	9302	9302	9302
		(b)	(c)	(d)	(e)	(f)	(g)	(h) = (c) * (f)	(i) = (b) * (f)	(j) = (d) * (f)	(k) = (e) * (f)
1	McAnnally	532,170	8,166	12,817	2,087	70.00 %	30.00 %	5,716	372,519	8,972	1,461
2	Lawhorn	284,000	4,118	14,484	—	70.00 %	30.00 %	2,883	198,800	10,139	—
3	Dinan	302,000	4,379	10,872	—	70.00 %	30.00 %	3,065	211,400	7,610	—
4	McCormick	239,000	3,662	10,755	—	70.00 %	30.00 %	2,563	167,300	7,529	—
5	Bender	163,000	2,476	—	1,630	70.00 %	30.00 %	1,733	114,100	—	1,141
6	<b>Total</b>							<b>15,961</b>	<b>1,064,119</b>	<b>34,250</b>	<b>2,602</b>

**WKP G-8.b LTI  
ADJUSTMENT**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**LTI ADJUSTMENT FOR NAMED EXECUTIVE OFFICERS**

LINE NO.	Company	ACCT. 'NO.	NAMED EXECUTIVE OFFICERS (NEO)	January	February	March	April	May	June	July	August	September	October	November	December	Total A&G SALARIES LTI -	
																PERFORMANCE	
1	OGS	9302	NEO	167,476	181,620	232,146	232,146	232,146	232,146	232,146	232,146	232,146	232,146	232,146	232,146	232,146	2,670,554
2	OGS	9302		253,225	247,062	240,016	239,262	239,262	220,501	220,501	220,501	220,863	220,863	214,177	214,177		2,750,410
3	<b>TOTAL OGS PSU</b>			<b>420,701</b>	<b>428,681</b>	<b>472,162</b>	<b>471,408</b>	<b>471,408</b>	<b>452,647</b>	<b>452,647</b>	<b>452,647</b>	<b>453,009</b>	<b>453,009</b>	<b>446,322</b>	<b>446,322</b>		<b>5,420,964</b>
4	TGS	9200		13,471	13,468	14,986	14,986	14,986	14,986	14,986	14,986	14,986	14,986	14,131	14,131		175,092
5	<b>TOTAL TGS PSU</b>			<b>13,471</b>	<b>13,468</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,986</b>	<b>14,131</b>	<b>14,131</b>		<b>175,092</b>
6	<b>GRAND TOTAL</b>			<b>434,172</b>	<b>442,149</b>	<b>487,148</b>	<b>486,394</b>	<b>486,394</b>	<b>467,634</b>	<b>467,634</b>	<b>467,634</b>	<b>467,996</b>	<b>467,996</b>	<b>460,453</b>	<b>460,453</b>		<b>5,596,056</b>



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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

MISCELLANEOUS ADJUSTMENTS

LINE NO.	DESCRIPTION	ACCT	DIRECT SERVICE	SHARED SERVICES	DISTRIGAS	TOTAL ADJUSTMENT TO
			AREA	ALLOCATION TO SERVICE AREA	ALLOCATION TO SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(d)
1	Payroll Taxes	4081	\$261,791	\$(190,897)	\$1,444	\$72,338
2	Transmission O & M - Mains Expenses	8560	(2)	(22)	0	(24)
3	Transmission Other Misc Expenses	8590	0	0	0	0
4	Maintenance of Mains	8630	0	(16)	0	(16)
5	Distr. Operations- General Supervision	8700	(412)	(258)	0	(671)
6	Distr. Operations - Distribution Load Dispatch	8710	0	0	0	0
7	Distr. Operations - Mains & Services	8740	(19)	0	0	(19)
8	Distr Meas & Reg St Misc	8750	0	0	0	0
9	Distr. Operations - Meter & House Reg. Exp.	8780	(366)	0	0	(366)
10	Distr. Operations - Other Expense	8800	(202,931)	(32)	0	(202,963)
11	Distr. Operations - Rents	8810	0	0	0	0
12	Distr. Operations - Struct. & Improv.	8860	0	0	0	0
13	Distr. Maintenance - Mains	8870	(3)	(2)	0	(5)
14	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0	0	0
15	Distr. Maintenance - Ind .Meas. & Reg. Stat. Misc.	8900	0	0	0	0
16	Customer Accounting - Supervision	9010	0	0	0	0
17	Customer Accounting - Meter Reading	9020	0	0	0	0
18	Customer Accounting - Rec. Coll. Misc. Expense	9030	0	(13)	0	(13)
19	Customer Accounting - Bad Debt	9040	0	0	0	0
20	Customer Accounting - Misc. Expense	9050	0	0	0	0
21	Customer Assistance-Misc. Expense	9080	(584)	(234)	0	(818)
22	Customer Information-Inform. & Instruct. Adver. Exp.	9090	0	0	0	0
23	Demo/Sell- Misc. Expenses	9120	0	0	0	0
24	Advertising-Misc. Expense	9130	(2,495)	0	0	(2,495)
25	Salaries	9200	0	2,676	0	2,676
26	Admin & Gen - Office Supp & Exp	9210	(32,182)	(4,606)	0	(36,788)
27	Admin & Gen - Outside Services	9230	0	0	0	0
28	Property Insurance	9240	0	839	0	839
29	Admin & Gen - Injuries & Damages	9250	0	119,004	0	119,004
30	Admin & Gen - Employee Pensions & Benefits	9260	685,580	(430,902)	(26,103)	228,575
31	Admin & Gen - A&G Franchise Elections	9270	0	0	0	0
32	Admin & Gen - Regulatory Commission Expense	9280	0	0	0	0
33	Admin & Gen - Labor Attends Credit	9290	0	0	0	0
34	Admin & Gen - Advertising	9301	0	0	0	0
35	Admin & Gen - Misc General	9302	(16,611)	(735,592)	(11,179)	(763,381)
36	Admin & Gen - Rents	9310	0	0	0	0
37	Totals		\$691,765	\$(1,240,055)	\$(35,838)	\$(584,128)

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

MISCELLANEOUS ADJUSTMENTS  
DIRECT SERVICE AREA

LINE NO.	DESCRIPTION	ACCT	REMOVAL OF CLUBS AND CIVIC EXPENSE	REMOVAL OF COVID EXPENSES; INCLUDED IN SCH G-20 REGULATORY EXPENSE AMORTIZATION	REMOVAL OF MEAL/HOTEL COSTS OVER RRC THRESHOLD AND REMOVAL OF SPOUSE AND ALCOHOL ACTIVITY	ADJUSTMENT TO INCLUDE DIRECT BENEFITS AND PAYROLL RELATED TAXES	ADJUSTMENT TO INCLUDE DIRECT O/H FOR PAYROLL RELATED TAXES A	DIRECT SERP WITH PAYROLL FACTOR APPLIED SCH G-6 BENEFITS & PAYROLL	OTHER ADJUSTMENTS	TOTAL ADJUSTMENT TO SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Payroll Taxes	4081	\$0	\$0	\$0	\$455,301	\$(193,510)	\$0	\$0	\$261,791
2	Transmission O & M - Mains Expenses	8560	0	0	(2)	0	0	0	0	(2)
3	Transmission Other Misc Expenses	8590	0	0	0	0	0	0	0	0
4	Maintenance of Mains	8630	0	0	0	0	0	0	0	0
5	Distr. Operations- General Supervision	8700	(125)	0	(42)	0	0	0	(245)	(412)
6	Distr. Operations - Distribution Load Dispatch	8710	0	0	0	0	0	0	0	0
7	Distr. Mains & Services	8740	0	0	(19)	0	0	0	0	(19)
8	Distr Meas & Reg St Misc	8750	0	0	0	0	0	0	0	0
9	Distr. Operations - Meter & House Reg. Exp.	8780	0	(337)	(29)	0	0	0	0	(366)
10	Distr. Operations - Other Expense	8800	0	0	(563)	0	0	0	(202,368)	(202,931)
11	Distr. Operations - Rents	8810	0	0	0	0	0	0	0	0
12	Distr. Structures & Improvements	8860	0	0	0	0	0	0	0	0
13	Distr. Maintenance - Mains	8870	0	0	(3)	0	0	0	0	(3)
14	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0	0	0	0	0	0	0
15	Distr. Maintenance- Cathodic Protection	8900	0	0	0	0	0	0	0	0
16	Customer Accounting - Supervision	9010	0	0	0	0	0	0	0	0
17	Customer Accounting - Meter Reading	9020	0	0	0	0	0	0	0	0
18	Customer Accounting - Rec. Coll. Misc. Expense	9030	0	0	0	0	0	0	0	0
19	Customer Accounting - Bad Debts	9040	0	0	0	0	0	0	0	0
20	Customer Accounting - Misc. Expense	9050	0	0	0	0	0	0	0	0
21	Customer Asst.- Misc. Expenses	9080	0	0	(56)	0	0	0	(528)	(584)
22	Customer Information-Inform. & Instruct. Adver. Exp.	9090	0	0	0	0	0	0	0	0
23	Demo/Sell- Misc. Expenses	9120	0	0	0	0	0	0	0	0
24	Advertising-Misc. Expense	9130	0	0	0	0	0	0	(2,495)	(2,495)
25	Advertising-Misc. Expense	9200	0	0	0	0	0	0	0	0
26	Admin & Gen - Office Supp & Exp	9210	(1,542)	(29,414)	(149)	0	0	0	(1,078)	(32,182)
27	Admin & Gen - Outside Services	9230	0	0	0	0	0	0	0	0
28	Property Insurance	9240	0	0	0	0	0	0	0	0
29	Admin & Gen - Injuries & Damages	9250	0	0	0	0	0	0	0	0
30	Admin & Gen - Employee Pensions & Benefits	9260	0	0	0	1,418,173	(732,594)	0	0	685,580
31	Admin & Gen - A&G Franchise Elections	9270	0	0	0	0	0	0	0	0
32	Admin & Gen - Regulatory Commission Expense	9280	0	0	0	0	0	0	0	0
33	Admin & Gen - Labor Attends Credit	9290	0	0	0	0	0	0	0	0
34	Admin & Gen - Advertising	9301	0	0	0	0	0	0	0	0
35	Admin & Gen - Misc General	9302	(16,611)	0	0	0	0	0	0	(16,611)
36	Admin & Gen - Rents	9310	0	0	0	0	0	0	0	0
37	Totals		\$(18,278)	\$(29,751)	\$(863)	\$1,873,474	\$(926,103)	\$0	\$(206,714)	\$691,765

Source: SCH G-9.a Direct TY 12 31 2022 Civic Charitable Misc Adjustments.xlsx  
 Source: WKP G-9.c Meal and Hotel Adjustments to Direct SS and Distr (CONFIDENTIAL)  
 Source: SCH G-6 Shared Service Test Year Benefits and Payroll Taxes-Direct and Shared Services.xlsx  
 Source: SCH G-20 Regulatory Expenses - COVID (CONFIDENTIAL).xlsx

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

MISCELLANEOUS ADJUSTMENTS  
SHARED SERVICES

LINE NO.	DESCRIPTION	ACCT	ADJUSTMENT FOR	REMOVAL OF	REMOVE MEAL/HOTEL			REMOVE	REMOVE - RULE 7.5414	REMOVE	ADJUSTMENT TO	ADJUSTMENT TO	ADJUSTMENT TO	TOTAL	O&M EXPENSE FACTOR	ALLOCATION TO SERVICE AREA	AMOUNT ALLOCATED TO SERVICE AREA BY FERC ACCT
			KNOWN AND MEASURABLE CHANGE IN INSURANCE PREMIUMS	COVID EXPENSES; INCLUDED IN SCH G-20 REGULATORY EXPENSE	ADJUSTMENT TO REMOVE COSTS ASSOCIATED WITH ROYALTY FEES	COSTS OVER RRC THRESHOLD AND REMOVAL OF SPOUSE AND ALCOHOL ACTIVITY	MANAGEMENT DECISION TO NOT SEEK RECOVERY	DONATIONS TO CHARITABLE, RELIGIOUS, OR OTHER NONPROFIT ORGANIZATIONS	PORTION OF AGA DUES ATTRIBUTABLE TO LOBBYING	ADJUSTMENT TO REMOVE PAYROLL RELATED TAXES AND BENEFITS	ADJUSTMENT TO INCLUDE SHARED SERVICE PAYROLL RELATED TAXES AND BENEFITS	ADJUSTMENT TO REMOVE TOTAL O/H FOR PAYROLL RELATED TAXES AND BENEFITS	ADJUSTMENT TO INCLUDE SHARED SERVICES PORTION OF O/H FOR PAYROLL RELATED TAXES AND BENEFITS				
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
1	Payroll Taxes	4081	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,473,372	\$1,908,160	\$2,326,270	\$(810,998)	\$(2,049,940)	100.00%	9.3123%	\$(190,897)
2	Transmission O & M - Mains Expenses	8560	0	0	0	(247)	0	(21)	0	0	0	0	(268)	0	86.47%	9.3123%	(22)
3	Transmission Other Misc Expenses	8590	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
4	Maintenance of Mains	8630	0	0	0	(201)	0	0	0	0	0	0	(201)	0	86.47%	9.3123%	(16)
5	Distr. Operations- General Supervision	8700	0	0	0	(62)	(1,673)	(1,475)	0	0	0	0	(3,210)	0	86.47%	9.3123%	(258)
6	Distr. Operations - Distribution Load Dispatch	8710	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
7	Distr. Mains & Services	8740	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
8	Distr Meas & Reg St Misc	8750	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
9	Distr. Operations - Meter & House Reg. Exp.	8760	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
10	Distr. Operations - Other Expense	8800	0	0	0	(346)	(54)	0	0	0	0	0	(401)	0	86.47%	9.3123%	(32)
11	Distr. Operations - Rents	8810	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
12	Distr. Structures & Improvements	8860	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
13	Distr. Maintenance - Mains	8870	0	0	0	0	0	(28)	0	0	0	0	(28)	0	86.47%	9.3123%	(2)
14	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
15	Distr. Maintenance- Cathodic Protection	8900	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
16	Customer Accounting - Supervision	9010	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
17	Customer Accounting - Meter Reading	9020	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
18	Customer Records and Collections	9030	0	0	0	(167)	0	0	0	0	0	0	(167)	0	86.47%	9.3123%	(13)
19	Customer Accounting - Bad Debts	9040	0	0	0	0	0	0	0	0	0	0	0	0	100.00%	9.3123%	—
20	Customer Accounting - Misc. Expense	9050	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
21	Customer Asst. - Misc. Expenses	9080	0	0	0	(622)	0	(2,284)	0	0	0	0	(2,907)	0	86.47%	9.3123%	(234)
22	Customer Information-Inform. & Instruct. Adver. Exp.	9090	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
23	Demo/Sell- Misc. Expenses	9120	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
24	Advertising-Misc. Expense	9130	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
25	Administrative and General Salaries	9200	0	0	0	0	33,240	0	0	0	0	0	33,240	0	86.47%	9.3123%	2,676
26	Admin & Gen - Office Supp & Exp	9210	0	(40,942)	0	(7,550)	(4,542)	(4,172)	0	0	0	0	(57,206)	0	86.47%	9.3123%	(4,606)
27	Admin & Gen - Outside Services	9230	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
28	Property Insurance	9240	10,424	0	0	0	0	0	0	0	0	0	10,424	0	86.47%	9.3123%	839
29	Admin & Gen - Injuries & Damages	9250	1,477,958	0	0	0	0	0	0	0	0	0	1,477,958	0	86.47%	9.3123%	119,004
30	Admin & Gen - Employee Pensions & Benefits	9260	0	0	0	0	0	0	0	(17,240,023)	6,151,932	8,806,836	(3,070,292)	(5,351,547)	86.47%	9.3123%	(430,902)
31	Admin & Gen - A&G Franchise Elections	9270	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
32	Admin & Gen - Regulatory Commission Expense	9280	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
33	Admin & Gen - Labor Attends Credit	9290	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
34	Admin & Gen - Advertising	9301	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	—
35	Admin & Gen - Misc General	9302	0	0	(9,122,580)	0	0	(4,669)	(8,364)	0	0	0	(9,135,613)	0	86.47%	9.3123%	(735,592)
36	Admin & Gen - Rents	9310	0	0	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
37	Totals		\$1,488,382	\$(40,942)	\$(9,122,580)	\$(9,195)	\$26,950	\$(12,629)	\$(8,364)	\$(22,713,395)	\$8,060,092	\$11,133,106	\$(3,881,290)	\$(15,079,867)			\$(1,240,055)

Source: SCH G-6 Shared Service Test Year Benefits and Payroll Taxes-Direct and Shared Services.xlsx  
Source: WKP G-9.b.3 Insurance Adjustment.xlsx  
Source: WKP G-9.c Meal and Hotel Adjustments to Direct SS and Distr (CONFIDENTIAL).xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

MISCELLANEOUS ADJUSTMENTS  
DISTRIGAS AMOUNT ALLOCATED TO TGS

LINE NO.	DESCRIPTION	ACCT	REMOVE - RULE 7.5414 CONTRIBUTIONS, DONATIONS TO CHARITABLE, RELIGIOUS, OR OTHER NONPROFIT ORGANIZATIONS (a)	REMOVAL OF COVID EXPENSES INCLUDED IN SCH G-20 REGULATORY EXPENSE (b)	REMOVE MEAL/HOTEL COSTS OVER RRC THRESHOLD AND REMOVAL OF SPOUSE AND ALCOHOL ACTIVITY (c)	REMOVE SERP ACTIVITY (d)	REMOVE MANAGEMENT DECISION TO NOT SEEK RECOVERY (e)	REMOVAL OF CORPORATE AIRCRAFT (f)	ADJUSTMENT FOR KNOWN AND MEASURABLE CHANGE IN INSURANCE PREMIUMS (g)	REMOVAL OF DIVISION SPECIFIC COSTS CODED TO 101 (NET) (h)	REMOVE LEGISLATIVE/ GOVERNMENTAL ACTIVITY (i)	TOTAL (j)	O&M EXPENSE FACTOR (k)	ALLOCATION TO SERVICE AREA (l)	AMOUNT ALLOCATED TO SERVICE AREA BY FERC ACCT (m)
1	Payroll Taxes	4081	\$0	\$0	\$0	\$ (1,199)	\$19,135	\$0	\$0	\$0	\$0	\$17,936	86.47%	9.3123%	\$1,444
2	Transmission O & M - Mains Expenses	8560	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
3	Transmission Other Misc Expenses	8590	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
4	Maintenance of Mains	8630	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
5	Distr. Operations- General Supervision	8700	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
6	Distr. Operations - Distribution Load Dispatch	8710	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
7	Distr. Mains & Services	8740	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
8	Distr Meas & Reg St Misc	8750	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
9	Distr. Operations - Meter & House Reg. Exp.	8780	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
10	Distr. Operations - Other Expense	8800	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
11	Distr. Operations - Rents	8810	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
12	Distr. Structures & Improvements	8860	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
13	Distr. Maintenance- Mains	8870	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
14	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
15	Distr. Maintenance- Cathodic Protection	8900	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
16	Customer Accounting - Supervision	9010	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
17	Customer Accounting - Meter Reading	9020	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
18	Customer Accounting - Rec. Coll. Misc. Expense	9030	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
19	Customer Accounting - Bad Debts	9040	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
20	Customer Accounting - Misc. Expense	9050	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
21	Customer Asst. - Misc. Expenses	9080	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
22	Customer Information-Inform. & Instruct. Adver. Exp.	9090	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
23	Demo/Sell- Misc. Expenses	9120	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
24	Advertising-Misc. Expense	9130	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
25	Advertising-Misc. Expense	9200	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
26	Admin & Gen - Office Supp & Exp	9210	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
27	Admin & Gen - Outside Services	9230	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
28	Property Insurance	9240	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
29	Admin & Gen - Injuries & Damages	9250	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
30	Admin & Gen - Employee Pensions & Benefits	9260	0	0	0	(324,186)	0	0	0	0	(324,186)	0	86.47%	9.3123%	(26,103)
31	Admin & Gen - A&G Franchise Elections	9270	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
32	Admin & Gen - Regulatory Commission Expense	9280	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
33	Admin & Gen - Labor Attends Credit	9290	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
34	Admin & Gen - Advertising	9301	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
35	Admin & Gen - Misc General	9302	(54,875)	(20,101)	(27,227)	(25,362)	274,522	(301,693)	60,624	(35,158)	(9,563)	(138,832)	86.47%	9.3123%	(11,179)
36	Admin & Gen - Rents	9310	0	0	0	0	0	0	0	0	0	0	86.47%	9.3123%	0
37	Totals		\$(54,875)	\$(20,101)	\$(27,227)	\$(350,746)	\$293,657	\$(301,693)	\$60,624	\$(35,158)	\$(9,563)	\$(445,082)			\$(35,838)

Source: WKP G-9.b.2 Misc Adjustments Dstrigas.xlsx

Source: WKP G-9.c Meal and Hotel Adjustments to Direct SS and Dstrigas (CONFIDENTIAL).xlsx

SCHEDULE G-10

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

RENTS AND LEASES ADJUSTMENT

LINE NO.	DESCRIPTION	ACCT	DIRECT SERVICE	SHARED SERVICES	DISTRIGAS	TOTAL ADJUSTMENT TO
			AREA	ALLOCATION TO SERVICE AREA	ALLOCATION TO SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(d)
1	Transmission O & M - Mains Expenses	8560	\$0	\$0	\$0	\$0
2	Distr. Operations - Supervision and Engineering	8700	0	0	0	0
3	Distr. Operations - Distribution Load Dispatch	8710	0	0	0	0
4	Distr. Operations - Mains & Services	8740	0	0	0	0
5	Distr. Operations - Meter & House Reg. Exp.	8780	0	0	0	0
6	Distr. Operations - Other Expense	8800	0	0	0	0
7	Distr. Operations - Rents	8810	0	0	0	0
8	Distr. Maintenance - Mains	8870	0	0	0	0
9	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0	0	0
10	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Ind.	8900	0	0	0	0
11	Customer Accounting - Supervision	9010	0	0	0	0
12	Customer Accounting - Customer Accounting	9030	0	0	0	0
13	Customer Accounting - Miscellaneous	9050	0	0	0	0
14	Customer Accounting - Customer Assistance Expense	9080	0	0	0	0
15	Admin & Gen - Office Supp & Exp	9210	0	0	0	0
16	Admin & Gen - Outside Services	9230	0	0	0	0
17	Admin & Gen - Injuries & Damages	9250	0	0	0	0
18	Admin & Gen - Employee Pensions & Benefits	9260	0	0	0	0
19	Admin & Gen - General Advertising Expense	9301	0	0	0	0
20	Admin & Gen - Misc General	9302	0	0	(1,455)	(1,455)
21	Admin & Gen - Rents	9310	0	(2,449)	0	(2,449)
22	Totals		\$0	\$(2,449)	\$(1,455)	\$(3,904)

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**RENTS AND LEASES ADJUSTMENTS**

**DIRECT SERVICE AREA**

LINE NO.	DESCRIPTION	ACCT	ANNUALIZE	TOTAL ADJUSTMENT TO
			LEASE PAYMENTS (a)	SERVICE AREA (b)
1	Transmission O & M - Mains Expenses	8560	\$0	\$0
2	Distr. Operations - Supervision and Engineering	8700	0	0
3	Distr. Operations - Distribution Load Dispatch	8710	0	0
4	Distr. Operations - Mains & Services	8740	0	0
5	Distr. Operations - Meter & House Reg. Exp.	8780	0	0
6	Distr. Operations - Other Expense	8800	0	0
7	Distr. Operations - Rents	8810	0	0
8	Distr. Maintenance - Mains	8870	0	0
9	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	0	0
10	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Ind.	8900	0	0
11	Customer Accounting - Supervision	9010	0	0
12	Customer Accounting - Customer Accounting	9030	0	0
13	Customer Accounting - Miscellaneous	9050	0	0
14	Customer Accounting - Customer Assistance Expense	9080	0	0
15	Admin & Gen - Office Supp & Exp	9210	0	0
16	Admin & Gen - Outside Services	9230	0	0
17	Admin & Gen - Injuries & Damages	9250	0	0
18	Admin & Gen - Employee Pensions & Benefits	9260	0	0
19	Admin & Gen - General Advertising Expense	9301	0	0
20	Admin & Gen - Misc General	9302	0	0
21	Admin & Gen - Rents	9310	0	0
22	Totals		<u>\$0</u>	<u>\$0</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

RENTS AND LEASES ADJUSTMENTS  
SHARED SERVICES

LINE NO.	CATEGORY	ACCOUNT DESCRIPTION	FERC ACCT	ADJUSTMENT TO	ADJUSTMENT TO	GRAND TOTAL	O&M EXPENSE FACTOR	ALLOCATION TO SERVICE AREA	AMOUNT
				FIRST PLACE TOWER LEASE	BARTON SKYWAY LEASE				ALLOATED TO SERVICE AREA BY FERC ACCT
				(a)	(b)	(c)	(d)	(e)	(f)
1	Shared Service	Transmission O & M - Mains Expenses	8560	\$0	\$0	\$0	86.47%	9.3123%	\$0
2	Shared Service	Distr. Operations - Supervision and Engineering	8700	\$0	\$0	0	86.47%	9.3123%	0
3	Shared Service	Distr. Operations - Distribution Load Dispatch	8710	\$0	\$0	0	86.47%	9.3123%	0
4	Shared Service	Distr. Operations - Mains & Services	8740	\$0	\$0	0	86.47%	9.3123%	0
5	Shared Service	Distr. Operations - Meter & House Reg. Exp.	8780	\$0	\$0	0	86.47%	9.3123%	0
6	Shared Service	Distr. Operations - Other Expense	8800	\$0	\$0	0	86.47%	9.3123%	0
7	Shared Service	Distr. Operations - Rents	8810	\$0	\$0	0	86.47%	9.3123%	0
8	Shared Service	Distr. Maintenance - Mains	8870	\$0	\$0	0	86.47%	9.3123%	0
9	Shared Service	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Gen	8890	\$0	\$0	0	86.47%	9.3123%	0
10	Shared Service	Distr. Maintenance - Meas. & Reg. Stat. Exp. - Ind.	8900	\$0	\$0	0	86.47%	9.3123%	0
11	Shared Service	Customer Accounting - Supervision	9010	\$0	\$0	0	86.47%	9.3123%	0
12	Shared Service	Customer Accounting - Customer Accounting	9030	\$0	\$0	0	86.47%	9.3123%	0
13	Shared Service	Customer Accounting - Miscellaneous	9050	\$0	\$0	0	86.47%	9.3123%	0
14	Shared Service	Customer Accounting - Customer Assistance Expense	9080	\$0	\$0	0	86.47%	9.3123%	0
15	Shared Service	Admin & Gen - Office Supp & Exp	9210	\$0	\$0	0	86.47%	9.3123%	0
16	Shared Service	Admin & Gen - Outside Services	9230	\$0	\$0	0	86.47%	9.3123%	0
17	Shared Service	Admin & Gen - Injuries & Damages	9250	\$0	\$0	0	86.47%	9.3123%	0
18	Shared Service	Admin & Gen - Employee Pensions & Benefits	9260	\$0	\$0	0	86.47%	9.3123%	0
19	Shared Service	Admin & Gen - General Advertising Expense	9301	\$0	\$0	0	86.47%	9.3123%	0
20	Shared Service	Admin & Gen - Misc General	9302	\$0	\$0	0	86.47%	9.3123%	0
21	Shared Service	Admin & Gen - Rents	9310	\$0	\$(30,416)	\$(30,416)	86.47%	9.3123%	\$(2,449)
22	Grand Total Shared Services			\$0	\$(30,416)	\$(30,416)			\$(2,449)
23									
24		O&M Expense Factor		86.47%	86.47%	86.47%			
25		Adjustment to TGS O&M		\$0	\$(26,300)	\$(26,300)			
26									
27		Allocation to Service Area		9.3123%	9.3123%	9.3123%			
28									
29		Adjustment to Service Area O&M		\$0	\$(2,449)	\$(2,449)			

DISTRIGAS

LINE NO.	CATEGORY	ACCOUNT DESCRIPTION	FERC ACCT	ADJUSTMENT TO	ADJUSTMENT TO	GRAND TOTAL	DISTRIGAS	O&M EXPENSE FACTOR	ALLOCATION TO SERVICE AREA	AMOUNT ALLOATED TO SERVICE AREA BY FERC ACCT
				FIRST PLACE TOWER LEASE	IMAGENET LEASE		ALLOCATION FACTOR			(g)
				(a)	(b)	(c)	(d)	(e)	(f)	(g)
30	O&M Corporate Allocated through Dstrigas (1007)	Admin & Gen - Misc General	9302	\$(58,086)	\$(5,881)	\$(63,967)	28.24%	86.47%	9.3123%	\$(1,455)
31	Grand Total Dstrigas			\$(58,086)	\$(5,881)	\$(63,967)				\$(1,455)
32										
33		Dstrigas Allocation Percent		28.24%	28.24%	28.24%				
34		Corporate Adjustment Allocated to TGS		\$(16,403)	\$(1,661)	\$(18,064)				
35										
36		O&M Expense Factor		86.47%	86.47%	86.47%				
37		Adjustment to TGS O&M		\$(14,183)	\$(1,436)	\$(15,619)				
38										
39		Allocation to Service Area		9.3123%	9.3123%	9.3123%				
40										
41		Adjustment to Service Area O&M		\$(1,321)	\$(134)	\$(1,455)				

Source: WKP G-10.b.1 Rent Adjustment Distr & SS (CONFIDENTIAL).xlsx

**SCHEDULE G-11**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**INTEREST ON CUSTOMER DEPOSITS**

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
			(a)
1	Service Area Active Customer Deposits		\$2,767,300
2	Interest Rate on Customer Deposits		<u>1.36%</u>
3	Annualized Interest on Customer Deposits		\$37,635
4	Test Year Interest on Customer Deposits - Acct 4310	WKP G.a.2	<u>1,044</u>
5	Adjustment to Test Year Expense		<u><u>\$36,591</u></u>

Source: SCH G-11 Interest on Customer Deposits\_ PUC Interest Rate for Deposits.pdf



**SCHEDULE G-12**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**UNCOLLECTIBLE EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE		AMOUNT
		(a)	(b)	
1	As Adjusted Base (Non-Gas) Revenue	G-2		\$34,827,922
2	As Adjusted Transportation, Fees & Other Utility Revenue	G-3		3,004,204
3	Total Adjusted Base and Other Revenue (Note 2)			<u>\$37,832,126</u>
4	Uncollectible Expense Ratio (Note 1)			<u>0.009273</u>
5	Adjusted Uncollectible Expense			\$350,817
6	Test Year Uncollectible Expense - Acct 9040			<u>215,059</u>
7	Adjustment to Test Year Expense			<u><u>\$135,758</u></u>

Note 1: Calculation of Uncollectible Ratio		Base Revenue		
		Write Offs	Base Revenue	Uncollectible Ratio
8	Twelve Months Ended December 2020	\$175,842	\$30,395,322	0.00579
9	Twelve Months Ended December 2021	310,067	32,789,686	0.00946
10	Twelve Months Ended December 2022	438,640	36,522,657	0.01201
11	Average	<u>\$308,183</u>	<u>\$33,235,888</u>	<u>0.00927</u>

Note 2: Actual bad debt write-offs relating to gas cost recovery revenue are to be recovered through the Cost of Gas Clause. Therefore, uncollectible expenses above is calculated based only on base revenue.

Source: SCH G-12 Uncollectibles TY 12 31 2022.xlsx

**SCHEDULE G-13**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**INJURIES AND DAMAGES**

LINE NO.	DESCRIPTION	REFERENCE	EMPLOYEE INJURY	AUTO	GENERAL LIABILITY	AMOUNT
		(a)	(b)	(c)	(d)	(e) = (b)+(c)+(d)
Summary of Paid Claims for TGS Division						
1	Jan. 2019 - Dec. 2019		\$190,838	\$6,482	\$345,156	\$542,477
2	Jan. 2020 - Dec. 2020		150,370	9,167	162,493	322,030
3	Jan. 2021 - Dec. 2021		163,140	8,834	152,762	324,736
4	Jan. 2022 - Dec. 2022		102,671	17,705	142,584	262,959
5	Total		\$607,018	\$42,188	\$802,995	\$1,452,202
6	Average Claims for TGS Division		\$151,755	\$10,547	\$200,749	\$363,051
7	Per Book	Acct 9250	109,369	27,757	209,008	346,134
8	Adjustment					\$16,917
9	Allocation to Service Area					9.3123%
10	Adjustment to Employee Injury, Auto, and General Liability Claims					\$1,575
11	O&M Expense Factor					86.47%
12	Adjustment to Employee Injury, Auto, and General Liability Claims with O&M factor applied					<u>\$1,362</u>

Source: SCH G-13 Inj and Dam per book (CONFIDENTIAL).xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**INJURIES AND DAMAGES**

The information contained within this report reflects the payment activities (not accidents) by:

Type of Loss / Claim (Employee Injury, Auto or General Liability Claim);

Year & Month payment activity was conducted and accumulative cost.

Claims = Number of claims with activities for the month reporting.

Payments = Number of payment activities (invoices) for the month reporting.

Type Expense

Employee Injuries

INDEMNITY - Temporary Income Benefits (TIBs) or Workers' Comp Pay from Insurer; compensation for permanent impairment rating.

MEDICAL - All medical expenses directly related to the treatment of the employee's injury.

EXPENSES - All other expenses not related to pay or medical, but are related to the claim such as mileage reimbursement, medical review fees, etc.

Auto and General Liability

PROPERTY DAMAGE - All expenses directly related to the repair of damage to other parties property.

MEDICAL - All medical expenses directly related to the treatment of personal physical injuries to other parties.

EXPENSES - All other expenses not related to property damage or medical, but are directly related to the claim such as rental car fees, settlements, etc.

Employee Injuries

Period Reporting: January 1, 2019 through December 31, 2022

Employee Injuries	Period Reporting: January 1, 2019 through December 31, 2022			
	2022	2021	2020	2019
	\$ Paid	\$ Paid	\$ Paid	\$ Paid
January	\$8,970	\$14,253	\$13,328	\$23,494
February	11,622	18,962	16,122	11,302
March	8,116	9,353	7,548	37,662
April	7,888	16,695	8,887	15,093
May	5,669	7,068	4,992	13,294
June	4,422	11,697	15,145	4,827
July	10,792	22,311	6,647	9,832
August	5,499	12,090	10,705	13,505
September	7,732	12,261	19,240	20,997
October	8,900	4,753	15,085	16,832
November	10,716	13,882	19,095	9,655
December	12,344	19,816	13,578	14,345
<b>Sub Total</b>	<b>\$102,671</b>	<b>\$163,140</b>	<b>\$150,370</b>	<b>\$190,838</b>
			<b>\$151,755</b>	

Auto Accidents

Period Reporting: January 1, 2019 through December 31, 2022

Auto Accidents	2022 \$ Paid	2021 \$ Paid	2020 \$ Paid	2019 \$ Paid
January	\$13,854	\$0	\$0	\$0
February	0	0	0	1,367
March	0	0	0	0
April	0	1,641	0	0
May	3,851	0	0	0
June	0	0	0	0
July	0	0	5,346	5,116
August	0	0	0	0
September	0	7,193	0	0
October	0	0	3,822	0
November	0	0	0	0
December	0	0	0	0
<b>Sub Total</b>	<b>\$17,705</b>	<b>\$8,834</b>	<b>\$9,167</b>	<b>\$6,482</b>
<b>4 Year Average</b>	<b>\$10,547</b>			

General Liability

Period Reporting: January 1, 2019 through December 31, 2022

General Liability	2022 \$ Paid	2021 \$ Paid	2020 \$ Paid	2019 \$ Paid
January	\$27,697	\$27,456	\$9,118	\$14,691
February	2,622	2,139	14,715	16,019
March	8,158	2,797	34,864	9,186
April	19,571	9,609	52,812	49,505
May	3,813	20,052	983	5,274
June	12,840	25,712	295	72,806
July	11,752	9,161	2,574	103,969
August	5,916	13,695	8,716	1,902
September	34,724	8,519	10,926	43,508
October	2,603	19,448	13,310	22,875
November	8,290	5,028	5,022	2,690
December	4,597	9,145	9,157	2,730
<b>Sub Total</b>	<b>\$142,584</b>	<b>\$152,762</b>	<b>\$162,493</b>	<b>\$345,156</b>
<b>4 Year Average</b>	<b>\$200,749</b>			

SCHEDULE G-14  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

ADVERTISING EXPENSE

LINE NO.	DESCRIPTION	REFERENCE	ACCOUNT	RECORDED TEST YEAR	ADJUSTMENTS PER OTHER SCHEDULES	MISC ADJUSTMENTS TO ADVERTISING	TOTAL ADJUSTMENTS	ADJUSTED TEST YEAR
				(a)	(b)	(c)	(d)	(e)
1	Advertising - Sales	WKP G.a.1	9130	\$3,604	\$0	\$(3,604)	\$(3,604)	\$0
2	Advertising - Misc. Adm & Gen. Expense	WKP G.a.1	9301	1,774	0	0	0	1,774
3	Distrigas Allocated Advertising	WKP G.a.2	9302	755	0	0	0	755
4	Total Adjusted Advertising Expense			<u>\$6,133</u>	<u>\$0</u>	<u>\$(3,604)</u>	<u>\$(3,604)</u>	<u>\$2,529</u>

5 Note 1: Adjusted Test Year Advertising Expense is below 0.50% limitation calculated below, therefore no adjustment is needed for amounts over limitation.

ALLOWABLE ADVERTISING EXPENSE  
CALCULATION:

6	Revenue Requirement	A					\$47,645,366	
7	Normalized CCF	G-2			31,703,549			
8	Test Year Cost of Gas Revenue	G-2		\$24,160,951				
9	Test Year CCF	G-2		<u>33,058,382</u>				
10	Effective Rate			0.730857009	<u>0.730857009</u>			
11	Normalized Cost of Gas Revenue				<u>\$23,170,761</u>	\$23,170,761		
12	Total Revenue					<u>\$70,816,127</u>		
13	Allowed Rate					0.50 %		
14	Allowable Advertising (Note 1)					<u>\$354,081</u>		

O&M Expense Factor 86.47%  
Allocation to Service Area 9.3123%  
Distrigas Allocation Factor 28.2400%

Source: SCH G-14 Advertising Direct.xlsx

Source: WKP G.a.2.a1 Shared Service per book including Distrigas (CONFIDENTIAL).xlsx

Source: WKP G.a.2.a2 Corporate Costs Allocated on a Causal Basis and Through Distrigas-(CONFIDENTIAL).xlsx

Actual Advertising expense represents in gross receipts 0.004 %

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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DEPRECIATION AND AMORTIZATION EXPENSE

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT DEPR & AMORT EXP (a)	TGS DIVISION ALLOCATED DEPR & AMORT EXP (b)	CORPORATED ALLOCATED DEPR & AMORT EXP (c)	TOTAL DEPR & AMORT EXP (d)
INTANGIBLE PLANT						
1	301	Organization	\$0	\$0	\$0	\$0
2	302	Franchises & Consents	0	0	0	0
3	303	Misc. Intangible	0	0	0	0
4	303.1	Misc. Intangible	0	0	0	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0
GATHERING AND TRANSMISSION PLANT						
6	325	Land & Land Rights	\$0	\$0	\$0	\$0
7	327	Field Comprss Station Structutres	0	0	0	0
8	328	Field Meas/Reg Station Structures	0	0	0	0
9	329	Other Structures	0	0	0	0
10	332	Field Lines	0	0	0	0
11	333	Field Compressor Station Equip	0	0	0	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0
13	336	Purification Equipment	0	0	0	0
14	337	Other Equip	0	0	0	0
15	365	Land & Land Rights	0	0	0	0
16	365.2	Rights-of-Way	0	0	0	0
17	366	Meas/Reg Station Structures	49,122	0	0	49,122
18	367	Mains	677,505	0	0	677,505
19	368	Compressor Station Equip	690	0	0	690
20	369	Meas & Reg Stations Equip	463,301	0	0	463,301
21	371	Other Equipment	2,813	0	0	2,813
22		Total Gathering and Transmission Plant	\$1,193,431	\$0	\$0	\$1,193,431
DISTRIBUTION PLANT						
23	374	Land	\$0	\$0	\$0	\$0
24	374.1	Land	0	0	0	0
25	374.2	Land Rights	0	0	0	0
26	375	Structures & Improvements	0	0	0	0
27	375.1	Structures & Improvements	4,774	0	0	4,774
28	375.2	Other System Structures	0	0	0	0
29	376	Mains	1,452,348	0	0	1,452,348
30	376.9	Mains - Cathodic Protection Anodes	628,882	0	0	628,882
31	377	Compressor Station Equipment	0	0	0	0
32	378	Meas. & Reg. Station - General	85,118	0	0	85,118
33	379	Meas. & Reg. Station - C.G.	53,246	0	0	53,246
34	380	Services	1,874,671	0	0	1,874,671
35	380.1	Ind Service Line Equip	0	0	0	0
36	380.2	Comm Service Line Equip	0	0	0	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0
38	381	Meters	822,485	0	0	822,485
39	382	Meter Installations	0	0	0	0
40	383	House Regulators	188,379	0	0	188,379
41	385	Indust. Meas. & Reg. Stat. Equipment	61,922	0	0	61,922
42	386	Other Property on Customer Premises	1,046	0	0	1,046
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0
44		Total Distribution Plant	\$5,172,872	\$0	\$0	\$5,172,872
GENERAL PLANT						
45	389	Land & Land Rights	\$0	\$0	\$0	\$0
46	390	Structures & Improvements	0	0	0	0
47	390.1	Leasehold Improvements	74,282	10,705	2,587	87,574
48	390.17	Building Improv Plum	0	0	0	0
49	390.19	Airplane Hanger Furniture	0	0	0	0
50	390.2	Leasehold Improvement	0	4,089	24,068	28,157
51	390.2	OGS Lease Incentive	0	0	0	0
52	390.21	Leasehold Equipment EOL	0	0	0	0
53	391	Office Furniture & Equipment	0	0	0	0
54	391.1	Office Furniture & Equipment	22,904	16,010	7,961	46,875
55	391.19	Airplane Hanger Furniture	0	0	0	0
56	391.2	Data Processing Equipment	0	0	0	0
57	391.2	Oracle Equipment	0	0	0	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

SCHEDULE G-15  
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DEPRECIATION AND AMORTIZATION EXPENSE

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT DEPR & AMORT EXP (a)	TGS DIVISION ALLOCATED DEPR & AMORT EXP (b)	CORPORATED ALLOCATED DEPR & AMORT EXP (c)	TOTAL DEPR & AMORT EXP (d)
58	391.3	Office Machines	0	0	1,601	1,601
59	391.4	Audio Visual Equipment	0	0	5,655	5,655
60	391.5	Artwork	0	0	0	0
61	391.6	Purchased Software	0	0	245,479	245,479
62	391.6	Banner Software	0	0	13,112	13,112
63	391.6	PowerPlant System	0	0	4,205	4,205
64	391.6	Riskworks	0	0	0	0
65	391.6	Maximo	0	0	9,718	9,718
66	391.6	Dynamic Risk Assessment	0	0	0	0
67	391.6	Concur Project	0	0	151	151
68	391.6	Journey-Employee-ODC Distrigas	0	0	140,731	140,731
69	391.6	Journey-Employee Count	0	0	3,886	3,886
70	391.6	Ariba Software	0	0	6,173	6,173
71	391.6	Accounts Payable Software	0	0	2,662	2,662
72	391.6	Customer Relations Software	0	0	0	0
73	391.8	Micro Computer Software	0	0	112,076	112,076
74	391.81	Aircraft Computer Equipment	0	0	0	0
75	391.9	Computer & Equipment	85,005	20,877	0	105,882
76	391.99	Cloud Computing	0	0	1,908	1,908
77	392	Transportation Equipment	0	0	0	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0
80	392.5	Trailers	0	0	0	0
81	392.6	Aircraft	0	0	0	0
82	393	Stores Equipment	0	0	0	0
83	394	Tools, Shop & Garage	213,008	177	190	213,376
84	394.1	Tools	1,177	0	0	1,177
85	394.2	Shop Equipment	0	0	0	0
86	395	CNG Equipment	0	0	0	0
87	396	Major Work Equipment	0	0	0	0
88	397	Communication Equipment	322,610	7,380	135	330,125
89	397.2	Telephone Equipment	0	0	0	0
90	398	Miscellaneous General Plant	0	0	0	0
91		Total General Plant	<u>\$718,987</u>	<u>\$59,239</u>	<u>\$582,297</u>	<u>\$1,360,522</u>
92		Total	<u>\$7,085,289</u>	<u>\$59,239</u>	<u>\$582,297</u>	<u>\$7,726,825</u>
93		Total Annualized Depreciation & Amortization Expense	\$7,085,289	\$59,239	\$582,297	\$7,726,825
94		Test Year Depreciation & Amortization Expense Accts 403 & 404	<u>5,802,572</u>	<u>61,036</u>	<u>579,480</u>	<u>6,443,088</u>
95		Adjustment to Test Year	<u>\$1,282,717</u>	<u>\$(1,797)</u>	<u>\$2,816</u>	<u>\$1,283,737</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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DEPRECIATION AND AMORTIZATION EXPENSE - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT AS ADJUSTED ACCT 1010 PLANT (WKP C.a)	DIRECT AS ADJUSTED ACCT 1060 CCNC (WKP C-1.a)	LESS LAND	LESS TRANSPORT & WORK EQUIP	LESS FULLY DEPRECIATED PLANT	PLUS DIMP DEFERRAL (Rule 8.209)	ADJUSTED DEPRECIABLE PLANT	ANNUAL DEPR/AMORT RATES	PROFORMA DIRECT EXPENSE
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
INTANGIBLE PLANT											
1	301	Organization	\$0	\$0	\$0	\$0	0	\$0	\$0	— %	\$0
2	302	Franchises & Consents	0	0	0	0	0	0	0	— %	0
3	303	Misc. Intangible	0	0	0	0	0	0	0	— %	0
4	303.1	Misc. Intangible	0	0	0	0	0	0	0	— %	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
GATHERING AND TRANSMISSION PLANT											
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0	\$0	\$0	— %	\$0
7	327	Field Comprss Station Structutres	0	0	0	0	0	0	0	— %	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0	0	0	— %	0
9	329	Other Structures	0	0	0	0	0	0	0	— %	0
10	332	Field Lines	0	0	0	0	0	0	0	— %	0
11	333	Field Compressor Station Equip	0	0	0	0	0	0	0	— %	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0	0	0	— %	0
13	336	Purification Equipment	0	0	0	0	0	0	0	— %	0
14	337	Other Equip	0	0	0	0	0	0	0	— %	0
15	365	Land & Land Rights	23,277	0	(23,277)	0	0	0	0	— %	0
16	365.2	Rights-of-Way	37,579	0	0	0	0	0	37,579	— %	0
17	366	Meas/Reg Station Structures	27,231	1,785,377	0	0	0	0	1,812,608	2.7100%	49,122
18	367	Mains	22,327,395	2,952,208	0	0	0	443	25,280,046	2.6800%	677,505
19	368	Compressor Station Equip	25,667	0	0	0	0	0	25,667	2.6900%	690
20	369	Meas & Reg Stations Equip	6,630,018	6,645,077	0	0	0	6	13,275,102	3.4900%	463,301
21	371	Other Equipment	52,349	1,638	0	0	0	0	53,986	5.2100%	2,813
22		Total Gathering and Transmission Plant	\$29,123,517	\$11,384,300	\$(23,277)	\$0	\$0	\$449	\$40,484,989		\$1,193,431
DISTRIBUTION PLANT											
23	374	Land	\$0	\$0	\$0	\$0	\$0	\$0	\$0	— %	\$0
24	374.1	Land	4,952	0	(4,952)	0	0	0	0	— %	0
25	374.2	Land Rights	35,457	39	0	0	0	0	35,496	— %	0
26	375	Structures & Improvements	0	0	0	0	0	0	0	— %	0
27	375.1	Structures & Improvements	114,218	0	0	0	0	0	114,218	4.1800%	4,774
28	375.2	Other System Structures	0	0	0	0	0	0	0	— %	0
29	376	Mains	57,766,033	5,057,879	0	0	0	48,302	62,872,214	2.3100%	1,452,348
30	376.9	Mains - Cathodic Protection Anodes	9,433,527	(432)	0	0	0	129	9,433,224	6.6667%	628,882
31	377	Compressor Station Equipment	0	0	0	0	0	0	0	— %	0
32	378	Meas. & Reg. Station - General	3,420,159	232,329	0	0	0	664	3,653,152	2.3300%	85,118
33	379	Meas. & Reg. Station - C.G.	2,229,320	404,807	0	0	0	1,791	2,635,917	2.0200%	53,246





TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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DEPRECIATION AND AMORTIZATION EXPENSE - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT AS ADJUSTED ACCT 1010 PLANT (WKP C.a)	DIRECT AS ADJUSTED ACCT 1060 CCNC (WKP C-1.a)	LESS LAND	LESS TRANSPORT & WORK EQUIP	LESS FULLY DEPRECIATED PLANT	PLUS DIMP DEFERRAL (Rule 8.209)	ADJUSTED DEPRECIABLE PLANT	ANNUAL DEPR/AMORT RATES	PROFORMA DIRECT EXPENSE
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
75	391.9	Computer & Equipment	541,012	54,020	0	0	0	0	595,032	14.2857 %	85,005
76	391.99	Cloud Computing	0	0	0	0	0	0	0	— %	0
77	392	Transportation Equipment	3,895,270	1,275,679	0	(5,170,949)	0	0	0	7.2600 %	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0	0	0	— %	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0	0	0	— %	0
80	392.5	Trailers	0	0	0	0	0	0	0	— %	0
81	392.6	Aircraft	0	0	0	0	0	0	0	— %	0
82	393	Stores Equipment	0	0	0	0	0	0	0	— %	0
83	394	Tools, Shop & Garage	3,070,683	124,440	0	0	0	0	3,195,123	6.6667 %	213,008
84	394.1	Tools	17,658	0	0	0	0	0	17,658	6.6667 %	1,177
85	394.2	Shop Equipment	0	0	0	0	0	0	0	— %	0
86	395	CNG Equipment	0	0	0	0	0	0	0	— %	0
87	396	Major Work Equipment	425,664	0	0	(425,664)	0	0	0	5.9000 %	0
88	397	Communication Equipment	4,472,127	366,305	0	0	0	724	4,839,156	6.6667 %	322,610
89	397.2	Telephone Equipment	0	0	0	0	0	0	0	— %	0
90	398	Miscellaneous General Plant	0	0	0	0	0	0	0	— %	0
91		Total General Plant	<u>\$15,323,030</u>	<u>\$2,121,714</u>	<u>\$(127,368)</u>	<u>\$(5,596,613)</u>	<u>\$0</u>	<u>\$724</u>	<u>\$11,721,487</u>		<u>\$718,987</u>
92		Total Plant in Service	<u>\$199,167,502</u>	<u>\$21,857,872</u>	<u>\$(155,596)</u>	<u>\$(5,596,613)</u>	<u>\$0</u>	<u>\$277,523</u>	<u>\$215,550,687</u>		<u>\$7,085,289</u>
93		Total Annualized Depreciation & Amortization Expense									\$7,085,289
94		Test Year Depreciation & Amortization Expense (Accts. 403 & 404)									<u>5,802,572</u>
95		Adjustment to Test Year									<u>\$1,282,717</u>

