CASE NO. 00007069

APPLICATION OF TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., FOR CUSTOMER RATE RELIEF RELATED TO WINTER STORM URI AND A REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

APPLICATION OF TEXAS GAS SERVICE COMPANY FOR CUSTOMER RATE RELIEF AND A REGULATORY ASSET DETERMINATION

Texas Gas Service Company ("TGS" or "Company"), a Division of ONE Gas, Inc., operates in Texas as a "gas utility" under Texas Utilities Code §§ 101.003(7) and 104.362(12). TGS timely files this Application for Customer Rate Relief and a Regulatory Asset Determination ("Application") on July 30, 2021, as required by the Railroad Commission of Texas ("Commission") Notice to Gas Utilities issued on June 17, 2021 (the "June Notice") and as required by Texas Utilities Code § 104.365(b). The Company's Application indicates its desire to participate in securitization financing to provide customer rate relief by extending the period over which the Regulatory Asset balance would otherwise be recovered and thereby reducing the estimated monthly costs to customers related to the extraordinary gas procurement costs that TGS incurred to secure gas supply and to provide service during Winter Storm Uri.

I. INTRODUCTION

Winter Storm Uri was a major weather event that affected a large portion of the United States, including Texas, for several days in February 2021. The circumstances with the weather conditions across the state were so extreme that Governor Greg Abbott issued a Disaster Declaration on February 12, 2021, for all 254 counties in Texas.[1] Austin received the heaviest snowfall it had experienced in over 70 years; Galveston was subject to its first-ever hard freeze

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[1] Governor Abbott Issues Disaster Declaration In Response To Severe Winter Weather In Texas (Feb. 12, 2021) available at https://gov.texas.gov/news/post/governor-abbott-issues-disaster-declaration-in-response-to-severe-winter-weather-in-texas.

warning; and El Paso received up to six inches of snowfall and experienced its coldest weather in ten years. The severity and duration of the cold weather led to higher demand for natural gas to heat homes and businesses. Texans throughout the state also had to contend with electric power outages.

The Commission acted quickly in response to Winter Storm Uri, recognizing the need to take action to protect human needs customers because of the severe threat of the winter weather. The same day Governor Abbott issued the Disaster Declaration, the Commission issued an Emergency Order directing gas utilities to prioritize service to human needs customers, even if that meant reducing gas deliveries to non-residential or non-human needs customers. The Commission also issued a Notice to Local Distribution Companies ("LDCs") on February 13, 2021 ("February Notice") that specifically acknowledged that due to the demand for natural gas, LDCs "may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to" Winter Storm Uri.[2] In the February Notice, the Commission authorized LDCs, such as TGS, to record extraordinary costs associated with Winter Storm Uri, including but not limited to gas costs and other costs related to the procurement and transportation of gas supply, in a regulatory asset account.

At the same time the Commission specifically encouraged LDCs to ensure that Texans were provided with safe and reliable natural gas service throughout the storm, TGS was already taking action to ensure the continued operation of its system and service to customers. Despite the unprecedented weather, TGS fortified its distribution system where needed, deployed compressed natural gas (CNG) to areas on its system where gas supply was limited, monitored changing weather conditions and customer demand, and communicated with customers to urge conservation

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[2] Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event (Feb. 13, 2021).

measures and with upstream suppliers to ensure access to available gas supply. In addition, during the winter storm, natural gas market prices rose as supply became scarce and demand remained high. In fact, the Commission accurately predicted there would be high natural gas prices. For TGS, prices were twelve times higher than normal with prices peaking at $400/Mcf at the Houston Ship Channel.

On June 16, 2021, H.B. 1520 became effective and provides securitization financing for gas utilities to provide rate relief to customers by extending the period to recover the extraordinary costs from Winter Storm Uri. H.B. 1520 created new statutes in Chapter 104 of the Texas Utilities Code that require that the Commission undertake two specific actions. Texas Utilities Code § 104.365 requires the Commission to determine the regulatory asset amount to be recovered by a gas utility. After the Commission has issued all regulatory asset determinations of participating utilities and determined that customer rate relief through securitization financing is the most cost-effective method of recovering the aggregated regulatory asset balance for all utilities, § 104.366 authorizes the Commission to issue a Financing Order. In the order, the Commission can request that the Texas Public Finance Authority ("TPFA") direct an issuing financing entity to issue the customer rate relief bonds.

The new statutes in Chapter 104 of the Texas Utilities Code charge the Commission with ensuring that securitization provides tangible and quantifiable benefits to customers while supporting the financial strength and stability of gas utilities in Texas. Consistent with those purposes and the Commission's June Notice, TGS requests a regulatory asset determination to recover the extraordinary gas procurement costs it incurred to provide service to customers and maintain its system during Winter Storm Uri.

II. JURISDICTION

Texas Utilities Code § 104.365 gives the Commission jurisdiction to determine the regulatory asset amount to be recovered by a utility related to its extraordinary costs incurred for Winter Storm Uri. After making a regulatory asset determination, the Commission has exclusive, original jurisdiction based on Texas Utilities Code § 104.364(c) to issue a financing order to authorize recovery of extraordinary costs through securitization by creating customer rate relief property. In addition, the Commission retains original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities under Texas Utilities Code § 102.101(a), (b) and (d). The Commission exercised this latter authority when it issued the February Notice, which authorizes TGS "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply."

III. SUMMARY OF RELIEF REQUESTED

Through this Application, TGS seeks a Commission determination of its Regulatory Asset balance and related participation in securitization of extraordinary costs incurred due to Winter Storm Uri. Recovering the Regulatory Asset balance through securitization will extend the time over which TGS would otherwise recover these costs from customers through its existing Cost of Gas Clauses.

A. Relief Requested

1. Regulatory Asset Determination

TGS requests a Commission determination that the extraordinary gas procurement costs as defined in the June Notice and included in its Regulatory Asset balance are reasonable, necessary, and prudent. The Regulatory Asset request complies with the Commission's Notice requirements because: (1) it includes costs TGS would not have incurred but for Winter Storm Uri; and (2) the costs include only natural gas procurement costs, financing and other costs incurred to secure and pay for natural gas, carrying costs, and legal and consulting costs related to gas procurement and this proceeding.[3] In addition, the Regulatory Asset is recorded in the books and records of the Company in accordance with the Uniform System of Accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal Energy Regulatory Commission and generally accepted accounting principles.

2. Establishment of Financing Order Proceeding

Because the Commission's June Notice states that it expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met, TGS requests that the Commission establish a financing order proceeding. The prompt commencement of a financing order proceeding should reduce the amount of time between issuance of a Commission order on the regulatory asset balances to be securitized and the actual securitization of those costs. This approach will reduce the significant carrying costs each participating utility will incur for the period of time it maintains its regulatory asset balance on its books, which costs will ultimately be recovered from customers. Specifically, Schedule F-4 of **Exhibit A** to the Application shows that TGS will incur carrying costs of approximately $200,000 per month until recovery through securitization is approved and bonds are issued.

In compliance with the applicable statutes, the evidence in this filing shows that: (1) securitization provides tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds (Texas Utilities Code § 104.361);

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[3] Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event (Feb. 13, 2021); Notice to Gas Utilities regarding Procedure for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event (June 17, 2021). Note that TGS incurred other extraordinary costs due to Winter Storm Uri that do not fall within the scope of this filing. Consistent with the Notice for Regulatory Asset Determination, TGS will record those costs in a separate regulatory asset that will be reviewed for reasonableness in a subsequent rate proceeding(s).

(2) securitization financing is the most cost-effective method of funding the regulatory asset balance for TGS based on customer affordability considerations and monthly comparisons of conventional forms of recovery with securitization recovery (Texas Utilities Code § 104.366(a)); and (3) securitization is in the public interest and consistent with the purposes of Subchapter I, Chapter 104 of the Texas Utilities Code (Texas Utilities Code § 104.366(c)(1)).

Therefore, TGS requests that the Commission open a financing order proceeding that will allow the TPFA to issue securitization bonds to reimburse participating utilities for their regulatory asset balances. The financing order proceeding would run concurrently with consideration of this Application and any other applications the Commission receives. Specifically, TGS requests that the Commission direct the TPFA to select a: (1) governing board for the financing entity that will administer the securitization bonds; and (2) lead underwriter for those bonds as soon as possible.

B. Alternative Relief Requested

The evidence in TGS's Application shows that the statutory requirements for recovering the approved Regulatory Asset balance through securitization financing have been met. If the Commission determines otherwise, however, TGS requests that its approved Regulatory Asset balance be recovered over the nine-month reconciliation period included in the Company's currently approved Cost of Gas Clauses. It is appropriate for TGS to request this alternative relief because if securitization financing is not approved, it would be inefficient for the Commission to expend resources to determine and issue an order establishing a regulatory asset balance without being able to direct the utility to recover that balance.

Whether TGS's Regulatory Asset balance is recovered through securitization financing or the Cost of Gas Clauses, TGS expects the charge will be included in the Cost of Gas charged to customers. For this reason, there should be no change or impact on TGS's base rates.

IV. DETAILS OF THE APPLICATION

A. Regulatory Asset Balance Submitted for Determination

TGS requests a Commission determination that its Regulatory Asset balance of $290,104,036 contains reasonable, necessary, and prudent extraordinary gas procurement and related costs. All costs in the Regulatory Asset are extraordinary costs because TGS would not have incurred the costs but for Winter Storm Uri. The balance consists of extraordinary gas costs related to Winter Storm Uri, financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, carrying costs and legal and consulting expenses relating to that event and this proceeding.

B. Class, Number of Customers Affected and Normalized Volumes by Class

The Company's request for a Regulatory Asset determination and related cost recovery will affect all gas sales customers TGS serves in the state of Texas. The table below shows the approximate number of customers who will be affected by recovery of the balance and normalized volumes by customer class, both as of December 31, 2020:

Customer Class	Number of Customers	Normalized Volumes (Mcf)
Residential	628,837	26,024,086
Commercial	34,276	10,587,407
Industrial	105	337,805
Public Authority	2,916	2,808,328
Irrigation	141	513,880
Total	666,275	40,217,506

C. Effect of Proposed Recovery

Texas Utilities Code § 104.366 requires the Commission to determine that securitization financing is the most cost-effective method of recovery considering issues of customer affordability by comparing the estimated monthly costs to customers resulting from recovery through securitization and recovery through conventional methods. The following comparison of monthly costs shows that recovery of TGS's Regulatory Asset balance as part of the estimated aggregated balances for all participating LDCs through securitization meets the statutory standards for cost-effectiveness, reasonably provides benefits to customers, and customer affordability compared to conventional recovery through TGS's Cost of Gas Clauses:

Customer Class	Estimated Securitization (Mcf)[4]	Cost of Gas Clause Reconciliation (over nine months) (Mcf)
Residential	$4.35	$33.52
Commercial	$32.43	$263.83
Industrial	$337.81	$2,747.88
Public Authority	$101.12	$773.73
Irrigation	$382.68	$3,112.89
Total	$858.38	$6,931.84

D. Description of the Filing Package

TGS submits this filing consistent with the requirements set forth in the June Notice and Subchapter I of Chapter 104 of the Texas Utilities Code, including the following direct testimony:

- ***Shantel Norman*** is the Vice-President of Operations for TGS. Ms. Norman explains the unique and unprecedented demands Winter Storm Uri placed on the TGS distribution system, the operational requirements of the system and the importance of proper system pressure to ensure system integrity and safe and reliable service. Ms. Norman describes actions TGS took to prepare for and operate the gas system during the winter storm and details the necessity of the gas supply required to meet demand and maintain system pressure and integrity. She explains that these gas supplies were required to provide safe and reliable natural gas service to TGS's residential and other human needs customers during Winter Storm Uri.

- ***Nicole Simmons*** is the Director of Gas Supply for TGS. Ms. Simmons sponsors the reasonableness, necessity and prudence of the gas supply and other gas-related costs TGS incurred to meet the system requirements addressed by Ms. Norman. She describes the unprecedented circumstances and related decisions Gas Supply made to obtain available natural gas during Winter Storm Uri. Ms. Simmons also provides an overview of TGS's Gas Supply Plan, related procurement practices and the combination of gas supply resources TGS relies on to meet system and customer needs. Ms. Simmons also addresses the market prices TGS paid for natural gas during the storm and confirms that these costs are a direct result of Winter Storm Uri, including providing supporting documentation for those costs.

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[4] Calculated using TGS's average usage per customer, by customer class, shown on TGS Schedule H-2, multiplied by Dr. Fairchild's estimated securitization charge of $1.26/Mcf shown on Schedule BHF-6.

- ***Mark Smith*** is Vice President and Treasurer for ONE Gas. Mr. Smith sponsors the reasonableness, necessity, and prudence of the financing costs and carrying costs TGS seeks to recover through the Regulatory Asset. He specifically addresses the necessary financing decisions ONE Gas made to ensure that TGS had adequate funds to purchase the natural gas addressed by Ms. Simmons. Mr. Smith also addresses the calculation of the reasonable carrying costs included in Regulatory Asset and addresses recovery of the Regulatory Asset balance through securitization.

- ***Stacey McTaggart*** is the Rates and Regulatory Director for TGS. Ms. McTaggart sponsors the schedules that support TGS's calculation of its requested Regulatory Asset. Ms. McTaggart also confirms that TGS complies with the Commission's accounting requirements and establishes that the costs in the Regulatory Asset are presumed reasonable due to that compliance. Ms. McTaggart also explains how the Company's filing complies with the February and June Notices the Commission issued that address extraordinary costs incurred related to Winter Storm Uri. Ms. McTaggart also provides calculations of cost recovery through conventional methods using the Company's existing Cost of Gas Clauses.

- ***Bernadette Johnson*** is Senior Vice President, Power and Renewables for Enverus, Inc. Ms. Johnson presents analysis related to the natural gas market pricing and supply dynamics during Winter Storm Uri, which had resulting impacts on TGS. Ms. Johnson also addresses the reasonableness of TGS's Gas Supply Plan, including execution of the plan, and confirms it is consistent with industry best practices and that TGS's purchasing decisions during the storm were prudent and reasonable.

- ***Dr. Bruce Fairchild*** is a Principal in Financial Concepts and Applications, Inc. Dr. Fairchild demonstrates that securitization provides tangible and quantifiable benefits for customers greater than would be achieved absent the issuance of customer rate relief bonds; securitization financing is the most cost-effective method of funding the regulatory asset balance for the Company based on monthly customer affordability considerations; comparisons of conventional forms of recovery and securitization recovery; and securitization is in the public interest.

As part of its Application, the filing package consists of the following:

• Exhibit A	Regulatory Asset Schedules
• Exhibit B	Proposed Notice
• Exhibit C	Proposed Procedural Schedule
• Exhibit D	Direct Testimony
• Exhibit E	Proposed Protective Order
• Exhibit F	Workpapers

V. PROPOSED NOTICE

TGS will promptly undertake to notify customers of this Application based on the proposed form of Notice attached as **Exhibit B** to this Application. TGS will provide direct mail and/or bill insert notice to each affected customer. A non-confidential version of the Company's Application will be posted on the TGS website. A copy of the Application will also be made available during normal business hours upon request to the Company. Finally, TGS will provide proof of notice to the Commission upon completion of notice.

VI. PROPOSED PROCEDURAL SCHEDULE

Consistent with the June Notice, TGS has included a proposed procedural schedule as **Exhibit C** to its Application. The proposed schedule will allow the Commission to make a regulatory asset determination within the 150-day time frame for Regulatory Asset determinations set forth in Texas Utilities Code §104.365(d).

VII. REQUEST FOR APPROVAL OF PROTECTIVE ORDER

The Company requests approval of the proposed Protective Order included as **Exhibit E** to this Application, which matches the proposed Protective Order filed by the Company and other gas utilities in anticipation of this filing. Protected material will be provided to parties upon execution of a protective order certification, which is included as Exhibit A to the proposed Protective Order.

VIII. COMPANY REPRESENTATIVES FOR NOTIFICATION

TGS's authorized representatives are:

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Stacey L. McTaggart
Allison Edwards
Texas Gas Service Company
Barton Skyway IV
1301 S. Mopac, Suite 100
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512-370-8354
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and

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Austin, Texas 78705
512.879-0900 (phone)
512.879-0912 (fax)
kate.norman@crtxlaw.com

Please serve all pleadings, motions, orders, and other documents filed in this proceeding upon TGS's authorized representatives at the above-stated addresses.

IX. CONCLUSION

TGS requests that the Commission (1) determine that its Regulatory Asset balance in the amount of $290,104,036, is reasonable, necessary and prudent; (2) authorize recovery of the Regulatory Asset balance through securitization financing, if the Commission determines the statutory requirements for doing so have been met; (3) authorize recovery of the Regulatory Asset balance over the currently approved nine-month reconciliation period in the Cost of Gas Clauses, if the statutory requirements for securitization financing are not met; and (4) 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

Exhibit A - Schedules

The schedules are being provided electronically.

Exhibit B
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NOTICE OF APPLICATION FOR CUSTOMER RATE RELIEF AND REGULATORY ASSET DETERMINATION RELATED TO WINTER STORM URI

On July 30, 2021, Texas Gas Service Company, a Division of ONE Gas, Inc., (the "Company") filed an Application for Customer Rate Relief Related to Winter Storm Uri and Regulatory Asset Determination ("Application") with the Railroad Commission of Texas ("Commission"). This filing and any related cost recovery will affect all gas sales customers that the Company serves. The Application was filed pursuant to the Commission's authority under H.B. 1520, Texas Utilities Code, Chapter 104, Subchapter I, and the Commission Notice to Gas Utilities issued on June 17, 2021.

The Company's Application seeks a determination as to the reasonableness and necessity of the Company's extraordinary costs incurred to provide service during Winter Storm Uri in February 2021. The Application also requests a Commission determination to utilize securitization financing to recover the extraordinary costs recorded in a Regulatory Asset. The use of securitization financing is expected to provide the most cost effective and affordable method of recovering these costs on a monthly basis and will thereby provide customers with rate relief. The Company is also requesting that the Commission establish a financing order proceeding and, if securitization financing is not approved, to authorize recovery of all the extraordinary costs in the Regulatory Asset through the Company's approved gas cost recovery tariffs.

The extraordinary costs the Company seeks to recover through the Regulatory Asset include gas procurement costs incurred during Winter Storm Uri; carrying costs, financing and other costs incurred to secure and pay for natural gas volumes purchased during the storm; and the Company's extraordinary legal and consulting expenses relating to that event and this proceeding. Other extraordinary costs associated with Winter Storm Uri have been recorded in a separate regulatory asset and the Company will seek review of these costs for reasonableness in a subsequent rate proceeding, as applicable.

If the Commission approves the use of securitization financing, it is expected that customer bills will begin to reflect the recovery of Winter Storm Uri costs upon the issuance of customer rate relief bonds, which, if approved, are expected to be issued in September 2022. If securitization financing is not approved, gas procurement expenses are passed through to customers through the Company's Cost of Gas Clause tariffs. The estimated monthly impact to gas costs for the average residential customer if the Winter Storm Uri extraordinary costs were recovered pursuant to the Company's currently approved Cost of Gas Clause is estimated to be $8.98/Mcf per month, for nine months. The estimated monthly customer rate relief charge to recover Winter Storm Uri's extraordinary costs pursuant to the securitization process is expected to be less than this amount.

Persons with questions or who want additional information about this filing may contact the Company at 1-800-700-2443. A copy of the filing is available for inspection during normal business hours at the Company's office located at 1301 S. Mopac Expressway, Suite 400, Austin, Texas and on our website at https://www.texasgasservice.com/rateinformation/costofgas. In addition, any affected person may file in writing comments or a protest concerning the application with 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 60 days following receipt of this notice. Please reference Case No. 00007069.

Las personas con preguntas específicas o que deseen información adicional sobre esta presentación pueden comunicarse con la Compañía al 1-800-700-2443. Una copia de la presentación está disponible para su inspección durante el horario laboral normal en la oficina de la Compañía ubicada en 1301 S. Mopac Expressway, Suite 400, Austin, Texas y en nuestro sitio web en https://www.texasgasservice.com/rateinformation/costofgas. Además, cualquier persona afectada puede presentar comentarios por escrito o una protesta con respecto a la solicitud con la Sección de Servicios de Expediente de la Oficina de la División de Audiencias, Comisión de Ferrocarriles de Texas, P.O. Box 12967, Austin, Texas 78711-2967, en cualquier momento dentro de los 60 días después de recibir este aviso. Por favor haga referencia a el Caso No. 00007069.

Regulatory Asset Filing: Proposed Procedural Schedule

Event	150-Day Timeline*
Application Filed	July 30, 2021
Conference, if necessary	TBD
Intervention Deadline	TBD
Deadline for Propounding Discovery Requests on Applicants' Direct Testimony	August 20
Intervenor Direct Testimony	August 30
• *Deadline for Propounding Discovery Requests on Intervenor Direct*	September 15
Settlement Conference	September 9
Staff Direct Testimony	September 21
• *Deadline for Propounding Discovery Requests on Staff Direct*	September 24
Applicants' Rebuttal Testimony	September 30
• *Deadline for Propounding Discovery Requests on Applicants' Rebuttal*	October 4
Trial Briefs due	October 5
Prehearing Conference	October 6
Hearing on the Merits	October 7-8
Initial Briefs	October 14
Reply Briefs	October 21
Draft Order Issued	October 25
Exceptions to Draft Order	October 28
Replies to Exceptions to Draft Order	November 2
RCT Conference - Regulatory Asset Determination	November 10
RCT Conference – Financing Order Issuance	December 7
Statutory Deadline for Regulatory Asset Determination	**December 28**

* Condensed from the full 240-day timeline for the Commission in the new statute (150 days for Regulatory Asset determination, followed by 90 days for issuance of Financing Order). **A 240-day statutory deadline would be March 28, 2022.** Following the Commission's issuance of a Financing Order, the TPFA has approximately 180 days to cause the issuance of bonds.

- Discovery responses due:
    - within 7 working days for Applicant Direct
    - within 3 working days for Intervenor and Staff Direct
    - within 3 working days for Applicant Rebuttal

- Discovery received after 1pm on the last working day of a work week is deemed received on the first working day of the following work week.

- Discovery limitations:
    - For aligned municipal parties, by Applicant: no more than 50 RFIs, including subparts, per week
    - For any party that is not aligned, by Applicant: no more than 25 RFIs, including subparts, per week
    - Not applicable to Commission Staff or Presiding Officers

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DIRECT TESTIMONY

OF

SHANTEL NORMAN

ON BEHALF OF

TEXAS GAS SERVICE COMPANY

July 30, 2021

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LIST OF EXHIBITS

EXHIBIT SN-1	Photos from Winter Storm
EXHIBIT SN-2	Map of TGS Service Areas

DIRECT TESTIMONY OF SHANTEL NORMAN

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Shantel Norman. 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 Vice-President of Operations for Texas Gas Service Company ("TGS" or the "Company"), which is a Division of ONE Gas, Inc. ("ONE Gas").

Q. WHAT ARE YOUR RESPONSIBILITIES IN YOUR CURRENT POSITION?

A. As Vice-President of Operations, I am responsible for Field Operations for TGS. These responsibilities include construction and maintenance on TGS's system; field customer service; meter reading; collections; compliance-related activities; operations and maintenance ("O&M") and capital budgets. During Winter Storm Uri, I oversaw the coordination among TGS's Operations group with Engineering, Gas Supply, Gas Control and Commercial to monitor the system, address emergency situations, and make decisions necessary to maintain system integrity, pressures and service to customers.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science Degree in Natural Gas Engineering from Texas A&M-Kingsville. I am a Registered Mechanical Engineer in the State of Texas (P.E. #84755). I began my employment with Southern Union Gas in July 1995 and served in roles of increasing responsibility in Engineering where my responsibilities focused on issues including pipeline integrity, operator qualifications, state and federal inspection audits, maintenance of operation standards, capital and O&M budgets, and system replacement. From May 2006 to October 2008, I worked as a Gas Engineering Manager for CPS Energy and led the Codes & Standards, Customer Engineering and System Reliability sections. In November 2008, I returned to TGS (formerly Southern Union Gas) and worked as a Process Improvement and Quality Assurance Manager, where I led the process improvement efforts by developing and managing projects to increase efficiency, improve customer satisfaction, reduce costs and achieve best practices. I was Director of Gas Supply from July 2010 to July 2017 and led the gas supply functions to ensure accurate gas usage forecasting, available supplies of natural gas and transportation capacity. I next served as Director of Field Compliance, with responsibilities for overseeing line location, leak survey, pressure control and measurement and cathodic protection, from July 2017 to February 2018. I began serving in my current position as Vice President of Operations in March 2018.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes, I filed testimony with the Railroad Commission of Texas ("Commission") in GUD Nos. 10739, 10766, and 10928.

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

A. Yes, it was.

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

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

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

A. Yes, they were.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to describe the reasonable and necessary actions TGS took to prepare for and operate its natural gas system during unprecedented Winter Storm Uri to maintain service to residential and human needs customers in accordance with the directives of the Commission. I provide an overview of TGS's operational experience with Winter Storm Uri and describe how Operations, Engineering, Gas Supply, Gas Control and Commercial worked together during the storm to maintain a safe and reliable distribution system and serve customers. I also describe TGS's distribution system, and the extreme weather conditions that created both operational and gas supply constraints requiring TGS to incur extraordinary natural gas costs to maintain supply.

Q. PLEASE IDENTIFY OTHER WITNESSES WHO ARE PROVIDING DIRECT TESTIMONY ON BEHALF OF TGS IN THIS PROCEEDING.

A. With this filing, TGS is requesting recovery of extraordinary gas procurement costs, which include financing costs, carrying costs and legal and consulting costs, that TGS incurred to maintain service during Winter Storm Uri. The Company is making the filing in response to a Notice to Gas Utilities the Commission issued on June 17, 2021, that authorized gas utilities to file an application for a regulatory asset determination and to participate in securitization of extraordinary costs. While I provide an operational perspective, Company witness Nicole Simmons addresses the gas purchases made and gas costs incurred by TGS, which were necessary to meet customer demand. In addition, Company witness Mark Smith addresses the financing decisions ONE Gas made to ensure TGS had adequate funds to purchase the gas necessary to maintain service to residential and human needs customers. Company witness Stacey McTaggart explains that all the Regulatory Asset costs TGS is seeking to recover have been booked and recorded in accordance with Commission accounting requirements. Bernadette Johnson with Enverus, Inc., presents a third-party, independent review of the market conditions in Texas that contributed to extraordinarily high natural gas prices during Winter Storm Uri as well as a review of the reasonableness of TGS's Gas Supply Plan. Finally, Dr. Bruce Fairchild addresses the overall cost impacts of securitization on customers throughout the state, as well as addressing other issues related to securitization.

III. OVERVIEW OF WINTER STORM URI

Q. PLEASE SUMMARIZE WINTER STORM URI.

A. Winter Storm Uri was a major weather event that spread snowfall and damaging ice in the United States from the Northwest into the South, Midwest and Northeast. The weather event impacted millions of lives across the state of Texas and produced the coldest temperatures in decades. On February 12, 2021, the Governor of the state of Texas issued a State of Disaster in all 254 counties due to severe weather from Winter Storm Uri posing an imminent threat of widespread and extreme property damage, injury and loss of life due to prolonged freezing temperatures, heavy snow and freezing rain statewide. Winter Storm Uri began to impact parts of Texas on February 13, 2021. From February 13 to February 23, 2021, parts of Texas, including TGS's service areas, experienced unprecedented cold temperatures over several days, stressing the utility systems statewide and drastically increasing the demand for natural gas.

Q. WAS THERE EXTREME WEATHER IN TGS'S SERVICE AREAS?

A. Yes. In TGS's Central-Gulf Service Area, 6.4 inches of snow was recorded at both Austin-Bergstrom Airport and Camp Mabry in Austin, which is the heaviest snowfall in 72 years. Roads in the Austin area became impassable, and travel was problematic starting on February 13, 2021. Thundersnow was reported on February 15, 2021, in Galveston, which was the first measurable snow since December 10, 2008. Temperatures in the single digits with wind chills below zero prompted the first ever hard freeze warning and wind chill warning for the Galveston area. A mix of snow and sleet was experienced in the Lower Rio Grande Valley. In El Paso, up to 6 inches of snow was reported, and the city experienced the coldest weather conditions since February 2011. In addition, at least 4.5 million electricity customers in Texas lost power during Winter Storm Uri.

Q. IN GENERAL, HOW DID THE COMPANY RESPOND TO THE IMMINENT THREAT OF WINTER STORM URI?

A. TGS relied on its current plans and procedures that provide guidance for all ONE Gas operating divisions, including TGS, for a variety of emergency situations including planning objectives, response objectives, response mobilization and demobilization, and communication and documentation requirements. TGS's response to any emergency is also guided by a focus on safety and protecting the public and environment. TGS participated in daily calls among ONE Gas management, Operations, Engineering, Gas Supply, Commercial and Communications. There was near-constant communication between Operations and Engineering to receive information on system pressures and operations that Engineering was continually monitoring through supervisory control and data acquisition (SCADA). In addition, field technicians were deployed to locations throughout Texas to physically monitor critical equipment and address system constraints identified by Engineering. Daily calls were also held with other industry professionals to share best practices. TGS was also in regular communication with the Commission and some of the municipalities TGS serves to address issues that arose prior to and during the storm.

Q. WHAT WERE OPERATIONS' RESPONSIBILITIES DURING WINTER STORM URI?

A. Operations was responsible for maintaining the integrity of the distribution system and ensuring gas was available for human needs customers, while also minimizing service interruptions for all customers.

Specifically, Operations:

- Proactively addressed potential constraints to the TGS distribution system through reinforcement projects, valve locates, and compressed natural gas ("CNG") supplemental feeds;

- Along with Engineering, continuously monitored the weather forecast ahead of and during the winter storm to anticipate constraints on the TGS distribution system; and
- Participated in curtailment discussions with Commercial, Engineering, and Gas Supply.

Attached to my testimony as Exhibit SN-1 are photos that show the weather conditions and TGS personnel addressing issues in the field.

Q. IN YOUR TIME IN THE NATURAL GAS INDUSTRY AND WITH THE COMPANY, HAVE YOU EXPERIENCED AN EVENT LIKE WINTER STORM URI?

A. No. During my career, I have experienced hurricanes, winter storms and outages but the scale and duration of Winter Storm Uri was much different. This event lasted ten days, which included the preparations, storm response and post-storm activities. No prior weather event or outage comes close to the magnitude of the operational response and demand on Company resources. Winter Storm Uri impacted all TGS's service areas in addition to all of ONE Gas' other operations in Oklahoma Natural Gas and Kansas Gas Service territories, which meant that if TGS had a large-scale outage, it would be difficult to get additional support from service areas within Texas and from other ONE Gas divisions.

IV. OVERVIEW OF TGS DISTRIBUTION SYSTEM

Q. PLEASE DESCRIBE THE DISTRIBUTION SERVICE TGS PROVIDES IN TEXAS.

A. TGS provides safe and reliable natural gas service to approximately 680,000 customers in 100 communities throughout Texas. These customers include residential, commercial, industrial and other customers. The TGS distribution system is divided into five regulatory service areas and is comprised of approximately 10,700 miles of distribution mains and 300 miles of transmission mains. A map of the areas TGS currently serves is attached to my testimony as Exhibit SN-2.

Q. HOW DOES THE TGS DISTRIBUTION SYSTEM OPERATE?

A. TGS purchases natural gas from upstream pipeline suppliers and receives that purchased gas through its 164 city gates or town border stations. Once the gas enters the TGS distribution system, TGS controls the gas with regulator stations, and can increase or decrease pressures as needed, to safely deliver gas to customers. TGS also relies on its upstream storage gas providers, which means TGS can purchase and store gas during non-winter months, which the Company can then access and use as needed during colder months.

Q. HOW MANY INTERSTATE AND INTRASTATE PIPELINES FEED INTO THE TGS DISTRIBUTION SYSTEM?

A. Approximately four interstate and 12 intrastate pipelines feed into the TGS distribution system through the 164 city gates or town border stations.

Q. DOES TGS TAKE STEPS TO SPECIFICALLY PREPARE ITS SYSTEM FACILITIES FOR ROUTINE OR EXPECTED COLD WEATHER EVERY YEAR?

A. Yes. As a general matter, the system is designed to withstand cold weather. Specifically, prior to the winter season, TGS has a winter preparatory meeting with Field Operations, Engineering, Gas Supply and Gas Control to review procedures, the status of TGS's distribution system and large construction projects and to ensure all contact information for Company personnel is correct. In addition, prior to specific winter storms, TGS ensures the system has line pack, which means injecting gas into the pipeline system to "pack" the distribution lines prior to anticipated increases in demand and the need to maintain system pressures.

Q. DOES THE SUPPLY OF ELECTRICITY IMPACT THE OPERATION OF THE TGS DISTRIBUTION SYSTEM?

A. Yes, to some degree. TGS remotely controls system pressures with regulator stations, many of which are powered by electricity. If those regulators lose electricity, TGS is unable to remotely raise or lower system pressures and must operate regulators manually. Additionally, some natural gas appliances owned by TGS customers will not operate without electricity, which means when there is a power outage and electric service is later restored, a surge in gas usage can occur. Finally, throughout most of Winter Storm Uri, the state experienced varying degrees of rolling or sustained electrical outages. When electric service was restored in some areas of the state where TGS provides service, gas pressures dropped in those areas because gas usage went up as customers resumed using their appliances or heating their homes. That was another factor TGS had to contend with to maintain system pressures and the overall integrity of the natural gas distribution system.

Q. DID TGS WORK TO MITIGATE THE IMPACT OF POWER OUTAGES ON THE TGS SYSTEM DURING WINTER STORM URI?

A. Yes. Operations deployed field technicians to monitor regulator stations in person during the storm. These field technicians manually regulated the pressure that was entering and departing the regulator stations to ensure sufficient pressure on the system. This was necessary to maintain service to customers and required field technicians to work in the extreme weather conditions for several days. In addition, TGS encouraged customers experiencing electricity outages to turn off gas-fired appliances that required electricity to operate to avoid a surge in demand when power was restored.

Q. HOW DID WINTER STORM URI AFFECT THE TGS DISTRIBUTION SYSTEM?

A. Winter Storm Uri impacted the gas pressures and volumes in the distribution system due to a combination of weather, high customer demand for natural gas, and challenges suppliers faced with producing and delivering natural gas to TGS. Specifically, the storm and extremely cold temperatures caused some areas of the system to reach very low pressures. In some cases, these areas approached such a low pressure that service to customers could have been compromised or lost entirely. TGS responded to low pressure concerns by performing additional monitoring of those parts of the system and taking measures to prevent pressures from dropping too low. As Ms. Simmons explains in her direct testimony, TGS also had to purchase additional natural gas to meet customer demand and maintain pressures on the system.

Q. WHAT ARE THE CONSEQUENCES OF SYSTEM PRESSURES DROPPING TOO LOW?

A. If any portion of TGS’s distribution system reaches a pressure reading where the natural gas appliance(s) cannot safely operate, the Company must shut off gas to customers served from that portion of the distribution system. Every customer's meter must be accounted for during the shut-off process. To restore pressures, TGS must purge the system and slowly reintroduce gas into the system. Once pressure is restored in those areas of the distribution system, field technicians must restore service for each individual customer impacted by the outage, which is a time-consuming, slow process that can take weeks depending on the number of outages. Unlike electric service, restoring service to natural gas distribution systems requires a local distribution company ("LDC"), such as TGS, to visit each home or business that has lost gas service rather than restore service to an entire neighborhood or large section of its system all at once. On average, assuming the customer is home, it takes approximately 20 minutes to restore a customer's gas service because the customer must give the Company access to the property. This is one of the many reasons TGS worked so hard to maintain service during the winter storm.

V. PREPARATION FOR WINTER STORM URI

Q. HOW DID TGS MONITOR THE DISTRIBUTION SYSTEM AHEAD OF WINTER STORM URI?

A. In addition to field personnel, Operations and Engineering rely on the DNV Synergi hydraulic modeling system ("Synergi Model"). This Synergi Model balances the gas needs of customers (estimated load of customers) within the pipeline system. This modeling of customer loads is based on the forecasted temperature, which is expressed in heating degree days. The modeling allows the Company to identify potential issues on the distribution system based on expected weather conditions prior to weather events like Winter Storm Uri. If the Synergi Model shows there are not going to be adequate pressures to make deliveries to customers, then adjustments, and, in some cases, reinforcement projects or CNG supplemental feeds are added to the distribution system to help maintain service to customers. I describe these instances in more detail below. Additionally, the Company modeled various instances of curtailing gas deliveries to large customers to maintain pressures on the system and continue to provide service to residential and other human needs customers.

Q. HOW DID OPERATIONS MONITOR THE WEATHER LEADING UP TO AND DURING THE STORM?

A. Weather forecasts leading up to the storm were constantly changing. As Winter Storm Uri approached Texas, Engineering began running the Synergi Model based on the expected low temperatures from the storm. The Company subscribes to DTN weather data and utilized various temperature sources including The Weather Channel, AccuWeather, and Wunderground to determine the forecast temperatures input into the Synergi Model ahead of the storm.

Q. WHAT ACTIONS DID OPERATIONS PERSONNEL TAKE TO PREPARE AND MAINTAIN THE TGS SYSTEM FOR THE STORM?

A. Based on information from the Synergi Model and data from the Company's system related to gas supply and pressures, TGS Operations made adjustments and continually monitored the situation once Winter Storm Uri arrived to minimize interruptions in service. Operations was particularly focused on maintaining system pressures and overall integrity to continue service to residential and other human needs customers. Specific actions included:

- In Austin (Central-Gulf Service Area), Engineering and Operations designed and completed multiple bypass projects to maintain system pressures and reinforce the TGS system. The largest bypass included the installation of 1.5 miles of 6” polyethylene pipe, which was completed in 40 hours. Three contractors with six crews worked simultaneously to complete the project before the storm’s arrival. Due to this project, TGS was able to maintain gas service to approximately 5,600 homes. Operations worked on these projects until the day Winter Storm Uri arrived;

- In Bryson (North Texas Service Area), a gas supplier experienced issues with maintenance upstream on its system. The Company planned for and utilized CNG to sustain pressures and maintain service to a portion of the system in that area;

- In Jamaica Beach, which is on Galveston Island (Central-Gulf Service Area), the system experienced low pressure at the furthest part of the island. Operations made manual adjustments to the regulator station and constructed a bypass to maintain system integrity;

- In Port Arthur (Central-Gulf Service Area), the system experienced low pressure points. As a result, field technicians made manual regulator station adjustments and were able to maintain sufficient pressures in order to not lose service to customers;

- In Andrews (West Texas Service Area), the system experienced a filter issue at a meter point located between the supplier and the TGS portion of the system, which led to low pressures. Due to proactive communications with the upstream supplier, TGS was able to maintain pressures and provide continued service to customers;

- In El Paso (West Texas Service Area), an upstream gas supplier experienced a supply shortage during Winter Storm Uri. To address this issue, TGS quickly constructed an above-ground bypass of over 1,000 feet to maintain gas service to that portion of the city; and

- Throughout the state, the Company stationed technicians to monitor the TGS system so Operations personnel could manually control the pressures if it became necessary. When road conditions deteriorated and became impassible, TGS stationed field technicians at locations throughout the service areas so they could respond to issues safely and near their locations. The Company also monitored pressures through the Gas Control division.

Q. DURING TYPICAL OPERATING CONDITIONS, INCLUDING READY ACCESS TO NECESSARY GAS SUPPLY FROM UPSTREAM PROVIDERS, DO THE AREAS OF YOUR SYSTEM THAT YOU IDENTIFY ABOVE PRESENT OPERATIONAL CHALLENGES FOR TGS?

A. No, the areas of TGS's system identified above do not normally have any constraints. Those areas were identified leading up to and during Winter Storm Uri due to the unprecedented low temperatures.

VI. OPERATIONAL ACTIONS DURING WINTER STORM URI

Q. WHAT WERE THE PRIORITIES FOR OPERATIONS DURING THE STORM, AND HOW DID YOU ADDRESS THEM?

A. The priorities for Operations were minimizing customer outages, consistent with the Commission's emphasis on prioritizing service to human needs customers, and maintaining system integrity while keeping field personnel safe. To meet these priorities, Operations analyzed system data and worked closely with other TGS and ONE Gas departments, which I address throughout my testimony.

Regarding safety of field personnel and maintaining adequate resources, during the more intense portions of the storm, technicians were consolidated and dispatched together so no technician was working alone. Resources such as water, food, socks, and gas for Company vehicles were deployed to field personnel as soon as safely possible. In addition, a critical event management platform, Everbridge, was established through Dispatch and allowed field personnel to report impassible or dangerous driving conditions. The communication of impassible or dangerous driving conditions was sent to all field personnel. Everbridge enabled individual employees to notify all field personnel of available food sources and gas stations that were open and selling gasoline so Company personnel could get to locations where emergencies and other issues existed.