Note: Depreciation Related to Transportation Work Equipment:

	Vehicles (392)	Work Equip (396)	Total
96	\$5,170,949	\$425,664	\$5,596,613
97	<u>0</u>	<u>0</u>	<u>0</u>
98	\$5,170,949	\$425,664	\$5,596,613
99	7.2600%	5.9000%	
100	<u>\$375,411</u>	<u>\$25,114</u>	<u>\$400,525</u> (to Schedule G-19)

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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FULLY DEPRECIATED PLANT - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT AS ADJUSTED	DIRECT AS ADJUSTED	NET PLANT	FULLY DEPRECIATED
			PLANT 1010 & 1060	RESERVES 1080100 & 1110	AS ADJUSTED	PLANT
			(a)	(b)	(c)	(d)
INTANGIBLE PLANT						
1	301	Organization	\$0	\$0	\$0	\$0
2	302	Franchises & Consents	0	0	0	0
3	303	Misc. Intangible	0	0	0	0
4	303.1	Misc. Intangible	0	0	0	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0
GATHERING AND TRANSMISSION PLANT						
6	325	Land & Land Rights	\$0	\$0	\$0	\$0
7	327	Field Comprss Station Structutres	0	0	0	0
8	328	Field Meas/Reg Station Structures	0	0	0	0
9	329	Other Structures	0	0	0	0
10	332	Field Lines	0	0	0	0
11	333	Field Compressor Station Equip	0	0	0	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0
13	336	Purification Equipment	0	0	0	0
14	337	Other Equip	0	0	0	0
15	365	Land & Land Rights	23,277	(1,399)	21,878	0
16	365.2	Rights-of-Way	37,579	0	37,579	0
17	366	Meas/Reg Station Structures	1,812,608	(73,938)	1,738,670	0
18	367	Mains	25,279,603	(158,947)	25,120,656	0
19	368	Compressor Station Equip	25,667	(3,644)	22,023	0
20	369	Meas & Reg Stations Equip	13,275,096	(617,587)	12,657,509	0
21	371	Other Equipment	53,986	(4,971)	49,015	0
22		Total Gathering and Transmission Plant	\$40,507,816	\$(860,487)	\$39,647,330	\$0
DISTRIBUTION PLANT						
23	374	Land	\$0	\$0	\$0	\$0
24	374.1	Land	4,952	0	4,952	0
25	374.2	Land Rights	35,496	(35,457)	39	0
26	375.1	Structures & Improvements	0	0	0	0
27	375.1	Structures & Improvements	114,218	(39,274)	74,944	0
28	375.2	Other System Structures	0	0	0	0
29	376	Mains	62,823,912	(7,190,378)	55,633,533	0
30	376.9	Mains - Cathodic Protection Anodes	9,433,095	(3,374,115)	6,058,981	0
31	377	Compressor Station Equipment	0	0	0	0
32	378	Meas. & Reg. Station - General	3,652,488	(508,264)	3,144,225	0
33	379	Meas. & Reg. Station - C.G.	2,634,126	(82,101)	2,552,025	0
34	380	Services	58,723,712	(5,511,467)	53,212,246	0
35	380.1	Ind Service Line Equip	0	0	0	0
36	380.2	Comm Service Line Equip	5,457	0	5,457	0
37	380.4	Yard Lines-Customer Svc	55,728	0	55,728	0
38	381	Meters	18,036,958	(3,910,372)	14,126,586	0
39	382	Meter Installations	45,749	(6,164)	39,585	0
40	383	House Regulators	4,805,577	(992,306)	3,813,271	0
41	385	Indust. Meas. & Reg. Stat. Equipment	2,695,201	(143,044)	2,552,157	0
42	386	Other Property on Customer Premises	6,144	(3,183)	2,961	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0
44		Total Distribution Plant	\$163,072,813	\$(21,796,125)	\$141,276,688	\$0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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FULLY DEPRECIATED PLANT - SERVICE AREA DIRECT

LINE NO.	ACCOUNT	DESCRIPTION	DIRECT AS ADJUSTED	DIRECT AS ADJUSTED	NET PLANT	FULLY DEPRECIATED
			PLANT 1010 & 1060	RESERVES 1080100 & 1110	AS ADJUSTED	PLANT
			(a)	(b)	(c)	(d)
		GENERAL PLANT				
45	389	Land & Land Rights	\$127,368	\$0	\$127,368	\$0
46	390	Structures & Improvements	0	0	0	0
47	390.1	Structures & Improvements	2,730,955	(609,814)	2,121,141	0
48	390.17	Building Improv Plum	0	0	0	0
49	390.19	Airplane Hanger Furniture	0	0	0	0
50	390.2	Leasehold Improvement	0	0	0	0
51	390.2	OGS Lease Incentive	0	(1,839)	(1,839)	0
52	390.21	Leasehold Equipment EOL	0	0	0	0
53	391	Office Furniture & Equipment	0	0	0	0
54	391.1	Office Furniture & Equipment	343,563	(137,946)	205,617	0
55	391.19	Airplane Hanger Furniture	0	0	0	0
56	391.2	Data Processing Equipment	0	0	0	0
57	391.2	Oracle Equipment	0	0	0	0
58	391.3	Office Machines	0	0	0	0
59	391.4	Audio Visual Equipment	0	0	0	0
60	391.5	Artwork	0	0	0	0
61	391.6	Purchased Software	0	0	0	0
62	391.6	Banner Software	0	0	0	0
63	391.6	PowerPlant System	0	0	0	0
64	391.6	Riskworks	0	0	0	0
65	391.6	Maximo	0	0	0	0
66	391.6	Foundation Software	0	0	0	0
67	391.6	Concur Project	0	0	0	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0
69	391.6	Journey-Employee Count	0	0	0	0
70	391.6	Payroll - Time Management	0	0	0	0
71	391.6	Accounts Payable Software	0	0	0	0
72	391.6	Customer Relations Software	0	0	0	0
73	391.8	Micro Computer Software	0	0	0	0
74	391.81	Aircraft Computer Equipment	0	0	0	0
75	391.9	Computer & Equipment	595,032	(250,267)	344,765	0
76	391.99	Cloud Computing	0	0	0	0
77	392	Transportation Equipment	5,170,949	(1,156,561)	4,014,388	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0
80	392.5	Trailers	0	0	0	0
81	392.6	Aircraft	0	0	0	0
82	393	Stores Equipment	0	42	42	0
83	394	Tools, Shop & Garage	3,195,123	(1,508,944)	1,686,179	0
84	394.1	Tools	17,658	0	17,658	0
85	394.2	Shop Equipment	0	0	0	0
86	395	CNG Equipment	0	0	0	0
87	396	Major Work Equipment	425,664	(157,642)	268,022	0
88	397	Communication Equipment	4,838,432	(2,154,358)	2,684,074	0
89	397.2	Telephone Equipment	0	0	0	0
90	398	Miscellaneous General Plant	0	631	631	0
91		Total General Plant	\$17,444,744	\$(5,976,699)	\$11,468,046	\$0
92		Total Orig Cost Plant in Service	\$221,025,374	\$(28,633,310)	\$192,392,064	\$0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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DEPRECIATION AND AMORTIZATION EXPENSE - TGS DIVISION

LINE NO.	ACCT	DESCRIPTION	TGS DIVISION AS	TGS DIVISION AS	LESS FULLY	ADJUSTED	ANNUAL	PROFORMA TGS	ALLOCATION	TOTAL ALLOCATED TO
			ADJUSTED	ADJUSTED	DEPRECIATED	DEPRECIABLE	DEPR/AMORT	DIVISION DEPR & AMORT	FACTOR TO	
			ACC 1010 PLANT	ACC 1060 CCNC	PLANT	PLANT	RATES	EXPENSE	SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)
INTANGIBLE PLANT										
1	301	Organization	\$0	\$0	\$0	\$0	0.0000%	0	9.3123%	\$0
2	302	Franchises & Consents	0	0	0	0	0.0000%	0	9.3123%	0
3	303	Misc. Intangible	0	0	0	0	0.0000%	0	9.3123%	0
4	303.1	Misc. Intangible	0	0	0	0	0.0000%	0	9.3123%	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0		\$0		\$0
GATHERING AND TRANSMISSION PLANT										
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	0.0000%	0	9.3123%	\$0
7	327	Field Comprss Station Structutres	0	0	0	0	0.0000%	0	9.3123%	0
8	328	Field Meas/Reg Station Structures	0	0	0	0	0.0000%	0	9.3123%	0
9	329	Other Structures	0	0	0	0	0.0000%	0	9.3123%	0
10	332	Field Lines	0	0	0	0	0.0000%	0	9.3123%	0
11	333	Field Compressor Station Equip	0	0	0	0	0.0000%	0	9.3123%	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0.0000%	0	9.3123%	0
13	336	Purification Equipment	0	0	0	0	0.0000%	0	9.3123%	0
14	337	Other Equip	0	0	0	0	0.0000%	0	9.3123%	0
15	365	Land & Land Rights	0	0	0	0	0.0000%	0	9.3123%	0
16	365.2	Rights-of-Way	0	0	0	0	0.0000%	0	9.3123%	0
17	366	Meas/Reg Station Structures	0	0	0	0	0.0000%	0	9.3123%	0
18	367	Mains	0	0	0	0	0.0000%	0	9.3123%	0
19	368	Compressor Station Equip	0	0	0	0	0.0000%	0	9.3123%	0
20	369	Meas & Reg Stations Equip	0	0	0	0	0.0000%	0	9.3123%	0
21	371	Other Equipment	0	0	0	0	0.0000%	0	9.3123%	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0		\$0		\$0
DISTRIBUTION PLANT										
23	374	Land	\$0	\$0	\$0	\$0	0.0000%	0	9.3123%	\$0
24	374.1	Land	0	0	0	0	0.0000%	0	9.3123%	0
25	374.2	Land Rights	0	0	0	0	0.0000%	0	9.3123%	0
26	375.1	Structures & Improvements	0	0	0	0	0.0000%	0	9.3123%	0
27	375.1	Structures & Improvements	0	0	0	0	0.0000%	0	9.3123%	0
28	375.2	Other System Structures	0	0	0	0	0.0000%	0	9.3123%	0
29	376	Mains	0	0	0	0	0.0000%	0	9.3123%	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0.0000%	0	9.3123%	0
31	377	Compressor Station Equipment	0	0	0	0	0.0000%	0	9.3123%	0
32	378	Meas. & Reg. Station - General	0	0	0	0	0.0000%	0	9.3123%	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0.0000%	0	9.3123%	0
34	380	Services	0	0	0	0	0.0000%	0	9.3123%	0
35	380.1	Ind Service Line Equip	0	0	0	0	0.0000%	0	9.3123%	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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DEPRECIATION AND AMORTIZATION EXPENSE - TGS DIVISION

LINE NO.	ACCT	DESCRIPTION	TGS DIVISION AS	TGS DIVISION AS	LESS FULLY	ADJUSTED	ANNUAL	PROFORMA TGS	ALLOCATION	TOTAL ALLOCATED TO
			ACC 1010 PLANT	ACC 1060 CCNC	DEPRECIATED	DEPRECIABLE	DEPR/AMORT	DIVISION DEPR & AMORT	FACTOR TO	
			(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)
36	380.2	Comm Service Line Equip	0	0	0	0	0.0000%	0	9.3123%	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0.0000%	0	9.3123%	0
38	381	Meters	0	0	0	0	0.0000%	0	9.3123%	0
39	382	Meter Installations	0	0	0	0	0.0000%	0	9.3123%	0
40	383	House Regulators	0	0	0	0	0.0000%	0	9.3123%	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0.0000%	0	9.3123%	0
42	386	Other Property on Customer Premises	0	0	0	0	0.0000%	0	9.3123%	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0.0000%	0	9.3123%	0
44		Total Distribution Plant	\$0	\$0	\$0	\$0		\$0		\$0
GENERAL PLANT										
45	389	Land & Land Rights	\$434,697	\$0	\$0	\$434,697	0.0000%	\$0	9.3123%	\$0
46	390	Structures & Improvements	0	0	0	0	0.0000%	0	9.3123%	0
47	390.1	Structures & Improvements	4,348,122	142,293	0	4,490,415	2.5600%	114,955	9.3123%	10,705
48	390.17	Building Improv Plum	0	0	0	0	0.0000%	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0.0000%	0	9.3123%	0
50	390.2	Leasehold Improvement	234,303	18,181	0	252,484	17.3913%	43,910	9.3123%	4,089
51	390.2	OGS Lease Incentive	0	0	0	0	0.0000%	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0.0000%	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0.0000%	0	9.3123%	0
54	391.1	Office Furniture & Equipment	2,578,857	0	0	2,578,857	6.6667%	171,924	9.3123%	16,010
55	391.19	Airplane Hanger Furniture	0	0	0	0	0.0000%	0	9.3123%	0
56	391.2	Data Processing Equipment	0	0	0	0	0.0000%	0	9.3123%	0
57	391.2	Oracle Equipment	0	0	0	0	0.0000%	0	9.3123%	0
58	391.3	Office Machines	0	0	0	0	0.0000%	0	9.3123%	0
59	391.4	Audio Visual Equipment	0	0	0	0	0.0000%	0	9.3123%	0
60	391.5	Artwork	0	0	0	0	0.0000%	0	9.3123%	0
61	391.6	Purchased Software	0	0	0	0	0.0000%	0	9.3123%	0
62	391.6	Banner Software	0	0	0	0	0.0000%	0	9.3123%	0
63	391.6	PowerPlant System	0	0	0	0	0.0000%	0	9.3123%	0
64	391.6	Riskworks	0	0	0	0	0.0000%	0	9.3123%	0
65	391.6	Maximo	0	0	0	0	0.0000%	0	9.3123%	0
66	391.6	Foundation Software	0	0	0	0	0.0000%	0	9.3123%	0
67	391.6	Concur Project	0	0	0	0	0.0000%	0	9.3123%	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0	0.0000%	0	9.3123%	0
69	391.6	Journey-Employee Count	0	0	0	0	0.0000%	0	9.3123%	0
70	391.6	Payroll - Time Management	0	0	0	0	0.0000%	0	9.3123%	0
71	391.6	Accounts Payable Software	0	0	0	0	0.0000%	0	9.3123%	0
72	391.6	Customer Relations Software	0	0	0	0	0.0000%	0	9.3123%	0
73	391.8	Micro Computer Software	0	0	0	0	0.0000%	0	9.3123%	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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DEPRECIATION AND AMORTIZATION EXPENSE - TGS DIVISION

LINE NO.	ACCT	DESCRIPTION	TGS DIVISION AS	TGS DIVISION AS	LESS FULLY	ADJUSTED	ANNUAL	PROFORMA TGS	ALLOCATION	TOTAL ALLOCATED TO
			ADJUSTED	ADJUSTED	DEPRECIATED	DEPRECIABLE	DEPR/AMORT	DIVISION DEPR & AMORT	FACTOR TO	
			ACC 1010 PLANT	ACC 1060 CCNC	PLANT	PLANT	RATES	EXPENSE	SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)
74	391.81	Aircraft Computer Equipment	0	0	0	0	0.0000%	0	9.3123%	0
75	391.9	Computer & Equipment	1,569,339	0	0	1,569,339	14.2857%	224,191	9.3123%	20,877
76	391.99	Cloud Computing	0	0	0	0	0.0000%	0	9.3123%	0
77	392	Transportation Equipment	0	0	0	0	0.0000%	0	9.3123%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	0.0000%	0	9.3123%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0.0000%	0	9.3123%	0
80	392.5	Trailers	0	0	0	0	0.0000%	0	9.3123%	0
81	392.6	Aircraft	0	0	0	0	0.0000%	0	9.3123%	0
82	393	Stores Equipment	0	0	0	0	0.0000%	0	9.3123%	0
83	394	Tools, Shop & Garage	28,576	0	0	28,576	6.6667%	1,905	9.3123%	177
84	394.1	Tools	0	0	0	0	0.0000%	0	9.3123%	0
85	394.2	Shop Equipment	0	0	0	0	0.0000%	0	9.3123%	0
86	395	CNG Equipment	0	0	0	0	0.0000%	0	9.3123%	0
87	396	Major Work Equipment	0	0	0	0	0.0000%	0	9.3123%	0
88	397	Communication Equipment	1,188,735	0	0	1,188,735	6.6667%	79,249	9.3123%	7,380
89	397.2	Telephone Equipment	0	0	0	0	0.0000%	0	9.3123%	0
90	398	Miscellaneous General Plant	0	0	0	0	6.6667%	0	9.3123%	0
91		Total General Plant	<u>\$10,382,630</u>	<u>\$160,473</u>	<u>\$0</u>	<u>\$10,543,103</u>		<u>\$636,134</u>		<u>\$59,239</u>
92		Total Plant in Service	<u>\$10,382,630</u>	<u>\$160,473</u>	<u>\$0</u>	<u>\$10,543,103</u>		<u>\$636,134</u>		<u>\$59,239</u>
93		Total Annualized Depreciation & Amortization Expense						\$636,134	9.3123%	\$59,239
94		Test Year Depreciation & Amortization Expense Accts 403 & 404						655,433	9.3123%	61,036
95		Adjustment to Test Year						<u>\$(19,299)</u>	9.3123%	<u>\$(1,797)</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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FULLY DEPRECIATED PLANT - TGS DIVISION

LINEN O.	ACCOUNT	DESCRIPTION	TGS DIVISION AS	TGS DIVISION AS	NET PLANT	FULLY DEPRECIATED
			ADJUSTED	ADJUSTED	AS ADJUSTED	PLANT
			PLANT 1010 & 1060	RESERVES 1080100 & 1110		
			(a)	(b)	(c)	(d)
INTANGIBLE PLANT						
1	301	Organization	\$0	\$0	\$0	\$0
2	302	Franchises & Consents	0	0	0	0
3	303	Misc. Intangible	0	0	0	0
4	303.1	Misc. Intangible	0	0	0	0
5		Total Intangible Plant	\$0	\$0	\$0	\$0
GATHERING AND TRANSMISSION PLANT						
6	325	Land & Land Rights	\$0	\$0	\$0	\$0
7	327	Field Comprss Station Strcutres	0	0	0	0
8	328	Field Meas/Reg Station Structures	0	0	0	0
9	329	Other Structures	0	0	0	0
10	332	Field Lines	0	0	0	0
11	333	Field Compressor Station Equip	0	0	0	0
12	334	Field Meas/Reg Station Equipment	0	0	0	0
13	336	Purification Equipment	0	0	0	0
14	337	Other Equip	0	0	0	0
15	365	Land & Land Rights	0	0	0	0
16	365.2	Rights-of-Way	0	0	0	0
17	366	Meas/Reg Station Structures	0	0	0	0
18	367	Mains	0	0	0	0
19	368	Compressor Station Equip	0	0	0	0
20	369	Meas & Reg Stations Equip	0	0	0	0
21	371	Other Equipment	0	0	0	0
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0
DISTRIBUTION PLANT						
23	374	Land	0	0	0	0
24	374.1	Land	0	0	0	0
25	374.2	Land Rights	0	0	0	0
26	375.1	Structures & Improvements	0	0	0	0
27	375.1	Structures & Improvements	0	0	0	0
28	375.2	Other System Structures	0	0	0	0
29	376	Mains	0	0	0	0
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0
31	377	Compressor Station Equipment	0	0	0	0
32	378	Meas. & Reg. Station - General	0	0	0	0
33	379	Meas. & Reg. Station - C.G.	0	0	0	0
34	380	Services	0	0	0	0
35	380.1	Ind Service Line Equip	0	0	0	0
36	380.2	Comm Service Line Equip	0	0	0	0
37	380.4	Yard Lines-Customer Svc	0	0	0	0
38	381	Meters	0	0	0	0
39	382	Meter Installations	0	0	0	0
40	383	House Regulators	0	0	0	0
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0
42	386	Other Property on Customer Premises	0	0	0	0
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0
44		Total Distribution Plant	\$0	\$0	\$0	\$0
GENERAL PLANT						
45	389	Land & Land Rights	\$434,697	\$0	\$434,697	\$0
46	390	Structures & Improvements	0	0	0	0
47	390.1	Structures & Improvements	4,490,415	(379,764)	4,110,651	0
48	390.17	Building Improv Plum	0	0	0	0
49	390.19	Airplane Hanger Furniture	0	0	0	0



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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FULLY DEPRECIATED PLANT - TGS DIVISION

LINEN O.	ACCOUNT	DESCRIPTION	TGS DIVISION AS	TGS DIVISION AS	NET PLANT	FULLY DEPRECIATED
			ADJUSTED	ADJUSTED	AS ADJUSTED	PLANT
			PLANT 1010 & 1060	RESERVES 1080100 & 1110		
			(a)	(b)	(c)	(d)
50	390.2	Leasehold Improvement	252,484	(201,513)	50,971	0
51	390.2	OGS Lease Incentive	0	0	0	0
52	390.21	Leasehold Equipment EOL	0	0	0	0
53	391	Office Furniture & Equipment	0	0	0	0
54	391.1	Office Furniture & Equipment	2,578,857	(550,259)	2,028,598	0
55	391.19	Airplane Hanger Furniture	0	0	0	0
56	391.2	Data Processing Equipment	0	0	0	0
57	391.2	Oracle Equipment	0	0	0	0
58	391.3	Office Machines	0	0	0	0
59	391.4	Audio Visual Equipment	0	0	0	0
60	391.5	Artwork	0	0	0	0
61	391.6	Purchased Software	0	0	0	0
62	391.6	Banner Software	0	0	0	0
63	391.6	PowerPlant System	0	0	0	0
64	391.6	Riskworks	0	0	0	0
65	391.6	Maximo	0	0	0	0
66	391.6	Foundation Software	0	0	0	0
67	391.6	Concur Project	0	0	0	0
68	391.6	Journey-Employee-ODC Distrigas	0	0	0	0
69	391.6	Journey-Employee Count	0	0	0	0
70	391.6	Payroll - Time Management	0	0	0	0
71	391.6	Accounts Payable Software	0	0	0	0
72	391.6	Customer Relations Software	0	0	0	0
73	391.8	Micro Computer Software	0	0	0	0
74	391.81	Aircraft Computer Equipment	0	0	0	0
75	391.9	Computer & Equipment	1,569,339	(795,107)	774,233	0
76	391.99	Cloud Computing	0	0	0	0
77	392	Transportation Equipment	0	0	0	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0
80	392.5	Trailers	0	0	0	0
81	392.6	Aircraft	0	0	0	0
82	393	Stores Equipment	0	0	0	0
83	394	Tools, Shop & Garage	28,576	(7,617)	20,960	0
84	394.1	Tools	0	0	0	0
85	394.2	Shop Equipment	0	0	0	0
86	395	CNG Equipment	0	0	0	0
87	396	Major Work Equipment	0	0	0	0
88	397	Communication Equipment	1,188,735	(834,536)	354,198	0
89	397.2	Telephone Equipment	0	0	0	0
90	398	Miscellaneous General Plant	0	0	0	0
91		Total General Plant	<u>\$10,543,103</u>	<u>\$(2,768,795)</u>	<u>\$7,774,308</u>	<u>\$0</u>
92		Total Orig Cost Plant in Service	<u>\$10,543,103</u>	<u>\$(2,768,795)</u>	<u>\$7,774,308</u>	<u>\$0</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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DEPRECIATION AND AMORTIZATION EXPENSE - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE AS	CORPORATE AS	LESS FULLY DEPRECIATED	ADJUSTED DEPRECIABLE	ANNUAL DEPR/AMORT	CORPORATE ALLOCATED	ALLOCATION FACTOR TO	TOTAL ALLOCATED TO
			ADJUSTED ALLOCATED TO TGS	ADJUSTED ALLOCATED TO TGS				TO TGS ANNUAL PROFORMA		
			ACC 1010 PLANT (WKP C.c)	ACCT 1060 CCNC (WKP C-1.c)	PLANT	PLANT	RATES	DEPR & AMORT EXP	SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
INTANGIBLE PLANT										
1	301	Organization	\$0	\$0	\$0	\$0	0.0000%	\$0		
2	302	Franchises & Consents	0	0	0	0	0.0000%	0		
3	303	Misc. Intangible	0	0	0	0	0.0000%	0		
4	303.1	Misc. Intangible	0	0	0	0	0.0000%	0		
5		Total Intangible Plant	\$0	\$0	\$0	\$0		\$0		\$0
GATHERING AND TRANSMISSION PLANT										
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	0.0000%	\$0		
7	327	Field Comprss Station Structutres	0	0	0	0	0.0000%	0		
8	328	Field Meas/Reg Station Structures	0	0	0	0	0.0000%	0		
9	329	Other Structures	0	0	0	0	0.0000%	0		
10	332	Field Lines	0	0	0	0	0.0000%	0		
11	333	Field Compressor Station Equip	0	0	0	0	0.0000%	0		
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0.0000%	0		
13	336	Purification Equipment	0	0	0	0	0.0000%	0		
14	337	Other Equip	0	0	0	0	0.0000%	0		
15	365	Land & Land Rights	0	0	0	0	0.0000%	0		
16	365.2	Rights-of-Way	0	0	0	0	0.0000%	0		
17	366	Meas/Reg Station Structures	0	0	0	0	0.0000%	0		
18	367	Mains	0	0	0	0	0.0000%	0		
19	368	Compressor Station Equip	0	0	0	0	0.0000%	0		
20	369	Meas & Reg Stations Equip	0	0	0	0	0.0000%	0		
21	371	Other Equipment	0	0	0	0	0.0000%	0		
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0		\$0		\$0
DISTRIBUTION PLANT										
23	374	Land	\$0	\$0	\$0	\$0	0.0000%	\$0		
24	374.1	Land	0	0	0	0	0.0000%	0		
25	374.2	Land Rights	0	0	0	0	0.0000%	0		
26	375.1	Structures & Improvements	0	0	0	0	0.0000%	0		
27	375.1	Structures & Improvements	0	0	0	0	0.0000%	0		
28	375.2	Other System Structures	0	0	0	0	0.0000%	0		
29	376	Mains	0	0	0	0	0.0000%	0		
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0.0000%	0		
31	377	Compressor Station Equipment	0	0	0	0	0.0000%	0		
32	378	Meas. & Reg. Station - General	0	0	0	0	0.0000%	0		
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0.0000%	0		
34	380	Services	0	0	0	0	0.0000%	0		
35	380.1	Ind Service Line Equip	0	0	0	0	0.0000%	0		
36	380.2	Comm Service Line Equip	0	0	0	0	0.0000%	0		

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DEPRECIATION AND AMORTIZATION EXPENSE - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE AS	CORPORATE AS	LESS FULLY DEPRECIATED	ADJUSTED	ANNUAL	CORPORATE ALLOCATED	ALLOCATION FACTOR	TOTAL ALLOCATED TO
			ADJUSTED ALLOCATED TO TGS	ADJUSTED ALLOCATED TO TGS		DEPRECIABLE	DEPR/AMORT	TO TGS ANNUAL PROFORMA	TO	
			ACC 1010 PLANT (WKP C.c)	ACCT 1060 CCNC (WKP C-1.c)	PLANT	PLANT	RATES	DEPR & AMORT EXP	SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0.0000%	0		
38	381	Meters	0	0	0	0	0.0000%	0		
39	382	Meter Installations	0	0	0	0	0.0000%	0		
40	383	House Regulators	0	0	0	0	0.0000%	0		
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0.0000%	0		
42	386	Other Property on Customer Premises	0	0	0	0	0.0000%	0		
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0.0000%	0		
44		Total Distribution Plant	\$0	\$0	\$0	\$0		\$0		\$0
GENERAL PLANT										
45	389	Land & Land Rights	\$12,359	\$0	\$0	\$12,359	0.0000%	\$0	9.3123%	\$0
46	390	Structures & Improvements	0	0	0	0	0.0000%	0	9.3123%	0
47	390.1	Structures & Improvements	1,371,105	10,829	0	1,381,934	2.0100%	27,777	9.3123%	2,587
48	390.17	Building Improv Plum	0	0	0	0	0.0000%	0	9.3123%	0
49	390.19	Airplane Hanger Furniture	0	0	0	0	0.0000%	0	9.3123%	0
50	390.2	Leasehold Improvement	1,688,265	13,220	0	1,701,485	15.1899%	258,454	9.3123%	24,068
51	390.2	OGS Lease Incentive	0	0	0	0	0.0000%	0	9.3123%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	0.0000%	0	9.3123%	0
53	391	Office Furniture & Equipment	0	0	0	0	0.0000%	0	9.3123%	0
54	391.1	Office Furniture & Equipment	1,282,290	0	0	1,282,290	6.6667%	85,486	9.3123%	7,961
55	391.19	Airplane Hanger Furniture	0	0	0	0	6.6667%	0	9.3123%	0
56	391.2	Data Processing Equipment	0	0	0	0	0.0000%	0	9.3123%	0
57	391.2	Oracle Equipment	0	0	0	0	0.0000%	0	9.3123%	0
58	391.3	Office Machines	89,419	254,440	0	343,859	5.0000%	17,193	9.3123%	1,601
59	391.4	Audio Visual Equipment	303,620	0	0	303,620	20.0000%	60,724	9.3123%	5,655
60	391.5	Artwork	0	0	0	0	0.0000%	0	9.3123%	0
61	391.6	Purchased Software	32,989,179	1,279,818	0	34,268,996	7.6923%	2,636,077	9.3123%	245,479
62	391.6	Banner Software	1,830,500	0	0	1,830,500	7.6923%	140,808	9.3123%	13,112
63	391.6	PowerPlant System	587,002	0	0	587,002	7.6923%	45,154	9.3123%	4,205
64	391.6	Riskworks	0	0	0	0	7.6923%	0	9.3123%	0
65	391.6	Maximo	1,356,675	0	0	1,356,675	7.6923%	104,360	9.3123%	9,718
66	391.6	Foundation Software	0	0	0	0	7.6923%	0	9.3123%	0
67	391.6	Concur Project	21,022	0	0	21,022	7.6923%	1,617	9.3123%	151
68	391.6	Journey-Employee-ODC Distrigas	19,646,083	0	0	19,646,083	7.6923%	1,511,237	9.3123%	140,731
69	391.6	Journey-Employee Count	542,485	0	0	542,485	7.6923%	41,730	9.3123%	3,886
70	391.6	Payroll - Time Management	861,748	0	0	861,748	7.6923%	66,288	9.3123%	6,173
71	391.6	Accounts Payable Software	371,622	0	0	371,622	7.6923%	28,586	9.3123%	2,662
72	391.6	Customer Relations Software	4,062	0	0	4,062	0.0000%	0	9.3123%	0
73	391.8	Micro Computer Software	6,017,606	0	0	6,017,606	20.0000%	1,203,521	9.3123%	112,076
74	391.81	Aircraft Computer Equipment	0	0	0	0	0.0000%	0	9.3123%	0
75	391.9	Computer & Equipment	0	0	0	0	0.0000%	0	9.3123%	0

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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DEPRECIATION AND AMORTIZATION EXPENSE - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	CORPORATE AS	CORPORATE AS	LESS FULLY DEPRECIATED	ADJUSTED DEPRECIABLE	ANNUAL DEPR/AMORT	CORPORATE ALLOCATED	ALLOCATION FACTOR TO	TOTAL ALLOCATED TO
			ADJUSTED ALLOCATED TO TGS	ADJUSTED ALLOCATED TO TGS				TO TGS ANNUAL PROFORMA		
			ACC 1010 PLANT (WKP C.c)	ACCT 1060 CCNC (WKP C-1.c)	PLANT	PLANT	RATES	DEPR & AMORT EXP	SERVICE AREA	SERVICE AREA
			(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
76	391.99	Cloud Computing	266,343	0	0	266,343	7.6923%	20,488	9.3123%	1,908
77	392	Transportation Equipment	0	0	0	0	0.0000%	0	9.3123%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	16.6667%	0	9.3123%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	0.0000%	0	9.3123%	0
80	392.5	Trailers	0	0	0	0	0.0000%	0	9.3123%	0
81	392.6	Aircraft	0	0	0	0	6.2800%	0	9.3123%	0
82	393	Stores Equipment	0	0	0	0	0.0000%	0	9.3123%	0
83	394	Tools, Shop & Garage	0	30,590	0	30,590	6.6667%	2,039	9.3123%	190
84	394.1	Tools	0	0	0	0	0.0000%	0	9.3123%	0
85	394.2	Shop Equipment	0	0	0	0	0.0000%	0	9.3123%	0
86	395	CNG Equipment	0	0	0	0	0.0000%	0	9.3123%	0
87	396	Major Work Equipment	0	0	0	0	0.0000%	0	9.3123%	0
88	397	Communication Equipment	28,943	0	0	28,943	5.0000%	1,447	9.3123%	135
89	397.2	Telephone Equipment	0	0	0	0	0.0000%	0	9.3123%	0
90	398	Miscellaneous General Plant	0	0	0	0	0.0000%	0	9.3123%	0
91		Total General Plant	<u>\$69,270,327</u>	<u>\$1,588,896</u>	<u>\$0</u>	<u>\$70,859,223</u>		<u>\$6,252,986</u>		<u>\$582,297</u>
92		Total Plant in Service	<u>\$69,270,327</u>	<u>\$1,588,896</u>	<u>\$0</u>	<u>\$70,859,223</u>		<u>\$6,252,986</u>		<u>\$582,297</u>
93		Total Annualized Depreciation & Amortization Expense						\$6,252,986	9.3123%	\$582,297
94		Test Year Depreciation & Amortization Expense Accts 403 & 404						6,222,741	9.3123%	579,480
95		Adjustment to Test Year						<u>\$30,244</u>	9.3123%	<u>\$2,816</u>

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FULLY DEPRECIATED PLANT - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	RESERVES 1080100 &		CORPORATE UNALLOCATED AS ADJUSTED	CORPORATE UNALLOCATED AS ADJUSTED	CORPORATE UNALLOCATED NET	FULLY DEPRECIATED ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED
			PLANT 1010 & 1060	1110					
			(a)	(b)	(c)	(d)	(e)	(f)	
INTANGIBLE PLANT									
1	301	Organization	\$0	\$0	\$0	\$0	\$0		
2	302	Franchises & Consents	0	0	0	0	0		
3	303	Misc. Intangible	0	0	0	0	0		
4	303.1	Misc. Intangible	0	0	0	0	0		
5		Total Intangible Plant	\$0	\$0	\$0	\$0	\$0		
GATHERING AND TRANSMISSION PLANT									
6	325	Land & Land Rights	\$0	\$0	\$0	\$0	\$0		
7	327	Field Comprss Station Strcutres	0	0	0	0	0		
8	328	Field Meas/Reg Station Structures	0	0	0	0	0		
9	329	Other Structures	0	0	0	0	0		
10	332	Field Lines	0	0	0	0	0		
11	333	Field Compressor Station Equip	0	0	0	0	0		
12	334	Field Meas/Reg Station Equipment	0	0	0	0	0		
13	336	Purification Equipment	0	0	0	0	0		
14	337	Other Equip	0	0	0	0	0		
15	365	Land & Land Rights	0	0	0	0	0		
16	365.2	Rights-of-Way	0	0	0	0	0		
17	366	Meas/Reg Station Structures	0	0	0	0	0		
18	367	Mains	0	0	0	0	0		
19	368	Compressor Station Equip	0	0	0	0	0		
20	369	Meas & Reg Stations Equip	0	0	0	0	0		
21	371	Other Equipment	0	0	0	0	0		
22		Total Gathering and Transmission Plant	\$0	\$0	\$0	\$0	\$0		
DISTRIBUTION PLANT									
23	374	Land	0	0	0	0	0		
24	374.1	Land	0	0	0	0	0		
25	374.2	Land Rights	0	0	0	0	0		
26	375.1	Structures & Improvements	0	0	0	0	0		
27	375.1	Structures & Improvements	0	0	0	0	0		
28	375.2	Other System Structures	0	0	0	0	0		
29	376	Mains	0	0	0	0	0		
30	376.9	Mains - Cathodic Protection Anodes	0	0	0	0	0		
31	377	Compressor Station Equipment	0	0	0	0	0		
32	378	Meas. & Reg. Station - General	0	0	0	0	0		
33	379	Meas. & Reg. Station - C.G.	0	0	0	0	0		
34	380	Services	0	0	0	0	0		
35	380.1	Ind Service Line Equip	0	0	0	0	0		
36	380.2	Comm Service Line Equip	0	0	0	0	0		
37	380.4	Yard Lines-Customer Svc	0	0	0	0	0		
38	381	Meters	0	0	0	0	0		
39	382	Meter Installations	0	0	0	0	0		
40	383	House Regulators	0	0	0	0	0		
41	385	Indust. Meas. & Reg. Stat. Equipment	0	0	0	0	0		
42	386	Other Property on Customer Premises	0	0	0	0	0		
43	387	Meas. & Reg. Stat. Equipment	0	0	0	0	0		
44		Total Distribution Plant	\$0	\$0	\$0	\$0	\$0		
GENERAL PLANT									
45	389	Land & Land Rights	\$43,763	\$0	\$43,763	\$0	28.24%	\$0	
46	390	Structures & Improvements	0	0	0	0	28.24%	0	
47	390.1	Structures & Improvements	4,893,533	(223,733)	4,669,800	0	28.24%	0	
48	390.17	Building Improv Plum	0	0	0	0	28.24%	0	

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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FULLY DEPRECIATED PLANT - CORPORATE

LINE NO.	ACCOUNT	DESCRIPTION	RESERVES 1080100 &		PLANT AS ADJUSTED	PLANT	ALLOCATION TO TGS	CORPORATE TEST YEAR ADJUSTED AS ALLOCATED
			PLANT 1010 & 1060	1110				
			(a)	(b)	(c)	(d)	(e)	(f)
49	390.19	Airplane Hanger Furniture	0	0	0	0	28.24%	0
50	390.2	Leasehold Improvement	6,025,087	(3,371,254)	2,653,833	0	28.24%	0
51	390.2	OGS Lease Incentive	0	0	0	0	28.24%	0
52	390.21	Leasehold Equipment EOL	0	0	0	0	28.24%	0
53	391	Office Furniture & Equipment	0	0	0	0	28.24%	0
54	391.1	Office Furniture & Equipment	4,540,688	(1,717,895)	2,822,793	0	28.24%	0
55	391.19	Airplane Hanger Furniture	0	0	0	0	28.24%	0
56	391.2	Data Processing Equipment	0	0	0	0	28.24%	0
57	391.2	Oracle Equipment	0	0	0	0	28.24%	0
58	391.3	Office Machines	1,217,630	(83,048)	1,134,582	0	28.24%	0
59	391.4	Audio Visual Equipment	1,075,141	(506,468)	568,673	0	28.24%	0
60	391.5	Artwork	0	0	0	0	28.24%	0
61	391.6	Purchased Software	121,349,138	(52,563,453)	68,785,685	0	28.24%	0
62	391.6	Banner Software	5,941,882	(1,790,095)	4,151,786	0	30.81%	0
63	391.6	PowerPlant System	2,171,982	(769,284)	1,402,698	0	27.03%	0
64	391.6	Riskworks	0	0	0	0	28.24%	0
65	391.6	Maximo	5,342,658	(3,414,729)	1,927,929	0	25.39%	0
66	391.6	Foundation Software	0	0	0	0	0.00%	0
67	391.6	Concur Project	71,646	(51,703)	19,943	0	29.34%	0
68	391.6	Journey-Employee-ODC Distrigas	69,568,284	(43,662,827)	25,905,458	0	28.24%	0
69	391.6	Journey-Employee Count	1,848,836	(1,295,693)	553,143	0	29.34%	0
70	391.6	Payroll - Time Management	2,936,911	(401,854)	2,535,057	0	29.34%	0
71	391.6	Accounts Payable Software	1,110,246	(325,180)	785,066	0	33.47%	0
72	391.6	Customer Relations Software	13,184	(571)	12,614	0	30.81%	0
73	391.8	Micro Computer Software	21,308,804	(14,247,677)	7,061,127	0	28.24%	0
74	391.81	Aircraft Computer Equipment	0	0	0	0	28.24%	0
75	391.9	Computer & Equipment	0	0	0	0	28.24%	0
76	391.99	Cloud Computing	943,142	(106,078)	837,064	0	28.24%	0
77	392	Transportation Equipment	0	0	0	0	28.24%	0
78	392.2	Transport Equip Pickup Trucks& Vans	0	0	0	0	28.24%	0
79	392.3	Transport Equip (Trucks 3/4- 3 Ton)	0	0	0	0	28.24%	0
80	392.5	Trailers	0	0	0	0	28.24%	0
81	392.6	Aircraft	0	0	0	0	28.24%	0
82	393	Stores Equipment	0	0	0	0	28.24%	0
83	394	Tools, Shop & Garage	108,323	(6,924)	101,399	0	28.24%	0
84	394.1	Tools	0	0	0	0	28.24%	0
85	394.2	Shop Equipment	0	0	0	0	28.24%	0
86	395	CNG Equipment	0	0	0	0	28.24%	0
87	396	Major Work Equipment	0	0	0	0	28.24%	0
88	397	Communication Equipment	102,489	(23,845)	78,644	0	28.24%	0
89	397.2	Telephone Equipment	0	0	0	0	28.24%	0
90	398	Miscellaneous General Plant	0	0	0	0	28.24%	0
91		Total General Plant	\$250,613,365	\$(124,562,310)	\$126,051,055	\$0		\$0
92		Total Orig Cost Plant in Service	\$250,613,365	\$(124,562,310)	\$126,051,055	\$0		\$0

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

AD VALOREM TAX EXPENSE

LINE NO.	DESCRIPTION	AMOUNT (a)	AMOUNT (b)	AMOUNT (c)
	DIRECT SERVICE AREA PLANT @ 12/31/2022			
1	Plant In Service - Gathering/Transmission/Distribution		\$183,844,472	
2	Plant In Service - General		15,323,030	
3	CCNC - Gathering/Transmission/Distribution		19,736,157	
4	CCNC - General		2,121,714	
5	Accumulated Depreciation - Gathering/Transmission/Distribution		(22,656,612)	
6	Accumulated Depreciation - General		<u>(5,976,699)</u>	
7	Net Plant - Service Area Direct 12/31/2022		<u>\$192,392,064</u>	\$192,392,064
	CALCULATION OF EFFECTIVE RATE			
8	Ad Valorem Taxes Paid TYE 2022 for Service Area Direct Plant at 1/1/2021		<u>\$1,171,634</u>	
	DIRECT SERVICE AREA PLANT @ 1/1/2021:			
9	Plant In Service - Gathering/Transmission/Distribution	\$155,182,091		
10	Plant In Service - General	16,483,973		
11	CCNC - Gathering/Transmission/Distribution	11,715,883		
12	CCNC - General	359,168		
13	Accumulated Depreciation - Gathering/Transmission/Distribution	(18,222,453)		
14	Accumulated Depreciation - General	<u>(6,612,084)</u>		
		<u>\$158,906,578</u>	158,906,578	
15	Effective Tax Rate		<u>0.007373</u>	0.007373
16	Annualized Ad Valorem Tax Expense			\$1,418,507
17	Test Year Ad Valorem Tax Expense - Acct 4081190			<u>1,265,347</u>
18	Adjustment to Test Year Expense			<u><u>\$153,160</u></u>

Source: WKP G-16 Ad Valorem Tax TYE 12 31 2022 (CONFIDENTIAL).xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PLANT IN SERVICE - DIRECT  
AD VALOREM TAX WORKPAPER

LINE NO.	DESCRIPTION	YTD BALANCE		ADJUSTED
		12/31/20	ADJUSTMENTS	BALANCE
		(a)	(b)	(c)
<u>INTANGIBLE PLANT (NOT USED FOR AD VALOREM)</u>				
1	(301) Organization	\$0	\$0	\$0
2	(302) Franchises & Consents	0	0	0
3	(303) Misc. Intangible	0	0	0
4	Total Intangible Plant - Direct	\$0	\$0	\$0
<u>GATHERING AND TRANSMISSION PLANT</u>				
5	(325) Land & Land Rights	\$0	\$0	\$0
6	(327) Field Comprss Station Structres	0	0	0
7	(328) Field Meas/Reg Station Structures	0	0	0
8	(329) Other Structures	0	0	0
9	(332) Field Lines	0	0	0
10	(333) Field Compressor Station Equip	0	0	0
11	(334) Field Meas/Reg Station Equipment	0	0	0
12	(336) Purification Equipment	0	0	0
13	(337) Other Equip	0	0	0
14	(365) Land & Land Rights	23,277	0	23,277
15	(365.2) Rights-of-Way	37,579	0	37,579
16	(366) Meas/Reg Station Structures	27,231	0	27,231
17	(367) Mains	19,431,385	0	19,431,385
18	(368) Compressor Station Equip	19,687	0	19,687
19	(369) Measure/Reg. Station Equipment	6,367,316	0	6,367,316
20	(371) Other Equipment	54,504	0	54,504
21	Total Gathering and Transmission Plant - Direct	\$25,960,979	\$0	\$25,960,979
<u>DISTRIBUTION PLANT</u>				
22	(374) Land	\$4,952	\$0	\$4,952
23	(374.2) Land & Land Rights	35,457	0	35,457
24	(375) Structures & Improvements	114,218	0	114,218
25	(376) Mains	49,152,095	0	49,152,095
26	(376.9) Cathodic Protection Anodes	7,690,174	0	7,690,174
27	(377) Compressor Station Equipment	0	0	0
28	(378) Meas. & Reg. Station - General	3,243,220	0	3,243,220
29	(379) Meas. & Reg. Station - C.G.	1,774,034	0	1,774,034
30	(380) Services	46,144,262	0	46,144,262
31	(380.1) Ind Service Line Equip	0	0	0
32	(380.2) Comm Service Line Equip	(3,147)	0	(3,147)
33	(380.4) Yard Lines-Customer Svc	0	0	0
34	(381) Meters	14,306,052	0	14,306,052
35	(382) Meter Installations	0	0	0
36	(383) House Regulators	4,714,388	0	4,714,388
37	(385) Indust. Meas. & Reg. Stat. Equipment	2,039,264	0	2,039,264
38	(386) Other Property on Customer Premises	6,144	0	6,144
39	(387) Meas. & Reg. Stat. Equipment	0	0	0
40	Total Distribution Plant - Direct	\$129,221,112	\$0	\$129,221,112
<u>GENERAL PLANT</u>				
41	(389) Land & Land Rights	\$127,368	\$0	\$127,368
42	(390) Structures & Improvements	1,921,793	0	1,921,793
43	(391) Office Furniture & Equipment	221,280	0	221,280
44	(391.9) Computer & Equipment	1,339,373	0	1,339,373
45	(392) Transportation Equipment	3,622,848	0	3,622,848
46	(393) Stores Equipment	6,557	0	6,557
47	(394) Tools, Shop & Garage	3,472,296	0	3,472,296
48	(395) CNG Equipment	0	0	0
49	(396) Major Work Equipment	428,346	0	428,346
50	(397) Communication Equipment	5,344,111	0	5,344,111
51	(398) Miscellaneous General Plant	0	0	0
52	Total General Plant - Direct	\$16,483,973	\$0	\$16,483,973
53	Total Orig Cost Plant in Service - Direct	\$171,666,064	\$0	\$171,666,064



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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

COMPLETED CONSTRUCTION NOT CLASSIFIED (CCNC) - DIRECT  
AD VALOREM TAX WORKPAPER

LINE NO.	DESCRIPTION	YTD BALANCE 12/31/20 (a)	ADJUSTMENTS (b)	ADJUSTED BALANCE (c)
<u>INTANGIBLE PLANT (NOT USED FOR AD VALOREM)</u>				
1	(301) Organization	\$0	\$0	\$0
2	(302) Franchises & Consents	0	0	0
3	(303) Misc. Intangible	0	0	0
4	Total Intangible CCNC - Direct	\$0	\$0	\$0
<u>GATHERING AND TRANSMISSION PLANT</u>				
5	(325) Land & Land Rights	\$0	\$0	\$0
6	(327) Field Comprss Station Strcutres	0	0	0
7	(328) Field Meas/Reg Station Structures	0	0	0
8	(329) Other Structures	0	0	0
9	(332) Field Lines	0	0	0
10	(333) Field Compressor Station Equip	0	0	0
11	(334) Field Meas/Reg Station Equipment	0	0	0
12	(336) Purification Equipment	0	0	0
13	(337) Other Equip	0	0	0
14	(365) Land & Land Rights	0	0	0
15	(365.2) Rights-of-Way	0	0	0
16	(366) Meas/Reg Station Structures	674,170	0	674,170
17	(367) Mains	2,385,141	0	2,385,141
18	(368) Compressor Station Equip	0	0	0
19	(369) Measure/Reg. Station Equipment	3,327,685	0	3,327,685
20	(371) Other Equipment	1,638	0	1,638
21	Total Gathering and Transmission CCNC - Direct	\$6,388,634	\$0	\$6,388,634
<u>DISTRIBUTION PLANT</u>				
22	(374) Land	\$0	\$0	\$0
23	(374.2) Land & Land Rights	7,140	0	7,140
24	(375) Structures & Improvements	0	0	0
25	(376) Mains	4,108,515	0	4,108,515
26	(376.9) Cathodic Proteciton Anodes	4,621	0	4,621
27	(377) Compressor Station Equipment	0	0	0
28	(378) Meas. & Reg. Station - General	233,402	0	233,402
29	(379) Meas. & Reg. Station - C.G.	387,288	0	387,288
30	(380) Services	283,637	0	283,637
31	(380.1) Ind Service Line Equip	0	0	0
32	(380.2) Comm Service Line Equip	8,254	0	8,254
33	(380.4) Yard Lines-Customer Svc	32,334	0	32,334