Communication with field personnel and customers was also necessary for Operations to meet these priorities. Managers and Supervisors continually followed up with field personnel to check on their mental and physical well-being. The Company communicated with customers using our Customer Service Representatives ("CSRs") who maintained regular contact with customers who called in emergencies. The CSRs also rescheduled non-emergency orders until emergency orders could be addressed.

Q. DID TGS CURTAIL CUSTOMERS DURING THE WINTER STORM?

A. Yes. TGS curtailed customers based on the Commission's emergency orders issued during the weather event and the Company's tariffs. The Commission made clear in a February 12, 2021 emergency order that in the event of curtailment, the highest priority was the delivery of natural gas to residences, hospitals, schools, churches, and other human needs customers. TGS issued curtailment notices to large-volume customers in the central region of its Central-Gulf Service Area on Saturday, February 13, 2021, for curtailment that began on Sunday, February 14, 2021.

The Commission temporarily modified its existing order on curtailment (Order 489) by requiring that the second highest priority be the delivery of gas to electric generation facilities that serve human needs customers. Based on statewide information I received on calls with the Texas Energy Reliability Council and the need to maintain service to electric generation facilities, TGS issued a statewide curtailment notice to all large-volume customers on Monday, February 15, 2021, to allow available gas supply to be used by other providers who deliver to natural gas-fired electric generation facilities. The Company lifted this curtailment on February 21, 2021. The Company's curtailment activities during the storm were reasonable and consistent with the Commission's directives.

Q. IN ADDITION TO CURTAILMENT, DID TGS ALSO REQUEST THAT CUSTOMERS CONSERVE GAS?

A. Yes. Conservation was a specific way that customers of all types and sizes could help reduce demand on the system. The Company sent conservation messages to customers through social media, local news outlets and direct emails. TGS explained energy-savings tips for customers including turning down the temperature on furnaces or heaters, staying warm inside rather than hot, sealing leaks around doors and windows, reducing the temperature on water heaters, closing curtains and blinds, postponing chores, changing or cleaning filters on heaters and furnaces, and installing foam gaskets on electrical switches and outlets. TGS sent conservation reminders throughout the winter storm.

Q. EVEN WITH CURTAILMENT AND CONSERVATION EFFORTS, DID TGS STILL NEED TO PURCHASE ADDITIONAL NATURAL GAS TO MEET CUSTOMER DEMAND AND MAINTAIN SYSTEM PRESSURES DURING THE STORM?

A. Yes. Demand was very high due to the extreme cold temperatures, so Gas Supply worked diligently to purchase additional volumes of gas the Company needed to serve customers and maintain the integrity of the system. To put usage in perspective, the volumes on the TGS system for February 2021 were 5,466,911 MMBtu. Typical demand is approximately 3,500,000 MMBtu for February. Ms. Simmons addresses gas purchasing issues and related costs in her testimony.

Q. HOW DID THE TGS SYSTEM PERFORM DURING WINTER STORM URI?

A. Considering the unprecedented weather conditions and other issues outside the Company's control, the TGS distribution system performed very well. TGS maintained service to 99.9% of its 641,000 residential customers throughout the state. The minor outages that occurred were due to a system constraint that TGS has now identified for a future capital project and issues with electric system outages. Similar to other LDCs in Texas, TGS experienced numerous system constraints during Winter Storm Uri. Due to the Company's planning and deployment of available resources, however, no customers lost service in most of the areas on the system that had low pressures or other issues during the worst weather conditions in the storm.

Q. DID THE ACTIONS OPERATIONS TOOK AVOID OR MINIMIZE GAS SERVICE INTERRUPTIONS TO TGS CUSTOMERS?

A. Yes, TGS took reasonable and necessary actions to maintain the operation of its system and meet customer demand. In planning for Winter Storm Uri, Operations worked with Engineering to identify sections of the distribution system that required reinforcement projects due to low operating pressures and gas volumes. Once these sections were identified, TGS acted to install temporary above-ground pipeline bypasses to maintain system pressures; proactive valve location prior to the storm; deploy CNG supplies and field technicians who patrolled the system to identify third-party contractors working near TGS facilities. These proactive actions prevented interruptions to residential gas service and maintained system integrity.

Q. WHAT ARE YOUR FINAL THOUGHTS REGARDING TGS'S OPERATIONAL ACTIVITIES AND STORM RESPONSE EFFORTS?

A. Safe and reliable service to customers is TGS's top priority, and we are committed to meeting that priority regardless of the circumstances. During Winter Storm Uri, our employees worked tirelessly to ensure safe and reliable delivery of gas to the residential customers who depend on us to heat their homes and cook their food. In some areas of Texas, natural gas was the only energy source that was available to residents without interruption. I am pleased with how well our system responded to the storm, and I am very proud of all our employees who worked continuously through very challenging conditions to make sure we continued to serve customers during this natural disaster. These efforts required employees to be positioned at critical locations for multiple days to ensure regulator stations operated properly and did not freeze. Unfortunately, some hotels where our employees were stationed to be within close proximity of the Company's facilities, lost electricity and water. There were also challenges with finding fuel and food.

Employees who were working from home and had four-wheel drive vehicles, cooked meals at home and delivered them to our field employees at critical sites and hotels. Many of our field employees did not go home for seven consecutive days, while some of their families remained at home with no electricity and water damage. Despite all of those circumstances, our employees worked together, each focused on their different areas of expertise, to make necessary decisions that allowed TGS to continue to provide service during the storm.

VII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

AFFIDAVIT OF SHANTEL NORMAN

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

1. "My name is Shantel Norman. 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, 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.

Shantel Norman
Shantel Norman

SUBSCRIBED AND SWORN TO BEFORE ME by the said Shantel Norman on this 21 day of July 2021.

NATALIE L WOOLVERTON
Notary ID #124048529
My Commission Expires
January 24, 2025

Notary Public in and for the State of Texas

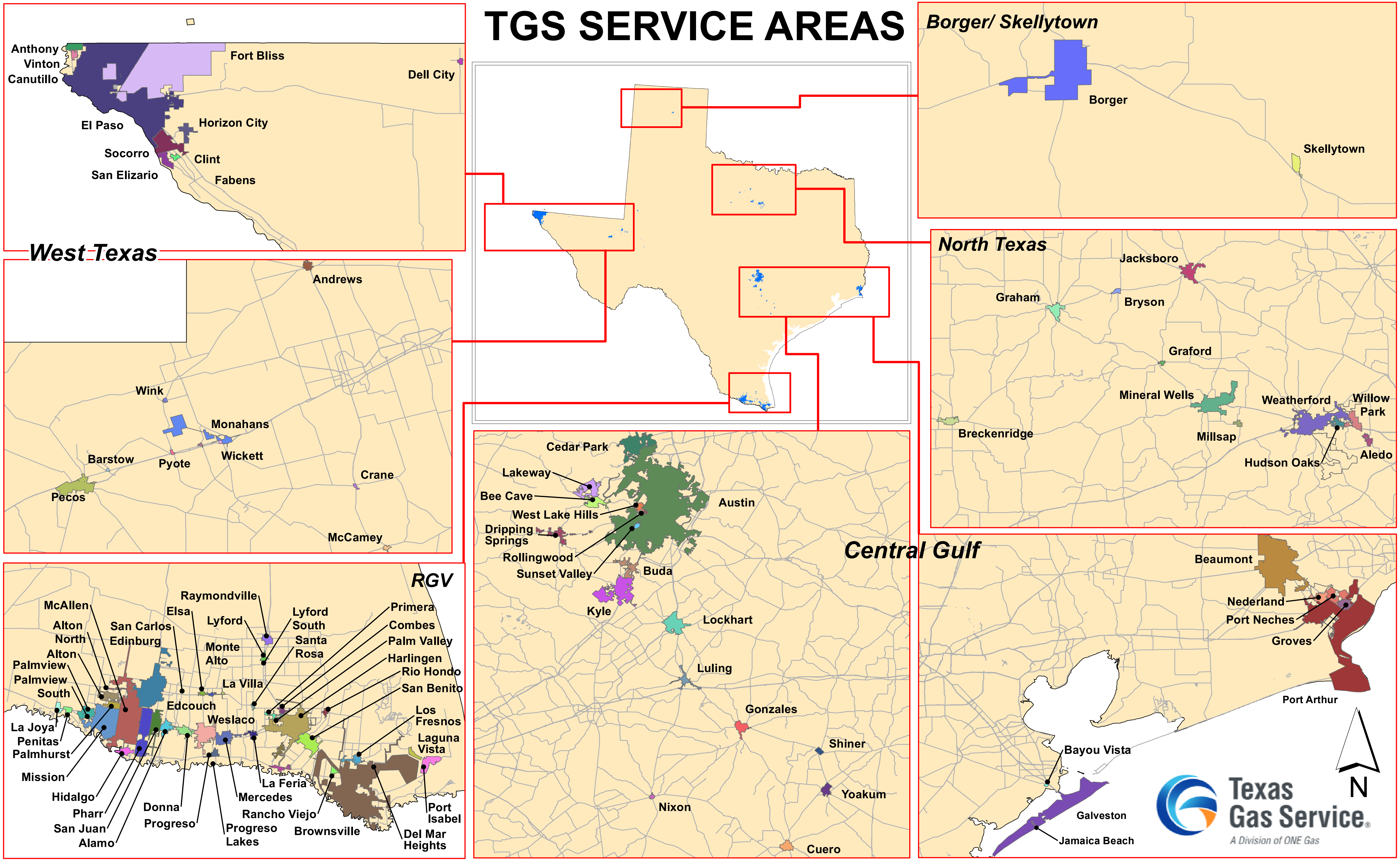

CAR ACCIDENT?
LORENZ & LORENZ
Texas Gas Service


Texas
Gas Service
2500 HD
TEXAS
113B11


Texas
Gas Service
A Division of ONE Gas

EXHIBIT SN-2 TGS Service Area Map

TGS SERVICE AREAS



CASE NO. 00007069

APPLICATION OF TEXAS GAS	**§**	**BEFORE THE**
SERVICE COMPANY, A DIVISION OF	**§**	
ONE GAS, INC., FOR CUSTOMER	**§**	**RAILROAD COMMISSION**
RATE RELIEF RELATED TO WINTER	**§**	
STORM URI AND A REGULATORY	**§**	**OF TEXAS**
ASSET DETERMINATION	**§**	

DIRECT TESTIMONY

OF

NICOLE A. SIMMONS

ON BEHALF OF

TEXAS GAS SERVICE COMPANY

July 30, 2021

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DIRECT TESTIMONY OF NICOLE A. SIMMONS

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Nicole A. Simmons. My business address is 1301 S. MoPac, Austin, Texas 78746.

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

A. I am employed by Texas Gas Service Company, a Division of ONE Gas, Inc. ("TGS" or the "Company") as Director of Gas Supply for TGS.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF GAS SUPPLY FOR TGS?

A. Gas Supply is responsible for securing natural gas supplies and pipeline transportation capacity to serve TGS customers. As Director of Gas Supply for TGS, I am responsible for the gas purchasing practices and decisions for TGS. I oversee the administration, acquisition and negotiation of all gas supply, transportation, storage and supplier contracts. I also work to ensure compliance with applicable regulatory tariffs and contracts as they relate to Gas Supply.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received a Bachelor of Science in Food and Resource Economics from the University of Florida in May 1995. I also received a Master of Science in Agricultural Economics from Texas A&M University in December 1997. From 1998 to 1999, I worked for Reliant Energy-Entex in Houston, Texas as a Rate Analyst preparing rate schedules, filings and analysis for various jurisdictions and customer classes. From 2000 to 2001, I was an Associate for Law and Economics

Consulting Group Inc., in College Station, Texas responsible for research and analysis related to expert testimony. In February 2001, I joined TGS as a Rate Analyst and was promoted to Gas Supply Manager in 2009. I served as a Manager of Rates and Regulatory Analysis starting in December 2015. I have been in my current position, Director of Gas Supply, since August 2017, I am responsible for managing gas supply matters for TGS.

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 Nos. 9465, 9770, 10526 and 10928.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, it was.

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

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

Q. ARE YOU SPONSORING ANY SCHEDULES TGS IS PROVIDING WITH ITS REQUEST IN THIS CASE?

A. Yes, I am co-sponsoring the following schedules:

Schedule B Extraordinary Gas Costs
Schedule B-1. Gas Contracts
Schedule B-2. Gas Invoices
Schedule B-3. Average Normal Cost
Schedule C Gas Costs Recovered

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. Overall, the purpose of my testimony is to support the reasonableness, necessity, and prudence of the gas supply and other gas-related costs TGS incurred due to Winter Storm Uri that are included in the Company's requested Regulatory Asset. It is my understanding that TGS must show that the costs in the Regulatory Asset are reasonable, necessary, prudent and accurate and would not have been incurred but for Winter Storm Uri.

My testimony provides an overview of TGS's gas supply purchasing decisions during Winter Storm Uri and during typical operations and weather conditions. I also describe the prudence of Gas Supply's decisions and the resources Gas Supply relied on to make gas purchasing decisions that were necessary to maintain service to customers throughout the storm.

In addition, TGS is also providing testimony from Bernadette Johnson with Enverus, Inc., who addresses the natural gas market conditions during the storm and provides an opinion on the reasonableness of TGS's Gas Supply Plan.

III. OVERVIEW OF GAS SUPPLY PURCHASING DECISIONS DURING WINTER STORM URI

Q. LEADING UP TO WINTER STORM URI, DID TGS FOLLOW ITS STANDARD GAS SUPPLY PRACTICES?

A. Yes. TGS maintains a Gas Supply Plan ("Plan") that it updates annually. A copy of the Plan that was in effect during the winter storm is attached as Confidential Exhibit NAS-1. The Plan provides a comprehensive framework to meet the baseline and variable needs of TGS's customers at reasonable costs within the operational and management requirements of the Company. The Plan is designed for TGS to achieve a diversified gas supply and services portfolio that meets the following criteria: reliability, flexibility, volatility mitigation, and just and reasonable costs. The Plan also provides that TGS may need to deviate from the Plan to accommodate changing market and/or economic conditions. As it does every year, TGS followed the gas supply and procurement strategies identified in the Plan. TGS provides the plan to the Commission annually in June.

Q. WAS PROCURING NATURAL GAS DURING THE WINTER STORM DIFFERENT FROM TYPICAL COLD WEATHER?

A. Yes. Even though TGS was ultimately successful in obtaining the gas it needed to continue service to customers, the weather forecast and conditions created major challenges. The sustained cold temperatures and loss of gas supply throughout Texas severely impacted the procurement of natural gas. The weather forecast leading up to the storm showed temperatures below freezing and the weather forecast worsened daily with, temperatures remaining at below freezing throughout the state for several days. In addition, TGS received notifications from upstream suppliers relied upon by TGS and other local distribution companies ("LDCs") to procure gas that delivering gas to TGS would be limited due to the weather. The winter storm brought unprecedented circumstances that required Gas Supply, in coordination with Operations and Engineering, to maintain a focus on meeting customer demands despite the weather conditions that were outside of TGS's control.

Throughout the storm for both next-day gas and same-day gas, suppliers were telling TGS's Gas Supply managers they would do their best to provide the gas they quoted to TGS, but they were also giving *force majeure* notice at the time TGS was buying the gas.[1] I provide copies of the *force majeure* notices TGS received as Exhibit NAS-2. In addition, upstream pipeline conditions were changing and deteriorating on a daily basis. TGS experienced pressure issues at a few city gates, and one upstream provider lost its processing plant, which drastically reduced its ability to supply gas into the Austin area in TGS's Central-Gulf Service Area. Gas Supply had to quickly work with upstream pipeline partners to request additional gas to cover that loss in supply coming into the Austin area to avoid outages.

Q. AT A HIGH LEVEL, PLEASE EXPLAIN HOW GAS SUPPLY PURCHASED NECESSARY GAS TO MEET CUSTOMER DEMAND.

A. Gas Supply followed the same processes it typically does, however, under normal conditions, TGS can easily access storage gas, additional gas is readily available from suppliers, and weather conditions are more stable. During the storm, TGS exhausted its contractual daily storage withdrawal rights with its providers, so TGS could not take any more gas out of storage and had to turn to the market to purchase additional gas supplies. Unlike during normal conditions, additional gas was needed with very short notice due to changing forecasts and demand, so TGS was required to buy gas on the same day the gas was needed.

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[1] "*Force majeure*" refers to a situation in which an unanticipated event or an event outside the control of a party to a contract affects its ability to meet its contractual obligations to perform under the contract.

Q. FOR PERSPECTIVE, WHAT IS THE TYPICAL THROUGHPUT FOR TGS'S SYSTEM DURING THE MONTH OF FEBRUARY UNDER NORMAL WEATHER CONDITIONS?

A. The average daily throughput volumes flowing through TGS's system the first 10 days of February 2021 was 207,484 MMBtu.

Q. HOW MUCH THROUGHPUT DID TGS SEND THROUGH ITS SYSTEM DURING WINTER STORM URI?

A. During Winter Storm Uri, starting Thursday, February 11 through Tuesday, February 23, 2021, TGS had a total throughput of 5,288,993 MMBtu, an average of 406,846 MMBtu per day. This is almost a 100% increase in average daily volumes when compared to the first ten days of February 2021.

Q. HOW IS THE REMAINDER OF YOUR TESTIMONY STRUCTURED?

A. In the sections below, I provide more detail and explanation related to the issues I address above. Specifically, in the testimony that follows, I explain the:

- Gas Supply actions and decisions that helped TGS continue to provide service during the storm;
- Gas purchases TGS made including why they were reasonable and prudent;
- Extraordinary gas costs included in the Company's Regulatory Asset; and
- Company's typical gas supply practices to provide background and context for the decisions TGS made during Winter Storm Uri that ensured the Company could provide natural gas service to residential and other human needs customers.

IV. ACTIONS TAKEN TO MAINTAIN SERVICE TO CUSTOMERS

A. Circumstances that Affected Gas Supply Decisions

Q. IN TERMS OF GAS SUPPLY, HAS TGS'S SYSTEM EVER BEEN SUBJECTED TO CIRCUMSTANCES LIKE THOSE EXPERIENCED WITH WINTER STORM URI?

A. No. In my 20 years of working at TGS, Winter Storm Uri brought extraordinary and unprecedented circumstances for TGS and the Gas Supply Department to consider and manage to provide safe and reliable service. I have previously experienced some aspects of this complex set of circumstances on a localized level. However, the statewide level of emergency and the accumulation and severity of issues was a new experience. Despite these challenges and unprecedented circumstances, TGS maintained service to residential and other human needs customers throughout the entire winter storm and followed its Gas Supply Plan and related requirements for purchasing gas.

Q. HOW DID GAS SUPPLY RESPOND TO THOSE CIRCUMSTANCES?

A. On a Gas Supply Department level, I conducted a roll call meeting each morning of the February 2021 Winter Weather Event to determine which Gas Supply personnel had power because power outages were occurring throughout the state. Conditions required Company personnel to work in their cars to charge their laptops and phones so Gas Supply could continue the necessary work of maintaining service to human needs customers. The problem was made worse by the fact that many roads were unsafe, so personnel could not travel to other locations that had power. Fortunately, due to the COVID-19 pandemic, employees had months of experience working remotely from home and collaborating through calls and other technology, so we were able to manage the workload even though conditions for individual employees were difficult. I am proud of the dedication displayed by TGS's Gas Supply department considering the circumstances during the storm.

Q. PLEASE ELABORATE ON THE EXTRAORDINARY AND UNPRECEDENTED CIRCUMSTANCES THE STORM CAUSED.

A. TGS Gas Supply began to see price increases on February 11, 2021, followed by an unprecedented significant price spike when markets closed on February 12, 2021. The winter storm continued for several days, and power outages began to further impact supply and upstream pipeline operations. Throughout this time, system integrity remained at the forefront. In addition, the Governor declared a State of Emergency, and the Commission issued an Emergency Order curtailing the transportation, delivery and/or sale of natural gas for any other purpose than serving human needs customers.

The winter storm also coincided with a holiday weekend buying schedule, which required TGS to purchase gas by Friday, February 12, 2021 for the period of Saturday, February 13 through Tuesday, February 16, 2021. In some ways, that probably mitigated the price volatility TGS would otherwise have experienced because it was able to buy gas for four days.

The weather also continued to be a major factor because the weather forecasts were regularly changing, and there was an extended duration of below-freezing temperatures throughout the state. Specifically, Austin set a record for longest time below freezing (6 days or 144 hours) beginning Friday February 12 until Thursday, February 18, 2021.

Q. DO YOU HAVE DATA THAT PUTS THAT COLD WEATHER IN CONTEXT?

A. Yes. I can compare temperatures during the storm to a normal February period. A Heating Degree Day ("HDD") is a measurement of how cold the temperature was on a given day or during a period of days and relates to the demand for energy necessary to heat a structure.[2] For comparison to a normal February, starting Sunday, February 14 through Saturday, February 20, there were twice as many HDDs for Austin as normal for that same time period.[3] This means the demand for energy to heat homes or buildings was significantly higher than typical demand. The chart below compares "normal" HDDs for Austin with the actual HDDs for Austin for February 2021, which shows that there were twice as many HDDs during the storm compared to normal HDDs. The chart also shows that HDDs before and after the storm were closer to normal HDDs or warmer than normal HDDs.

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[2] An HDD is 65°F minus the daily temperature mean (high temperature plus low temperature divided by two). It is a measurement designed to quantify the demand for energy needed to heat a building or home.

[3] The reference to "twice as many HDDs" means it was twice as cold as "normal HDDs."

Heating Degree Days for TGS (Austin)				
Date	Normal*	Actual	Actual Over (Under) Normal	% Actual Over (Under) Normal
2/1/2021	9	11	2	22%
2/2/2021	12	10	-2	-17%
2/3/2021	13	4	-9	-69%
2/4/2021	11	0	-11	-100%
2/5/2021	12	12	0	0%
2/6/2021	12	3	-9	-75%
2/7/2021	12	10	-2	-17%
2/8/2021	11	1	-10	-91%
2/9/2021	11	10	-1	-9%
2/10/2021	13	23	10	77%
Subtotal pre-winter storm	116	84	-32	-28%
2/11/2021	15	31	16	107%
2/12/2021	14	34	20	143%
2/13/2021	13	36	23	177%
2/14/2021	9	43	34	378%
2/15/2021	10	48	38	380%
2/16/2021	12	48	36	300%
2/17/2021	10	37	27	270%
2/18/2021	10	36	26	260%
2/19/2021	10	33	23	230%
2/20/2021	6	21	15	250%
Subtotal winter storm	109	367	258	237%
2/21/2021	6	5	0	0%
2/22/2021	8	6	-4	-50%
2/23/2021	7	2	-6	-86%
2/24/2021	8	0	-7	-88%
2/25/2021	11	6	-2	-18%
2/26/2021	12	11	0	0%
2/27/2021	8	0	-8	-100%
2/28/2021	8	0	-8	-100%
Subtotal post-winter storm	68	30	-35	-51%
Grand total February	293	481	191	65%
* 10-year Normal Austin Weather Station KATT				

Q. WAS TGS THE ONLY GAS UTILITY THAT EXPERIENCED ISSUES WITH ACCESS TO AVAILABLE GAS SUPPLIES DURING WINTER STORM URI?

A. No. There was a loss of gas supply statewide rather than in a localized area, so many LDCs were affected. This, of course, made it harder to procure gas supply and meant that higher market prices were a reality for multiple hubs throughout the state. In addition, upstream pipeline suppliers were experiencing critical conditions, and there were widespread supplier *force majeures* of uncertain duration. All these circumstances statewide along with market circumstances and power outages throughout the state (that also affected TGS employees) made for a challenging environment.

Q. PLEASE DESCRIBE THE EFFORTS GAS SUPPLY TOOK IN ANTICIPATION OF THE FEBRUARY 2021 WINTER WEATHER EVENT.

A. TGS was preparing for a weather event forecasted to exceed TGS's peak design day in many service areas throughout the state.[4] TGS Gas Supply held meetings and collaborated with TGS Field Operations, Gas Control and Engineering on Wednesday, February 10, 2021, to ensure gas supply was delivered to city gates on the system to meet peak demands in all service areas during the upcoming weather. Prior to the morning of Friday, February 12, 2021, several of TGS's upstream pipelines had issued winter weather notices, experienced strained operating conditions, and issued operational flow orders. These notices all required TGS to stay in balance on the pipeline, which means TGS must match its

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[4] A "peak design day" means the single gas day period, 24 hours of greatest total natural gas usage. It may be used to represent historical actual or projected natural gas requirements for planning.

gas receipts to its gas deliveries, or not be short on supply to meet customer demand.

Each business day, Gas Supply managers were calling on required volumes to meet forecasted demand by 7:30 am. Additionally, TGS prepared for this winter event using the tools described in the TGS Gas Supply Plan including GasDay forecasts, current gas nominations, monitoring of weather station forecasts, and historical peak day information, all of which I address in detail below. GasDay also provided comparisons of forecasted loads for the upcoming weather versus other historical cold weather events.

Communications both internally and externally were also key in preparing for the winter weather event. Gas Supply participated in meetings with local area Operations, Engineering and Modeling, Gas Control and Commercial departments. These meetings resulted in deployment of compressed natural gas ("CNG") support at constrained sites, assistance in determining gas flows and scheduling to key city gates, and review of the curtailment plan. Externally, TGS contacted upstream pipelines and suppliers, providing advance notice of anticipated demand. Upstream pipelines staffed key city gates with technicians onsite 24 hours a day, 7 days a week during the winter storm and made adjustments upstream in advance of the winter storm to improve pipeline pressures. These lines of communication continued throughout Winter Storm Uri. TGS also communicated with customers through local news, social media outlets and email to encourage conservation to reduce gas usage.

Q. GIVEN THESE CHALLENGING CIRCUMSTANCES, WHAT WERE THE PRIORITIES FOR GAS SUPPLY DURING THE STORM?

A. To provide continued natural gas service to human needs customers during the storm, Gas Supply was focused on overall system integrity and obtaining necessary gas supplies. TGS's customer base is 94% residential throughout the state, and these customers depend on TGS for gas necessary to heat their homes and operate gas-fired appliances.

Gas Supply's priorities were in line with the Commission's expectations as stated in the Notice to Local Distribution Companies issued in February and which Company witness Stacey McTaggart addresses in her testimony. Specifically, the Notice acknowledged the extraordinary costs gas utilities might incur to respond to the weather event, and the Commission encouraged "LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service."

Q. HOW DID GAS SUPPLY MEET THOSE PRIORITIES?

A. Gas Supply made sure these priorities were met by relying on the framework of the Gas Supply Plan and by working collaboratively within our department and with employees in Austin and in Tulsa, Oklahoma from the Operations, Engineering, Gas Control, and Commercial groups as well as management. Gas Supply employees, many of whom were without power or water themselves, maintained this commitment.

B. Resources Gas Supply Used to Make Purchasing Decisions

Q. WHAT RESOURCES DID GAS SUPPLY RELY ON DURING WINTER STORM URI?

A. Gas Supply relied on GasDay forecasting modeling, the weather forecast, historical use information, pipeline notices, daily Texas Energy Reliability Council (“TERC”) calls and internal calls with ONE Gas management and leaders in each division.

Q. HOW DID THE WEATHER FORECAST INFORM DECISIONS GAS SUPPLY MADE?

A. Based on the weather forecast, Gas Supply was able to predict changes in demand on the TGS system.

Q. WHAT IS GASDAY FORECASTING MODELING?

A. The GasDay Forecasting Model is a software designed by Marquette Energy Analytics to forecast demand in each of the Company’s operating areas. GasDay creates mathematical models specifically for the Company using historical volumes and various weather data inputs.

Q. HOW DID GAS SUPPLY USE GASDAY FORECASTING MODELING INFORMATION TO MAKE DECISIONS DURING THE STORM?

A. The model calculates the forecasted load for seven days. As it does every day, the Company ran the GasDay model twice a day, once before 7:00 am and then mid-day after the previous day’s pipeline measurements of throughput had been received. Gas Supply then compared the forecasted load to the nominated volumes at the time to identify the additional gas volumes TGS needed. Gas Supply then secured the additional gas volumes needed to meet the forecasted demand for TGS's operating areas.

Q. WHAT HISTORICAL USE INFORMATION DID GAS SUPPLY REVIEW?

A. Gas Supply compared the forecasted temperatures going into Winter Storm Uri to historical winter event temperatures.

Q. HOW DID THAT HISTORICAL USE INFORMATION AFFECT THE DECISIONS GAS SUPPLY MADE DURING THE STORM?

A. The historical use information allowed Gas Supply to review measured throughput on similar days by city gate and determine where the demand would be on TGS's city gates throughout its system. Gas Supply used that information to know how to best source the gas from an upstream pipeline to city gates to support the distribution system. For example, the historical information comparison indicated the potential for the winter storm would be a peak weather event, specifically at least as cold as 2011 with a low of 17 degrees, and possibly as cold as 1989 with a low of 4 degrees in the Austin area.

Q. WHAT INFORMATION DID GAS SUPPLY RECEIVE IN PIPELINE NOTICES?

A. The pipeline notices kept TGS informed about the status of upstream pipeline conditions.

Q. HOW DID THE PIPELINE NOTICES AFFECT THE DECISIONS GAS SUPPLY MADE DURING THE STORM?

A. Gas Supply planned and secured supply to stay in balance with upstream pipelines, which means matching TGS's gas receipts or nominations (volumes received) with gas deliveries to customers. However, as Winter Storm Uri moved through the state and upstream pipeline and supply conditions deteriorated, staying in balance became more difficult despite TGS's best efforts because TGS continued to make nominations or purchases to try to ensure service continued for customers even though suppliers could not deliver all the nominated volumes.

Q. WHAT IS TERC, WHICH YOU PREVIOUSLY MENTIONED?

A. TERC is a group of industry leaders from the Commission, the Electric Reliability Council of Texas, the Public Utility Commission of Texas, and members of the natural gas industry. TERC is focused on making sure that human needs are met if there is a necessary curtailment of gas distribution or supplies. TERC members meet regularly during the year to foster communication and planning to ensure preparedness should curtailment be necessary. During Winter Storm Uri, TERC held daily conference calls so representatives from the various industry segments could share real-time information related to the status of statewide conditions.

Q. DID YOU ATTEND THE DAILY TERC CONFERENCE CALLS DURING WINTER STORM URI?

A. Yes, I attended the calls. In addition, TGS's Vice President of Operations, Shantel Norman, was also on the calls and represented TGS. Prior to the calls, I updated Ms. Norman with the relevant gas supply information from the prior evening and morning.

Q. HOW DID GAS SUPPLY USE INFORMATION FROM TERC CALLS TO MAKE DECISIONS DURING THE STORM?

A. The TERC calls provided TGS with a statewide perspective from our upstream partners' pipeline conditions and the status of the electrical outages, which affected TGS's system operations. As the storm progressed, TGS used these calls to help determine the critical periods for its system followed by the recovery period as TGS and its customers came out of the storm.

Q. DID GAS SUPPLY'S USE OF THE INFORMATION AND RESOURCES YOU DESCRIBE ABOVE LEAD TO GAS SUPPLY TAKING REASONABLE ACTIONS DURING THE STORM?

A. Yes. By the time the weather forecast indicated severe cold weather conditions would affect Texas, Gas Supply was prepared to meet the challenges from the weather. Gas Supply analyzed new information as weather conditions, customer demand and gas availability from upstream suppliers changed throughout the storm. TGS successfully maintained service to 99.9% of its residential customers, and the gas purchase and other related decisions Gas Supply made were a critical component of that success.

V. GAS SUPPLY PURCHASES DURING WINTER STORM URI

Q. DESCRIBE THE GENERAL PROCESS GAS SUPPLY FOLLOWS DURING A TYPICAL MONTH TO PROCURE NECESSARY GAS SUPPLIES FOR TGS.

A. TGS secures transportation, storage on a long-term basis and supply contracts through a formal bid process in advance of winter. During a typical month, Gas Supply will submit its first-of-month ("FOM") baseload nominations for the upcoming month of business. Gas Supply runs the GasDay model twice a day, before 7:00 a.m. and again in the afternoon. The forecast is compared to the current nominated volumes. A recommendation is made to the Gas Supply managers for purchasing the additional volumes needed to meet the demand. Each morning, Gas Supply managers then use their gas supply portfolio of callable contracts and storage to secure the needed volumes for the next day's gas flow. The supply callable contracts are already in place and are priced with index-based pricing; therefore, Gas Supply managers are only informing their supplier of the volumes needed prior to the contracted deadline in the morning, typically 7:30 a.m. The GasDay model also provides a forecast for the same-day gas that is flowing, and Gas Supply managers receive a recommendation if volumes are needed on the current gas day. In a typical day, these volumes are filled with available storage gas or sometimes with same-day spot gas purchases if needed. This process is followed every day of the week, except on weekends or holidays when the market is closed. On days when the market is closed, the availability of spot gas purchases is limited, so TGS relies on storage gas or pipeline operating balancing agreements to cover changes in demand.

Q. DID THE CONDITIONS DURING WINTER STORM URI ALLOW GAS SUPPLY TO RELY SOLELY ON ITS STANDARD PROCESS USED DURING NORMAL OPERATING CONDITIONS?

A. No, while the processes themselves were the same as a typical day, there were issues outside of TGS's control that required Gas Supply to adapt to meet customer demand. During typical cold weather conditions, TGS has access to storage gas to supplement supply with an available, low-cost option. During the storm, however, TGS withdrew from storage all the gas it was contractually able to withdraw. In addition, suppliers are nearly always able to provide the amounts of gas TGS needs—either under existing contractual provisions or through spot or same-day purchases made in the normal course of business. That was not the case during the storm because suppliers were unable to deliver their product to the market due to electrical outages and other weather-related circumstances. In addition, some suppliers were providing *force majeure* notices when TGS purchased the gas. Suppliers were effectively telling TGS in real-time that they may not be able to meet their contractual obligations to deliver gas due to unforeseen or unprecedented circumstances. Gas Supply had to act quickly to work with its pipeline suppliers to obtain necessary gas to meet customer demand.

Q. DESCRIBE THE SPECIFIC ACTIONS GAS SUPPLY TOOK TO SECURE NECESSARY GAS SUPPLIES FOR TGS CUSTOMERS DURING THE STORM.

A. On the morning of Friday, February 12, 2021, TGS secured the gas volumes needed to meet forecasted loads for the gas days of Saturday, February 13, through Tuesday, February 16, 2021. The President's Day holiday required an extra day of gas purchases due to the market being closed on Monday, February 15, 2021.

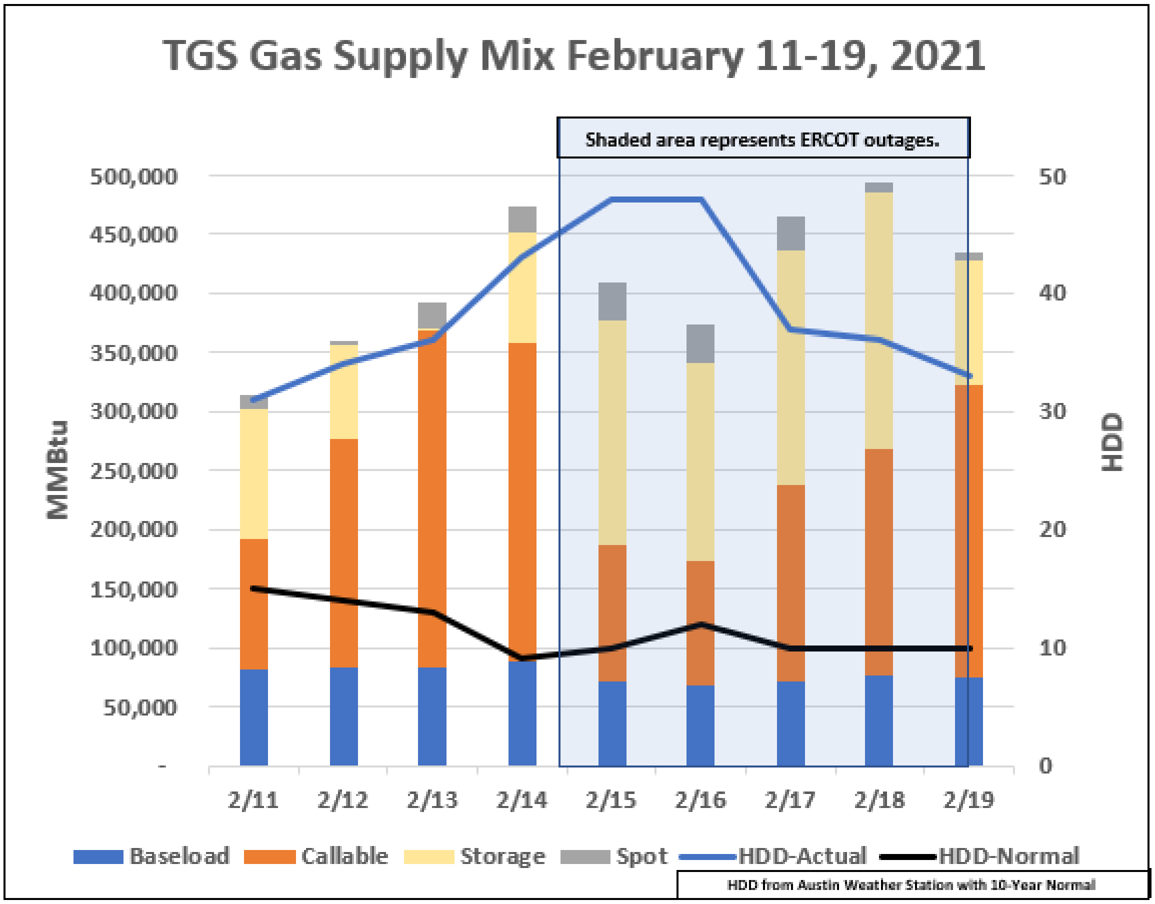
For the remainder of the week, through February 19, 2021, Gas Supply secured supply through storage gas, callable contracts at index pricing, and spot fixed-price gas to meet system demands. TGS's daily purchasing decisions during the winter event were based on securing supply to meet peak design demand, meeting operational upstream pipeline balancing needs as well as supporting TGS system demands to serve all customers.

Q. WHAT TYPES OF GAS SUPPLY OR SOURCES DID TGS RELY ON DURING WINTER STORM URI?

A. During typical operating and weather conditions, TGS relies on wellhead, baseload, nominated, delivered, peaking, or storage gas supplies. Winter Storm Uri required TGS to rely on existing peaking callable contracts it had with suppliers for next day callable gas priced at market-based daily index pricing. TGS also had to supplement that existing gas with spot purchases that were fixed price due to having to purchase gas on Friday for the long, holiday weekend. Conditions changed drastically by Sunday, February 14, 2021, and purchasing gas on the spot gas market was the most reasonable and prudent option. Even during typical conditions on days the market is closed, spot gas is not always readily available. Winter Storm Uri exacerbated problems with the availability of supply, including spot gas. Nevertheless, during Winter Storm Uri, the spot purchases provided the best option to secure gas that was available in the market for same-day gas and spot purchases for next day gas in areas where callable next day volumes had been exhausted.

Q. CAN YOU ILLUSTRATE THE TYPES OF GAS SUPPLY TGS TYPICALLY RELIES ON AND THE TYPES OF SUPPLY RELIED ON DURING WINTER STORM URI?

A. Yes, the chart below shows the supply mix of gas used during Winter Storm Uri. The chart depicts how as the storm progressed TGS's supply of callable gas (shown in orange) was severely cut due to shortages experienced by suppliers. I describe the types of supply in more detail later in my testimony.



Q. HOW MUCH STORAGE GAS WAS AVAILABLE TO TGS DURING WINTER STORM URI TO PUT ON THE SYSTEM?

A. TGS was contracted for a total of 5.3 Bcf of storage gas and entitled to withdraw a maximum daily quantity of 155,477 MMBtu per day. However, during Winter Storm Uri, one of TGS's storage service providers issued a *force majeure* notice, and the maximum daily amount available was reduced to 123,947 MMBtu per day.

Q. HAS TGS PREVIOUSLY PULLED THAT MUCH GAS FROM STORAGE AT ONE TIME?

A. No.

Q. PLEASE IDENTIFY THE CONTRACTS UNDER WHICH TGS MADE GAS PURCHASES DURING WINTER STORM URI.

A. I am providing these contracts as Confidential Exhibit NAS-3, which includes contracts for commodity gas purchases transportation, storage services, and CNG. TGS is also providing a list of the gas contracts in Schedule C-1.