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

COMPLETED CONSTRUCTION NOT CLASSIFIED (CCNC) - DIRECT  
AD VALOREM TAX WORKPAPER

LINE NO.	DESCRIPTION	YTD BALANCE	ADJUSTMENTS	ADJUSTED BALANCE
		12/31/20 (a)	(b)	(c)
34	(381) Meters	40,757	0	40,757
35	(382) Meter Installations	24,205	0	24,205
36	(383) House Regulators	25,038	0	25,038
37	(385) Indust. Meas. & Reg. Stat. Equipment	172,060	0	172,060
38	(386) Other Property on Customer Premises	0	0	0
39	(387) Meas. & Reg. Stat. Equipment	0	0	0
40	Total Distribution CCNC - Direct	<u>\$5,327,249</u>	<u>\$0</u>	<u>\$5,327,249</u>
<u>GENERAL PLANT</u>				
41	(389) Land & Land Rights	\$0	\$0	\$0
42	(390) Structures & Improvements	58,519	0	58,519
43	(391) Office Furniture & Equipment	17,253	0	17,253
44	(391.9) Computer & Equipment	0	0	0
45	(392) Transportation Equipment	210,931	0	210,931
46	(393) Stores Equipment	0	0	0
47	(394) Tools, Shop & Garage	66,484	0	66,484
48	(395) CNG Equipment	0	0	0
49	(396) Major Work Equipment	5,980	0	5,980
50	(397) Communication Equipment	0	0	0
51	(398) Miscellaneous General Plant	0	0	0
52	Total General CCNC - Direct	<u>\$359,168</u>	<u>\$0</u>	<u>\$359,168</u>
53	Total Orig Cost CCNC - Direct	<u>\$12,075,051</u>	<u>\$0</u>	<u>\$12,075,051</u>

Source: WKP G-16.b REG BKS\_091\_PP Rpt\_1060\_CCNC Dec 31 2020.xlsx

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA

TWELVE MONTHS ENDED DECEMBER 31, 2022

ACCUMULATED RESERVES FOR DEPRECIATION AND AMORTIZATION- DIRECT  
AD VALOREM TAX WORKPAPER

LINE NO.	DESCRIPTION	YTD BALANCE	YTD BALANCE	ADJUSTMENTS	ADJUSTED
		12/31/20	12/31/20		BALANCE
		1080100	1110000		
		(a)	(b)	(c)	(d)
<u>INTANGIBLE PLANT (NOT USED FOR AD VALOREM)</u>					
1	(301) Organization	\$0	\$0	\$0	\$0
2	(302) Franchises & Consents	0	0	0	0
3	(303) Misc. Intangible	0	0	0	0
4	Total Intangible Plant Reserves - Direct	\$0	\$0	\$0	\$0
<u>GATHERING AND TRANSMISSION PLANT</u>					
5	(325) Land & Land Rights	\$0	\$0	\$0	\$0
6	(327) Field Comprss Station Strucutres	0	0	0	0
7	(328) Field Meas/Reg Station Structures	0	0	0	0
8	(329) Other Structures	0	0	0	0
9	(332) Field Lines	0	0	0	0
10	(333) Field Compressor Station Equip	0	0	0	0
11	(334) Field Meas/Reg Station Equipment	0	0	0	0
12	(336) Purification Equipment	0	0	0	0
13	(337) Other Equip	0	0	0	0
14	(365) Land & Land Rights	(1,399)	0	0	(1,399)
15	(365.2) Rights-of-Way	0	0	0	0
16	(366) Meas/Reg Station Structures	(11,060)	0	0	(11,060)
17	(367) Mains	2,507,992	0	0	2,507,992
18	(368) Compressor Station Equip	(6,122)	0	0	(6,122)
19	(369) Measure/Reg. Station Equipment	(300,296)	0	0	(300,296)
20	(371) Other Equipment	(9,523)	0	0	(9,523)
21	Total Gathering and Transmission Plant Reserves - Direct	\$2,179,592	\$0	\$0	\$2,179,592
<u>DISTRIBUTION PLANT</u>					
22	(374) Land	\$0	\$0	\$0	\$0
23	(374.2) Land & Land Rights	-35,456.98	0	0	(35,457)
24	(375) Structures & Improvements	(66,216)	0	0	(66,216)
25	(376) Mains	(8,470,187)	0	0	(8,470,187)
26	(376.9) Cathodic Protection Anodes	(3,022,641)	0	0	(3,022,641)
27	(377) Compressor Station Equipment	0	0	0	0
28	(378) Meas. & Reg. Station - General	(706,574)	0	0	(706,574)
29	(379) Meas. & Reg. Station - C.G.	235,753	0	0	235,753
30	(380) Services	2,475	0	0	2,475
31	(380.1) Ind Service Line Equip	0	0	0	0
32	(380.2) Comm Service Line Equip	0	0	0	0
33	(380.4) Yard Lines-Customer Svc	0	0	0	0
34	(381) Meters	(6,980,699)	0	0	(6,980,699)
35	(382) Meter Installations	(4,805)	0	0	(4,805)
36	(383) House Regulators	(1,292,980)	0	0	(1,292,980)
37	(385) Indust. Meas. & Reg. Stat. Equipment	(54,839)	0	0	(54,839)
38	(386) Other Property on Customer Premises	(5,875)	0	0	(5,875)
39	(387) Meas. & Reg. Stat. Equipment	0	0	0	0
40	Total Distribution Plant Reserves - Direct	\$(20,402,045)	\$0	\$0	\$(20,402,045)

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA

TWELVE MONTHS ENDED DECEMBER 31, 2022

ACCUMULATED RESERVES FOR DEPRECIATION AND AMORTIZATION- DIRECT  
AD VALOREM TAX WORKPAPER

LINE NO.	DESCRIPTION	YTD BALANCE	YTD BALANCE	ADJUSTMENTS	ADJUSTED
		12/31/20	12/31/20		BALANCE
		1080100	1110000		
		(a)	(b)	(c)	(d)
	<u>GENERAL PLANT</u>				
41	(389) Land & Land Rights	\$0	\$0	\$0	\$0
42	(390) Structures & Improvements	133,430	(1,839)	0	131,591
43	(391) Office Furniture & Equipment	(129,876)	0	0	(129,876)
44	(391.9) Computer & Equipment	(1,154,208)	0	0	(1,154,208)
45	(392) Transportation Equipment	(1,076,487)	0	0	(1,076,487)
46	(393) Stores Equipment	(6,242)	0	0	(6,242)
47	(394) Tools, Shop & Garage	(1,619,363)	0	0	(1,619,363)
48	(395) CNG Equipment	0	0	0	0
49	(396) Major Work Equipment	(153,027)	0	0	(153,027)
50	(397) Communication Equipment	(2,605,102)	0	0	(2,605,102)
51	(398) Miscellaneous General Plant	631	0	0	631
52	Total General Plant Reserves - Direct	<u>\$(6,610,244)</u>	<u>\$(1,839)</u>	<u>\$0</u>	<u>\$(6,612,084)</u>
53	Total Accumulated Reserves - Direct	<u>\$(24,832,697)</u>	<u>\$(1,839)</u>	<u>\$0</u>	<u>\$(24,834,537)</u>

Source: WKP G-16.c REG BKS\_091\_PP Rpt\_1110\_Accum Amort Dec 31 2020

Source: WKP G-16.c REG BKS\_091\_PP Rpt\_1080\_Accum Depr Dec 31 2020

**SCHEDULE G-17**  
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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**TEXAS FRANCHISE ("GROSS MARGIN") TAX EXPENSE**

LINE NO.	DESCRIPTION	REFERENCE	AMOUNT
			(a)
1	Total Texas Franchise Tax in calendar year ended 12/31/2022		\$820,524
2	Allocation to RGV Service Area	WKP A.b Alloc Factors	9.31 %
3	Texas Franchise Tax Allocated to RGV		\$76,410
4	Test Year Expense - Acct 4091100		<u>\$0</u>
5	Adjustment to Test Year		<u>\$76,410</u>
6	Texas Franchise Tax Rate	0.0075	

Source: 2023 TX Franchise Tax Calculation

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

STORES LOAD CLEARING

LINE NO.	DESCRIPTION	AMOUNT			
		(a)	(b)	(c)	
1	Test Year Charges into Stores Account 1630 for direct and allocated charges:		\$886,937		
2	Test Year Amounts Cleared Out of Account 1630 to Service Area		<u>\$907,612</u>		
3	Test Year Amount Under/(Over) Cleared		<u>\$(20,674)</u>	\$(20,674)	
Plus/Minus Adjustments To Test Year Amounts Charged into Acct 1630 for direct and allocated charges:					
		Adjusted	Recorded		
		Test Year	Test Year	Adjustment	
4	Payroll (from Direct and Shared Svcs)	\$105,802	\$104,700	\$1,102	
5	Benefits & Payroll Taxes	37,341	38,021	(679)	
6	Other	813,994	744,217	69,777	
7	Total Other Adjustments	<u>\$957,137</u>	<u>\$886,937</u>	<u>\$70,200</u>	
8	Total Adjusted Amount Under/(Over) Cleared			<u>\$49,526</u>	
Spread Under/(Over) Clearing to Accounts based on Test Year Clearing:					
9	Adjustment to Test Year Expense Accounts (See account breakdown below)			<u>\$2,384</u>	
10	Adjustment to Test Year Non-Expense Accounts			<u>47,142</u>	
11	Total Adjustment to Test Year Clearing Acct 1630			<u>\$49,526</u>	
Spread Under/(Over) Clearing to Accounts based on Test Year Clearing:					
12		Acct.	Amount	Percentage	Amount Under/ (Over) Cleared
13		8700	\$0	— %	\$0
14		8740	32,802	3.61 %	1,790
15		8750	0	— %	0
16		8770	0	— %	0
17		8780	0	— %	0
18		8800	7,144	0.79 %	390
19		8870	1,843	0.20 %	101
20		8890	0	— %	0
21		8920	203	0.02 %	11
22		9020	0	— %	0
23		9210	1,699	0.19 %	93
24	Total Adjustment to Test Year Expense Accounts		\$43,690	0.048138	<u>\$2,384</u>
25	Total Adjustment to Test Year Non-Expense Accounts		863,921	0.951862	47,141.51
	Adjustment to Test Year Clearing		<u>\$907,612</u>	1.000000	<u>\$49,526</u>

Source: SCH G-18 STORES CLEARING TY 12 31 2022 (CONFIDENTIAL).xlsx

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**TRANSPORTATION AND WORK EQUIPMENT CLEARING**

LINE NO.	DESCRIPTION	(a)	(b)	(c)	AMOUNT (d)
1	Test Year Charges into TWE Clearing Accounts 1840100-1840289		\$1,310,823		
2	Test Year Amounts Cleared Out of TWE Accounts 1840100-1840289		<u>1,278,933</u>		
3	Test Year Amount Under/(Over) Cleared		\$31,890		\$31,890
	Charged into TWE Acct 1840100-1840289:				
		Adjusted Test Year	Recorded Test Year	Adjustment	
4	Depreciation	\$400,525	\$515,045	\$(114,520)	
5	Lease Costs	0	0	0	
6	Payroll	32,637	28,956	3,681	
7	Benefits & Payroll Taxes	5,441	7,144	(1,703)	
8	Other (gasoline, maintenance, etc)	<u>759,678</u>	<u>759,678</u>	<u>0</u>	
9	Total	\$1,198,281	\$1,310,823	\$(112,542)	(112,542)
10	Total Adjusted Amount Under/(Over) Cleared				<u><u>\$(80,652)</u></u>
	Spread Under/(Over) Clearing to Accounts based on Test Year Clearing:				
11	Adjustment to Test Year Expense Accounts (See account breakdown below)				<span style="border: 1px solid black; padding: 2px;">\$(49,412)</span>
12	Adjustment to Test Year Non-Expense Accounts				<u>(31,240)</u>
13	1840				<u><u>\$(80,652)</u></u>

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**TRANSPORTATION AND WORK EQUIPMENT CLEARING**

LINE NO.	DESCRIPTION	AMOUNT			
		(a)	(b)	(c)	(d)
	Spread Under/(Over) Clearing to Accounts based on Test Year Clearing:				Amount Under/
14		Acct.	Amount	Percentage	(Over) Cleared
15		8560	\$38,069	0.029766	\$(2,401)
16		8570	10,696	0.008363	(675)
17		8630	6,091	0.004763	(384)
18		8700	988	0.000772	(62)
19		8740	61,851	0.048361	(3,900)
20		8750	4,454	0.003483	(281)
21		8760		0.000000	—
22		8770		0.000000	—
23		8780	288,990	0.225962	(18,224)
24		8790		0.000000	—
25		8800		0.000000	—
26		8870	148,093	0.115794	(9,339)
27		8890	112,224	0.087748	(7,077)
28		8900	22,048	0.017239	(1,390)
29		8910		0.000000	—
30		8920	61,335	0.047958	(3,868)
31		8930		0.000000	—
32		9020	28,713	0.022451	(1,811)
33		9030		0.000000	—
34		9050		0.000000	—
35		9210		0.000000	—
36	Total Adjustment to Test Year Expense Accounts		\$783,553	0.612661	\$(49,412)
37	Accounts		495,380	0.387339	(31,240)
38	Adjustment to Test Year Clearing		\$1,278,933	1.000000	\$(80,652)

Source: SCH G-19 TWE Clearing Adjustment TY 12 31 2022(CONFIDENTIAL).xlsx



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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**REGULATORY EXPENSE AMORTIZATION**

LINE NO.	DESCRIPTION	AMOUNT
		(a)
1	Unamortized balance of Reg Assets	\$0
2	Less 12 mos. Amortization (line 20, January 2022 - January 2023) <sup>Note 1</sup>	0
3	Overcollection of rate case expense from GUD 10656	(3,072)
4	Deferred Regulatory Expense at December 31, 2022 not included in prior cases	0
5	Deferred Winter Storm URI O&M at December 31, 2022	123,466
6	Winter Storm URI related STI	—
7	Covid related O&M	35,436
8	Regulatory Assets - Total	<u>\$155,829</u>
9	Amortization Period (in years)	<u>6</u>
10	Annual Regulatory Asset Amortization Expense	\$25,972
11	Test Year Regulatory Asset Amortization Expense - Acct 407.3	<u>0.00</u>
12	Adjustment to Test Year Expense	<u><u>\$25,972</u></u>

Note 1: Amortization of Regulatory Asset between end of Test Year and beginning of effective rates.

MONTH	2022	GRAND TOTAL
13 January	\$0	\$0
14 February	0	0
15 March	0	0
16 April	0	0
17 May	0	0
18 June	0	0
19 July	0	0
20 August	0	0
21 September	0	0
22 October	0	0
23 November	0	0
24 December	0	0
25		\$0

Source: SCH G-20 Rate Case Exp TY 12 31 2022(CONFIDENTIAL).xlsx  
SCH G-20 Regulatory Expenses - COVID (CONFIDENTIAL).xlsx  
SCH G-20 Regulatory Expenses - Winter Storm URI RGVSA (CONFIDENTIAL).xlsx

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

DISTRIGAS ALLOCATION PERCENTAGE

LINE NO.	DESCRIPTION	YEAR	MONTH	CORPORATE ALLOCABLE \$	DISTRIGAS ALLOCATION %	\$ ALLOCATED TO TGS (e)=(c) x (d)	ADJUSTMENT FOR Q1 2023 ALLOCATION %		
							DISTRIGAS ALLOCATION %	\$ ALLOCATED TO TGS (g)=(c) x (f)	ADJUSTMENT (h)=(g) - (e)
		(a)	(b)	(c)	(d)	(e)=(c) x (d)	(f)	(g)=(c) x (f)	(h)=(g) - (e)
1	4081	2022	1	\$455,800	27.15%	\$123,750			
2		2022	2	248,255	27.15%	67,401			
3		2022	3	1,173,294	27.15%	318,549			
4		2022	4	403,210	27.65%	111,488			
5		2022	5	345,681	27.65%	95,581			
6		2022	6	487,276	27.65%	134,732			
7		2022	7	400,875	28.01%	112,285			
8		2022	8	353,311	28.01%	98,962			
9		2022	9	425,955	28.01%	119,310			
10		2022	10	334,390	28.07%	93,863			
11		2022	11	342,564	28.07%	96,158			
12		2022	12	467,139	28.07%	131,126			
13	4081 Total			\$5,437,751		\$1,503,205			
14	9260	2022	1	\$354,015	27.15%	\$96,115			
15		2022	2	354,014	27.15%	96,115			
16		2022	3	354,014	27.15%	96,115			
17		2022	4	354,014	27.65%	97,885			
18		2022	5	354,014	27.65%	97,885			
19		2022	6	(288,627)	27.65%	(79,805)			
20		2022	7	32,702	28.01%	9,160			
21		2022	8	32,702	28.01%	9,160			
22		2022	9	32,702	28.01%	9,160			
23		2022	10	32,702	28.07%	9,179			
24		2022	11	32,702	28.07%	9,179			
25		2022	12	32,702	28.07%	9,179			
26	9260 Total			\$1,677,656		\$459,327			
27	9302	2022	1	\$7,025,836	27.15%	\$1,907,514			
28		2022	2	8,011,110	27.15%	2,175,016			
29		2022	3	14,568,422	27.15%	3,955,327			
30		2022	4	7,955,141	27.65%	2,199,596			
31		2022	5	9,437,137	27.65%	2,609,369			
32		2022	6	9,243,214	27.65%	2,555,749			
33		2022	7	9,735,092	28.01%	2,726,799			
34		2022	8	9,358,376	28.01%	2,621,281			
35		2022	9	7,507,341	28.01%	2,102,806			
36		2022	10	10,020,325	28.07%	2,812,705			
37		2022	11	9,733,688	28.07%	2,732,246			
38		2022	12	13,435,912	28.07%	3,771,461			
39	9302 Total			\$116,031,593		\$32,169,869	28.24%	\$32,767,322	\$597,453
40	Total			\$123,147,000		\$34,132,401		\$32,767,322	\$597,453
41							Factor	86.47%	
42							Adjustment to TGS	516,590	
43							Area	9.3123%	
44							Service Area after O&M	\$48,106	

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

DISTRIGAS ALLOCATION PERCENTAGE

LINE NO.	DESCRIPTION	GROSS PLANT & INVESTMENT (a)	ALLOCATION FACTOR (b)	OPERATING INCOME (c)	ALLOCATION FACTOR (d)	LABOR EXPENSE (e)	ALLOCATION FACTOR (f)	ALLOCATION FACTOR (g)
1st Quarter 2022 - based on 12 months Ended Dec 2021								
1	Oklahoma Natural Gas Company	\$2,953,947,853	42.20%	\$131,513,137	43.29%	\$54,017,182	36.37%	40.62%
2	Kansas Gas Service Company	2,220,951,169	31.73%	87,988,341	28.96%	53,422,385	35.97%	32.22%
3	Texas Gas Service Company	1,825,636,345	26.08%	84,165,380	27.71%	41,063,761	27.65%	27.15%
4	Utility Insurance Company	<u>0</u>	0.00%	<u>114,465</u>	0.04%	<u>0</u>	0.00%	0.01%
5	Total	<u>\$7,000,535,367</u>	100.00%	<u>\$303,781,323</u>	100.00%	<u>\$148,503,328</u>	100.00%	100.00%
2nd Quarter 2022 - based on 12 months Ended Mar 2022								
6	Oklahoma Natural Gas Company	\$2,994,600,565	42.24%	\$132,801,234	42.25%	\$54,952,044	36.50%	40.33%
7	Kansas Gas Service Company	2,235,358,308	31.53%	90,521,651	28.80%	53,517,595	35.55%	31.96%
8	Texas Gas Service Company	1,859,727,913	26.23%	90,424,988	28.77%	42,092,831	27.96%	27.65%
9	Utility Insurance Company	<u>0</u>	0.00%	<u>580,713</u>	0.18%	<u>0</u>	0.00%	0.06%
10	Total	<u>\$7,089,686,786</u>	100.00%	<u>\$314,328,586</u>	100.00%	<u>\$150,562,470</u>	100.00%	100.00%
3rd Quarter 2022 - based on 12 months Ended Jun 2022								
11	Oklahoma Natural Gas Company	\$3,042,837,949	42.17%	\$136,098,975	42.01%	\$55,687,117	36.61%	40.26%
12	Kansas Gas Service Company	2,262,364,791	31.35%	91,354,627	28.20%	54,002,383	35.51%	31.69%
13	Texas Gas Service Company	1,910,566,032	26.48%	96,126,849	29.67%	42,407,343	27.88%	28.01%
14	Utility Insurance Company	<u>0</u>	0.00%	<u>408,938</u>	0.13%	<u>0</u>	0.00%	0.04%
15	Total	<u>\$7,215,768,771</u>	100.00%	<u>\$323,989,389</u>	100.00%	<u>\$152,096,843</u>	100.00%	100.00%
4th Quarter 2022 - based on 12 months Ended Sep 2022								
16	Oklahoma Natural Gas Company	\$3,093,936,285	42.03%	\$141,430,770	42.63%	\$56,014,705	36.59%	40.42%
17	Kansas Gas Service Company	2,299,230,506	31.24%	92,340,616	27.83%	54,297,127	35.47%	31.51%
18	Texas Gas Service Company	1,967,435,311	26.73%	97,993,579	29.54%	42,784,296	27.95%	28.07%
19	Utility Insurance Company	<u>0</u>	0.00%	<u>0</u>	0.00%	<u>0</u>	0.00%	0.00%
20	Total	<u>\$7,360,602,102</u>	100.00%	<u>\$331,764,965</u>	100.00%	<u>\$153,096,129</u>	100.00%	100.00%
1st Quarter 2023 - based on 12 months Ended Dec 2022								
21	Oklahoma Natural Gas Company	\$3,165,034,324	42.03%	\$149,957,404	42.53%	\$57,282,431	37.00%	40.5200%
22	Kansas Gas Service Company	2,329,905,690	30.94%	95,432,694	27.07%	54,059,190	34.92%	30.9700%
23	Texas Gas Service Company	2,035,068,038	27.03%	104,370,801	29.60%	43,483,087	28.09%	28.2400%
24	Utility Insurance Company	<u>0</u>	0.00%	<u>2,814,793</u>	0.80%	<u>0</u>	0.00%	0.2700%
25	Total	<u>\$7,530,008,052</u>	100.00%	<u>\$352,575,692</u>	100.00%	<u>\$154,824,709</u>	100.00%	100.0000%

**SCHEDULE G-22**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CAUSAL ALLOCATION PERCENTAGE**

LINE NO.	CAUSAL METHOD	YEAR	MONTH	CORPORATE ALLOCABLE \$	CAUSAL ALLOCATION %	\$ ALLOCATED TO TGS
		(a)	(b)	(c)	(d)	(e)=(c) x (d)
1	Invoice Count	2022	1	\$33,668	25.47 %	\$8,575
2	Invoice Count	2022	2	33,587	25.47%	8,555
3	Invoice Count	2022	3	33,596	25.47%	8,557
4	Invoice Count	2022	4	33,587	25.47%	8,555
5	Invoice Count	2022	5	33,683	25.47%	8,579
6	Invoice Count	2022	6	34,622	25.47%	8,818
7	Invoice Count	2022	7	35,646	25.47%	9,079
8	Invoice Count	2022	8	43,742	25.47%	11,141
9	Invoice Count	2022	9	34,733	25.47%	8,847
10	Invoice Count	2022	10	37,348	25.47%	9,512
11	Invoice Count	2022	11	39,807	25.47%	10,139
12	Invoice Count	2022	12	47,307	25.47%	12,049
13	Invoice Count Total			\$441,326		\$112,406
14	Employee Headcount	2022	1	\$813,010	23.81 %	\$193,578
15	Employee Headcount	2022	2	860,574	23.81%	204,903
16	Employee Headcount	2022	3	996,235	23.81%	237,203
17	Employee Headcount	2022	4	997,789	23.81%	237,574
18	Employee Headcount	2022	5	829,896	23.81%	197,598
19	Employee Headcount	2022	6	885,119	23.81%	210,747
20	Employee Headcount	2022	7	944,671	23.81%	224,926
21	Employee Headcount	2022	8	1,015,130	23.81%	241,702
22	Employee Headcount	2022	9	985,367	23.81%	234,616
23	Employee Headcount	2022	10	1,065,668	23.81%	253,736
24	Employee Headcount	2022	11	996,998	23.81%	237,385
25	Employee Headcount	2022	12	1,342,811	23.81%	319,723
26	Employee Headcount Total			\$11,733,266		\$2,793,691
27	Gross PP&E	2022	1	\$270	26.08 %	\$70
28	Gross PP&E	2022	2	50	26.08%	13
29	Gross PP&E	2022	3	120	26.08%	31
30	Gross PP&E	2022	4	3,173	26.08%	828
31	Gross PP&E	2022	5	2,259	26.08%	589
32	Gross PP&E	2022	6	2,196	26.08%	573
33	Gross PP&E	2022	7	0	26.08%	0
34	Gross PP&E	2022	8	340	26.08%	89
35	Gross PP&E	2022	9	150	26.08%	39
36	Gross PP&E	2022	10	515	26.08%	134
37	Gross PP&E	2022	11	30	26.08%	8
38	Gross PP&E	2022	12	0	26.08%	0
39	Gross PP&E Total			\$9,103		\$2,374
40	Budgeted Admin Cost-SERP	2022	1	\$3,935	0.23 %	9
41	Budgeted Admin Cost-SERP	2022	2	10,281	0.23%	24

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CAUSAL ALLOCATION PERCENTAGE**

LINE NO.	CAUSAL METHOD	YEAR	MONTH	CORPORATE ALLOCABLE \$	CAUSAL ALLOCATION %	\$ ALLOCATED TO TGS
		(a)	(b)	(c)	(d)	(e)=(c) x (d)
42	Budgeted Admin Cost-SERP	2022	3	8,409	0.23%	19
43	Budgeted Admin Cost-SERP	2022	4	1,616	0.23%	4
44	Budgeted Admin Cost-SERP	2022	5	7,235	0.23%	17
45	Budgeted Admin Cost-SERP	2022	6	8,409	0.23%	19
46	Budgeted Admin Cost-SERP	2022	7	7,023	0.23%	16
47	Budgeted Admin Cost-SERP	2022	8	5,575	0.23%	13
48	Budgeted Admin Cost-SERP	2022	9	10,325	0.23%	24
49	Budgeted Admin Cost-SERP	2022	10	(888)	0.23%	(2)
50	Budgeted Admin Cost-SERP	2022	11	4,982	0.23%	11
51	Budgeted Admin Cost-SERP	2022	12	10,974	0.23%	25
52	Budgeted Admin Cost-SERP Total			\$77,876		\$179
53	Budgeted Admin Cost-Pension	2022	1	\$3,514	17.79 %	\$625
54	Budgeted Admin Cost-Pension	2022	2	4,692	17.79%	835
55	Budgeted Admin Cost-Pension	2022	3	955	17.79%	170
56	Budgeted Admin Cost-Pension	2022	4	1,412	17.79%	251
57	Budgeted Admin Cost-Pension	2022	5	(9,525)	17.79%	(1,695)
58	Budgeted Admin Cost-Pension	2022	6	4,037	17.79%	718
59	Budgeted Admin Cost-Pension	2022	7	4,035	17.79%	718
60	Budgeted Admin Cost-Pension	2022	8	1,712	17.79%	304
61	Budgeted Admin Cost-Pension	2022	9	2,483	17.79%	442
62	Budgeted Admin Cost-Pension	2022	10	0	17.79%	0
63	Budgeted Admin Cost-Pension	2022	11	25,318	17.79%	4,504
64	Budgeted Admin Cost-Pension	2022	12	(12,182)	17.79%	(2,167)
65	Budgeted Admin Cost-Pension Total			\$26,450		\$4,705
66	Customer Count	2022	1	\$570,376	30.75 %	\$175,391
67	Customer Count	2022	2	526,984	30.75%	162,048
68	Customer Count	2022	3	518,536	30.75%	159,450
69	Customer Count	2022	4	547,647	30.75%	168,401
70	Customer Count	2022	5	526,784	30.75%	161,986
71	Customer Count	2022	6	592,507	30.75%	182,196
72	Customer Count	2022	7	575,811	30.75%	177,062
73	Customer Count	2022	8	621,296	30.75%	191,049
74	Customer Count	2022	9	565,790	30.75%	173,980
75	Customer Count	2022	10	616,482	30.75%	189,568
76	Customer Count	2022	11	585,543	30.75%	180,054
77	Customer Count	2022	12	610,240	30.75%	187,649
78	Customer Count Total			\$6,857,996		\$2,108,834
79	ALLOCATE BY MILES OF PIPE	2022	1	\$182,993	25.00 %	\$45,748
80	ALLOCATE BY MILES OF PIPE	2022	2	226,982	25.00%	56,745
81	ALLOCATE BY MILES OF PIPE	2022	3	204,680	25.00%	51,170
82	ALLOCATE BY MILES OF PIPE	2022	4	536,916	25.00%	134,229

**SCHEDULE G-22**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CAUSAL ALLOCATION PERCENTAGE**

LINE NO.	CAUSAL METHOD	YEAR	MONTH	CORPORATE ALLOCABLE \$	CAUSAL ALLOCATION %	\$ ALLOCATED TO TGS
		(a)	(b)	(c)	(d)	(e)=(c) x (d)
83	ALLOCATE BY MILES OF PIPE	2022	5	208,823	25.00%	52,206
84	ALLOCATE BY MILES OF PIPE	2022	6	217,029	25.00%	54,257
85	ALLOCATE BY MILES OF PIPE	2022	7	347,338	25.00%	86,834
86	ALLOCATE BY MILES OF PIPE	2022	8	216,863	25.00%	54,216
87	ALLOCATE BY MILES OF PIPE	2022	9	213,563	25.00%	53,391
88	ALLOCATE BY MILES OF PIPE	2022	10	396,448	25.00%	99,112
89	ALLOCATE BY MILES OF PIPE	2022	11	213,966	25.00%	53,492
90	ALLOCATE BY MILES OF PIPE	2022	12	265,875	25.00%	66,469
91	Miles of Pipe Total			\$3,231,475		\$807,869
92	ALLOCATE BY PROFIT SHARE	2022	1	\$(42)	23.81%	\$(10)
93	ALLOCATE BY PROFIT SHARE	2022	2	(1,017)	23.81%	(242)
94	ALLOCATE BY PROFIT SHARE	2022	3	0	23.81%	0
95	ALLOCATE BY PROFIT SHARE	2022	4	0	23.81%	0
96	ALLOCATE BY PROFIT SHARE	2022	5	12,600	23.81%	3,000
97	ALLOCATE BY PROFIT SHARE	2022	6	0	23.81%	0
98	ALLOCATE BY PROFIT SHARE	2022	7	8,400	23.81%	2,000
99	ALLOCATE BY PROFIT SHARE	2022	8	0	23.81%	0
100	ALLOCATE BY PROFIT SHARE	2022	9	0	23.81%	0
101	ALLOCATE BY PROFIT SHARE	2022	10	0	23.81%	0
102	ALLOCATE BY PROFIT SHARE	2022	11	0	23.81%	0
103	ALLOCATE BY PROFIT SHARE	2022	12	0	23.81%	0
104	ALLOCATE BY PROFIT SHARE Total			\$19,942		\$4,748
105	ALLOCATE BY THRIFT	2022	1	\$(2,906)	23.81%	\$(692)
106	ALLOCATE BY THRIFT	2022	2	1,495	23.81%	\$356
107	ALLOCATE BY THRIFT	2022	3	22,595	23.81%	\$5,380
108	ALLOCATE BY THRIFT	2022	4	410	23.81%	\$98
109	ALLOCATE BY THRIFT	2022	5	14,843	23.81%	\$3,534
110	ALLOCATE BY THRIFT	2022	6	21,951	23.81%	\$5,227
111	ALLOCATE BY THRIFT	2022	7	22,050	23.81%	\$5,250
112	ALLOCATE BY THRIFT	2022	8	(757)	23.81%	\$(180)
113	ALLOCATE BY THRIFT	2022	9	22,724	23.81%	\$5,411
114	ALLOCATE BY THRIFT	2022	10	(3,660)	23.81%	\$(871)
115	ALLOCATE BY THRIFT	2022	11	0	23.81%	\$0
116	ALLOCATE BY THRIFT	2022	12	22,018	23.81%	\$5,242
117	ALLOCATE BY THRIFT Total			\$120,763		\$28,754
118	<b>Total</b>			<b>\$22,518,197</b>		<b>\$5,863,559</b>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CAUSAL ALLOCATION FACTORS

LINE NO.	2022			2023		
	DESCRIPTION	CAUSAL METRIC	CAUSAL ALLOCATION FACTOR	DESCRIPTION	CAUSAL METRIC	CAUSAL ALLOCATION FACTOR
		(a)	(b)		(c)	(d)
	Based on number of invoices processed by company in 2021			Based on number of invoices processed by company in 2022		
		Invoices			Invoices	
1	Oklahoma Natural Gas Company	45,431	25.59%	Oklahoma Natural Gas Company	49,807	27.00%
2	Kansas Gas Service Company	32,357	18.23%	Kansas Gas Service Company	34,152	18.00%
3	Texas Gas Service Company	45,221	25.47%	Texas Gas Service Company	46,352	25.00%
4	ONE Gas Inc.	54,509	30.71%	ONE Gas Inc.	56,245	30.00%
5	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
6	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
7	Total	<u>177,518</u>	100%	Total	<u>186,556</u>	100.00%
	Based on employee headcount in 2021			Based on employee headcount in 2022		
		Employees			Employees	
8	Oklahoma Natural Gas Company	1,123	30.88%	Oklahoma Natural Gas Company	1,184	31.46%
9	Kansas Gas Service Company	986	27.11%	Kansas Gas Service Company	979	26.02%
10	Texas Gas Service Company	866	23.81%	Texas Gas Service Company	909	24.16%
11	ONE Gas Inc.	662	18.20%	ONE Gas Inc.	691	18.36%
12	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
13	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
14	Total	<u>3,637</u>	100%	Total	<u>3,763</u>	100%
	Based on Gross PP&E year end 2021			Based on Gross PP&E year end 2022		
		Gross PP&E			Gross PP&E	
15	Oklahoma Natural Gas Company	2,953,947,853	42.20%	Oklahoma Natural Gas Company	3,165,034,324	42.03%
16	Kansas Gas Service Company	2,220,951,169	31.73%	Kansas Gas Service Company	2,329,905,690	30.94%
17	Texas Gas Service Company	1,825,636,345	26.08%	Texas Gas Service Company	2,035,068,038	27.03%
18	ONE Gas Inc.	0	0.00%	ONE Gas Inc.	0	0.00%
19	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
20	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
21	Total	<u>7,000,535,367</u>	100%	Total	<u>7,530,008,052</u>	100%

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CAUSAL ALLOCATION FACTORS

LINE NO.	DESCRIPTION	2022		2023		
		CAUSAL METRIC	CAUSAL ALLOCATION FACTOR	DESCRIPTION	CAUSAL METRIC	CAUSAL ALLOCATION FACTOR
		(a)	(b)		(c)	(d)
	Based on Miles of Pipe at year end 2021	Miles		Based on Miles of Pipe at year end 2022	Miles	
22	Oklahoma Natural Gas Company	19,800	45.00%	Oklahoma Natural Gas Company	20,000	44.94%
23	Kansas Gas Service Company	13,200	30.00%	Kansas Gas Service Company	13,200	29.66%
24	Texas Gas Service Company	11,000	25.00%	Texas Gas Service Company	11,300	25.39%
25	ONE Gas Inc.	0	0.00%	ONE Gas Inc.	0	0.00%
26	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
27	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
28	Total	<u>44,000</u>	100%	Total	<u>44,500</u>	100%
	Based on Customer Count at year end 2021	Customers		Based on Customer Count at year end 2022	Customers	
29	Oklahoma Natural Gas Company	905,000	40.38%	Oklahoma Natural Gas Company	913,000	40.47%
30	Kansas Gas Service Company	647,000	28.87%	Kansas Gas Service Company	648,000	28.72%
31	Texas Gas Service Company	689,000	30.75%	Texas Gas Service Company	695,000	30.81%
32	ONE Gas Inc.	0	0.00%	ONE Gas Inc.	0	0.00%
33	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
34	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
35	Total	<u>2,241,000</u>	100%	Total	<u>2,256,000</u>	100%
	Based on each company's percent of budgeted cost of SERP for 2022	SERP		Based on each company's percent of budgeted cost of SERP for 2023	SERP	
36	Oklahoma Natural Gas Company	118,438	7.40%	Oklahoma Natural Gas Company	121,214	8.75%
37	Kansas Gas Service Company	202,126	12.63%	Kansas Gas Service Company	197,803	14.29%
38	Texas Gas Service Company	3,748	0.23%	Texas Gas Service Company	3,692	0.27%
39	ONE Gas Inc.	1,276,291	79.74%	ONE Gas Inc.	1,061,980	76.69%
40	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
41	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
42	Total	<u>1,600,603</u>	100%	Total	<u>1,384,689</u>	100%



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CAUSAL ALLOCATION FACTORS

LINE NO.	2022			2023		
	DESCRIPTION	CAUSAL METRIC	CAUSAL ALLOCATION FACTOR	DESCRIPTION	CAUSAL METRIC	CAUSAL ALLOCATION FACTOR
		(a)	(b)		(c)	(d)
	Profit sharing based on employee headcount for 2022	Profit Share		Profit Share based on company's employee head count for 2023	Profit Share	
43	Oklahoma Natural Gas Company	1,123	30.88%	Oklahoma Natural Gas Company	1,184	31.46%
44	Kansas Gas Service Company	986	27.11%	Kansas Gas Service Company	979	26.02%
45	Texas Gas Service Company	866	23.81%	Texas Gas Service Company	909	24.16%
46	ONE Gas Inc.	662	18.20%	ONE Gas Inc.	691	18.36%
47	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
48	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
49	Total	<u>3,637</u>	100%	Total	<u>3,763</u>	100%
	Based on each company's percent of budgeted cost of Pension for 2022	Pension		Based on each company's percent of budgeted cost of Pension for 2023	Pension	
50	Oklahoma Natural Gas Company	-2,967,239	-18.40%	Oklahoma Natural Gas Company	1,899,077	27.17%
51	Kansas Gas Service Company	13,058,077	80.96%	Kansas Gas Service Company	1,990,303	28.47%
52	Texas Gas Service Company	2,869,643	17.79%	Texas Gas Service Company	1,403,673	20.08%
53	ONE Gas Inc.	3,169,546	19.65%	ONE Gas Inc.	1,696,703	24.27%
54	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
55	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
56	Total	<u>16,130,027</u>	100%	Total	<u>6,989,756</u>	100%
	Thrift is based on employee headcount for 2022	Thrift		Thrift is based on company's employee head count for 2023	Thrift	
57	Oklahoma Natural Gas Company	1,123	30.88%	Oklahoma Natural Gas Company	1,184	31.46%
58	Kansas Gas Service Company	986	27.11%	Kansas Gas Service Company	979	26.02%
59	Texas Gas Service Company	866	23.81%	Texas Gas Service Company	909	24.16%
60	ONE Gas Inc.	662	18.20%	ONE Gas Inc.	691	18.36%
61	Utility Insurance Company	0	0.00%	Utility Insurance Company	0	0.00%
62	ONE Gas Foundation	0	0.00%	ONE Gas Foundation	0	0.00%
63	Total	<u>3,637</u>	100%	Total	<u>3,763</u>	100%

**SCHEDULE G-23**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**PIPELINE INTEGRITY EXPENSE**

LINE NO.	DESCRIPTION	AMOUNT
		(a)
1	Total Expense for Planned Testing 2022 through 2028	\$ 19,931,485
2	Number of Years to Levelize Expense	<u>7</u>
3	Levelized Pipeline Integrity Expense	\$2,847,355
4	Test Year Pipeline Integrity Expense <sup>(1)</sup>	0
5	Adjustment to Test Year	<u><u>\$2,847,355</u></u>

Source: SCH G-23 PIT Expense.xlsx

<sup>(1)</sup>Test year pipeline integrity expense is not included in per book costs. It is collected separately via the Pipeline Integrity Testing Expenses Rider.

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**AMORTIZATION OF EXCESS DEFERRED INCOME TAXES**

LINE NO.	MONTH	MONTHLY
		AMMORTIZATION
	(a)	(b)
1	January 2022	\$(8,015)
2	Febuary 2022	(6,335)
3	March 2022	(3,167)
4	April 2022	(2,491)
5	May 2022	(1,564)
6	June 2022	(1,483)
7	July 2022	(1,653)
8	August 2022	(1,170)
9	September 2022	(1,271)
10	October 2022	(2,414)
11	November 2022	(4,616)
12	December 2022	(4,446)
13	Test Year EDIT Amortization - Account 4101110	<u>\$(38,628)</u>

Source: SCH B-10 EDIT

Study Summary  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: SUMMARY

LINE NO.	DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PUBLIC
						AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)
1	Customer Costs	\$ 28,385,370	\$ 25,897,429	\$ 2,173,560	\$ 62,872	\$ 251,508
2	Demand Costs	\$ 18,883,881	\$ 6,031,998	\$ 8,681,558	\$ 2,329,207	\$ 1,841,118
3	Commodity Costs	\$ 376,114	\$ 62,030	\$ 205,526	\$ 86,437	\$ 22,122
	Cost of Service Before Revenue Credits					
4		\$ 47,645,366	\$ 31,991,456	\$ 11,060,644	\$ 2,478,517	\$ 2,114,749
	Revenues Credited to Cost of Service (1)					
5		\$ 972,829	\$ 746,005	\$ 166,800	\$ 32,402	\$ 27,622
6	Total Cost of Service	\$ 46,672,537	\$ 31,245,451	\$ 10,893,844	\$ 2,446,115	\$ 2,087,127
7	Revenue at Current Rates	\$ 36,859,297	\$ 19,440,391	\$ 13,788,374	\$ 2,020,637	\$ 1,609,896
8	Revenue Deficiency	\$ 9,813,240	\$ 11,805,061	\$ (2,894,530)	\$ 425,478	\$ 477,231
9	Revenue-to-Cost Ratios:					
10	Current Revenue	0.7940	0.6310	1.2617	0.8283	0.7743
11	Required Revenue	1.0000	1.0000	1.0000	1.0000	1.0000

(1) Service charge revenue including Company recommended changes are used to offset each class' cost of service. Service charge revenue is directly assigned to classes and is included in the revenue credit on line 5. Allocation of the remaining revenues to be credited is based on each class' cost of service relative to the total cost of service on line 4. The components of the total revenue credit are as follows:

Service Charges	\$ 352,467
Special Contract	448,123
Irrigation Transport	120,524
Other Revenue	51,715
	<u>972,829</u>
	\$ 972,829

Classified Rate Base  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: CLASSIFIED RATE BASE

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(g)
<b>Intangible Plant</b>							
1	301	Organization	NONINTPLT	\$ —	\$ —	\$ —	\$ —
2	302	Franchises and Consents	NONINTPLT	\$ —	\$ —	\$ —	\$ —
3	303	Miscellaneous Intangible Plant	NONINTPLT	\$ —	\$ —	\$ —	\$ —
4		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —
<b>Transmission Plant</b>							
7	365	Land and Land Rights	DEM	\$ 60,856	\$ —	\$ 60,856	\$ —
8	366	Meas. and Reg. Station Structures	DEM	\$ 1,812,608	\$ —	\$ 1,812,608	\$ —
9	367	Transmission Mains	DEM	\$ 25,279,603	\$ —	\$ 25,279,603	\$ —
10	368	Compression Station Equipment	DEM	\$ 25,667	\$ —	\$ 25,667	\$ —
11	369	Measuring and Reg. Station Equipment	DEM	\$ 13,089,304	\$ —	\$ 13,089,304	\$ —
12	369	Odorization	COM	\$ 185,791	\$ —	\$ —	\$ 185,791
13	371	Other Equipment	DEM	\$ 53,986	\$ —	\$ 53,986	\$ —
14		Total Transmission Plant		\$ 40,507,816	\$ —	\$ 40,322,025	\$ 185,791
<b>Distribution Plant</b>							
17	374	Land & Land Rights	DIS376-379	\$ 40,448	\$ 19,887	\$ 20,541	\$ 19
18	375	Structures and Improvements	DIS376-379	\$ 114,218	\$ 56,159	\$ 58,004	\$ 55
19	376	Distribution Mains	MAINS	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
20	377	Compressor Station Equipment	DEM	\$ —	\$ —	\$ —	\$ —
21	378	Meas. & Reg. Sta. Equip.- Gen.	DEM	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
22	378	Odorization	COM	\$ 47,614	\$ —	\$ —	\$ 47,614
23	379	Meas. & Reg. Sta. Equip.- City Gate	DEM	\$ 2,596,368	\$ —	\$ 2,596,368	\$ —
24	379	Odorization Tank	COM	\$ 37,759	\$ —	\$ —	\$ 37,759
25	380	Services	CUS	\$ 58,784,897	\$ 58,784,897	\$ —	\$ —
26	381	Meters	CUS	\$ 18,036,958	\$ 18,036,958	\$ —	\$ —
27	382	Meter Installations	CUS	\$ 45,749	\$ 45,749	\$ —	\$ —
28	383	House Regulators	CUS	\$ 4,805,577	\$ 4,805,577	\$ —	\$ —
29	385	Meas. & Reg. Sta. Equip. - Ind.	DEM	\$ 2,695,201	\$ —	\$ 2,695,201	\$ —
30	386	Other Property - Customer Premises	CUS	\$ 6,144	\$ 6,144	\$ —	\$ —
31	387	Other Equipment	DIS376-379	\$ —	\$ —	\$ —	\$ —
32		Total Distribution Plant		\$ 163,072,813	\$ 120,350,652	\$ 42,636,714	\$ 85,447
<b>General Plant</b>							
35	389	Land & Land Rights	GENPLT	\$ 168,999	\$ 135,631	\$ 33,301	\$ 67
36	390	Structures & Improvements	GENPLT	\$ 3,459,765	\$ 2,744,304	\$ 714,030	\$ 1,431
37	391	Office Furniture and Equipment	GENPLT	\$ 7,629,679	\$ 7,383,784	\$ 245,403	\$ 492
38	392	Transportation Equipment	GENPLT	\$ 5,170,949	\$ 3,816,253	\$ 1,351,987	\$ 2,709
39	393	Stores Equipment	GENPLT	\$ —	\$ —	\$ —	\$ —
40	394	Tools, Shop & Garage	GENPLT	\$ 3,191,624	\$ 2,356,919	\$ 833,035	\$ 1,669
41	394	Odorization	COM	\$ 26,667	\$ —	\$ —	\$ 26,667
42	396	Major Work Equipment	GENPLT	\$ 425,664	\$ 314,148	\$ 111,293	\$ 223
43	397	Communication Equipment	GENPLT	\$ 4,951,826	\$ 3,684,243	\$ 1,265,047	\$ 2,535
44	398	Miscellaneous General Plant	GENPLT	\$ —	\$ —	\$ —	\$ —
45		Total General Plant		\$ 25,025,173	\$ 20,435,281	\$ 4,554,098	\$ 35,794
46							
47		Total Plant in Service		\$ 228,605,803	\$ 140,785,933	\$ 87,512,837	\$ 307,033
<b>Depreciation &amp; Amortization Reserve</b>							
50	301-303	Intangible Plant	DISPLTRES	\$ —	\$ —	\$ —	\$ —
51	325-371	Transmission Plant	DEM	\$ (860,487)	\$ —	\$ (860,487)	\$ —
52	374-387	Distribution Plant	DISPLTRES	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
53	389-398	General Plant	GENPLTRES	\$ (9,508,006)	\$ (7,947,592)	\$ (1,564,560)	\$ 4,146
54		Total Depreciation & Amortization Reserve		\$ (32,164,618)	\$ (24,049,117)	\$ (8,112,474)	\$ (3,027)
55							

Classified Rate Base  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: CLASSIFIED RATE BASE

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
56		Net Plant in Service		\$ 196,441,185	\$ 116,736,816	\$ 79,400,362	\$ 304,006
57							
58		Customer Deposits	CUS	\$ (2,767,300)	\$ (2,767,300)	\$ —	\$ —
59							
60		Customer Advances	MAINS/SVCS	\$ (137,366)	\$ (102,080)	\$ (35,286)	\$ —
61							
62		Accumulated Deferred Income Taxes	TOTPLT	\$ (17,561,856)	\$ (10,815,396)	\$ (6,722,873)	\$ (23,587)
63							
64		Excess Deferred Income Tax	TOTPLT	\$ (2,948,734)	\$ (1,815,965)	\$ (1,128,808)	\$ (3,960)
65							
66		Materials and Supplies	TOTPLT	\$ 2,275,081	\$ 1,401,099	\$ 870,926	\$ 3,056
67							
68		Prepayments	OPEXP	\$ 804,591	\$ 462,057	\$ 330,024	\$ 12,511
69							
70		Pension & FAS 106 Regulatory Asset	OPEXP	\$ 3,964,348	\$ 2,276,627	\$ 1,626,078	\$ 61,643
71							
72		DIMP Deferrals	OPEXP	\$ 277,523	\$ 159,374	\$ 113,833	\$ 4,315
73							
74		Regulatory Assets	OPEXP	\$ 155,829	\$ 89,489	\$ 63,917	\$ 2,423
75							
76		Cash Working Capital	OPEXP	\$ (375,849)	\$ (215,841)	\$ (154,164)	\$ (5,844)
77							
78		Total Rate Base		\$ 180,127,453	\$ 105,408,881	\$ 74,364,009	\$ 354,563

Classified Cost of Service

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		<b>Transmission &amp; Distribution Operations Exp.</b>					
2	814-866	Transmission Expenses	DEM	\$ 4,412,226	\$ —	\$ 4,412,226	\$ —
3	8700	Operation Supervision & Engineering	DIS871-879	\$ 340,801	\$ 262,690	\$ 74,266	\$ 3,844
4	8710	Distribution Load Dispatch	COM	\$ 53,929	\$ —	\$ —	\$ 53,929
5	8740	Mains and Services Expenses	MAINS/SVCS	\$ 2,993,055	\$ 2,224,206	\$ 768,849	\$ —
6	8740	Odorization	COM	\$ 1,372	\$ —	\$ —	\$ 1,372
7	8750	Measuring & Reg. Stat. Exp.-Gen.	DEM	\$ 171,550	\$ —	\$ 171,550	\$ —
8	8750	Odorization	COM	\$ 95,756	\$ —	\$ —	\$ 95,756
9	8760	Meas. & Reg. Stat. Exp.- Ind.	DEM	\$ 51,148	\$ —	\$ 51,148	\$ —
10	8770	Meas. & Regulating Station Exp.- City Gate	DEM	\$ 50,230	\$ —	\$ 50,230	\$ —
11	8780	Meter and House Regulator Exp.	CUS	\$ 1,458,538	\$ 1,458,538	\$ —	\$ —
12	8790	Customer Installation Expenses	CUS	\$ 2,185	\$ 2,185	\$ —	\$ —
13	8800	Other Expenses	DIS871-879	\$ 664,569	\$ 512,252	\$ 144,820	\$ 7,497
14	8810	Rents	DIS871-879	\$ 6,295	\$ 4,852	\$ 1,372	\$ 71
15	8820	Corporate & Div. Exp.	DEM	\$ —	\$ —	\$ —	\$ —
16		Total Transmission & Distribution Oper. Exp.		\$ 10,301,651	\$ 4,464,722	\$ 5,674,460	\$ 162,469
17							
18		<b>Distribution Maintenance Expenses</b>					
19	8850	Maintenance Supervision and Engineering	DIS887-893	\$ —	\$ —	\$ —	\$ —
20	8860	Structures and Improvements	DIS887-893	\$ 322,987	\$ 140,759	\$ 182,228	\$ —
21	8870	Maintenance of Mains	MAINS	\$ 1,309,764	\$ 699,596	\$ 610,168	\$ —
22	8890	Maint. of Meas. & Reg. Sta. Equip.- Gen.	DEM	\$ 568,091	\$ —	\$ 568,091	\$ —
23	8890	Odorization	COM	\$ 109,810	\$ —	\$ —	\$ 109,810
24	8900	Maint. of Meas. & Reg. Sta. Equip. - Ind.	DEM	\$ 127,343	\$ —	\$ 127,343	\$ —
25	8910	Maint. of Meas. & Reg. Sta. Equip. - City Gate	DEM	\$ 20,164	\$ —	\$ 20,164	\$ —
26	8920	Maintenance of Services	CUS	\$ 324,471	\$ 324,471	\$ —	\$ —
27	8930	Main. of Meters & House Reg.	CUS	\$ —	\$ —	\$ —	\$ —
28	8940	Maintenance of Other Equipment	DIS887-893	\$ —	\$ —	\$ —	\$ —
29	8950	Clearing - Meter Shop - Small Meters	DEM	\$ —	\$ —	\$ —	\$ —
30	8960	Clearing - Meter Shop - Large Meters	DEM	\$ —	\$ —	\$ —	\$ —
31		Total Distribution Maintenance Expenses		\$ 2,782,630	\$ 1,164,826	\$ 1,507,995	\$ 109,810
32							
33		Total Operations & Maintenance Expenses		\$ 13,084,282	\$ 5,629,548	\$ 7,182,455	\$ 272,279
34							
35		<b>Customer Accounts Expenses</b>					
36	9010	Supervision	CUS	\$ 19,697	\$ 19,697	\$ —	\$ —
37	9020	Meter Reading Expense	CUS	\$ 545,365	\$ 545,365	\$ —	\$ —
38	9030	Customer Accounting	CUS	\$ 723,510	\$ 723,510	\$ —	\$ —
39	9040	Bad Debts (includes gross up)	CUS	\$ 441,815	\$ 441,815	\$ —	\$ —
40	9050	Miscellaneous Customer Accounts Expenses	CUS	\$ 77,317	\$ 77,317	\$ —	\$ —
41		Total Customer Accounts Expenses		\$ 1,807,704	\$ 1,807,704	\$ —	\$ —
42							
43		<b>Customer Information Expenses</b>					
44	9070	Supervision	CUS	\$ —	\$ —	\$ —	\$ —
45	9080	Customer Assistance	CUS	\$ 192,148	\$ 192,148	\$ —	\$ —
46	9090	Informational and Instructional Advertising	CUS	\$ 12,615	\$ 12,615	\$ —	\$ —
47	9100	Customer Service & Informational Svc.	CUS	\$ —	\$ —	\$ —	\$ —
48		Total Customer Information Expenses		\$ 204,763	\$ 204,763	\$ —	\$ —
49							
50		<b>Sales and Advertising Expenses</b>					
51	9110	Supervision	CUS	\$ —	\$ —	\$ —	\$ —
52	9120	Demonstrating and Selling	CUS	\$ —	\$ —	\$ —	\$ —
53	9130	Advertising	CUS	\$ (2,495)	\$ (2,495)	\$ —	\$ —
54	9140	Employee Sales Referrals	CUS	\$ —	\$ —	\$ —	\$ —
55	9163	Misc. Gas Sales Expense	CUS	\$ —	\$ —	\$ —	\$ —
56		Total Sales and Advertising Expenses		\$ (2,495)	\$ (2,495)	\$ —	\$ —
57							
58		<b>Administrative &amp; General Expenses</b>					

Classified Cost of Service

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: CLASSIFIED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	CLASSIFICATION FACTOR	TOTAL	CUSTOMER	DEMAND	COMMODITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
59	920-940	Administrative & General Expenses	ADMINGEN	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
60		Total Administrative & General Expenses		\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
61							
62		<b>Depreciation and Amortization Expense</b>					
63	301-303	Intangible Plant	PLT301-03	\$ —	\$ —	\$ —	\$ —
64	365	Land and Land Rights	DEM	\$ —	\$ —	\$ —	\$ —
65	366	Meas. and Reg. Station Structures	PLT366	\$ 49,122	\$ —	\$ 49,122	\$ —
66	367	Transmission Mains	PLT367	\$ 677,505	\$ —	\$ 677,505	\$ —
67	368	Compression Station Equipment	PLT368	\$ 690	\$ —	\$ 690	\$ —
68	369	Measuring and Reg. Station Equipment	PLT369	\$ 463,301	\$ —	\$ 463,301	\$ —
69	371	Other Equipment	PLT371	\$ 2,813	\$ —	\$ 2,813	\$ —
70	375	Structures and Improvements	PLT375	\$ 4,774	\$ 2,347	\$ 2,425	\$ 2
71	376	Mains	MAINS	\$ 2,081,230	\$ 1,111,666	\$ 969,564	\$ —
72	377	Compressor Station Equipment	DEM	\$ —	\$ —	\$ —	\$ —
73	378	Meas. & Reg. Sta. Equip. - General	PLT378	\$ 84,009	\$ —	\$ 84,009	\$ —
74	378	Odorization Tank	COM	\$ 1,109	\$ —	\$ —	\$ 1,109
75	379	Meas. & Reg. Sta. Equipment - City Gate	PLT379	\$ 52,483	\$ —	\$ 52,483	\$ —
76	379	Odorization Tank	COM	\$ 763	\$ —	\$ —	\$ 763
77	380	Services	PLT380	\$ 1,874,671	\$ 1,874,671	\$ —	\$ —
78	381	Meters	PLT381	\$ 822,485	\$ 822,485	\$ —	\$ —
79	382	Meter Installations	PLT382	\$ —	\$ —	\$ —	\$ —
80	383	House Regulators	PLT383	\$ 188,379	\$ 188,379	\$ —	\$ —
81	385	Meas. & Reg. Sta. Equip. - Ind.	PLT385	\$ 61,922	\$ —	\$ 61,922	\$ —
82	386	Other Property - Customer Premises	PLT386	\$ 1,046	\$ 1,046	\$ —	\$ —
83	387	Other Equipment	PLT387	\$ —	\$ —	\$ —	\$ —
84	389-980	General Plant	GENDEP	\$ 1,358,744	\$ 1,170,563	\$ 186,033	\$ 2,148
85	389-980	General Plant - Odorization	COM	\$ 1,778	\$ —	\$ —	\$ 1,778
86	40730	Pension & FAS 106 Amortization Expense	OPEXP	\$ —	\$ —	\$ —	\$ —
87		Total Depreciation and Amortization Expense		\$ 7,726,825	\$ 5,171,158	\$ 2,549,866	\$ 5,801
88							
89		<b>Taxes Other Than Income</b>					
90	4080	Payroll and Other	OPEXP	\$ 539,340	\$ 309,730	\$ 221,224	\$ 8,386
91	4080	Ad Valorem - Allocated	TOTPLT	\$ 1,418,507	\$ 873,582	\$ 543,020	\$ 1,905
92	4080	Revenue Related (includes gross up)	CUS	\$ 73,599	\$ 73,599	\$ —	\$ —
93		Total Taxes Other Than Income		\$ 2,031,446	\$ 1,256,910	\$ 764,244	\$ 10,292
94							
95	4101	Excess Deferred Income Tax Amortization	RB	\$ (38,628)	\$ (22,605)	\$ (15,947)	\$ (76)
96							
97	4310	Interest on Customer Deposits	CUS	\$ 37,635	\$ 37,635	\$ —	\$ —
98							
99		Required Return	RB	\$ 13,959,878	\$ 8,169,188	\$ 5,763,211	\$ 27,479
100		Income Taxes	RB	\$ 2,904,627	\$ 1,699,760	\$ 1,199,149	\$ 5,717
101		Total Cost of Service Before Revenue Credits		\$ 47,645,366	\$ 28,385,370	\$ 18,883,881	\$ 376,114



Classification Factors

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS

LINE NO.	CLASSIFICATION		DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	ACCT.	FACTOR					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1		CUS	Customer Factor		1.00000	0.00000	0.00000
2							
3		DEM	Demand Factor		0.00000	1.00000	0.00000
4							
5		COM	Commodity Factor		0.00000	0.00000	1.00000
6							
7		DEM-COM	Demand and Commodity Factor		0.00000	0.50000	0.50000
8							
9			Total Transmission Plant	\$ 40,507,816	\$ —	\$ 40,322,025	\$ 185,791
10			Total Distribution Plant	\$ 163,072,813	\$ 120,350,652	\$ 42,636,714	\$ 85,447
11			Total General Plant	\$ 25,025,173	\$ 20,435,281	\$ 4,554,098	\$ 35,794
12			Total Non-Intangible Plant	\$ 228,605,803	\$ 140,785,933	\$ 87,512,837	\$ 307,033
13		NONINTPLT	Non-Intangible Plant Factor	1.00000	0.61585	0.38281	0.00134
14							
15	376		Distribution Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
16	377		Compressor Station Equipment	\$ —	\$ —	\$ —	\$ —
17	378		Meas. & Reg. Sta. Equip.- Gen.	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
18	379		Meas. & Reg. Sta. Equip.- City Gate	\$ 2,634,126	\$ —	\$ 2,596,368	\$ 37,759
19			Total Accounts 376-379	\$ 78,496,008	\$ 38,595,281	\$ 39,862,968	\$ 37,759
20		DIS376-379	Accounts 376-379 Factor	1.00000	0.49168	0.50783	0.00048
21							
22	376		Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
23		MAINS	Distribution Mains Allocated Factor	1.00000	0.53414	0.46586	0.00000
24							
25	376/380		Mains and Services-Allocated	\$ 131,041,904	\$ 97,380,178	\$ 33,661,726	\$ —
26		MAINS/SVCS	Mains and Services Allocated Factor	1.00000	0.74312	0.25688	0.00000
27							
28	374-87		Total Distribution Plant	\$ 163,072,813	\$ 120,350,652	\$ 42,636,714	\$ 85,447
29		DISPLT	Distribution Plant Factor	1.00000	0.73802	0.26146	0.00052
30							
31							
32	374		Land & Land Rights	\$ (35,457)	\$ (17,434)	\$ (18,006)	\$ (17)
33	375		Structures and Improvements	\$ (39,274)	\$ (19,311)	\$ (19,945)	\$ (19)
34	376		Distribution Mains	\$ (10,564,493)	\$ (5,642,907)	\$ (4,921,586)	\$ —
35	378		Meas. & Reg. Sta. Equip.-Gen.	\$ (511,561)	\$ —	\$ (511,561)	\$ —
36	379		Meas. & Reg. Sta. Equip.-City Gate	\$ (71,669)	\$ —	\$ (71,669)	\$ —
37	378-379		Odorization Tank	\$ (7,135)	\$ —	\$ —	\$ (7,135)
38	380		Services	\$ (5,511,467)	\$ (5,511,467)	\$ —	\$ —
39	381		Meters	\$ (3,910,372)	\$ (3,910,372)	\$ —	\$ —
40	382		Meter Installations	\$ (6,164)	\$ (6,164)	\$ —	\$ —
41	383		House Regulators	\$ (992,306)	\$ (992,306)	\$ —	\$ —
42	385		Meas. & Reg. Sta. Equip.-Ind.	\$ (143,044)	\$ —	\$ (143,044)	\$ —
43	386		Other Property-Customer Premises	\$ (3,183)	\$ (1,565)	\$ (1,616)	\$ (2)
44	378		Other Equipment	\$ —	\$ —	\$ —	\$ —
45			Total Distribution Plant Reserve	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
46		DISPLTRES	Distribution Plant Reserve Factor	\$ 1.00000	0.73873	0.26094	0.00033
47							
48			General Plant Reserve	\$ (9,508,006)	\$ (7,947,592)	\$ (1,564,560)	\$ 4,146
49		GENPLTRES	General Plant Reserve Factor	1.00000	0.83588	0.16455	-0.00044
50							
51			Total Plant	\$ 228,605,803	\$ 140,785,933	\$ 87,512,837	\$ 307,033
52		TOTPLT	Total Plant Factor	1.00000	0.61585	0.38281	0.00134
53							
54	374		Land & Land Rights	\$ (35,457)	\$ (17,434)	\$ (18,006)	\$ (17)
55	375		Structures and Improvements	\$ (39,274)	\$ (19,311)	\$ (19,945)	\$ (19)
56	376		Distribution Mains	\$ (10,564,493)	\$ (5,642,907)	\$ (4,921,586)	\$ —
57	377		Compressor Station Equipment	\$ —	\$ —	\$ —	\$ —
58	378		Meas. & Reg. Station Equip.- Gen.	\$ (511,561)	\$ —	\$ (511,561)	\$ —
59	378		Odorization Tank	\$ 3,297	\$ —	\$ —	\$ 3,297
60	379		Meas. & Reg. Station Equip.- City Gate	\$ (71,669)	\$ —	\$ (71,669)	\$ —
61	379		Odorization Tank	\$ (10,433)	\$ —	\$ —	\$ (10,433)

Classification Factors

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS

LINE NO.	CLASSIFICATION		DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	ACCT.	FACTOR					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
62	380		Services	\$ (5,511,467)	\$ (5,511,467)	\$ —	\$ —
63	381		Meters	\$ (3,910,372)	\$ (3,910,372)	\$ —	\$ —
64	382		Meter Installations	\$ (6,164)	\$ (6,164)	\$ —	\$ —
65	383		House Regulators	\$ (992,306)	\$ (992,306)	\$ —	\$ —
66	385		Meas. & Reg. Sta. Equip. -Ind.	\$ (143,044)	\$ —	\$ (143,044)	\$ —
67	386		Other Property - Customer Premises	\$ (3,183)	\$ (1,565)	\$ (1,616)	\$ (2)
68	387		Other Equipment	\$ —	\$ —	\$ —	\$ —
69			Total Distribution Plant Reserve	\$ (21,796,125)	\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
70		DISPLTRES	Distribution Plant Reserve	1.00000	0.73873	0.26094	0.00033
71							
72			Total Operations and Maintenance Expenses	\$ 13,084,282	\$ 5,629,548	\$ 7,182,455	\$ 272,279
73			Total Customer Accounts Expenses	\$ 1,807,704	\$ 1,807,704	\$ —	\$ —
74			Total Customer Service Expenses	\$ 204,763	\$ 204,763	\$ —	\$ —
75			Total Sales and Advertising Expenses	\$ (2,495)	\$ (2,495)	\$ —	\$ —
76			Administrative and General Expenses	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
77			Total Operating Expenses	\$ 21,023,583	\$ 12,073,323	\$ 8,623,358	\$ 326,902
78		OPEXP	Operating Expense Factor	1.00000	0.57428	0.41018	0.01555
79							
80	8710		Distribution Load Dispatch	\$ 53,929	\$ —	\$ —	\$ 53,929
81	8740		Mains and Services Expenses	\$ 2,993,055	\$ 2,224,206	\$ 768,849	\$ —
82	8750		Measuring & Reg. Stat. Exp.-Gen.	\$ 171,550	\$ —	\$ 171,550	\$ —
83	8760		Meas. & Reg. Stat. Exp.- Ind.	\$ 51,148	\$ —	\$ 51,148	\$ —
84	8770		Meas. & Regulating Station Exp.- City Gate	\$ 50,230	\$ —	\$ 50,230	\$ —
85	8780		Meter and House Regulator Exp.	\$ 1,458,538	\$ 1,458,538	\$ —	\$ —
86	8790		Customer Installation Expenses	\$ 2,185	\$ 2,185	\$ —	\$ —
87			Total Accounts 871-879	\$ 4,780,633	\$ 3,684,928	\$ 1,041,776	\$ 53,929
88		DIS871-879	Accounts 871-879 Factor	1.00000	0.77080	0.21792	0.01128
89							
90	8870		Maintenance of Mains	\$ 1,309,764	\$ 699,596	\$ 610,168	\$ —
91	8890		Maint. of Meas. & Reg. Sta. Equip.- Gen.	\$ 568,091	\$ —	\$ 568,091	\$ —
92	8900		Maint. of Meas. & Reg. Sta. Equip. - Ind.	\$ 127,343	\$ —	\$ 127,343	\$ —
93	8910		Maint. of Meas. & Reg. Sta. Equip. - City Gate	\$ 20,164	\$ —	\$ 20,164	\$ —
94	8920		Maintenance of Services	\$ 324,471	\$ 324,471	\$ —	\$ —
95	8930		Main. of Meters & House Reg.	\$ —	\$ —	\$ —	\$ —
96			Total Accounts 887-893	\$ 2,349,833	\$ 1,024,067	\$ 1,325,767	\$ —
97		DIS887-893	Accounts 887-893 Factor	1.00000	0.43580	0.56420	0.00000
98							
99			Total Operations and Maintenance Expenses	\$ 13,084,282	\$ 5,629,548	\$ 7,182,455	\$ 272,279
100			Total Customer Accounts Expenses	\$ 1,807,704	\$ 1,807,704	\$ —	\$ —
101			Total Customer Service Expenses	\$ 204,763	\$ 204,763	\$ —	\$ —
102			Total Sales and Advertising Expenses	\$ (2,495)	\$ (2,495)	\$ —	\$ —
103			Total Operating Exp. Without A&G Expenses	\$ 15,094,254	\$ 7,639,520	\$ 7,182,455	\$ 272,279
104		NONAGOPEXP	Non-A&G Operating Expenses Factor	1.00000	0.50612	0.47584	0.01804
105							
106	920-932		Administrative and General Expenses	\$ 5,929,328	\$ 4,433,803	\$ 1,440,903	\$ 54,623
107		ADMINGEN	Administrative and General Expenses Factor	1.00000	0.74777	0.24301	0.00921
108							
109	366		Meas. and Reg. Station Structures	\$ 1,812,608	\$ —	\$ 1,812,608	\$ —
110		PLT366	Measuring and Reg. Station Structures Factor	1.00000	0.00000	1.00000	0.00000
111							
112	367		Transmission Mains	\$ 25,279,603	\$ —	\$ 25,279,603	\$ —
113		PLT367	Transmission Mains	1.00000	0.00000	1.00000	0.00000
114							
115	368		Compression Station Equipment	\$ 25,667	\$ —	\$ 25,667	\$ —
116		PLT368	Compression Station Equipment Factor	1.00000	0.00000	1.00000	0.00000
117							
118	369		Measuring and Reg. Station Equipment	\$ 13,089,304	\$ —	\$ 13,089,304	\$ —
119		PLT369	Measuring & Reg, Station Equipment Factor	1.00000	0.00000	1.00000	0.00000
120							
121	371		Other Equipment	\$ 53,986	\$ —	\$ 53,986	\$ —
122		PLT371	Other Equipment Factor	1.00000	0.00000	1.00000	0.00000

Classification Factors

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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CLASS COST OF SERVICE STUDY: CLASSIFICATION FACTORS

LINE NO.	CLASSIFICATION		DESCRIPTION	TOTAL	CUSTOMER	DEMAND	COMMODITY
	ACCT.	FACTOR					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
123							
124	375		Structures and Improvements	\$ 114,218	\$ 56,159	\$ 58,004	\$ 55
125		PLT375	Structures and Improvements Factor	1.00000	0.49168	0.50783	0.00048
126							
127	376		Distribution Mains	\$ 72,257,007	\$ 38,595,281	\$ 33,661,726	\$ —
128		PLT376	Distribution Mains Factor	1.00000	0.53414	0.46586	0.00000
129							
130	378		Meas. & Reg. Sta. Equip.- Gen.	\$ 3,604,874	\$ —	\$ 3,604,874	\$ —
131		PLT378	Meas. & Reg. Station Equip. - General Factor	1.00000	0.00000	1.00000	0.00000
132							
133	379		Meas. & Reg. Sta. Equip.- City Gate	\$ 2,596,368	\$ —	\$ 2,596,368	\$ —
134		PLT379	Meas. & Reg. Station Equip. - City Gate Factor	1.00000	0.00000	1.00000	0.00000
135							
136	380		Services	\$ 58,784,897	\$ 58,784,897	\$ —	\$ —
137		PLT380	Services Factor	1.00000	1.00000	0.00000	0.00000
138							
139	381		Meters	\$ 18,036,958	\$ 18,036,958	\$ —	\$ —
140		PLT381	Meters Factor	1.00000	1.00000	0.00000	0.00000
141							
142	382		Meter Installations	\$ 45,749	\$ 45,749	\$ —	\$ —
143		PLT382	Meter Installations Factor	1.00000	1.00000	0.00000	0.00000
144							
145	383		House Regulators	\$ 4,805,577	\$ 4,805,577	\$ —	\$ —
146		PLT383	House Regulators Factor	1.00000	1.00000	0.00000	0.00000
147							
148	385		Meas. & Reg. Sta. Equip. - Ind.	\$ 2,695,201	\$ —	\$ 2,695,201	\$ —
149		PLT385	Meas. & Reg. Sta. Equip.-Industrial Factor	1.00000	0.00000	1.00000	0.00000
150							
151	386		Other Property - Customer Premises	\$ 6,144	\$ 6,144	\$ —	\$ —
152		PLT386	Other Property-Customer Premises Factor	1.00000	1.00000	0.00000	0.00000
153							
154	387		Other Equipment	\$ —	\$ —	\$ —	\$ —
155		PLT387	Other Equipment Factor	0.00000	0.00000	0.00000	0.00000
156							
157	301-03		Intangible Plant	\$ —	\$ —	\$ —	\$ —
158		PLT301-03	Intangible Plant	0.00000	0.00000	0.00000	0.00000
159							
160	389-98		General Plant Depreciation Expense	\$ 1,360,522	\$ 1,172,095	\$ 186,276	\$ 2,151
161		GENDEP	General Plant Depreciation Expense Factor	1.00000	0.86150	0.13692	0.00158
162							
163			Rate Base	\$ 180,127,453	\$ 105,408,881	\$ 74,364,009	\$ 354,563
164		RB	Rate Base Factor	1.00000	0.58519	0.41284	0.00197

Allocated Rate Base  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	301-303	<b>Intangible Plant</b>						
2		Customer	NONINCUS	\$ —	\$ —	\$ —	\$ —	\$ —
3		Demand	NONINDEM	\$ —	\$ —	\$ —	\$ —	\$ —
4		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
5		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
6	365-371	<b>Transmission Plant</b>						
7		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
8		Demand	DEM	\$ 40,322,025	\$ 13,098,902	\$ 18,389,454	\$ 4,933,775	\$ 3,899,895
9		Commodity	COM	\$ 185,791	\$ 30,641	\$ 101,525	\$ 42,698	\$ 10,928
10		Total Transmission Plant		\$ 40,507,816	\$ 13,129,543	\$ 18,490,979	\$ 4,976,473	\$ 3,910,822
11		<b>Distribution Plant</b>						
12	374	<b>Land &amp; Land Rights</b>						
13		Customer	CUS	\$ 19,887	\$ 18,474	\$ 1,233	\$ 22	\$ 159
14		Demand	DEM	\$ 20,541	\$ 6,673	\$ 9,368	\$ 2,513	\$ 1,987
15		Commodity	COM	\$ 19	\$ 3	\$ 11	\$ 4	\$ 1
16		Total Land & Land Rights		\$ 40,448	\$ 25,150	\$ 10,612	\$ 2,540	\$ 2,146
17	375	<b>Structures and Improvements</b>						
18		Customer	376-379CUS	\$ 56,159	\$ 52,167	\$ 3,483	\$ 62	\$ 448
19		Demand	DEM	\$ 58,004	\$ 18,843	\$ 26,454	\$ 7,097	\$ 5,610
20		Commodity	COM	\$ 55	\$ 9	\$ 30	\$ 13	\$ 3
21		Total Structures and Improvements		\$ 114,218	\$ 71,019	\$ 29,966	\$ 7,172	\$ 6,061
22	376	<b>Distribution Mains</b>						
23		Customer	CUS	\$ 38,595,281	\$ 35,851,458	\$ 2,393,376	\$ 42,668	\$ 307,779
24		Demand	DEM	\$ 33,661,726	\$ 10,935,255	\$ 15,351,927	\$ 4,118,825	\$ 3,255,719
25		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
26		Total Distribution Mains		\$ 72,257,007	\$ 46,786,714	\$ 17,745,302	\$ 4,161,494	\$ 3,563,498
27	377	<b>Compressor Station Equipment</b>						
28		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
29		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
30		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
31		Total Compressor Station Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
32	378	<b>Meas. &amp; Reg. Sta. Equip.- Gen.</b>						
33		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
34		Demand	DEM	\$ 3,604,874	\$ 1,171,069	\$ 1,644,056	\$ 441,090	\$ 348,659
35		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
36		Total Meas. & Reg. Sta. Equip.- Gen.		\$ 3,604,874	\$ 1,171,069	\$ 1,644,056	\$ 441,090	\$ 348,659
37	378	<b>Odorization Tank</b>						
38		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
39		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
40		Commodity	COM	\$ 47,614	\$ 7,853	\$ 26,018	\$ 10,942	\$ 2,800
41		Total Odorization Tank		\$ 47,614	\$ 7,853	\$ 26,018	\$ 10,942	\$ 2,800
42	379	<b>Meas. &amp; Reg. Station - City Gate</b>						
43		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
44		Demand	DEM	\$ 2,596,368	\$ 843,449	\$ 1,184,112	\$ 317,690	\$ 251,117
45		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
46		Total Meas. & Reg. Equip.-City Gate		\$ 2,596,368	\$ 843,449	\$ 1,184,112	\$ 317,690	\$ 251,117
47	379	<b>Odorization Tank</b>						
48		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
49		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
50		Commodity	COM	\$ 37,759	\$ 6,227	\$ 20,633	\$ 8,678	\$ 2,221
51		Total Odorization Tank		\$ 37,759	\$ 6,227	\$ 20,633	\$ 8,678	\$ 2,221
52	380	<b>Services</b>						
53		Customer	SERCUS	\$ 58,784,897	\$ 53,139,524	\$ 4,920,057	\$ 98,515	\$ 626,802
54		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
55		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
56		Total Services		\$ 58,784,897	\$ 53,139,524	\$ 4,920,057	\$ 98,515	\$ 626,802
57	381	<b>Meters</b>						
58		Customer	METCUS	\$ 18,036,958	\$ 15,926,759	\$ 1,817,588	\$ 85,989	\$ 206,623
59		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
60		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
61		Total Meters		\$ 18,036,958	\$ 15,926,759	\$ 1,817,588	\$ 85,989	\$ 206,623
62	382	<b>Meter Installations</b>						
63		Customer	METCUS	\$ 45,749	\$ 40,396	\$ 4,610	\$ 218	\$ 524
64		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
65		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
66		Total Meter Installations		\$ 45,749	\$ 40,396	\$ 4,610	\$ 218	\$ 524

Allocated Rate Base  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
67	383	<b>House Regulators</b>						
68		Customer	REGCUS	\$ 4,805,577	\$ 4,291,718	\$ 423,512	\$ 30,943	\$ 59,404
69		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
70		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
71		Total House Regulators		\$ 4,805,577	\$ 4,291,718	\$ 423,512	\$ 30,943	\$ 59,404
72	385	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>						
73		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
74		Demand	NRDEM	\$ 2,695,201	\$ —	\$ 1,820,632	\$ 488,464	\$ 386,106
75		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
76		Total Meas. & Reg. Sta. Equip.- Ind.		\$ 2,695,201	\$ —	\$ 1,820,632	\$ 488,464	\$ 386,106
77	386	<b>Other Prop.-Customer Premises</b>						
78		Customer	CUS	\$ 6,144	\$ 5,707	\$ 381	\$ 7	\$ 49
79		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
80		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
81		Total Other Prop.- Cust. Premises		\$ 6,144	\$ 5,707	\$ 381	\$ 7	\$ 49
82	387	<b>Other Equipment</b>						
83		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
84		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
85		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
86		Total Other Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
87		<b>Total Distribution Plant</b>						
88		Customer		\$ 120,350,652	\$ 109,326,202	\$ 9,564,239	\$ 258,424	\$ 1,201,787
89		Demand		\$ 42,636,714	\$ 12,975,289	\$ 20,036,547	\$ 5,375,679	\$ 4,249,197
90		Commodity		\$ 85,447	\$ 14,092	\$ 46,692	\$ 19,637	\$ 5,026
91		Total Distribution Plant		\$ 163,072,813	\$ 122,315,584	\$ 29,647,478	\$ 5,653,741	\$ 5,456,010
92		<b>Total General Plant</b>						
93		Customer	CUS	\$ 20,435,281	\$ 18,982,492	\$ 1,267,235	\$ 22,592	\$ 162,961
94		Demand	DEM	\$ 4,554,098	\$ 1,479,432	\$ 2,076,963	\$ 557,236	\$ 440,467
95		Commodity	COM	\$ 35,794	\$ 5,903	\$ 19,560	\$ 8,226	\$ 2,105
96		Total General Plant		\$ 25,025,173	\$ 20,467,827	\$ 3,363,758	\$ 588,054	\$ 605,533
97		<b>Total Plant in Service</b>						
98		Customer		\$ 140,785,933	\$ 128,308,695	\$ 10,831,474	\$ 281,016	\$ 1,364,748
99		Demand		\$ 87,512,837	\$ 27,553,623	\$ 40,502,965	\$ 10,866,690	\$ 8,589,558
100		Commodity		\$ 307,033	\$ 50,637	\$ 167,777	\$ 70,561	\$ 18,059
101		Total Plant in Service		\$ 228,605,803	\$ 155,912,954	\$ 51,502,216	\$ 11,218,267	\$ 9,972,365
102		<b>Depreciation &amp; Amort. Reserve</b>						
103		<b>Intangible Plant</b>						
104		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
105		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
106		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
107		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
108		<b>Transmission Plant</b>						
109		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
110		Demand	DEM	\$ (860,487)	\$ (279,535)	\$ (392,438)	\$ (105,289)	\$ (83,225)
111		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
112		Total Transmission Plant		\$ (860,487)	\$ (279,535)	\$ (392,438)	\$ (105,289)	\$ (83,225)
113		<b>Distribution Plant</b>						
114		Customer	DISPLTCUS	\$ (16,101,525)	\$ (14,626,581)	\$ (1,279,584)	\$ (34,574)	\$ (160,785)
115		Demand	DISPLTDEM	\$ (5,687,427)	\$ (1,730,809)	\$ (2,672,730)	\$ (717,077)	\$ (566,812)
116		Commodity	COM	\$ (7,173)	\$ (1,183)	\$ (3,920)	\$ (1,648)	\$ (422)
117		Total Distribution Plant		\$ (21,796,125)	\$ (16,358,573)	\$ (3,956,234)	\$ (753,299)	\$ (728,019)
118		<b>General Plant</b>						
119		Customer	GENPTCUS	\$ (7,947,592)	\$ (7,280,039)	\$ (580,126)	\$ (13,994)	\$ (73,433)
120		Demand	DISPLTDEM	\$ (1,564,560)	\$ (476,130)	\$ (735,244)	\$ (197,261)	\$ (155,925)
121		Commodity	COM	\$ 4,146	\$ 684	\$ 2,266	\$ 953	\$ 244
122		Total General Plant		\$ (9,508,006)	\$ (7,755,485)	\$ (1,313,104)	\$ (210,303)	\$ (229,114)
123		<b>Total Depr. &amp; Amort. Reserve</b>						
124		Customer		\$ (24,049,117)	\$ (21,906,620)	\$ (1,859,710)	\$ (48,569)	\$ (234,218)
125		Demand		\$ (8,112,474)	\$ (2,486,475)	\$ (3,800,411)	\$ (1,019,626)	\$ (805,962)
126		Commodity		\$ (3,027)	\$ (499)	\$ (1,654)	\$ (696)	\$ (178)
127		Total Depr. & Amortization Reserve		\$ (32,164,618)	\$ (24,393,594)	\$ (5,661,775)	\$ (1,068,890)	\$ (1,040,358)
128		<b>Net Plant in Service</b>						
129		Customer		\$ 116,736,816	\$ 106,402,075	\$ 8,971,764	\$ 232,447	\$ 1,130,530
130		Demand		\$ 79,400,362	\$ 25,067,148	\$ 36,702,554	\$ 9,847,064	\$ 7,783,596
131		Commodity		\$ 304,006	\$ 50,137	\$ 166,123	\$ 69,865	\$ 17,881
132		Total Net Plant in Service		\$ 196,441,185	\$ 131,519,361	\$ 45,840,440	\$ 10,149,377	\$ 8,932,007

Allocated Rate Base  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED RATE BASE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
133		<b>Customer Deposits</b>						
134		Customer	DEPCUS	\$ (2,767,300)	\$ (1,046,275)	\$ (1,651,105)	\$ (53,970)	\$ (15,950)
135		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
136		Commodity	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
137		Total Customer Deposits		\$ (2,767,300)	\$ (1,046,275)	\$ (1,651,105)	\$ (53,970)	\$ (15,950)
138		<b>Customer Advances</b>						
139		Customer	MSCUS	\$ (102,080)	\$ (93,286)	\$ (7,666)	\$ (148)	\$ (980)
140		Demand	DEM	\$ (35,286)	\$ (11,463)	\$ (16,093)	\$ (4,318)	\$ (3,413)
141		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
142		Total Customer Advances		\$ (137,366)	\$ (104,749)	\$ (23,759)	\$ (4,466)	\$ (4,393)
143		<b>Accum. Deferred Income Taxes</b>						
144		Customer	TP LTCUS	\$ (10,815,396)	\$ (9,856,875)	\$ (832,091)	\$ (21,588)	\$ (104,842)
145		Demand	TP LTDEM	\$ (6,722,873)	\$ (2,116,712)	\$ (3,111,501)	\$ (834,796)	\$ (659,863)
146		Commodity	COM	\$ (23,587)	\$ (3,890)	\$ (12,889)	\$ (5,421)	\$ (1,387)
147		Total Accum. Deferred Inc. Taxes		\$ (17,561,856)	\$ (11,977,477)	\$ (3,956,481)	\$ (861,805)	\$ (766,093)
148		<b>Excess Deferred Income Taxes</b>						
149		Customer	TP LTCUS	\$ (1,815,965)	\$ (1,655,024)	\$ (139,713)	\$ (3,625)	\$ (17,604)
150		Demand	TP LTDEM	\$ (1,128,808)	\$ (355,408)	\$ (522,438)	\$ (140,167)	\$ (110,795)
151		Commodity	COM	\$ (3,960)	\$ (653)	\$ (2,164)	\$ (910)	\$ (233)
152		Total Excess Deferred Income Taxes		\$ (2,948,734)	\$ (2,011,085)	\$ (664,315)	\$ (144,702)	\$ (128,631)
153		<b>Materials and Supplies</b>						
154		Customer	TP LTCUS	\$ 1,401,099	\$ 1,276,926	\$ 107,795	\$ 2,797	\$ 13,582
155		Demand	TP LTDEM	\$ 870,926	\$ 274,213	\$ 403,085	\$ 108,145	\$ 85,483
156		Commodity	COM	\$ 3,056	\$ 504	\$ 1,670	\$ 702	\$ 180
157		Total Materials and Supplies		\$ 2,275,081	\$ 1,551,643	\$ 512,549	\$ 111,644	\$ 99,245
158		<b>Prepayments</b>						
159		Customer	OPEXPCUS	\$ 462,057	\$ 418,343	\$ 38,182	\$ 1,258	\$ 4,274
160		Demand	OPEXPDEM	\$ 330,024	\$ 104,240	\$ 152,519	\$ 40,920	\$ 32,345
161		Commodity	COM	\$ 12,511	\$ 2,063	\$ 6,836	\$ 2,875	\$ 736
162		Total Prepayments		\$ 804,591	\$ 524,646	\$ 197,537	\$ 45,053	\$ 37,355
163		<b>Pension &amp; FAS 106 Reg. Asset</b>						
164		Customer	OPEXPCUS	\$ 2,276,627	\$ 2,061,242	\$ 188,128	\$ 6,197	\$ 21,060
165		Demand	OPEXPDEM	\$ 1,626,078	\$ 513,606	\$ 751,485	\$ 201,619	\$ 159,369
166		Commodity	COM	\$ 61,643	\$ 10,166	\$ 33,684	\$ 14,166	\$ 3,626
167		Total Pen. & FAS 106 Reg. Asset		\$ 3,964,348	\$ 2,585,015	\$ 973,297	\$ 221,982	\$ 184,055
168		<b>DIMP Deferrals</b>						
169		Customer	TP LTCUS	\$ 159,374	\$ 145,250	\$ 12,262	\$ 318	\$ 1,545
170		Demand	TP LTDEM	\$ 113,833	\$ 35,841	\$ 52,685	\$ 14,135	\$ 11,173
171		Commodity	COM	\$ 4,315	\$ 712	\$ 2,358	\$ 992	\$ 254
172		Total DIMP Deferrals		\$ 277,523	\$ 181,802	\$ 67,304	\$ 15,445	\$ 12,972
173		<b>Regulatory Assets</b>						
174		Customer	TP LTCUS	\$ 89,489	\$ 81,558	\$ 6,885	\$ 179	\$ 867
175		Demand	TP LTDEM	\$ 63,917	\$ 20,125	\$ 29,582	\$ 7,937	\$ 6,274
176		Commodity	COM	\$ 2,423	\$ 400	\$ 1,324	\$ 557	\$ 143
177		Total Regulatory Assets		\$ 155,829	\$ 102,082	\$ 37,791	\$ 8,672	\$ 7,284
178		<b>Cash Working Capital</b>						
179		Customer	OPEXPCUS	\$ (215,841)	\$ (195,421)	\$ (17,836)	\$ (587)	\$ (1,997)
180		Demand	OPEXPDEM	\$ (154,164)	\$ (48,694)	\$ (71,246)	\$ (19,115)	\$ (15,109)
181		Commodity	COM	\$ (5,844)	\$ (964)	\$ (3,194)	\$ (1,343)	\$ (344)
182		Total Cash Working Capital		\$ (375,849)	\$ (245,078)	\$ (92,276)	\$ (21,046)	\$ (17,450)
183		<b>Total Rate Base</b>						
184		Customer		\$ 105,408,881	\$ 97,538,513	\$ 6,676,604	\$ 163,277	\$ 1,030,486
185		Demand		\$ 74,364,009	\$ 23,482,896	\$ 34,370,630	\$ 9,221,424	\$ 7,289,060
186		Commodity		\$ 354,563	\$ 58,475	\$ 193,749	\$ 81,484	\$ 20,854
187		Total Rate Base		\$ 180,127,453	\$ 121,079,884	\$ 41,240,984	\$ 9,466,185	\$ 8,340,401

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1		<b>Transmission and Distribution Operating Expense</b>						
2	814-866	<b>Transmission Expenses</b>						
3		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
4		Demand	DEM	\$ 4,412,226	\$ 1,433,344	\$ 2,012,261	\$ 539,877	\$ 426,745
5		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
6		Total Transmission Expense		\$ 4,412,226	\$ 1,433,344	\$ 2,012,261	\$ 539,877	\$ 426,745
7	8700	<b>Operation Supervision &amp; Engineering</b>						
8		Customer	871-879CUS	\$ 262,690	\$ 237,049	\$ 22,148	\$ 760	\$ 2,733
9		Demand	DEM	\$ 74,266	\$ 24,126	\$ 33,870	\$ 9,087	\$ 7,183
10		Commodity	COM	\$ 3,844	\$ 634	\$ 2,101	\$ 884	\$ 226
11		Total Supervision & Engineering		\$ 340,801	\$ 261,809	\$ 58,119	\$ 10,730	\$ 10,142
12	8710	<b>Distribution Load Dispatch</b>						
13		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
14		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
15		Commodity	COM	\$ 53,929	\$ 8,894	\$ 29,469	\$ 12,394	\$ 3,172
16		Total Distribution Load Dispatch		\$ 53,929	\$ 8,894	\$ 29,469	\$ 12,394	\$ 3,172
17	8740	<b>Mains and Services Expenses</b>						
18		Customer	MSCUS	\$ 2,224,206	\$ 2,032,593	\$ 167,042	\$ 3,225	\$ 21,346
19		Demand	DEM	\$ 768,849	\$ 249,766	\$ 350,645	\$ 94,076	\$ 74,362
20		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
21		Total Mains & Services		\$ 2,993,055	\$ 2,282,359	\$ 517,687	\$ 97,300	\$ 95,708
22	8740	<b>Odorization</b>						
23		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
24		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
25		Commodity	COM	\$ 1,372	\$ 226	\$ 750	\$ 315	\$ 81
26		Total Odorization		\$ 1,372	\$ 226	\$ 750	\$ 315	\$ 81
27	8750	<b>Meas. &amp; Reg. Station - Gen.</b>						
28		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
29		Demand	DEM	\$ 171,550	\$ 55,729	\$ 78,238	\$ 20,991	\$ 16,592
30		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
31		Total Meas. & Reg. Station - Gen.		\$ 171,550	\$ 55,729	\$ 78,238	\$ 20,991	\$ 16,592
32	8750	<b>Odorization</b>						
33		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
34		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
35		Commodity	COM	\$ 95,756	\$ 15,792	\$ 52,325	\$ 22,006	\$ 5,632
36		Total Odorization		\$ 95,756	\$ 15,792	\$ 52,325	\$ 22,006	\$ 5,632
37	8760	<b>Meas. &amp; Reg. Stat. - Ind.</b>						
38		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
39		Demand	NRDEM	\$ 51,148	\$ —	\$ 34,551	\$ 9,270	\$ 7,327
40		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
41		Total Meas. & Reg. Stat. - Ind.		\$ 51,148	\$ —	\$ 34,551	\$ 9,270	\$ 7,327
42	8770	<b>Meas. &amp; Reg. Stat. - City Gate</b>						
43		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
44		Demand	DEM	\$ 50,230	\$ 16,317	\$ 22,908	\$ 6,146	\$ 4,858
45		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
46		Total Meas. & Reg. Stat. - City Gate		\$ 50,230	\$ 16,317	\$ 22,908	\$ 6,146	\$ 4,858
47	8780	<b>Meter &amp; House Reg. Exp.</b>						
48		Customer	MTRGCUS	\$ 1,458,538	\$ 1,290,725	\$ 143,426	\$ 7,423	\$ 16,963
49		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
50		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
51		Total Meter & House Reg. Exp.		\$ 1,458,538	\$ 1,290,725	\$ 143,426	\$ 7,423	\$ 16,963

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
52	8790	<b>Customer Installation Expense</b>						
53		Customer	METCUS	\$ 2,185	\$ 1,929	\$ 220	\$ 10	\$ 25
54		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
55		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
56		Total Customer Install. Expense		\$ 2,185	\$ 1,929	\$ 220	\$ 10	\$ 25
57	8800	<b>Other Expenses</b>						
58		Customer	871-879CUS	\$ 512,252	\$ 462,252	\$ 43,190	\$ 1,482	\$ 5,329
59		Demand	DEM	\$ 144,820	\$ 47,046	\$ 66,047	\$ 17,720	\$ 14,007
60		Commodity	COM	\$ 7,497	\$ 1,236	\$ 4,097	\$ 1,723	\$ 441
61		Total Other Expenses		\$ 664,569	\$ 510,534	\$ 113,334	\$ 20,925	\$ 19,777
62	8810	<b>Rents</b>						
63		Customer	871-879CUS	\$ 4,852	\$ 4,378	\$ 409	\$ 14	\$ 50
64		Demand	DEM	\$ 1,372	\$ 446	\$ 626	\$ 168	\$ 133
65		Commodity	COM	\$ 71	\$ 12	\$ 39	\$ 16	\$ 4
66		Total Rents		\$ 6,295	\$ 4,836	\$ 1,073	\$ 198	\$ 187
67	8820	<b>Corporate &amp; Div. Exp.</b>						
68		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
69		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
70		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
71		Total Corporate & Div. Exp.		\$ —	\$ —	\$ —	\$ —	\$ —
72		<b>Total Distr. &amp; Trans. Op. Expense</b>						
73		Customer		\$ 4,464,722	\$ 4,028,927	\$ 376,436	\$ 12,913	\$ 46,446
74		Demand		\$ 5,674,460	\$ 1,826,774	\$ 2,599,145	\$ 697,334	\$ 551,207
75		Commodity		\$ 162,469	\$ 26,795	\$ 88,780	\$ 37,338	\$ 9,556
76		Total Distr. & Trans. Operations Exp.		\$ 10,301,651	\$ 5,882,495	\$ 3,064,361	\$ 747,586	\$ 607,209
77		<b>Distribution Maintenance Expenses</b>						
78	8850	<b>Maintenance Supervision and Engineering</b>						
79		Customer	887-893CUS	\$ —	\$ —	\$ —	\$ —	\$ —
80		Demand	887-893DEM	\$ —	\$ —	\$ —	\$ —	\$ —
81		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
82		Total Supervision and Engineering		\$ —	\$ —	\$ —	\$ —	\$ —
83	8860	<b>Structures and Improvements</b>						
84		Customer	887-893CUS	\$ 140,759	\$ 129,640	\$ 9,696	\$ 181	\$ 1,242
85		Demand	887-893DEM	\$ 182,228	\$ 53,512	\$ 86,949	\$ 23,328	\$ 18,439
86		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
87		Total Structures and Improvements		\$ 322,987	\$ 183,152	\$ 96,645	\$ 23,509	\$ 19,682
88	8870	<b>Maintenance of Mains</b>						
89		Customer	CUS	\$ 699,596	\$ 649,860	\$ 43,383	\$ 773	\$ 5,579
90		Demand	DEM	\$ 610,168	\$ 198,218	\$ 278,276	\$ 74,660	\$ 59,015
91		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
92		Total Mains		\$ 1,309,764	\$ 848,078	\$ 321,660	\$ 75,433	\$ 64,594
93	8890	<b>Maint. of Meas. &amp; Reg. Sta. Equip.- Gen.</b>						
94		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
95		Demand	DEM	\$ 568,091	\$ 184,549	\$ 259,086	\$ 69,511	\$ 54,945
96		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
97		Total Meas. & Reg. Sta. Equip. - Gen. - Alloc.		\$ 568,091	\$ 184,549	\$ 259,086	\$ 69,511	\$ 54,945
98	8890	<b>Odorization</b>						
99		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
100		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
101		Commodity	COM	\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236	\$ 6,459
102		Total Odorization		\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236	\$ 6,459