Q. WHAT DETERMINES THE PRICE OF THE GAS TGS PURCHASES?

A. The price of gas is determined by the index-based market price published in Platts Gas Daily Price Survey.

Q. HOW DO THE PRICES PAID DURING WINTER STORM URI COMPARE TO INDEX PRICING TGS HAS PREVIOUSLY PAID?

A. The average February gas daily indices (per MMBtu) are presented below for the last five years:

Year	Permian ($)	Waha ($)	San Juan ($)	Houston Ship Channel ($)	Katy ($)
2017	2.5604	2.6030	2.5823	2.7814	2.7646
2018	2.0848	2.1146	2.1914	2.6293	2.6102
2019	1.5434	1.3927	2.5584	2.6716	2.6639
2020	0.5410	0.4659	1.5655	1.8466	1.8328
2021	28.7489	34.6384	22.8200	55.3566	47.8155

The table below compares the highest price per index (per MMBtu) in February 2021 to the highest price in the previous 15 years.

Highest Single Day Price	Permian ($)	Waha ($)	San Juan ($)	Houston Ship Channel ($)	Katy ($)
Previous 15 Years	24.345 (2/6/14)	21.805 (2/6/14)	24.185 (2/6/14)	13.025 (7/3/08)	13.085 (2/6/14)
February 2021 (2/17)	191.92	208.79	163.39	400.00	$359.14

I am providing Exhibit NAS-4 to reflect February 2021 Gas Daily Index Prices and February five-year average prices.

Q. DOES TGS HAVE CONTROL OVER THE MARKET PRICE OF GAS THAT WAS AVAILABLE TO PURCHASE DURING THE STORM?

A. No, it does not. TGS competitively bids its supply contracts with third parties in advance of the winter or business month, and these contract prices are tied to a market index. During the storm, however, these market index-based prices and spot market prices rose to unprecedented levels. The Commission itself seemed to acknowledge these circumstances in the Notice to LDCs that it issued on February 13, 2021. In the Notice, the Commission explained that it was "aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility LDCs may be required to pay extraordinarily high prices in the market for natural gas and may be subjected other extraordinary expenses when responding to the 2021 Winter Weather Event."

Q. DOES TGS HAVE ANY INDUSTRY OR THIRD-PARTY DATA THAT ADDRESSES THE MARKET PRICES FOR NATURAL GAS DURING WINTER STORM URI?

A. Yes. The report and testimony provided by Ms. Johnson with Enverus, Inc., addresses market pricing conditions from a third-party perspective.

Q. COULD TGS NEGOTIATE WITH SUPPLIERS TO ATTEMPT TO OBTAIN PRICE REDUCTIONS DURING THE STORM?

A. No.

Q. WHAT WOULD HAVE HAPPENED IF TGS DID NOT IMMEDIATELY AGREE TO PURCHASE GAS VOLUMES SUPPLIERS MADE AVAILABLE DURING WINTER STORM URI?

A. There was a high probability the supply (natural gas commodity) would not be available if not acted upon immediately.

VI. <u>GAS COSTS IN REGULATORY ASSET</u>

Q. WHAT IS THE TOTAL AMOUNT OF EXTRAORDINARY GAS PROCUREMENT COSTS FOR FEBRUARY 2021 TGS HAS BOOKED TO THE REGULATORY ASSET?

A. The total amount of extraordinary gas procurement costs is $279,575,703. Ms. McTaggart explains the calculation of that amount, consistent with the Commission’s instructions in Item 5(a) of the Notice. This amount does not include any financing or carrying costs, which Company witness Mark W. Smith addresses in his testimony.

Q. WHAT TYPES OF GAS-RELATED COSTS DID TGS HAVE FOR FEBRUARY 2021?

A. TGS has costs for gas commodity purchases, storage withdrawals, fixed storage costs, transportation and reservation costs, imbalances, and disputed amounts. TGS commodity purchase costs include all natural gas commodity charges from suppliers, pipelines, wellheads, CNG providers and cash-outs. Storage costs include the gas withdrawn from storage as well as the fixed costs of storage services from our storage providers. Transportation and reservation costs include usage and demand fees required to move gas and reserve capacity on the upstream pipelines for transportation services including Statement of Operating Conditions ("SOC") charges and demand fees from suppliers on callable gas contracts. Imbalance costs are included to account for situations when the supplier delivers a larger or smaller quantity of gas than was received by TGS. These total gas-related costs are shown on Schedule B and Schedule C.

Q. WHAT IS A "CASH-OUT" AS REFERENCED ABOVE?

A. A cash-out is a mechanism used to pay for a current imbalance position with a supplier or pipeline. An imbalance is created with when one party receives or delivers a quantity of natural gas, then delivers or redelivers a larger or smaller quantity of natural gas to another party. Cash-out provisions and pricing terms are typically predetermined and defined in a contract or tariff. The cash-out payment effectively keeps the buyer or the supplier whole depending on which party causes the imbalance.

Q. WHAT IS A "SOC CHARGE" AS REFERENCED ABOVE?

A. The SOC charges refer to tariff charges TGS incurred on one of its upstream pipeline providers for being out of balance with our gas receipts and deliveries during Winter Storm Uri when the pipeline issued an operational flow order under the provisions of their tariff or SOC.

Q. WHY DID PIPELINES CHARGE TGS WITH PENALTIES?

A. TGS was charged penalties by pipelines based on pipeline tariff provisions during critical operating or operational flow order conditions. During critical conditions, pipelines have provisions requiring TGS to stay in balance with the gas TGS is purchasing and delivering into the pipeline and then redelivering to its city gates. Typically, these quantities need to match. During Winter Storm Uri, however, there were times when the quantities did not match because TGS was trying to maintain service to human needs and residential customers.

Q. COULD TGS HAVE AVOIDED THESE PENALTIES?

A. No. During Winter Storm Uri, despite TGS's best efforts to purchase gas supply, the supplier *force majeures* and lack of available gas in the market made TGS fall short of meeting the pipeline tariff requirements due to TGS's obligation to serve human needs customer during a state of emergency and comply with related Commission orders. There were no other reasonable actions TGS could have taken, therefore TGS was assessed penalties.

Q. IS TGS DISPUTING ANY AMOUNTS OF GAS-RELATED COSTS?

A. Yes. TGS is disputing $33,022,874 in costs related to penalties TGS was charged. TGS incurred $32.4 million in Critical Operating Condition penalties from El Paso Natural Gas, a Kinder Morgan Company ("EPNG") during Winter Storm Uri. TGS requested a penalty waiver from EPNG in accordance with its tariff. Since making that request, EPNG has filed a limited waiver for the interest charges on unpaid penalties at the Federal Energy Regulatory Commission ("FERC"). However, EPNG initially did not request a waiver for the penalties themselves. In turn, TGS filed a response in protest at the FERC and requested FERC grant its motion to intervene, approve EPNG's request for waiver of the interest assessed on the penalties, and reject EPNG's request to refuse to exercise its discretion and waive the penalties for those shippers, like TGS, that demonstrated they took commercially reasonable actions to comply but needed to continue to serve their natural gas customers and protect life during the State of Emergency. EPNG has since filed a request to waive all penalties incurred by shippers during Winter Storm Uri. As of July 22, 2021, the matter is still pending at FERC.

TGS is also disputing an amount of $584,964 on a supplier invoice. As a result of the monthly invoice reconciliation process, TGS disputed the February invoice with the supplier as allowed under the North American Energy Standards Board, Inc. ("NAESB") provisions. TGS disagreed with pricing on two purchases during Winter Storm Uri and is continuing to work with the supplier to resolve the disputed amounts.

Q. IF TGS PREVAILS IN ANY OF THE DISPUTES, HOW WILL IT TREAT ANY REIMBURSEMENT IT RECEIVES FROM THE SUPPLIER?

A. TGS will return those dollars to its customers as a credit that will be applied to the cost of gas customers pay under the Company's Cost of Gas tariffs. Ms. McTaggart addresses this in more detail in her testimony.

Q. WHAT TYPE OF REVIEW DID TGS CONDUCT BEFORE REMITTING PAYMENTS TO SUPPLIERS FOR INVOICED AMOUNTS?

A. TGS Gas Accountants completed their normal invoice reconciliation process confirming gas purchase volumes with pipeline statements and contractual pricing terms. In addition, legal counsel reviewed all NAESB supply contracts, transaction confirmations and *force majeure* notices that were issued to confirm that invoiced amounts matched the governing contract or other documents.[5] I describe the use of the standard NAESB contract in more detail below.

The Company applied additional layers of internal review on the February gas purchase invoices, including routing any invoice over $5 million was to the Managing Director of Gas Supply and the Vice President of Treasury for approval along with all supporting documentation.

Q. DOES TGS HAVE DOCUMENTATION THAT SUPPORTS THE EXTRAORDINARY GAS PROCUREMENT COSTS INCLUDED IN THE REGULATORY ASSET?

A. Yes. I am providing invoices of these costs as Confidential Exhibit NAS-5. This includes invoices or documentation for:

1. Gas Purchases (FERC accounts 800-804);
2. Transportation (FERC account 858);
3. Other Gas Supply Expenses (FERC accounts 805-813);
4. Imbalances or other penalties and fees incurred;
5. Adjustments;
6. Meter Statements;
7. Proof of Payment/Payment Arrangements;
8. Gas Withdrawn from Storage (FERC account 804); and
9. Gas Delivered to Storage (FERC account 164).

TGS provides a summary of Gas Invoices on Schedule C-2.

Q. DO THE GAS COSTS IN THE REGULATORY ASSET INCLUDE ALL COSTS OF GAS TGS PAID DURING WINTER STORM URI?

A. No. Consistent with the Commission's June Notice, the gas costs in the Regulatory Asset are only the Company's extraordinary costs, over and above the normalized

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[5] North American Energy Standards Board, Inc. (NAESB) "Base Contract for Sale and Purchase of Natural Gas" is an industry standard contract.

market pricing formula in the recently enacted legislation. Ms. McTaggart addresses this calculation in her testimony.

Q. IS THERE ANY OTHER INFORMATION TGS IS PROVIDING RELATED TO GAS COSTS IT SEEKS TO RECOVER?

A. Yes. Consistent with the Commission's Notice at Item 7, TGS is also providing invoices, supporting documentation, and contracts for the months of January and March 2021 as Confidential Exhibit NAS-6.

Q. REGARDING THE DOCUMENTATION IN EXHIBITS NAS-5 AND NAS-6, ARE YOU FAMILIAR WITH THE MANNER IN WHICH THESE INVOICES OR OTHER DOCUMENTS ARE MAINTAINED BASED ON YOUR JOB DUTIES AND RESPONSIBILITIES?

A. Yes.

Q. ARE THE DOCUMENTS CONTAINED IN EXHIBITS NAS-5 AND NAS-6 ORIGINAL COMPANY RECORDS OR EXACT DUPLICATES OF THE ORIGINAL RECORDS THAT REFLECT AMOUNTS INCURRED FOR GAS PURCHASES TGS MADE DURING FEBRUARY 2021?

A. Yes.

Q. WERE THE DOCUMENTS IN THOSE TWO EXHIBITS MADE AT OR NEAR THE TIME OF EACH ACT OR EVENT THAT OCCURRED?

A. Yes.

Q. DID THE COMPANY SATISFY ITS PAYMENT OBLIGATIONS RESULTING FROM THESE INVOICES FOR GAS PROCUREMENT COSTS DURING FEBRUARY 2021 ON OR ABOUT MARCH 25, 2021?

A. Yes.

Q. ARE THE INVOICES IN EXHIBITS NAS-5 AND NAS-6 KEPT IN THE COURSE OF REGULARLY CONDUCTED BUSINESS?

A. Yes.

Q. WERE THE GAS PURCHASES MADE DURING WINTER STORM URI NECESSARY TO SERVE RESIDENTIAL AND OTHER HUMAN NEEDS CUSTOMERS?

A. Yes. The natural gas TGS purchased was necessary to meet customer demand, serve human needs customers and maintain the functioning and integrity of the Company's natural gas distribution system.

Q. WOULD TGS HAVE INCURRED THE $279,575,703 IN EXTRAORDINARY GAS PROCUREMENT COSTS FOR FEBRUARY 2021 IF WINTER STORM URI HAD NOT OCCURRED?

A. No. TGS incurred these costs to continue to provide safe and reliable service during the winter storm. During the storm, TGS had an obligation to serve its residential and other human needs customers, and it met that obligation. By doing so, TGS was complying with the Commission's directive to gas utilities to work to ensure that Texas residents were provided with safe and reliable natural gas service during the storm.

VII. OVERVIEW OF GAS SUPPLY PRACTICES

Q. WHAT TYPES OF CUSTOMERS DOES TGS SERVE?

A. As I noted previously, 94% of the customers TGS serves are residential customers. TGS has an obligation to serve these customers based on the tariffs that apply to their service. TGS also provides service to commercial, industrial, public authority and Transportation Service customers.

Q. TO PUT THE REASONABLENESS OF GAS SUPPLY'S ACTIONS DURING THE STORM IN CONTEXT, PLEASE DESCRIBE TGS'S GENERAL GAS SUPPLY APPROACH UNDER TYPICAL OPERATING CONDITIONS.

A. Consistent with the Gas Supply Plan, TGS obtains transportation service from 16 pipelines, including interstate and intrastate pipelines. The Company's pipeline contracts have staggered terms. The Company's supply portfolio includes long-term, seasonal and short-term contracts. In 2020, 44% of the Company's annual purchase requirements came from long-term supplies, 32% from short-term supplies and 24% from seasonal supplies. The available types of pricing are FOM Index, Daily Index, or Fixed-Price.

The Company also contracts for storage services with four providers. Storage gas primarily provides a firm, reliable supply of gas with hourly and daily system balancing. TGS uses storage gas to manage volatility in gas supply and costs. More broadly, providing diversity in supply on pipelines, TGS relies on over 20 suppliers and 72 contracts for varying types, pricing and contracts lengths as well as formal and informal bid processes.

Q. WHAT ARE THE VARIOUS CONTRACT TYPES AND LENGTHS FOR TGS'S GAS SUPPLY CONTRACTS?

A. The Company secures firm transportation service through contracts with upstream pipelines. The terms vary in length, typically from one year to 10 years. These contracts entitle the Company to firm capacity at the highest priority, with the rights to move gas on the pipelines to its city gates. The associated contract charges are typically a reservation fee, a usage or transport fee, along with balancing provisions. The Company secures the level of firm capacity that is necessary to meet the highest demand on a peak day.

The other type of contract TGS relies on is a gas purchase contract used to acquire the physical gas commodity. These purchases are completed under the terms of a NAESB "Base Contract for Sale and Purchase of Natural Gas," which is a standard contract form that is widely used throughout the industry. The pricing and delivery terms for purchases under these agreements are established separately under transaction confirmations. Contract lengths vary with long-term (at least one year), seasonal (more than one month), and short-term (one month or less). There are different types of gas supply transactions available under a NAESB contract, and the type of transaction determines how the gas is made available and at what type of pricing. The table below explains these issues in more detail:

Types of NAESB Contract Transactions	Definition
Baseload	Uniform daily quantity contracted for over one month or more and priced based on First of Month (FOM) Index.
Long-Term	One year or greater
Seasonal	Less than one year
Callable	Variable daily quantity contracted for over one month or more, called on daily in advance of flow.
First of Month (FOM)	Index price changes monthly, seller charges a reservation fee. FOM pricing can be assigned to both monthly and daily callables.
Gas Daily	Index price changes daily, seller charges a reservation fee.
Spot	Contracted for on the daily market, typically priced at gas daily index or fixed price.
Day-ahead	Purchased the day before flow
Intraday/Same day	Purchased within the day

Q. IN GENERAL TERMS, WHAT ARE THE OBLIGATIONS OF A SUPPLIER (‘SELLER”) AND A NATURAL GAS UTILITY (“BUYER”) LIKE TGS UNDER A NAESB CONTRACT?

A. The obligation of the Seller is to provide a specified quantity of firm gas delivered to a mutually agreed upon receipt point, and the Buyer is obligated to purchase the quantity of delivered gas at the contracted price.

Q. YOU MENTIONED THERE ARE FORMAL AND INFORMAL BID PROCESSES. PLEASE DESCRIBE WHAT THOSE TERMS MEAN.

A. In the formal process that occurs in advance of winter every year, the Gas Supply Manager authorizes a Request for Proposal (“RFP”) to be submitted to a list of gas supply bidders. These bidders have base NAESB contracts on file with the

Company or a RFP Affidavit. The RFP bids are analyzed and reviewed by a minimum of two Company employees, one of which is a Gas Supply Manager. The bidder offering the greatest value to the Company and its customers will be awarded the contract. The formal process is used for the vast majority of long-term, seasonal and monthly gas supply purchases, which includes baseload and callables. For the last plan year, April 2020 through March 2021, 93% of TGS's gas purchases were from contracts using the formal bid process.

The informal process is used if TGS needs to obtain a quantity of gas during the month on short notice, or it is not feasible to use the RFP process. The appropriate gas purchase information is communicated to potential suppliers to obtain pricing and availability information. The informal process is normally used when purchasing spot gas for next-day or same-day gas purchases. For TGS's 2020-2021 winter gas purchases of 23 Bcf, the informal process was used to secure spot purchases of 1 Bcf or 4% of TGS's total winter purchases.

Q. FROM WHAT HUBS DOES TGS PURCHASE GAS?

A. TGS purchases gas from the various hubs, or supply receipt locations, across the states of Texas and New Mexico. TGS then moves that purchased gas from the hub using the Company's Transportation contracts with its upstream pipelines to deliver gas to TGS city gates. The main supply hubs serving the east side of Texas are Katy Oasis and Houston Ship Channel. These supply hubs interconnect with upstream pipelines that serve the TGS Central Gulf Service Area and the Rio Grande Valley Service Area. On the west side of Texas, the primary hubs are Waha and Permian. TGS is also able to source gas from San Juan in New Mexico from its interstate pipeline provider. These are the primary gas sources for the Company's West Texas Service Area as well as the Borger/Skellytown Service Area. Please see an illustration of these supply hubs and service areas in Exhibit NAS-7.

Q. WHY DOES TGS PURCHASE GAS FROM THOSE HUBS?

A. TGS buys gas from hubs located near the city gate where TGS needs to deliver the gas and where there is upstream pipeline infrastructure to move the gas from the hub to TGS city gates. This is a cost-effective approach for serving different areas of the state.

Q. HOW DOES TGS MAKE PURCHASES FROM THE VARIOUS HUBS?

A. TGS purchases gas from these hubs based on contractual terms in agreements with our upstream pipelines and suppliers. The Company's contracts with its upstream pipeline providers designate hubs, or specific supply receipt point locations where TGS has assigned firm capacity to purchase gas from suppliers and then use that capacity to move the gas from the hub, or supply receipt point, on the upstream pipeline to the TGS delivery location or city gate. In turn, when TGS goes through the bid process for gas supply purchases with suppliers, it contracts with suppliers to receive gas at these specific hub locations to be aligned with TGS's contractual rights with its upstream pipelines for transportation service to ensure firm reliable service to the Company's city gates.

Q. WHAT ROLE DOES STORAGE GAS PLAY DURING TYPICAL OPERATING CONDITIONS?

A. The primary purpose of storage is to provide secure, safe, and reliable gas supply with hourly and daily system balancing, particularly for high demand periods. TGS purchases storage gas during warmer months that it then injects into storage to use during cold weather. Additionally, storage is also a source of stable-priced supplies that are available during the winter months, which helps to mitigate market price volatility that can occur during cold weather. Operationally, having the flexibility of storage allows the Company to withdraw storage gas to meet upstream pipeline balancing provisions.

Q. ARE THERE DIFFERENT TYPES OF STORAGE SERVICES?

A. Yes, and the Company subscribes to different types of storage services, some of which have limitations depending on the type of service. Storage services have defined rights related to (1) Maximum Storage Quantity ("MSQ"), (2) Maximum Daily Injection Quantity ("MDIQ"), and (3) Maximum Daily Withdraw Quantity ("MDWQ"). Some services also follow ratchets that adjust the MDIQ and MDWQ depending on the current overall storage level. A No-Notice storage service is a balancing storage, with no nomination required, and is typically service provided by a connected pipeline that covers hourly swings and can be injected and withdrawn each day throughout the year. (This is also called Load Following.) Another type of storage is Nominated Storage, which requires an advance scheduled nomination and typically daily quantity that is withdrawn uniformly over a 24-hour period. Both types of storage provide a stable price of gas as the storage gas price is determined by the weighted average price of gas used to fill storage during the non-winter months (off-peak demand periods) using contracted supply and buying monthly and daily volumes to fill storage.

Q. HOW DOES GAS SUPPLY DETERMINE THE COMBINATION OF GAS RESOURCES, CONTRACTS AND SUPPLIERS INCLUDED IN ITS OVERALL PORTFOLIO?

A. The Company’s overall portfolio factors in historical weatherized usage and optimizes a portfolio of supply contracts, storage, and various transportation parameters over 16 different upstream pipelines serving 164 city gates. With low baseload usage during the summer and the potential for extremely high usage during critical peak day demands throughout the winter heating season, it is important for the Company to ensure that its gas supply, storage, and transportation requirements are reliable and flexible to meet these variations in customer demands. The overall portfolios are reviewed and implemented annually in advance of the winter season to ensure all contracts are competitively bid and in place to meet the requirements for the warmest day and the coldest peak day demand, if needed. This process is intended to result in a cost for purchased gas for our customers, when compared to a market index, that is consistent with the reliability and flexibility needed to meet customers’ usage requirements.

Q. HOW DOES GAS SUPPLY FORECAST CUSTOMER DEMAND SO IT CAN BE PREPARED TO MEET THAT DEMAND THROUGH ITS OVERALL GAS SUPPLY PORTFOLIO?

A. Gas Supply reviews and utilizes load studies and historical peak day usage to determine design or peak day to determine customer demand. Gas Supply then ensures it has secured enough upstream pipeline capacity from our pipeline providers as well as supply contracts in our annual supply portfolio to meet a peak day event.

VIII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

**STATE OF TEXAS § **
§
COUNTY OF TRAVIS §

AFFIDAVIT OF NICOLE A. SIMMONS

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

1. "My name is Nicole A. Simmons. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Director of Gas Supply for Texas Gas Service Company 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 this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Nicole A. Simmons
Nicole A. Simmons

SUBSCRIBED AND SWORN TO BEFORE ME by the said Nicole A. Simmons on this 15th day of July 2021.

MARY L PENA
NOTARY PUBLIC
ID# 11652311
State of Texas
Comm. Exp. 05-13-2023

Mary L. Pena
Notary Public in and for the State of Texas

Exhibit NAS-1 is Confidential
and will be provided pursuant to the terms of the Protective Order.

Exhibit NAS-2

ConocoPhillips

Clint Stockman
ConocoPhillips Company
Commercial, Gas & Power
16930 Park Row Drive, SP1 – 20th Fl.
Houston, Texas 77084
PO Box 2197
Houston, Texas 77252-2197
(281) 293-1681 – Phone
(281) 293-6303 – Fax

Texas Gas Service Company a division of ONE Gas Inc
Fax: 512-476-4966
Email: TGSGasSupply@onegas.com

Date: February 16, 2021

Re: Notice of Force Majeure Affecting the Louisiana, Oklahoma, Texas, Kansas and New Mexico Regions

To Whom It May Concern:

This letter will serve as written notice that a Force Majeure event as described in the agreement between ConocoPhillips Company ("COP") and the entity receiving this Notice is currently occurring within the Louisiana, Oklahoma, Texas, Kansas and New Mexico regions of the United States. Therefore, COP is declaring a Force Majeure event under the agreement and may not be able to deliver or receive certain Gas quantities, in whole or in part, beginning February 10, 2021 and continuing until further notice or full restoration of production, transportation and reliable Gas supply is secured. This Force Majeure event may result in either full or partial suspension of receipt, delivery and/or supply obligations by COP, such obligations being excused under the agreement. COP is using reasonable efforts to effectuate delivery, receipt and/or secure supply, however given the geographic footprint of this Force Majeure event, performance may be difficult or impossible. As such, COP hereby gives notice, without waiving any rights available to it, that receipt and/or delivery of Gas may be impacted, delayed or curtailed, in whole or in part. In the event that COP has not received, delivered or cannot receive or deliver Gas during this time specified herein, there will be no damages due by COP as set forth in the agreement.

COP regrets any inconvenience this has caused or may cause. Please be assured we are using reasonable efforts to avoid any adverse impacts of this situation. If you have any questions regarding this notice or require additional information, please do not hesitate to contact me at (281) 293-1681.

Sincerely,

Clint Stockman

Clint Stockman
Manager, L48 Gas Marketing and Trading

eco-energy
FUELING SOLUTIONS

February 16, 2021

Attn: Legal Notices

Re: Force Majeure Notice – Extreme Cold Weather Conditions

Dear Madam/Sir:

Eco-Energy Natural Gas, LLC (Eco-Energy) is issuing this notice of Force Majeure due to extreme cold weather conditions that are causing supply freeze-offs, equipment and processing plant operations shut-ins, and interconnect delivery pressure limitations throughout the geographic region applicable to the contractual agreement(s) with your company. This Force Majeure event, which began on February 13, 2021, is expected to continue through at least Monday, February 22, 2021.

For the duration of the Force Majeure event, all applicable obligations under any NAESB Transaction Confirmation are suspended in accordance with Section 11 of the NAESB.

If you have any questions, please call me directly at (615) 645-4491. We sincerely appreciate your patience and understanding in this matter.

Thank you,

Kevin Humpich
Vice President, Natural Gas
Eco-Energy, LLC
(615) 645-4491
kevinh@eco-energy.com

From: McCoy, Karen B.
To: Cole, Bria D.; Coogler, Amanda L.; Krause, Craig M.; Leigh, Pamela; Noll, Brian M.; Quinn, Jeff E.; Simmons, Nicole A.; Sybille, Joann F.
Subject: FW: Notice of Force Majeure - ETC Marketing, Ltd.
Date: Saturday, February 20, 2021 8:52:11 AM
Attachments: image001.jpg
image002.jpg

From: Gray, Jennifer <Jennifer.Gray@energytransfer.com>
Sent: Friday, February 19, 2021 4:43 PM
To: Gas Supply <GasSupply@onegas.onmicrosoft.com>
Subject: [External] Notice of Force Majeure - ETC Marketing, Ltd.

WARNING: This email was sent from an EXTERNAL source. Use extreme caution when clicking links or opening attachments. Please forward suspicious email to phishingreport@onegas.com.

February 19, 2021

Texas Gas Service Company, a division of ONE Gas, Inc.
Attn: Contract Administration; TGSGasSupply@onegas.com

RE: NOTICE OF FORCE MAJEURE:
Transaction Confirmation(s) subject to the following Agreement between Party and ETC Marketing, Ltd. ("ETCM") (collectively the "Agreements"):
Party: Texas Gas Service Company, a division of ONE Gas, Inc.
Agreement Date: 10/1/2007
Agreement Number: 1084

Dear Sir or Madam:

Due to severe winter weather conditions, the Governor of the State of Texas issued a State of Disaster for all 254 counties in Texas on February 12, 2021. Additionally, the Texas Railroad Commission issued an Emergency Order ("Order') on February 12, 2021. The Order prioritizes sales of natural gas to utilities, local distribution companies, residences, churches, schools, hospitals, and electric generation facilities which serve human needs customers ("Human Needs Suppliers"). The severe weather has caused enormous strain on the ability of the Human Needs Suppliers to serve their customers.

ETCM has received Notices of Force Majeure affecting its Gas supply for the above Agreement(s) and there is not replacement Gas available. In compliance with the Order, ETCM claims Force Majeure under the above Agreement(s), effective as of the date of the Order and continuing until further notice in order to prioritize the gas needs of the Human Needs Suppliers.

ETCM thanks you for working together with us to keep Gas flowing to the Human Needs Suppliers.

Very truly yours,

ETC Marketing, Ltd.
By: LGM, LLC, its general partner

By: ____________________________
Melissa Chambers
Director

TENASKA® MARKETING VENTURES

14302 FNB Parkway
Omaha, Nebraska 68154-5212
402-691-9500
FAX: 402-691-9526

February 24, 2021

VIA FACSIMILE: 512-476-4966

Texas Gas Service Company, a division of ONE Gas, Inc.
Attn: Contracts/Legal Department
1301 S. MoPac Expressway, Suite 400
Austin, TX 78746

Re: Notice of Force Majeure
Base Contract for Sale and Purchase of Natural Gas dated August 1, 2003,
between Texas Gas Service Company, a division of ONE Gas, Inc. and Tenaska Marketing Ventures

Pursuant to Section 11 of the above-referenced agreement, this letter serves as written notification of the occurrence of a Force Majeure event beginning February 12, 2021 affecting performance by Tenaska Marketing Ventures under the above-referenced agreement in part or in whole. This Force Majeure event is due to extreme winter weather conditions resulting in freezing and other impacts causing cuts, curtailments and other failures of natural gas supply and/or transportation.

Should you have any questions concerning the foregoing, please do not hesitate to contact me at 402-758-6228 or JDeever@TENASKA.com.

Sincerely,

Joanna Deever

Joanna Deever
Contract Administrator

CT-033324

Exhibit NAS-2
Page 6 of 8

XTO Energy Inc.
22777 Springwoods Village Parkway
Spring, TX 77389

David R. Attwood

February 17th, 2021

RE: Notice of Force Majeure event; NAESB Contract(s)

To Whom It May Concern,

This is to follow up on the oral notice of the Force Majeure event that XTO Energy Inc. ("XTO") provided on February 15, 2021.

Since on or around February 12, 2021, XTO Energy Inc. ("XTO") has been experiencing and is continuing to experience an unprecedented weather event that has affected supply, demand, transportation, processing, and delivery of gas across the south, including New Mexico, Texas, Oklahoma, Louisiana, Arkansas, Mississippi and Alabama. This continuing weather event has caused freezing, failure, interruption of operations and repairs, and shut in of wells, fields, gathering lines, plants, and pipelines. Additionally, there are ongoing interruptions and curtailments of gathering, processing, transportation and deliveries by third parties. Further, there are emergency governmental orders, including from the Railroad Commission of Texas and Louisiana Department of Natural Resources' Office of Conservation, setting priorities for deliveries of gas. All of which have severely impacted and are continuing to impact the availability of gas.

As a result of all these circumstances, deliveries under your contract(s) have been and will continue to be impacted. This constitutes a Force Majeure event under the terms of your contract(s) with XTO, and any failure to perform by XTO is excused.

This is an evolving and fluid situation, with weather and operating conditions changing daily, if not hourly. Although we are diligently investigating ways to overcome or reduce the impacts of the weather event, we do not know how long this will continue.

We understand that these are extraordinary circumstances, and we will keep you updated on our progress to return to normal operations.

XTO reserves all rights under the contract(s), including the right to supplement this notice.

Sincerely,

David R. Attwood

David R. Attwood
Agent & Attorney-in-Fact
XTO Energy Inc.

Enterprise Products

ENTERPRISE PRODUCTS PARTNERS L.P.
ENTERPRISE PRODUCTS HOLDINGS LLC
(General Partner)

ENTERPRISE PRODUCTS OPERATING LLC
ENTERPRISE TEXAS PIPELINE LLC

Date: February 17, 2021

RE: FORCE MAJEURE – Wilson Storage

Due to the severe weather event impacting our entire geographic region, beginning at 11:00 a.m. Central time on February 15, 2021, Enterprise Texas Pipeline LLC (“Enterprise”) experienced a force majeure event impacting operations at the Wilson Storage facility. This letter serves as a “force majeure” notice pursuant to Article XVII of Enterprise’s Statement of Operating Conditions for Storage Service. Enterprise will update you when we are able to return the facility to normal operations.

Enterprise values your business, and we apologize for any inconvenience resulting to you from this force majeure event. If you have questions, please contact your Commercial or Scheduling Representative.

Thank you.

Dan Burns,
Vice President

PO Box 4324
Houston, Texas 77210-4324
713.381.6500

1100 Louisiana Street
Houston, Texas 77002-5227
www.enterpriseproducts.com

CIMA
ENERGY LP

February 22, 2021 Sent Via Fed Ex & Fax – 512-476-4966

Texas Gas Service Company,
a division of One Gas, Inc.
1301 S. Mopac Expressway, Suite 400
Austin, TX 78746
Attn: Contract Administration

RE: **Notice of Force Majeure**; commencing on or about February 12, 2021 and continuing until further notice.

Pursuant to the Force Majeure provision of our agreement you are hereby notified of an event of Force Majeure which began to occur on or about the above referenced date and is expected to continue until further notice.

The Force Majeure event was brought about by the extreme weather conditions causing freezing issues throughout most of the United States over the past week, and as a direct result thereof, CIMA, due to no fault of its own, was unable to receive upstream gas, and/or deliver gas to your company.

We will continue to monitor the weather and let you know when the condition changes.

Sincerely,

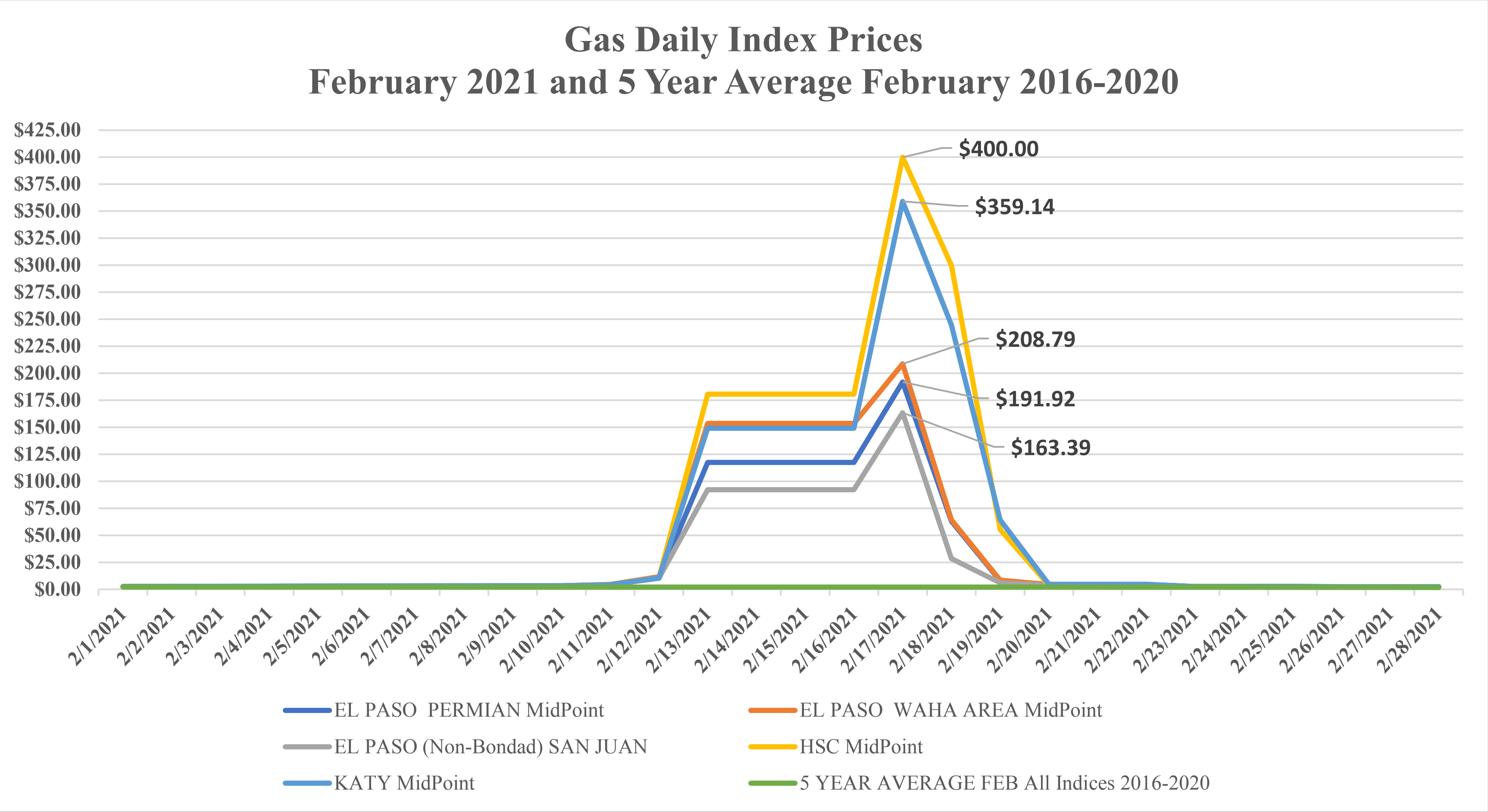
Thomas K. Edwards

Thomas K. Edwards
President

CIMA ENERGY, LP ◆ 1221 McKinney, Suite 3700 ◆ Houston, Texas 77010 ◆ (713) 209-1112 ◆
www.cimaenergy.com

Exhibit NAS-3 is Confidential
and will be provided pursuant to the terms of the Protective Order.

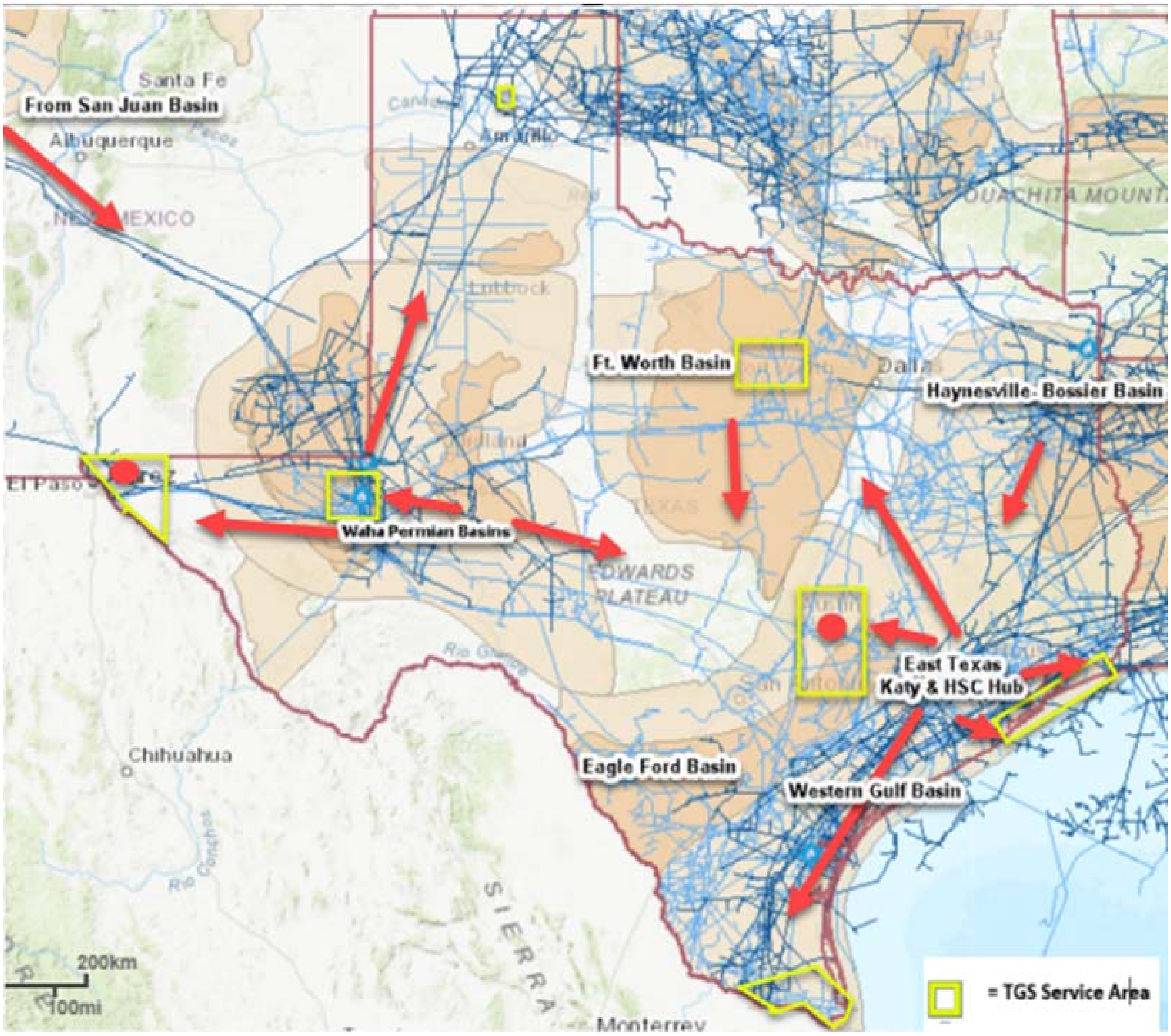
Exhibit NAS-4
Page 1 of 1



Exhibits NAS-5 through NAS-6 are Confidential
and will be provided pursuant to the terms of the Protective Order.

Exhibit NAS-7

TGS Supply Hubs and Service Areas



CASE NO. 00007069

APPLICATION OF TEXAS GAS	**§**	**BEFORE THE**
SERVICE COMPANY, A DIVISION OF	**§**	
ONE GAS, INC., FOR RATE RELIEF	**§**	**RAILROAD COMMISSION**
RELATED TO WINTER STORM URI	**§**	
AND A REGULATORY ASSET	**§**	**OF TEXAS**
DETERMINATION	**§**	

DIRECT TESTIMONY

OF

MARK W. SMITH

ON BEHALF OF

TEXAS GAS SERVICE COMPANY

July 30, 2021

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EXHIBIT MWS-2	ONE Gas, Inc., Form 8-K
EXHIBIT MWS-3	Summary of Financing Costs
EXHIBIT MWS-4	Financing Scenarios
EXHIBIT MWS-5	Calculation of Carrying Costs
EXHIBIT MWS-6	Calculation of Monthly Weighted Average Cost of Debt

DIRECT TESTIMONY OF MARK W. SMITH

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Mark W. Smith. My business address is 15 East Fifth Street in Tulsa, Oklahoma.

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

A. I am Vice President and Treasurer 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 recover extraordinary costs incurred as a result of Winter Storm Uri that have been booked to a Regulatory Asset account.

Q. WHAT ARE YOUR RESPONSIBILITIES AS VICE PRESIDENT AND TREASURER FOR ONE GAS?

A. I am responsible for the ONE Gas Accounts Payable Department, Risk and Insurance Department, captive insurance company, Payroll Department, Benefit Accounting Department, Travel and Expense Department, and various investments. I am also responsible for ONE Gas' Finance department, which is responsible for the daily cash operations of ONE Gas, as well as the modeling and issuing of long-term financing to meet the needs of ONE Gas and its operating divisions in Texas, Kansas, and Oklahoma.

Q. PLEASE DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I have a Bachelor of Science in Accounting from Oklahoma State University and a Master’s in Business Administration from Phillips University. I am also a CPA. I have testified in cases before the Oklahoma Corporation Commission, the Kansas Corporation Commission, the Railroad Commission of Texas (“Commission”) and the Federal Energy Regulatory Commission. I have worked for ONE Gas or ONEOK, Inc., for over 34 years in areas that include Rates and Regulatory, Corporate Accounting, Budgeting, Corporate Development and, for the last 19 years, Treasury.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes, I filed testimony in Gas Utilities Docket Nos. 10506, 10526, 10739, 10766 and 10928 in Texas.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, it was.

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

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

Q. ARE YOU SPONSORING ANY SCHEDULES TGS IS PROVIDING WITH ITS REQUEST IN THIS CASE?

A. Yes, I am co-sponsoring Schedule F, Interim Financing Costs.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. During Winter Storm Uri, ONE Gas management determined that obtaining financing was necessary to provide ONE Gas the liquidity it needed to provide adequate assurance and pay for TGS's gas costs so service could be maintained to customers. My testimony covers the following: (1) the identification of the steps taken by the Company during Winter Storm Uri to obtain financing so ONE Gas could maintain the liquidity it needed to provide adequate assurance and pay for the extraordinary gas costs incurred by the Company so service could be maintained to customers; (2) an explanation of what is meant by the terms adequate assurance and liquidity as they relate to ONE Gas' ability to pay the extraordinary costs in order obtain natural gas supplies for its customers during Winter Storm Uri; and (3) the support for the reasonableness and necessity of the financing costs incurred by ONE Gas, including carrying costs, that the Company is seeking to recover in this matter through the Regulatory Asset. The financing and carrying costs identified in my testimony qualify as extraordinary gas procurement costs TGS incurred in response to Winter Storm Uri and fall within the scope of the Notice to Gas Utilities the Commission issued on June 17, 2021 ("June Notice"). The June Notice directed utilities to make regulatory asset determination filings and references participation in securitization of extraordinary costs.

III. TREASURY DECISIONS RELATED TO GAS PROCUREMENT DURING WINTER STORM URI

Q. HOW WOULD YOU DESCRIBE ONE GAS' FINANCIAL STATE DURING TYPICAL OPERATIONS, PRIOR TO WINTER STORM URI?

A. Prior to Winter Storm Uri, ONE Gas was a highly rated company with sufficient liquidity to meet its ongoing operations and capital spending plan with only periodic needs for the issuance of long-term debt or equity and had a debt rating of "A, stable" from S&P and a rating of "A2, stable" from Moody's. At December 31, 2020, ONE Gas had a capital structure that was made up of $2.2 billion in equity and $1.6 billion in long-term debt. The combination of long-term debt with these credit ratings and revolving credit facilities was sufficient to allow ONE Gas to finance its ongoing operations and capital spending plan for the coming years. If ONE Gas did not hold such a high rating, it would have been even more difficult to raise the amount of capital it needed to cover these extraordinary gas purchase costs.

Q. WHAT WERE TREASURY'S PRIORITIES AS THE IMPACTS OF THE STORM BECAME APPARENT?

A. Treasury makes financing decisions at a ONE Gas level on behalf of all three of the company's divisions: Texas Gas Service, Kansas Gas Service, and Oklahoma Natural Gas. The winter weather affected all three states in which ONE Gas' divisions operate, and Treasury was tasked with addressing three primary issues, all of which related to cash liquidity needs. The first issue was taking necessary steps to provide adequate assurance to our creditors (gas suppliers in this situation). ONE Gas needed to provide information to demonstrate that TGS would be able to pay for the gas it was purchasing so it could continue to provide service to customers. The second issue was to borrow enough cash to ensure TGS could pay for the gas that had been purchased on customers' behalf. The third issue was to ensure that, following the storm, ONE Gas and its divisions were in a position to continue to operate in the same manner as prior to this event.

Q. PLEASE EXPLAIN THE TERMS "LIQUIDITY" AND "ADEQUATE ASSURANCE."

A. "Liquidity" as I have used the term is the available cash and borrowing capacity in place for a company. "Adequate assurance" is a term used in the base contract for sale and purchase of natural gas, which is based on a standard established by the North American Energy Standards Board ("NAESB"). Exhibit MWS-1 shows the standard language used in Section 10 of a NAESB contract related to Financial Responsibility. Another way to think about "adequate assurance" is when there are reasonable grounds to assert that the purchaser of the natural gas supplies may be unable to pay for the natural gas, the seller may request the purchaser provide what is referred to as "adequate assurance" that it will be able to pay the seller for the natural gas supplies. In a NAESB contract, adequate assurance can be given in several forms including (1) a company's debt rating, which is a proxy for the probability of bankruptcy, (2) an early cash payment (prepayment), (3) an irrevocable letter of credit, (4) a corporate guarantee of a subsidiary by its parent, or (5) security interest in an asset. In essence, these items help guarantee that the supplier will be paid timely.

Q. WAS THERE A POINT IN TIME WHEN ONE GAS REALIZED THAT IT WOULD NOT BE ABLE TO FINANCE GAS PURCHASES DURING WINTER STORM URI THROUGH TYPICAL MEANS?

A. Yes, on Thursday, February 11, 2021, TGS's Gas Supply department began to see natural gas prices spike as TGS Operations was preparing for the severe weather, and what turned out to be, a sustained winter storm, affecting all three states in which ONE Gas operates. ONE Gas was faced with several gas supply issues: high customer demand; the inability of gas suppliers to deliver gas; and spiking commodity prices. The significant increase in the price for the daily purchases on Friday, February 12, coincided with the holiday weekend, which required the Company to procure gas on Friday, February 12 for a four-day period (Saturday, Sunday, Monday, and Tuesday), because Monday, February 15, was Presidents' Day and the financial markets and banks were closed in observance of the national holiday.

ONE Gas faced a liquidity problem due to the unprecedented increase in the natural gas commodity costs and high customer demand caused by Winter Storm Uri. ONE Gas needed to access additional cash, or liquidity, provide adequate assurance and pay for gas purchases when those payments were due (generally on or around March 25, 2021) in order to have enough supply to serve its customers. If ONE Gas or TGS could not have provided adequate assurance, suppliers would have refused to sell gas to the Company and TGS would have been without sufficient gas supplies for its customers. Soon after the settlement prices were fixed for the commodity purchases made on Friday, February 12, ONE Gas determined it did not have enough liquidity to pay for the gas costs associated with Winter Storm Uri.

Q. HOW DID WINTER STORM URI IMPACT ONE GAS' ABILITY TO FILE ITS FINANCIAL STATEMENTS?

A. ONE Gas had to delay the filing of its annual Form 10-K due to the winter storm event and ONE Gas not having sufficient liquidity under its existing liquidity sources to pay for the associated gas it was purchasing for its customers. In connection with preparing financial statements, ONE Gas management must evaluate the entity's ability to continue as a going concern based on conditions and events that are relevant to its ability to meet its obligations as they become due within one year after the date that the financial statements are issued (based on ASU205-40-50). If ONE Gas is unable to determine it has the ability to continue as a going concern, its auditors would be required to issue an opinion on the financial statements that there is substantial doubt as to the entity's ability to continue as a going concern, which would not be an unqualified or "clean" audit opinion. The inability to file audited financials with a clean audit opinion would be a default under ONE Gas' credit facilities and would have triggered a cross-acceleration clause on all of ONE Gas' existing debt. This result would have effectively made all of ONE Gas' debt due and payable upon demand and would have effectively prevented ONE Gas from accessing the public capital markets.

Q. WAS ONE GAS' DIVISION IN TEXAS, TGS, THE ONLY GAS UTILITY AFFECTED BY HIGH GAS PRICES DURING THE STORM?

A. No. It quickly became apparent that all gas utilities operating within the same footprint as ONE Gas, including Texas, faced an unprecedented increase in natural gas prices during Winter Storm Uri. For example, on Thursday, February 18, 2021, the cost of gas peaked in Oklahoma at a price of $1,250/Dth; in Texas for the Houston Ship Channel on Wednesday, February 17, 2021, at $400/Dth; and in Kansas the price for gas on Southern Star peaked on February 17, 2021, at $629.79/Dth. Further, during the storm on Friday, February 19, Atmos Energy Corporation filed a Form 8-K with the Securities and Exchange Commission stating that its gas purchases would range between $2.5 billion to $3.5 billion. This disclosure gave investors, suppliers and other stakeholders an indication that other utilities in the same footprint could be facing natural gas procurement costs of a similar magnitude. Considering these circumstances, suppliers became concerned and sought adequate assurance from ONE Gas.

Q. DID ONE GAS' FINANCIAL STATE SHIFT OR CHANGE AS WINTER STORM URI CREATED UNPRECEDENTED AND EXTRAORDINARY GAS PRICES?

A. Yes, after ONE Gas put a term loan in place and issued a Form 8-K explaining the potential exposure to ONE Gas resulting from the extraordinary storm related commodity costs. Consequently, S&P downgraded ONE Gas' debt rating by two notches to "BBB+, negative outlook" and Moody's downgraded its debt rating by one notch to "A1, negative outlook." These lower debt ratings will result in all the future debt issued by ONE Gas to be at a higher rate, including the bonds that were issued to replace the term loan, as I discuss later in my testimony. Once these bonds were issued in March 2021, ONE Gas' outstanding long-term debt increased to $4.1 billion from $1.6 billion.

A. Financing of Gas Supply Costs

Q. HOW DID ONE GAS ADDRESS THE LIQUIDITY CHALLENGE?

A. ONE Gas' legal team, treasury team, senior management, Board of Directors and its banks worked throughout the weekend of February 20, 2021, to arrange financing, which included consultations with legal and financial experts and ONE Gas' external auditor. Bank of America N.A.'s ("Bank of America") credit committee approved a term loan on Sunday night, February 21, 2021, and ONE Gas held a board meeting on the morning of February 22, 2021, before the market opened to approve the term loan. More specifically, ONE Gas entered into a credit agreement ("Term Loan Credit Agreement") with Bank of America, which provided for the $2.5 billion unsecured term loan facility. At that time, ONE Gas did not know when the pricing related to the winter weather event was going to end or what ONE Gas' specific final financial needs would be related to potential penalties and other costs related to the winter storm event. Securing a loan like this was critical to show that ONE Gas and its divisions had financial means to pay for the gas it was purchasing and to show the rating agencies that ONE Gas had successfully financed these costs related to Winter Storm Uri.

Prior to the market opening on Monday, February 22, the ONE Gas Board approved the loan and ONE Gas issued a Form 8-K stating that its gas costs across the three divisions could be as high as $2.2 billion, and that ONE Gas had secured a term loan in the amount of $2.5 billion to pay for the anticipated gas supply costs and other extraordinary costs associated with the storm. Exhibit MWS-2 is a copy of ONE Gas' Form 8-K issued in February 2021. Subsequently, as I explain below, ONE Gas immediately began exploring ways to reduce the cost of financing these extraordinary gas purchase costs and determined the best solution was to refinance the term loan with an issuance of a combination of two- and three-year public unsecured senior notes.

Q. PLEASE DESCRIBE THE TERM LOAN CREDIT AGREEMENT ENTERED INTO BY ONE GAS.

A. Term loans are typically used as bridge financing for acquisitions and for very short-term liquidity needs. These types of loans typically contain mechanisms that cause the cost to increase over time to encourage the issuer to replace them with more permanent financing. The Term Loan Credit Agreement had a maturity of two years after the loans were to be funded under the Agreement. The loans carried interest at a "Eurodollar Rate" or a "Base Rate" plus a margin specified in the agreement that adjusted based on ONE Gas' debt ratings and the outstanding amount of the loans remaining under the Term Loan Credit Agreement. The interest rate on the note also increased each quarter and had a mechanism that required additional payments on any amounts outstanding over $1.0 billion. The terms of the loan were reasonable considering ONE Gas' financial needs and available loan options at the time. In addition, ONE Gas was required to pay financing costs, which included bank fees, underwriters' fees, attorney's fees, printer's fees, and rating agency fees. The total costs associated with the term loan are shown in Exhibit MWS-3.

Q. WHY DID ONE GAS OBTAIN THE $2.5 BILLION TERM LOAN CREDIT AGREEMENT?

A. After determining ONE Gas needed additional liquidity to purchase gas during the storm, ONE Gas had limited options for financing the extraordinary gas costs it expected its divisions to incur and to provide adequate assurance. Prior to arranging the term loan, ONE Gas was unable to access the public debt markets due to a lack of liquidity that led to an inability to issue its Form 10-K with a "clean" audit opinion and to obtain a credit rating on a new public debt issuance. Thus, ONE Gas had two options. The first option was a private loan, and the second option was a term loan. Securing a term loan that allowed ONE Gas to refinance prior to drawing on the term loan was deemed the most efficient and cost-effective way to obtain immediate access to the level of cash ONE Gas needed to meet its obligations.

Q. PLEASE DESCRIBE THE TERMS AND BENEFITS OF THE TWO- AND THREE-YEAR NOTES THAT ONE GAS OBTAINED TO REPLACE THE ORIGINAL TERM LOAN CREDIT AGREEMENT, AND WHICH WERE ULTIMATELY USED TO FINANCE THE EXTRAORDINARY GAS COSTS.

A. On March 11, 2021, ONE Gas issued $1.0 billion of 0.85 percent senior notes due in 2023, $700 million of 1.10 percent senior notes due in 2024, and $800 million of floating-rate senior notes due in 2023. The floating-rate senior notes bear interest at a rate equal to three-month London Interbank Offered Rate ("LIBOR") plus 61 basis points per year, which is reset quarterly for the applicable interest period (0.79% at March 31, 2021). The terms of the replacement financing are reasonable given the options available in the market and the desire to replace the original loan with lower-cost financing. The net proceeds from the issuance were used for payment of gas purchase costs and other liquidity issues resulting from Winter Storm Uri. These costs included the financing costs, which included bank fees, consulting fees, underwriter fees, attorney fees, printer fees, and rating agency fees. The cost to issue these notes are also detailed on Exhibit MWS-3.

Q. WHY DID ONE GAS REFINANCE THE TERM LOAN TWO WEEKS LATER WITH TWO- AND THREE-YEAR PUBLIC NOTES?

A. Once the term loan was in place, ONE Gas was able to provide adequate assurance and issue its Form 10-K with a clean audit opinion, and the rating agencies had revised their ratings of ONE Gas' debt making it both reasonable and possible for ONE Gas to pursue a more cost-efficient way to finance the extraordinary costs related to the winter weather event. ONE Gas considered several options and was aware that all three states in which ONE Gas operates were considering securitization legislation. Because the period over which the extraordinary costs would be recovered was unknown and based on the possibility of securitization legislation or other forms of cost recovery, ONE Gas believed it would be prudent to maintain flexibility and determined that two- and three-year public notes that are callable at par after six months would be the best option to refinance the $2.5 billion term loan until the recovery period was determined and it became known whether securitization would be an option. Callable notes allow ONE Gas the flexibility to refinance the borrowings after six months without paying a penalty for retiring the debt early. Thus, the notes can be called and repaid with the proceeds from securitized bonds or replaced with other permanent financing that aligns with the period over which the costs will be recovered.

Q. IN YOUR OPINION, WAS ONE GAS' DECISION TO OBTAIN LOANS TO FINANCE EXTRAORDINARY GAS PURCHASE COSTS, INCLUDING THE REPLACEMENT FINANCING ONE GAS OBTAINED, REASONABLE?

A. Yes. ONE Gas needed additional liquidity to make gas purchases during the storm, and those purchases were necessary to continue to provide service to customers. The initial Term Loan Credit Agreement was a reasonable way to obtain that necessary liquidity. The replacement financing was also a reasonable decision that will result in lower costs going forward. To show the cost savings generated by the issuance of the two- and three-year notes and terminating the Term Loan Credit Agreement, please see Exhibit MWS-4. ONE Gas' need to obtain financing to pay for gas purchases aligns with the understanding of the relevant facts that existed at the time related to extraordinarily high market prices for natural gas and other costs that would not have been incurred if the storm had not happened. Further, the Commission recognized these conditions, including the cost impact on customers, in its Notice authorizing the creation of the Regulatory Asset that TGS seeks to recover in this case. The Commission's Notice states that it "is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ('LDCs') may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service." The loans ONE Gas obtained allowed TGS to do just that—to make necessary gas purchases to provide service to its customers during the severe weather conditions.

Q. WHAT OUTCOME COULD HAVE RESULTED IF ONE GAS DID NOT OBTAIN THE $2.5 BILLION TERM LOAN?

A. Gas suppliers were requiring ONE Gas to provide adequate assurance under their contracts, which could have resulted in cash margin payments. Cash margin payments are prepayments to assure the supplier that the gas will be paid for, and the supplier would be held harmless should the company not be able to pay. Based on the estimated amount of gas purchases up to $2.5 billion, ONE Gas did not have enough cash or borrowing capacity to meet these payments and continue normal operations. That ultimately means that without the Term Loan Credit Agreement, TGS would not have been able to obtain and purchase the gas it needed to serve customers.

Q. HOW MUCH OF THE $2.5 BILLION DID TGS REQUIRE FOR PURCHASING GAS AND OTHER STORM-RELATED COSTS?

A. Ultimately once payments and the actual deliveries are reconciled, nearly $279.6 million (prior to carrying costs) of the total $2.5 billion was attributable to TGS for gas purchases and other extraordinary costs related to the storm. These extraordinary expenses were necessary to maintain service to customers in Texas.

With carrying costs, the total extraordinary gas procurement costs are expected to total approximately $290.1 million on August 31, 2022.

B. Financing Costs in Regulatory Asset

Q. DOES ONE GAS TYPICALLY INCUR FEES WHEN IT OBTAINS FINANCING AS IT DID WITH THE TERM LOAN CREDIT AGREEMENT AND REPLACEMENT FINANCING?

A. Yes. Fees for the bank, underwriters, attorneys, printer and rating agencies are common fees incurred when obtaining financing. The fees also indicate that ONE Gas tapped into the necessary expertise it normally requires to structure and obtain the financing.

Q. ARE THE FEES REASONABLE?

A. Yes. The fees ONE Gas incurred are standard fees that are a necessary cost of obtaining financing. The bank and underwriters' fees are based on the overall amount of the loan. Attorney fees were billed hourly, which is standard practice for the lawyers ONE Gas and its bank uses for these transactions. Fees for the printer and rating agencies are based on standard rates issued by the service providers. The interest rates on the term loan and the replacement financing reflect the risk premium that the banks and the investors placed on the two transactions.

Q. WHAT AMOUNT OF THE FINANCING COSTS FOR THE TERM LOAN AND REPLACEMENT REFINANCING WERE ALLOCATED TO TGS?

A. Each ONE Gas division was allocated a portion of the financing costs based on its portion of the total gas costs incurred by all three divisions during the storm. TGS's portion of the gas costs is approximately 14.4%, which amounts to $5.2 million in up-front financing costs. In Exhibit MWS-3, I provide the calculation of this amount.

Q. ARE THE FINANCING COSTS INCLUDED IN THE REGULATORY ASSET AMOUNT TGS SEEKS TO RECOVER?

A. Yes. The $5.2 million in financing costs incurred for both loans are reasonable and necessary "extraordinary costs" that would not have been incurred but for Winter Storm Uri. Financing fees are a typical cost of issuing debt and are properly recovered through the Regulatory Asset. These costs are also mentioned in the Commission's June Notice as appropriate costs to seek to recover in this case.

Q. FROM A TREASURY OR FINANCIAL PERSPECTIVE, HAVE YOU PREVIOUSLY EXPERIENCED CIRCUMSTANCES LIKE THOSE OCCURRING DURING WINTER STORM URI?

A. No. Given the geographic scale, intensity and duration of this weather event, ONE Gas had never faced a liquidity crisis like the one it faced in February 2021 due to the winter storm. Additionally, in my 19 years in Treasury, I have never seen circumstances that impacted liquidity this significantly. To put the situation in perspective, ONE Gas issued more debt on March 11, 2021 ($2.5 billion) than it had outstanding in long-term debt at the time of the storm ($1.6 billion). Similarly, no event specific to Texas comes close to approximating the circumstances TGS dealt with to maintain safe and reliable service to residential and other human needs customers.

IV. CARRYING COSTS INCLUDED IN REGULATORY ASSET

Q. WHAT AMOUNT OF CARRYING COSTS IS INCLUDED IN TGS'S REGULATORY ASSET?

A. As of the end of June 2021, carrying costs of $784,000 have been included in TGS's Regulatory Asset. Using the timeline set out by the new provisions in Chapter 104 of the Texas Utilities Code related to securitization, TGS has included actual and estimated carrying costs that total $3.8 million through August 31, 2022, in the Regulatory Asset. Exhibit MWS-5 to my direct testimony shows the development of these costs.

Q. HOW WERE THOSE COSTS CALCULATED?

A. I have used the monthly weighted average cost of debt (0.9021 percent at March 31, 2021) for the three notes that were issued in March 2021 to finance these extraordinary winter storm costs. Exhibit MWS-6 to my direct testimony shows this calculation. Note that one of the notes is a floating rate note and will be updated quarterly through March 31, 2022. I have used a forward strip (which is an average of several banks' estimates of future prices) for the Three-Month LIBOR as of March 2021 to calculate the change in the interest rates.

Q. WHY HAVE YOU CHOSEN TO USE THE WEIGHTED AVERAGE COST ASSOCIATED WITH THE TWO- AND THREE-YEAR NOTES IN YOUR CARRYING COST CALCULATION?

A. Had this event not happened, ONE Gas would not have issued the notes. These notes were put in place specifically to cover the extraordinary gas cost and other associated winter storm costs. The cost of gas is passed through to customers through TGS's Cost of Gas clauses and TGS does not make a profit on gas cost.

Therefore, it is reasonable that the actual cost associated with financing the gas that TGS purchased during the storm be used in calculating the carrying cost.

Q. WHY HAVE YOU CALCULATED CARRYING COSTS THROUGH AUGUST 31, 2022, THE PROJECTED DATE OF THE ISSUANCE OF THE SECURITIZED STATE BONDS?

A. ONE Gas will continue to carry the Regulatory Asset balance on its books until it receives the proceeds of the securitized bonds to be issued by the Texas Public Finance Authority, which is expected to occur by August 31, 2022.

Q. IS IT REASONABLE FOR TGS TO RECOVER THESE CARRYING COSTS?

A. Yes. Texas Utilities Code § 104.363 authorizes a gas utility to include carrying costs in the regulatory asset determination it requests the Commission to make. Carrying costs are also identified as a type of extraordinary gas procurement cost in the Commission’s June Notice. In addition, these carrying costs reflect actual costs ONE Gas incurred and continues to incur to obtain the financing necessary to enable TGS to make required gas purchases during the winter storm, and it is reasonable for TGS to be compensated for the length of time it will carry this deferred balance of extraordinary costs on its books.

V. <u>CONCLUSION</u>

Q. ARE THERE ANY OTHER RELEVANT CONSIDERATIONS REGARDING TGS’S RECOVERY OF ITS REGULATORY ASSET BALANCE THROUGH SECURITIZATION?

A. Yes. As I stated earlier, both rating agencies have our debt rating on negative outlook. If TGS is not able to get securitization financing put in place, the two and three-year notes would have to be refinanced with a combination of longer-term debt and equity similar to the capital structure prior to these issuances to maintain our now lower credit rating. This cost of capital would be at a higher rate than could be achieved through securitization.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

STATE OF OKLAHOMA §
§
COUNTY OF TULSA §

AFFIDAVIT OF MARK W. SMITH

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

1. "My name is Mark W. Smith. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Vice President - Treasury 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 this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

Mark W. Smith

Mark W. Smith

SUBSCRIBED AND SWORN TO BEFORE ME by the said Mark W. Smith on this 19th day of July 2021.

Stephanie McClanahan

Notary Public in and for the State of Oklahoma

STEPHANIE MCCLANAHAN
Notary Public
State of Oklahoma
Commission #00015049 Exp: 10/13/24

VERIFICATION

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

Mark W. Smith, being duly sworn upon his oath, deposes and states that he is Vice President Treasury for ONE Gas, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.

Mark W. Smith

Mark W. Smith

Subscribed and sworn to before me this 19th day of July 2021.

Stephanie McClanahan

NOTARY PUBLIC

My appointment Expires:

10/13/24

STEPHANIE MCCLANAHAN
Notary Public
State of Oklahoma
Commission #00015049 Exp: 10/13/24

SECTION 10. FINANCIAL RESPONSIBILITY

10.1. If either party ("X") has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party ("Y") (including, without limitation, the occurrence of a material change in the creditworthiness of Y or its Guarantor, if applicable), X may demand Adequate Assurance of Performance. "Adequate Assurance of Performance" shall mean sufficient security in the form, amount, for a term, and from an issuer, all as reasonably acceptable to X, including, but not limited to cash, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or guaranty. Y hereby grants to X a continuing first priority security interest in, lien on, and right of setoff against all Adequate Assurance of Performance in the form of cash transferred by Y to X pursuant to this Section 10.1. Upon the return by X to Y of such Adequate Assurance of Performance, the security interest and lien granted hereunder on that Adequate Assurance of Performance shall be released automatically and, to the extent possible, without any further action by either party.

10.2. In the event (each an "Event of Default") either party (the "Defaulting Party") or its Guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; or (ix) be the affected party with respect to any Additional Event of Default; then the other party (the "Non-Defaulting Party") shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.

10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the "Early Termination Date") for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a "Terminated Transaction". On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law ("Excluded Transactions"), which Excluded Transactions must be liquidated and terminated as soon thereafter as is legally permissible, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either "Early Termination Damages Apply" or "Early Termination Damages Do Not Apply" as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, "Contract Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and "Market Value" means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to "evergreen provisions") shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either "Other Agreement Setoffs Apply" or "Other Agreement Setoffs Do Not Apply" as indicated on the Base Contract.

Other Agreement Setoffs Apply:

Bilateral Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff any Net Settlement Amount against (i) any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; and (ii) any amount(s) (including any excess cash margin or excess cash collateral) owed or held by the party that is entitled to the Net Settlement Amount under any other agreement or arrangement between the parties.

Triangular Setoff Option:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option, and without prior Notice to the Defaulting Party, the Non-Defaulting Party is hereby authorized to setoff (i) any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract; (ii) any Net Settlement Amount against any amount(s) (including any excess cash margin or excess cash collateral) owed by or to a party under any other agreement or arrangement between the parties; (iii) any Net Settlement Amount owed to the Non-Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Non-Defaulting Party or its Affiliates to the Defaulting Party under any other agreement or arrangement; (iv) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party to the Non-Defaulting Party or its Affiliates under any other agreement or arrangement; and/or (v) any Net Settlement Amount owed to the Defaulting Party against any amount(s) (including any excess cash margin or excess cash collateral) owed by the Defaulting Party or its Affiliates to the Non-Defaulting Party under any other agreement or arrangement.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the "Net Settlement Amount"). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount against any margin or other collateral held by a party in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of the Net Settlement Amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount as well as any setoffs applied against such amount pursuant to Section 10.3.2, shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount as adjusted by setoffs, shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under "Money Rates" by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party's remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

(Date of report) February 22, 2021
(Date of earliest event reported) February 22, 2021

ONE Gas, Inc.
(Exact name of registrant as specified in its charter)

Oklahoma	**001-36108**	**46-3561936**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

15 East Fifth Street, Tulsa, OK
(Address of principal executive offices)

74103
(Zip code)

(918) 947-7000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

☐ 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. ☐

Exhibit MWS-2
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Item 1.01 Entry Into a Material Definitive Agreement

On February 22, 2021, ONE Gas, Inc., an Oklahoma corporation (“ONE Gas” or “we”), entered into a credit agreement (the “Credit Agreement”) with Bank of America, N.A., as administrative agent, and the lenders party thereto.

The Credit Agreement provides for a $2.5 billion unsecured term loan facility. Proceeds of the loans under the Credit Agreement will be available for natural gas purchases as a result of the 2021 winter weather events and the repayment of indebtedness. The Credit Agreement matures two years after the loans are funded under the Credit Agreement. The loans under the Credit Agreement will bear interest at a “Eurodollar Rate” or a “Base Rate” as specified in the Credit Agreement, plus a margin specified in the Credit Agreement which adjusts based on our debt ratings and the outstanding amount of loans remaining under the Credit Agreement. Outstanding loans or commitments under the Credit Agreement are required to be prepaid or reduced, as applicable, with the net cash proceeds received by ONE Gas or any of its subsidiaries from certain debt and equity issuances.

The Credit Agreement contains customary conditions to borrowing, and customary affirmative and negative covenants, including a financial ratio maintenance covenant. The Credit Agreement also contains various customary events of default, the occurrence of which could result in a termination of the lenders’ commitments and the acceleration of all of our obligations thereunder.

The foregoing description of the Credit Agreement is not complete and is in all respects subject to the actual provisions thereof, a copy of which has been filed as Exhibit 10.1 to this Current Report on Form 8-K and which is incorporated by reference herein.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

Information reported under Item 1.01 of this Current Report on Form 8-K is incorporated by reference in response to this Item 2.03.

Item 7.01 Regulation FD Disclosure

A historic winter storm in February 2021 impacted supply, market pricing and demand for natural gas in service territories of ONE Gas, which includes Kansas, Oklahoma, and Texas. During this time, the Governors of a number of states, including Kansas, Oklahoma, and Texas, declared a state of emergency, and certain regulatory agencies issued emergency orders that impacted the utility and natural gas industries, including statewide utilities curtailment programs and orders requiring jurisdictional natural gas and electric utilities to do all things possible and necessary to ensure that natural gas and electricity utility services continue to be provided to their customers.

Due to the historic nature of this winter storm, ONE Gas experienced unforeseeable and unprecedented market pricing for gas costs in our Kansas, Oklahoma, and Texas jurisdictions, which resulted in aggregated natural gas purchases for the month of February of approximately $2.2 billion. These purchases are generally payable at the end of March 2021.

ONE Gas has entered into the Credit Agreement described in further detail above in Item 1.01 and Item 2.03 to enhance its liquidity position as part of the financing of its natural gas purchases in order to provide sufficient liquidity to satisfy our ordinary course obligations, including those coming due in March, 2021 on account of the unprecedented winter weather storm.

As of February 22, 2021, ONE Gas has access to approximately $3.1 billion in total liquidity, including approximately $297 million in total cash and cash equivalent assets, $296 million available under its existing debt facilities and $2.5 billion in commitments under the Credit Agreement that are scheduled to fund during the week of March 22, 2021.

Our purchased gas costs are recoverable through our tariffs in each state where we operate. Due to the higher level of gas purchase costs during the 2021 winter event, we are working with our regulators in each state to extend the recovery periods of such costs in order to lessen the immediate impact to our customers.

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In that regard, the Kansas Corporation Commission issued an Emergency Order, and the Railroad Commission of Texas, each authorized certain utilities, including local natural gas distribution companies, to record a regulatory asset to account for the extraordinary expenses associated with this winter weather event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply. ONE Gas has also applied to the Oklahoma Corporation Commission to seek comparable authority in Oklahoma to record a regulatory asset to account for the extraordinary expenses associated with this winter event.

The information furnished in this Item 7.01 shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of ONE Gas' filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Forward-Looking Statements

Some of the statements contained and incorporated in this filing are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. The forward-looking statements relate to our anticipated financial performance, liquidity, management's plans and objectives for our future operations, our business prospects, the outcome of regulatory and legal proceedings, market conditions and other matters. We make these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include the items identified in the preceding paragraph, the information concerning possible or assumed future results of our operations and other statements contained or incorporated in this filing identified by words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "should," "goal," "forecast," "guidance," "could," "may," "continue," "might," "potential," "scheduled," "likely," and other words and terms of similar meaning.

One should not place undue reliance on forward-looking statements, which are applicable only as of the date of this filing. Known and unknown risks, uncertainties and other factors may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Those factors may affect our operations, costs, liquidity, markets, products, services and prices. In addition to any assumptions and other factors referred to specifically in connection with the forward-looking statements, factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement include, among others, the following:

- our ability to recover costs (including operating costs and increased commodity costs related to the recent winter weather storm), income taxes and amounts equivalent to the cost of property, plant and equipment, regulatory assets and our allowed rate of return in our regulated rates;
- our ability to manage our operations and maintenance costs;
- the concentration of our operations in Kansas, Oklahoma, and Texas;
- changes in regulation of natural gas distribution services, particularly those in Kansas, Oklahoma, and Texas;
- regulations in local jurisdictions in which we operate authorizing utilities to record in a regulatory asset account or comparable account the expenses associated with the recent winter weather event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply;
- the economic climate and, particularly, its effect on the natural gas requirements of our residential and commercial customers;
- the length and severity of a pandemic or other health crisis, such as the outbreak of Coronavirus Disease 2019 ("COVID-19"), including the impact to our operations, customers, contractors, vendors and employees, and the measures that international, federal, state and

local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period;

- adverse weather conditions and variations in weather, including seasonal effects on demand and/or supply, the occurrence of storms, including the most recent unprecedented winter weather storm in the territories in which we operate and the related effects on supply, demand, and costs and disasters, and climate change;
- indebtedness could make us more vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantage compared with competitors;
- our ability to secure reliable, competitively priced and flexible natural gas transportation and supply, including decisions by natural gas producers to reduce production or shut-in producing natural gas wells and expiration of existing supply and transportation and storage arrangements that are not replaced with contracts with similar terms and pricing;
- operation and mechanical hazards or interruptions;
- the effectiveness of our strategies to reduce earnings lag, margin protection strategies and risk mitigation strategies, which may be affected by risks beyond our control such as commodity price volatility, counterparty performance or creditworthiness and interest rate risk;
- the capital-intensive nature of our business, and the availability of and access to, in general, funds to meet our debt obligations prior to or when they become due and to fund our operations and capital expenditures, either through (i) cash on hand, (ii) operating cash flow, or (iii) access to the capital markets and other sources of liquidity;
- our ability to raise capital to reduce the draw under the Credit Agreement and/or repay a portion of the proceeds under the Credit Agreement to reduce the costs of the indebtedness;
- changes in the financial markets during the periods covered by the forward-looking statements, particularly those affecting the availability of capital and our ability to refinance existing debt and fund investments and acquisitions to execute our business strategy;
- actions of rating agencies, including the ratings of debt, general corporate ratings and changes in the rating agencies' ratings criteria;
- changes in inflation and interest rates;
- our ability to recover the costs of natural gas purchased for our customers, including related to the recent winter weather storms and any financings required to support ONE Gas' purchase of natural gas supply;
- impact of potential impairment charges;
- volatility and changes in markets for natural gas and our ability to secure additional and sufficient liquidity on reasonable commercial terms to cover costs associated with such volatility;
- possible loss of local distribution company franchises or other adverse effects caused by the actions of municipalities;
- payment and performance by counterparties and customers as contracted and when due, including our counterparties maintaining ordinary course terms of supply and payment;
- changes in existing or the addition of new environmental, safety, tax and other laws to which we and our subsidiaries are subject;
- advances in technology, including technologies that increase efficiency or that improve electricity's competitive position relative to natural gas;
- acts of nature and the potential effects of threatened or actual terrorism and war;
- cyber-attacks, which, according to experts, have increased in volume and sophistication since the beginning of the COVID-19 pandemic, or breaches of technology systems that could disrupt our operations or result in the loss or exposure of confidential or sensitive customer, employee or ONE Gas information; further, increased remote working arrangements as a result of the pandemic have required enhancements and modifications to our IT infrastructure (e.g. Internet, Virtual Private Network, remote collaboration systems, etc.), and any failures of the technologies, including third-party service providers, that facilitate working remotely could limit our ability to conduct ordinary operations or expose us to increased risk or effect of an attack;

Exhibit MWS-2
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- the sufficiency of insurance coverage to cover losses;
- the effects of our strategies to reduce tax payments;
- the effects of litigation and regulatory investigations, proceedings, including our rate cases, or inquiries and the requirements of our regulators as a result of the Tax Cuts and Jobs Act of 2017;
- our ability to comply with all covenants in our indentures, ONE Gas’ $700 million amended and restated revolving credit agreement, ONE Gas’ $250 million 364-day revolving credit agreement and the Credit Agreement a violation of which, if not cured in a timely manner, could trigger a default of our obligations; and
- unexpected increases in the costs of providing health care benefits, along with pension and post-employment health care benefits, as well as declines in the discount rates on, declines in the market value of the debt and equity securities of, and increases in funding requirements for, our defined benefit plans.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other factors could also have material adverse effects on our future results. These and other risks are described in greater detail in Part 1, Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2019 and Part II, Item 1A, Risk Factors, in our Quarterly Report for the quarterly period ended March 31, 2020. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Other than as required under securities laws, we undertake no obligation to update publicly any forward-looking statement whether as a result of new information, subsequent events or change in circumstances, expectations or otherwise.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit Number	Description
10.1	Credit Agreement, dated as of February 22, 2021, among ONE Gas, Inc., the lenders from time to time party thereto and Bank of America, N.A., as administrative agent.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

Exhibit MWS-2
Page 6 of 6

SIGNATURE

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

ONE Gas, Inc.

Date: February 22, 2021

By: /s/ Caron A. Lawhorn
Caron A. Lawhorn
Senior Vice President and
Chief Financial Officer

Exhibit MWS-3

Texas Gas Service
Exhibit MWS-3
Summary of Financing Costs

Line No.	Description (a)	Term-Loan (b)	Notes offering (c)	TGS %[1] (d)	TGS allocation of expense (e)
1	Bank fees/underwriting fees/discounts	$ 22,644,767	$ 8,055,000	14.39%	$ 4,417,696
2	Professional services	$ 13,502	$ 4,056,928	14.39%	$ 585,735
3	Attorneys/advisory fees	$ 920,891	$ 358,946	14.39%	$ 184,169
4	Totals	$ 23,579,159	$ 12,470,875		$ 5,187,600
5		14.39%	14.39%		
6		$ 3,393,041	$ 1,794,559		

(1)Note: total extraordinary gas costs for winter storm Uri were $1.9 billion, TGS's total extraordinary gas costs were $279.6 million, or 14.39% of the total.

Texas Gas Service
Exhibit MWS-4
Financing Scenarios

Line No.		Scenario	Total cash outlay year one [1]
1	Actual	Close on the term loan and replace $2,500MM with $700MM 1.10% 3-yr fixed (6-mo non-call) $1,000MM 0.85% 2-yr fixed (6-mo non-call) $800MM floating rate 2-yr (3-mo libor plus 0.61%)	$ 53,252,807
2	Alternate	Close on the term loan and replace $1,500MM with $1,500MM 2-yr or 3-year debt prior to funding $1,000MM on the term loan with no additional fees to syndicate	$ 55,067,468
3	Alternate	Close on the term loan and replace $1,500MM with $1,500MM 2-yr or 3-year debt prior to funding $1,000MM on the term loan with additonal syndication fees	$ 62,567,468
4	Alternate	Close on the term loan keep all $2,500MM on the term loan with no additional fees to syndicate	$ 93,381,350
5	Alternate	Close on the term loan keep all $2,500MM on the term loan with additional syndication fees	$ 112,131,350

(1) Term loan would have additional fees in second year.