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC AUTHORITY
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
103	8900	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>					
104		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —
105		Demand	NRDEM	\$ 127,343	\$ —	\$ 86,021	\$ 23,079
106		Commodity	COM	\$ —	\$ —	\$ —	\$ —
107		Total Meas. & Reg. Sta. Eq.- Ind.		\$ 127,343	\$ —	\$ 86,021	\$ 23,079
108	8910	<b>Meas. &amp; Reg. Sta. Eq.- City Gate</b>					
109		Customer	CUS	\$ —	\$ —	\$ —	\$ —
110		Demand	DEM	\$ 20,164	\$ 6,551	\$ 9,196	\$ 2,467
111		Commodity	COM	\$ —	\$ —	\$ —	\$ —
112		Total Meas. & Reg. Sta. Eq.- City Gate		\$ 20,164	\$ 6,551	\$ 9,196	\$ 2,467
113	8920	<b>Services</b>					
114		Customer	SERCUS	\$ 324,471	\$ 293,310	\$ 27,157	\$ 544
115		Demand	DEM	\$ —	\$ —	\$ —	\$ —
116		Commodity	COM	\$ —	\$ —	\$ —	\$ —
117		Total Services		\$ 324,471	\$ 293,310	\$ 27,157	\$ 544
118	8930	<b>Meters &amp; House Regulators</b>					
119		Customer	MTRGCUS	\$ —	\$ —	\$ —	\$ —
120		Demand	DEM	\$ —	\$ —	\$ —	\$ —
121		Commodity	COM	\$ —	\$ —	\$ —	\$ —
122		Total Meters & House Regulators		\$ —	\$ —	\$ —	\$ —
123	8940	<b>Maintenance of Other Equipment</b>					
124		Customer	CUS	\$ —	\$ —	\$ —	\$ —
125		Demand	DEM	\$ —	\$ —	\$ —	\$ —
126		Commodity	COM	\$ —	\$ —	\$ —	\$ —
127		Total Maintenance of Other Equipment		\$ —	\$ —	\$ —	\$ —
128	8950	<b>Clearing - Meter Shop - Small Meters</b>					
129		Customer	CUS	\$ —	\$ —	\$ —	\$ —
130		Demand	DEM	\$ —	\$ —	\$ —	\$ —
131		Commodity	COM	\$ —	\$ —	\$ —	\$ —
132		Total Clearing-Meter-Shop-Small Meters		\$ —	\$ —	\$ —	\$ —
133	8960	<b>Clearing - Meter Shop - Large Meters</b>					
134		Customer	CUS	\$ —	\$ —	\$ —	\$ —
135		Demand	DEM	\$ —	\$ —	\$ —	\$ —
136		Commodity	COM	\$ —	\$ —	\$ —	\$ —
137		Total Clearing-Meter Shop-Large Meters		\$ —	\$ —	\$ —	\$ —
138		<b>Total Distr. Maintenance Expense</b>					
139		Customer		\$ 1,164,826	\$ 1,072,810	\$ 80,236	\$ 1,498
140		Demand		\$ 1,507,995	\$ 442,829	\$ 719,529	\$ 193,045
141		Commodity		\$ 109,810	\$ 18,110	\$ 60,005	\$ 25,236
142		Total Distr. Maintenance Expense		\$ 2,782,630	\$ 1,533,749	\$ 859,770	\$ 219,779
143		<b>Total Oper. &amp; Maint. Expense</b>					
144		Customer		\$ 5,629,548	\$ 5,101,737	\$ 456,672	\$ 14,412
145		Demand		\$ 7,182,455	\$ 2,269,602	\$ 3,318,674	\$ 890,379
146		Commodity		\$ 272,279	\$ 44,905	\$ 148,786	\$ 62,574
147		Total Operations & Maint. Expense		\$ 13,084,282	\$ 7,416,244	\$ 3,924,131	\$ 967,365
148		<b>Customer Accounts Expense</b>		\$ 13,084,282			
149	901	<b>Supervision</b>					
150		Customer	902-904CUS	\$ 19,697	\$ 17,564	\$ 1,944	\$ 94
151		Demand	DEM	\$ —	\$ —	\$ —	\$ —
152		Commodity	COM	\$ —	\$ —	\$ —	\$ —
153		Total Supervision		\$ 19,697	\$ 17,564	\$ 1,944	\$ 94

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Allocated Cost of  
Service  
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CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC AUTHORITY	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL		INDUSTRIAL
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
154	902	<b>Meter Reading Expense</b>						
155		Customer	METCUS	\$ 545,365	\$ 481,561	\$ 54,957	\$ 2,600	\$ 6,247
156		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
157		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
158		Total Meter Reading Expense		\$ 545,365	\$ 481,561	\$ 54,957	\$ 2,600	\$ 6,247
159	903	<b>Customer Accounting</b>						
160		Customer	903CUS	\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002
161		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
162		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
163		Total Customer Accounting		\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002
164	904	<b>Bad Debt Expense</b>						
165		Customer	904CUS	\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
166		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
167		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
168		Total Bad Debt Expense		\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
169	905	<b>Miscellaneous Customer Accounts</b>						
170		Customer	902-904CUS	\$ 77,317	\$ 68,943	\$ 7,631	\$ 371	\$ 373
171		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
172		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
173		Total Misc. Customer Accounts		\$ 77,317	\$ 68,943	\$ 7,631	\$ 371	\$ 373
174	907-910	<b>Customer Information Expense</b>						
175		Customer	CUS	\$ 204,763	\$ 190,206	\$ 12,698	\$ 226	\$ 1,633
176		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
177		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
178		Total Customer Information Expense		\$ 204,763	\$ 190,206	\$ 12,698	\$ 226	\$ 1,633
179		<b><u>Sales and Advertising Expense</u></b>						
180	911	<b>Supervision</b>						
181		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
182		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
183		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
184		Total Supervision Expense		\$ —	\$ —	\$ —	\$ —	\$ —
185	912	<b>Demonstrating and Selling</b>						
186		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
187		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
188		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
189		Total Demon. and Selling Expense		\$ —	\$ —	\$ —	\$ —	\$ —
190	913	<b>Advertising</b>						
191		Customer	CUS	\$ (2,495)	\$ (2,318)	\$ (155)	\$ (3)	\$ (20)
192		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
193		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
194		Total Advertising		\$ (2,495)	\$ (2,318)	\$ (155)	\$ (3)	\$ (20)
195	914	<b>Employee Sales Referrals</b>						
196		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
197		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
198		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
199		Total Employee Sales Referrals		\$ —	\$ —	\$ —	\$ —	\$ —
200		Misc. Gas Sales Expense						
201	916	Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
202		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
203		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
204		Total Misc. Gas Sales Expense		\$ —	\$ —	\$ —	\$ —	\$ —

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION					PUBLIC
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
205		<b>Administrative &amp; General Exp.</b>						
206	920-940	<b>Administrative &amp; General Expenses</b>						
207		Customer	OPEXPBUS	\$ 4,433,803	\$ 4,014,334	\$ 366,386	\$ 12,068	\$ 41,015
208		Demand	OPEXPDEM	\$ 1,440,903	\$ 455,117	\$ 665,907	\$ 178,659	\$ 141,220
209		Commodity	COM	\$ 54,623	\$ 9,009	\$ 29,849	\$ 12,553	\$ 3,213
210		Total Administrative & General Exp.		\$ 5,929,328	\$ 4,478,460	\$ 1,062,141	\$ 203,280	\$ 185,448
211		<b>Depreciation &amp; Amortization Expense</b>						
212	301-03	<b>Intangible Plant</b>						
213		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
214		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
215		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
216		Total Intangible Plant		\$ —	\$ —	\$ —	\$ —	\$ —
217	365	<b>Land and Land Rights</b>						
218		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
219		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
220		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
221		Total Land and Land Rights		\$ —	\$ —	\$ —	\$ —	\$ —
222	366	<b>Meas. and Reg. Station Structures</b>						
223		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
224		Demand	DEM	\$ 49,122	\$ 15,958	\$ 22,403	\$ 6,010	\$ 4,751
225		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
226		Total Measuring and Reg. Stat. Struct.		\$ 49,122	\$ 15,958	\$ 22,403	\$ 6,010	\$ 4,751
227	367	<b>Transmission Mains</b>						
228		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
229		Demand	DEM	\$ 677,505	\$ 220,092	\$ 308,986	\$ 82,899	\$ 65,527
230		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
231		Total Transmission Mains		\$ 677,505	\$ 220,092	\$ 308,986	\$ 82,899	\$ 65,527
232	368	<b>Compression Station Equipment</b>						
233		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
234		Demand	DEM	\$ 690	\$ 224	\$ 315	\$ 84	\$ 67
235		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
236		Total Compression Sta. Equipment		\$ 690	\$ 224	\$ 315	\$ 84	\$ 67
237	369	<b>Meas. &amp; Reg. Station Equipment</b>						
238		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
239		Demand	DEM	\$ 463,301	\$ 150,507	\$ 211,295	\$ 56,689	\$ 44,810
240		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
241		Total Meas. & Reg. Stat. Equipment		\$ 463,301	\$ 150,507	\$ 211,295	\$ 56,689	\$ 44,810
242	371	<b>Other Equipment</b>						
243		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
244		Demand	DEM	\$ 2,813	\$ 914	\$ 1,283	\$ 344	\$ 272
245		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
246		Total Other Equipment		\$ 2,813	\$ 914	\$ 1,283	\$ 344	\$ 272
247	375	<b>Structures and Improvements</b>						
248		Customer	376-379CUS	\$ 2,347	\$ 2,181	\$ 146	\$ 3	\$ 19
249		Demand	DEM	\$ 2,425	\$ 788	\$ 1,106	\$ 297	\$ 235
250		Commodity	COM	\$ 2	\$ 0	\$ 1	\$ 1	\$ 0
251		Total Structures and Improvements		\$ 4,774	\$ 2,969	\$ 1,253	\$ 300	\$ 253
252	376	<b>Distribution Mains</b>						
253		Customer	CUS	\$ 1,111,666	\$ 1,032,635	\$ 68,937	\$ 1,229	\$ 8,865
254		Demand	DEM	\$ 969,564	\$ 314,970	\$ 442,184	\$ 118,635	\$ 93,775
255		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
256		Total Distribution Mains		\$ 2,081,230	\$ 1,347,605	\$ 511,121	\$ 119,864	\$ 102,640

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
257	377	<b>Compressor Station Equipment</b>						
258		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
259		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
260		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
261		Total Compressor Station Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
262	378	<b>Meas. &amp; Reg. Sta. Equip. - Gen.</b>						
263		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
264		Demand	DEM	\$ 84,009	\$ 27,291	\$ 38,314	\$ 10,279	\$ 8,125
265		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
266		Total Meas. & Reg. Sta. Eq.- Gen.		\$ 84,009	\$ 27,291	\$ 38,314	\$ 10,279	\$ 8,125
267	378	<b>Odorization Tank</b>						
268		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
269		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
270		Commodity	COM	\$ 1,109	\$ 183	\$ 606	\$ 255	\$ 65
271		Total Odorization Tank		\$ 1,109	\$ 183	\$ 606	\$ 255	\$ 65
272	379	<b>Meas.&amp; Reg. Sta. Equip.- City Gate</b>						
273		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
274		Demand	DEM	\$ 52,483	\$ 17,049	\$ 23,936	\$ 6,422	\$ 5,076
275		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
276		Total Meas. & Reg. Sta. Eq.- City Gate		\$ 52,483	\$ 17,049	\$ 23,936	\$ 6,422	\$ 5,076
277	379	<b>Odorization Tank</b>						
278		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
279		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
280		Commodity	COM	\$ 763	\$ 126	\$ 417	\$ 175	\$ 45
281		Total Odorization Tank		\$ 763	\$ 126	\$ 417	\$ 175	\$ 45
282	380	<b>Services</b>						
283		Customer	SERCUS	\$ 1,874,671	\$ 1,694,638	\$ 156,902	\$ 3,142	\$ 19,989
284		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
285		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
286		Total Services		\$ 1,874,671	\$ 1,694,638	\$ 156,902	\$ 3,142	\$ 19,989
287	381	<b>Meters</b>						
288		Customer	METCUS	\$ 822,485	\$ 726,260	\$ 82,882	\$ 3,921	\$ 9,422
289		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
290		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
291		Total Meters		\$ 822,485	\$ 726,260	\$ 82,882	\$ 3,921	\$ 9,422
292	382	<b>Meter Installations</b>						
293		Customer	METCUS	\$ —	\$ —	\$ —	\$ —	\$ —
294		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
295		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
296		Total Meter Installations		\$ —	\$ —	\$ —	\$ —	\$ —
297	383	<b>House Regulators</b>						
298		Customer	REGCUS	\$ 188,379	\$ 168,236	\$ 16,602	\$ 1,213	\$ 2,329
299		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
300		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
301		Total House Regulators		\$ 188,379	\$ 168,236	\$ 16,602	\$ 1,213	\$ 2,329
302	385	<b>Meas. &amp; Reg. Sta. Equip. - Ind.</b>						
303		Customer	NRCUS	\$ —	\$ —	\$ —	\$ —	\$ —
304		Demand	NRDEM	\$ 61,922	\$ —	\$ 41,829	\$ 11,222	\$ 8,871
305		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
306		Total Meas. & Reg. Stat. Eq.- Ind.		\$ 61,922	\$ —	\$ 41,829	\$ 11,222	\$ 8,871
307	386	<b>Other Prop.- Customer Premises</b>						
308		Customer	CUS	\$ 1,046	\$ 972	\$ 65	\$ 1	\$ 8
309		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
310		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
311		Total Other Prop. - Customer Premises		\$ 1,046	\$ 972	\$ 65	\$ 1	\$ 8

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Allocated Cost of Service  
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CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
312	387	<b>Other Equipment</b>						
313		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
314		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
315		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
316		Total Other Equipment		\$ —	\$ —	\$ —	\$ —	\$ —
317	389-98	<b>General Plant</b>						
318		Customer	GENPTCUS	\$ 1,170,563	\$ 1,072,242	\$ 85,444	\$ 2,061	\$ 10,816
319		Demand	DISPLTDEM	\$ 186,033	\$ 56,614	\$ 87,424	\$ 23,455	\$ 18,540
320		Commodity	COM	\$ 2,148	\$ 354	\$ 1,174	\$ 494	\$ 126
321		Total General Plant		\$ 1,358,744	\$ 1,129,210	\$ 174,042	\$ 26,010	\$ 29,482
322	389-98	<b>General Plant - Odorization</b>						
323		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
324		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
325		Commodity	COM	\$ 1,778	\$ 293	\$ 971	\$ 409	\$ 105
326		Total General Plant - Odorization		\$ 1,778	\$ 293	\$ 971	\$ 409	\$ 105
327	40730	<b>Pension &amp; FAS 106 Amort. Expense</b>						
328		Customer	CUS	\$ —	\$ —	\$ —	\$ —	\$ —
329		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
330		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
331		Total Pension & FAS 106 Amort. Exp.		\$ —	\$ —	\$ —	\$ —	\$ —
332		<b>Total Depreciation &amp; Amort. Exp.</b>						
333		Customer		\$ 5,171,158	\$ 4,697,164	\$ 410,977	\$ 11,570	\$ 51,447
334		Demand		\$ 2,549,866	\$ 804,406	\$ 1,179,073	\$ 316,338	\$ 250,049
335		Commodity		\$ 5,801	\$ 957	\$ 3,170	\$ 1,333	\$ 341
336		Total Depreciation & Amort. Expense		\$ 7,726,825	\$ 5,502,527	\$ 1,593,220	\$ 329,241	\$ 301,837
337		<b>Taxes Other Than Income</b>						
338	4081	<b>Payroll and Other Taxes</b>						
339		Customer	OPEXPCUS	\$ 309,730	\$ 280,427	\$ 25,594	\$ 843	\$ 2,865
340		Demand	OPEXPDEM	\$ 221,224	\$ 69,875	\$ 102,238	\$ 27,430	\$ 21,682
341		Commodity	COM	\$ 8,386	\$ 1,383	\$ 4,583	\$ 1,927	\$ 493
342		Total Payroll and Other Taxes		\$ 539,340	\$ 351,685	\$ 132,415	\$ 30,200	\$ 25,040
343	4081	<b>Ad Valorem Taxes</b>						
344		Customer	CUS	\$ 873,582	\$ 811,477	\$ 54,173	\$ 966	\$ 6,966
345		Demand	DEM	\$ 543,020	\$ 176,404	\$ 247,652	\$ 66,444	\$ 52,520
346		Commodity	COM	\$ 1,905	\$ 314	\$ 1,041	\$ 438	\$ 112
347		Total Ad Valorem Taxes		\$ 1,418,507	\$ 988,195	\$ 302,866	\$ 67,847	\$ 59,599
348		<b>Revenue Related Taxes</b>						
349		Customer	TOTREVCUS	\$ 73,599	\$ 31,918	\$ 35,754	\$ 2,506	\$ 3,421
350		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
351		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
352		Total Revenue Related Taxes		\$ 73,599	\$ 31,918	\$ 35,754	\$ 2,506	\$ 3,421
353		<b>Total Taxes Other Than Income</b>						
354		Customer		\$ 1,256,910	\$ 1,123,821	\$ 115,521	\$ 4,315	\$ 13,253
355		Demand		\$ 764,244	\$ 246,279	\$ 349,890	\$ 93,873	\$ 74,202
356		Commodity		\$ 10,292	\$ 1,697	\$ 5,624	\$ 2,365	\$ 605
357		Total Taxes Other Than Income		\$ 2,031,446	\$ 1,371,798	\$ 471,035	\$ 100,554	\$ 88,060
358		<b>Excess Deferred Income Tax Amortization</b>						
359		Customer	CUS	\$ (22,605)	\$ (20,998)	\$ (1,402)	\$ (25)	\$ (180)
360		Demand	DEM	\$ (15,947)	\$ (5,181)	\$ (7,273)	\$ (1,951)	\$ (1,542)
361		Commodity	COM	\$ (76)	\$ (13)	\$ (42)	\$ (17)	\$ (4)
362		Total Excess Def. Income Tax Amortization		\$ (38,628)	\$ (26,191)	\$ (8,716)	\$ (1,994)	\$ (1,727)
363		<b>Interest on Customer Deposits</b>						
364		Customer	DEPCUS	\$ 37,635	\$ 14,229	\$ 22,455	\$ 734	\$ 217
365		Demand	DEM	\$ —	\$ —	\$ —	\$ —	\$ —
366		Commodity	COM	\$ —	\$ —	\$ —	\$ —	\$ —
367		Total Interest on Cust. Deposits		\$ 37,635	\$ 14,229	\$ 22,455	\$ 734	\$ 217

Allocated Cost of  
Service

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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CLASS COST OF SERVICE STUDY: ALLOCATED COST OF SERVICE

LINE NO.	ACCT.	DESCRIPTION	ALLOCATION				PUBLIC	
			FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
368		<b>Required Return</b>						
369		Customer	CUS	\$ 8,169,188	\$ 7,588,423	\$ 506,589	\$ 9,031	\$ 65,145
370		Demand	DEM	\$ 5,763,211	\$ 1,872,221	\$ 2,628,397	\$ 705,182	\$ 557,410
371		Commodity	COM	\$ 27,479	\$ 4,532	\$ 15,016	\$ 6,315	\$ 1,616
372		Tot. Req. Return		\$ 13,959,878	\$ 9,465,176	\$ 3,150,002	\$ 720,529	\$ 624,172
373		<b>Income Taxes</b>						
374		Customer	CUS	\$ 1,699,760	\$ 1,578,920	\$ 105,406	\$ 1,879	\$ 13,555
375		Demand	DEM	\$ 1,199,149	\$ 389,552	\$ 546,890	\$ 146,727	\$ 115,980
376		Commodity	COM	\$ 5,717	\$ 943	\$ 3,124	\$ 1,314	\$ 336
377		Total Income Taxes		\$ 2,904,627	\$ 1,969,416	\$ 655,420	\$ 149,920	\$ 129,871
378		<b>Total Cost of Service Before</b>						
379		<b>Revenue Credits</b>						
380		Customer		\$ 28,385,370	\$ 25,897,429	\$ 2,173,560	\$ 62,872	\$ 251,508
381		Demand		\$ 18,883,881	\$ 6,031,998	\$ 8,681,558	\$ 2,329,207	\$ 1,841,118
382		Commodity		\$ 376,114	\$ 62,030	\$ 205,526	\$ 86,437	\$ 22,122
383		<b>Total Cost of Service Before Revenue Credits</b>		<u>\$ 47,645,366</u>	<u>\$ 31,991,456</u>	<u>\$ 11,060,644</u>	<u>\$ 2,478,517</u>	<u>\$ 2,114,749</u>

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS

LINE NO.	DESCRIPTION	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	<u>Customer Cost Allocation Factors</u>						
2							
3	Total Customers		63,930	59,385	3,964	71	510
4	<b>Total Customers Factor (CUS)</b>	CUS	1.00000	0.92891	0.06201	0.00111	0.00797
5							
6	Services - Allocated Weighting			1.00000	1.38691	1.55771	1.37398
7	Weighted Customers		65,693	59,385	5,498	110	700
8	<b>Weighted Services Customer Factor (SERCUS)</b>	SERCUS	1.00000	0.90397	0.08370	0.00168	0.01066
9							
10	Meters - Allocated Weighting			1.00000	1.70948	4.53645	1.51119
11	Weighted Customers		67,253	59,385	6,777	321	770
12	<b>Weighted Meters Customer Factor (METCUS)</b>	METCUS	1.00000	0.88301	0.10077	0.00477	0.01146
13							
14	Regulators - Allocated Weighting			1.00000	1.47819	6.05807	1.61232
15	Weighted Customers		66,495	59,385	5,860	428	822
16	<b>Weighted Regulators Customer Factor (REGCUS)</b>	REGCUS	1.00000	0.89307	0.08813	0.00644	0.01236
17							
18	Meters and Regulators - Allocated Weighting			1.00000	1.66453	4.83218	1.53085
19	Weighted Customers		67,105	59,385	6,599	342	780
20	<b>Wgtd. Meters &amp; Regs. Cust. Factor (MTRGCUS)</b>	MTRGCUS	1.00000	0.88494	0.09834	0.00509	0.01163
21							
22	Non-Residential Customers		4,545	0	3,964	71	510
23	<b>Non-Residential Customers Factor (NRCUS)</b>	NRCUS	1.00000	0.00000	0.87228	0.01555	0.11217
24							
25	<u>Customer Cost Allocation Factors</u>						
26							
27	Distribution Plant Customer Costs		\$ 120,350,652	\$ 109,326,202	\$ 9,564,239	\$ 258,424	\$ 1,201,787
28	<b>Distr. Plant Cust. Costs Factor (DISPLTCUS)</b>	DISPLTCUS	1.00000	0.90840	0.07947	0.00215	0.00999
29							
30	Account 376-379 Customer Costs		\$ 38,595,281	\$ 35,851,458	\$ 2,393,376	\$ 42,668	\$ 307,779
31	<b>Acct. 376-379 Cust. Costs Factor (376-379CUS)</b>	376-379CUS	1.00000	0.92891	0.06201	0.00111	0.00797
32							
33	Total Revenue (inc. cost of gas)		\$ 57,607,776	\$ 24,982,702	\$ 27,985,298	\$ 1,961,850	\$ 2,677,927
34	<b>Total Revenue Factor (TOTREVCUS)</b>	TOTREVCUS	1.00000	0.43367	0.48579	0.03406	0.04649
35							
36	Mains - Customer Cost Factor		0.39634	0.36816	0.02458	0.00044	0.00316
37	Services - Customer Cost Factor		0.60366	0.54569	0.05052	0.00101	0.00644
38	<b>Mains &amp; Svcs. Cust. Factor (MSCUS)</b>	MSCUS	1.00000	0.91385	0.07510	0.00145	0.00960
39							
40	Total Plant Customer		\$ 140,785,933	\$ 128,308,695	\$ 10,831,474	\$ 281,016	\$ 1,364,748
41	<b>Total Plant Factor (TPLTCUS)</b>	TPLTCUS	1.00000	0.91137	0.07694	0.00200	0.00969
42							
43	Non-Intangible Plant Customer						
44	<b>Non-Intangible Plant Customer Factor (NONINCUS)</b>		\$ 140,785,933	\$ 130,777,154	\$ 8,730,436	\$ 155,643	\$ 1,122,700
45		NONINCUS	1.00000	0.92891	0.06201	0.00111	0.00797
46							
47	Account 871-879 Customer Costs		\$ 3,684,928	\$ 3,325,248	\$ 310,689	\$ 10,658	\$ 38,334
48	<b>Account 871-879 Cust. Costs Factor (871-879CUS)</b>	871-879CUS	1.00000	0.90239	0.08431	0.00289	0.01040
49							
50	Account 887-893 Customer Costs		\$ 1,024,067	\$ 943,170	\$ 70,540	\$ 1,317	\$ 9,039
51	<b>Account 887-893 Cust. Costs Factor (887-893CUS)</b>	887-893CUS	1.00000	0.92100	0.06888	0.00129	0.00883
52							
53	Account 903 Customer		\$ 723,510	\$ 677,516	\$ 43,561	\$ 430	\$ 2,002
54	<b>Account 903 Customer Factor (903CUS)</b>	903CUS	1.00000	0.93643	0.06021	0.00059	0.00277
55							

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
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CLASS COST OF SERVICE STUDY: ALLOCATION FACTORS

LINE NO.	DESCRIPTION (a)	ALLOCATION					PUBLIC
		FACTOR	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
		(b)	(c)	(d)	(e)	(f)	(g)
56	<u>Customer Cost Allocation Factors</u>						
57							
58	Account 904 Customer		\$ 441,815	\$ 366,325	\$ 70,321	\$ 5,169	\$ —
59	<b>Account 904 Customer Factor (904CUS)</b>	904CUS	1.00000	0.82914	0.15916	0.01170	0.00000
60							
61	Accounts 902-904 Customer		\$ 1,710,690	\$ 1,525,403	\$ 168,839	\$ 8,199	\$ 8,249
62	<b>Accts. 902-904 Customer Factor (902-904CUS)</b>	902-904CUS	1.00000	0.89169	0.09870	0.00479	0.00482
63							
64	Operating Expense Customer		\$ 12,810,678	\$ 11,598,699	\$ 1,058,606	\$ 34,869	\$ 118,504
65	<b>Operating Exp. Customer Factor (OPEXPCUS)</b>	OPEXPCUS	1.00000	0.90539	0.08263	0.00272	0.00925
66							
67	Direct Gen. Plant Customer Costs (DISPLTCUS)	DISPLTCUS	\$ 12,854,852	\$ 11,677,313	\$ 1,021,572	\$ 27,603	\$ 128,365
68	Div. and Corp. Gen. Plant Customer Costs (CUS)	CUS	\$ 7,580,429	\$ 7,041,520	\$ 470,079	\$ 8,380	\$ 60,450
69	Total General Plant Customer Costs		\$ 20,435,281	\$ 18,718,832	\$ 1,491,651	\$ 35,983	\$ 188,815
70	<b>General Plant Customer Factor (GENPTCUS)</b>	GENPTCUS	1.00000	0.91601	0.07299	0.00176	0.00924
71							
72	Customer Deposits		\$ (2,767,300)	\$ (1,046,275)	\$ (1,651,105)	\$ (53,970)	\$ (15,950)
73	<b>Customer Deposits Factor (DEPCUS)</b>	DEPCUS	1.00000	0.37809	0.59665	0.01950	0.00576
74							
75	<u>Demand Cost Allocation Factors</u>						
76							
77	System Demand						
78	<b>System Demand Factor (DEM)</b>	DEM	1.00000	0.32486	0.45606	0.12236	0.09672
79							
80	Non-Residential Demand						
81	<b>Non-Residential Demand Factor (NRDEM)</b>	NRDEM	1.00000	0.00000	0.67551	0.18123	0.14326
82							
83	Distribution Plant Demand		\$ 42,636,714	\$ 12,975,289	\$ 20,036,547	\$ 5,375,679	\$ 4,249,197
84	<b>Distribution Plant Demand Factor (DISPLTDEM)</b>	DISPLTDEM	1.00000	0.30432	0.46994	0.12608	0.09966
85							
86	<u>Demand Cost Allocation Factors</u>						
87							
88	Non-Intangible Plant Demand		\$ 87,512,837	\$ 28,429,179	\$ 39,911,519	\$ 10,708,009	\$ 8,464,129
89	<b>Non-Int. Plant Demand Factor (NONINDEM)</b>	NONINDEM	1.00000	0.32486	0.45606	0.12236	0.09672
90							
91	Total Plant Demand		\$ 87,512,837	\$ 27,553,623	\$ 40,502,965	\$ 10,866,690	\$ 8,589,558
92	<b>Total Plant Demand Factor (TPLTDEM)</b>	TPLTDEM	1.00000	0.31485	0.46282	0.12417	0.09815
93							
94	Operating Expense Demand		\$ 9,732,321	\$ 3,074,009	\$ 4,497,747	\$ 1,206,717	\$ 953,848
95	<b>Operating Expense Demand Factor (OPEXPDEM)</b>	OPEXPDEM	1.00000	0.31586	0.46215	0.12399	0.09801
96							
97	Acct. 887-893 Demand		\$ 1,325,767	\$ 389,317	\$ 632,580	\$ 169,717	\$ 134,153
98	<b>Acct. 887-893 Demand Factor (887-893DEM)</b>	887-893DEM	1.00000	0.29365	0.47714	0.12801	0.10119
99							
100	Rate Base Demand		\$ 74,364,009	\$ 23,482,896	\$ 34,370,630	\$ 9,221,424	\$ 7,289,060
101	<b>Rate Base Demand Factor (RBDEM)</b>	RBDEM	1.00000	0.31578	0.46219	0.12400	0.09802
102							
103	<u>Commodity Cost Allocation Factors</u>						
104							
105	Annual Distribution Volumes (Ccf)		45,980,824	7,583,273	25,126,004	10,567,113	2,704,434
106	<b>Distribution Commodity Factor (COM)</b>	COM	1.00000	0.16492	0.54645	0.22982	0.05882



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WKP Plant  
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CLASS COST OF SERVICE STUDY: PLANT WORKPAPER

Line No.	Acct.	Description	Amount	Classification Factor	CUSTOMER	DEMAND	COMMODITY
1		<b><u>Distribution Plant Reserve</u></b>					
2	374	Land & Land Rights	\$ (35,457)	DIS376-379	\$ (17,434)	\$ (18,006)	\$ (17)
3	375	Structures and Improvements	\$ (39,274)	DIS376-379	\$ (19,311)	\$ (19,945)	\$ (19)
4	376	Distribution Mains	\$ (10,564,493)	MAINS	\$ (5,642,907)	\$ (4,921,586)	\$ —
5	377	Compressor Station Equipment	\$ —	DEM	\$ —	\$ —	\$ —
6	378	Meas. & Reg. Station Equip.- Gen.	\$ (511,561)	DEM	\$ —	\$ (511,561)	\$ —
7	378	Odorization Tank	\$ 3,297	COM	\$ —	\$ —	\$ 3,297
8	379	Meas. & Reg. Station Equip.- City Gate	\$ (71,669)	DEM	\$ —	\$ (71,669)	\$ —
9	379	Odorization Tank	\$ (10,433)	COM	\$ —	\$ —	\$ (10,433)
10	380	Services	\$ (5,511,467)	CUS	\$ (5,511,467)	\$ —	\$ —
11	381	Meters	\$ (3,910,372)	CUS	\$ (3,910,372)	\$ —	\$ —
12	382	Meter Installations	\$ (6,164)	CUS	\$ (6,164)	\$ —	\$ —
13	383	House Regulators	\$ (992,306)	CUS	\$ (992,306)	\$ —	\$ —
14	385	Meas. & Reg. Sta. Equip. -Ind.	\$ (143,044)	DEM	\$ —	\$ (143,044)	\$ —
15	386	Other Property - Customer Premises	\$ (3,183)	DIS376-379	\$ (1,565)	\$ (1,616)	\$ (2)
16	387	Other Equipment	\$ —	DIS376-379	\$ —	\$ —	\$ —
17		Total Distribution Plant Reserve	\$ (21,796,125)		\$ (16,101,525)	\$ (5,687,427)	\$ (7,173)
18							
19		<b><u>General Plant - Service Area Direct</u></b>					
20	389	Land & Land Rights	\$ 127,368	DISPLT	\$ 94,000	\$ 33,301	\$ 67
21	390	Structures & Improvements	\$ 2,730,955	DISPLT	\$ 2,015,494	\$ 714,030	\$ 1,431
22	391	Office Furniture and Equip.	\$ 938,595	DISPLT	\$ 692,700	\$ 245,403	\$ 492
23	392	Transportation Equipment	\$ 5,170,949	DISPLT	\$ 3,816,253	\$ 1,351,987	\$ 2,709
24	393	Stores Equipment	\$ —	DISPLT	\$ —	\$ —	\$ —
25	394	Tools, Shop & Garage	\$ 3,186,114	DISPLT	\$ 2,351,409	\$ 833,035	\$ 1,669
26	394	Odorization Tank	\$ 26,667	COM	\$ —	\$ —	\$ 26,667
27	395	CNG Equipment	\$ —	DISPLT	\$ —	\$ —	\$ —
28	396	Major Work Equipment	\$ 425,664	DISPLT	\$ 314,148	\$ 111,293	\$ 223
29	397	Communication Equipment	\$ 4,838,432	DISPLT	\$ 3,570,849	\$ 1,265,047	\$ 2,535
30	398	Miscellaneous General Plant	\$ —	DISPLT	\$ —	\$ —	\$ —
31		<b><u>General Plant - Shared Svcs. &amp; Distrigas</u></b>					
32	389	Land & Land Rights	\$ 41,631	CUS	\$ 41,631	\$ —	\$ —
33	390	Structures & Improvements	\$ 728,810	CUS	\$ 728,810	\$ —	\$ —
34	391	Office Furniture and Equipment	\$ 6,691,084	CUS	\$ 6,691,084	\$ —	\$ —
35	392	Transportation Equipment	\$ —	CUS	\$ —	\$ —	\$ —
36	393	Stores Equipment	\$ —	CUS	\$ —	\$ —	\$ —
37	394	Tools, Shop & Garage	\$ 5,510	CUS	\$ 5,510	\$ —	\$ —
38	395	CNG Equipment	\$ —	CUS	\$ —	\$ —	\$ —
39	396	Major Work Equipment	\$ —	CUS	\$ —	\$ —	\$ —
40	397	Communication Equipment	\$ 113,394	CUS	\$ 113,394	\$ —	\$ —
41	398	Miscellaneous General Plant	\$ —	CUS	\$ —	\$ —	\$ —
42		<b><u>Total General Plant</u></b>					
43	389	Land & Land Rights	\$ 168,999	GENPLT	\$ 135,631	\$ 33,301	\$ 67
44	390	Structures & Improvements	\$ 3,459,765	GENPLT	\$ 2,744,304	\$ 714,030	\$ 1,431
45	391	Office Furniture and Equip.	\$ 7,629,679	GENPLT	\$ 7,383,784	\$ 245,403	\$ 492
46	392	Transportation Equipment	\$ 5,170,949	GENPLT	\$ 3,816,253	\$ 1,351,987	\$ 2,709
47	393	Stores Equipment	\$ —	GENPLT	\$ —	\$ —	\$ —
48	394	Tools, Shop & Garage	\$ 3,191,624	GENPLT	\$ 2,356,919	\$ 833,035	\$ 1,669
49	394	Odorization Tank	\$ 26,667	COM	\$ —	\$ —	\$ 26,667
50	395	CNG Equipment	\$ —	GENPLT	\$ —	\$ —	\$ —
51	396	Major Work Equipment	\$ 425,664	GENPLT	\$ 314,148	\$ 111,293	\$ 223
52	397	Communication Equipment	\$ 4,951,826	GENPLT	\$ 3,684,243	\$ 1,265,047	\$ 2,535
53	398	Miscellaneous General Plant	\$ —	GENPLT	\$ —	\$ —	\$ —
54		Total General Plant	\$ 25,025,173		\$ 20,435,281	\$ 4,554,098	\$ 35,794

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WKP Plant  
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CLASS COST OF SERVICE STUDY: PLANT WORKPAPER

Line No.	Acct.	Description	Amount	Classification Factor	CUSTOMER	DEMAND	COMMODITY
55		<b>General Plant Depreciation Expense</b>					
56	389	Land & Land Rights	\$ —		\$ —	\$ —	\$ —
57	390	Structures & Improvements	\$ 115,731		\$ 91,798	\$ 23,885	\$ 48
58	391	Office Furniture and Equip.	\$ 700,114		\$ 677,550	\$ 22,519	\$ 45
59	392	Transportation Equipment	\$ —		\$ —	\$ —	\$ —
60	393	Stores Equipment	\$ —		\$ —	\$ —	\$ —
61	394	Tools, Shop & Garage	\$ 212,775		\$ 157,128	\$ 55,536	\$ 111
62	394	Tools, Shop & Garage - Odorization	\$ 1,778		\$ —	\$ —	\$ 1,778
63	395	CNG Equipment	\$ —		\$ —	\$ —	\$ —
64	396	Major Work Equipment	\$ —		\$ —	\$ —	\$ —
65	397	Communication Equipment	\$ 330,125		\$ 245,619	\$ 84,337	\$ 169
66	398	Miscellaneous General Plant	\$ —		\$ —	\$ —	\$ —
67		Total General Plant Depreciation Exp.	\$ 1,360,522	GENDEP	\$ 1,172,095	\$ 186,276	\$ 2,151
68		<b>General Plant</b>					
69		<b>Depreciation Reserve - Service Area Direct</b>					
70	389	Land & Land Rights	\$ —	DISPLT	\$ —	\$ —	\$ —
71	390	Structures & Improvements	\$ (611,654)	DISPLT	\$ (451,411)	\$ (159,922)	\$ (320)
72	391	Office Furniture and Equip.	\$ (388,213)	DISPLT	\$ (286,508)	\$ (101,501)	\$ (203)
73	392	Transportation Equipment	\$ (1,156,561)	DISPLT	\$ (853,563)	\$ (302,392)	\$ (606)
74	393	Stores Equipment	\$ 42	DISPLT	\$ 31	\$ 11	\$ 0
75	394	Tools, Shop & Garage	\$ (1,516,226)	DISPLT	\$ (1,119,002)	\$ (396,430)	\$ (794)
76	394	Odorization Tank	\$ 7,282	COM	\$ —	\$ —	\$ 7,282
77	395	CNG Equipment	\$ —	DISPLT	\$ —	\$ —	\$ —
78	396	Major Work Equipment	\$ (157,642)	DISPLT	\$ (116,343)	\$ (41,217)	\$ (83)
79	397	Communication Equipment	\$ (2,154,358)	DISPLT	\$ (1,589,955)	\$ (563,274)	\$ (1,129)
80	398	Miscellaneous General Plant	\$ 631	DISPLT	\$ 466	\$ 165	\$ 0
81			\$ (5,976,699)		\$ (4,416,284)	\$ (1,564,560)	\$ 4,146
82		<b>General Plant</b>					
83		<b>Depreciation Reserve - Shared Svcs. &amp; Distrigas</b>					
84	389	Land & Land Rights	\$ —	CUS	\$ —	\$ —	\$ —
85	390	Structures & Improvements	\$ (148,671)	CUS	\$ (148,671)	\$ —	\$ —
86	391	Office Furniture and Equipment	\$ (3,303,404)	CUS	\$ (3,303,404)	\$ —	\$ —
87	392	Transportation Equipment	\$ —	CUS	\$ —	\$ —	\$ —
88	393	Stores Equipment	\$ —	CUS	\$ —	\$ —	\$ —
89	394	Tools, Shop & Garage	\$ (891)	CUS	\$ (891)	\$ —	\$ —
90	395	CNG Equipment	\$ —	CUS	\$ —	\$ —	\$ —
91	396	Major Work Equipment	\$ —	CUS	\$ —	\$ —	\$ —
92	397	Communication Equipment	\$ (78,342)	CUS	\$ (78,342)	\$ —	\$ —
93	398	Miscellaneous General Plant	\$ —	CUS	\$ —	\$ —	\$ —
94			\$ (3,531,308)		\$ (3,531,308)	\$ —	\$ —
95		<b>General Plant</b>					
96		<b>Total Depreciation Reserve</b>					
97	389	Land & Land Rights	\$ —		\$ —	\$ —	\$ —
98	390	Structures & Improvements	\$ (760,325)		\$ (600,082)	\$ (159,922)	\$ (320)
99	391	Office Furniture and Equip.	\$ (3,691,616)		\$ (3,589,912)	\$ (101,501)	\$ (203)
100	392	Transportation Equipment	\$ (1,156,561)		\$ (853,563)	\$ (302,392)	\$ (606)
101	393	Stores Equipment	\$ 42		\$ 31	\$ 11	\$ 0
102	394	Tools, Shop & Garage	\$ (1,517,117)		\$ (1,119,893)	\$ (396,430)	\$ (794)
103	394	Odorization Tank	\$ 7,282		\$ —	\$ —	\$ 7,282
104	395	CNG Equipment	\$ —		\$ —	\$ —	\$ —
105	396	Major Work Equipment	\$ (157,642)		\$ (116,343)	\$ (41,217)	\$ (83)
106	397	Communication Equipment	\$ (2,232,699)		\$ (1,668,296)	\$ (563,274)	\$ (1,129)
107	398	Miscellaneous General Plant	\$ 631		\$ 466	\$ 165	\$ 0
108		Total General Plant Depr. Reserve	\$ (9,508,006)	GENPLTRES	\$ (7,947,592)	\$ (1,564,560)	\$ 4,146

**WKP Admin&Gen**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: ADMINISTRATIVE AND GENERAL EXPENSE WORKPAPER**

Line No.	Acct.	Description	Amount	Classification Factor	CUSTOMER	DEMAND	COMMODITY
1	920	Salaries	\$ 1,389,884	NONAGOPEXP	\$ 703,450	\$ 661,363	\$ 25,072
2	921	Office Supplies & Expenses	\$ 400,356	NONAGOPEXP	\$ 202,628	\$ 190,505	\$ 7,222
3	922	Transferred Credit	\$ (1,134,412)	NONAGOPEXP	\$ (574,150)	\$ (539,799)	\$ (20,463)
4	923	Outside Services	\$ 145,107	NONAGOPEXP	\$ 73,442	\$ 69,048	\$ 2,618
5	924	Property Insurance	\$ 62,295	NONAGOPEXP	\$ 31,529	\$ 29,642	\$ 1,124
6	925	Injuries & Damages	\$ 397,560	NONAGOPEXP	\$ 201,213	\$ 189,175	\$ 7,171
7	926	Employee Pensions & Benefits	\$ 931,119	NONAGOPEXP	\$ 471,259	\$ 443,064	\$ 16,796
8	926	Distrigas	\$ 16,671	CUS	\$ 16,671	\$ —	\$ —
9	927	A&G Franchise Elections	\$ 2,731	NONAGOPEXP	\$ 1,382	\$ 1,299	\$ 49
10	928	Regulatory Commission Expenses	\$ 131,840	NONAGOPEXP	\$ 66,727	\$ 62,735	\$ 2,378
11	929	Duplicate Charges - Credit	\$ —	NONAGOPEXP	\$ —	\$ —	\$ —
12	930	Advertising	\$ 1,774	NONAGOPEXP	\$ 898	\$ 844	\$ 32
13	930	Other General	\$ 513,306	NONAGOPEXP	\$ 259,795	\$ 244,252	\$ 9,259
14	930	Distrigas	\$ 2,884,535	CUS	\$ 2,884,535	\$ —	\$ —
15	931	Rent	\$ 145,347	NONAGOPEXP	\$ 73,563	\$ 69,162	\$ 2,622
16	932	A&G Maintenance	\$ 41,218	NONAGOPEXP	\$ 20,861	\$ 19,613	\$ 744
17	940	Misc. General Expenses	\$ —	NONAGOPEXP	\$ —	\$ —	\$ —
18		Total Administrative & General Expense	\$ 5,929,328	ADMINGEN	\$ 4,433,803	\$ 1,440,903	\$ 54,623

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: SELECTED DATA WORKPAPER

	As Adjusted Test Year Bills/Meters	As Adjusted Volumes	As Adjusted Margin	Gas Costs at As Adjusted Volumes	As Adjusted Margin Plus Gas Costs	Unadjusted Sales Volumes (Excludes Transport)	As Adjusted Gas Sales Volumes	Service Charges with Changes	Cost of Gas Revenue
Residential	712,616	7,583,273	\$ 19,440,391	\$ 5,542,311	\$ 24,982,702	7,816,953	7,583,273	\$ 329,464	
Commercial	44,861	20,721,592	12,840,715	15,144,583	27,985,298	21,671,801	20,721,592	22,786	
Church	2,393	92,077	323,707	67,295	391,002	110,970	92,077	—	
Industrial	404	1,597,491	794,307	1,167,542	1,961,850	1,703,284	1,597,491	130	
Public Authority	6,046	1,709,116	1,428,802	1,249,124	2,677,927	1,755,374	1,709,116	87	
Commercial Transport	319	4,312,335	623,952	—	—	—	—	—	
Industrial Transport	444	8,969,622	1,226,330	—	—	—	—	—	
Public Authority Transport	72	995,318	181,094	—	—	—	—	—	
Irrigation Transport	108	357,478	120,524	—	120,524	—	—	—	
Special Contract	36	10,840,869	448,123	—	—	—	—	—	
<b>Total</b>	<b>767,298</b>	<b>57,179,171</b>	<b>\$ 37,427,944</b>	<b>\$ 23,170,856</b>	<b>\$ 58,119,302</b>	<b>33,058,382</b>	<b>31,703,549</b>	<b>\$ 352,467</b>	<b>\$ 24,160,951</b>

COG Rate \$ 0.73086

Customer Portion of Mains 53.41 %

Odorization Plant	Account	Original Cost	Reserve	Depr. Rate	Depr. Expense	Linked to the Odorization Summary
	369	\$ 185,791	\$ 31,061	3.49%	\$ 6,484	
	378	\$ 47,614	\$ 3,297	2.33%	\$ 1,109	
	379	\$ 37,759	\$ (10,433)	2.02%	\$ 763	
	394	\$ 26,667	\$ 7,282	6.67%	\$ 1,778	

Odorization Expense	Account	Cost	Linked to the Odorization Summary
	874	\$ 1,372	
	875	\$ 95,756	
	889	\$ 109,810	

Distrigas

Accounts	Per Book Allocated to TGS	Net Adjustments (with O&M Factor Applied)	Adjusted Allocated to TGS	Adjusted Allocated to Direct	Service Area Allocation 9.31% Factor
926	\$ 459,327	\$ (280,309)	\$ 179,018	\$ 16,671	
930	\$ 32,169,769	\$ (1,194,231)	\$ 30,975,538	\$ 2,884,535	
	Residential	Commercial	Industrial	Public Authority	

WEIGHTED RELATIVE COSTS:

Meters	1.00000	1.70948	4.53645	1.51119	Linked to Meters & Regulators Factors tab within the model
Regulators	1.00000	1.47819	6.05807	1.61232	Linked to Meters & Regulators Factors tab within the model
Services	1.00000	1.38691	1.55771	1.37398	Linked to Service Line Factors tab within the model
Meters & Regulators	1.00000	1.66453	4.83218	1.53085	Linked to Meters & Regulators Factors tab within the model
PEAK DEMANDS:					
Total System	0.32486	0.45606	0.12236	0.09672	Linked to Peak Demand tab within the model
Account 385 Factor		0.67551	0.18123	0.14326	Linked to Peak Demand tab within the model - Non Residential
OTHER ACCOUNTS:					
Account 903	0.93643	0.06021	0.00059	0.00277	Linked to 903 Factors tab within the model
Account 904	0.82914	0.15916	0.01170	0.00000	Linked to 904 Factors tab within the model
Customer Deposits	0.37809	0.59665	0.01950	0.00576	Linked to Customer Deposits Factors tab within the model

	Residential	Commercial	Industrial	Public Authority
Base Revenue	\$ 19,440,391	\$ 13,788,374	\$ 2,020,637	\$ 1,609,896
COG Revenue	\$ 5,542,311	\$ 15,211,878	\$ 1,167,542	\$ 1,249,124

**903 Factors**  
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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: 903 FACTORS**

	Pay Agreements		Service Orders		Customers		903
	Number	%	Number	%	Number	%	Factor
Residential	7,456	0.95029	9,406	0.93009	59,385	0.92891	0.93643
Commercial	386	0.04920	702	0.06942	3,964	0.06201	0.06021
Industrial	3	0.00038	3	0.00030	71	0.00111	0.00059
Public Authority	1	0.00013	2	0.00020	510	0.00797	0.00277

Source: Account 903.xlsx

**904 Factors**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: 904 FACTORS**

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	PUBLIC AUTHORITY
	(a)	(b)	(c)	(d)	(e)
3-yr. avg.	\$ 308,284	\$ 255,609	\$ 49,068	\$ 3,607	\$ —
Factor	1.0000	0.82914	0.15916	0.01170	0.00000

Source: Account 904.xlsx

**Billing Determinants Summary**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**BILLING DETERMINANTS SUMMARY**

<b>Gas Sales</b>	Test Year Bills	Test Year Volumes	As Adjusted Bills	As Adjusted Volumes
Residential	715,581	7,816,953	712,616	7,583,273
Commercial	44,702	21,671,801	44,861	20,721,592
Church	2,487	110,970	2,393	92,077
Industrial	416	1,703,284	404	1,597,491
Public Authority	6,056	1,755,374	6,046	1,709,116
<b>Gas Sales Total</b>	<b>769,241</b>	<b>33,058,382</b>	<b>766,319</b>	<b>31,703,549</b>
<hr/>				
<b>Standard Transportation</b>				
Commercial	312	4,043,266	319	4,312,335
Industrial	444	8,969,622	444	8,969,622
Public Authority	72	995,318	72	995,318
<b>Total Standard Transport</b>	<b>828</b>	<b>14,008,206</b>	<b>835</b>	<b>14,277,275</b>
<hr/>				
Transport - Special Contract	36	10,840,869	36	10,840,869
<hr/>				
Transport - Irrigation	108	357,478	108	357,478
<hr/>				
<b>Total</b>	<b>770,213</b>	<b>58,264,936</b>	<b>767,298</b>	<b>57,179,171</b>

Source: SCH G-2 and SCH G-3 Billing Determinants By Class.xlsx

**Customer Deposit Factors**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: CUSTOMER DEPOSIT FACTORS**

<u>TOTAL</u>	<u>RESIDENTIAL</u>	<u>COMMERCIAL</u>	<u>INDUSTRIAL</u>	<u>PUBLIC AUTHORITY</u>
\$ 2,767,300	\$ 1,046,275	\$ 1,651,105	\$ 53,970	\$ 15,950
Factors	0.37809	0.59665	0.01950	0.00576

Source: Customer Deposits.xlsx



TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

CLASS COST OF SERVICE STUDY: MAINS STUDY SUMMARY

Composition	Size	Footage	Cost/Foot	LN(Cost/Ft)	Steel	Size	Size Squared		
Plastic	1	9,874	\$14.31	2.6612	0.00	1.0000	1		
	2	3,697,267	\$14.88	2.6998	0.00	2.0000	4		
	3	264	\$18.56	2.9211	0.00	3.0000	9		
	4	392,093	\$22.41	3.1096	0.00	4.0000	16		
	6	82,579	\$31.51	3.4503	0.00	6.0000	36		
	12	286,493	\$183.68	5.2132	1.00	12.0000	144		
Steel	1	9,715	\$25.44	3.2365	1.00	1.0000	1		
	2	4,582,195	\$38.39	3.6479	1.00	2.0000	4		
	3	306,821	\$38.18	3.6424	1.00	3.0000	9		
	4	1,927,570	\$51.18	3.9353	1.00	4.0000	16		
	6	409,834	\$74.94	4.3167	1.00	6.0000	36		
	8	146,414	\$81.96	4.4063	1.00	8.0000	64		
	10	94,037	\$146.33	4.9859	1.00	10.0000	100		
	12	286,493	\$183.68	5.2132	1.00	12.0000	144		
	Total		11,945,155						

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.994694895
R Square	0.989417933
Adjusted R Square	0.98730152 Best Fit
Standard Error	0.093119407
Observations	13

Log Linear Model

ANOVA

	df	SS	MS	F	Significance F
Regression	2	8.107550895	4.053775448	467.4974908	0.00000000132694
Residual	10	0.08671224	0.008671224		
Total	12	8.194263135			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.42060671	0.04948325	48.91770088	0.00000000	2.31035116	2.53086226	2.31035116	2.53086226
Steel	0.76803456	0.05719935	13.42733135	0.00000010	0.64058648	0.89548265	0.64058648	0.89548265
Size	0.17119389	0.00835227	20.49668436	0.00000000	0.15258386	0.18980391	0.15258386	0.18980391

Regression Statistics	
Multiple R	0.994756549
R Square	0.989540592
Adjusted R Square	0.986054123
Standard Error	0.097585939
Observations	13

Log Linear Quadratic  
Not Significant

ANOVA

	df	SS	MS	F	Significance F
Regression	3	8.108555995	2.702851998	283.8231228	0.0000000315279
Residual	9	0.08570714	0.009523016		
Total	12	8.194263135			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	2.39904208	0.08423283	28.48108053	0.00000000	2.20849417	2.58958998	2.20849417	2.58958998
Steel	0.77018954	0.06030885	12.77075580	0.00000045	0.63376145	0.90661763	0.63376145	0.90661763
Size	0.18139659	0.03260188	5.56399204	0.00035007	0.10764602	0.25514716	0.10764602	0.25514716
Size Squared	-0.000839698	0.002584673	-0.32487585	0.752699504	-0.006686635	0.005007239	-0.006686635	0.005007239

Composition	Size	Footage	Zero Inch Cost	Configured Cost
Plastic	1	9,874	\$ 111,105	\$ 131,850
	2	3,697,267	\$ 41,604,181	\$ 58,591,430
	3	264	\$ 2,971	\$ 4,965
	4	392,093	\$ 4,412,097	\$ 8,750,628
	6	82,579	\$ 929,238	\$ 2,595,483
	12	286,493	\$ 6,949,011	\$ 54,213,287
Steel	1	9,715	\$ 235,647	\$ 279,647
	2	4,582,195	\$ 111,143,200	\$ 156,523,668
	3	306,821	\$ 7,442,076	\$ 12,437,692
	4	1,927,570	\$ 46,754,065	\$ 92,728,582
	6	409,834	\$ 9,940,698	\$ 27,765,675
	8	146,414	\$ 3,551,347	\$ 13,969,523
	10	94,037	\$ 2,280,905	\$ 12,635,509
	12	286,493	\$ 6,949,011	\$ 54,213,287
	All		\$ 235,356,539	\$ 440,627,939

Customer Portion of Mains (Zero Inch/Configured Cost) **53.41 %**

Minimum System Study:

Composition	Footage	2" Cost	Actual Current Cost	Configured Cost
Plastic	4,182,077	\$ 62,218,282	\$ 66,541,767	
Steel	7,763,078	\$ 298,043,188	\$ 395,632,441	
All		\$ 360,261,469	\$ 462,174,208	\$ 440,627,939

Customer Portion of Mains (Zero Inch Cost/Total Cost) **77.95 %** **81.76 %**

**Meters & Regulator  
Factors**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**CLASS COST OF SERVICE STUDY: METER AND REGULATOR FACTORS**

Item	Meter	Meter Cost	Regulator	Regulator Cost	Cfh	Monthly Ccf (1)	Selected Monthly Break for Meter Selection
A	American AC 250	\$ 249.73	1813-C 1 X 1 AB	\$ 60.24	250	630	630
B	AL 425	\$ 530.34	1813-C 1 X 1 AB	\$ 60.24	425	1,071	1,075
C	AC 630	\$ 1,304.47	1813-C 1 X 1 AB	\$ 60.24	630	1,588	1,590
D	Dresser D-1000	\$ 1,539.18	CL-31	\$ 535.03	1,000	2,520	2,520 or more

(1) Monthly Ccf is calculated based on assumed load factor of	35.0%
---	-------

Distribution of Meter and Regulator Sizes By Class

Item	Residential	Commercial	Industrial	Public Authority
A	100%	75%	28%	88%
B	0%	13%	3%	2%
C	0%	6%	4%	2%
D	0%	6%	64%	8%

Meter Cost      \$      249.73    \$      426.91    \$      1,132.89    \$      377.39

Regulator Cost    \$      60.24    \$      89.05    \$      364.95    \$      97.13

Meter and Regulator    \$      309.97    \$      515.96    \$      1,497.85    \$      474.52

Weighted Factors

Meters	1.00000	1.70948	4.53645	1.51119
Regulators	1.00000	1.47819	6.05807	1.61232
Meters & Regulators	1.00000	1.66453	4.83218	1.53085

Source: Meters and Regulators.xlsx

**Odorization Summary**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: ODORIZATION PLANT AND EXPENSE SUMMARY**

Odorization Equipment

Account	Book Cost	Allocated Reserve	Net Value
369 \$	185,791 \$	31,061 \$	154,730
378	47,614	3,297	44,317
379	37,759	(10,433)	48,192
394	26,667	7,282	19,386
<b>Total</b>	<b>\$ 297,832 \$</b>	<b>\$ 31,208 \$</b>	<b>266,624</b>

Odorization Expense

Account	Net Activity
8740	1,372
8750	95,756
8890	109,810
<b>Total</b>	<b>\$ 206,938</b>

**Peak Demand**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: PEAK DEMAND SUMMARY**

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	Total	Residential	Commercial	Industrial	Public Authority
Total Est. Peak Usage	282,026	91,618	128,622	34,508	27,277
Peak Usage		0.32486	0.45606	0.12236	0.09672
Non-Residential Demand			0.67551	0.18123	0.14326

Source: Peak Demand.xlsx

**Service Charges Summary**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: SERVICE CHARGES SUMMARY**

	Service Charge Revenue	%	As Adj. Test Year
Residential	\$ 265,143	93.47%	\$ 329,464
Commercial	18,338	6.46%	22,786
Industrial	105	0.04%	130
Public Authority	<u>70</u>	0.02%	<u>87</u>
	<u>\$ 283,656</u>		<u>\$ 352,467</u>

Source: Service Charges.xlsx

**Service Line Factors**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CLASS COST OF SERVICE STUDY: SERVICE LINE FACTORS SUMMARY**

	<b>Cost</b>	<b>Factor</b>
Residential	\$ 1,847	1.00000
Commercial	\$ 2,562	1.38691
Industrial	\$ 2,877	1.55771
Public Authority	\$ 2,538	1.37398

Source: Service Lines.xlsx

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

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SUMMARY AS ADJUSTED REVENUES

Line No.	Revenue Class	RGVSA Revenue	Removal of Cost of Gas	Switching Adj.	Out of Period Cost Adj.	Termination Adj.	Annualization Adj.	Adj. to Remove WNA Dollars	Weather Normalization Adj.	Growth (Loss) Adj.	Remove Estimated Balancing Fees	Remove Estimated Transport Revenue	Service Fee Adj.	As Adjusted Test Year Revenues
<u>Gas Sales</u>														
1	Residential	\$ 24,272,860	\$ (5,675,570)	\$ —	\$ —	\$ —	\$ 897,512	\$ 200,192	\$ (169,695)	\$ (84,908)	\$ —	\$ —	\$ —	\$ 19,440,391
2	Commercial	28,453,932	(15,894,305)	(85,883)	(201,341)	—	485,559	73,572	(40,254)	49,435	—	—	—	12,840,715
3	Church	1,549,758	(1,237,447)	—	—	(11,115)	27,741	321	(1,715)	(3,837)	—	—	—	323,707
4	Industrial	2,077,679	(1,270,888)	—	(18,072)	—	29,427	—	—	(23,838)	—	—	—	794,307
5	Public Authority	1,457,463	(82,740)	—	0	—	65,888	7,101	(16,384)	(2,526)	—	—	—	1,428,802
6	Total Gas Sales Revenue	\$ 57,811,693	\$ (24,160,951)	\$ (85,883)	\$ (219,413)	\$ (11,115)	\$ 1,506,126	\$ 281,187	\$ (228,047)	\$ (65,674)	\$ —	\$ —	\$ —	\$ 34,827,922
<u>Transportation Revenue</u>														
7	Commercial	\$ 603,113	\$ —	\$ 17,639	\$ —	\$ —	\$ 3,200	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 623,952
8	Public Authority	180,655	—	0	—	—	439	—	—	—	—	—	—	181,094
9	Industrial	1,203,595	—	0	—	—	22,735	—	—	—	—	—	—	1,226,330
10	Special Contract	448,123	—	0	—	—	—	—	—	—	—	—	—	448,123
11	Irrigation	120,524	—	—	—	—	—	—	—	—	—	—	—	120,524
12	Estimated Revenue	32,250	—	—	—	—	—	—	—	—	—	(32,250)	—	—
13	Total Transport Revenue	\$ 2,588,259	\$ —	\$ 17,639	\$ —	\$ —	\$ 26,373	\$ —	\$ —	\$ —	\$ —	\$ (32,250)	\$ —	\$ 2,600,022
14	Service Fee's - Acct 4880	\$ 283,656	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 68,812	\$ 352,467
15	Utility Revenue - Acct 4950	57,754	—	—	—	—	—	—	—	—	(6,039)	—	—	51,715
16	Total Revenue	\$ 60,741,361	\$ (24,160,951)	\$ (68,243)	\$ (219,413)	\$ (11,115)	\$ 1,532,499	\$ 281,187	\$ (228,047)	\$ (65,674)	\$ (6,039)	\$ (32,250)	\$ 68,812	\$ 37,832,126

Source: SCH G-2 and SCH G-3 Proof of Revenues.xlsx

**Class Revenue Allocation**  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**CLASS REVENUE ALLOCATION**

PUBLIC

LINE NO.	DESCRIPTION	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	AUTHORITY
	(a)	(b)	(c)	(d)	(e)	(f)
1	Current Revenue-to-Cost Ratio (1)	0.7940	0.6310	1.2617	0.8283	0.7743
2						
3	<u>Revenue Allocation One - Cost of Service Study Required Revenue Changes</u>					
4	Revenue-to-Cost Ratio	1.0000	1.0000	1.0000	1.0000	1.0000
5	Rate Design Revenue Increase	\$ 9,813,240	\$ 11,805,061	\$ (2,894,530)	\$ 425,478	\$ 477,231
6	% Increase - Non-Gas Revenue (2)	25.94%	58.48%	-20.74%	20.72%	29.14%
7	% Increase - Total Revenue (3)	16.10%	45.88%	-9.95%	13.21%	16.53%
8	% Total Revenue (for GRIP)	100.00 %	66.95 %	23.34 %	5.24 %	4.47 %
9	<u>Revenue Allocation Two - Partial Movement Toward Cost of Service (4)</u>					
10	Revenue-to-Cost Ratio	1.0000	0.9328	1.2094	0.9687	0.9589
11	Rate Design Revenue Increase	\$ 9,813,240	\$ 9,653,929	\$ (578,906)	\$ 347,947	\$ 390,269
12	% Increase - Non-Gas Revenue (2)	25.94%	47.82%	-4.15%	16.95%	23.83%
13	% Increase - Total Revenue (3)	16.10%	37.52%	-1.99%	10.80%	13.52%
14	% Total Revenue (for GRIP)	100.00 %	62.34 %	28.30 %	5.07 %	4.29 %
15	<u>Revenue Allocation Three - No Movement Toward Cost of Service for Classes Requiring Revenue Decreases (5)</u>					
16	Revenue-to-Cost Ratio	1.0000	0.9159	1.2617	0.9609	0.9486
17	Rate Design Revenue Increase	\$ 9,813,240	\$ 9,116,147	\$ —	\$ 328,564	\$ 368,529
18	% Increase - Non-Gas Revenue (2)	25.94%	45.16%	0.00%	16.00%	22.51%
19	% Increase - Total Revenue (3)	16.10%	35.43%	0.00%	10.20%	12.77%
20	% Total Revenue (for GRIP)	100.00 %	61.18 %	29.54 %	5.03 %	4.24 %



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(1) Revenue-to-cost ratios are the ratios of each class' non-gas revenue (including revenue credits) to the cost of service.

(2) Non-gas revenue is the sum of as adjusted test year base revenue (i.e., revenue from recurring monthly charges resulting from as adjusted billing determinants), service charge revenue, special contract revenue, and other revenue credited to the cost of service for each class.

(3) Total revenue is the sum of non-gas revenue (see Note 2) and as adjusted gas costs. As adjusted gas costs are calculated by multiplying the test year average cost of gas (i.e., test year gas cost revenue divided by unadjusted sales service volumes) by as adjusted sales service volumes.

(4) For each class with a cost of service required revenue decrease, 20 percent of the required decrease is implemented. The benefit of implementing less than the required decrease is assigned to the residential, industrial, and public authority classes based on their relative cost-based revenue increases.

(5) No revenue change assigned to a class for which the cost of service required revenue change calls for a decrease. The resulting benefit from not implementing the required decrease is assigned to the residential, industrial, and public authority classes based on their relative cost-based revenue increases.

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROOF OF REVENUE

Line No.	Description	Bills	Volumes	Recommended Rates		Calculated Revenue at Recommended Rates		Assigned Revenue	Rounding Diff.	GRIP Allocation	
				Customer Charge	Usage Charges	Customer Charge	Usage Charges				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Residential - Small	403,583			\$ 20.00	\$	8,071,660				
2	All Ccf			2,144,543		2.33897	\$ 5,016,022				
3	Residential - Large	309,033			\$ 35.00	\$	10,816,155				
4	All Ccf			5,438,730		0.95435	\$ 5,190,452	<u>\$ 29,094,289</u>	<u>\$ 29,094,320</u>	\$ (32)	62.34 %
5	Residential Total										
6											
7	Commercial - Small	31,545			\$ 80.00	\$	2,523,600				
8	All Ccf			4,260,553		0.61849	\$ 2,635,109				
9	Commercial - Large	15,708			\$ 250.00	\$	3,927,000				
10	All Ccf			16,751,319		0.21049	\$ 3,525,985	\$ 12,611,695			
11											
12	Commercial - Transport	319			500	\$	159,500				
13	All Ccf			4,312,335		0.10163	\$ 438,263	\$ 597,763			
14											
15	Commercial Total							<u>\$ 13,209,457</u>	<u>\$ 13,209,468</u>	\$ (11)	28.30 %
16											
17	Industrial	404			\$ 850.00	\$	343,497				
18	All Ccf			1,597,491		0.36782	\$ 587,589	\$ 931,086			
19											
20		444			\$ 1,000.00		\$444,000				
21	Industrial - Transport	All Ccf		8,969,622		\$ 0.11076	\$ 993,475	\$ 1,437,475			
22											
23	Industrial Total							<u>\$ 2,368,561</u>	<u>\$ 2,368,584</u>	\$ (23)	5.07 %
24											
25	Public Authority	6,046			\$ 200.00	\$	1,209,137				
26	All Ccf			1,709,116		\$ 0.33119	\$ 566,042	\$ 1,775,179			
27											
28	Public Authority - Transport	72			2500		\$180,000				
29	All Ccf			995,318		\$ 0.04521	\$ 44,998	\$ 224,998			
30											
31	Public Authority Total							<u>\$ 2,000,178</u>	<u>\$ 2,000,165</u>	\$ 12	4.29 %
32											
33	<u>Total Revenue - All Classes</u>										
34											
35	Recommended Rate Revenue						\$ 46,672,485	\$ 46,672,537			
36	Current Rate Revenue						\$ 36,859,297	\$ 36,859,297			
37	Revenue Change						<u>\$ 9,813,187</u>	<u>\$ 9,813,240</u>			
38											
39	Schedule A - Revenue Deficiency							<u>\$ 9,813,240</u>		\$ (0)	

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**Current & Rec Rates**  
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**CURRENT AND RECOMMENDED RATES**

Description		RGVSA Environs Rates	RGVSA Incorporated Rates	Recommended	
(a)		(b)	(c)	(d) Small	(e) Large
<b>Residential</b>					
Customer Charge		\$21.87	\$18.02	\$20.00	\$35.00
Usage Rates	All Ccf	\$0.34028	\$0.88854	\$2.33897	\$0.95435
<b>Commercial</b>					
Customer Charge - Sales		\$117.13	\$141.62	\$80.00	\$250.00
Usage Rates	All Ccf	\$0.31650	\$0.31650	\$0.61849	\$0.21049
Customer Charge - Transportation		\$459.13	\$483.62	\$500.00	
Usage Rates	First 5000 Ccf	\$0.31650	\$0.31650	\$0.10163	
	All Over 5000 Ccf	\$0.01777	\$0.01777		
<b>Church</b>					
Customer Charge - Sales		\$99.13	\$123.62	\$80.00	
Usage Rates	All Ccf	\$0.31650	\$0.31650	\$0.61849	
<b>Industrial</b>					
Customer Charge - Sales		\$680.49	\$903.88	\$850.00	
Usage Rates	All Ccf	\$0.30336	\$0.30336	\$0.36782	
Customer Charge - Transportation		\$930.49	\$1,153.88	\$1,000.00	
Usage Rates	First 5000 Ccf	\$0.30336	\$0.30336	\$0.11076	
	All Over 5000 Ccf	\$0.03453	\$0.03453		
<b>Public Authority</b>					
Customer Charge - Sales		\$106.36	\$132.93	\$200.00	
Usage Rates	All Ccf	\$0.38068	\$0.38068	\$0.33119	
Customer Charge - Transportation		\$461.36	\$487.93	\$2,500.00	
Usage Rates	First 5000 Ccf	\$0.38068	\$0.38068	\$0.04521	
	All Over 5000 Ccf	\$0.01595	\$0.01595		
<b>Electric Generation</b>					
Customer Charge - Sales		N/A	N/A	\$250.00	



**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CUSTOMER BILL IMPACTS**

Description (a)	Year-Round Average Bill			
	Current (b)	Recommended (c)	Change	
			Dollars (d)	% (e)
<b>Sales Service: (1) (2)</b>				
<b>Residential - Small (3)</b>				
Incorporated	\$ 26.63	\$ 36.31	\$ 9.68	36.3%
Environs	\$ 27.56	\$ 36.31	\$ 8.75	31.7%
<b>Residential - Large (3)</b>				
Incorporated	\$ 46.52	\$ 64.66	\$ 18.14	39.0%
Environs	\$ 40.72	\$ 64.66	\$ 23.94	58.8%
<b>Commercial - Small (3)</b>				
Incorporated	\$ 283.08	\$ 262.25	\$ (20.83)	-7.4%
Environs	\$ 258.59	\$ 262.25	\$ 3.66	1.4%
<b>Commercial - Large (3)</b>				
Incorporated	\$ 1,258.55	1,253.87	\$ (4.68)	-0.4%
Environs	\$ 1,234.06	1,253.87	\$ 19.81	1.6%
<b>Church (Withdrawing/Proposed Reclass to Commercial)</b>				
Incorporated	\$ 147.71	111.04	\$ (36.67)	-24.8%
Environs	\$ 123.22	111.04	\$ (12.18)	-9.9%
<b>Industrial</b>				
Incorporated	\$ 4,992.15	\$ 5,193.08	\$ 200.93	4.0%
Environs	\$ 4,768.76	\$ 5,193.08	\$ 424.32	8.9%
<b>Public Authority</b>				
Incorporated	\$ 447.50	\$ 500.56	\$ 53.06	11.9%
Environs	\$ 420.93	\$ 500.56	\$ 79.63	18.9%
<b>Electric Generation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A
<b>Transportation Service: (4)</b>				
<b>Commercial Transportation</b>				
Incorporated	\$ 11,603.26	\$ 11,259.61	\$ (343.65)	-3.0%
Environs	\$ 11,578.77	\$ 11,259.61	\$ (319.16)	-2.8%
<b>Industrial Transportation</b>				
Incorporated	\$ 17,222.20	\$ 17,264.17	\$ 41.97	0.2%
Environs	\$ 16,998.81	\$ 17,264.17	\$ 265.36	1.6%

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**CUSTOMER BILL IMPACTS**

Description	Year-Round Average Bill			
	Current	Recommended	Change	
			Dollars	%
<b>Public Authority Transportation</b>				
Incorporated	\$ 12,130.31	\$ 12,723.22	\$ 592.91	4.9%
Environs	\$ 12,103.74	\$ 12,723.22	\$ 619.48	5.1%
<b>Electric Generation Transportation (5)</b>				
Incorporated	N/A	N/A	N/A	N/A
Environs	N/A	N/A	N/A	N/A

(1) Bill impacts are shown for those schedules with customers during the test year. The test year cost of gas in each area is included in the bill calculations. Bills under current and recommended rates do not include revenue-related taxes. These taxes vary across different locations in the service area.

(2) Bills are based on the following average usage levels:

	Year-Round
Residential - Small	5
Residential - Large	18
Commercial - Small	135
Commercial - Large	1,066
Church	23
Industrial	3,953
Public Authority	283

(3) Calculations for residential and commercial are based on usage at the Small and Large amounts shown in Note 2 (Residential: 5 Ccf for Small and 18 Ccf for Large/Commercial: 135 Ccf for Small and 1,066 for Large).

(4) Transportation customers secure their own gas. While the Company has no way of knowing the customer's cost of gas, these bill comparisons assume that customers obtain their gas at a cost that is five percent less than the Company's gas cost. These transportation bill comparisons are only illustrations of the level of total bills and the percentage changes in those bills. Bills are based on the following average usage levels:

	Year-Round
Commercial Transportation	13,518
Industrial Transportation	20,202
Public Authority Transportation	13,824

(5) Electric Generation and Electric Generation Transportation current rates are N/A because they are new proposed rates and do not currently have customers.

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Residential Bill Impacts Existing Rates

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PROPOSED RESIDENTIAL BILL IMPACTS COMPARED TO EXISTING RATES

Annual Residential Bill Impacts of Small/Large Rate Relative to Existing RGVSA Incorporated Rates

Consumption		Customers	Current Charges				Proposed Charges				Absolute Change		Percentage Change			
Low	High		Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High
			\$ 18.02	\$ 1.61940	\$ 1.61940			\$ 20.00	\$ 3.06983	\$ 3.06983	Small					
								\$ 35.00	\$ 1.68521	\$ 1.68521	Large					
0	8	2,045	\$ 216.24	\$ —	\$ 12.96	\$ 216.24	\$ 229.20	\$ 240.00	\$ —	\$ 24.56	\$ 240.00	\$ 264.56	\$ 1.98	\$ 2.95	11%	15%
9	16	1,920	\$ 216.24	\$ 14.57	\$ 25.91	\$ 230.81	\$ 242.15	\$ 240.00	\$ 27.63	\$ 49.12	\$ 267.63	\$ 289.12	\$ 3.07	\$ 3.91	16%	19%
17	24	1,965	\$ 216.24	\$ 27.53	\$ 38.87	\$ 243.77	\$ 255.11	\$ 240.00	\$ 52.19	\$ 73.68	\$ 292.19	\$ 313.68	\$ 4.03	\$ 4.88	20%	23%
25	33	1,782	\$ 216.24	\$ 40.49	\$ 53.44	\$ 256.73	\$ 269.68	\$ 240.00	\$ 76.75	\$ 101.30	\$ 316.75	\$ 341.30	\$ 5.00	\$ 5.97	23%	27%
34	41	1,692	\$ 216.24	\$ 55.06	\$ 66.40	\$ 271.30	\$ 282.64	\$ 240.00	\$ 104.37	\$ 125.86	\$ 344.37	\$ 365.86	\$ 6.09	\$ 6.94	27%	29%
42	49	1,682	\$ 216.24	\$ 68.01	\$ 79.35	\$ 284.25	\$ 295.59	\$ 240.00	\$ 128.93	\$ 150.42	\$ 368.93	\$ 390.42	\$ 7.06	\$ 7.90	30%	32%
50	57	1,679	\$ 216.24	\$ 80.97	\$ 92.31	\$ 297.21	\$ 308.55	\$ 240.00	\$ 153.49	\$ 174.98	\$ 393.49	\$ 414.98	\$ 8.02	\$ 8.87	32%	34%
58	65	1,843	\$ 216.24	\$ 93.93	\$ 105.26	\$ 310.17	\$ 321.50	\$ 240.00	\$ 178.05	\$ 199.54	\$ 418.05	\$ 439.54	\$ 8.99	\$ 9.84	35%	37%
66	73	1,907	\$ 216.24	\$ 106.88	\$ 118.22	\$ 323.12	\$ 334.46	\$ 240.00	\$ 202.61	\$ 224.10	\$ 442.61	\$ 464.10	\$ 9.96	\$ 10.80	37%	39%
74	81	1,974	\$ 216.24	\$ 119.84	\$ 131.17	\$ 336.08	\$ 347.41	\$ 240.00	\$ 227.17	\$ 248.66	\$ 467.17	\$ 488.66	\$ 10.92	\$ 11.77	39%	41%
82	89	2,120	\$ 216.24	\$ 132.79	\$ 144.13	\$ 349.03	\$ 360.37	\$ 240.00	\$ 251.73	\$ 273.21	\$ 491.73	\$ 513.21	\$ 11.89	\$ 12.74	41%	42%
90	98	2,322	\$ 216.24	\$ 145.75	\$ 158.70	\$ 361.99	\$ 374.94	\$ 240.00	\$ 276.28	\$ 300.84	\$ 516.28	\$ 540.84	\$ 12.86	\$ 13.83	43%	44%
99	106	2,273	\$ 216.24	\$ 160.32	\$ 171.66	\$ 376.56	\$ 387.90	\$ 240.00	\$ 303.91	\$ 325.40	\$ 543.91	\$ 565.40	\$ 13.95	\$ 14.79	44%	46%
107	114	2,229	\$ 216.24	\$ 173.28	\$ 184.61	\$ 389.52	\$ 400.85	\$ 240.00	\$ 328.47	\$ 349.96	\$ 568.47	\$ 589.96	\$ 14.91	\$ 15.76	46%	47%
115	122	2,270	\$ 216.24	\$ 186.23	\$ 197.57	\$ 402.47	\$ 413.81	\$ 240.00	\$ 353.03	\$ 374.52	\$ 593.03	\$ 614.52	\$ 15.88	\$ 16.73	47%	49%
123	130	2,146	\$ 216.24	\$ 199.19	\$ 210.52	\$ 415.43	\$ 426.76	\$ 240.00	\$ 377.59	\$ 399.08	\$ 617.59	\$ 639.08	\$ 16.85	\$ 17.69	49%	50%
131	230	17,271	\$ 216.24	\$ 212.14	\$ 372.46	\$ 428.38	\$ 588.70	\$ 420.00	\$ 220.76	\$ 387.60	\$ 640.76	\$ 807.60	\$ 17.70	\$ 18.24	50%	37%
231	330	4,817	\$ 216.24	\$ 374.08	\$ 534.40	\$ 590.32	\$ 750.64	\$ 420.00	\$ 389.28	\$ 556.12	\$ 809.28	\$ 976.12	\$ 18.25	\$ 18.79	37%	30%
331	430	1,249	\$ 216.24	\$ 536.02	\$ 696.34	\$ 752.26	\$ 912.58	\$ 420.00	\$ 557.80	\$ 724.64	\$ 977.80	\$ 1,144.64	\$ 18.80	\$ 19.34	30%	25%
431	530	393	\$ 216.24	\$ 697.96	\$ 858.28	\$ 914.20	\$ 1,074.52	\$ 420.00	\$ 726.33	\$ 893.16	\$ 1,146.33	\$ 1,313.16	\$ 19.34	\$ 19.89	25%	22%
531	630	145	\$ 216.24	\$ 859.90	\$ 1,020.22	\$ 1,076.14	\$ 1,236.46	\$ 420.00	\$ 894.85	\$ 1,061.68	\$ 1,314.85	\$ 1,481.68	\$ 19.89	\$ 20.44	22%	20%
631	730	85	\$ 216.24	\$ 1,021.84	\$ 1,182.16	\$ 1,238.08	\$ 1,398.40	\$ 420.00	\$ 1,063.37	\$ 1,230.20	\$ 1,483.37	\$ 1,650.20	\$ 20.44	\$ 20.98	20%	18%
731	830	62	\$ 216.24	\$ 1,183.78	\$ 1,344.10	\$ 1,400.02	\$ 1,560.34	\$ 420.00	\$ 1,231.89	\$ 1,398.72	\$ 1,651.89	\$ 1,818.72	\$ 20.99	\$ 21.53	18%	17%
831	930	46	\$ 216.24	\$ 1,345.72	\$ 1,506.04	\$ 1,561.96	\$ 1,722.28	\$ 420.00	\$ 1,400.41	\$ 1,567.25	\$ 1,820.41	\$ 1,987.25	\$ 21.54	\$ 22.08	17%	15%
931	1030	27	\$ 216.24	\$ 1,507.66	\$ 1,667.98	\$ 1,723.90	\$ 1,884.22	\$ 420.00	\$ 1,568.93	\$ 1,735.77	\$ 1,988.93	\$ 2,155.77	\$ 22.09	\$ 22.63	15%	14%
1,031	1130	26	\$ 216.24	\$ 1,669.60	\$ 1,829.92	\$ 1,885.84	\$ 2,046.16	\$ 420.00	\$ 1,737.45	\$ 1,904.29	\$ 2,157.45	\$ 2,324.29	\$ 22.63	\$ 23.18	14%	14%
1,131	1230	21	\$ 216.24	\$ 1,831.54	\$ 1,991.86	\$ 2,047.78	\$ 2,208.10	\$ 420.00	\$ 1,905.97	\$ 2,072.81	\$ 2,325.97	\$ 2,492.81	\$ 23.18	\$ 23.73	14%	13%
1,231	1330	12	\$ 216.24	\$ 1,993.48	\$ 2,153.80	\$ 2,209.72	\$ 2,370.04	\$ 420.00	\$ 2,074.49	\$ 2,241.33	\$ 2,494.49	\$ 2,661.33	\$ 23.73	\$ 24.27	13%	12%
1,331	1430	9	\$ 216.24	\$ 2,155.42	\$ 2,315.74	\$ 2,371.66	\$ 2,531.98	\$ 420.00	\$ 2,243.01	\$ 2,409.85	\$ 2,663.01	\$ 2,829.85	\$ 24.28	\$ 24.82	12%	12%
1,431	1530	9	\$ 216.24	\$ 2,317.36	\$ 2,477.68	\$ 2,533.60	\$ 2,693.92	\$ 420.00	\$ 2,411.54	\$ 2,578.37	\$ 2,831.54	\$ 2,998.37	\$ 24.83	\$ 25.37	12%	11%
1,531	7677	58	\$ 216.24	\$ 2,479.30	\$ 12,432.13	\$ 2,695.54	\$ 12,648.37	\$ 420.00	\$ 2,580.06	\$ 12,937.36	\$ 3,000.06	\$ 13,357.36	\$ 25.38	\$ 59.08	11%	6%

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
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Residential Bill Impacts Existing Rates  
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PROPOSED RESIDENTIAL BILL IMPACTS COMPARED TO EXISTING RATES

Annual Residential Bill Impacts of Small/Large Rate Relative to Existing RGVSA Incorporated Rates  
Annual Residential Bill Impacts of Small/Large Rate Relative to Existing RGVSA Environs Rates

		\$ 21.87		\$ 1.07114		\$ 1.07114		\$ 20.00	\$ 3.06983	\$ 3.06983	Small						
		\$ 35.00		\$ 1.68521		\$ 1.68521		Large									
Consumption	Current Charges								Proposed Charges				Absolute Change		Percentage Change		
	Low	High	Customers	Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High
0	8	119	\$ 262.44	\$ —	\$ 8.57	\$ 262.44	\$ 271.01	\$ 240.00	\$ —	\$ 24.56	\$ 240.00	\$ 264.56	\$ (1.87)	\$ (0.54)	-9%	-2%	
9	16	131	\$ 262.44	\$ 9.64	\$ 17.14	\$ 272.08	\$ 279.58	\$ 240.00	\$ 27.63	\$ 49.12	\$ 267.63	\$ 289.12	\$ (0.37)	\$ 0.79	-2%	3%	
17	24	124	\$ 262.44	\$ 18.21	\$ 25.71	\$ 280.65	\$ 288.15	\$ 240.00	\$ 52.19	\$ 73.68	\$ 292.19	\$ 313.68	\$ 0.96	\$ 2.13	4%	9%	
25	33	114	\$ 262.44	\$ 26.78	\$ 35.35	\$ 289.22	\$ 297.79	\$ 240.00	\$ 76.75	\$ 101.30	\$ 316.75	\$ 341.30	\$ 2.29	\$ 3.63	10%	15%	
34	41	109	\$ 262.44	\$ 36.42	\$ 43.92	\$ 298.86	\$ 306.36	\$ 240.00	\$ 104.37	\$ 125.86	\$ 344.37	\$ 365.86	\$ 3.79	\$ 4.96	15%	19%	
42	49	103	\$ 262.44	\$ 44.99	\$ 52.49	\$ 307.43	\$ 314.93	\$ 240.00	\$ 128.93	\$ 150.42	\$ 368.93	\$ 390.42	\$ 5.13	\$ 6.29	20%	24%	
50	57	89	\$ 262.44	\$ 53.56	\$ 61.05	\$ 316.00	\$ 323.49	\$ 240.00	\$ 153.49	\$ 174.98	\$ 393.49	\$ 414.98	\$ 6.46	\$ 7.62	25%	28%	
58	65	93	\$ 262.44	\$ 62.13	\$ 69.62	\$ 324.57	\$ 332.06	\$ 240.00	\$ 178.05	\$ 199.54	\$ 418.05	\$ 439.54	\$ 7.79	\$ 8.96	29%	32%	
66	73	99	\$ 262.44	\$ 70.70	\$ 78.19	\$ 333.14	\$ 340.63	\$ 240.00	\$ 202.61	\$ 224.10	\$ 442.61	\$ 464.10	\$ 9.12	\$ 10.29	33%	36%	
74	81	120	\$ 262.44	\$ 79.26	\$ 86.76	\$ 341.70	\$ 349.20	\$ 240.00	\$ 227.17	\$ 248.66	\$ 467.17	\$ 488.66	\$ 10.46	\$ 11.62	37%	40%	
82	89	113	\$ 262.44	\$ 87.83	\$ 95.33	\$ 350.27	\$ 357.77	\$ 240.00	\$ 251.73	\$ 273.21	\$ 491.73	\$ 513.21	\$ 11.79	\$ 12.95	40%	43%	
90	98	119	\$ 262.44	\$ 96.40	\$ 104.97	\$ 358.84	\$ 367.41	\$ 240.00	\$ 276.28	\$ 300.84	\$ 516.28	\$ 540.84	\$ 13.12	\$ 14.45	44%	47%	
99	106	109	\$ 262.44	\$ 106.04	\$ 113.54	\$ 368.48	\$ 375.98	\$ 240.00	\$ 303.91	\$ 325.40	\$ 543.91	\$ 565.40	\$ 14.62	\$ 15.79	48%	50%	
107	114	111	\$ 262.44	\$ 114.61	\$ 122.11	\$ 377.05	\$ 384.55	\$ 240.00	\$ 328.47	\$ 349.96	\$ 568.47	\$ 589.96	\$ 15.95	\$ 17.12	51%	53%	
115	122	116	\$ 262.44	\$ 123.18	\$ 130.68	\$ 385.62	\$ 393.12	\$ 240.00	\$ 353.03	\$ 374.52	\$ 593.03	\$ 614.52	\$ 17.28	\$ 18.45	54%	56%	
123	130	114	\$ 262.44	\$ 131.75	\$ 139.25	\$ 394.19	\$ 401.69	\$ 240.00	\$ 377.59	\$ 399.08	\$ 617.59	\$ 639.08	\$ 18.62	\$ 19.78	57%	59%	
131	230	1,059	\$ 262.44	\$ 140.32	\$ 246.36	\$ 402.76	\$ 508.80	\$ 420.00	\$ 220.76	\$ 387.60	\$ 640.76	\$ 807.60	\$ 19.83	\$ 24.90	59%	59%	
231	330	321	\$ 262.44	\$ 247.43	\$ 353.48	\$ 509.87	\$ 615.92	\$ 420.00	\$ 389.28	\$ 556.12	\$ 809.28	\$ 976.12	\$ 24.95	\$ 30.02	59%	58%	
331	430	72	\$ 262.44	\$ 354.55	\$ 460.59	\$ 616.99	\$ 723.03	\$ 420.00	\$ 557.80	\$ 724.64	\$ 977.80	\$ 1,144.64	\$ 30.07	\$ 35.13	58%	58%	
431	530	26	\$ 262.44	\$ 461.66	\$ 567.70	\$ 724.10	\$ 830.14	\$ 420.00	\$ 726.33	\$ 893.16	\$ 1,146.33	\$ 1,313.16	\$ 35.19	\$ 40.25	58%	58%	
531	630	19	\$ 262.44	\$ 568.78	\$ 674.82	\$ 831.22	\$ 937.26	\$ 420.00	\$ 894.85	\$ 1,061.68	\$ 1,314.85	\$ 1,481.68	\$ 40.30	\$ 45.37	58%	58%	
631	730	7	\$ 262.44	\$ 675.89	\$ 781.93	\$ 938.33	\$ 1,044.37	\$ 420.00	\$ 1,063.37	\$ 1,230.20	\$ 1,483.37	\$ 1,650.20	\$ 45.42	\$ 50.49	58%	58%	
731	830	3	\$ 262.44	\$ 783.00	\$ 889.05	\$ 1,045.44	\$ 1,151.49	\$ 420.00	\$ 1,231.89	\$ 1,398.72	\$ 1,651.89	\$ 1,818.72	\$ 50.54	\$ 55.60	58%	58%	
831	930	4	\$ 262.44	\$ 890.12	\$ 996.16	\$ 1,152.56	\$ 1,258.60	\$ 420.00	\$ 1,400.41	\$ 1,567.25	\$ 1,820.41	\$ 1,987.25	\$ 55.65	\$ 60.72	58%	58%	
931	1030	4	\$ 262.44	\$ 997.23	\$ 1,103.27	\$ 1,259.67	\$ 1,365.71	\$ 420.00	\$ 1,568.93	\$ 1,735.77	\$ 1,988.93	\$ 2,155.77	\$ 60.77	\$ 65.84	58%	58%	
1,031	1130	1	\$ 262.44	\$ 1,104.35	\$ 1,210.39	\$ 1,366.79	\$ 1,472.83	\$ 420.00	\$ 1,737.45	\$ 1,904.29	\$ 2,157.45	\$ 2,324.29	\$ 65.89	\$ 70.95	58%	58%	
1,131	1230	2	\$ 262.44	\$ 1,211.46	\$ 1,317.50	\$ 1,473.90	\$ 1,579.94	\$ 420.00	\$ 1,905.97	\$ 2,072.81	\$ 2,325.97	\$ 2,492.81	\$ 71.01	\$ 76.07	58%	58%	
1,231	1330	1	\$ 262.44	\$ 1,318.57	\$ 1,424.62	\$ 1,581.01	\$ 1,687.06	\$ 420.00	\$ 2,074.49	\$ 2,241.33	\$ 2,494.49	\$ 2,661.33	\$ 76.12	\$ 81.19	58%	58%	
1,331	1430	0	\$ 262.44	\$ 1,425.69	\$ 1,531.73	\$ 1,688.13	\$ 1,794.17	\$ 420.00	\$ 2,243.01	\$ 2,409.85	\$ 2,663.01	\$ 2,829.85	\$ 81.24	\$ 86.31	58%	58%	
1,431	1530	0	\$ 262.44	\$ 1,532.80	\$ 1,638.84	\$ 1,795.24	\$ 1,901.28	\$ 420.00	\$ 2,411.54	\$ 2,578.37	\$ 2,831.54	\$ 2,998.37	\$ 86.36	\$ 91.42	58%	58%	
1,531	7677	2	\$ 262.44	\$ 1,639.92	\$ 8,223.14	\$ 1,902.36	\$ 8,485.58	\$ 420.00	\$ 2,580.06	\$ 12,937.36	\$ 3,000.06	\$ 13,357.36	\$ 91.48	\$ 405.98	58%	57%	



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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED RESIDENTIAL BILL IMPACTS COMPARED TO TRADITIONAL RATE STRUCTURE

Annual Residential Bill Impacts of Small/Large Rate Structure in RGVSA Incorporated Compared to Traditional Rate Structure

Consumption		Current Charges								Proposed Charges					Absolute Change		Percentage Change	
Low	High	Customers	Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High		
	0	8	2,045	\$ 240.00	\$ —	\$ 21.50	\$ 240.00	\$ 261.50	\$ 240.00	\$ —	\$ 24.56	\$ 240.00	\$ 264.56	\$ —	\$ 0.25	0%	1%	
	9	16	1,920	\$ 240.00	\$ 24.19	\$ 43.01	\$ 264.19	\$ 283.01	\$ 240.00	\$ 27.63	\$ 49.12	\$ 267.63	\$ 289.12	\$ 0.29	\$ 0.51	1%	2%	
	17	24	1,965	\$ 240.00	\$ 45.70	\$ 64.51	\$ 285.70	\$ 304.51	\$ 240.00	\$ 52.19	\$ 73.68	\$ 292.19	\$ 313.68	\$ 0.54	\$ 0.76	2%	3%	
	25	33	1,782	\$ 240.00	\$ 67.20	\$ 88.71	\$ 307.20	\$ 328.71	\$ 240.00	\$ 76.75	\$ 101.30	\$ 316.75	\$ 341.30	\$ 0.80	\$ 1.05	3%	4%	
	34	41	1,692	\$ 240.00	\$ 91.39	\$ 110.21	\$ 331.39	\$ 350.21	\$ 240.00	\$ 104.37	\$ 125.86	\$ 344.37	\$ 365.86	\$ 1.08	\$ 1.30	4%	4%	
	42	49	1,682	\$ 240.00	\$ 112.90	\$ 131.71	\$ 352.90	\$ 371.71	\$ 240.00	\$ 128.93	\$ 150.42	\$ 368.93	\$ 390.42	\$ 1.34	\$ 1.56	5%	5%	
	50	57	1,679	\$ 240.00	\$ 134.40	\$ 153.22	\$ 374.40	\$ 393.22	\$ 240.00	\$ 153.49	\$ 174.98	\$ 393.49	\$ 414.98	\$ 1.59	\$ 1.81	5%	6%	
	58	65	1,843	\$ 240.00	\$ 155.91	\$ 174.72	\$ 395.91	\$ 414.72	\$ 240.00	\$ 178.05	\$ 199.54	\$ 418.05	\$ 439.54	\$ 1.85	\$ 2.07	6%	6%	
	66	73	1,907	\$ 240.00	\$ 177.41	\$ 196.23	\$ 417.41	\$ 436.23	\$ 240.00	\$ 202.61	\$ 224.10	\$ 442.61	\$ 464.10	\$ 2.10	\$ 2.32	6%	6%	
	74	81	1,974	\$ 240.00	\$ 198.92	\$ 217.73	\$ 438.92	\$ 457.73	\$ 240.00	\$ 227.17	\$ 248.66	\$ 467.17	\$ 488.66	\$ 2.35	\$ 2.58	6%	7%	
	82	89	2,120	\$ 240.00	\$ 220.42	\$ 239.24	\$ 460.42	\$ 479.24	\$ 240.00	\$ 251.73	\$ 273.21	\$ 491.73	\$ 513.21	\$ 2.61	\$ 2.83	7%	7%	
	90	98	2,322	\$ 240.00	\$ 241.93	\$ 263.43	\$ 481.93	\$ 503.43	\$ 240.00	\$ 276.28	\$ 300.84	\$ 516.28	\$ 540.84	\$ 2.86	\$ 3.12	7%	7%	
	99	106	2,273	\$ 240.00	\$ 266.12	\$ 284.93	\$ 506.12	\$ 524.93	\$ 240.00	\$ 303.91	\$ 325.40	\$ 543.91	\$ 565.40	\$ 3.15	\$ 3.37	7%	8%	
	107	114	2,229	\$ 240.00	\$ 287.62	\$ 306.44	\$ 527.62	\$ 546.44	\$ 240.00	\$ 328.47	\$ 349.96	\$ 568.47	\$ 589.96	\$ 3.40	\$ 3.63	8%	8%	
	115	122	2,270	\$ 240.00	\$ 309.13	\$ 327.94	\$ 549.13	\$ 567.94	\$ 240.00	\$ 353.03	\$ 374.52	\$ 593.03	\$ 614.52	\$ 3.66	\$ 3.88	8%	8%	
	123	130	2,146	\$ 240.00	\$ 330.63	\$ 349.45	\$ 570.63	\$ 589.45	\$ 240.00	\$ 377.59	\$ 399.08	\$ 617.59	\$ 639.08	\$ 3.91	\$ 4.14	8%	8%	
	131	230	17,271	\$ 240.00	\$ 352.14	\$ 618.25	\$ 592.14	\$ 858.25	\$ 420.00	\$ 220.76	\$ 387.60	\$ 640.76	\$ 807.60	\$ 4.05	\$ (4.22)	8%	-6%	
	231	330	4,817	\$ 240.00	\$ 620.94	\$ 887.06	\$ 860.94	\$ 1,127.06	\$ 420.00	\$ 389.28	\$ 556.12	\$ 809.28	\$ 976.12	\$ (4.30)	\$ (12.58)	-6%	-13%	
	331	430	1,249	\$ 240.00	\$ 889.75	\$ 1,155.87	\$ 1,129.75	\$ 1,395.87	\$ 420.00	\$ 557.80	\$ 724.64	\$ 977.80	\$ 1,144.64	\$ (12.66)	\$ (20.94)	-13%	-18%	
	431	530	393	\$ 240.00	\$ 1,158.55	\$ 1,424.67	\$ 1,398.55	\$ 1,664.67	\$ 420.00	\$ 726.33	\$ 893.16	\$ 1,146.33	\$ 1,313.16	\$ (21.02)	\$ (29.29)	-18%	-21%	
	531	630	145	\$ 240.00	\$ 1,427.36	\$ 1,693.48	\$ 1,667.36	\$ 1,933.48	\$ 420.00	\$ 894.85	\$ 1,061.68	\$ 1,314.85	\$ 1,481.68	\$ (29.38)	\$ (37.65)	-21%	-23%	
	631	730	85	\$ 240.00	\$ 1,696.17	\$ 1,962.28	\$ 1,936.17	\$ 2,202.28	\$ 420.00	\$ 1,063.37	\$ 1,230.20	\$ 1,483.37	\$ 1,650.20	\$ (37.73)	\$ (46.01)	-23%	-25%	
	731	830	62	\$ 240.00	\$ 1,964.97	\$ 2,231.09	\$ 2,204.97	\$ 2,471.09	\$ 420.00	\$ 1,231.89	\$ 1,398.72	\$ 1,651.89	\$ 1,818.72	\$ (46.09)	\$ (54.36)	-25%	-26%	
	831	930	46	\$ 240.00	\$ 2,233.78	\$ 2,499.90	\$ 2,473.78	\$ 2,739.90	\$ 420.00	\$ 1,400.41	\$ 1,567.25	\$ 1,820.41	\$ 1,987.25	\$ (54.45)	\$ (62.72)	-26%	-27%	
	931	1030	27	\$ 240.00	\$ 2,502.58	\$ 2,768.70	\$ 2,742.58	\$ 3,008.70	\$ 420.00	\$ 1,568.93	\$ 1,735.77	\$ 1,988.93	\$ 2,155.77	\$ (62.80)	\$ (71.08)	-27%	-28%	
	1,031	1,130	26	\$ 240.00	\$ 2,771.39	\$ 3,037.51	\$ 3,011.39	\$ 3,277.51	\$ 420.00	\$ 1,737.45	\$ 1,904.29	\$ 2,157.45	\$ 2,324.29	\$ (71.16)	\$ (79.44)	-28%	-29%	
	1,131	1,230	21	\$ 240.00	\$ 3,040.20	\$ 3,306.31	\$ 3,280.20	\$ 3,546.31	\$ 420.00	\$ 1,905.97	\$ 2,072.81	\$ 2,325.97	\$ 2,492.81	\$ (79.52)	\$ (87.79)	-29%	-30%	
	1,231	1,330	12	\$ 240.00	\$ 3,309.00	\$ 3,575.12	\$ 3,549.00	\$ 3,815.12	\$ 420.00	\$ 2,074.49	\$ 2,241.33	\$ 2,494.49	\$ 2,661.33	\$ (87.88)	\$ (96.15)	-30%	-30%	
	1,331	1,430	9	\$ 240.00	\$ 3,577.81	\$ 3,843.93	\$ 3,817.81	\$ 4,083.93	\$ 420.00	\$ 2,243.01	\$ 2,409.85	\$ 2,663.01	\$ 2,829.85	\$ (96.23)	\$ (104.51)	-30%	-31%	
	1,431	1,530	9	\$ 240.00	\$ 3,846.61	\$ 4,112.73	\$ 4,086.61	\$ 4,352.73	\$ 420.00	\$ 2,411.54	\$ 2,578.37	\$ 2,831.54	\$ 2,998.37	\$ (104.59)	\$ (112.86)	-31%	-31%	
	1,531	7677	58	\$ 240.00	\$ 4,115.42	\$ 20,636.24	\$ 4,355.42	\$ 20,876.24	\$ 420.00	\$ 2,580.06	\$ 12,937.36	\$ 3,000.06	\$ 13,357.36	\$ (112.95)	\$ (626.57)	-31%	-36%	

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED RESIDENTIAL BILL IMPACTS COMPARED TO TRADITIONAL RATE STRUCTURE

Annual Residential Bill Impacts of Small/Large Rate Structure in RGVSA Incorporated Compared to Traditional Rate Structure  
Annual Residential Bill Impacts of Small/Large Rate Structure in RGVSA Environs Compared to Traditional Rate Structure