Exhibit MWS-5

Texas Gas Service
Exhibit MWS-5
Calculation of Carrying Costs

Line No.	Month (a)	TGS regulatory asset beginning of Month balance (b)	Change in TGS regulatory asset balance (c)	TGS portion of OGS regulatory asset (d)	Carrying costs with Adjustments (e)	Total TGS regulatory asset balance at the end of the month (f) b + c + d + e	Interest rate (see MWS-6) (g)	TGS interest (h) (b + c + d)*(g / 12)	Cumulative carrying cost (i)	
1	Mar-21	$ 288,378,750	$ -	$ 5,384,606	$ 151,072	$ 293,914,428	0.6171%	$ 151,072	$ 151,072	(1)
2	Apr-21	293,914,428	1,022,606	41,369	221,755	295,200,158	0.9021%	221,755	372,827	
3	May-21	295,200,158	(8,010,126)	(171,483)	215,771	287,234,320	0.9021%	215,771	588,599	
4	Jun-21	287,234,320	(1,714,495)	(30,775)	195,672	285,684,722	0.8878%	211,211	784,271	(2)
5	Jul-21	285,684,722	1,430,956	-	210,858	287,326,536	0.8813%	210,858	995,128	
6	Aug-21	287,326,536	-	-	211,013	287,537,548	0.8813%	211,013	1,206,141	
7	Sep-21	287,537,548	-	-	211,674	287,749,222	0.8834%	211,674	1,417,815	
8	Oct-21	287,749,222	-	-	211,829	287,961,051	0.8834%	211,829	1,629,644	
9	Nov-21	287,961,051	-	-	211,985	288,173,037	0.8834%	211,985	1,841,630	
10	Dec-21	288,173,037	-	-	212,395	288,385,432	0.8844%	212,395	2,054,025	
11	Jan-22	288,385,432	-	-	212,552	288,597,984	0.8844%	212,552	2,266,576	
12	Feb-22	288,597,984	-	-	212,708	288,810,692	0.8844%	212,708	2,479,284	
13	Mar-22	288,810,692	-	-	214,760	289,025,451	0.8923%	214,760	2,694,044	
14	Apr-22	289,025,451	-	-	214,919	289,240,371	0.8923%	214,919	2,908,963	
15	May-22	289,240,371	-	-	215,079	289,455,450	0.8923%	215,079	3,124,043	
16	Jun-22	289,455,450	-	-	216,034	289,671,484	0.8956%	216,034	3,340,077	
17	Jul-22	289,671,484	-	-	216,195	289,887,679	0.8956%	216,195	3,556,272	
18	Aug-22	289,887,679	-	-	216,357	290,104,036	0.8956%	216,357	3,772,629	
					$ 3,772,629					
		Actual to Date through June			$ 784,271					
		Future Carrying Cost			$ 2,988,358					

(1) March carrying cost calculation included 20 days of interest on gas costs.

(2) June carrying cost calculation was adjusted to remove $15,539 of carrying cost accrued in March, April and May for expenses not included in this filing.

Exhibit MWS-6
Page 1 of 1

Texas Gas Service
Exhibit MWS-6
Calculation of Monthly Weighted Average Cost of Debt

Line No.	Month (a)	0.85% due 2023 $1,000,000,000 (b)	1.10% due 2024 $700,000,000 (c)	floating rate due 2023 $800,000,000 (d)	Weighted Average Rate (e)
1	Mar-21	0.8500%	1.1000%	0.7941%	0.9021%
2	Apr-21	0.8500%	1.1000%	0.7941%	0.9021%
3	May-21	0.8500%	1.1000%	0.7941%	0.9021%
4	Jun-21	0.8500%	1.1000%	0.7493%	0.8878%
5	Jul-21	0.8500%	1.1000%	0.7290%	0.8813%
6	Aug-21	0.8500%	1.1000%	0.7290%	0.8813%
7	Sep-21	0.8500%	1.1000%	0.7356%	0.8834%
8	Oct-21	0.8500%	1.1000%	0.7356%	0.8834%
9	Nov-21	0.8500%	1.1000%	0.7356%	0.8834%
10	Dec-21	0.8500%	1.1000%	0.7389%	0.8844%
11	Jan-22	0.8500%	1.1000%	0.7389%	0.8844%
12	Feb-22	0.8500%	1.1000%	0.7389%	0.8844%
13	Mar-22	0.8500%	1.1000%	0.7635%	0.8923%
14	Apr-22	0.8500%	1.1000%	0.7635%	0.8923%
15	May-22	0.8500%	1.1000%	0.7635%	0.8923%
16	Jun-22	0.8500%	1.1000%	0.7738%	0.8956%
17	Jul-22	0.8500%	1.1000%	0.7738%	0.8956%
18	Aug-22	0.8500%	1.1000%	0.7738%	0.8956%

CASE NO. 00007069

APPLICATION OF TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., FOR CUSTOMER RATE RELIEF RELATED TO WINTER STORM URI AND A REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

STACEY L. MCTAGGART

ON BEHALF OF

TEXAS GAS SERVICE COMPANY

July 30, 2021

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LIST OF EXHIBITS

EXHIBIT SLM-1	Location of June Notice Items in Application
EXHIBIT SLM-2	Sample Residential and Commercial bills
EXHIBIT SLM-3	Cost of Gas Clause tariffs for each TGS service area

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. 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 EDUCATION 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 Analysis. Upon the sale of Southern Union's Texas assets to ONEOK, Inc., ("ONEOK") in January 2003, I joined ONEOK's TGS division and maintained my position. Upon the separation of ONE Gas from ONEOK in January 2014, I continued as Rates and Regulatory Director.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. Yes. I have filed testimony on behalf of TGS in numerous proceedings, including GUD Nos. 9770, 9790, 9839, 9988, 10094, 10453, 10488, 10506, 10526, 10656, 10739, 10766, and 10928.

Q. WAS THIS TESTIMONY PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION?

A. Yes, it was.

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

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

Q. ARE YOU SPONSORING ANY SCHEDULES TGS IS PROVIDING WITH ITS REQUEST IN THIS CASE?

A. Yes, I am the primary sponsor for all the schedules, some of which also have a co-sponsor, as follows:

Schedule	Sponsor	Co-Sponsor
A: Summary	McTaggart	N/A
B: Gas Costs Recovered	McTaggart	Simmons
C: Extraordinary Gas Costs	McTaggart	Simmons
D: Legal and Consulting Expenses and Professional Fees	McTaggart	N/A
E: Taxes	McTaggart	N/A
F: Interim Financing and Carrying Costs	McTaggart	Smith
G: Customer Information	McTaggart	N/A
H: Summary of Conventional Cost Recovery	McTaggart	N/A

II. PURPOSE OF TESTIMONY

Q. WHAT PROMPTED TGS TO FILE THIS CASE?

A. The Commission issued Notices to Local Distribution Companies ("LDCs") on February 13, 2021 ("February Notice") and June 17, 2021 ("June Notice"). In the February Notice, the Commission authorized LDCs to create a regulatory asset to record "extraordinary" costs incurred during Winter Storm Uri ("Winter Storm"). Based on the Commission's February Notice, TGS began booking to a regulatory asset the extraordinary costs incurred to provide service to customers during the storm. The June Notice explains the process that LDCs must follow in order to determine and recover the Regulatory Asset balance, including participation through securitization, as set forth in House Bill ("H.B.") 1520, which was passed by the legislature and signed by the Governor in June 2021. H.B. 1520 created a new subchapter I in chapter 104 of the Texas Utilities Code. TGS is making this filing in accordance with the guidelines in the Commission's Notices and the new law.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. My testimony explains TGS's compliance with the Commission's Notices, how the Company meets the Commission's accounting requirements, including the books and records presumption of reasonableness, and I identify all costs TGS booked to the Regulatory Asset that are eligible for recovery in this proceeding. Those costs include extraordinary gas procurement costs, interim financing costs, carrying costs, and legal and consulting costs associated with the Winter Storm and this filing. I also address recovery of the Regulatory Asset costs in the event securitization is not approved.

Q. WHAT RELIEF IS TGS REQUESTING?

A. TGS is asking the Commission to review and approve its Regulatory Asset balance of $290,104,036, which includes extraordinary costs TGS incurred to provide service during the storm as well as costs it will continue to incur until securitized bonds are issued or extraordinary costs are recovered through some other means. After the Company's Regulatory Asset balance is determined, TGS will participate in the securitization financing the Commission authorizes, assuming the Commission finds that the statutory requirements are met. If securitization is not approved, TGS requests recovery of its Regulatory Asset balance through its existing Cost of Gas clause tariffs.

Q. IS RECOVERY OF TGS'S EXTRAORDINARY COSTS THROUGH SECURITIZED CUSTOMER RATE RELIEF BONDS REASONABLY EXPECTED TO PROVIDE BENEFITS FOR CUSTOMERS?

A. Yes. Recovery through securitization is designed to reduce the monthly costs customers would otherwise pay due to the extraordinary costs that utilities, like TGS, incurred to purchase gas and provide service during the Winter Storm. The new law accomplishes this purpose through securitization financing, which extends the time period over which customers would pay for those extraordinary costs and reduces the associated financing costs while also supporting the financial strength and stability of gas utilities. In addition, if utilities retained the debt, their cost to finance the debt during the recovery period would be higher than the financing costs incurred under securitization. Also, the securitized bonds will spread recovery of the extraordinary Winter Storm costs over a longer period of time than could otherwise be accomplished by recovering through the Company's existing cost of gas clauses, which supports customer affordability.

Q. IF THE COMMISSION APPROVES SECURITIZATION FINANCING THROUGH CUSTOMER RATE RELIEF BONDS, WILL TGS FORGO RECOVERY OF ITS REGULATORY ASSET BALANCE THROUGH TRADITIONAL RATEMAKING PROCESSES OR OTHER MECHANISMS?

A. Yes. If securitization financing is approved, TGS will not recover the Regulatory Asset balance presented in this case through any other means. Under the June Notice, this proceeding is limited to extraordinary gas procurement costs, financing costs, carrying costs, any associated tax impacts, and legal and consulting costs associated with gas procurement and with this filing. Consistent with the June Notice, TGS created a second Winter Storm Uri Regulatory Asset, which includes some extraordinary Winter Storm-related operations and maintenance ("O&M") costs and other costs that are not presented in this proceeding and that Regulatory Asset balance will be subject to recovery through traditional ratemaking processes or other mechanisms. TGS will also continue to incur carrying costs on that amount until it is authorized to recover that amount through rates.

III. COMPLIANCE WITH COMMISSION RULES

A. 16 Texas Administrative Code ("TAC") §§ 7.310 and 7.503

Q. PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF TGS ARE MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF BUSINESS.

A. TGS maintains its books and records in accordance with 16 TAC § 7.310, which requires that the Company keep its books in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA"), as supplemented by Commission order or State law. The FERC USOA is prescribed by the FERC for public utilities and licensees subject to the provisions of the Federal Power Act. FERC prescribes accounting classifications and guidance by which public utilities achieve uniform accounting records for use in financial reporting, ratemaking, and other regulatory needs. These regulations are found and defined in the Code of Federal Regulations 18 - Conservation of Power and Water Resources, Subchapter F - Accounts, Natural Gas Accounts, Part 201 - Uniform System of Accounts.

Q. HOW DOES THE COMPANY ENSURE THAT TRANSACTIONS ARE PROPERLY RECORDED?

A. To provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, ONE Gas and TGS maintain a system of internal controls. The internal control process includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and the FERC USOA, as modified, and that our receipts and expenditures are being made only in accordance with authorizations of management and our board of directors; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

After filing of the ONE Gas Form 10-K, ONE Gas reported in its Quarterly reports on Form 10-Q in 2021 that its Chief Executive Officer and Chief Financial Officer have concluded that ONE Gas' disclosure controls and procedures were effective as of the end of the periods covered by these reports based on the evaluation of the controls and procedures required by Rules 13(a)-15(b) of the Securities Exchange Act of 1934, as amended. In addition, ONE Gas has disclosed that in the three months ended March 31, 2021, there have been no changes in ONE Gas' internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Q. ARE THE ONE GAS BOOKS AND RECORDS SUBJECT TO AUDIT?

A. Yes, as a publicly traded company, ONE Gas is responsible for the fair presentation of its consolidated financial statements and is required to establish and maintain disclosure controls and procedures and internal controls over financial reporting. In connection with these requirements, ONE Gas must evaluate the effectiveness of its disclosure controls and procedures and internal controls over financial reporting and present a report in its Form 10-K filed with the Securities and Exchange Commission ("SEC") on its conclusions about the effectiveness of these controls, as of the end of the period covered by the financial statements. ONE Gas' evaluation of the effectiveness of our internal control over financial reporting is based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In connection with the evaluation, ONE Gas' Internal Audit Department annually reviews the design and operating effectiveness of the Company's internal controls over financial reporting. The Company's most recent report is included as part of ONE Gas' Annual Report on Form 10-K filed with the SEC on February 26, 2021. The report concluded that our disclosure controls and procedures and our internal control over financial reporting were effective at December 31, 2020. In addition to the evaluation of the Company's internal controls over financial reporting, ONE Gas' Internal Audit Department regularly performs audits of the control systems, processes, and procedures utilized by the Company throughout its operations and business processes.

The independent public accounting firm of PricewaterhouseCoopers LLP ("PWC") performs an integrated audit of the books and records of ONE Gas and ONE Gas' internal controls over financial reporting. The objective of these audits is to express an opinion as to whether the financial statements are free of material misstatements and whether effective internal control over financial reporting was maintained in all material respects. The most recent audit report is included with the ONE Gas financial statements filed with the SEC as part of ONE Gas' Annual Report on Form 10-K on February 26, 2021. In addition, the Company's Distribution Annual Report is reviewed by the Commission, annually.

Q. WHAT WERE THE RESULTS OF THE PWC REPORT INCLUDED AS PART OF ONE GAS' ANNUAL REPORT ON FORM 10-K?

A. The report expressed an opinion that the ONE Gas financial statements were fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and that ONE Gas maintained, in all material respects, effective internal control over financial reporting at December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Q. IN YOUR OPINION, DOES THE INFORMATION CONTAINED WITHIN THE COMPANY'S BOOKS AND RECORDS, AS WELL AS THE SUMMARIES AND EXCERPTS THEREFROM, QUALIFY FOR THE PRESUMPTION SET FORTH IN 16 TAC § 7.503?

A. Yes, it does. As I have testified, the Company's system of internal controls and its adherence to the FERC USOA, as modified, fully comply with 16 TAC § 7.503. Accordingly, the Company is entitled to the presumption that costs contained within the books and records have been reasonably and necessarily incurred.

Q. ARE THE COSTS INCLUDED IN THE REGULATORY ASSET TGS SEEKS TO RECOVER IN THIS CASE REFLECTED ON THE COMPANY'S BOOKS AND RECORDS?

A. Yes. All costs recorded in the Regulatory Asset are also reflected on TGS's books and records, except for certain estimated legal and consulting costs addressed later in my testimony and future carrying costs through August 2022 which are addressed in TGS witness Mark Smith's direct testimony.

Q. ARE THERE ANY AFFILIATE COSTS INCLUDED IN THE REGULATORY ASSET AMOUNT?

A. No, there are no affiliate costs included within the Regulatory Asset.

IV. CREATION OF REGULATORY ASSET

Q. WHAT IS YOUR UNDERSTANDING OF THE COMMISSION'S FEBRUARY NOTICE?

A. The purpose of the February Notice was to authorize LDCs to record extraordinary expenses associated with the Winter Storm in a regulatory asset account to partially defer and reduce the impact of extraordinary costs on customers. The Commission issued the February Notice under its exclusive, original jurisdiction to prescribe the manner and form of a gas utility's books, records and accounts under the Gas Utility Regulatory Act.

In the February Notice:

- The Commission recognized that due to the demand for natural gas during the storm, gas utilities may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the storm;
- The Commission referenced extraordinary expenses associated with the weather event including but not being limited to gas cost and other costs related to the procurement and transportation of gas supply;
- Gas utilities bear the burden to prove that the expenses would not have been incurred but for the winter weather event;
- The expenses in the regulatory asset account will be subject to review for reasonableness and accuracy; and

- The Commission encouraged gas utilities to continue to work to ensure Texans are provided with safe and reliable natural gas service.

Q. WHAT IS THE PURPOSE OF A REGULATORY ASSET?

A. A regulatory asset provides a means of accumulating costs for future recovery over a specific period of time. Use of a regulatory asset enables the Company and the Commission to identify, segregate and review the costs related to a specific event that have been deferred to determine whether they are appropriate for recovery and over what period of time. The regulatory asset can be amortized over the recovery period, or it can be decreased over time by collections through rates.

Q. WHAT ACTION WAS TAKEN BY THE TEXAS LEGISLATURE SUBSEQUENT TO THE FEBRUARY NOTICE?

A. In June 2021, Governor Greg Abbott signed H.B. 1520 relating to the recovery of certain extraordinary costs incurred by certain gas utilities relating to the Winter Storm including authority to issue bonds and impose fees and assessments for repayment of the bonds. The new laws authorize the State of Texas, through the Texas Public Finance Authority ("TPFA"), to issue customer rate relief bonds to securitize the extraordinary costs of gas utilities as a result of the Winter Storm. The Legislature provided a definition of normalized market pricing as a three-month average of the pricing at the Henry Hub plus any additional factors included in the gas utility's actual contracts. The bill requires the Commission to issue a financing order instructing the TPFA to issue the bond and in what amount. Prior to issuing the financing order, the Commission must first determine the amount of extraordinary costs eligible for securitization for each gas utility that applies to participate, and second determine that customer rate relief bonds are the most cost-effective method of funding the extraordinary costs**.**

Q. WHAT IS YOUR UNDERSTANDING OF THE JUNE NOTICE THE COMMISSION ISSUED?

A. On June 17, 2021, the Commission issued a Notice to Gas Utilities entitled Procedure for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event. In the June Notice, the Commission:

- sets forth the procedure for gas utilities to file an Application for Regulatory Asset Determination ("Application");
- establishes a filing date of July 30, 2021;
- specifies that the costs to be included in the Application include only "extraordinary gas procurement costs," including taxes, financing, carrying costs, and legal and consulting expenses relating to its gas procurement costs and this proceeding;
- directs that other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable;
- provides a method to calculate extraordinary gas costs that incorporates the statutory definition of "normalized market pricing;" and
- specifies a minimum level of support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset.

Attached to my testimony as Exhibit SLM-1 is a list of the required information identified in the June Notice and the location of those items in TGS's Application.

Q. WHAT EXTRAORDINARY COSTS RELATED TO WINTER STORM URI ARE INCLUDED IN THE REGULATORY ASSET THAT TGS SEEKS TO RECOVER IN THIS CASE?

A. Consistent with the June Notice, the extraordinary costs in the Regulatory Asset that TGS seeks to recover in this filing are gas supply and procurement costs, financing costs, any tax obligation, carrying costs, and legal and consulting costs associated with gas procurement and with this filing. As I mentioned previously, TGS has a second regulatory asset that includes O&M costs associated with the Company's response to the Winter Storm. As directed in the June Notice, TGS has not included those costs in this filing, and will instead seek their recovery in a subsequent rate proceeding.

Q. WHAT CRITERIA DID TGS USE TO DETERMINE WHETHER COSTS WERE ELIGIBLE FOR INCLUSION IN THE REGULATORY ASSET IN THIS CASE?

A. In general, the asset account was for costs that were directly associated with the Company's response to the Winter Storm. It could not be used for expenses that would be expected under normal or typical operating conditions (regular labor, exempt employee labor, normal contractor costs, capital projects, etc.).

Q. HAS TGS REVIEWED ALL COSTS BOOKED TO THE REGULATORY ASSET TO CONFIRM THAT THE COSTS FALL WITHIN THE SCOPE OF THE JUNE NOTICE?

A. Yes. That type of review and confirmation has occurred periodically throughout the time the Regulatory Asset has been on TGS's books. An additional review was performed when TGS prepared the Schedules for this filing.

Q. ARE THE COSTS BOOKED TO THE REGULATORY ASSET SUPPORTED BY INVOICES OR OTHER DOCUMENTATION?

A. Yes. Company witness Nicole Simmons is sponsoring invoices and documentation for the Company's gas costs and related amounts. Mr. Smith sponsors the documentation related to the financing costs included in the Regulatory Asset, while I sponsor the invoices for legal and consulting costs. All costs recorded in the Regulatory Asset are also reflected on TGS's books and records, except for certain estimated legal and consulting costs addressed later in my testimony and future carrying costs through August 2022 addressed in Mr. Smith's testimony.

Q. DOES THE COMPANY HAVE A PROCESS FOR REVIEWING AND VERIFYING INVOICES FOR GAS PURCHASES INCURRED DURING THE STORM?

A. Yes, in the ordinary course of business, the Company's Gas Supply department reviews and verifies all gas purchase invoices, verifying measurement data to the invoice and validating invoice pricing to the contracts. All invoices for gas purchase-related costs in February were received, reconciled, and reviewed prior to paying the invoices and booking the costs at the end of March. TGS followed this process for Winter Storm costs, too. In response to the Winter Storm, the Company implemented additional verification processes for gas purchase invoices over $5 million, which were required to be reviewed for accuracy by Treasury and Legal and ultimately approved by senior management.

V. EXTRAORDINARY COSTS BOOKED TO REGULATORY ASSET

Q. WHAT COSTS DID TGS DEFER INTO THE REGULATORY ASSET THAT IT SEEKS TO RECOVER IN THIS FILING (SCHEDULE A)?

A. The total Regulatory Asset balance is $290,104,036 and consists of the following types of costs and amounts:

Type of Cost	Amount	Sponsoring Witness
Gas Procurement	$279,575,703	Simmons
Financing	$5,187,600	Smith
Carrying Costs	$3,772,629	Smith
Tax Obligation	$0	McTaggart
Legal and Consulting	$1,568,104	McTaggart

Schedule A provides a summary calculation of the Regulatory Asset balance that includes these amounts as well as certain costs that have not yet been booked to the regulatory asset. These include legal and consulting costs incurred but not yet booked to the regulatory asset, legal and consulting costs estimated to be incurred in processing this filing and carrying costs for the period July 2021 through August 2022. As shown on Schedule A, the Regulatory Asset that TGS is asking the Commission to approve for recovery via securitization is $290,104,036. In Schedules B through H, TGS presents the various types of costs booked to the Regulatory Asset as well as other information required by the Commission's June Notice.

A. Gas Procurement Costs

Q. WHAT IS YOUR UNDERSTANDING OF EXTRAORDINARY GAS COSTS ACCORDING TO THE COMMISSION'S FEBRUARY AND JUNE NOTICES TO LDCS?

A. For the Regulatory Asset, I understand that the February Notice instructed gas utilities to defer gas costs that were over and above the "normal" gas costs that would get charged to customers through the Company's Cost of Gas clause. For the Application, I understand that the June Notice instructs gas utilities to determine (1) total gas costs incurred for February 2021, (2) total gas costs recovered for February 2021, and (3) total February 2021 gas costs at normalized market pricing. According to the June Notice, extraordinary gas costs are the lesser of either: Item (1) minus Item (2) or Item (1) minus Item (3).

Q. WHAT WERE TGS'S TOTAL GAS PROCUREMENT COSTS FOR FEBRUARY 2021?

A. As shown on Schedule B, TGS's total gas procurement costs for February 2021 were as follows:

Commodity	$246,416,296
Storage Withdrawal	2,633,484
Fixed Storage	579,838
Transportation and Reservation	22,507,301
Imbalances	(142,530)
Disputed Amounts	33,022,874
Total	**$305,017,262**

Q. WHAT WERE THE TOTAL VOLUMES FOR FEBRUARY 2021?

A. Total volumes were 6,694,892 Mcf, which are also shown on Schedules B and C.

Q. HAS TGS BILLED CUSTOMERS FOR ANY OF THE FEBRUARY 2021 GAS COSTS?

A. Yes. As shown on Schedule B, TGS billed customers, via its Cost of Gas clause tariffs, in March 2021 for February 2021 gas use at an average cost of $3.3362 per Ccf, based on the Company's best estimate of "normal" gas costs. Out of total gas costs of $305,017,262, TGS billed $22,335,549 to customers in March 2021 leaving $282,681,713 unrecovered. Exhibit SLM-2 contains sample bills for residential and commercial customers for the months of January 2021, February 2021 and March 2021, for each of TGS's service areas.

Q. WAS BILLING CUSTOMERS IN THAT MANNER CONSISTENT WITH THE COST OF GAS CLAUSES IN EFFECT IN EACH TGS SERVICE AREA?

A. Yes, it was. Exhibit SLM-3 contains the current Cost of Gas Clause tariffs in place in each of the Company's service areas.

Q. HOW DID TGS CALCULATE FEBRUARY 2021 GAS COSTS AT NORMALIZED MARKET PRICING?

A. The Company calculated the normalized market price consistent with Texas Utilities Code § 104.362(15) and the June Notice. As shown on Schedule C-3, the Company calculated an average of the natural gas index pricing at the Henry Hub for November 2020, December 2020 and January 2021. To that average of $2.7933 per MMBtu, TGS added the additional factors specified in the Company's actual gas supply contracts for a total normalized market pricing of $3.6688 per MMBtu. TGS converted the price per MMBtu to a price per Mcf of $3.8001 in order to apply the normalized market price to the Company's February 2021 volumes. As shown on Schedule C, total normalized gas costs for February 2021 were $25,441,559, or $279,575,703 less than total gas costs incurred.

Q. HOW DID TGS CALCULATE THE EXTRAORDINARY GAS COSTS TO BE INCLUDED IN THE REGULATORY ASSET?

A. The Company followed the instructions in Item 5(a) in the Commission's June Notice. Specifically, the Company compared its total February 2021 gas costs incurred of $305,017,262 to its total February 2021 gas costs recovered of $22,335,549 to calculate a remainder of $282,681,713 unrecovered. Then, the Company compared its total February 2021 gas costs incurred of $305,017,262 to its total normalized gas costs of $25,441,559 to calculate a difference of $279,575,703. Because the second calculation produces the lower amount, $279,575,703 is the amount included in the Regulatory Asset for extraordinary gas procurement costs, as shown on Schedule A.

Q. DOES THE AMOUNT BILLED TO CUSTOMERS IN MARCH 2021 AND THE AMOUNT OF GAS COST RECORDED TO THE REGULATORY ASSET ACCOUNT FOR ALL WINTER STORM GAS COSTS?

A. No. Because TGS initially calculated "normal" gas costs differently from the method prescribed in the June Notice, the amount of gas costs recovered from customers ($22,335,549) and the amount ultimately booked to the Regulatory Asset under the provisions of the June Notice ($279,575,703) total $301,911,252. When compared to total gas costs incurred of $305,017,262, the result leaves $3,106,010 unrecovered. This difference has been recorded to the unrecovered purchased gas cost account authorized in the Cost of Gas clause tariffs and will be collected from customers via the annual reconciliation process set forth in the Company's approved cost of gas clause tariffs.

B. Legal And Consulting Costs

Q. HAS TGS INCURRED LEGAL OR CONSULTING COSTS RELATED TO WINTER STORM URI?

A. Yes. TGS sought advice from counsel and consultants related to the winter weather event leading up to, throughout, and after the storm. That need continued through the filing of this case and will continue for the rest of the proceeding, including until bonds are issued through securitization or another recovery method is approved.

Q. WHAT AMOUNT OF LEGAL OR CONSULTING COSTS DOES TGS EXPECT TO INCUR UNTIL BONDS ARE ISSUED OR ANOTHER RECOVERY METHOD IS APPROVED?

A. As shown on Schedule D, the total amount of legal and consulting costs that TGS has incurred and expects to incur is $1,568,104.

Q. WOULD TGS INCUR THESE LEGAL OR CONSULTING COSTS IF WINTER STORM URI DID NOT HAPPEN?

A. No.

Q. SHOULD TGS'S LEGAL AND CONSULTING COSTS BE INCLUDED IN THE AMOUNT TO BE SECURITIZED OR OTHERWISE RECOVERED FROM CUSTOMERS?

A. Yes. As provided for in H.B. 1520 and in the June Notice, the Company seeks reimbursement of all legal and consulting expenses determined by the Commission to be reasonable, including those of municipal intervenors if the Commission determines that it is appropriate. These expenses include fees and expenses for outside attorneys and consultants and other reasonable expenses the Company incurs associated with this proceeding, such as providing notice to customers. TGS retained outside attorneys and consultants to review gas supply contracts and invoices and provide advice regarding the terms of the contracts, the *force majeure* notices that TGS received from its suppliers, and any penalties assessed by TGS's suppliers. The work of these outside attorneys and consultants is supervised, directed and performed in consultation with the Company's Gas Supply, Treasury and Legal groups. In addition, TGS has retained outside attorneys and consultants to perform necessary tasks related to the securitization filing. The work of these outside attorneys and consultants is supervised, directed and performed in consultation with the Company's Rates and Regulatory, Treasury and Legal groups. To ensure that TGS incurs only reasonable and necessary legal and consulting expenses, all outside attorney and consultant invoices are reviewed by Company personnel to ensure they are consistent with the rates and scope of work agreed to by the Company and the outside vendor.

Q. DOES TGS'S TOTAL LEGAL AND CONSULTING COSTS INCLUDE ESTIMATED COSTS?

A. Yes. Because some of the legal and consulting costs associated with the securitization filing will be incurred during the processing of the filing, TGS has estimated the amount of legal and consulting costs needed to complete the filing. This is necessary to ensure that the requested regulatory asset balance includes all reasonable and necessary and allowable costs provided for under the statute and in the June Notice. The Company will provide updates to estimates while the Application is pending.

Q. WHAT INFORMATION IS TGS PROVIDING THAT SUPPORTS ITS ACTUAL AND ESTIMATED LEGAL AND CONSULTING COSTS?

A. In addition to the information in Schedules D and D-1, invoices TGS has received are provided as workpapers to the schedules along with affidavits addressing these costs.

C. Associated Tax Costs

Q. DOES TGS EXPECT TO INCUR ANY TAX IMPACTS ASSOCIATED WITH THE CUSTOMER RATE RELIEF BONDS?

A. No. As shown on Schedule E, TGS expects to have no tax impact associated with the customer rate relief bonds. TGS expects to include the extraordinary costs associated with the Winter Storm offset by the proceeds from the customer rate relief bonds in the same federal income tax return, resulting in no income tax impact. Further, the statute provides that utility collections from customers to repay the customer rate relief bonds are to be exempt from state and local revenue-related taxes and fees, such as sales taxes, gross receipts taxes and franchise taxes and fees.

D. Financing and Carrying Costs

Q. WHAT FINANCING COSTS HAS TGS INCLUDED IN THE REGULATORY ASSET?

A. As shown in Schedule F, and described in the testimony of Mr. Smith, TGS incurred costs of $5,187,600 in order to secure financing necessary to purchase natural gas during the Winter Storm so that the Company could pay its suppliers timely in accordance with the terms of its contracts.

Q. WHAT CARRYING COSTS HAS TGS INCLUDED IN THE REGULATORY ASSET?

A. As a result of the financing Mr. Smith addresses, TGS has incurred $784,271 in carrying costs through June 30, 2021, and TGS will continue to incur carrying costs monthly until the interim financing is retired by receipt of the proceeds of the customer rate relief bonds. For this filing, TGS has assumed that carrying costs will be incurred through August 31, 2022, for a total of $3,772,629, shown on Schedule F-4 and Schedule F.

Q. DO THE EXTRAORDINARY GAS PROCUREMENT, LEGAL AND CONSULTING, FINANCING AND CARRYING COSTS DISCUSSED ABOVE COMPRISE ALL COSTS INCLUDED IN TGS'S REQUESTED REGULATORY ASSET?

A. Yes.

Q. WHAT IS THE TOTAL AMOUNT OF TGS'S REQUESTED REGULATORY ASSET?

A. As shown on Schedule A, the regulatory asset that TGS is asking the Commission to approve for recovery via securitization is $290,104,036.

Q. HAS TGS BILLED CUSTOMERS FOR ANY OF THE COSTS BOOKED TO THE REGULATORY ASSET, INCLUDING GAS COSTS?

A. No.

Q. HAS TGS RECEIVED ANY FUNDS THAT COMPENSATE OR REIMBURSE TGS OR OTHERWISE OFFSET ANY OF THE EXTRAORDINARY COSTS BOOKED TO THE REGULATORY ASSET?

A. No.

Q. IF TGS RECEIVES FUNDS THAT COMPENSATE OR REIMBURSE IT FOR ANY OF THE EXTRAORDINARY COSTS BOOKED TO THE REGULATORY ASSET AFTER SECURITIZED BONDS ARE ISSUED, HOW WILL TGS HANDLE THOSE FUNDS?

A. TGS will return that amount to its customers through its Cost of Gas Clauses in effect in its service areas. Alternatively, if so directed, TGS can record that amount in a regulatory liability account for review in a future proceeding, although this would necessarily delay return of the dollars to TGS's customers.

VI. IMPACT OF RECOVERY OPTIONS ON CUSTOMERS

Q. HAS TGS CALCULATED MONTHLY BILL IMPACTS FOR RECOVERY OF THE REGULATORY ASSET BALANCE THROUGH SECURITIZATION?

A. The testimony of Dr. Bruce Fairchild addresses the bill impacts for recovery of the Regulatory Asset balance through securitization.

Q. COULD TGS REQUEST RECOVERY OF THE REGULATORY ASSET BALANCE OVER AN AMORTIZATION PERIOD OUTSIDE OF BASE RATES OR THROUGH THE COST OF GAS CLAUSE?

A. Yes. If securitization is not approved, TGS could request recovery of the costs through conventional methods. In that event, the carrying cost would be greater than the current carrying cost. As explained by Mr. Smith, if securitization is not approved, ONE Gas will have to refinance the current short-term notes using a mix of longer-term debt and equity in order to maintain its credit rating.

Q. WHAT WOULD THE BILL IMPACTS BE FOR RECOVERY THROUGH THE COST OF GAS CLAUSES IN EFFECT IN TGS'S SERVICE AREAS?

A. Schedule H calculates a volumetric recovery all of the Regulatory Asset balance through the existing Cost of Gas clauses, which provide for an annual reconciliation of unrecovered gas costs and a nine-month recovery of deferred, unrecovered gas costs at six percent interest. For this calculation, the Company has assumed that current carrying costs would continue through December 2021 during the processing of this Application, and the carrying cost would convert to 6%, as stated in the Cost of Gas clauses, in January 2022 and continue while the costs are recovered over a nine-month period. Schedule H shows that recovery of the regulatory asset costs over a period of nine months would result in a volumetric rate of $8.98 per Mcf.

For each class of customers, Schedule H-2 shows the normalized gas costs in an average bill and the extraordinary costs if recovered over a nine-month period. For example, for residential customers, Schedule H-2 shows that the normalized gas costs (calculated at the normalized pricing presented in Schedule C-3) in an average residential monthly bill total $14.19, while recovery of the extraordinary costs included in the regulatory asset would add, on average, an additional $33.52 per month, including taxes, if recovered over the period of nine months. The chart below shows the monthly bill impacts of recovering both the normalized cost of gas and the costs related to recovery of the Regulatory Asset balance over nine months.

	Residential	**Commercial**	**Industrial**	**Public Authority**	**Irrigation**
Normalized gas cost	$14.19	$111.64	$1,162.83	$327.42	$1,317.29
Regulatory Asset (nine months)	$33.52	$263.83	$2,747.88	$773.73	$3,112.89
Total Bill	$47.71	$375.47	$3,910.71	$1,101.14	$4,430.18

Q. HAS THE COMPANY CALCULATED SEPARATE BILL IMPACTS BY SERVICE AREA?

A. Yes, Schedule H-2 includes separate bill impacts for each TGS service area. The cost and recovery rate under conventional recovery is calculated on a statewide basis for all TGS customers in that schedule, because all sales customers in all service areas were impacted by Winter Storm Uri and extraordinary gas costs. In addition, calculation of a statewide conventional recovery rate for all TGS customers ensures an apples-to-apples comparison to securitization bill impacts presented in Dr. Fairchild's direct testimony. As Dr. Fairchild explains, the securitization costs and recovery rate are calculated on a statewide basis for customers of all participating utilities.

Q. IF RECOVERY THROUGH SECURITIZATION IS NOT APPROVED, WHAT FORM OF RECOVERY DOES TGS REQUEST?

A. TGS would request that the Commission approve recovery of all the Regulatory Asset balance from customers via the Cost of Gas clause tariffs over the existing nine-month reconciliation period. The 6% interest rate in the current Cost of Gas clauses would apply in this recovery scenario.

VII. CONCLUSION

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

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 Director – Rates and Regulatory Affairs 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 this document is true and correct to the best of my knowledge."

Further affiant sayeth not.

DocuSigned by:
Stacey L. McTaggart
6E49529CDBF44D7...

Stacey L. McTaggart

SUBSCRIBED AND SWORN TO BEFORE ME by the said Stacey L. McTaggart on this 21st day of July 2021.

DocuSigned by:
Christine Marie Bell
1C45AAFD08DC44A...

Notary Public in and for the State of Texas

CHRISTINE MARIE BELL
Notary ID
130547096
My Commission Expires
2/19/2024

June Notice Item	Location in Filing
1. Total gas costs for February 2021	Schedules B & C
2. Total gas costs recovered for February 2021	Schedule B
3. Total volumes (Mcf) for February 2021	Schedule B & C
4. Total gas costs for February 2021 using Normalized Market Pricing	Schedules C, C-3
5. Total extraordinary costs in Regulatory Asset	Schedule A
a. extraordinary gas procurement costs for February 2021	Schedule C
b. financing costs or other costs incurred to secure/pay for gas	Schedules F, F-1, F-2, F-3 Schedule F-2, F-3 Wkps (supporting documentation)
c. legal/consulting expenses	Schedules D, D-1 Schedule D-1 Wkps (supporting documentation)
d. Carrying costs, including basis for and calculation	Schedule F-4 Smith, Exhibits MWS- 5
e. Tax obligation	Schedule E
6. Support and evidence for reasonableness, necessity, prudence of all costs (including general ledger entries by FERC Account & supporting documentation)	
a. (i) Invoices	Schedule C-2 Simmons Exhibit NAS-5 (Feb.)
a. (ii) Contracts	Schedule C-1 Simmons Exhibit NAS-3 (Feb.)
a. (iii) Customer Bills	McTaggart, Exhibit SLM-2
b. Invoices/documentation for legal/consulting costs and summary spreadsheet	Schedule D-1 Schedule D-1 Wkps (supporting documentation)
7. January and March 2021 invoices, contracts, customer bills	Simmons Exh NAS-6 (invoices/contracts) McTaggart, Exh.SLM-2 (cust. bills)
8. Tangible/quantifiable benefits of securitization	Direct Testimony of Fairchild, McTaggart
9. Evidence that securitization is most cost-effective method	Fairchild Direct Testimony and Schedules
a. evidence of customer affordability comparing costs under securitization vs conventional methods	Fairchild Direct and Schedules; McTaggart Direct
b. Excel worksheet that models comparison	Fairchild Schedules
10. Public interest evidence	Fairchild Direct
11. Details of tax obligation	n/a
12. Normalized volumes and customer count by customer class for CY 2020	Schedule G
13. Confirmation that if utility recovers Regulatory Asset balance in this case via securitization, it won’t do so through other means	McTaggart Direct
14. Any other information that is pertinent: Cost of Gas Clause tariffs by Service Area	McTaggart, Exhibit SLM-3

Trouble paying your bill due to COVID-19? Visit TexasGasService.com/Cares or call us to discuss options.

Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
PO Box 219913
Kansas City MO 64121-9913

[redacted]
BORGER, TX 79007-6238

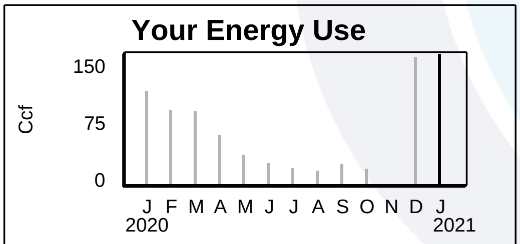
The balance forward on this bill was due 1-7-21. Failure to pay this amount may result in discontinuance of service.

Page 1 of 1

Amount Due	**$201.16**
Current Charges Due	**02-05-21**
Amount Due After Due Date	**$201.16**
Account Number	[redacted] **1077081 27**
Rate BORG I/S RES	
Active Deposit $60.00	Statement Date 01-20-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$131.04	
Payments Received		45.88CR	
Balance Forward Due 01-07-21			$85.16
Customer Charge	$16.02		
Delivery Charge	32.32		
Cost Of Gas	55.36		
Weather Normalization	0.50		
Regulatory Expense/Ccf @$0.0105	1.58		
City Franchise Fee	5.69		
Reimb for Gross Receipts Tax	2.26		
City Tax	2.27		
Current Charges		116.00	
Current Charges Due 02-05-21			$116.00
Total Amount Due			**$201.16**



Period	**Days**	**Ccf**
Current	33	150.000
Last Year	34	108.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0212A33161	12-11-20	01-13-21	33	3801	3951	1.0000	150.000	0.0033982	0.3690400

Texas Gas Service
A Division of ONE Gas
PO BOX 31427 ● El Paso TX 79931-0427

ELECTRONIC SERVICE REQUESTED

Please return this portion when paying by mail. When paying in person, please bring this entire bill with you.

The balance forward on this bill was due 1-7-21. Failure to pay this amount may result in discontinuance of service.

Account Number	[redacted] **1077081 27**
Amount Due	**$201.16**
Current Charges Due	**02-05-21**
Amount Due After Due Date	**$201.16**
Total Enclosed	**$**

6955A02.003 TGS: 000691

~12E

6725 1 AV 0.386 ***0006910** **S1 YYNNNN 20**
[redacted]
BORGER TX 79007-6238

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

82 [redacted] 000020116

Trouble paying your bill due to COVID-19? Visit TexasGasService.com/Cares or call us to discuss options.

Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
PO Box 219913
Kansas City MO 64121-9913

The balance forward on this bill was due 2-5-21. Failure to pay this amount may result in discontinuance of service.

[redacted]
BORGER, TX 79007-6238

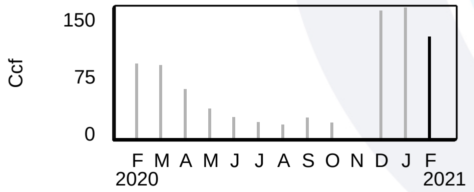
Page 1 of 1

Amount Due			**$299.12**
Current Charges Due			**03-05-21**
Amount Due After Due Date			**$299.12**
Account Number			[redacted] **1077081 27**
Rate	BORG I/S RES		
Active Deposit	$60.00	Statement Date	02-17-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$201.16	
Balance Forward Due 02-05-21			$201.16
Customer Charge	$16.02		
Delivery Charge	25.21		
Cost Of Gas	46.67		
Weather Normalization	0.20		
Regulatory Expense/Ccf @$0.0105	1.23		
City Franchise Fee	4.81		
Reimb for Gross Receipts Tax	1.91		
City Tax	1.91		
Current Charges		97.96	
Current Charges Due 03-05-21			$97.96
Total Amount Due			**$299.12**

Your Energy Use



Period	Days	Ccf
Current	29	117.000
Last Year	29	87.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0212A33161	01-13-21	02-11-21	29	3951	4068	1.0000	117.000	0.0017453	0.3988700

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The balance forward on this bill was due 2-5-21. Failure to pay this amount may result in discontinuance of service.

Account Number	[redacted] **1077081 27**
Amount Due	**$299.12**
Current Charges Due	**03-05-21**
Amount Due After Due Date	**$299.12**
Total Enclosed	**$**

6919A02.003 TGS: 000685

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6671 1 AV 0.395 ***0006855** **S1 YYNNNN 20**
[redacted]
BORGER TX 79007-6238

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

45 [redacted] 000029912

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
PO Box 219913
Kansas City MO 64121-9913

[redacted]
BORGER, TX 79007-6238

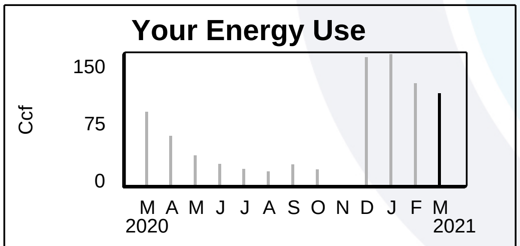
The balance forward on this bill was due 3-5-21. Failure to pay this amount may result in discontinuance of service.

Page 1 of 1

Amount Due	**$182.33**
Current Charges Due	**04-02-21**
Amount Due After Due Date	**$182.33**
Account Number	[redacted] **1077081 27**
Rate: BORG I/S RES	
Active Deposit: $60.00	Statement Date: 03-17-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$299.12	
Payments Received		201.16CR	
Balance Forward Due 03-05-21			$97.96
Customer Charge	$16.02		
Delivery Charge	22.84		
Cost Of Gas	42.67		
Weather Normalization	5.70CR		
Regulatory Expense/Ccf @$0.0105	1.11		
City Franchise Fee	4.13		
Reimb for Gross Receipts Tax	1.65		
City Tax	1.65		
Current Charges		84.37	
Current Charges Due 04-02-21			$84.37
Total Amount Due			**$182.33**



Period	**Days**	**Ccf**
Current	28	106.000
Last Year	29	85.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0212A33161	02-11-21	03-11-21	28	4068	4174	1.0000	106.000	-0.0538092	0.4025700

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The balance forward on this bill was due 3-5-21. Failure to pay this amount may result in discontinuance of service.

Account Number	[redacted] **1077081 27**
Amount Due	**$182.33**
Current Charges Due	**04-02-21**
Amount Due After Due Date	**$182.33**
Total Enclosed	**$**

21212A82.009 TGS: 00073

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7162 1 AV 0.395 ***0007365** **S1 YYNNNN 20**
[redacted]
BORGER TX 79007-6238

TEXAS GAS SERVICE
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09 [redacted] 000018233

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Gas Leaks: 800-959-5325
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Hearing Impaired: 711
TexasGasService.com

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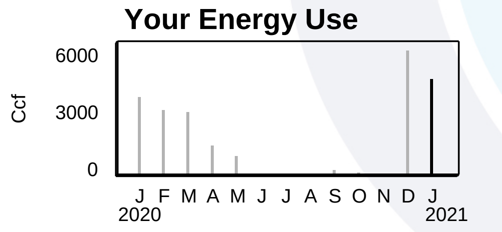
[redacted]
BORGER, TX 79007-3511

Do Not Pay			**$3,491.01**
Will Be Drafted from Your Financial Institution			**02-05-21**
Account Number			[redacted] **1107974 27**
Rate	BORG I/S COM		
Active Deposit	NONE	Statement Date	01-20-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$4,632.52	
Payments Received		4,632.52CR	
Balance Forward			$0.00
Customer Charge	$37.17		
Delivery Charge	1,281.77		
Cost Of Gas	1,612.00		
Weather Normalization	22.50		
Regulatory Expense/Ccf @$0.0105	45.87		
City Franchise Fee	161.25		
Reimb for Gross Receipts Tax	64.39		
City Tax	64.50		
State Tax	201.56		
Current Charges			3,491.01
Total Amount Due			**$3,491.01**



Period	Days	Ccf
Current	33	4368.099
Last Year	34	3566.455

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0215A78297	12-11-20	01-13-21	33	69249	73570	1.0109	4368.099	0.0051517	0.3690400

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Account Number	[redacted] **1107974 27**
Do Not Pay	**$3,491.01**
Will Be Drafted	**02-05-21**

12448AG2.005 TGS: 00389

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[redacted]
BORGER, TX 79007-3511

***0038943 S1 YNNNNN 20**

[redacted]

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82 [redacted] 000349101

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
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[redacted]
BORGER, TX 79007-3511

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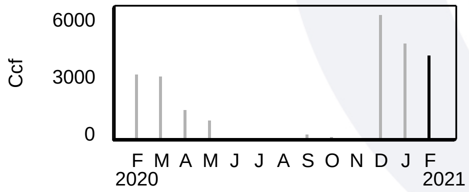
Page 1 of 1

Do Not Pay			**$3,187.34**
Will Be Drafted from Your Financial Institution			**03-05-21**
Account Number			[redacted] **1107974 27**
Rate	BORG I/S COM		
Active Deposit	NONE	Statement Date	02-17-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$3,491.01	
Payments Received		3,491.01CR	
Balance Forward			$0.00
Customer Charge	$37.17		
Delivery Charge	1,123.67		
Cost Of Gas	1,527.39		
Weather Normalization	9.98		
Regulatory Expense/Ccf @$0.0105	40.21		
City Franchise Fee	147.22		
Reimb for Gross Receipts Tax	58.80		
City Tax	58.88		
State Tax	184.02		
Current Charges			3,187.34
Total Amount Due			**$3,187.34**

Your Energy Use



Period	Days	Ccf
Current	29	3829.289
Last Year	29	2979.122

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0215A78297	01-13-21	02-11-21	29	73570	77358	1.0109	3829.289	0.0026064	0.3988700

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Account Number	[redacted] **1107974 27**
Do Not Pay	**$3,187.34**
Will Be Drafted	**03-05-21**

12542AG2.006 TGS: 00388

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[redacted]
BORGER, TX 79007-3511

***0038887 S1 YNNNNN 20**
[redacted]

TEXAS GAS SERVICE
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27 [redacted] 000318734

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
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[redacted]
BORGER, TX 79007-3511

Page 1 of 1

Do Not Pay			**$2,394.99**
Will Be Drafted from Your Financial Institution			**04-02-21**
Account Number			[redacted] **1107974 27**
Rate	BORG I/S COM		
Active Deposit	NONE	Statement Date	03-17-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$3,187.34	
Payments Received		3,187.34CR	
Balance Forward			$0.00
Customer Charge	$37.17		
Delivery Charge	946.87		
Cost Of Gas	1,299.01		
Weather Normalization	259.27CR		
Regulatory Expense/Ccf @$0.0105	33.88		
City Franchise Fee	110.62		
Reimb for Gross Receipts Tax	44.18		
City Tax	44.24		
State Tax	138.29		
Current Charges			2,394.99
Total Amount Due			**$2,394.99**

Your Energy Use

Period	**Days**	**Ccf**
Current	28	3226.793
Last Year	29	2890.163

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0215A78297	02-11-21	03-11-21	28	77358	80550	1.0109	3226.793	-0.0803513	0.4025700

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Account Number	[redacted] **1107974 27**
Do Not Pay	**$2,394.99**
Will Be Drafted	**04-02-21**

42876A02.018 TGS: 00404

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[redacted]
BORGER, TX 79007-3511

***0040411 S1 YNNNNN 20**

[redacted]

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PO BOX 219913
KANSAS CITY, MO 64121-9913

73 [redacted] 000239499

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
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[redacted]
AUSTIN, TX 78757-3008

Page 1 of 1

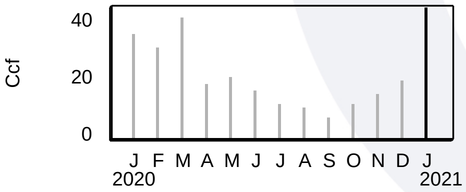
Amount Due	**$28.09**
Current Charges Due	**01-26-21**
Amount Due After Due Date	[redacted] **$28.09**
Account Number	[redacted] **1077302 09**
Rate AUST I/S RES	
Active Deposit NONE	Statement Date 01-08-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

ABC Settlement After Payment	$83.23CR

Previous Balance		$28.09	
Payments Received		28.09CR	
Balance Forward			$0.00
Customer Charge	$16.00		
Delivery Charge	13.05		
Cost Of Gas	13.62		
Weather Normalization	3.55		
Conservation Adjustment	1.19		
Regulatory Expense/Ccf @$0.00437	0.17		
City Franchise Fee	2.55		
Reimb for Gross Receipts Tax	1.02		
City Tax	0.51		
Current Charges		51.66	
ABC Charge			28.09
Total Amount Due			**$28.09**

Your Energy Use



Period	**Days**	**Ccf**
Current	34	40.000
Last Year	32	32.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
06L0074387	12-02-20	01-05-21	34	8953	8993	1.0000	40.000	0.0889045	0.3404100

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Account Number	[redacted] **1077302 09**
Amount Due	**$28.09**
Current Charges Due	**01-26-21**
Amount Due After Due Date	**$28.09**
Total Enclosed	**$**

7523A02.004 TGS: 002691

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***0026918 S1 YYNNNN 80**
[redacted]
AUSTIN TX 78757-3008

TEXAS GAS SERVICE
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KANSAS CITY, MO 64121-9913

00 [redacted] 000002809

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Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
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[redacted]
AUSTIN, TX 78757-3008

Page 1 of 1

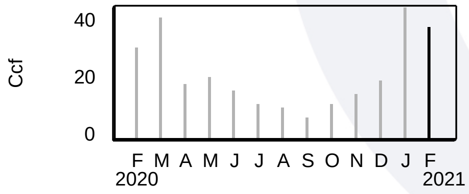
Do Not Pay	**$28.09**
Will Be Drafted from Your Financial Institution	**02-23-21**
Account Number	[redacted] **1077302 09**
Rate AUST I/S RES	[redacted]
Active Deposit NONE	Statement Date 02-05-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

ABC Settlement After Payment	$74.21CR

Previous Balance		$28.09	
Payments Received		28.09CR	
Balance Forward			$0.00
Customer Charge	$16.00		
Delivery Charge	11.09		
Annual Credit: Lower Federal Tax	7.84CR		
Cost Of Gas	12.45		
Weather Normalization	1.14		
Conservation Adjustment	1.19		
Regulatory Expense/Ccf @$0.00437	0.15		
City Franchise Fee	1.84		
Reimb for Gross Receipts Tax	0.73		
City Tax	0.36		
Current Charges		37.11	
ABC Charge			28.09
Total Amount Due			**$28.09**

Your Energy Use



Period	Days	Ccf
Current	28	34.000
Last Year	28	28.000

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
06L0074387	01-05-21	02-02-21	28	8993	9027	1.0000	34.000	0.0337962	0.3662600

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Account Number	[redacted] **1077302 09**
Do Not Pay	**$28.09**
Will Be Drafted	**02-23-21**

7332AG2.003 TGS: 002604

~04C

***0026041 S1 YNNNNN 80**
[redacted]
AUSTIN TX 78757-3008

TEXAS GAS SERVICE
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00 [redacted] 000002809

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Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

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Page 1 of 1

Do Not Pay	**$28.09**
Will Be Drafted from Your Financial Institution	**03-23-21**
Account Number	[redacted] **1077302 09**
Rate AUST I/S RES	[redacted]
Active Deposit NONE	Statement Date 03-05-21

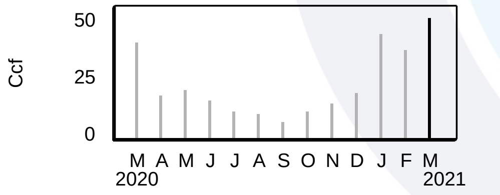
RATE SCHEDULE(S) AVAILABLE UPON REQUEST

[redacted]
AUSTIN, TX 78757-3008

ABC Settlement After Payment	$54.71CR

Previous Balance		$28.09	
Payments Received		28.09CR	
Balance Forward			$0.00
Customer Charge	$16.00		
Delivery Charge	15.01		
Cost Of Gas	18.48		
Weather Normalization	7.04CR		
Conservation Adjustment	1.19		
Regulatory Expense/Ccf @$0.00437	0.20		
City Franchise Fee	2.35		
Reimb for Gross Receipts Tax	0.94		
City Tax	0.46		
Current Charges		47.59	
ABC Charge			28.09
Total Amount Due			**$28.09**

Your Energy Use



Period	**Days**	**Ccf**
Current	28	46.000
Last Year	32	37.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
06L0074387	02-02-21	03-02-21	28	9027	9073	1.0000	46.000	-0.1531385	0.4017100

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A Division of ONE Gas
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Account Number	[redacted] **1077302 09**
Do Not Pay	**$28.09**
Will Be Drafted	**03-23-21**

7697A02.004 TGS: 002951

~04C

***0029513 S1 YNNNNN 80**
[redacted]
AUSTIN TX 78757-3008

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00 [redacted] 000002809

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
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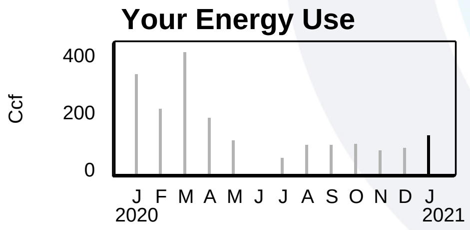
Page 1 of 1

Amount Due	**$131.89**
Current Charges Due	**01-21-21**
Amount Due After Due Date	**$131.89**
Account Number	[redacted] **1171473 09**
Rate AUST I/S COM	
Active Deposit NONE	Statement Date 01-05-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$112.73	
Payments Received		112.73CR	
Balance Forward			$0.00
Customer Charge	$53.33		
Delivery Charge	15.72		
Cost Of Gas	42.21		
Weather Normalization	0.85		
Conservation Adjustment	0.64		
Regulatory Expense/Ccf @$0.00437	0.54		
City Franchise Fee	6.10		
Reimb for Gross Receipts Tax	2.44		
City Tax	1.22		
State Tax	7.62		
Transit Authority Tax	1.22		
Current Charges			131.89
Total Amount Due			**$131.89**



Period	**Days**	**Ccf**
Current	35	124.000
Last Year	35	308.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0212A33828	11-25-20	12-30-20	35	7084	7208	1.0000	124.000	0.0068992	0.3404100

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Account Number	[redacted] **1171473 09**
Amount Due	**$131.89**
Current Charges Due	**01-21-21**
Amount Due After Due Date	**$131.89**
Total Enclosed	**$**

6137A02.003 TGS: 000608

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***0006082 S3 YYNNNN 80**
[redacted]
AUSTIN TX 78752-4437

TEXAS GAS SERVICE
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KANSAS CITY, MO 64121-9913

91 [redacted] 000013189

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
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Texas Gas Service
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Kansas City MO 64121-9913

[redacted]
AUSTIN, TX 78752-4437

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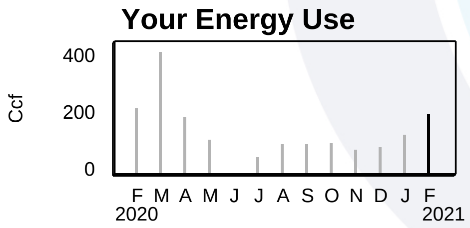
Page 1 of 1

Amount Due	**$134.53**
Current Charges Due	**02-18-21**
Amount Due After Due Date	**$134.53**
Account Number	[redacted] **1171473 09**
Rate AUST I/S COM	
Active Deposit NONE	Statement Date 02-02-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$131.89	
Payments Received		131.89CR	
Balance Forward			$0.00
Customer Charge	$53.33		
Delivery Charge	23.58		
Annual Credit: Lower Federal Tax	32.22CR		
Cost Of Gas	68.12		
Weather Normalization	1.01		
Conservation Adjustment	0.97		
Regulatory Expense/Ccf @$0.00437	0.81		
City Franchise Fee	6.21		
Reimb for Gross Receipts Tax	2.49		
City Tax	1.23		
State Tax	7.77		
Transit Authority Tax	1.23		
Current Charges			134.53
Total Amount Due			**$134.53**


Your Energy Use

Period	**Days**	**Ccf**
Current	29	186.000
Last Year	30	203.000

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0212A33828	12-30-20	01-28-21	29	7208	7394	1.0000	186.000	0.0054793	0.3662600

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Account Number	[redacted] **1171473 09**
Amount Due	**$134.53**
Current Charges Due	**02-18-21**
Amount Due After Due Date	**$134.53**
Total Enclosed	**$**

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[redacted]
AUSTIN TX 78752-4437

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

91 [redacted] 000013453

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
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[redacted]
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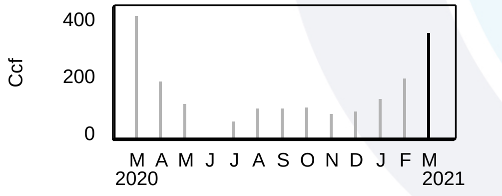
Page 1 of 1

Amount Due	**$253.06**
Current Charges Due	**03-19-21**
Amount Due After Due Date	**$253.06**
Account Number	[redacted] **1171473 09**
Rate AUST I/S COM	
Active Deposit NONE	Statement Date 03-03-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$134.53	
Payments Received		134.53CR	
Balance Forward			$0.00
Customer Charge	$53.33		
Delivery Charge	40.70		
Cost Of Gas	128.95		
Weather Normalization	8.66CR		
Conservation Adjustment	1.67		
Regulatory Expense/Ccf @$0.00437	1.40		
City Franchise Fee	11.69		
Reimb for Gross Receipts Tax	4.67		
City Tax	2.35		
State Tax	14.61		
Transit Authority Tax	2.35		
Current Charges			253.06
Total Amount Due			**$253.06**

Your Energy Use



Period	Days	Ccf
Current	29	321.000
Last Year	29	373.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0212A33828	01-28-21	02-26-21	29	7394	7715	1.0000	321.000	-0.0270013	0.4017100

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Account Number	[redacted] **1171473 09**
Amount Due	**$253.06**
Current Charges Due	**03-19-21**
Amount Due After Due Date	**$253.06**
Total Enclosed	**$**

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12553 1 AV 0.395 *0012735 S3 YYNNNN 80
[redacted]
AUSTIN TX 78752-4437

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27 [redacted] 000025306

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Hearing Impaired: 711
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The balance forward on this bill was due 12-30-20. Failure to pay this amount may result in discontinuance of service.

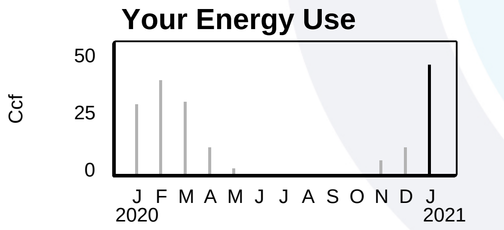
[redacted]
WEATHERFORD, TX 76086-5147

Page 1 of 1

Amount Due	**$92.59**
Current Charges Due	**01-29-21**
Amount Due After Due Date	**$92.59**
Account Number	[redacted] **1080212 00**
Rate WEAT I/S RES Active Deposit $50.00	Statement Date 01-13-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$26.59	
Balance Forward Due 12-30-20			$26.59
Customer Charge	$12.94		
Delivery Charge	25.35		
Cost Of Gas	20.94		
Weather Normalization	4.49		
Reimb for Gross Receipts Tax	1.30		
City Tax	0.98		
Current Charges		66.00	
Current Charges Due 01-29-21			$66.00
Total Amount Due			**$92.59**



Period	**Days**	**Ccf**
Current	34	42.000
Last Year	34	27.000

Meter or Station Number	**Service Period From**	**Service Period To**	**Number of Days**	**Meter Readings Previous**	**Meter Readings Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0217A45936	12-03-20	01-06-21	34	467	509	1.0000	42.000	0.1071039	0.4985100

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The balance forward on this bill was due 12-30-20. Failure to pay this amount may result in discontinuance of service.

Account Number	[redacted] **1080212 00**
Amount Due	**$92.59**
Current Charges Due	**01-29-21**
Amount Due After Due Date	**$92.59**
Total Enclosed	**$**

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[redacted]
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73 [redacted] 000009259

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[redacted]
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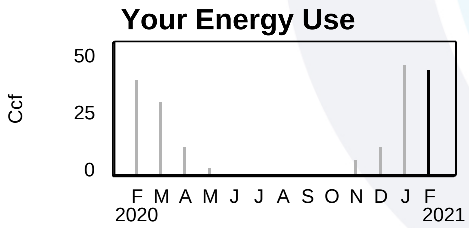
Page 1 of 1

Amount Due	**$61.15**
Current Charges Due	**02-26-21**
Amount Due After Due Date	**$61.15**
Account Number	[redacted] **1080212 00**

Rate	WEAT I/S RES		
Active Deposit	$50.00	Statement Date	02-10-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$92.59	
Payments Received		92.59CR	
Balance Forward			$0.00
Customer Charge	$12.94		
Delivery Charge	24.15		
Cost Of Gas	21.20		
Weather Normalization	0.76		
Reimb for Gross Receipts Tax	1.20		
City Tax	0.90		
Current Charges			61.15
Total Amount Due			**$61.15**



Period	Days	Ccf
Current	28	40.000
Last Year	30	36.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0217A45936	01-06-21	02-03-21	28	509	549	1.0000	40.000	0.0191027	0.5299000

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Account Number	[redacted] **1080212 00**
Amount Due	**$61.15**
Current Charges Due	**02-26-21**
Amount Due After Due Date	**$61.15**
Total Enclosed	**$**

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[redacted]
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00 [redacted] 000006115

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[redacted]
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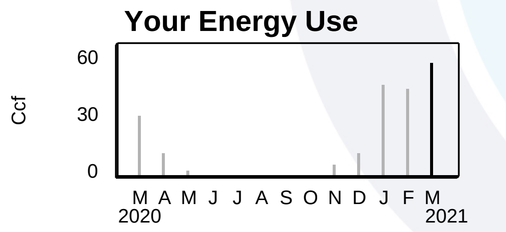
The balance forward on this bill was due 2-26-21. Failure to pay this amount may result in discontinuance of service.

Page 1 of 1

Amount Due			**$127.22**
Current Charges Due			**03-26-21**
Amount Due After Due Date			**$127.22**
Account Number			[redacted] **1080212 00**
Rate	WEAT I/S RES		
Active Deposit	$50.00	Statement Date	03-10-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$61.15	
Balance Forward Due 02-26-21			$61.15
Customer Charge	$12.94		
Delivery Charge	31.39		
Cost Of Gas	29.42		
Weather Normalization	9.96CR		
Reimb for Gross Receipts Tax	1.30		
City Tax	0.98		
Current Charges		66.07	
Current Charges Due 03-26-21			$66.07
Total Amount Due			**$127.22**



Period	**Days**	**Ccf**
Current	28	52.000
Last Year	28	28.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0217A45936	02-03-21	03-03-21	28	549	601	1.0000	52.000	-0.1917287	0.5657800

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The balance forward on this bill was due 2-26-21. Failure to pay this amount may result in discontinuance of service.

Account Number	[redacted] **1080212 00**
Amount Due	**$127.22**
Current Charges Due	**03-26-21**
Amount Due After Due Date	**$127.22**
Total Enclosed	**$**

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932 1 AV 0.395 *0001059 S1 YYNNNN 25
[redacted]
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45 [redacted] 000012722

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[redacted]
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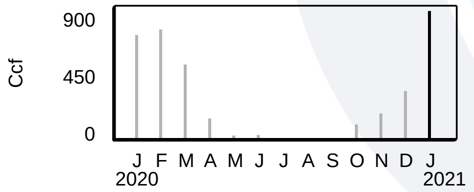
Amount Due	**$1,051.99**
Current Charges Due	**02-08-21**
Amount Due After Due Date	**$1,051.99**
Account Number	[redacted] **1098794 73**

Rate	WEAT I/S COM		
Active Deposit	NONE	Statement Date	01-21-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$429.01	
Payments Received		429.01CR	
Balance Forward			$0.00
Customer Charge	$34.29		
Delivery Charge	548.12		
Cost Of Gas	437.00		
Weather Normalization	11.57		
Reimb for Gross Receipts Tax	21.01		
Current Charges			1,051.99
Total Amount Due			**$1,051.99**

Your Energy Use



Period	Days	Ccf
Current	34	876.620
Last Year	35	716.392

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
028K444366	12-11-20	01-14-21	34	9594	256	1.3242	876.620	0.0132052	0.4985100

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Account Number	[redacted] **1098794 73**
Amount Due	**$1,051.99**
Current Charges Due	**02-08-21**
Amount Due After Due Date	**$1,051.99**
Total Enclosed	**$**

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82 [redacted] 000105199

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[redacted]
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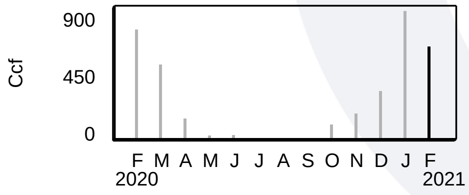
Page 1 of 1

Amount Due	**$786.62**
Current Charges Due	**03-08-21**
Amount Due After Due Date	**$786.62**
Account Number	[redacted] **1098794 73**
Rate WEAT I/S COM	
Active Deposit NONE	Statement Date 02-18-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$1,051.99	
Payments Received		1,051.99CR	
Balance Forward			$0.00
Customer Charge	$34.29		
Delivery Charge	397.43		
Cost Of Gas	336.81		
Weather Normalization	2.38		
Reimb for Gross Receipts Tax	15.71		
Current Charges			786.62
Total Amount Due			**$786.62**

Your Energy Use



Period	**Days**	**Ccf**
Current	28	635.616
Last Year	28	749.497

Meter or Station Number	**Service Period**		**Number of Days**	**Meter Readings**		**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
	From	**To**		**Previous**	**Present**				
028K444366	01-14-21	02-11-21	28	256	736	1.3242	635.616	0.0037528	0.5299000

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Account Number	[redacted] **1098794 73**
Amount Due	**$786.62**
Current Charges Due	**03-08-21**
Amount Due After Due Date	**$786.62**
Total Enclosed $	

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WEATHERFORD, TX 76086-5572

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82 [redacted] 000078662

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[redacted]
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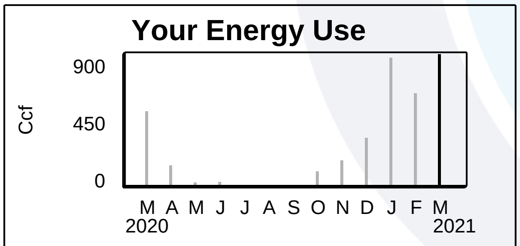
Page 1 of 1

Amount Due	**$1,060.86**
Current Charges Due	**04-05-21**
Amount Due After Due Date	**$1,060.86**
Account Number	[redacted] **1098794 73**

Rate	WEAT I/S COM		
Active Deposit	NONE	Statement Date	03-18-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$786.62	
Payments Received		786.62CR	
Balance Forward			$0.00
Customer Charge	$34.29		
Delivery Charge	562.20		
Cost Of Gas	508.71		
Weather Normalization	65.53CR		
Reimb for Gross Receipts Tax	21.19		
Current Charges			1,060.86
Total Amount Due			**$1,060.86**



Period	**Days**	**Ccf**
Current	29	899.132
Last Year	28	515.114

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
028K444366	02-11-21	03-12-21	29	736	1415	1.3242	899.132	-0.0728886	0.5657800

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Account Number	[redacted] **1098794 73**
Amount Due	**$1,060.86**
Current Charges Due	**04-05-21**
Amount Due After Due Date	**$1,060.86**
Total Enclosed	**$**

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[redacted]

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00 [redacted] 000106086

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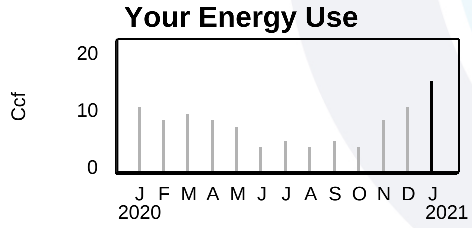
Amount Due	**$33.46**
Current Charges Due	**01-28-21**
Amount Due After Due Date	**$33.46**
Account Number	[redacted] **1030595 91**

Rate	HARL I/S RES		
Active Deposit	NONE	Statement Date	01-12-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$29.50	
Payments Received		29.50CR	
Balance Forward			$0.00
Customer Charge	$17.02		
Delivery Charge	7.54		
Cost Of Gas	4.28		
Weather Normalization	0.69		
Pipeline Integrity (Ccf @ $0.04128)	0.58		
Energy Efficiency Program	0.41		
City Franchise Fee	1.64		
Reimb for Gross Receipts Tax	0.65		
City Tax	0.65		
Current Charges			33.46
Total Amount Due			**$33.46**



Period	**Days**	**Ccf**
Current	34	14.000
Last Year	34	10.000

Meter or Station Number	**Service Period From**	**Service Period To**	**Number of Days**	**Meter Readings Previous**	**Meter Readings Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
1000085220	12-04-20	01-07-21	34	4833	4847	1.0000	14.000	0.0497922	0.3055500

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Account Number	[redacted] **1030595 91**
Amount Due	**$33.46**
Current Charges Due	**01-28-21**
Amount Due After Due Date	**$33.46**
Total Enclosed	**$**

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1337 1 AV 0.386 *0001448 S1 YYNNNN 66
[redacted]
HARLINGEN TX 78550-3219

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

18 [redacted] 000003346

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Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
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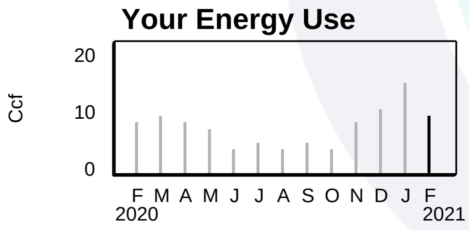
[redacted]
HARLINGEN, TX 78550-3219

Page 1 of 1

Amount Due	**$1.51**
Current Charges Due	**02-25-21**
Amount Due After Due Date	**$1.51**
Account Number	[redacted] **1030595 91**
Rate HARL I/S RES	
Active Deposit NONE	Statement Date 02-09-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$33.46	
Payments Received		33.46CR	
Balance Forward			$0.00
Customer Charge	$17.02		
Delivery Charge	4.85		
Annual Credit: Lower Federal Tax	25.17CR		
Cost Of Gas	3.05		
Weather Normalization	0.99		
Pipeline Integrity (Ccf @ $0.04128)	0.37		
Energy Efficiency Program	0.26		
City Franchise Fee	0.06		
Reimb for Gross Receipts Tax	0.04		
City Tax	0.04		
Current Charges			1.51
Total Amount Due			**$1.51**



Period	Days	Ccf
Current	28	9.000
Last Year	29	8.000

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
1000085220	01-07-21	02-04-21	28	4847	4856	1.0000	9.000	0.1102806	0.3394300

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Account Number	[redacted] **1030595 91**
Amount Due	**$1.51**
Current Charges Due	**02-25-21**
Amount Due After Due Date	**$1.51**
Total Enclosed	**$**

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[redacted]
HARLINGEN TX 78550-3219

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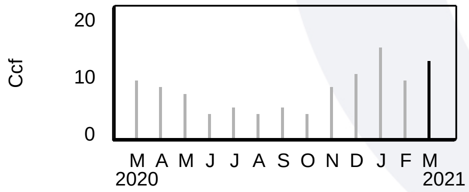
Amount Due	**$28.57**
Current Charges Due	**03-25-21**
Amount Due After Due Date	**$28.57**
Account Number	[redacted] **1030595 91**
Rate HARL I/S RES Active Deposit NONE	Statement Date 03-09-21

[redacted]
HARLINGEN, TX 78550-3219

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$1.51	
Payments Received		1.51CR	
Balance Forward			$0.00
Customer Charge	$17.02		
Delivery Charge	6.46		
Cost Of Gas	4.45		
Weather Normalization	2.75CR		
Pipeline Integrity (Ccf @ $0.04128)	0.50		
Energy Efficiency Program	0.35		
City Franchise Fee	1.40		
Reimb for Gross Receipts Tax	0.57		
City Tax	0.57		
Current Charges			28.57
Total Amount Due			**$28.57**

Your Energy Use



Period	**Days**	**Ccf**
Current	28	12.000
Last Year	29	9.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
1000085220	02-04-21	03-04-21	28	4856	4868	1.0000	12.000	-0.2293091	0.3710700

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Account Number	[redacted] **1030595 91**
Amount Due	**$28.57**
Current Charges Due	**03-25-21**
Amount Due After Due Date	**$28.57**
Total Enclosed	**$**

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[redacted]
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45 [redacted] 000002857

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Do Not Pay	**$235.37**
Will Be Drafted from Your Financial Institution	**02-02-21**
Account Number	[redacted] **1033162 18**
Rate HARL I/S COM	
Active Deposit $5.00	Statement Date 01-15-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$161.11	
Payments Received		161.11CR	
Balance Forward			$0.00
Customer Charge	$94.84		
Delivery Charge	50.64		
Cost Of Gas	48.89		
Weather Normalization	0.87		
Pipeline Integrity (Ccf @ $0.04128)	6.60		
Energy Efficiency Program	0.37		
City Franchise Fee	10.87		
Reimb for Gross Receipts Tax	4.35		
City Tax	4.35		
State Tax	13.59		
Current Charges			235.37
Total Amount Due			**$235.37**

Your Energy Use

Period	**Days**	**Ccf**
Current	34	160.000
Last Year	32	127.000

Meter or Station Number	Service Period From	Service Period To	Number of Days	Meter Readings Previous	Meter Readings Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0212A37615	12-09-20	01-12-21	34	3800	3960	1.0000	160.000	0.0054845	0.3055500

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Account Number	[redacted] **1033162 18**
Do Not Pay	**$235.37**
Will Be Drafted	**02-02-21**

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[redacted]
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[redacted]
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Amount Due	**$0.00**
Credit Balance - Do Not Pay	
Account Number	[redacted] **1033162 18**
Rate HARL I/S COM	
Active Deposit $5.00	Statement Date 02-12-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$235.37	
Payments Received		235.37CR	
Balance Forward			$0.00
Customer Charge	$94.84		
Delivery Charge	17.72		
Annual Credit: Lower Federal Tax	233.58CR		
Cost Of Gas	19.01		
Weather Normalization	3.50		
Pipeline Integrity (Ccf @ $0.04128)	2.31		
Energy Efficiency Program	0.13		
City Franchise Fee	5.17CR		
Reimb for Gross Receipts Tax	2.05CR		
City Tax	2.06CR		
State Tax	6.45CR		
Current Charges			111.80CR
Credit Balance - Do Not Pay			$111.80CR

Your Energy Use

Period	**Days**	**Ccf**
Current	28	56.000
Last Year	31	23.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0212A37615	01-12-21	02-09-21	28	3960	4016	1.0000	56.000	0.0625456	0.3394300

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Account Number	[redacted] **1033162 18**
Amount Due	**$0.00**
Credit Balance - Do Not Pay	

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[redacted]
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Do Not Pay	**$108.14**
Will Be Drafted from Your Financial Institution	**03-30-21**
Account Number	[redacted] **1033162 18**

Rate	HARL I/S COM		
Active Deposit	$5.00	Statement Date	03-12-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance	$111.80CR	
Balance Forward		$111.80CR
Customer Charge	$94.84	
Delivery Charge	47.48	
Cost Of Gas	55.66	
Weather Normalization	15.56CR	
Pipeline Integrity (Ccf @ $0.04128)	6.19	
Energy Efficiency Program	0.35	
City Franchise Fee	10.15	
Reimb for Gross Receipts Tax	4.07	
City Tax	4.07	
State Tax	12.69	
Current Charges		219.94
Total Amount Due		**$108.14**

Your Energy Use

Period	**Days**	**Ccf**
Current	28	150.000
Last Year	29	52.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0212A37615	02-09-21	03-09-21	28	4016	4166	1.0000	150.000	-0.1037697	0.3710700

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Account Number	[redacted] **1033162 18**
Do Not Pay	**$108.14**
Will Be Drafted	**03-30-21**

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[redacted]
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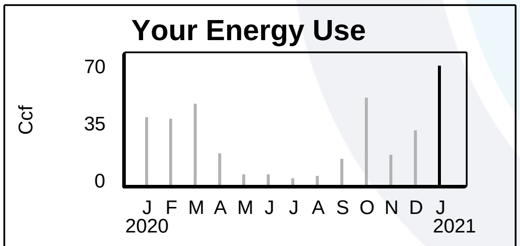
Do Not Pay	**$49.87**
Will Be Drafted from Your Financial Institution	**01-26-21**
Account Number	[redacted] **1076956 18**
Rate ELPA I/S RES Active Deposit NONE	Statement Date 01-08-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$36.87	
Payments Received		36.87CR	
Balance Forward			$0.00
Customer Charge	$19.88		
Delivery Charge	5.96		
Cost Of Gas	20.80		
Weather Normalization	0.38CR		
Pipeline Integrity (Ccf@ -$0.00016)	0.01CR		
Economic Development Rate	0.13		
Reimb. For Taxes and Fees	3.49		
Current Charges			49.87
Total Amount Due			**$49.87**



Period	Days	Ccf
Current	34	64.000
Last Year	32	37.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0404152027	12-02-20	01-05-21	34	1162	1226	1.0000	64.000	-0.0060936	0.3249300

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Account Number	[redacted] **1076956 18**
Do Not Pay	**$49.87**
Will Be Drafted	**01-26-21**

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[redacted]
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[redacted]
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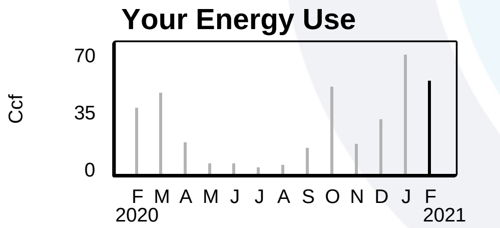
Do Not Pay	**$45.21**
Will Be Drafted from Your Financial Institution	**02-23-21**
Account Number	[redacted] **1076956 18**
Rate ELPA I/S RES	
Active Deposit NONE	Statement Date 02-05-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$49.87	
Payments Received		49.87CR	
Balance Forward			$0.00
Customer Charge	$19.88		
Delivery Charge	4.66		
Cost Of Gas	17.31		
Weather Normalization	0.11		
Pipeline Integrity (Ccf@ -$0.00016)	0.01CR		
Economic Development Rate	0.10		
Reimb. For Taxes and Fees	3.16		
Current Charges			45.21
Total Amount Due			**$45.21**



Period	**Days**	**Ccf**
Current	28	50.000
Last Year	31	36.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0404152027	01-05-21	02-02-21	28	1226	1276	1.0000	50.000	0.0022588	0.3462200

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Account Number	[redacted] **1076956 18**
Do Not Pay	**$45.21**
Will Be Drafted	**02-23-21**

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[redacted]
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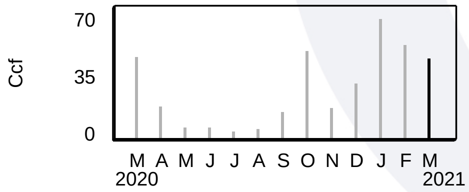
Do Not Pay	**$43.11**
Will Be Drafted from Your Financial Institution	**03-23-21**
Account Number	[redacted] **1076956 18**
Rate ELPA I/S RES	
Active Deposit NONE	Statement Date 03-05-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$45.21	
Payments Received		45.21CR	
Balance Forward			$0.00
Customer Charge	$19.88		
Delivery Charge	4.01		
Cost Of Gas	16.15		
Weather Normalization	0.03CR		
Pipeline Integrity (Ccf@ -$0.00016)	0.01CR		
Economic Development Rate	0.09		
Reimb. For Taxes and Fees	3.02		
Current Charges			43.11
Total Amount Due			**$43.11**

Your Energy Use



Period	Days	Ccf
Current	28	43.000
Last Year	29	44.000

Meter or Station Number	Service Period From	To	Number of Days	Meter Readings Previous	Present	Constant	Ccf Billed	WNA/ Ccf	Cost of Gas/Ccf
0404152027	02-02-21	03-02-21	28	1276	1319	1.0000	43.000	-0.0007843	0.3756600

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Account Number	[redacted] **1076956 18**
Do Not Pay	**$43.11**
Will Be Drafted	**03-23-21**

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***0031632 S1 YNNNNN 70**
[redacted]
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73 [redacted] 000004311

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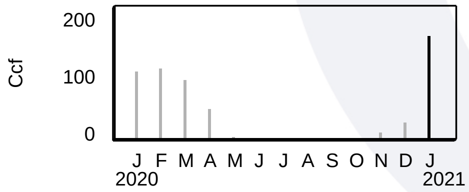
Amount Due			**$134.77**
Current Charges Due			**01-22-21**
Amount Due After Due Date			**$134.77**
Account Number			[redacted] **1088232 82**
Rate	ELPA I/S COM		
Active Deposit	$100.00	Statement Date	01-06-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$72.31	
Payments Received		72.31CR	
Balance Forward			$0.00
Customer Charge	$52.13		
Delivery Charge	12.91		
Cost Of Gas	51.01		
Weather Normalization	0.55CR		
Pipeline Integrity (Ccf@ -$0.00016)	0.03CR		
Economic Development Rate	0.31		
Reimb. For Taxes and Fees	8.73		
City Tax	1.24		
County Tax	0.62		
State Tax	7.78		
Transit Authority Tax	0.62		
Current Charges			134.77
Total Amount Due			**$134.77**

Your Energy Use



Period	**Days**	**Ccf**
Current	31	157.000
Last Year	35	104.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0217A97584	11-30-20	12-31-20	31	881	1038	1.0000	157.000	-0.0035347	0.3249300

Texas Gas Service
A Division of ONE Gas
PO BOX 31427 ● El Paso TX 79931-0427

ELECTRONIC SERVICE REQUESTED

Please return this portion when paying by mail. When paying in person, please bring this entire bill with you.