				\$ 20.00	\$ 2.68806	\$ 2.68806	\$ 20.00	\$ 3.06983	\$ 3.06983	Small										
		\$ 20.00	\$ 2.68806	\$ 2.68806	\$ 20.00	\$ 3.06983	\$ 3.06983	Small	\$ 35.00	\$ 1.68521	\$ 1.68521	Large								
Low	High	Customers	Customer	Current Charges				Proposed Charges				Absolute Change		Percentage Change						
				Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High				
0	8	119	\$ 240.00	\$ —	\$ 21.50	\$ 240.00	\$ 261.50	\$ 240.00	\$ —	\$ 24.56	\$ 240.00	\$ 264.56	\$ —	\$ 0.25	0%	1%				
9	16	131	\$ 240.00	\$ 24.19	\$ 43.01	\$ 264.19	\$ 283.01	\$ 240.00	\$ 27.63	\$ 49.12	\$ 267.63	\$ 289.12	\$ 0.29	\$ 0.51	1%	2%				
17	24	124	\$ 240.00	\$ 45.70	\$ 64.51	\$ 285.70	\$ 304.51	\$ 240.00	\$ 52.19	\$ 73.68	\$ 292.19	\$ 313.68	\$ 0.54	\$ 0.76	2%	3%				
25	33	114	\$ 240.00	\$ 67.20	\$ 88.71	\$ 307.20	\$ 328.71	\$ 240.00	\$ 76.75	\$ 101.30	\$ 316.75	\$ 341.30	\$ 0.80	\$ 1.05	3%	4%				
34	41	109	\$ 240.00	\$ 91.39	\$ 110.21	\$ 331.39	\$ 350.21	\$ 240.00	\$ 104.37	\$ 125.86	\$ 344.37	\$ 365.86	\$ 1.08	\$ 1.30	4%	4%				
42	49	103	\$ 240.00	\$ 112.90	\$ 131.71	\$ 352.90	\$ 371.71	\$ 240.00	\$ 128.93	\$ 150.42	\$ 368.93	\$ 390.42	\$ 1.34	\$ 1.56	5%	5%				
50	57	89	\$ 240.00	\$ 134.40	\$ 153.22	\$ 374.40	\$ 393.22	\$ 240.00	\$ 153.49	\$ 174.98	\$ 393.49	\$ 414.98	\$ 1.59	\$ 1.81	5%	6%				
58	65	93	\$ 240.00	\$ 155.91	\$ 174.72	\$ 395.91	\$ 414.72	\$ 240.00	\$ 178.05	\$ 199.54	\$ 418.05	\$ 439.54	\$ 1.85	\$ 2.07	6%	6%				
66	73	99	\$ 240.00	\$ 177.41	\$ 196.23	\$ 417.41	\$ 436.23	\$ 240.00	\$ 202.61	\$ 224.10	\$ 442.61	\$ 464.10	\$ 2.10	\$ 2.32	6%	6%				
74	81	120	\$ 240.00	\$ 198.92	\$ 217.73	\$ 438.92	\$ 457.73	\$ 240.00	\$ 227.17	\$ 248.66	\$ 467.17	\$ 488.66	\$ 2.35	\$ 2.58	6%	7%				
82	89	113	\$ 240.00	\$ 220.42	\$ 239.24	\$ 460.42	\$ 479.24	\$ 240.00	\$ 251.73	\$ 273.21	\$ 491.73	\$ 513.21	\$ 2.61	\$ 2.83	7%	7%				
90	98	119	\$ 240.00	\$ 241.93	\$ 263.43	\$ 481.93	\$ 503.43	\$ 240.00	\$ 276.28	\$ 300.84	\$ 516.28	\$ 540.84	\$ 2.86	\$ 3.12	7%	7%				
99	106	109	\$ 240.00	\$ 266.12	\$ 284.93	\$ 506.12	\$ 524.93	\$ 240.00	\$ 303.91	\$ 325.40	\$ 543.91	\$ 565.40	\$ 3.15	\$ 3.37	7%	8%				
107	114	111	\$ 240.00	\$ 287.62	\$ 306.44	\$ 527.62	\$ 546.44	\$ 240.00	\$ 328.47	\$ 349.96	\$ 568.47	\$ 589.96	\$ 3.40	\$ 3.63	8%	8%				
115	122	116	\$ 240.00	\$ 309.13	\$ 327.94	\$ 549.13	\$ 567.94	\$ 240.00	\$ 353.03	\$ 374.52	\$ 593.03	\$ 614.52	\$ 3.66	\$ 3.88	8%	8%				
123	130	114	\$ 240.00	\$ 330.63	\$ 349.45	\$ 570.63	\$ 589.45	\$ 240.00	\$ 377.59	\$ 399.08	\$ 617.59	\$ 639.08	\$ 3.91	\$ 4.14	8%	8%				
131	230	1,059	\$ 240.00	\$ 352.14	\$ 618.25	\$ 592.14	\$ 858.25	\$ 420.00	\$ 220.76	\$ 387.60	\$ 640.76	\$ 807.60	\$ 4.05	\$ (4.22)	8%	-6%				
231	330	321	\$ 240.00	\$ 620.94	\$ 887.06	\$ 860.94	\$ 1,127.06	\$ 420.00	\$ 389.28	\$ 556.12	\$ 809.28	\$ 976.12	\$ (4.30)	\$ (12.58)	-6%	-13%				
331	430	72	\$ 240.00	\$ 889.75	\$ 1,155.87	\$ 1,129.75	\$ 1,395.87	\$ 420.00	\$ 557.80	\$ 724.64	\$ 977.80	\$ 1,144.64	\$ (12.66)	\$ (20.94)	-13%	-18%				
431	530	26	\$ 240.00	\$ 1,158.55	\$ 1,424.67	\$ 1,398.55	\$ 1,664.67	\$ 420.00	\$ 726.33	\$ 893.16	\$ 1,146.33	\$ 1,313.16	\$ (21.02)	\$ (29.29)	-18%	-21%				
531	630	19	\$ 240.00	\$ 1,427.36	\$ 1,693.48	\$ 1,667.36	\$ 1,933.48	\$ 420.00	\$ 894.85	\$ 1,061.68	\$ 1,314.85	\$ 1,481.68	\$ (29.38)	\$ (37.65)	-21%	-23%				
631	730	7	\$ 240.00	\$ 1,696.17	\$ 1,962.28	\$ 1,936.17	\$ 2,202.28	\$ 420.00	\$ 1,063.37	\$ 1,230.20	\$ 1,483.37	\$ 1,650.20	\$ (37.73)	\$ (46.01)	-23%	-25%				
731	830	3	\$ 240.00	\$ 1,964.97	\$ 2,231.09	\$ 2,204.97	\$ 2,471.09	\$ 420.00	\$ 1,231.89	\$ 1,398.72	\$ 1,651.89	\$ 1,818.72	\$ (46.09)	\$ (54.36)	-25%	-26%				
831	930	4	\$ 240.00	\$ 2,233.78	\$ 2,499.90	\$ 2,473.78	\$ 2,739.90	\$ 420.00	\$ 1,400.41	\$ 1,567.25	\$ 1,820.41	\$ 1,987.25	\$ (54.45)	\$ (62.72)	-26%	-27%				
931	1,030	4	\$ 240.00	\$ 2,502.58	\$ 2,768.70	\$ 2,742.58	\$ 3,008.70	\$ 420.00	\$ 1,568.93	\$ 1,735.77	\$ 1,988.93	\$ 2,155.77	\$ (62.80)	\$ (71.08)	-27%	-28%				
1,031	1,130	1	\$ 240.00	\$ 2,771.39	\$ 3,037.51	\$ 3,011.39	\$ 3,277.51	\$ 420.00	\$ 1,737.45	\$ 1,904.29	\$ 2,157.45	\$ 2,324.29	\$ (71.16)	\$ (79.44)	-28%	-29%				
1,131	1,230	2	\$ 240.00	\$ 3,040.20	\$ 3,306.31	\$ 3,280.20	\$ 3,546.31	\$ 420.00	\$ 1,905.97	\$ 2,072.81	\$ 2,325.97	\$ 2,492.81	\$ (79.52)	\$ (87.79)	-29%	-30%				
1,231	1,330	1	\$ 240.00	\$ 3,309.00	\$ 3,575.12	\$ 3,549.00	\$ 3,815.12	\$ 420.00	\$ 2,074.49	\$ 2,241.33	\$ 2,494.49	\$ 2,661.33	\$ (87.88)	\$ (96.15)	-30%	-30%				
1,331	1,430	0	\$ 240.00	\$ 3,577.81	\$ 3,843.93	\$ 3,817.81	\$ 4,083.93	\$ 420.00	\$ 2,243.01	\$ 2,409.85	\$ 2,663.01	\$ 2,829.85	\$ (96.23)	\$ (104.51)	-30%	-31%				
1,431	1,530	0	\$ 240.00	\$ 3,846.61	\$ 4,112.73	\$ 4,086.61	\$ 4,352.73	\$ 420.00	\$ 2,411.54	\$ 2,578.37	\$ 2,831.54	\$ 2,998.37	\$ (104.59)	\$ (112.86)	-31%	-31%				
1,531	7,677	2	\$ 240.00	\$ 4,115.42	\$ 20,636.24	\$ 4,355.42	\$ 20,876.24	\$ 420.00	\$ 2,580.06	\$ 12,937.36	\$ 3,000.06	\$ 13,357.36	\$ (112.95)	\$ (626.57)	-31%	-36%				

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Commercial Bill  
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PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO EXISTING RATES

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Incorporated Rates

Consumption	Customers	Customer	Current Charges				Proposed Charges				Absolute Change		Percentage Change				
			Low Cons	High Cons	Low Total	High Total	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High			
			\$ 141.62	\$ 1.04736	\$ 1.04736					\$ 80.00	\$ 1.34935	\$ 1.34935	Small				
										\$ 250.00	\$ 0.94135	\$ 0.94135	Large				
Low	High																
0	313	621	\$ 1,699.44	\$ —	\$ 327.82	\$ 1,699.44	\$ 2,027.26	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (61.62)	\$ (53.74)	-44%	-32%	
314	625	233	\$ 1,699.44	\$ 328.87	\$ 654.60	\$ 2,028.31	\$ 2,354.04	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (53.72)	\$ (45.89)	-32%	-23%	
626	938	165	\$ 1,699.44	\$ 655.65	\$ 982.42	\$ 2,355.09	\$ 2,681.86	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (45.87)	\$ (38.01)	-23%	-17%	
939	1250	174	\$ 1,699.44	\$ 983.47	\$ 1,309.20	\$ 2,682.91	\$ 3,008.64	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (37.99)	\$ (30.16)	-17%	-12%	
1,251	1563	114	\$ 1,699.44	\$ 1,310.25	\$ 1,637.02	\$ 3,009.69	\$ 3,336.46	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (30.14)	\$ (22.29)	-12%	-8%	
1,564	1875	113	\$ 1,699.44	\$ 1,638.07	\$ 1,963.80	\$ 3,337.51	\$ 3,663.24	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (22.26)	\$ (14.43)	-8%	-5%	
1,876	2188	98	\$ 1,699.44	\$ 1,964.85	\$ 2,291.62	\$ 3,664.29	\$ 3,991.06	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ (14.41)	\$ (6.56)	-5%	-2%	
2,189	2500	79	\$ 1,699.44	\$ 2,292.67	\$ 2,618.40	\$ 3,992.11	\$ 4,317.84	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ (6.53)	\$ 1.29	-2%	0%	
2,501	2813	97	\$ 1,699.44	\$ 2,619.45	\$ 2,946.22	\$ 4,318.89	\$ 4,645.66	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 1.32	\$ 9.17	0%	2%	
2,814	3125	103	\$ 1,699.44	\$ 2,947.27	\$ 3,273.00	\$ 4,646.71	\$ 4,972.44	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 9.20	\$ 17.02	2%	4%	
3,126	3438	99	\$ 1,699.44	\$ 3,274.05	\$ 3,600.82	\$ 4,973.49	\$ 5,300.26	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 17.05	\$ 24.90	4%	6%	
3,439	3750	104	\$ 1,699.44	\$ 3,601.87	\$ 3,927.60	\$ 5,301.31	\$ 5,627.04	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 24.93	\$ 32.75	6%	7%	
3,751	4063	97	\$ 1,699.44	\$ 3,928.65	\$ 4,255.42	\$ 5,628.09	\$ 5,954.86	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 32.78	\$ 40.63	7%	8%	
4,064	4375	80	\$ 1,699.44	\$ 4,256.47	\$ 4,582.20	\$ 5,955.91	\$ 6,281.64	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 40.65	\$ 48.48	8%	9%	
4,376	4688	79	\$ 1,699.44	\$ 4,583.25	\$ 4,910.02	\$ 6,282.69	\$ 6,609.46	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 48.51	\$ 56.36	9%	10%	
4,689	5000	77	\$ 1,699.44	\$ 4,911.07	\$ 5,236.80	\$ 6,610.51	\$ 6,936.24	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 56.38	\$ 64.21	10%	11%	
5,001	5500	98	\$ 1,699.44	\$ 5,237.85	\$ 5,760.48	\$ 6,937.29	\$ 7,459.92	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 5,707.69	\$ 6,177.43	\$ 64.20	\$ 59.79	11%	10%	
5,501	6000	95	\$ 1,699.44	\$ 5,761.53	\$ 6,284.16	\$ 7,460.97	\$ 7,983.60	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 6,178.37	\$ 6,648.10	\$ 59.78	\$ 55.38	10%	8%	
6,001	6500	90	\$ 1,699.44	\$ 6,285.21	\$ 6,807.84	\$ 7,984.65	\$ 8,507.28	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 6,649.04	\$ 7,118.78	\$ 55.37	\$ 50.96	8%	7%	
6,501	7000	83	\$ 1,699.44	\$ 6,808.89	\$ 7,331.52	\$ 8,508.33	\$ 9,030.96	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 7,119.72	\$ 7,589.45	\$ 50.95	\$ 46.54	7%	6%	
7,001	7500	89	\$ 1,699.44	\$ 7,332.57	\$ 7,855.20	\$ 9,032.01	\$ 9,554.64	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 7,590.39	\$ 8,060.13	\$ 46.53	\$ 42.12	6%	5%	
7,501	8000	91	\$ 1,699.44	\$ 7,856.25	\$ 8,378.88	\$ 9,555.69	\$ 10,078.32	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 8,061.07	\$ 8,530.80	\$ 42.11	\$ 37.71	5%	4%	
8,001	8500	61	\$ 1,699.44	\$ 8,379.93	\$ 8,902.56	\$ 10,079.37	\$ 10,602.00	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 8,531.74	\$ 9,001.48	\$ 37.70	\$ 33.29	4%	4%	
8,501	9000	40	\$ 1,699.44	\$ 8,903.61	\$ 9,426.24	\$ 10,603.05	\$ 11,125.68	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 8,942.15	\$ 9,412.15	\$ 33.28	\$ 28.87	4%	3%	
9,001	9500	39	\$ 1,699.44	\$ 9,427.29	\$ 9,949.92	\$ 11,126.73	\$ 11,649.36	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 9,412.83	\$ 9,882.83	\$ 28.86	\$ 24.46	3%	3%	
9,501	10000	37	\$ 1,699.44	\$ 9,950.97	\$ 10,473.60	\$ 11,650.41	\$ 12,173.04	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 9,883.77	\$ 10,353.77	\$ 24.45	\$ 20.04	3%	2%	
10,001	10500	43	\$ 1,699.44	\$ 10,474.65	\$ 10,997.28	\$ 12,174.09	\$ 12,696.72	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 10,354.44	\$ 10,824.18	\$ 20.03	\$ 15.62	2%	1%	
10,501	11000	27	\$ 1,699.44	\$ 10,998.33	\$ 11,520.96	\$ 12,697.77	\$ 13,220.40	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 10,825.12	\$ 11,305.85	\$ 15.61	\$ 11.20	1%	1%	
11,001	11500	23	\$ 1,699.44	\$ 11,522.01	\$ 12,044.64	\$ 13,221.45	\$ 13,744.08	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 11,306.26	\$ 11,781.79	\$ 11.20	\$ 6.79	1%	1%	
11,501	12000	31	\$ 1,699.44	\$ 12,045.69	\$ 12,568.32	\$ 13,745.13	\$ 14,267.76	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 11,772.47	\$ 12,248.20	\$ 6.78	\$ 2.37	1%	0%	
12,001	298970	395	\$ 1,699.44	\$ 12,569.37	\$ 313,129.22	\$ 14,268.81	\$ 314,828.66	\$ 3,000.00	\$ 11,297.14	\$ 281,435.41	\$ 14,297.14	\$ 284,435.41	\$ 2.36	\$ (2,532.77)	0%	-10%	

**Commercial Bill  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO EXISTING RATES**

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Incorporated Rates

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Environs Rates

Consumption	Customers	Customer	Low Cons	High Cons	Low Total	High Total	Proposed Charges				Absolute Change		Percentage Change			
							Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High	
							\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
			117.13	1,047.36	1,047.36		80.00	1.34935	1.34935	Small						
							250.00	0.94135	0.94135	Large						
0	313	45	\$ 1,405.56	\$ —	\$ 327.82	\$ 1,405.56	\$ 1,733.38	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (37.13)	\$ (29.25)	-32%	-20%
314	625	9	\$ 1,405.56	\$ 328.87	\$ 654.60	\$ 1,734.43	\$ 2,060.16	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (29.23)	\$ (21.40)	-20%	-12%
626	938	6	\$ 1,405.56	\$ 655.65	\$ 982.42	\$ 2,061.21	\$ 2,387.98	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (21.38)	\$ (13.52)	-12%	-7%
939	1250	6	\$ 1,405.56	\$ 983.47	\$ 1,309.20	\$ 2,389.03	\$ 2,714.76	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (13.50)	\$ (5.67)	-7%	-3%
1,251	1563	3	\$ 1,405.56	\$ 1,310.25	\$ 1,637.02	\$ 2,715.81	\$ 3,042.58	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (5.65)	\$ 2.20	-2%	1%
1,564	1875	2	\$ 1,405.56	\$ 1,638.07	\$ 1,963.80	\$ 3,043.63	\$ 3,369.36	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ 2.23	\$ 10.06	1%	4%
1,876	2188	2	\$ 1,405.56	\$ 1,964.85	\$ 2,291.62	\$ 3,370.41	\$ 3,697.18	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ 10.08	\$ 17.93	4%	6%
2,189	2500	2	\$ 1,405.56	\$ 2,292.67	\$ 2,618.40	\$ 3,698.23	\$ 4,023.96	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ 17.96	\$ 25.78	6%	8%
2,501	2813	3	\$ 1,405.56	\$ 2,619.45	\$ 2,946.22	\$ 4,025.01	\$ 4,351.78	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 25.81	\$ 33.66	8%	9%
2,814	3125	7	\$ 1,405.56	\$ 2,947.27	\$ 3,273.00	\$ 4,352.83	\$ 4,678.56	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 33.69	\$ 41.51	9%	11%
3,126	3438	2	\$ 1,405.56	\$ 3,274.05	\$ 3,600.82	\$ 4,679.61	\$ 5,006.38	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 41.54	\$ 49.39	11%	12%
3,439	3750	2	\$ 1,405.56	\$ 3,601.87	\$ 3,927.60	\$ 5,007.43	\$ 5,333.16	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 49.42	\$ 57.24	12%	13%
3,751	4063	2	\$ 1,405.56	\$ 3,928.65	\$ 4,255.42	\$ 5,334.21	\$ 5,660.98	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 57.27	\$ 65.12	13%	14%
4,064	4375	3	\$ 1,405.56	\$ 4,256.47	\$ 4,582.20	\$ 5,662.03	\$ 5,987.76	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 65.14	\$ 72.97	14%	15%
4,376	4688	0	\$ 1,405.56	\$ 4,583.25	\$ 4,910.02	\$ 5,988.81	\$ 6,315.58	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 73.00	\$ 80.85	15%	15%
4,689	5000	3	\$ 1,405.56	\$ 4,911.07	\$ 5,236.80	\$ 6,316.63	\$ 6,642.36	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 80.87	\$ 88.70	15%	16%
5,001	5500	6	\$ 1,405.56	\$ 5,237.85	\$ 5,760.48	\$ 6,643.41	\$ 7,166.04	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 5,707.69	\$ 6,177.43	\$ 88.69	\$ 84.28	16%	14%
5,501	6000	3	\$ 1,405.56	\$ 5,761.53	\$ 6,284.16	\$ 7,167.09	\$ 7,689.72	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 6,178.37	\$ 6,648.10	\$ 84.27	\$ 79.86	14%	12%
6,001	6500	6	\$ 1,405.56	\$ 6,285.21	\$ 6,807.84	\$ 7,690.77	\$ 8,213.40	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 6,649.04	\$ 7,118.78	\$ 79.86	\$ 75.45	12%	11%
6,501	7000	7	\$ 1,405.56	\$ 6,808.89	\$ 7,331.52	\$ 8,214.45	\$ 8,737.08	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 7,119.72	\$ 7,589.45	\$ 75.44	\$ 71.03	11%	10%
7,001	7500	3	\$ 1,405.56	\$ 7,332.57	\$ 7,855.20	\$ 8,738.13	\$ 9,260.76	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 7,590.39	\$ 8,060.13	\$ 71.02	\$ 66.61	10%	9%
7,501	8000	0	\$ 1,405.56	\$ 7,856.25	\$ 8,378.88	\$ 9,261.81	\$ 9,784.44	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 8,061.07	\$ 8,530.80	\$ 66.60	\$ 62.20	9%	8%
8,001	8500	5	\$ 1,405.56	\$ 8,379.93	\$ 8,902.56	\$ 9,785.49	\$ 10,308.12	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 8,531.74	\$ 9,001.48	\$ 62.19	\$ 57.78	8%	7%
8,501	9000	2	\$ 1,405.56	\$ 8,903.61	\$ 9,426.24	\$ 10,309.17	\$ 10,831.80	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 8,942.42	\$ 9,412.42	\$ 57.77	\$ 53.36	7%	6%
9,001	9500	3	\$ 1,405.56	\$ 9,427.29	\$ 9,949.92	\$ 10,832.85	\$ 11,355.48	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 9,413.09	\$ 9,883.09	\$ 53.35	\$ 48.95	6%	5%
9,501	10000	2	\$ 1,405.56	\$ 9,950.97	\$ 10,473.60	\$ 11,356.53	\$ 11,879.16	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 9,884.77	\$ 10,354.77	\$ 48.94	\$ 44.53	5%	4%
10,001	10500	1	\$ 1,405.56	\$ 10,474.65	\$ 10,997.28	\$ 11,880.21	\$ 12,402.84	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 10,354.44	\$ 10,824.18	\$ 44.52	\$ 40.11	4%	4%
10,501	11000	1	\$ 1,405.56	\$ 10,998.33	\$ 11,520.96	\$ 12,403.89	\$ 12,926.52	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 10,825.12	\$ 11,354.85	\$ 40.10	\$ 35.69	4%	3%
11,001	11500	2	\$ 1,405.56	\$ 11,522.01	\$ 12,044.64	\$ 12,927.57	\$ 13,450.20	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 11,355.79	\$ 11,825.53	\$ 35.69	\$ 31.28	3%	3%
11,501	12000	0	\$ 1,405.56	\$ 12,045.69	\$ 12,568.32	\$ 13,451.25	\$ 13,973.88	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 11,772.47	\$ 12,246.20	\$ 31.27	\$ 26.86	3%	2%
12,001	35744	18	\$ 1,405.56	\$ 12,569.37	\$ 37,436.84	\$ 13,974.93	\$ 38,842.40	\$ 3,000.00	\$ 11,297.14	\$ 33,647.61	\$ 14,297.14	\$ 36,647.61	\$ 26.85	\$ (182.90)	2%	-6%

**Commercial Bill  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO EXISTING RATES**

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Incorporated Rates  
Annual Commercial Bill Impacts of Small/Large Rate Relative to Existing RGVSA Church Incorporated Rates

Consumption	Customers	Current Charges			Proposed Charges			Rate Relative to Existing RGVSA Commercial Incorporated Rates		Rate Relative to Existing RGVSA Church Incorporated Rates		Absolute Change		Percentage Change		
		Low	High	Total	Low	High	Total	Low	High	Low	High	Low	High	Low	High	
0	313	159	\$ 1,483.44	\$ —	\$ 327.82	\$ 1,483.44	\$ 1,811.26	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (43.62)	\$ (35.74)	-35%	-24%
314	625	14	\$ 1,483.44	\$ 328.87	\$ 654.60	\$ 1,812.31	\$ 2,138.04	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (35.72)	\$ (27.89)	-24%	-16%
626	938	6	\$ 1,483.44	\$ 655.65	\$ 982.42	\$ 2,139.09	\$ 2,465.86	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (27.87)	\$ (20.01)	-16%	-10%
939	1250	2	\$ 1,483.44	\$ 983.47	\$ 1,309.20	\$ 2,466.91	\$ 2,792.64	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (19.99)	\$ (12.16)	-10%	-5%
1,251	1563	1	\$ 1,483.44	\$ 1,310.25	\$ 1,637.02	\$ 2,793.69	\$ 3,120.46	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (12.14)	\$ (4.29)	-5%	-2%
1,564	1875	0	\$ 1,483.44	\$ 1,638.07	\$ 1,963.80	\$ 3,121.51	\$ 3,447.24	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (4.26)	\$ 3.57	-2%	1%
1,876	2188	1	\$ 1,483.44	\$ 1,964.85	\$ 2,291.62	\$ 3,448.29	\$ 3,775.06	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ 3.59	\$ 11.44	1%	4%
2,189	2500	2	\$ 1,483.44	\$ 2,292.67	\$ 2,618.40	\$ 3,776.11	\$ 4,101.84	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ 11.47	\$ 19.29	4%	6%
2,501	2813	0	\$ 1,483.44	\$ 2,619.45	\$ 2,946.22	\$ 4,102.89	\$ 4,429.66	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 19.32	\$ 27.17	6%	7%
2,814	3125	1	\$ 1,483.44	\$ 2,947.27	\$ 3,273.00	\$ 4,430.71	\$ 4,756.44	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 27.20	\$ 35.02	7%	9%
3,126	3438	0	\$ 1,483.44	\$ 3,274.05	\$ 3,600.82	\$ 4,757.49	\$ 5,084.26	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 35.05	\$ 42.90	9%	10%
3,439	3750	0	\$ 1,483.44	\$ 3,601.87	\$ 3,927.60	\$ 5,085.31	\$ 5,411.04	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 42.93	\$ 50.75	10%	11%
3,751	4063	1	\$ 1,483.44	\$ 3,928.65	\$ 4,255.42	\$ 5,412.09	\$ 5,738.86	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 50.78	\$ 58.63	11%	12%
4,064	4375	1	\$ 1,483.44	\$ 4,256.47	\$ 4,582.20	\$ 5,739.91	\$ 6,065.64	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 58.65	\$ 66.48	12%	13%
4,376	4688	0	\$ 1,483.44	\$ 4,583.25	\$ 4,910.02	\$ 6,066.69	\$ 6,393.46	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 66.51	\$ 74.36	13%	14%
4,689	5000	1	\$ 1,483.44	\$ 4,911.07	\$ 5,236.80	\$ 6,394.51	\$ 6,720.24	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 74.38	\$ 82.21	14%	15%
5,001	5500	0	\$ 1,483.44	\$ 5,237.85	\$ 5,760.48	\$ 6,721.29	\$ 7,243.92	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 5,707.69	\$ 6,177.43	\$ 82.20	\$ 77.79	15%	13%
5,501	6000	0	\$ 1,483.44	\$ 5,761.53	\$ 6,284.16	\$ 7,244.97	\$ 7,767.60	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 6,178.37	\$ 6,648.10	\$ 77.78	\$ 73.38	13%	11%
6,001	6500	1	\$ 1,483.44	\$ 6,285.21	\$ 6,807.84	\$ 7,768.65	\$ 8,291.28	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 6,649.04	\$ 7,118.78	\$ 73.37	\$ 68.96	11%	10%
6,501	7000	0	\$ 1,483.44	\$ 6,808.89	\$ 7,331.52	\$ 8,292.33	\$ 8,814.96	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 7,119.72	\$ 7,589.45	\$ 68.95	\$ 64.54	10%	9%
7,001	7500	1	\$ 1,483.44	\$ 7,332.57	\$ 7,855.20	\$ 8,816.01	\$ 9,338.64	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 7,590.39	\$ 8,060.13	\$ 64.53	\$ 60.12	9%	8%
7,501	8000	0	\$ 1,483.44	\$ 7,856.25	\$ 8,378.88	\$ 9,339.69	\$ 9,862.32	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 8,061.07	\$ 8,530.80	\$ 60.11	\$ 55.71	8%	7%
8,001	8500	0	\$ 1,483.44	\$ 8,379.93	\$ 8,902.56	\$ 9,863.37	\$ 10,386.00	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 8,531.74	\$ 9,001.48	\$ 55.70	\$ 51.29	7%	6%
8,501	9000	0	\$ 1,483.44	\$ 8,903.61	\$ 9,426.24	\$ 10,387.05	\$ 10,909.68	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 8,942.15	\$ 9,412.15	\$ 51.28	\$ 46.87	6%	5%
9,001	9500	0	\$ 1,483.44	\$ 9,427.29	\$ 9,949.92	\$ 10,910.73	\$ 11,433.36	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 9,412.83	\$ 9,882.83	\$ 46.86	\$ 42.46	5%	4%
9,501	10000	0	\$ 1,483.44	\$ 9,950.97	\$ 10,473.60	\$ 11,434.41	\$ 11,957.04	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 9,883.50	\$ 10,353.50	\$ 42.45	\$ 38.04	4%	4%
10,001	10500	0	\$ 1,483.44	\$ 10,474.65	\$ 10,997.28	\$ 11,958.09	\$ 12,480.72	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 10,354.18	\$ 10,824.18	\$ 38.03	\$ 33.62	4%	3%
10,501	11000	0	\$ 1,483.44	\$ 10,998.33	\$ 11,520.96	\$ 12,481.77	\$ 13,004.40	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 10,825.12	\$ 11,304.85	\$ 33.61	\$ 29.20	3%	3%
11,001	11500	0	\$ 1,483.44	\$ 11,522.01	\$ 12,044.64	\$ 13,005.45	\$ 13,528.08	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 11,305.53	\$ 11,785.53	\$ 29.20	\$ 24.79	3%	2%
11,501	12000	0	\$ 1,483.44	\$ 12,045.69	\$ 12,568.32	\$ 13,529.13	\$ 14,051.76	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 11,786.20	\$ 12,266.20	\$ 24.78	\$ 20.37	2%	2%
12,001	14465	2	\$ 1,483.44	\$ 12,569.37	\$ 15,150.06	\$ 14,052.81	\$ 16,633.50	\$ 3,000.00	\$ 11,297.14	\$ 13,616.63	\$ 14,297.14	\$ 16,616.63	\$ 20.36	\$ (1.41)	2%	-0%

Commercial Bill  
Impacts Existing  
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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO EXISTING RATES

Annual Bill Impacts of Small/Large Commercial Rate Relative to Existing RGVSA Commercial Incorporated Rates  
Annual Commercial Bill Impacts of Small/Large Rate Relative to Existing RGVSA Church Environs Rates

Consumption	Customers	Customer	Low Cons	Current Charges			Customer	Low Cons	High Cons	Low Total	High Total	Proposed Charges				Absolute Change		Percentage Change	
				\$ 99.13	\$ 1.04736	\$ 1.04736						\$ 80.00	\$ 1.34935	\$ 1.34935	Small	Large	Low	High	Low
0	313	2	\$ 1,189.56	\$ —	\$ 327.82	\$ 1,189.56	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (19.13)	\$ (11.25)	\$ -19%	\$ -9%				
314	625	1	\$ 1,189.56	\$ 328.87	\$ 654.60	\$ 1,518.43	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (11.23)	\$ (3.40)	\$ -9%	\$ -2%				
626	938	0	\$ 1,189.56	\$ 655.65	\$ 982.42	\$ 1,845.21	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (3.38)	\$ 4.48	\$ -2%	\$ 2%				
939	1250	1	\$ 1,189.56	\$ 983.47	\$ 1,309.20	\$ 2,173.03	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ 4.50	\$ 12.33	\$ 2%	\$ 6%				
1,251	1563	0	\$ 1,189.56	\$ 1,310.25	\$ 1,637.02	\$ 2,499.81	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ 12.35	\$ 20.20	\$ 6%	\$ 9%				
1,564	1875	0	\$ 1,189.56	\$ 1,638.07	\$ 1,963.80	\$ 2,827.63	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ 20.23	\$ 28.06	\$ 9%	\$ 11%				
1,876	2188	0	\$ 1,189.56	\$ 1,964.85	\$ 2,291.62	\$ 3,154.41	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ 28.08	\$ 35.93	\$ 11%	\$ 12%				
2,189	2500	0	\$ 1,189.56	\$ 2,292.67	\$ 2,618.40	\$ 3,482.23	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ 35.96	\$ 43.78	\$ 12%	\$ 14%				
2,501	2813	0	\$ 1,189.56	\$ 2,619.45	\$ 2,946.22	\$ 3,809.01	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 43.81	\$ 51.66	\$ 14%	\$ 15%				
2,814	3125	0	\$ 1,189.56	\$ 2,947.27	\$ 3,273.00	\$ 4,136.83	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 51.69	\$ 59.51	\$ 15%	\$ 16%				
3,126	3438	0	\$ 1,189.56	\$ 3,274.05	\$ 3,600.82	\$ 4,463.61	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 59.54	\$ 67.39	\$ 16%	\$ 17%				
3,439	3750	0	\$ 1,189.56	\$ 3,601.87	\$ 3,927.60	\$ 4,791.43	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 67.42	\$ 75.24	\$ 17%	\$ 18%				
3,751	4063	0	\$ 1,189.56	\$ 3,928.65	\$ 4,255.42	\$ 5,118.21	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 75.27	\$ 83.12	\$ 18%	\$ 18%				
4,064	4375	0	\$ 1,189.56	\$ 4,256.47	\$ 4,582.20	\$ 5,446.03	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 83.14	\$ 90.97	\$ 18%	\$ 19%				
4,376	4688	0	\$ 1,189.56	\$ 4,583.25	\$ 4,910.02	\$ 5,772.81	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 91.00	\$ 98.85	\$ 19%	\$ 19%				
4,689	5000	0	\$ 1,189.56	\$ 4,911.07	\$ 5,236.80	\$ 6,100.63	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 98.87	\$ 106.70	\$ 19%	\$ 20%				
5,001	5319	0	\$ 1,189.56	\$ 5,237.85	\$ 5,403.33	\$ 6,427.41	\$ 3,000.00	\$ 4,707.69	\$ 4,856.42	\$ 7,707.69	\$ 7,856.42	\$ 106.69	\$ 105.29	\$ 20%	\$ 19%				
5,160	5318	0	\$ 1,189.56	\$ 5,404.38	\$ 5,569.86	\$ 6,593.94	\$ 3,000.00	\$ 4,857.37	\$ 5,006.10	\$ 7,857.37	\$ 8,006.10	\$ 105.29	\$ 103.89	\$ 19%	\$ 18%				
5,319	5476	0	\$ 1,189.56	\$ 5,570.91	\$ 5,735.34	\$ 6,760.47	\$ 3,000.00	\$ 5,007.04	\$ 5,154.83	\$ 8,007.04	\$ 8,154.83	\$ 103.88	\$ 102.49	\$ 18%	\$ 18%				
5,477	5635	0	\$ 1,189.56	\$ 5,736.39	\$ 5,901.87	\$ 6,925.95	\$ 3,000.00	\$ 5,155.77	\$ 5,304.51	\$ 8,155.77	\$ 8,304.51	\$ 102.49	\$ 101.09	\$ 18%	\$ 17%				
5,636	5794	0	\$ 1,189.56	\$ 5,902.92	\$ 6,068.40	\$ 7,092.48	\$ 3,000.00	\$ 5,305.45	\$ 5,454.18	\$ 8,305.45	\$ 8,454.18	\$ 101.08	\$ 99.68	\$ 17%	\$ 16%				
5,795	5953	0	\$ 1,189.56	\$ 6,069.45	\$ 6,234.93	\$ 7,259.01	\$ 3,000.00	\$ 5,455.12	\$ 5,603.86	\$ 8,455.12	\$ 8,603.86	\$ 99.68	\$ 98.28	\$ 16%	\$ 16%				
5,954	6112	0	\$ 1,189.56	\$ 6,235.98	\$ 6,401.46	\$ 7,425.54	\$ 3,000.00	\$ 5,604.80	\$ 5,753.53	\$ 8,604.80	\$ 8,753.53	\$ 98.27	\$ 96.88	\$ 16%	\$ 15%				
6,113	6271	0	\$ 1,189.56	\$ 6,402.51	\$ 6,567.99	\$ 7,592.07	\$ 3,000.00	\$ 5,754.47	\$ 5,903.21	\$ 8,754.47	\$ 8,903.21	\$ 96.87	\$ 95.47	\$ 15%	\$ 15%				
6,272	6429	0	\$ 1,189.56	\$ 6,569.04	\$ 6,733.48	\$ 7,758.60	\$ 3,000.00	\$ 5,904.15	\$ 6,051.94	\$ 8,904.15	\$ 9,051.94	\$ 95.46	\$ 94.08	\$ 15%	\$ 14%				
6,430	6588	0	\$ 1,189.56	\$ 6,734.52	\$ 6,900.01	\$ 7,924.08	\$ 3,000.00	\$ 6,052.88	\$ 6,201.61	\$ 9,052.88	\$ 9,201.61	\$ 94.07	\$ 92.67	\$ 14%	\$ 14%				
6,589	6747	0	\$ 1,189.56	\$ 6,901.06	\$ 7,066.54	\$ 8,090.62	\$ 3,000.00	\$ 6,202.56	\$ 6,351.29	\$ 9,202.56	\$ 9,351.29	\$ 92.66	\$ 91.27	\$ 14%	\$ 13%				
6,748	6906	0	\$ 1,189.56	\$ 7,067.59	\$ 7,233.07	\$ 8,257.15	\$ 3,000.00	\$ 6,352.23	\$ 6,500.96	\$ 9,352.23	\$ 9,500.96	\$ 91.26	\$ 89.86	\$ 13%	\$ 13%				
6,907	7065	0	\$ 1,189.56	\$ 7,234.12	\$ 7,399.60	\$ 8,423.68	\$ 3,000.00	\$ 6,501.90	\$ 6,650.64	\$ 9,501.90	\$ 9,650.64	\$ 89.85	\$ 88.46	\$ 13%	\$ 12%				
7,066	7224	0	\$ 1,189.56	\$ 7,400.65	\$ 7,566.13	\$ 8,590.21	\$ 3,000.00	\$ 6,651.58	\$ 6,800.31	\$ 9,651.58	\$ 9,800.31	\$ 88.45	\$ 87.05	\$ 12%	\$ 12%				
7,225	7541	1	\$ 1,189.56	\$ 7,567.18	\$ 7,898.14	\$ 8,756.74	\$ 3,000.00	\$ 6,801.25	\$ 7,098.72	\$ 9,801.25	\$ 10,098.72	\$ 87.04	\$ 84.25	\$ 12%	\$ 11%				

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Commercial  
Bill Impacts  
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PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO NEW RATES

Annual Bill Impacts of Small/Large Commercial Rate Relative to Traditional RGVSA Commercial Incorporated Rates

Low	Consumption High	Customers	Current Charges						Proposed Charges					Absolute Change		Percentage Change	
			Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High	
			\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	0	313	621	\$ 1,800.00	\$ —	\$ 311.82	\$ 1,800.00	\$ 2,111.82	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (70.00)	\$ (60.79)	-47%	-35%
	314	625	233	\$ 1,800.00	\$ 312.82	\$ 622.65	\$ 2,112.82	\$ 2,422.65	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (60.76)	\$ (51.61)	-35%	-26%
	626	938	165	\$ 1,800.00	\$ 623.65	\$ 934.47	\$ 2,423.65	\$ 2,734.47	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (51.58)	\$ (42.40)	-26%	-19%
	939	1250	174	\$ 1,800.00	\$ 935.47	\$ 1,245.30	\$ 2,735.47	\$ 3,045.30	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (42.37)	\$ (33.22)	-19%	-13%
	1,251	1563	114	\$ 1,800.00	\$ 1,246.30	\$ 1,557.12	\$ 3,046.30	\$ 3,357.12	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (33.19)	\$ (24.01)	-13%	-9%
	1,564	1875	113	\$ 1,800.00	\$ 1,558.12	\$ 1,867.95	\$ 3,358.12	\$ 3,667.95	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (23.98)	\$ (14.83)	-9%	-5%
	1,876	2188	98	\$ 1,800.00	\$ 1,868.95	\$ 2,179.77	\$ 3,668.95	\$ 3,979.77	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ (14.80)	\$ (5.62)	-5%	-2%
	2,189	2500	79	\$ 1,800.00	\$ 2,180.77	\$ 2,490.60	\$ 3,980.77	\$ 4,290.60	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ (5.59)	\$ 3.56	-2%	1%
	2,501	2813	97	\$ 1,800.00	\$ 2,491.60	\$ 2,802.42	\$ 4,291.60	\$ 4,602.42	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 3.59	\$ 12.77	1%	3%
	2,814	3125	103	\$ 1,800.00	\$ 2,803.42	\$ 3,113.25	\$ 4,603.42	\$ 4,913.25	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 12.80	\$ 21.96	3%	5%
	3,126	3438	99	\$ 1,800.00	\$ 3,114.25	\$ 3,425.07	\$ 4,914.25	\$ 5,225.07	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 21.99	\$ 31.17	5%	7%
	3,439	3750	104	\$ 1,800.00	\$ 3,426.07	\$ 3,735.90	\$ 5,226.07	\$ 5,535.90	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 31.20	\$ 40.35	7%	9%
	3,751	4063	97	\$ 1,800.00	\$ 3,736.90	\$ 4,047.72	\$ 5,536.90	\$ 5,847.72	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 40.38	\$ 49.56	9%	10%
	4,064	4375	80	\$ 1,800.00	\$ 4,048.72	\$ 4,358.55	\$ 5,848.72	\$ 6,158.55	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 49.59	\$ 58.74	10%	11%
	4,376	4688	79	\$ 1,800.00	\$ 4,359.55	\$ 4,670.37	\$ 6,159.55	\$ 6,470.37	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 58.77	\$ 67.95	11%	13%
	4,689	5000	77	\$ 1,800.00	\$ 4,671.37	\$ 4,981.20	\$ 6,471.37	\$ 6,781.20	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 67.98	\$ 77.13	13%	14%
	5,001	5500	98	\$ 1,800.00	\$ 4,982.20	\$ 5,479.32	\$ 6,782.20	\$ 7,279.32	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 7,707.69	\$ 8,177.43	\$ 77.12	\$ 74.84	14%	12%
	5,501	6000	95	\$ 1,800.00	\$ 5,480.32	\$ 5,977.44	\$ 7,280.32	\$ 7,777.44	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 8,178.37	\$ 8,648.10	\$ 74.84	\$ 72.55	12%	11%
	6,001	6500	90	\$ 1,800.00	\$ 5,978.44	\$ 6,475.56	\$ 7,778.44	\$ 8,275.56	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 8,649.04	\$ 9,118.78	\$ 72.55	\$ 70.27	11%	10%
	6,501	7000	83	\$ 1,800.00	\$ 6,476.56	\$ 6,973.68	\$ 8,276.56	\$ 8,773.68	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 9,119.72	\$ 9,589.45	\$ 70.26	\$ 67.98	10%	9%
	7,001	7500	89	\$ 1,800.00	\$ 6,974.68	\$ 7,471.80	\$ 8,774.68	\$ 9,271.80	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 9,590.39	\$ 10,060.13	\$ 67.98	\$ 65.69	9%	9%
	7,501	8000	91	\$ 1,800.00	\$ 7,472.80	\$ 7,969.92	\$ 9,272.80	\$ 9,769.92	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 10,061.07	\$ 10,530.80	\$ 65.69	\$ 63.41	9%	8%
	8,001	8500	61	\$ 1,800.00	\$ 7,970.92	\$ 8,468.04	\$ 9,770.92	\$ 10,268.04	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 10,531.74	\$ 11,001.48	\$ 63.40	\$ 61.12	8%	7%
	8,501	9000	40	\$ 1,800.00	\$ 8,469.04	\$ 8,966.16	\$ 10,269.04	\$ 10,766.16	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 11,002.42	\$ 11,472.15	\$ 61.12	\$ 58.83	7%	7%
	9,001	9500	39	\$ 1,800.00	\$ 8,967.16	\$ 9,464.28	\$ 10,767.16	\$ 11,264.28	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 11,473.09	\$ 11,942.83	\$ 58.83	\$ 56.55	7%	6%
	9,501	10000	37	\$ 1,800.00	\$ 9,465.28	\$ 9,962.40	\$ 11,265.28	\$ 11,762.40	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 11,943.77	\$ 12,413.50	\$ 56.54	\$ 54.26	6%	6%
	10,001	10500	43	\$ 1,800.00	\$ 9,963.40	\$ 10,460.52	\$ 11,763.40	\$ 12,260.52	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 12,414.44	\$ 12,884.18	\$ 54.25	\$ 51.97	6%	5%
	10,501	11000	27	\$ 1,800.00	\$ 10,461.52	\$ 10,958.64	\$ 12,261.52	\$ 12,758.64	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 12,885.12	\$ 13,354.85	\$ 51.97	\$ 49.68	5%	5%
	11,001	11500	23	\$ 1,800.00	\$ 10,959.64	\$ 11,456.76	\$ 12,759.64	\$ 13,256.76	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 13,355.79	\$ 13,825.53	\$ 49.68	\$ 47.40	5%	4%
	11,501	12000	31	\$ 1,800.00	\$ 11,457.76	\$ 11,954.88	\$ 13,257.76	\$ 13,754.88	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 13,826.47	\$ 14,296.20	\$ 47.39	\$ 45.11	4%	4%
	12,001	298970	395	\$ 1,800.00	\$ 11,955.88	\$ 297,845.87	\$ 13,755.88	\$ 299,645.87	\$ 3,000.00	\$ 11,297.14	\$ 281,435.41	\$ 14,297.14	\$ 284,435.41	\$ 45.11	\$ (1,267.54)	4%	-5%

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**New Rates**

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

**PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO NEW RATES**

Annual Bill Impacts of Small/Large Commercial Rate Relative to Traditional RGVSA Commercial Incorporated Rates

Annual Bill Impacts of Small/Large Commercial Rate Relative to Traditional RGVSA Commercial Environs Rates

			\$ 150.00	\$ 0.99624	\$ 0.99624	\$ 80.00	\$ 1.34935	\$ 1.34935	Small							
						\$ 250.00	\$ 0.94135	\$ 0.94135	Large							
Consumption			Current Charges			Proposed Charges				Absolute Change		Percentage Change				
Low	High	Customers	Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High
	0	313	45	\$ 1,800.00	\$ —	\$ 311.82	\$ 1,800.00	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (70.00)	\$ (60.79)	-47%	-35%
	314	625	9	\$ 1,800.00	\$ 312.82	\$ 622.65	\$ 2,112.82	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (60.76)	\$ (51.61)	-35%	-26%
	626	938	6	\$ 1,800.00	\$ 623.65	\$ 934.47	\$ 2,423.65	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (51.58)	\$ (42.40)	-26%	-19%
	939	1250	6	\$ 1,800.00	\$ 935.47	\$ 1,245.30	\$ 2,735.47	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (42.37)	\$ (33.22)	-19%	-13%
	1,251	1563	3	\$ 1,800.00	\$ 1,246.30	\$ 1,557.12	\$ 3,046.30	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (33.19)	\$ (24.01)	-13%	-9%
	1,564	1875	2	\$ 1,800.00	\$ 1,558.12	\$ 1,867.95	\$ 3,358.12	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (23.98)	\$ (14.83)	-9%	-5%
	1,876	2188	2	\$ 1,800.00	\$ 1,868.95	\$ 2,179.77	\$ 3,668.95	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ (14.80)	\$ (5.62)	-5%	-2%
	2,189	2500	2	\$ 1,800.00	\$ 2,180.77	\$ 2,490.60	\$ 3,980.77	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ (5.59)	\$ 3.56	-2%	1%
	2,501	2813	3	\$ 1,800.00	\$ 2,491.60	\$ 2,802.42	\$ 4,291.60	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 3.59	\$ 12.77	1%	3%
	2,814	3125	7	\$ 1,800.00	\$ 2,803.42	\$ 3,113.25	\$ 4,603.42	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 12.80	\$ 21.96	3%	5%
	3,126	3438	2	\$ 1,800.00	\$ 3,114.25	\$ 3,425.07	\$ 4,914.25	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 21.99	\$ 31.17	5%	7%
	3,439	3750	2	\$ 1,800.00	\$ 3,426.07	\$ 3,735.90	\$ 5,226.07	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 31.20	\$ 40.35	7%	9%
	3,751	4063	2	\$ 1,800.00	\$ 3,736.90	\$ 4,047.72	\$ 5,536.90	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 40.38	\$ 49.56	9%	10%
	4,064	4375	3	\$ 1,800.00	\$ 4,048.72	\$ 4,358.55	\$ 5,848.72	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 49.59	\$ 58.74	10%	11%
	4,376	4688	0	\$ 1,800.00	\$ 4,359.55	\$ 4,670.37	\$ 6,159.55	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 58.77	\$ 67.95	11%	13%
	4,689	5000	3	\$ 1,800.00	\$ 4,671.37	\$ 4,981.20	\$ 6,471.37	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 67.98	\$ 77.13	13%	14%
	5,001	5500	6	\$ 1,800.00	\$ 4,982.20	\$ 5,479.32	\$ 6,782.20	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 7,707.69	\$ 8,177.43	\$ 77.12	\$ 74.84	14%	12%
	5,501	6000	3	\$ 1,800.00	\$ 5,480.32	\$ 5,977.44	\$ 7,280.32	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 8,178.37	\$ 8,648.10	\$ 74.84	\$ 72.55	12%	11%
	6,001	6500	6	\$ 1,800.00	\$ 5,978.44	\$ 6,475.56	\$ 7,778.44	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 8,649.04	\$ 9,118.78	\$ 72.55	\$ 70.27	11%	10%
	6,501	7000	7	\$ 1,800.00	\$ 6,476.56	\$ 6,973.68	\$ 8,276.56	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 9,119.72	\$ 9,589.45	\$ 70.26	\$ 67.98	10%	9%
	7,001	7500	3	\$ 1,800.00	\$ 6,974.68	\$ 7,471.80	\$ 8,774.68	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 9,590.39	\$ 10,060.13	\$ 67.98	\$ 65.69	9%	9%
	7,501	8000	0	\$ 1,800.00	\$ 7,472.80	\$ 7,969.92	\$ 9,272.80	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 10,061.07	\$ 10,530.80	\$ 65.69	\$ 63.41	9%	8%
	8,001	8500	5	\$ 1,800.00	\$ 7,970.92	\$ 8,468.04	\$ 9,770.92	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 10,531.74	\$ 11,001.48	\$ 63.40	\$ 61.12	8%	7%
	8,501	9000	2	\$ 1,800.00	\$ 8,469.04	\$ 8,966.16	\$ 10,269.04	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 11,002.42	\$ 11,472.15	\$ 61.12	\$ 58.83	7%	7%
	9,001	9500	3	\$ 1,800.00	\$ 8,967.16	\$ 9,464.28	\$ 10,767.16	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 11,473.09	\$ 11,942.83	\$ 58.83	\$ 56.55	7%	6%
	9,501	10000	2	\$ 1,800.00	\$ 9,465.28	\$ 9,962.40	\$ 11,265.28	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 11,943.77	\$ 12,413.50	\$ 56.54	\$ 54.26	6%	6%
	10,001	10500	1	\$ 1,800.00	\$ 9,963.40	\$ 10,460.52	\$ 11,763.40	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 12,414.44	\$ 12,884.18	\$ 54.25	\$ 51.97	6%	5%
	10,501	11000	1	\$ 1,800.00	\$ 10,461.52	\$ 10,958.64	\$ 12,261.52	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 12,885.12	\$ 13,354.85	\$ 51.97	\$ 49.68	5%	5%
	11,001	11500	2	\$ 1,800.00	\$ 10,959.64	\$ 11,456.76	\$ 12,759.64	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 13,355.79	\$ 13,825.53	\$ 49.68	\$ 47.40	5%	4%
	11,501	12000	0	\$ 1,800.00	\$ 11,457.76	\$ 11,954.88	\$ 13,257.76	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 13,826.47	\$ 14,296.20	\$ 47.39	\$ 45.11	4%	4%
	12,001	35744	18	\$ 1,800.00	\$ 11,955.88	\$ 35,609.60	\$ 13,755.88	\$ 3,000.00	\$ 11,297.14	\$ 33,647.61	\$ 14,297.14	\$ 36,647.61	\$ 45.11	\$ (63.50)	4%	-2%