◀ Share the Warmth helps disadvantaged Texans with home heating costs. To contribute, please include an overpayment and check the box to the left.

Account Number	[redacted] **1088232 82**
Amount Due	**$134.77**
Current Charges Due	**01-22-21**
Amount Due After Due Date	**$134.77**
Total Enclosed	**$**

11028A02.005 TGS: 00108

~02H

10714 1 AV 0.386 *0010864 S1 YYNNNN 70
[redacted]
EL PASO TX 79912-4417

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

27 [redacted] 000013477

Trouble paying your bill due to COVID-19? Visit TexasGasService.com/Cares or call us to discuss options.

Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
PO Box 219913
Kansas City MO 64121-9913

[redacted]
EL PASO, TX 79912-4417

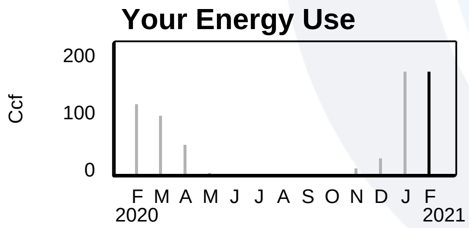
Natural gas is a safe, affordable and reliable energy source when used properly. Read the enclosed brochure for important natural gas safety information.

Page 1 of 1

Amount Due			**$139.10**
Current Charges Due			**02-19-21**
Amount Due After Due Date			**$139.10**
Account Number			[redacted] **1088232 82**
Rate	ELPA I/S COM		
Active Deposit	$100.00	Statement Date	02-03-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$134.77	
Payments Received		134.77CR	
Balance Forward			$0.00
Customer Charge	$52.13		
Delivery Charge	12.91		
Cost Of Gas	54.36		
Weather Normalization	0.18CR		
Pipeline Integrity (Ccf@ -$0.00016)	0.03CR		
Economic Development Rate	0.31		
Reimb. For Taxes and Fees	9.01		
City Tax	1.28		
County Tax	0.64		
State Tax	8.03		
Transit Authority Tax	0.64		
Current Charges			139.10
Total Amount Due			**$139.10**



Period	**Days**	**Ccf**
Current	29	157.000
Last Year	30	108.000

Meter or Station Number	**Service Period From**	**To**	**Number of Days**	**Meter Readings Previous**	**Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0217A97584	12-31-20	01-29-21	29	1038	1195	1.0000	157.000	-0.0011540	0.3462200

Texas Gas Service
A Division of ONE Gas
PO BOX 31427 ● El Paso TX 79931-0427

ELECTRONIC SERVICE REQUESTED

Please return this portion when paying by mail. When paying in person, please bring this entire bill with you.

◀ Share the Warmth helps disadvantaged Texans with home heating costs. To contribute, please include an overpayment and check the box to the left.

Account Number	[redacted] **1088232 82**
Amount Due	**$139.10**
Current Charges Due	**02-19-21**
Amount Due After Due Date	**$139.10**
Total Enclosed	**$**

10971A02.005 TGS: 00107

~02H

10612 1 AV 0.395 *0010765 S1 YYNNNN 70
[redacted]
EL PASO TX 79912-4417

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

27 [redacted] 000013910

Trouble paying your bill due to COVID-19? Visit TexasGasService.com/Cares or call us to discuss options.

Customer Service: 800-700-2443
Gas Leaks: 800-959-5325
Payments by Phone: 866-780-5488
Hearing Impaired: 711
TexasGasService.com

Texas Gas Service
PO Box 219913
Kansas City MO 64121-9913

[redacted]
EL PASO, TX 79912-4417

Need help paying your bill? Call 800-700-2443 to speak to a customer service representative about payment options or to set up alternative payment plans. For information on other available resources, visit TexasGasService.com/Cares.

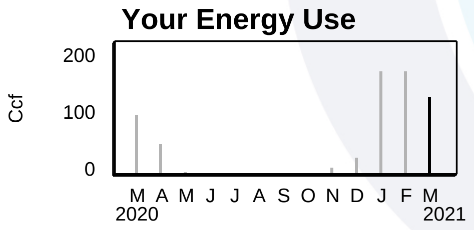
Page 1 of 1

Amount Due	**$124.60**
Current Charges Due	**03-19-21**
Amount Due After Due Date	**$124.60**
Account Number	[redacted] **1088232 82**

Rate	ELPA I/S COM		
Active Deposit	$100.00	Statement Date	03-03-21

RATE SCHEDULE(S) AVAILABLE UPON REQUEST

Previous Balance		$139.10	
Payments Received		139.10CR	
Balance Forward			$0.00
Customer Charge	$52.13		
Delivery Charge	9.79		
Cost Of Gas	44.70		
Weather Normalization	0.22		
Pipeline Integrity (Ccf@ -$0.00016)	0.02CR		
Economic Development Rate	0.24		
Reimb. For Taxes and Fees	8.06		
City Tax	1.15		
County Tax	0.57		
State Tax	7.19		
Transit Authority Tax	0.57		
Current Charges			124.60
Total Amount Due			**$124.60**



Period	**Days**	**Ccf**
Current	28	119.000
Last Year	29	91.000

Meter or Station Number	**Service Period From**	**Service Period To**	**Number of Days**	**Meter Readings Previous**	**Meter Readings Present**	**Constant**	**Ccf Billed**	**WNA/ Ccf**	**Cost of Gas/Ccf**
0217A97584	01-29-21	02-26-21	28	1195	1314	1.0000	119.000	0.0018605	0.3756600

Texas Gas Service®
A Division of ONE Gas
PO BOX 31427 ● El Paso TX 79931-0427

ELECTRONIC SERVICE REQUESTED

Please return this portion when paying by mail. When paying in person, please bring this entire bill with you.

◀ Share the Warmth helps disadvantaged Texans with home heating costs. To contribute, please include an overpayment and check the box to the left.

Account Number	[redacted] **1088232 82**
Amount Due	**$124.60**
Current Charges Due	**03-19-21**
Amount Due After Due Date	**$124.60**
Total Enclosed	**$**

16235A82.007 TGS: 00160

~02H

15827 1 AV 0.395 *0016009 S1 YYNNNN 70
[redacted]
EL PASO TX 79912-4417

TEXAS GAS SERVICE
PO BOX 219913
KANSAS CITY, MO 64121-9913

64 [redacted] 000012460

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in its unincorporated areas in the Borger/Skellytown Service Area including Borger and Skellytown, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 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 would 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.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on 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 refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, and (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), and (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to exclude lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

Supersedes Same Sheet Dated	Meters Read On and After
August 24, 2001 (Borger environs Rate Sch. 1)	February 28, 2019
August 24, 2001 (Skellytown environs Rate Sch. 1)	

COST OF GAS CLAUSE
(Continued)

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. If on the average the Company had overcollected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on average the Company had undercollected during the period it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period 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 general service customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) 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.

Supersedes Same Sheet Dated	Meters Read On and After
August 24, 2001 (Borger environs Rate Sch. 1)	February 28, 2019
August 24, 2001 (Skellytown environs Rate Sch. 1)	

COST OF GAS CLAUSE
(Continued)

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 by month for the twelve months ending August 31.
2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues for the twelve months ending August 31.
3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. 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 thereafter 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.

Supersedes Same Sheet Dated	Meters Read On and After
August 24, 2001 (Borger environs Rate Sch. 1)	February 28, 2019
August 24, 2001 (Skellytown environs Rate Sch. 1)	

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all its incorporated areas in the Borger/Skellytown Service Area including Borger and Skellytown, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments which are executed by the Company in an effort to mitigate price volatility.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service 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 and taxes paid by the Company on those revenues, (c) the total amount of refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, (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) total amount of Uncollectible Cost of Gas during the period and (f) an adjustment, if necessary, to exclude lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

COST OF GAS CLAUSE
(Continued)

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. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from 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.

COST OF GAS CLAUSE
(Continued)

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 by month for the twelve months ending August 31.

2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues for the twelve months ending August 31.

3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.

4. 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 general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all unincorporated areas of its Central-Gulf Service Area including Austin, Bayou Vista, Beaumont, Bee Cave, Buda, Cedar Park, Cuero, Dripping Springs, Galveston, Gonzales, Groves, Jamaica Beach, Kyle, Lakeway, Lockhart, Luling, Nederland, Nixon, Port Arthur, Port Neches, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 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 would 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.

4. Reconciliation Component - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.

5. Reconciliation Audit - An annual review of the Company's books and records for each 12-month period ending with the production month of June to determine the amount of over or under collection occurring during such 12-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service 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 refunds made to 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.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the 12 month period ending June 30 by the sum of the volumes sold to general service 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.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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; (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) 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.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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 October billing cycle through the June 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 October billing cycle and continuing through the next June 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

COST OF GAS CLAUSE
(Continued)

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 supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) 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 12 months ending June 30.

2. A tabulation of gas units sold to general service 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.

COST OF GAS CLAUSE
(Continued)

4. A description of the hedging activities conducted each month during the 12 months ending June 30, 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 balances 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 October. If the Regulatory Authority thereafter 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 general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all incorporated areas of its Central-Gulf Service Area including Austin, Bayou Vista, Beaumont, Bee Cave, Cedar Park, Cuero, Dripping Springs, Galveston, Gonzales, Groves, Jamaica Beach, Kyle, Lakeway, Lockhart, Luling, Nederland, Nixon, Port Arthur, Port Neches, Rollingwood, Shiner, Sunset Valley, West Lake Hills and Yoakum, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 also include gains and 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.

4. Reconciliation Component - The amount to be returned to or recovered from customers each month from October through June as a result of the Reconciliation Audit.

5. Reconciliation Audit - An annual review of the Company's books and records for each 12-month period ending with the production month of June to determine the amount of over or under collection occurring during such 12-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service 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 and taxes paid by the Company on those revenues; (c) the total amount of refunds made to 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

COST OF GAS CLAUSE
(Continued)

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.

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the 12-month period ending June 30 by the sum of the volumes sold to general service 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.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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; (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) 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.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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 October billing cycle through the June 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 October billing cycle and continuing through the next June billing cycle at which time it will terminate.

COST OF GAS CLAUSE
(Continued)

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 supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from 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:

Supersedes Rate Schedule Dated
1-INC dated September 8, 2017 (Cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, TX)
1-INC (GALV) dated May 9, 2016 (Cities of Bayou Vista, Galveston, and Jamaica Beach, TX)
1-INC (SJC) dated May 9, 2016 (Cities of Groves, Nederland, Port Arthur, and Port Neches, TX)
1-INC dated May 22, 2019 (City of Beaumont)

Meters Read On and After
August 4, 2020

COST OF GAS CLAUSE
(Continued)

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 June 30.

2. A tabulation of gas units sold to general service 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 June 30, 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 balances 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 October. If the Regulatory Authority thereafter 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.

Supersedes Rate Schedule Dated
1-INC dated September 8, 2017 (Cities of Austin, Bee Cave, Cedar Park, Cuero, Dripping Springs, Gonzales, Kyle, Lakeway, Lockhart, Luling, Nixon, Rollingwood, Shiner, Sunset Valley, West Lake Hills, and Yoakum, TX)
1-INC (GALV) dated May 9, 2016 (Cities of Bayou Vista, Galveston, and Jamaica Beach, TX)
1-INC (SJC) dated May 9, 2016 (Cities of Groves, Nederland, Port Arthur, and Port Neches, TX)
1-INC dated May 22, 2019 (City of Beaumont)

Meters Read On and After
August 4, 2020

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all its unincorporated areas in the North Texas Service Area including Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Jermyn, Millsap, Mineral Wells, Palo Pinto, Perrin, Possum Kingdom, Punkin Center, Weatherford, Whitt and Willow Park, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 also include the value of gas withdrawn from storage. 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 would 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.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on 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 refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, and (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), and (e) the total amount of Uncollectible Cost of Gas during the period, and (f) an adjustment, if necessary, to exclude lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

COST OF GAS CLAUSE
(Continued)

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. If on the average the Company had overcollected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on average the Company had undercollected during the period it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) 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.

Supersedes Same Sheet Dated	Meters Read On and After
January 27, 2014	November 28, 2018

COST OF GAS CLAUSE
(Continued)

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 by month for the twelve months ending August 31.
2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues for the twelve months ending August 31.
3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.
4. 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 thereafter 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 general service rate schedules of Texas Gas Service Company, a Division of ONE Gas, Inc. ("Company") in all its incorporated areas in the North Texas Service Area including Aledo, Breckenridge, Bryson, Graford, Graham, Hudson Oaks, Jacksboro, Millsap, Mineral Wells, Weatherford and Willow Park, 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments which are executed by the Company in an effort to mitigate price volatility.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service 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 and taxes paid by the Company on those revenues, (c) the total amount of refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

COST OF GAS CLAUSE
(Continued)

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased for general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service customers during the same period. 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, (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, to exclude lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the December billing cycle and continuing through the next August billing cycle at which time it will terminate.

COST OF GAS CLAUSE
(Continued)

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. If, on the average, the Company had overcollected during the period, it shall credit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. If on the average, the Company had undercollected during the period, it shall debit into the Reconciliation Account an amount equal to the average balance multiplied by 6%. The Company shall also be allowed to recover a carrying charge calculated based on the monthly balances of gas in storage for the reconciliation period times the authorized rate of return.

F. SURCHARGE OR REFUND PROCEDURES

In the event that the rates and charges of the Company's supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from 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.

Supersedes Rate Schedule Dated:	Meters Read On and After
April 28, 2006 (Other cities)	November 28, 2018
June 5, 2006 (Breckenridge)	

COST OF GAS CLAUSE
(Continued)

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 by month for the twelve months ending August 31.

2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues for the twelve months ending August 31.

3. A summary of all other costs and refunds made during the year and their effect on the Cost of Gas Clause to date.

4. 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.

Supersedes Rate Schedule Dated:	Meters Read On and After
April 28, 2006 (Other cities)	November 28, 2018
June 5, 2006 (Breckenridge)	

Texas Gas Service Company, a Division of ONE Gas, Inc. **RATE SCHEDULE 1-INC-R**
North Texas Service Area **Page 1 of 1**

RIDER TO THE COST OF GAS CLAUSE, Rate Schedule 1-INC

Applicable in the incorporated area of Weatherford, TX.

The "revenue associated fees" referenced in Paragraph B, Section 1 of the Cost of Gas Clause shall expressly include the full amount necessary for the Company to recover the franchise fees payable upon both the base rates and gas costs of its General Service customers in accordance with the applicable franchise ordinance. Additionally, the franchise fees collected by the Company from its customers and to be remitted to the City in accordance with the franchise ordinance shall not be included as part of the Reconciliation Audit set forth in Paragraph B, Section 5 or the Cost of Gas Statement set forth in Paragraph G.

Supersedes Same Sheet Dated
April 28, 2006 (City of Weatherford)

Meters Read On and After
November 28, 2018 (City of Weatherford)

COST OF GAS CLAUSE

A. APPLICABILITY

This Cost of Gas Clause shall apply to all general service rate schedules of Texas Gas Service Company ("Company") in its 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 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas - The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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, 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 would 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.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide service to its general service customers during the period, including prudently incurred gains or losses on 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 refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased by general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, and (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), 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.

8. 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.

C. COST OF GAS

In addition to the cost of service as provided under its general service rate schedules, the Company shall bill each general service 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) 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% per annum compounded monthly; or, (2) an amount equal to the outstanding under collected balance multiplied by interest of 6% 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 supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) 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 by month for the twelve months ending August 31.
2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues.
3. A description 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 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.
5. A description 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 general service rate schedules of Texas Gas Service Company ("Company") in all its incorporated 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.

B. DEFINITIONS

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the Commodity Cost, 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 any known and quantifiable under or over collection prior to the end of the reconciliation period.

3. Cost of Purchased Gas – The estimated cost for gas purchased by the Company from its suppliers or the estimated weighted average 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, storage, balancing including penalties, and swing services necessary for the movement of gas to the Company's city gate delivery points. The cost of 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 also include the value of gas withdrawn from storage and shall include gains or losses from the utilization of natural gas financial instruments which are executed by the Company in an effort to mitigate price volatility.

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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve-month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve-month period. The audit shall determine: (a) the total amount paid for gas purchased by the Company (per Section B(3) above) to provide

COST OF GAS CLAUSE
(Continued)

service to its general service 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 and taxes paid by the Company on those revenues, (c) the total amount of refunds made to 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 during the period for volumes in excess of five (5) percent of purchases.

6. Purchase/Sales Ratio - A ratio determined by dividing the total volumes purchased by general service customers during the twelve (12) month period ending June 30 by the sum of the volumes sold to general service 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 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amounts paid to the Company's supplier(s) for gas applicable to general service 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, (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), and (e) total amount of Uncollectible Cost of Gas during the period.

8. Uncollectible Cost of Gas – The amounts actually written off after the effective date of this rate schedule related to cost of gas.

C. COST OF GAS

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

COST OF GAS CLAUSE
(Continued)

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) 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 % per annum compounded monthly; or (2) an amount equal to the outstanding under collected balance multiplied by interest of 6 % 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 supplier 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 customers. Similarly, the Company may surcharge its general service 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.

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

COST OF GAS CLAUSE
(Continued)

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 Reconciliation Component; (e) the revenue associated fees and taxes to be applied to revenues generated by the Cost of Gas; (f) the Cost of Gas calculation, including gains and losses from 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 by month for the twelve months ending August 31.

2. A tabulation of gas units sold to general service customers and related Cost of Gas clause revenues.

3. A description 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 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.

5. A description 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.

Supersedes Same Sheet Dated Meters Read On and After
September 1, 2009 October 18, 2017

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 ("The Company") in the unincorporated area of Dell City, Texas within the West Texas Service Area.

B. DEFINITIONS

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and revenue associated fees and taxes. The Cost of Gas will also include the FERC Intervention Costs.

2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any 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 supplier or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation, storage and associated services. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers and shall include, but not be limited to, pipeline reservation charges, transportation commodity charges, applicable line loss charges, balancing charges, penalties, and any other related costs and expenses. The Cost of Purchased Gas shall also include any surcharge or refund the Company may receive from its gas suppliers or service providers. The Cost of 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 bio-methane produced from biomass. The Cost of Purchased Gas shall not include the cost of financial instruments that were entered into after March 1, 2016, 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 would 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.

4. Reconciliation Component - The amount to be returned to or recovered from sales customers each month from February through October as a result of the Reconciliation Audit.

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5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of October to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for Cost of Purchased Gas as defined in Section B.3 of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees and taxes, (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 gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued for upstream pipeline and/or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

6. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes received by the Company during the twelve (12) month period ending October 31 by the sum of the sales volumes delivered to customers during the same period. For the purpose of this computation, all volumes shall be stated at 14.73 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. 1/(1 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 this Cost of Gas Clause. Entries shall be made monthly to reflect, (a) the total prudently incurred amount paid for the Cost of Purchased Gas as defined in Section B.3 of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees and taxes, (c) the total amount of 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 upstream pipeline and /or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

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8. FERC Intervention Costs – Costs prudently incurred from outside vendors and attorneys after January 1, 2008 for the purpose of protecting the interest of sales customers in the West Texas Service Area in connection with negotiating Federal Energy Regulatory Commission ("FERC") related issues with upstream pipelines or intervention and participation in proceedings at the FERC. FERC Intervention Costs may also include prudently incurred internal travel expenses related to this purpose.

9. Uncollectible Cost of Gas – The amounts actually written off after the effective date of this rate schedule related to cost of gas.

C. BILLING OF COST OF GAS

In addition to the cost of service as provided under its rate schedule(s), 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 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 last preceding period including the February billing cycle through the October billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following February billing cycle and continuing through the next following October billing cycle at which time it will terminate until a new Reconciliation Component is determined.

E. PAYMENT FOR 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 including any cost of gas inventory in storage and margins on non-utility transactions as described in paragraph "F" below within the period of audit. If, on the average, the Company had s over-collected during the period, it shall credit into the Reconciliation Account during January an amount equal to the monthly balance multiplied by six percent (6%). If, on the average, the Company had under-collected during the period, it shall debit into the Reconciliation Account during January an amount equal to the monthly balance multiplied by six percent (6%).

F. NON-UTILITY TRANSACTIONS

The aggregate net margins generated by the company from all Non-utility Transactions shall be divided between the Company and ratepayers with the Company retaining thirty three and one third percent (33 1/3%) of aggregate annual Net Margins generated from such activities and sixty-six and two-thirds percent (66 2/3%) shall be credited to sales customers in the month during which the transaction closes. For purposes of this provision, "Non-Utility Transactions" shall mean the following transactions to the extent that such transactions pertain to natural gas supplies, storage, and transportation capacity allocated to sales customers within the West Texas Service Area: off-system sales of natural gas, releases of transportation or storage capacity, financial arbitrage of storage inventories, trading of natural gas inventories, and use of financial instruments pertaining to purchase, storage, and/or transportation of natural gas, so long as such instruments are not intended to hedge the cost of system supplies. "Non-utility Transactions" shall not include any transaction conducted by any affiliate of the company. For purposes of this provision, "Net Margins" shall mean revenues from the aggregate of all Non-Utility Transactions, less the costs to the Company of such transactions, including related taxes, commissions, transaction fees, and transfer fees. The Net Margins allocated to ratepayers shall be credited to the ratepayers once per year through an adjustment of the Reconciliation Account as determined in the Annual Reconciliation filing. The Company shall be fully responsible for any aggregate annual net losses incurred from such activities and no such losses shall be paid by the ratepayers. This provision does not permit the Company to include in the calculation of gas cost storage, or gas stored except as prudently and necessarily needed to serve general sales customers in this service area.

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 Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth (a) the 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 Reconciliation Component; (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an annual report with the Regulatory Authority which shall be verified under oath and include but not necessarily 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 months ending October 31.

2. A tabulation of gas units sold to general service sales customers and related Cost of Gas Clause revenues.

3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account. The summary shall include monthly detail and a statement of all amounts included, other than the gas purchased, in sufficient detail for evaluation. The summary shall include the detail for any FERC Intervention activities performed and associated costs incurred on behalf of West Texas Service Area sales customers. The summary will also include a tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

This report shall be filed concurrently with the Cost of Gas Statement for February. The Company shall provide complete detail within 20 days of request by a representative of the Regulatory Authority. The Company shall seek review and approval of any FERC Intervention costs prior to their inclusion in the cost of gas calculation.

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 ("The Company") in the following unincorporated areas of its West Texas Service Area Andrews, Anthony, Barstow, Canutillo, Clint, Crane, El Paso Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thortonville, Wickett, Wink and Vinton, Texas.

B. DEFINITIONS

1. Cost of Gas – The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and revenue associated fees and taxes. The Cost of Gas will also include the FERC Intervention Costs.

2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any 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 supplier or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation, storage and associated services. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers and shall include, but not be limited to, pipeline reservation charges, transportation commodity charges, applicable line loss charges, balancing charges, penalties, and any other related costs and expenses. The Cost of Purchased Gas shall also include any surcharge or refund the Company may receive from its gas suppliers or service providers. The Cost of 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 bio-methane produced from biomass. The Cost of Purchased Gas shall not include the cost of financial instruments that were entered into after March 1, 2016, 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 would 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.

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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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for the Cost of Purchased Gas as defined in Section B.3. of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees and taxes, (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 upstream pipeline and/or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

6. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes received by the Company during the twelve (12) month period ending June 30 by the sum of the sales volumes delivered to customers during the same period. For the purpose of this computation, all volumes shall be stated at 14.73 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. 1/(1 - .05) unless expressly authorized by the applicable regulatory authority.

7. 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 amount paid for the Cost of Purchased Gas as defined in Section B.3. of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees and taxes, (c) the total amount of 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 upstream pipeline and /or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

8. FERC Intervention Costs – Costs prudently incurred from outside vendors and attorneys after January 1, 2008 for the purpose of protecting the interest of sales customers in the West Texas Service Area in connection with negotiating Federal Energy Regulatory Commission ("FERC") related issues with upstream pipelines or intervention and participation in proceedings at the FERC. FERC Intervention Costs may also include prudently incurred internal travel expenses related to this purpose.

9. Uncollectible Cost of Gas – The amounts actually written off after the effective date of this rate schedule related to cost of gas.

C. BILLING OF COST OF GAS

In addition to the cost of service as provided under its rate schedule(s), 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 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 last preceding through the August billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following December billing cycle and continuing through the next following August billing cycle at which time it will terminate until a new Reconciliation Component is determined.

E. PAYMENT FOR 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 including any cost of gas inventory in storage and margins on non-utility transactions as described in paragraph "F" below within the period of audit. If, on the average, the Company had over-collected during the period, it shall credit into the Reconciliation Account during October an amount equal to the monthly balance multiplied by six percent (6%). If, on the average, the Company had under-collected during the period, it shall debit into the Reconciliation Account during November an amount equal to the monthly balance multiplied by six percent (6%).

F. NON-UTILITY TRANSACTIONS

The aggregate net margins generated by the company from all Non-utility Transactions shall be divided between the Company and ratepayers with the Company retaining thirty three and one third percent (33 1/3%) of aggregate annual Net Margins generated from such activities and sixty-six and two-thirds percent (66 2/3%) shall be credited to sales customers in the month during which the transaction closes. For purposes of this provision, “Non-Utility Transactions” shall mean the following transactions to the extent that such transactions pertain to natural gas supplies, storage, and transportation capacity allocated to sales customers within the West Texas Service Area: off-system sales of natural gas, releases of transportation or storage capacity, financial arbitrage of storage inventories, trading of natural gas inventories, and use of financial instruments pertaining to purchase, storage, and/or transportation of natural gas, so long as such instruments are not intended to hedge the cost of system supplies. “Non-utility Transactions” shall not include any transaction conducted by any affiliate of the company. For purposes of this provision, “Net Margins” shall mean revenues from the aggregate of all Non-Utility Transactions, less the costs to the Company of such transactions, including related taxes, commissions, transaction fees, and transfer fees. The Net Margins allocated to ratepayers shall be credited to the ratepayers once per year through an adjustment of the Reconciliation Account as determined in the Annual Reconciliation filing. The Company shall be fully responsible for any aggregate annual net losses incurred from such activities and no such losses shall be paid by the ratepayers. This provision does not permit the Company to include in the calculation of gas cost storage, or gas stored except as prudently and necessarily needed to serve general sales customers in this service area.

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 Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth (a) the 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 Reconciliation Component; (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority.

H. ANNUAL RECONCILIATION REPORT

The Company shall file an annual report with the Regulatory Authority which shall be verified under oath and 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 months ending August 31.

2. A tabulation of gas units sold to general service sales customers and related Cost of Gas Clause revenues.

3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account. The summary shall include monthly detail and a statement of all amounts included, other than the gas purchased, in sufficient detail for evaluation. The summary shall include the detail for any FERC Intervention activities performed and associated costs incurred on behalf of West Texas Service Area sales customers. The summary will also include a tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

This report shall be filed concurrently with the Cost of Gas Statement for December. The Company shall provide complete detail within 20 days of request by the Regulatory Authority. The Company shall seek review and approval of any FERC Intervention costs prior to their inclusion in the cost of gas calculation.

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 ("The Company") in the incorporated area of Dell City, Texas within the West Texas Service Area.

B. DEFINITIONS

1. Cost of Gas - The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and revenue associated fees (including franchise fees) and taxes. The Cost of Gas will also include the FERC Intervention Costs.

2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any 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 supplier or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation, storage and associated services. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers and shall include, but not be limited to, pipeline reservation charges, transportation commodity charges, applicable line loss charges, balancing charges, penalties, and any other related costs and expenses. The Cost of Purchased Gas shall also include any surcharge or refund the Company may receive from its gas suppliers or service providers. The Cost of 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 bio-methane produced from biomass. The Cost of Purchased Gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Regulatory Authority. Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Regulatory Authority no later than June 15th.

4. Reconciliation Component - The amount to be returned to or recovered from sales customers each month from February through October as a result of the Reconciliation Audit.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of October to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for Cost of Purchased Gas as defined in Section B.3 of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees (including franchise fees) and taxes, (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 gas purchases or operation of this Cost of Gas Clause, (d) the total amount accrued for upstream pipeline and/or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of franchise fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

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9. Uncollectible Cost of Gas – The amounts actually written off after the effective date of this rate schedule related to cost of gas.

C. BILLING OF COST OF GAS

In addition to the cost of service as provided under its rate schedule(s), 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 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 last preceding period including the February billing cycle through the October billing cycle. The Reconciliation Component so determined to collect any revenue shortfall or to return any excess revenue shall be applied for a nine (9) month period beginning with the next following February billing cycle and continuing through the next following October billing cycle at which time it will terminate until a new Reconciliation Component is determined.

E. PAYMENT FOR 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 including any cost of gas inventory in storage and margins on non-utility transactions as described in paragraph "F" below within the period of audit. If, on the average, the Company had s over-collected during the period, it shall credit into the Reconciliation Account during January an amount equal to the monthly balance multiplied by six percent (6%). If, on the average, the Company had under-collected during the period, it shall debit into the Reconciliation Account during January an amount equal to the monthly balance multiplied by six percent (6%).

F. NON-UTILITY TRANSACTIONS

The aggregate net margins generated by the company from all Non-utility Transactions shall be divided between the Company and ratepayers with the Company retaining thirty three and one third percent (33 1/3%) of aggregate annual Net Margins generated from such activities and sixty-six and two-thirds percent (66 2/3%) shall be credited to sales customers in the month during which the transaction closes. For purposes of this provision, “Non-Utility Transactions” shall mean the following transactions to the extent that such transactions pertain to natural gas supplies, storage, and transportation capacity allocated to sales customers within the West Texas Service Area: off-system sales of natural gas, releases of transportation or storage capacity, financial arbitrage of storage inventories, trading of natural gas inventories, and use of financial instruments pertaining to purchase, storage, and/or transportation of natural gas, so long as such instruments are not intended to hedge the cost of system supplies. “Non-utility Transactions” shall not include any transaction conducted by any affiliate of the company. For purposes of this provision, “Net Margins” shall mean revenues from the aggregate of all Non-Utility Transactions, less the costs to the Company of such transactions, including related taxes, commissions, transaction fees, and transfer fees. The Net Margins allocated to ratepayers shall be credited to the ratepayers once per year through an adjustment of the Reconciliation Account as determined in the Annual Reconciliation filing. The Company shall be fully responsible for any aggregate annual net losses incurred from such activities and no such losses shall be paid by the ratepayers. This provision does not permit the Company to include in the calculation of gas cost storage, or gas stored except as prudently and necessarily needed to serve general sales customers in this service area.

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 Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth (a) the 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 Reconciliation Component; (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority.

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The Company shall file an annual report with the Regulatory Authority which shall be verified under oath and include but not necessarily 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 months ending October 31.

2. A tabulation of gas units sold to general service sales customers and related Cost of Gas Clause revenues.

3. A summary of all other costs and refunds made during the year and the status of the Reconciliation Account. The summary shall include monthly detail and a statement of all amounts included, other than the gas purchased, in sufficient detail for evaluation. The summary shall include the detail for any FERC Intervention activities performed and associated costs incurred on behalf of West Texas Service Area sales customers. The summary will also include a tabulation of the uncollectible accounts attributable to charges calculated under this tariff, including monthly amounts charged off, and monthly charged off amounts later collected, if any.

This report shall be filed concurrently with the Cost of Gas Statement for February. The Company shall provide complete detail within 20 days of request by a representative of the City of Dell City or Regulatory Authority. The Company shall seek review and approval of any FERC Intervention costs prior to their inclusion in the cost of gas calculation.

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 ("The Company") in the following incorporated areas of its West Texas Service Area Andrews, Anthony, Barstow, Clint, Crane, El Paso Horizon City, McCamey, Monahans, Pecos, Pyote, San Elizario, Socorro, Thortonville, Wickett, Wink and Vinton, Texas.

B. DEFINITIONS

1. Cost of Gas – The rate per billing unit or the total calculation under this clause, consisting of the commodity cost, a reconciliation component, any surcharges or refunds, Uncollectible Cost of Gas, and revenue associated fees (including franchise fees) and taxes. The Cost of Gas will also include the FERC Intervention Costs.

2. Commodity Cost - The Cost of Purchased Gas multiplied by the Purchase Sales Ratio plus any 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 supplier or the estimated weighted average prudently incurred cost for gas purchased by the Company from all sources where applicable. The Cost of Purchased Gas may include prudently incurred costs necessarily incurred for transportation, storage and associated services. Transportation costs shall be inclusive of all upstream transportation costs imposed by the transportation service providers and shall include, but not be limited to, pipeline reservation charges, transportation commodity charges, applicable line loss charges, balancing charges, penalties, and any other related costs and expenses. The Cost of Purchased Gas shall also include any surcharge or refund the Company may receive from its gas suppliers or service providers. The Cost of 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 bio-methane produced from biomass. The Cost of Purchased Gas shall not include the cost of financial instruments that were entered into after March 1, 2016, unless the use of such financial instruments is approved in advance and in writing by the Regulatory Authority.

Supersedes Rate Schedule 1-1-INC Dated
February 15, 2008 (Anthony, Clint, El Paso, Horizon City
San Elizario, Socorro, Vinton)
February 27, 2009(Andrews, Barstow, Crane
McCamey, Monahans, Pecos, Pyote,
Thortonville, Wickett, Wink)

Meters Read On and After
October 5, 2016 (Anthony, Clint,
El Paso, Horizon City, San Elizario
Soccoro, Vinton)

December 1, 2016 (Andrews,
Barstow, Crane McCamey, Monahans,
Pecos, Pyote, Thortonville, Wickett,
Wink)

Such approval would be requested as part of the Company's annual gas purchase plan, which shall be submitted annually to the Regulatory Authority no later than June 15th.

4. 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.

5. Reconciliation Audit - An annual review of the Company's books and records for each twelve month period ending with the production month of August to determine the amount of over or under collection occurring during such twelve month period. The audit shall determine: (a) the total prudently incurred amount paid for the Cost of Purchased Gas as defined in Section B.3. of this Cost of Gas Clause to provide service to its sales customers during the period, (b) the revenues received from operation of the provisions of this Cost of Gas Clause reduced by the amount of fees (including franchise fees) and taxes, (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 upstream pipeline and/or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of franchise fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

6. Purchase/Sales Ratio - A ratio determined by dividing the total sales volumes received by the Company during the twelve (12) month period ending June 30 by the sum of the sales volumes delivered to customers during the same period. For the purpose of this computation, all volumes shall be stated at 14.73 psia. Such ratio as determined shall in no event exceed 1.0526 i.e. 1/(1 - .05) unless expressly authorized by the applicable regulatory authority.

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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 upstream pipeline and /or commodity balancing provisions under the transportation rate schedule(s) including but not limited to balancing service rate and stranded capacity charges net of franchise fees and applicable taxes, (e) the total amount of Uncollectible Cost of Gas during the period, (f) the total amount of FERC Intervention Costs, and (g) an adjustment, if necessary, for lost and unaccounted for gas during the period in excess of five (5) percent of purchases.

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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 Company shall file such initial Statement as soon as is reasonably possible.) The Cost of Gas Statement shall set forth

(a) the 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 Reconciliation Component; (e) the Cost of Gas calculation. The statement shall include all data necessary for the Regulatory Authority to review and verify the calculation of the Cost of Gas. The date on which billing using the Cost of Gas is to begin (bills prepared) is to be specified in the statement. The Company shall not file revised Cost of Gas Statements on dates other than listed above without specific regulatory authority.

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December 1, 2016 (Andrews,
Barstow, Crane McCamey, Monahans,
Pecos, Pyote, Thortonville, Wickett,
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This report shall be filed concurrently with the Cost of Gas Statement for December. The Company shall provide complete detail within 20 days of request by a representative of the City of El Paso, other municipality or Regulatory Authority. The Company shall seek review and approval of any FERC Intervention costs prior to their inclusion in the cost of gas calculation.

I. SUPPORTING MATERIAL ACCOMPANYING ANNUAL RECONCILIATION REPORT

For the City of El Paso, the Company shall file supporting materials with its Annual Reconciliation Report to demonstrate that gas costs were acquired during ordinary and atypical periods at the lowest prudently incurred price and necessary to provide reliable service to retail customers.