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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO NEW RATES

										Annual Bill Impacts of Small/Large Commercial Rate Relative to Traditional RGVSA Commercial Incorporated Rates				Annual Commercial Bill Impacts of Small/Large Rate Relative to Traditional RGVSA Church Incorporated Rates							
										\$ 150.00		0.99624		\$ 80.00		1.34935		1.34935 Small			
										250.00		0.94135		0.94135 Large							
										Current Charges				Proposed Charges				Absolute Change		Percentage Change	
Low	High	Customers	Customer	Low Cons	High Cons	Low Total	High Total	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High					
	0	313	159	\$ 1,800.00	\$ —	\$ 311.82	\$ 1,800.00	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (70.00)	\$ (60.79)			-47%	-35%			
	314	625	14	\$ 1,800.00	\$ 312.82	\$ 622.65	\$ 2,112.82	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (60.76)	\$ (51.61)			-35%	-26%			
	626	938	6	\$ 1,800.00	\$ 623.65	\$ 934.47	\$ 2,423.65	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (51.58)	\$ (42.40)			-26%	-19%			
	939	1250	2	\$ 1,800.00	\$ 935.47	\$ 1,245.30	\$ 2,735.47	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (42.37)	\$ (33.22)			-19%	-13%			
	1,251	1563	1	\$ 1,800.00	\$ 1,246.30	\$ 1,557.12	\$ 3,046.30	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (33.19)	\$ (24.01)			-13%	-9%			
	1,564	1875	0	\$ 1,800.00	\$ 1,558.12	\$ 1,867.95	\$ 3,358.12	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (23.98)	\$ (14.83)			-9%	-5%			
	1,876	2188	1	\$ 1,800.00	\$ 1,868.95	\$ 2,179.77	\$ 3,668.95	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ (14.80)	\$ (5.62)			-5%	-2%			
	2,189	2500	2	\$ 1,800.00	\$ 2,180.77	\$ 2,490.60	\$ 3,980.77	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ (5.59)	\$ 3.56			-2%	1%			
	2,501	2813	0	\$ 1,800.00	\$ 2,491.60	\$ 2,802.42	\$ 4,291.60	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 3.59	\$ 12.77			1%	3%			
	2,814	3125	1	\$ 1,800.00	\$ 2,803.42	\$ 3,113.25	\$ 4,603.42	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 12.80	\$ 21.96			3%	5%			
	3,126	3438	0	\$ 1,800.00	\$ 3,114.25	\$ 3,425.07	\$ 4,914.25	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 21.99	\$ 31.17			5%	7%			
	3,439	3750	0	\$ 1,800.00	\$ 3,426.07	\$ 3,735.90	\$ 5,226.07	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 31.20	\$ 40.35			7%	9%			
	3,751	4063	1	\$ 1,800.00	\$ 3,736.90	\$ 4,047.72	\$ 5,536.90	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 40.38	\$ 49.56			9%	10%			
	4,064	4375	1	\$ 1,800.00	\$ 4,048.72	\$ 4,358.55	\$ 5,848.72	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 49.59	\$ 58.74			10%	11%			
	4,376	4688	0	\$ 1,800.00	\$ 4,359.55	\$ 4,670.37	\$ 6,159.55	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 58.77	\$ 67.95			11%	13%			
	4,689	5000	1	\$ 1,800.00	\$ 4,671.37	\$ 4,981.20	\$ 6,471.37	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 67.98	\$ 77.13			13%	14%			
	5,001	5500	0	\$ 1,800.00	\$ 4,982.20	\$ 5,479.32	\$ 6,782.20	\$ 3,000.00	\$ 4,707.69	\$ 5,177.43	\$ 7,707.69	\$ 8,177.43	\$ 77.12	\$ 74.84			14%	12%			
	5,501	6000	0	\$ 1,800.00	\$ 5,480.32	\$ 5,977.44	\$ 7,280.32	\$ 3,000.00	\$ 5,178.37	\$ 5,648.10	\$ 8,178.37	\$ 8,648.10	\$ 74.84	\$ 72.55			12%	11%			
	6,001	6500	1	\$ 1,800.00	\$ 5,978.44	\$ 6,475.56	\$ 7,778.44	\$ 3,000.00	\$ 5,649.04	\$ 6,118.78	\$ 8,649.04	\$ 9,118.78	\$ 72.55	\$ 70.27			11%	10%			
	6,501	7000	0	\$ 1,800.00	\$ 6,476.56	\$ 6,973.68	\$ 8,276.56	\$ 3,000.00	\$ 6,119.72	\$ 6,589.45	\$ 9,119.72	\$ 9,589.45	\$ 70.26	\$ 67.98			10%	9%			
	7,001	7500	1	\$ 1,800.00	\$ 6,974.68	\$ 7,471.80	\$ 8,774.68	\$ 3,000.00	\$ 6,590.39	\$ 7,060.13	\$ 9,590.39	\$ 10,060.13	\$ 67.98	\$ 65.69			9%	9%			
	7,501	8000	0	\$ 1,800.00	\$ 7,472.80	\$ 7,969.92	\$ 9,272.80	\$ 3,000.00	\$ 7,061.07	\$ 7,530.80	\$ 10,061.07	\$ 10,530.80	\$ 65.69	\$ 63.41			9%	8%			
	8,001	8500	0	\$ 1,800.00	\$ 7,970.92	\$ 8,468.04	\$ 9,770.92	\$ 3,000.00	\$ 7,531.74	\$ 8,001.48	\$ 10,531.74	\$ 11,001.48	\$ 63.40	\$ 61.12			8%	7%			
	8,501	9000	0	\$ 1,800.00	\$ 8,469.04	\$ 8,966.16	\$ 10,269.04	\$ 3,000.00	\$ 8,002.42	\$ 8,472.15	\$ 11,002.42	\$ 11,472.15	\$ 61.12	\$ 58.83			7%	7%			
	9,001	9500	0	\$ 1,800.00	\$ 8,967.16	\$ 9,464.28	\$ 10,767.16	\$ 3,000.00	\$ 8,473.09	\$ 8,942.83	\$ 11,473.09	\$ 11,942.83	\$ 58.83	\$ 56.55			7%	6%			
	9,501	10000	0	\$ 1,800.00	\$ 9,465.28	\$ 9,962.40	\$ 11,265.28	\$ 3,000.00	\$ 8,943.77	\$ 9,413.50	\$ 11,943.77	\$ 12,413.50	\$ 56.54	\$ 54.26			6%	6%			
	10,001	10500	0	\$ 1,800.00	\$ 9,963.40	\$ 10,460.52	\$ 11,763.40	\$ 3,000.00	\$ 9,414.44	\$ 9,884.18	\$ 12,414.44	\$ 12,884.18	\$ 54.25	\$ 51.97			6%	5%			
	10,501	11000	0	\$ 1,800.00	\$ 10,461.52	\$ 10,958.64	\$ 12,261.52	\$ 3,000.00	\$ 9,885.12	\$ 10,354.85	\$ 12,885.12	\$ 13,354.85	\$ 51.97	\$ 49.68			5%	5%			
	11,001	11500	0	\$ 1,800.00	\$ 10,959.64	\$ 11,456.76	\$ 12,759.64	\$ 3,000.00	\$ 10,355.79	\$ 10,825.53	\$ 13,355.79	\$ 13,825.53	\$ 49.68	\$ 47.40			5%	4%			
	11,501	12000	0	\$ 1,800.00	\$ 11,457.76	\$ 11,954.88	\$ 13,257.76	\$ 3,000.00	\$ 10,826.47	\$ 11,296.20	\$ 13,826.47	\$ 14,296.20	\$ 47.39	\$ 45.11			4%	4%			
	12,001	14465	2	\$ 1,800.00	\$ 11,955.88	\$ 14,410.61	\$ 13,755.88	\$ 3,000.00	\$ 11,297.14	\$ 13,616.63	\$ 14,297.14	\$ 16,616.63	\$ 45.11	\$ 33.83			4%	3%			

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TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.

RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

PROPOSED COMMERCIAL BILL IMPACTS COMPARED TO NEW RATES

Consumption		Customers	Current Charges			Proposed Charges					Absolute Change		Percentage Change			
Low	High		Customer	Low Cons	High Cons	Customer	Low Cons	High Cons	Low Total	High Total	Low	High	Low	High		
	0	313	2 \$ 1,800.00	\$ —	\$ 311.82	\$ 1,800.00	\$ 2,111.82	\$ 960.00	\$ —	\$ 422.35	\$ 960.00	\$ 1,382.35	\$ (70.00)	\$ (60.79)	-47%	-35%
	314	625	1 \$ 1,800.00	\$ 312.82	\$ 622.65	\$ 2,112.82	\$ 2,422.65	\$ 960.00	\$ 423.70	\$ 843.34	\$ 1,383.70	\$ 1,803.34	\$ (60.76)	\$ (51.61)	-35%	-26%
	626	938	0 \$ 1,800.00	\$ 623.65	\$ 934.47	\$ 2,423.65	\$ 2,734.47	\$ 960.00	\$ 844.69	\$ 1,265.69	\$ 1,804.69	\$ 2,225.69	\$ (51.58)	\$ (42.40)	-26%	-19%
	939	1250	1 \$ 1,800.00	\$ 935.47	\$ 1,245.30	\$ 2,735.47	\$ 3,045.30	\$ 960.00	\$ 1,267.04	\$ 1,686.69	\$ 2,227.04	\$ 2,646.69	\$ (42.37)	\$ (33.22)	-19%	-13%
	1,251	1563	0 \$ 1,800.00	\$ 1,246.30	\$ 1,557.12	\$ 3,046.30	\$ 3,357.12	\$ 960.00	\$ 1,688.04	\$ 2,109.03	\$ 2,648.04	\$ 3,069.03	\$ (33.19)	\$ (24.01)	-13%	-9%
	1,564	1875	0 \$ 1,800.00	\$ 1,558.12	\$ 1,867.95	\$ 3,358.12	\$ 3,667.95	\$ 960.00	\$ 2,110.38	\$ 2,530.03	\$ 3,070.38	\$ 3,490.03	\$ (23.98)	\$ (14.83)	-9%	-5%
	1,876	2188	0 \$ 1,800.00	\$ 1,868.95	\$ 2,179.77	\$ 3,668.95	\$ 3,979.77	\$ 960.00	\$ 2,531.38	\$ 2,952.38	\$ 3,491.38	\$ 3,912.38	\$ (14.80)	\$ (5.62)	-5%	-2%
	2,189	2500	0 \$ 1,800.00	\$ 2,180.77	\$ 2,490.60	\$ 3,980.77	\$ 4,290.60	\$ 960.00	\$ 2,953.73	\$ 3,373.38	\$ 3,913.73	\$ 4,333.38	\$ (5.59)	\$ 3.56	-2%	1%
	2,501	2813	0 \$ 1,800.00	\$ 2,491.60	\$ 2,802.42	\$ 4,291.60	\$ 4,602.42	\$ 960.00	\$ 3,374.72	\$ 3,795.72	\$ 4,334.72	\$ 4,755.72	\$ 3.59	\$ 12.77	1%	3%
	2,814	3125	0 \$ 1,800.00	\$ 2,803.42	\$ 3,113.25	\$ 4,603.42	\$ 4,913.25	\$ 960.00	\$ 3,797.07	\$ 4,216.72	\$ 4,757.07	\$ 5,176.72	\$ 12.80	\$ 21.96	3%	5%
	3,126	3438	0 \$ 1,800.00	\$ 3,114.25	\$ 3,425.07	\$ 4,914.25	\$ 5,225.07	\$ 960.00	\$ 4,218.07	\$ 4,639.07	\$ 5,178.07	\$ 5,599.07	\$ 21.99	\$ 31.17	5%	7%
	3,439	3750	0 \$ 1,800.00	\$ 3,426.07	\$ 3,735.90	\$ 5,226.07	\$ 5,535.90	\$ 960.00	\$ 4,640.41	\$ 5,060.06	\$ 5,600.41	\$ 6,020.06	\$ 31.20	\$ 40.35	7%	9%
	3,751	4063	0 \$ 1,800.00	\$ 3,736.90	\$ 4,047.72	\$ 5,536.90	\$ 5,847.72	\$ 960.00	\$ 5,061.41	\$ 5,482.41	\$ 6,021.41	\$ 6,442.41	\$ 40.38	\$ 49.56	9%	10%
	4,064	4375	0 \$ 1,800.00	\$ 4,048.72	\$ 4,358.55	\$ 5,848.72	\$ 6,158.55	\$ 960.00	\$ 5,483.76	\$ 5,903.41	\$ 6,443.76	\$ 6,863.41	\$ 49.59	\$ 58.74	10%	11%
	4,376	4688	0 \$ 1,800.00	\$ 4,359.55	\$ 4,670.37	\$ 6,159.55	\$ 6,470.37	\$ 960.00	\$ 5,904.76	\$ 6,325.75	\$ 6,864.76	\$ 7,285.75	\$ 58.77	\$ 67.95	11%	13%
	4,689	5000	0 \$ 1,800.00	\$ 4,671.37	\$ 4,981.20	\$ 6,471.37	\$ 6,781.20	\$ 960.00	\$ 6,327.10	\$ 6,746.75	\$ 7,287.10	\$ 7,706.75	\$ 67.98	\$ 77.13	13%	14%
	5,001	5159	0 \$ 1,800.00	\$ 4,982.20	\$ 5,139.60	\$ 6,782.20	\$ 6,939.60	\$ 3,000.00	\$ 4,707.69	\$ 4,856.42	\$ 7,707.69	\$ 7,856.42	\$ 77.12	\$ 76.40	14%	13%
	5,160	5318	0 \$ 1,800.00	\$ 5,140.60	\$ 5,298.00	\$ 6,940.60	\$ 7,098.00	\$ 3,000.00	\$ 4,857.37	\$ 5,006.10	\$ 7,857.37	\$ 8,006.10	\$ 76.40	\$ 75.67	13%	13%
	5,319	5476	0 \$ 1,800.00	\$ 5,299.00	\$ 5,455.41	\$ 7,099.00	\$ 7,255.41	\$ 3,000.00	\$ 5,007.04	\$ 5,154.83	\$ 8,007.04	\$ 8,154.83	\$ 75.67	\$ 74.95	13%	12%
	5,477	5635	0 \$ 1,800.00	\$ 5,456.41	\$ 5,613.81	\$ 7,256.41	\$ 7,413.81	\$ 3,000.00	\$ 5,155.77	\$ 5,304.51	\$ 8,155.77	\$ 8,304.51	\$ 74.95	\$ 74.22	12%	12%
	5,636	5794	0 \$ 1,800.00	\$ 5,614.81	\$ 5,772.21	\$ 7,414.81	\$ 7,572.21	\$ 3,000.00	\$ 5,305.45	\$ 5,454.18	\$ 8,305.45	\$ 8,454.18	\$ 74.22	\$ 73.50	12%	12%
	5,795	5953	0 \$ 1,800.00	\$ 5,773.21	\$ 5,930.62	\$ 7,573.21	\$ 7,730.62	\$ 3,000.00	\$ 5,455.12	\$ 5,603.86	\$ 8,455.12	\$ 8,603.86	\$ 73.49	\$ 72.77	12%	11%
	5,954	6112	0 \$ 1,800.00	\$ 5,931.61	\$ 6,089.02	\$ 7,731.61	\$ 7,889.02	\$ 3,000.00	\$ 5,604.80	\$ 5,753.53	\$ 8,604.80	\$ 8,753.53	\$ 72.77	\$ 72.04	11%	11%
	6,113	6271	0 \$ 1,800.00	\$ 6,090.02	\$ 6,247.42	\$ 7,890.02	\$ 8,047.42	\$ 3,000.00	\$ 5,754.47	\$ 5,903.21	\$ 8,754.47	\$ 8,903.21	\$ 72.04	\$ 71.32	11%	11%
	6,272	6429	0 \$ 1,800.00	\$ 6,248.42	\$ 6,404.83	\$ 8,048.42	\$ 8,204.83	\$ 3,000.00	\$ 5,904.15	\$ 6,051.94	\$ 8,904.15	\$ 9,051.94	\$ 71.31	\$ 70.59	11%	10%
	6,430	6588	0 \$ 1,800.00	\$ 6,405.82	\$ 6,563.23	\$ 8,205.82	\$ 8,363.23	\$ 3,000.00	\$ 6,052.88	\$ 6,201.61	\$ 9,052.88	\$ 9,201.61	\$ 70.59	\$ 69.87	10%	10%
	6,589	6747	0 \$ 1,800.00	\$ 6,564.23	\$ 6,721.63	\$ 8,364.23	\$ 8,521.63	\$ 3,000.00	\$ 6,202.56	\$ 6,351.29	\$ 9,202.56	\$ 9,351.29	\$ 69.86	\$ 69.14	10%	10%
	6,748	6906	0 \$ 1,800.00	\$ 6,722.63	\$ 6,880.03	\$ 8,522.63	\$ 8,680.03	\$ 3,000.00	\$ 6,352.23	\$ 6,500.96	\$ 9,352.23	\$ 9,500.96	\$ 69.13	\$ 68.41	10%	9%
	6,907	7065	0 \$ 1,800.00	\$ 6,881.03	\$ 7,038.44	\$ 8,681.03	\$ 8,838.44	\$ 3,000.00	\$ 6,501.90	\$ 6,650.64	\$ 9,501.90	\$ 9,650.64	\$ 68.41	\$ 67.68	9%	9%
	7,066	7224	0 \$ 1,800.00	\$ 7,039.43	\$ 7,196.84	\$ 8,839.43	\$ 8,996.84	\$ 3,000.00	\$ 6,651.58	\$ 6,800.31	\$ 9,651.58	\$ 9,800.31	\$ 67.68	\$ 66.96	9%	9%
	7,225	7541	1 \$ 1,800.00	\$ 7,197.83	\$ 7,512.65	\$ 8,997.83	\$ 9,312.65	\$ 3,000.00	\$ 6,801.25	\$ 7,098.72	\$ 9,801.25	\$ 10,098.72	\$ 66.95	\$ 65.51	9%	8%
	7066	7224	0 \$ 1,800.00	\$ 2,113.70	\$ 2,160.91	\$ 3,913.70	\$ 3,960.91	\$ 3,000.00	\$ 1,077.24	\$ 1,101.30	\$ 4,077.24	\$ 4,101.30	\$ 13.63	\$ 11.70	4%	4%
	7225	7541	1 \$ 1,800.00	\$ 2,161.21	\$ 2,255.94	\$ 3,961.21	\$ 4,055.94	\$ 3,000.00	\$ 1,101.45	\$ 1,149.73	\$ 4,101.45	\$ 4,149.73	\$ 11.69	\$ 7.82	4%	2%

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Transport Bill Impacts  
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PROPOSED TRANSPORT BILL IMPACTS COMPARED TO EXISTING RATES

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Commercial Transport Rates

		Customer Charge Incorporated	483.62	500		
		Environs	459.13			
		Usage Rate				
		First 5000 Ccf	\$ 1.01082	\$ 0.79595		
		All Over 5000 Ccf	\$ 0.71209	\$ 0.79595		
Step 1 Units	Step 2 Units	Environs = 1	Bill at Existing Rate	Bill at Proposed Rate	\$ Bill Amount Change	%
60000	137530	0	\$ 164,385.79	\$ 163,223.41	(1,162.37)	(1)%
60000	170900	0	\$ 188,148.13	\$ 189,784.16	1,636.03	1%
60000	201140	0	\$ 209,681.64	\$ 213,853.60	4,171.96	2%
60000	49830	0	\$ 101,935.76	\$ 93,418.86	(8,516.90)	(8)%
60000	67660	0	\$ 114,632.27	\$ 107,610.59	(7,021.67)	(6)%
60000	277240	0	\$ 263,871.46	\$ 274,425.17	10,553.71	4%
38400	0	0	\$ 44,618.81	\$ 36,564.36	(8,054.45)	(18)%
60000	229230	0	\$ 229,684.16	\$ 236,211.75	6,527.59	3%
60000	116520	0	\$ 149,424.84	\$ 146,500.56	(2,924.27)	(2)%
60000	141590	0	\$ 167,276.86	\$ 166,454.96	(821.90)	(0)%
60000	60400	0	\$ 109,462.51	\$ 101,832.02	(7,630.50)	(7)%
60000	101070	0	\$ 138,423.09	\$ 134,203.18	(4,219.91)	(3)%
60000	340300	0	\$ 308,775.67	\$ 324,617.58	15,841.92	5%
60000	50990	0	\$ 102,761.78	\$ 94,342.16	(8,419.62)	(8)%
60000	348090	0	\$ 314,322.82	\$ 330,818.01	16,495.19	5%
60000	72740	0	\$ 118,249.67	\$ 111,654.00	(6,595.66)	(6)%
60000	122790	0	\$ 153,889.62	\$ 151,491.15	(2,398.47)	(2)%
60000	23155	0	\$ 82,940.83	\$ 72,186.97	(10,753.86)	(13)%
60000	103340	0	\$ 140,039.53	\$ 136,009.98	(4,029.55)	(3)%
59730	44640	1	\$ 97,673.22	\$ 89,072.99	(8,600.23)	(9)%
3916	0	0	\$ 9,761.80	\$ 9,116.93	(644.87)	(7)%
9980	0	0	\$ 15,891.39	\$ 13,943.55	(1,947.84)	(12)%
5169	0	0	\$ 11,028.35	\$ 10,114.25	(914.10)	(8)%
5711	0	0	\$ 11,576.22	\$ 10,545.65	(1,030.56)	(9)%

TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022

Transport Bill Impacts  
[Return to Table of Contents](#)

PROPOSED TRANSPORT BILL IMPACTS COMPARED TO EXISTING RATES

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Commercial Transport Rates

		Customer Charge				
		Incorporated		483.62		500
		Environ's		459.13		
		Usage Rate				
		First 5000 Ccf	\$	1.01082	\$	0.79595
		All Over 5000 Ccf	\$	0.71209	\$	0.79595

Step 1 Units	Step 2 Units	Environ's = 1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change	
					\$	%

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Industrial Transport Rates

		Customer Charge				
		Incorporated	\$	1,153.88	\$	1,000.00
		Environ's	\$	930.49		
		Usage Rate				
		First 5000 Ccf	\$	0.99768	\$	0.80508
		All Over 5000 Ccf	\$	0.72885	\$	0.80508

Step 1 Units	Step 2 Units	Environ's=1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change	
					\$	%

			1 \$	18,329.20	\$	17,780.45	\$	(548.75)	(3)%
			0 \$	132,233.59	\$	124,952.30	\$	(7,281.29)	(6)%
			0 \$	107,343.47	\$	97,458.92	\$	(9,884.55)	(9)%
			1 \$	54,731.15	\$	47,358.98	\$	(7,372.17)	(13)%
			0 \$	100,987.92	\$	90,438.65	\$	(10,549.27)	(10)%
			0 \$	184,353.44	\$	182,523.36	\$	(1,830.08)	(1)%
			0 \$	487,109.20	\$	516,944.29	\$	29,835.10	6%
			0 \$	231,503.46	\$	240,030.01	\$	8,526.55	4%
			0 \$	190,554.47	\$	189,372.95	\$	(1,181.52)	(1)%
			1 \$	368,388.79	\$	388,767.99	\$	20,379.20	6%
			0 \$	392,985.90	\$	412,976.65	\$	19,990.75	5%
			0 \$	351,485.35	\$	367,135.57	\$	15,650.22	4%
			1 \$	249,586.73	\$	257,540.43	\$	7,953.71	3%
			1 \$	13,610.19	\$	13,972.44	\$	362.25	3%
			1 \$	11,165.88	\$	12,000.00	\$	834.12	7%
			0 \$	250,897.17	\$	256,026.89	\$	5,129.72	2%
			0 \$	820,396.35	\$	885,089.90	\$	64,693.55	8%
			0 \$	228,813.11	\$	231,633.06	\$	2,819.95	1%
			0 \$	121,053.08	\$	112,602.42	\$	(8,450.66)	(7)%
			1 \$	182,489.07	\$	183,425.05	\$	935.97	1%
			1 \$	275,351.47	\$	285,999.91	\$	10,648.44	4%
			1 \$	81,559.07	\$	72,348.57	\$	(9,210.49)	(11)%
			1 \$	11,185.83	\$	12,016.10	\$	830.27	7%
			1 \$	19,508.46	\$	18,732.05	\$	(776.40)	(4)%
			1 \$	268,587.77	\$	278,528.79	\$	9,941.02	4%
			1 \$	67,308.00	\$	58,638.11	\$	(8,669.89)	(13)%
			0 \$	729,030.50	\$	784,809.51	\$	55,779.01	8%
			0 \$	57,324.04	\$	47,288.14	\$	(10,035.90)	(18)%
			1 \$	65,869.36	\$	61,624.95	\$	(4,244.41)	(6)%
			1 \$	110,430.57	\$	105,026.65	\$	(5,403.92)	(5)%
			0 \$	191,386.82	\$	190,292.35	\$	(1,094.46)	(1)%
			1 \$	285,737.54	\$	297,472.25	\$	11,734.72	4%
			1 \$	11,165.88	\$	12,000.00	\$	834.12	7%
			0 \$	288,789.93	\$	297,882.84	\$	9,092.91	3%
			1 \$	202,299.13	\$	205,307.04	\$	3,007.91	1%
			1 \$	150,609.30	\$	148,210.98	\$	(2,398.33)	(2)%
			1 \$	162,180.29	\$	161,027.80	\$	(1,152.49)	(1)%

Annual Bill Impacts of Flat Transport Rate Relative to Existing RGVSA Public Authority Transport Rates

		Customer Charge				
		Incorporated	\$	487.93	\$	2,500.00
		Environ's	\$	461.36		
		Usage Rate				
		First 5000 Ccf	\$	1.07500	\$	0.73953
		All Over 5000 Ccf	\$	0.71027	\$	0.73953

Step 1 Units	Step 2 Units	Environ's=1	Bill at Existing Rate	Bill at Proposed Rate	Bill Amount Change				
					\$	%			
			0 \$	316,377.26	\$	330,528.98	\$	14,151.72	4%
			0 \$	115,890.20	\$	121,782.70	\$	5,892.50	5%
			1 \$	100,506.59	\$	106,097.33	\$	5,590.73	6%
			0 \$	83,331.75	\$	88,015.89	\$	4,684.14	6%

**Residential**  
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Contents*

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**RESIDENTIAL CLASS RATE DESIGN**

Select class revenue allocation (1, 2, or 3) and recommended customer charge.  
The class revenue allocation selected on this sheet flows to all classes.

		<u>Proposed Revenue</u>	<u>Class Revenue Alloc.</u>
		\$ 29,094,320	2
	<u>Determinants</u>	<u>Recommended</u>	
Bills	712,616	Customer Charge	\$ 20.00
Volumes	7,583,273	Usage Rate	\$ 1.95720
		Calculated Revenue	\$ 29,094,297
		Rounding	\$ (23)
Small/Large Rates:			
Small	*	403,583	Customer Charge \$ 20.00
	*	2,144,543	Usage Rate \$ 2.33897
		5	
Large	*	309,033	Customer Charge \$ 35.00
	*	5,438,730	Usage Rate \$ 0.95435
		18	
		Calculated Revenue	\$ 29,094,289
		Rounding	\$ (32)

\*Source: resrslt.xlsx

**Commercial**  
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Contents

**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.**  
**RIO GRANDE VALLEY SERVICE AREA**  
**TWELVE MONTHS ENDED DECEMBER 31, 2022**

**COMMERCIAL CLASS RATE DESIGN**

Select class revenue allocation (1, 2, or 3) and recommended customer charge.  
The class revenue allocation selected on this sheet flows to all classes.

	<u>Current Revenue</u>	<u>Proposed Revenue</u>	<u>Class Revenue Alloc.</u>
Commercial	\$ 13,164,422	\$ 13,209,468	2
Comm. Transport	\$ 623,952		
Total	13,788,374	95.80 %	

<u>Commercial</u>	<u>Determinants</u>	<u>Recommended</u>		
Bills	47,254	Customer Charge	\$	150.00
Volumes	20,813,669	Usage Rate	\$	0.26538
<u>Comm. Transport</u>				
Bills	319	Customer Charge	\$	500
Volumes	4,312,335	Usage Rate	\$	0.10163
		Calculated Revenue	\$	13,209,376
		Rounding	\$	(91)

Small/Large Rates:

Small	*	31,545	Customer Charge	\$	80.00
	*	4,260,553 135.06	Usage Rate	\$	0.61849
Large	*	15,708	Customer Charge	\$	250.00
	*	16,751,319 1,066.42	Usage Rate	\$	0.21049
		Calculated Revenue	\$	13,209,457	
		Rounding	\$	(11)	

\*Source: comrslt.xlsx

**Industrial**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**INDUSTRIAL CLASS RATE DESIGN**

The class revenue allocation selected on this sheet flows to all classes.

<u>Current Revenue</u>	<u>Proposed Revenue</u>	<u>Class Revenue Alloc.</u>
\$ 2,020,637	\$ 2,368,584	2
	<u>Industrial</u>	<u>Industrial Trans.</u>
Proposed Revenue	\$ 931,084	\$ 1,437,499
<u>Determinants:</u>		
Bills	404	444
Volumes	1,597,491	8,969,622
<u>Recommended</u>		
Customer Charge	\$ 850.00	1,000.00
Volumes	\$ 0.36782	\$ 0.11076
	Total Calculated Revenue	\$ 2,368,561
	Rounding	\$ (23)

**Public Authority**

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**TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC.  
RIO GRANDE VALLEY SERVICE AREA  
TWELVE MONTHS ENDED DECEMBER 31, 2022**

**PUBLIC AUTHORITY CLASS RATE DESIGN**

The class revenue allocation selected on this sheet flows to all classes.

<u>Current Revenue</u>	<u>Proposed Revenue</u>	<u>Class Revenue Alloc.</u>
\$ 1,609,896	\$ 2,000,165	2
	<u>Public Authority</u>	<u>Public Authority Trans.</u>
Proposed Revenue	\$ 1,775,171	\$ 224,994
<u>Determinants:</u>	1.2424190387601	
Bills	6,046	72
Volumes	1,709,116	995,318
<u>Recommended</u>		
Customer Charge	\$200.00	\$2,500.00
Volumes	\$ 0.33119	\$ 0.04521
Calculated Revenue	Total Calculated Revenue	\$ 2,000,178
	Rounding	\$ 12



## SCHEDULE WORKPAPERS

Schedule Workpapers are voluminous and are being provided in electronic format.

Confidential and/or Highly Sensitive Schedule Workpapers will be provided pursuant to the terms of the Protective Agreement.



1301 South Mopac Expressway, Suite 400  
Austin, Texas 78746  
texasgasservice.com

December 30, 2020

**VIA UPS Delivery**

Cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas

RE: Annual Reporting per Rate Schedule EDIT Rider for the Rio Grande Valley Service Area served by Texas Gas Service Company

Texas Gas Service Company, a division of ONE Gas, Inc., (“TGS” or the “Company”) was required to issue annual credits for excess accumulated deferred income taxes (EDIT) for the Rio Grande Valley Service Area (“RGVSA”) resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695. In accordance with the terms of Rate Schedule EDIT Rider, enclosed is the Annual Compliance Reconciliation Report which provides information regarding the EDIT Credit as required by the EDIT tariff. The Compliance Reconciliation Report includes data through the Company’s General Ledger Month of November 2020.

The amount of 2018 and 2019 EDIT amortization was \$1,863,954, and the amount of EDIT actually credited in 2020 was \$0, resulting in a required true-up of \$1,863,954. The estimated amount of 2020 EDIT amortization to be credited in 2021 is \$866,923. The net EDIT credit for 2021 is \$2,730,877, of which \$2,522,587 is attributable to customers within the incorporated areas.

If you have any questions or concerns, please contact me at [stacey.mctaggart@onegas.com](mailto:stacey.mctaggart@onegas.com) or at 512-370-8354.

Respectfully submitted,

Stacey McTaggart  
Rates and Regulatory Director

Enclosures:  
Rate Schedule EDIT Rider  
EDIT Annual Compliance Report

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT**

**A. APPLICABILITY**

This Excess Deferred Income Tax Credit applies to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (“Company”) currently in force in the Company’s Rio Grande Valley Service Area within the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas including Rate Schedules 10, 20, 30, 40, and T-1.

**B. CALCULATION OF CREDIT**

The annual amortization of the regulatory liability for excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695, will be credited to customers annually on a one-time, per bill basis in February of each year and will show as a separate line item on the customer’s bill until fully amortized. The initial credit will occur in September 2020.

EDIT CREDIT – The total amount, if any, of the credit in a given year will be determined by:

- The average rate assumption method (“ARAM”) as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for the protected portion of the regulatory liability for excess deferred income taxes; and
- A 4-year amortization for nonprotected property.

TRUE-UP ADJUSTMENT – The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the amount of that year’s EDIT Credit and the amount actually credited to customers.

EDIT CREDIT PER CUSTOMER – The EDIT credit per customer will be determined by allocating that year’s credit, plus/minus any prior year true up adjustment, among the customer classes utilizing the same class revenue allocation as approved in the most recent general rate case, and then by dividing each class’s portion by the number of customers in that class.

**C. EDIT CREDIT PER CUSTOMER**

Residential:	\$ 25.17
Commercial:	\$ 233.58
Industrial:	\$2,044.87
Public Authority:	\$ 239.85

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

**D. OTHER ADJUSTMENTS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT  
(Continued)**

**E. ANNUAL FILING**

The Company shall make a filing each year no later than December 31, including the following information:

- a. the total dollar amount of that year's EDIT Credit;
- b. the total dollar amount actually credited to customers;
- c. true-up amount, if any, due to the difference between items a. and b., above;
- d. the amount of the upcoming year's EDIT Credit; and
- e. the amounts of the upcoming year's EDIT Credit per Customer.

**F. CONDITIONS**

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

Texas Gas Service Company, a Division of ONE Gas, Inc.  
 Rio Grande Valley Service Area  
 Calculation of Upcoming Year's EDIT Credit  
 December 31, 2020

1	2018 and 2019 EDIT Amortization	\$ 1,863,954
2	2020 Actual EDIT Credit	<u>\$0</u>
3	Under (Over) Credit	\$1,863,954
4	2020 Est. EDIT Amortization	<u>\$ 866,923</u>
5	Total 2021 EDIT Credit Amount	<u><u>\$2,730,877</u></u>

	CUSTOMER CLASS	PERCENT OF REVENUES PER LAST RGV RATE CASE (b)	TOTAL EDIT CREDIT (c)	MONTHLY BILLS (d)	EDIT CREDIT PER CUSTOMER (e)
6	<u>Gas Sales and Transportation</u>				
6	Residential	55.712%	\$1,521,426	60,447	\$25.17
7	Commercial	33.422%	912,718	3,908	\$233.58
8	Public Authority	4.682%	127,861	533	\$239.85
9	Industrial	6.184%	168,872	83	\$2,044.87
10	Grand Total	<u>100.000%</u>	<u>\$2,730,877</u>	<u>64,970</u>	

Environs BILL COUNT (f)	Environs EDIT CREDIT (g)
3,323	\$83,634
162	37,898
65	15,570
35	71,230
<u>3,585</u>	<u>\$208,332</u>

Incorporated BILL COUNT (h)	Incorporated EDIT CREDIT (i)
57,124	\$1,437,819
3,745	874,835
468	112,290
48	97,643
<u>61,386</u>	<u>\$2,522,587</u>



1301 South Mopac Expressway, Suite 400  
Austin, Texas 78746  
texasgasservice.com

December 31, 2021

**VIA ELECTRONIC DELIVERY**

Cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas

RE: Annual Reporting per Rate Schedule EDIT Rider for the Rio Grande Valley Service Area served by Texas Gas Service Company

Texas Gas Service Company, a Division of ONE Gas, Inc., (“TGS” or the “Company”) was required to issue annual credits for excess accumulated deferred income taxes (EDIT) for the Rio Grande Valley Service Area (“RGVSA”) resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695. In accordance with the terms of Rate Schedule EDIT Rider, enclosed is the Annual Compliance Reconciliation Report which provides information regarding the EDIT Credit as required by the EDIT tariff. The Compliance Reconciliation Report includes data through the Company’s General Ledger Month of November 2021.

In the prior year’s filing, the estimated amount of 2020 EDIT amortization that was calculated to be credited in 2021 was \$866,923 along with a prior years true up of \$1,863,954 for a net credit of \$2,730,877. In this filing, following the Company’s final 2020 Federal income tax return, the 2020 EDIT amortization was true-up to \$891,474. The amount of EDIT actually credited in 2021 was \$2,486,343, resulting in a required true-up of \$269,085. The estimated amount of 2021 EDIT amortization to be credited in 2022 is \$916,743. The net EDIT credit for 2022 is \$1,185,828, of which \$1,095,417 is attributable to customers within the cities.

If you have any questions or concerns, please contact me at [stacey.mctaggart@onegas.com](mailto:stacey.mctaggart@onegas.com) or at 512-370-8354.

Respectfully submitted,

Stacey McTaggart  
Rates and Regulatory Director

Enclosures:  
Rate Schedule EDIT Rider  
EDIT Annual Compliance Report

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT**

**A. APPLICABILITY**

This Excess Deferred Income Tax Credit applies to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (“Company”) currently in force in the Company’s Rio Grande Valley Service Area within the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas including Rate Schedules 10, 20, 30, 40, and T-1.

**B. CALCULATION OF CREDIT**

The annual amortization of the regulatory liability for excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695, will be credited to customers annually on a one-time, per bill basis in February of each year and will show as a separate line item on the customer’s bill until fully amortized. The initial credit will occur in September 2020.

EDIT CREDIT – The total amount, if any, of the credit in a given year will be determined by:

- The average rate assumption method (“ARAM”) as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for the protected portion of the regulatory liability for excess deferred income taxes; and
- A 4-year amortization for nonprotected property.

TRUE-UP ADJUSTMENT – The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the amount of that year’s EDIT Credit and the amount actually credited to customers.

EDIT CREDIT PER CUSTOMER – The EDIT credit per customer will be determined by allocating that year’s credit, plus/minus any prior year true up adjustment, among the customer classes utilizing the same class revenue allocation as approved in the most recent general rate case, and then by dividing each class’s portion by the number of customers in that class.

**C. EDIT CREDIT PER CUSTOMER**

Residential:	\$ 10.93
Commercial:	\$ 101.43
Industrial:	\$ 887.94
Public Authority:	\$ 104.15

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

**D. OTHER ADJUSTMENTS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT  
(Continued)**

**E. ANNUAL FILING**

The Company shall make a filing each year no later than December 31, including the following information:

- a. the total dollar amount of that year's EDIT Credit;
- b. the total dollar amount actually credited to customers;
- c. true-up amount, if any, due to the difference between items a. and b., above;
- d. the amount of the upcoming year's EDIT Credit; and
- e. the amounts of the upcoming year's EDIT Credit per Customer.

**F. CONDITIONS**

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



Texas Gas Service Company, a Division of ONE Gas, Inc.  
 Rio Grande Valley Service Area  
 Calculation of Upcoming Year's EDIT Credit  
 December 31, 2021

1	2020 EDIT Amortization and Prior Year True-up	\$ 2,755,428
2	2021 Actual EDIT Credit	<u>(\$2,486,343)</u>
3	Under (Over) Credit	\$269,085
4	2021 Est. EDIT Amortization	<u>\$ 916,743</u>
5	Total 2022 EDIT Credit Amount	<u><u>\$1,185,828</u></u>

CUSTOMER CLASS	PERCENT OF REVENUES PER LAST RGV RATE	TOTAL EDIT CREDIT	MONTHLY BILLS	EDIT CREDIT PER CUSTOMER
	(b)	(c)	(d)	(e)
<u>Gas Sales and Transportation</u>				
6 Residential	55.712%	\$660,648	60,447	\$10.93
7 Commercial	33.422%	396,329	3,908	\$101.43
8 Public Authority	4.682%	55,521	533	\$104.15
9 Industrial	6.184%	73,329	83	\$887.94
10 Grand Total	<u>100.000%</u>	<u>\$1,185,828</u>	<u>64,970</u>	

Environs BILL COUNT	Environs EDIT CREDIT
(f)	(g)
3,323	\$36,318
162	16,457
65	6,761
35	30,930
<u>3,585</u>	<u>\$90,466</u>

Incorporated BILL COUNT	Incorporated EDIT CREDIT
(h)	(i)
57,124	\$624,369
3,745	379,889
468	48,760
48	42,399
<u>61,386</u>	<u>\$1,095,417</u>



1301 South Mopac Expressway, Suite 400  
Austin, Texas 78746  
texasgasservice.com

December 30, 2022

**VIA ELECTRONIC DELIVERY**

Cities of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas

RE: Annual Reporting per Rate Schedule EDIT-Rider for the Rio Grande Valley Service Area served by Texas Gas Service Company

Texas Gas Service Company, a Division of ONE Gas, Inc., (“TGS” or the “Company”) was required to issue annual credits for excess accumulated deferred income taxes (EDIT) for the Rio Grande Valley Service Area (“RGVSA”) resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695. In accordance with the terms of Rate Schedule EDIT-Rider, enclosed is the Annual Compliance Reconciliation Report which provides information regarding the EDIT Credit as required by the EDIT tariff. The Compliance Reconciliation Report includes data through the Company’s General Ledger Month of November 2022.

In the prior year’s filing, the estimated amount of 2021 EDIT amortization that was calculated to be credited in 2022 was \$916,743 along with a prior year true up of \$269,085 for a net credit of \$1,185,828. In this filing, following the Company’s final 2021 Federal income tax return, the 2021 EDIT amortization was trued-up to \$942,667. The amount of EDIT actually credited in 2022 was \$1,084,321, resulting in a required true-up of \$127,431. The estimated amount of 2022 EDIT amortization to be credited in 2023 is \$109,946. The net EDIT credit for 2023 is \$237,377, of which \$219,381 is attributable to customers within the cities.

If you have any questions or concerns, please contact me at [stacey.mctaggart@onegas.com](mailto:stacey.mctaggart@onegas.com) or at 512-370-8354.

Respectfully submitted,

Stacey McTaggart  
Rates and Regulatory Director

Enclosures:  
Rate Schedule EDIT-Rider  
EDIT Annual Compliance Report

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT**

**A. APPLICABILITY**

This Excess Deferred Income Tax Credit applies to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. (“Company”) currently in force in the Company's Rio Grande Valley Service Area within the incorporated areas of Alamo, Alton, Brownsville, Combes, Donna, Edcouch, Edinburg, Elsa, Harlingen, Hidalgo, La Feria, La Joya, La Villa, Laguna Vista, Los Fresnos, Lyford, McAllen, Mercedes, Mission, Palm Valley, Palmhurst, Palmview, Penitas, Pharr, Port Isabel, Primera, Progreso, Rancho Viejo, Raymondville, Rio Hondo, San Benito, San Juan, Santa Rosa, and Weslaco, Texas including Rate Schedules 10, 20, 30, 40, and T-1.

**B. CALCULATION OF CREDIT**

The annual amortization of the regulatory liability for excess deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and in compliance with GUD No. 10695, will be credited to customers annually on a one-time, per bill basis in February of each year and will show as a separate line item on the customer’s bill until fully amortized. The initial credit will occur in September 2020.

EDIT CREDIT – The total amount, if any, of the credit in a given year will be determined by:

- The average rate assumption method (“ARAM”) as required by the Tax Cuts and Jobs Act of 2017 Section 13001(d) for the protected portion of the regulatory liability for excess deferred income taxes; and
- A 4-year amortization for nonprotected property.

TRUE-UP ADJUSTMENT – The Excess Deferred Income Tax credit shall be trued-up annually. The True-Up Adjustment will be the difference between the amount of that year’s EDIT Credit and the amount actually credited to customers.

EDIT CREDIT PER CUSTOMER – The EDIT credit per customer will be determined by allocating that year’s credit, plus/minus any prior year true up adjustment, among the customer classes utilizing the same class revenue allocation as approved in the most recent general rate case, and then by dividing each class’s portion by the number of customers in that class.

**C. EDIT CREDIT PER CUSTOMER**

Residential:	\$ 2.19
Commercial:	\$ 20.30
Industrial:	\$ 177.75
Public Authority:	\$ 20.85

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

**D. OTHER ADJUSTMENTS**

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

**Texas Gas Service Company, a Division of ONE Gas, Inc.  
Rio Grande Valley Service Area**

**RATE SCHEDULE EDIT-RIDER**

**EXCESS DEFERRED INCOME TAX CREDIT  
(Continued)**

**E. ANNUAL FILING**

The Company shall make a filing each year no later than December 31, including the following information:

- a. the total dollar amount of that year's EDIT Credit;
- b. the total dollar amount actually credited to customers;
- c. true-up amount, if any, due to the difference between items a. and b., above;
- d. the amount of the upcoming year's EDIT Credit; and
- e. the amounts of the upcoming year's EDIT Credit per Customer.

**F. CONDITIONS**

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

Texas Gas Service Company, a Division of ONE Gas, Inc.  
 Rio Grande Valley Service Area  
 Calculation of Upcoming Year's EDIT Credit  
 December 31, 2022

1	2021 EDIT Amortization and Prior Year True-up	\$ 1,211,752
2	2022 Actual EDIT Credit	<u>(\$1,084,321)</u>
3	Under (Over) Credit	\$127,431
4	2022 Est. EDIT Amortization	<u>\$ 109,946</u>
5	Total 2023 EDIT Credit Amount	<u><u>\$237,377</u></u>

CUSTOMER CLASS	PERCENT OF REVENUES PER LAST RGV RATE	TOTAL EDIT CREDIT	MONTHLY BILLS	EDIT CREDIT PER CUSTOMER
	(b)	(c)	(d)	(e)
<u>Gas Sales and Transportation</u>				
6 Residential	55.712%	\$132,247	60,447	\$2.19
7 Commercial	33.422%	79,337	3,908	\$20.30
8 Public Authority	4.682%	11,114	533	\$20.85
9 Industrial	6.184%	14,679	83	\$177.75
10 Grand Total	<u>100.000%</u>	<u>\$237,377</u>	<u>64,970</u>	

Environs BILL COUNT	Environs EDIT CREDIT
(f)	(g)
3,323	\$7,277
162	3,294
65	1,354
35	6,192
<u>3,585</u>	<u>\$18,116</u>

Incorporated BILL COUNT	Incorporated EDIT CREDIT
(h)	(i)
57,124	\$125,102
3,745	76,030
468	9,761
48	8,488
<u>61,386</u>	<u>\$219,381</u>

WORKPAPERS  
TO  
DIRECT TESTIMONY  
OF  
BRUCE H. FAIRCHILD

Workpapers to the Direct Testimony of Bruce H. Fairchild are voluminous and are being provided in electronic format.

WORKPAPERS  
TO  
DIRECT TESTIMONY  
OF  
TIMOTHY S. LYONS

Workpapers to the Direct Testimony of Timothy S. Lyons are voluminous and are being provided in electronic format.

WORKPAPERS  
TO  
DIRECT TESTIMONY  
OF  
PAUL H. RAAB

Workpapers to the Direct Testimony of Paul H. Raab are voluminous and are being provided in electronic format.



WORKPAPERS  
TO  
DIRECT TESTIMONY  
OF  
JANET M. SIMPSON

Workpapers to the Direct Testimony of Janet M. Simpson are voluminous and are being provided in electronic format.

WORKPAPERS  
TO  
DIRECT TESTIMONY  
OF  
RONALD E. WHITE

Workpapers to the Direct Testimony of Ronald E. White are voluminous and are being provided in electronic format.