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February 15, 2008 (Anthony, Clint, El Paso, Horizon City San Elizario, Socorro, Vinton)	October 5, 2016 (Anthony, Clint, El Paso, Horizon City, San Elizario Soccoro, Vinton)
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CASE NO. 00007069

APPLICATION OF TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., FOR CUSTOMER RATE RELIEF RELATED TO WINTER STORM URI AND A REGULATORY ASSET DETERMINATION	**§ § § § § §**	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

DIRECT TESTIMONY

OF

BERNADETTE JOHNSON

ON BEHALF OF

TEXAS GAS SERVICE COMPANY

July 30, 2021

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LIST OF EXHIBITS

EXHIBIT BJ-1	List of Testimony in Previous Proceedings
EXHIBIT BJ-2	Winter Storm Uri - Natural Gas Analysis for TGS

DIRECT TESTIMONY OF BERNADETTE JOHNSON

I. INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME AND PRESENT TITLE.

A. My name is Bernadette Johnson, and I am Senior Vice President, Power and Renewables for Enverus, Inc. ("Enverus").

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I lead the Power and Renewables business unit and team at Enverus, including all related consulting engagements and research efforts. Over my career in the energy industry, I have accrued extensive experience providing crude, natural gas, and power market fundamentals analysis and advisory services to various companies in North American and global energy markets. My specific market experience spans: financial trading, production forecast and reserve analysis, infrastructure analysis, processing/gathering/refining analysis, storage valuation, gas supply analysis, power load/supply/congestion analysis, and regional and benchmark price forecasting. My research and analysis has been utilized by numerous entities in the energy space for evaluating investments and specific transactions. Our client list includes several Fortune 500 companies and is frequently referenced in various regulatory filings. I joined Enverus through the acquisition of products and services from Ponderosa Advisors in November 2016. As a founding partner at Ponderosa Advisors, I led the Energy Analytics team and was responsible for all related consulting engagements and market research efforts. Prior to joining Ponderosa Advisors, I was a Senior Research Analyst for Sasco Energy Partners in Westport, Connecticut. In this role, I provided and managed fundamentals research for a team of financial traders active in natural gas, power, and oil futures markets. I began my career at Bentek Energy, as a "Senior Energy Analyst, Natural Gas Market Fundamentals" and consulting project team lead. I hold a MS Degree in International Political Economy of Resources, and a BS Degree in Economics from the Colorado School of Mines.

Q. HAVE YOU TESTIFIED IN PRIOR REGULATORY PROCEEDINGS BEFORE ANY OTHER REGULATORY AUTHORITIES?

A. Yes. I have testified in the proceedings identified on my Exhibit BJ-1.

Q. HAVE YOU PREPARED ANY EXHIBITS IN CONNECTION WITH YOUR TESTIMONY?

A. Yes. I have prepared or supervised the preparation of the exhibits listed in the table of contents.

II. SCOPE AND PURPOSE OF TESTIMONY

Q. PLEASE DISCUSS THE PURPOSE OF YOUR TESTIMONY.

A. Enverus was engaged by Texas Gas Service Company ("TGS" or the "Company"), which is a Division of ONE Gas, Inc. to analyze the natural gas market price and supply dynamics during Winter Storm Uri and the resulting impacts on TGS, provide an experienced assessment of the suitability of TGS's gas supply planning and execution, and evaluate whether the TGS Gas Supply Plan is consistent with best industry practices. My testimony presents Enverus' analysis and findings.

III. OVERVIEW OF ANALYSIS AND METHODOLOGY

Q. PLEASE DISCUSS THE SPECIFIC ENGAGEMENT.

A. Specifically, Enverus was engaged by TGS to:

- Perform an analysis of natural gas market dynamics and prices for key hubs across the US and Texas, in particular, with a specific timeline of price movement, and analysis of reasons for price movement; and
- Complete an assessment of the suitability of TGS's gas supply planning and execution by reviewing documentation and data provided by TGS including its 2020 Texas Gas Service Gas Supply Plan, annual/monthly/daily/intraday gas procurement decisions, transactions, and planning documents, rate schedules, and various responses to specific Enverus inquiries surrounding actions taken ahead of and during the event (approximately, February 12-19, 2021).

In connection with the engagement and as part of its review of the events surrounding Winter Storm Uri, Enverus also performed an analysis of Electric Reliability Council of Texas ("ERCOT") power outages between February 15 and February 19, 2021, including supply and demand forecasts, fuel source contribution and detail, and unit availability.

IV. SUMMARY OF THE FEBRUARY 2021 WINTER WEATHER EVENT

Q. PLEASE DESCRIBE THE WINTER STORM URI WEATHER EVENT AND PROVIDE APPLICABLE CONTEXT.

A. The event that unfolded between February 12 and February 19, 2021 was extreme in geographic magnitude, duration, and low temperature intensity. According to the National Weather Service, Winter Storm Uri "was one of the most impactful winter events in recent history that brought multiday road closures, power outages, loss of heat, broken pipes, and other societal impacts for the region." The event impacted much of the U.S. east of the Rocky Mountains. In particular, for historical context purposes, the National Oceanic and Atmospheric Administration (NOAA) found that 30% of all U.S. reporting stations set record daily cold highs and 20% set record daily cold lows from February 14-16. In addition, dozens of locations across the U.S. set records for any day in their history (not just that particular calendar day). In fact, 103 all-time coldest daily high temperature records were tied or set from February 14-17 and there were 95 all-time coldest low temperature records set in 12 different states from February 11-17. From a regional perspective, Winter Storm Uri impacted not only Texas, but Oklahoma and Kansas as well. The interconnectivity of natural gas pipeline networks led to disruptions in typical winter flow patterns across the country and to corresponding spikes in the cost of natural gas. During the worst portion of the event, a combination of record winter demand, natural gas supply losses and power generation outages led to instability across Texas and a situation where natural gas local distribution companies were forced to be price takers in the market for natural gas in order to maintain the adequacy and reliability of service to their customers. Exhibit BJ-2 (detailed report) provides additional information regarding the severity of the event and the magnitude of its scope and impact across the U.S.

V. KEY FINDINGS AND CONCLUSIONS

Q. PLEASE PROVIDE A SUMMARY OF YOUR FINDINGS.

A. A summary of Enverus' conclusions are stated below. Our complete analysis and findings are contained in the report attached to my testimony as Exhibit BJ-2.

- TGS's Gas Supply Plan and its gas purchasing practices during Winter Storm Uri were prudent and reasonable. TGS's Gas Supply Plan was sufficiently flexible to accommodate inherently unpredictable changes, and contained upstream pipeline firm transportation service, firm storage service, and long-term plus seasonal supply purchases. TGS conducts diligent fundamental analysis, analyzes historical data, uses forecasting software, and engages qualified and reputable outside expert sources and government agencies, in order to establish the appropriate supply portfolio mix.

- While the Company did curtail a small number of commercial and industrial customers as allowed by their service agreements, the Company did not experience any customer outages caused by an overall lack of gas supply and did not curtail any residential or human needs customers. The efforts of the Company aligned with direct guidance and leadership provided by the Railroad Commission and were necessary based on the severity of the event and threat presented. Enverus assesses TGS's gas supply planning and procurement actions to be reasonable and consistent with best industry practices and suitable planning.

- Texas had one of, if not the, coldest and most impactful winter storms observed in state history during the week of February 12–19. A combination of record winter demand, natural gas supply losses, and power generation unit outages cascaded into instability and power losses across the ERCOT power grid, and record natural gas prices.

- This cold snap not only impacted Texas but also Oklahoma and Kansas. The interconnectivity of the natural gas pipeline network and disruption to typical winter flow patterns also caused natural gas price spikes across the country.

- Along with natural gas supply challenges that impacted power and other demand sectors, a dip in power generation resources was observed for every fuel type, including coal, wind, solar and even nuclear.

- During the worst of the cold snap, all power generation resources showed a decline in output while demand peaked to unprecedented levels. Although natural gas production fell significantly during this event, the timeline indicates that power outages made this decline worse.

- During this event, the peak demand observed was near 70,000 MW on the evening of Sunday, February 14. This level of demand had never been observed before in the winter season in ERCOT.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

AFFIDAVIT OF BERNADETTE JOHNSON

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

1. "My name is Bernadette Johnson. I am over the age of eighteen (18) and fully competent to make this affidavit. I am employed as Senior Vice President, Power and Renewables for Enverus. 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:
Bernadette Johnson
C1B2314DA349491...
Bernadette Johnson

SUBSCRIBED AND SWORN TO BEFORE ME by the said Bernadette Johnson on this 23rd day of July 2021.

MARY L. PENA
Notary ID
11652311
My Commission Expires
5/13/2023

DocuSigned by:
Mary L. Pena
8380C42AC1944A2...
Notary Public in and for the State of Texas

Exhibit BJ-1
Page 1 of 1

Previous Proceedings

I testified in each of the proceedings listed below on behalf of the Staff for the Virginia State Corporation Commission. In addition to the list below, my team performed work over the past 10 years for several regulated Utilities related to gas supply, and performed detailed supply analysis for three operating LNG export terminals, however, none of these projects included a formal testimony component or phase.

1. Case No. PUE-2015-00055- Natural Gas Investment Plan of Washington Gas Light
2. Case No. PUR-2017-00031- Appalachian Power Company: proprietary benchmark and basis 20-year price forecasts for natural gas (Henry Hub) and energy (PJM, AEP Zone),
3. Case No.R-2017-00122- Virginia Natural Gas, Inc. ("VNG") and Sequent Energy Management, L.P. ("Sequent") approval of an Asset Management Agreement
4. Case No. PUR-2018-00067- Virginia Electric and Power Company Fuel Factor
5. Case No. PUR-2018-00013- Roanoke Gas Rate Increase
6. Case No. PUR-2018-00203- Virginia Natural Gas, Inc. approval of the Asset Management Agreement
7. Case No. PUR-2019-00058- Appalachian Power Company 25-year commodity and power price forecasts contained in its 2019 Integrated Resource Plan
8. Case No. PUR-2019-00070- Virginia Electric and Power Company Fuel Factor
9. Case No. PUR-2020-00035-2020 Integrated Resource Plan of Virginia Electric and Power Company
10. Case No. PUR-2020-00031- Dominion Energy Virginia's Fuel Factor.

ENVERUS

Winter Storm Uri - Natural Gas Analysis
TEXAS

Prepared for: ONE Gas

Texas
Gas Service
A Division of ONE Gas

July 2021

Exhibit BJ-2
Page 2 of 47

Event Overview & Key Takeaways

Executive Summary - Situational Review and Findings

1) Texas had one of, if not the, coldest and most impactful winter storms observed in state history during the week of February 12–18. A combination of record winter demand, natural gas supply losses, and power generation unit outages cascaded into instability and power losses across the ERCOT power grid and record natural gas prices.

2) This cold snap not only impacted Texas but also Oklahoma and Kansas. The interconnectivity of the natural gas pipeline network and disruption to typical winter flow patterns also caused natural gas price spikes across the country.

3) Along with natural gas supply challenges that impact power and other demand sectors, a dip in power generation resources was observed for every fuel type, including coal, wind, solar and even nuclear.
    1) During the worst of the cold snap, all power generation resources showed a decline in output while demand peaked to unprecedented levels. Although natural gas production fell significantly during this event, the timeline indicates that power outages made this decline worse.
    2) During this event, the peak demand observed was near 70,000 MW on the evening of Sunday, February 14. This level of demand had never been observed before in the winter season in ERCOT.

4) The timelines and analysis included in the full report illustrate how events unfolded.

5) Texas Gas Service's ("TGS" or the Company") Gas Supply Plan and its gas purchasing practices during Winter Storm Uri were prudent and reasonable. The Plan was sufficiently flexible to accommodate inherently unpredictable changes, and contained upstream pipeline firm transportation service, firm storage service, and long-term plus seasonal supply purchases. TGS conducts diligent fundamental analysis, analyzes historical data, uses forecasting software, and engages qualified and reputable outside expert sources and government agencies, in order to establish the appropriate supply portfolio mix.

6) While the company did curtail a small number of commercial and industrial customers as allowed by their service agreements, the company did not experience any customer outages caused by an overall lack of gas supply and did not curtail any residential or human needs customers. The efforts of the company aligned with direct guidance and leadership provided by the Railroad Commission and were necessary based on the severity of the event and threat presented. Enverus assesses TGS's gas supply planning and procurement actions to be reasonable and consistent with best industry practices and suitable planning.

Gas Prices Timeline

The natural gas cash market refers to the daily market or where gas is bought and sold for “right now”. The price of gas fluctuates throughout the day. However, the average price for the day is what’s widely used and has also been included in this report. Gas traded today is effective for the next gas flow date. Weekends and holidays are exceptions, when gas is traded on Fridays or the day before a holiday, the average price is effective for multiple flow dates until the next trade date. For example: each Friday, gas trades for 3 flow dates: Saturday, Sunday and Monday. On Monday, gas is traded for Tuesday and so on.

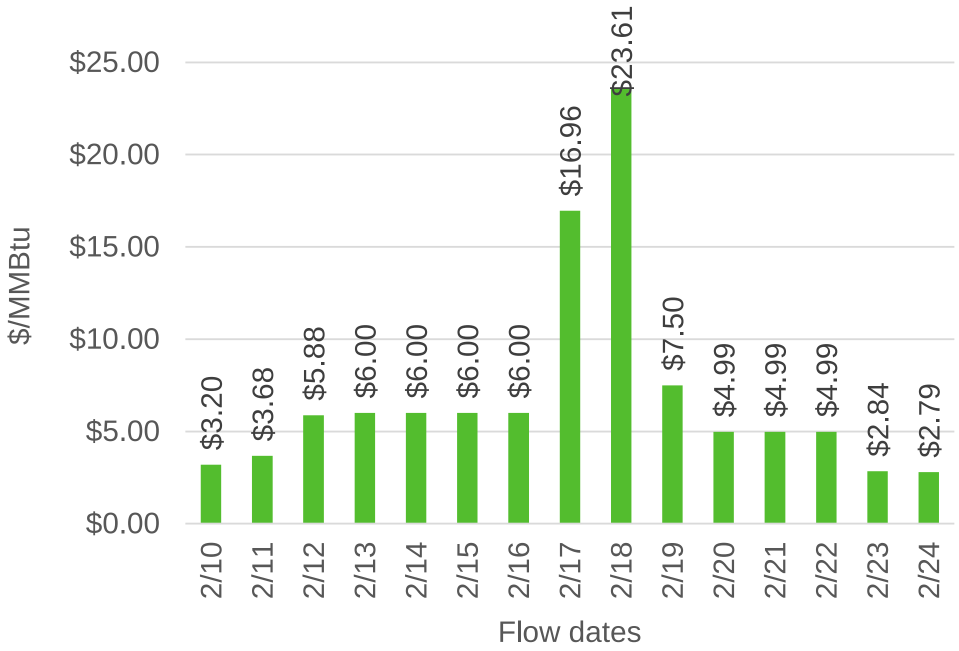
Fri. 12 Feb. 2021
Gas prices increase over 60% from the day before. On this Friday and due to the President’s day holiday, gas was traded for 4 days (Sat-Tu). ($6 for 2/13-2/16)

Tu. 16 Feb. 2021
HH reached $16.96 (+180%) for flow date 2/17

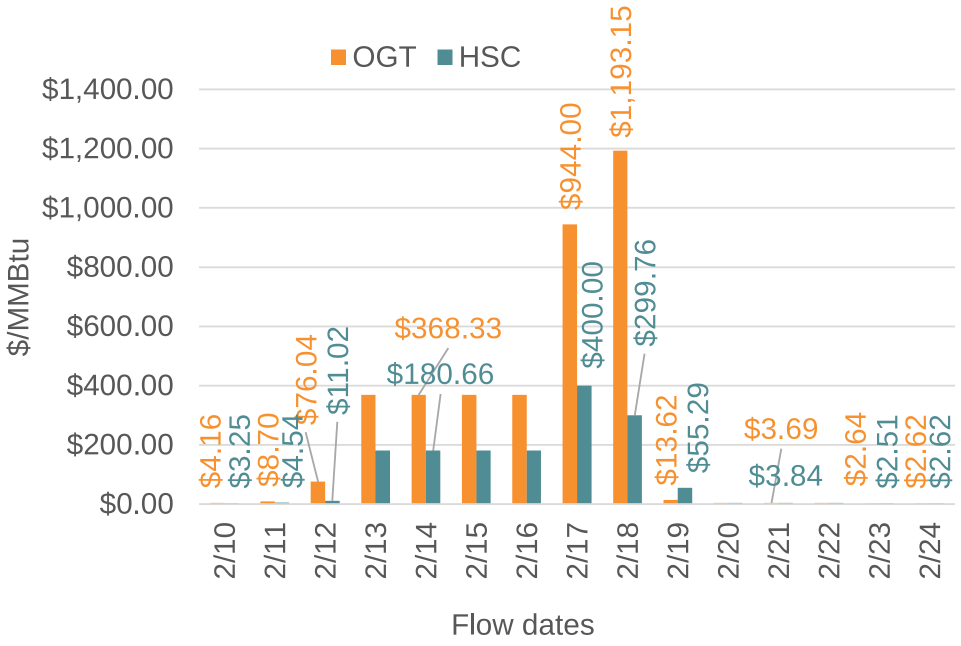
Wed. 17 Feb. 2021
HH peaked at $23.61 (+40%) for flow date 2/18

Th. 18 Feb. 2021
Gas prices start to drop reaching pre-storm levels by 2/23

Henry Hub (HH)



Houston Ship Channel (HSC) and Oneok Gas Transmission (OGT)



Source | Platts Gas Daily

Timeline-Texas

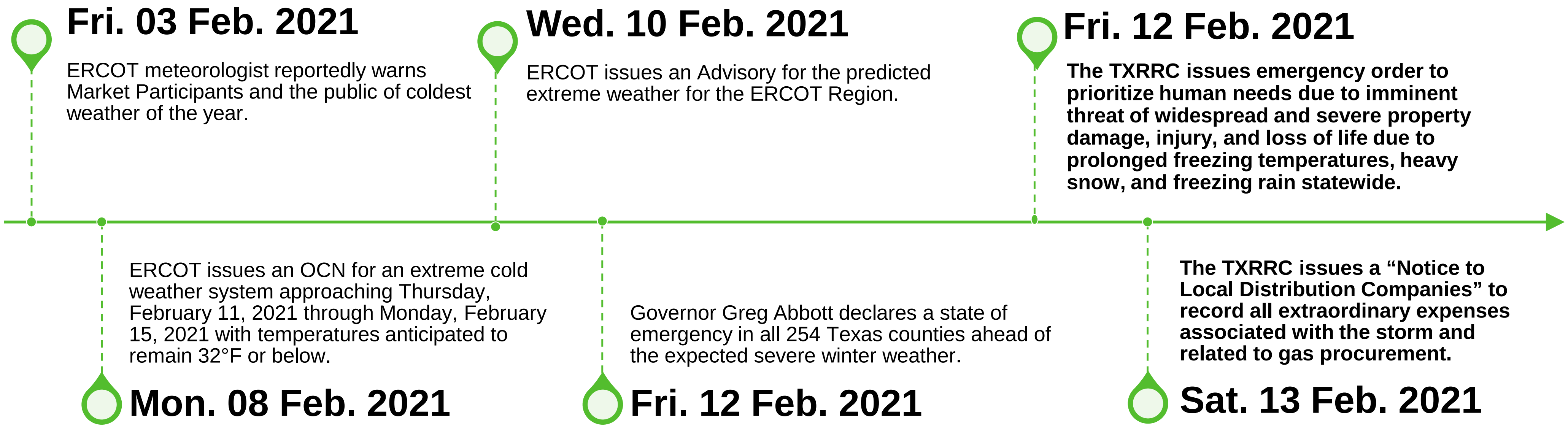
The following timelines illustrate how events unfolded.

- **First week of February:** ERCOT meteorologists reportedly warns Market Participants and the public of the coldest weather of the year.
- **February 8:** ERCOT issues an Operating Conditions Notice (OCN) for an extreme cold weather system approaching Thursday, February 11 through Monday, February 15 with temperatures anticipated to remain 32° F or below.
- **February 10:** ERCOT issues an Advisory for the predicted extreme weather for the ERCOT Region.
- **February 12**: Governor Greg Abbott declares a state of emergency in all Texas counties ahead of the expected severe winter weather.
- *****February 12:** The Railroad Commission of Texas (TXRRC) issues emergency order to prioritize human needs due to imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide.
- **February 12:** Natural gas supply begins declining through February 15, with February 14 being the most impactful day.
  - Natural gas supply declined ~0.2 Bcf/d and ~0.7 Bcf/d on February 12 and 13, respectively, leading up to February 14.
  - The declines observed on February 12 are within a typical range of drops observed during previous cold weather events.
  - The declines on February 13, although material, were not large enough to cause the power generation failures seen across the board.
- *****February 13:** The TXRRC issued a “Notice to Local Distribution Companies” authorizing each Local Distribution Company (LDC) to record the extraordinary expenses associated with the storm including gas costs and costs related to the procurement and transportation of gas supply.
- **February 14:** As early as 1:00 AM, power generation reported output limitations or significant capacity was forced offline by the extreme weather. At its highest point more than 48.6% of all generation in ERCOT was in forced outage.
  - Natural gas declines showed ~2 Bcf/d declines. Power generation outages exacerbated the drop in natural gas supply, as reported by oil and gas operators after the event and survey data compiled and presented in this report.
  - Peak demand observed is near 70,000 MW during the evening.
- **February 15:** ERCOT enters Emergency Operations Level 3 at 01:20 AM, and does not return to normal operations until 10:35 AM Friday, February 19.
  - At least 4.5 million customers were without power and more than 13 million customers had water service interruptions.

***Designates key gas supply order

Market Timeline – What Happened?

Little time to prepare



Fri. 03 Feb. 2021

ERCOT meteorologist reportedly warns Market Participants and the public of coldest weather of the year.

Mon. 08 Feb. 2021

ERCOT issues an OCN for an extreme cold weather system approaching Thursday, February 11, 2021 through Monday, February 15, 2021 with temperatures anticipated to remain 32°F or below.

Wed. 10 Feb. 2021

ERCOT issues an Advisory for the predicted extreme weather for the ERCOT Region.

Fri. 12 Feb. 2021

Governor Greg Abbott declares a state of emergency in all 254 Texas counties ahead of the expected severe winter weather.

Fri. 12 Feb. 2021

The TXRRC issues emergency order to prioritize human needs due to imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide.

Sat. 13 Feb. 2021

The TXRRC issues a "Notice to Local Distribution Companies" to record all extraordinary expenses associated with the storm and related to gas procurement.

Market Timeline con’t – What Happened?

Event Overview

Days 12-16 Feb. 2021

Over the week natural gas pipeline flow data shows a significant drop in supply. Spot gas prices soar on Friday to over $150/MMBtu at HSC (other locations experienced prices as high as $1250 according to Natural Gas Intelligence).

Sat. 13 Feb. 2021 04:02

ERCOT notes the first major thermal generator failure at 04:02. Frequency declines to 59.238 Hz, while load was at 55,391 MW.

Sat. 13 Feb. 2021 08:43

ERCOT Physical Responsive Capability (PRC), which is a measure of online capacity that is available to respond quickly to disturbances, falls below 3 GW for the first time during the weekend.

Sun. 14 Feb. 2021

ERCOT issues a Watch for a projected reserve capacity shortage with no market solution available for HE 17:00-21:00, which causes a high risk for an EEA event.

Mon. 15 Feb. 2021

Energy Emergency: EEA Level 1: At 00:15, ERCOT at EEA 1 - Reserves below 2, 300 MW.

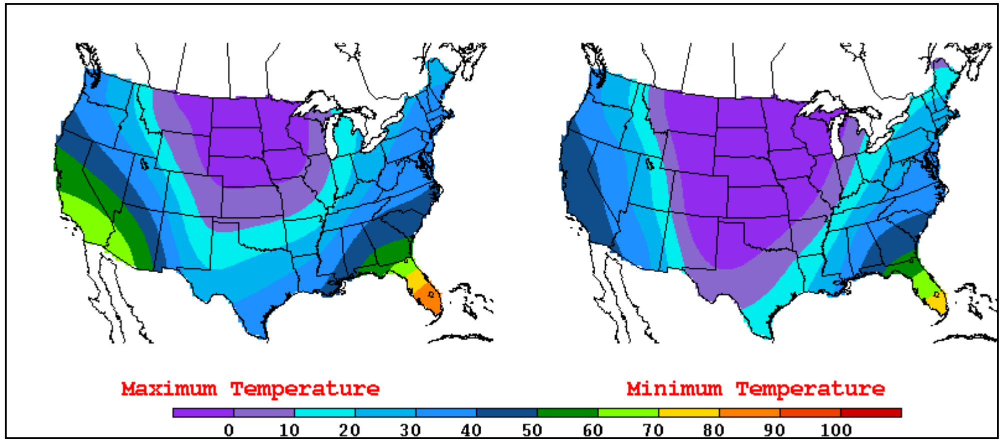
EEA Level 2: At 01:07, ERCOT at EEA 2 - Reserves below 1, 750 MW. Load resources are being deployed.

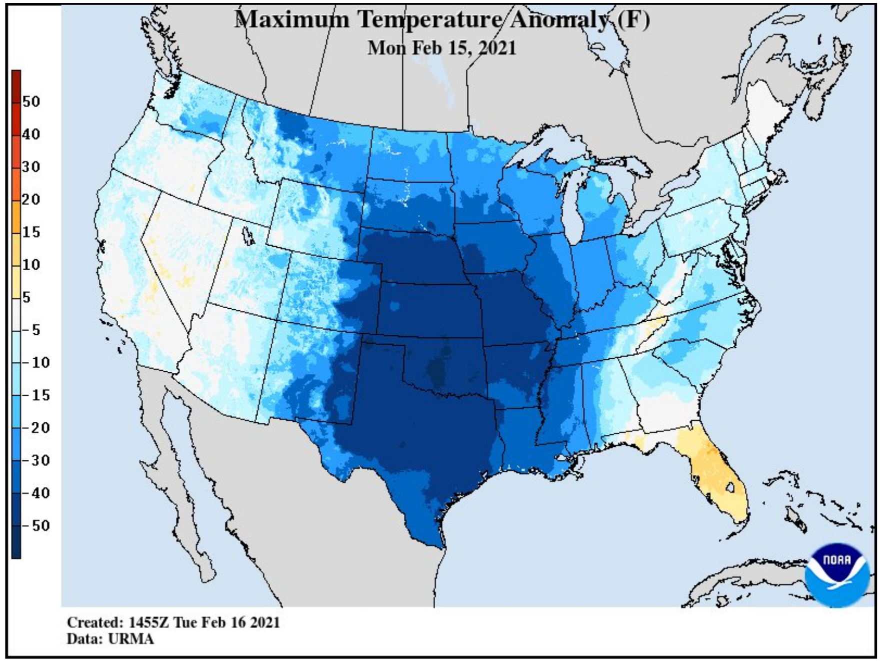
EEA Level 3 With Firm Load Shed: At 01:20, rotating outages are in progress to maintain frequency.

Extreme Weather Event – In Context

This event was record breaking and widespread across much of the US.

1) National Weather Service: “The Winter Outbreak that occurred on Valentine's Week 2021 brought not only snow, sleet, and freezing rain to Southeast Texas, but also extreme cold temperatures that lasted for several days. This was one of the most impactful winter events in recent history that brought multiday road closures, power outages, loss of heat, broken pipes, and other societal impacts for the region. While the damage is still being assessed, this will likely go down as the first billion dollar disaster of 2021 globally, and potentially the most costly weather disaster for the state of Texas in history, surpassing even Hurricane Harvey from 2017. ”
2) NOAA found 30% of all U.S. reporting stations set record daily cold highs and 20% set record daily cold lows from Feb 14-16.
3) There were dozens of locations that set records for any day in their history (not just that particular calendar day).
    1) 103 all-time coldest daily high temperature records were tied or set from Feb 14-17
    2) 95 all-time coldest low temperature records were set in 12 different states from Feb 11-17
4) The maps presented on the right illustrate the max and min temperatures and maximum temperature anomaly, and highlight the widespread nature of the event.





Source | Enverus, NOAA, Weather.gov, Weather.com

Exhibit BJ-2
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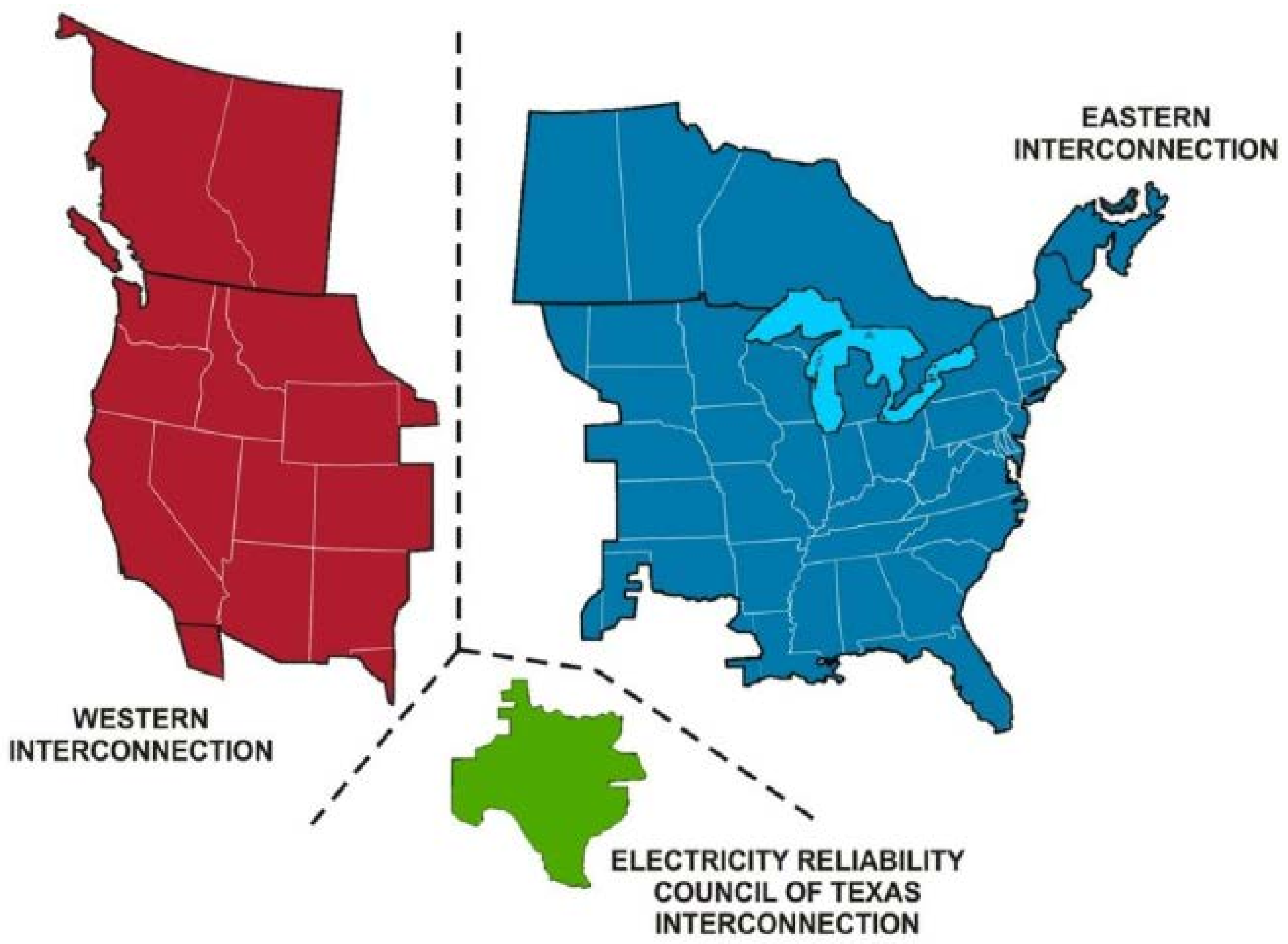
ERCOT Power Grid Outage: What Went Wrong?

Could the other regions have helped ERCOT?

On Sunday, Feb. 14 Eastern Interconnect MISO issues a Max Gen Emergency Alert for Monday, Feb. 15 for the South Region during the on peak hours. Blackouts are experienced on Monday and Tuesday.

On Monday, Feb. 15 Eastern Interconnect SPP issues a Gen Emergency Alert for Tuesday, Feb. 16 for the South Region during the on peak hours. Blackouts are experienced on Tuesday.



Gas Flow and Price Analysis

The entire energy infrastructure chain was under significant stress during the storm. Texas saw significant natural gas production declines while local demand increased. Texas natural gas demand exceeded Texas natural gas production during the storm, and additional challenges matching available supply with demand were observed.

Natural gas storage withdrawals increased, however, some facilities faced power outages and were not able to operate at maximum levels. It was also observed that gas deliveries to LNG terminals, exports to Mexico, and exports to other neighboring regions were also decreased and a significant amount of the natural gas available was used to meet demand within Texas.

Texas Natural Gas Supply/Demand Balance

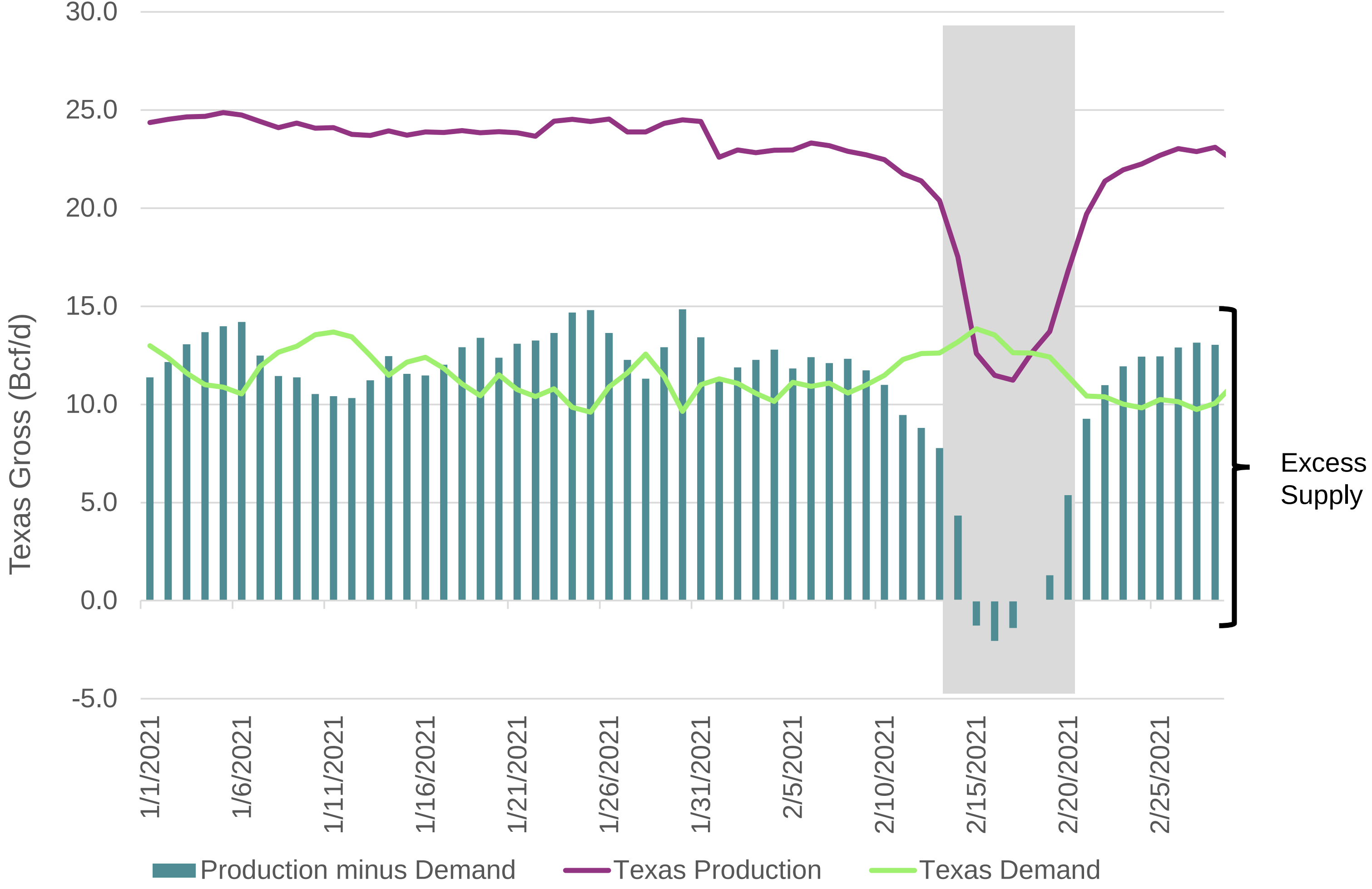
Daily cash prices set all-time records across much of the U.S. in mid-February, with the Intercontinental Exchange (ICE) lifting its $999/MMBtu price cap as some hubs saw transactions at that level.

The supply shortage occurred due to shut-ins across the western half of the U.S. and extended to markets served by central and western U.S. supplies, including Chicago and SoCal but not areas served by WCSB, Haynesville or Appalachian supplies on the margin, such as Transco Zone 6 or Henry Hub.

In Texas specifically, production dropped while demand spiked [see Texas supply vs demand bar in chart], causing exports via LNG and pipelines from the state to be curtailed. Like the rest of the U.S., cash prices jumped to record-high levels, as shown in the chart to the right. Houston Ship Channel (HSC) traditionally trades near Henry Hub or a cash basis of +/- $0.05/MMBtu. However, during the mid-February events, the HSC basis traded as high as $385/MMBtu (basis is the difference between the Henry Hub benchmark and the regional price hub).

Texas Production and Demand

Data last updated: June 24, 2021



Source | Enverus OptiFlo Gas

Power Demand for Natural Gas During the Storm Was Only One Component

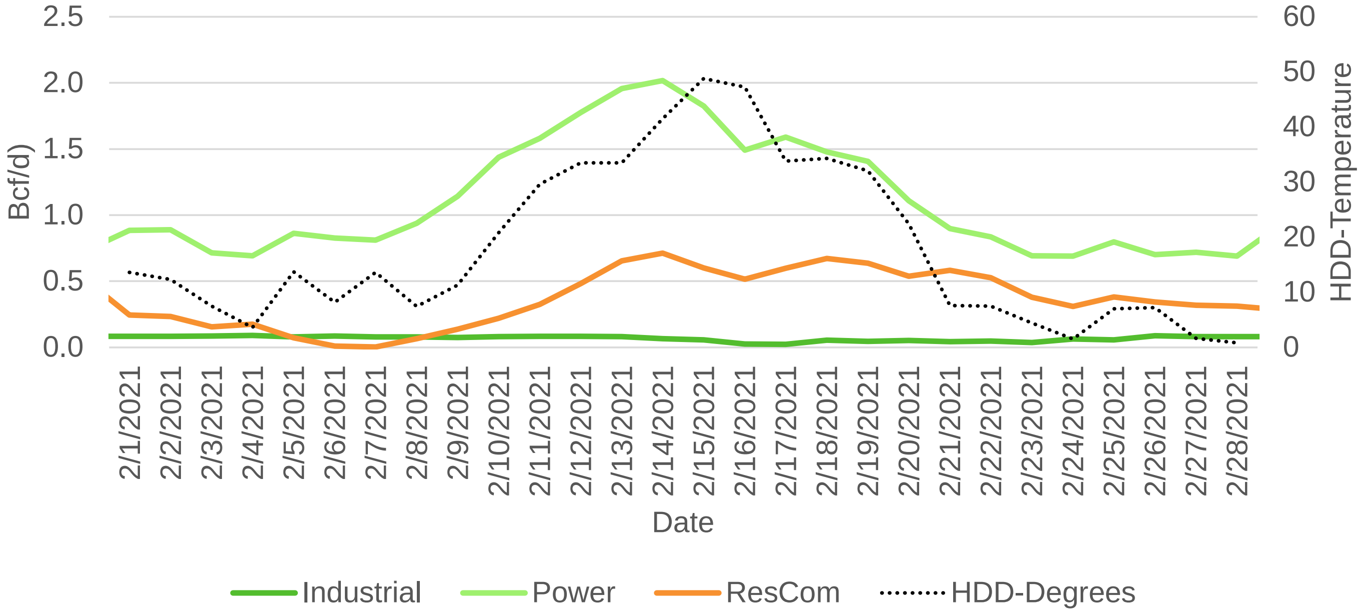
Natural gas pipeline data indicates power and residential/commercial meters were up significantly during the peak of the storm (Feb. 17-20) compared to pre-storm levels (Feb. 1-10) and post-storm levels.

However, power demand after Feb. 14 declined, as power service necessary for natural gas midstream infrastructure to operate was offline and remaining available natural gas supplies were prioritized for home heating. Residential/commercial natural gas demand was more consistent through the peak period.

The industrial facility sample decreased over the same time period, as service to homes for heating and power plants was prioritized.

Definition of Heating Degree Day (HDD): The number of heating degrees in a day is defined as the difference between 65°F and the mean temperature (average of the daily high and daily low).

Demand by Sector - Pipeline Sample



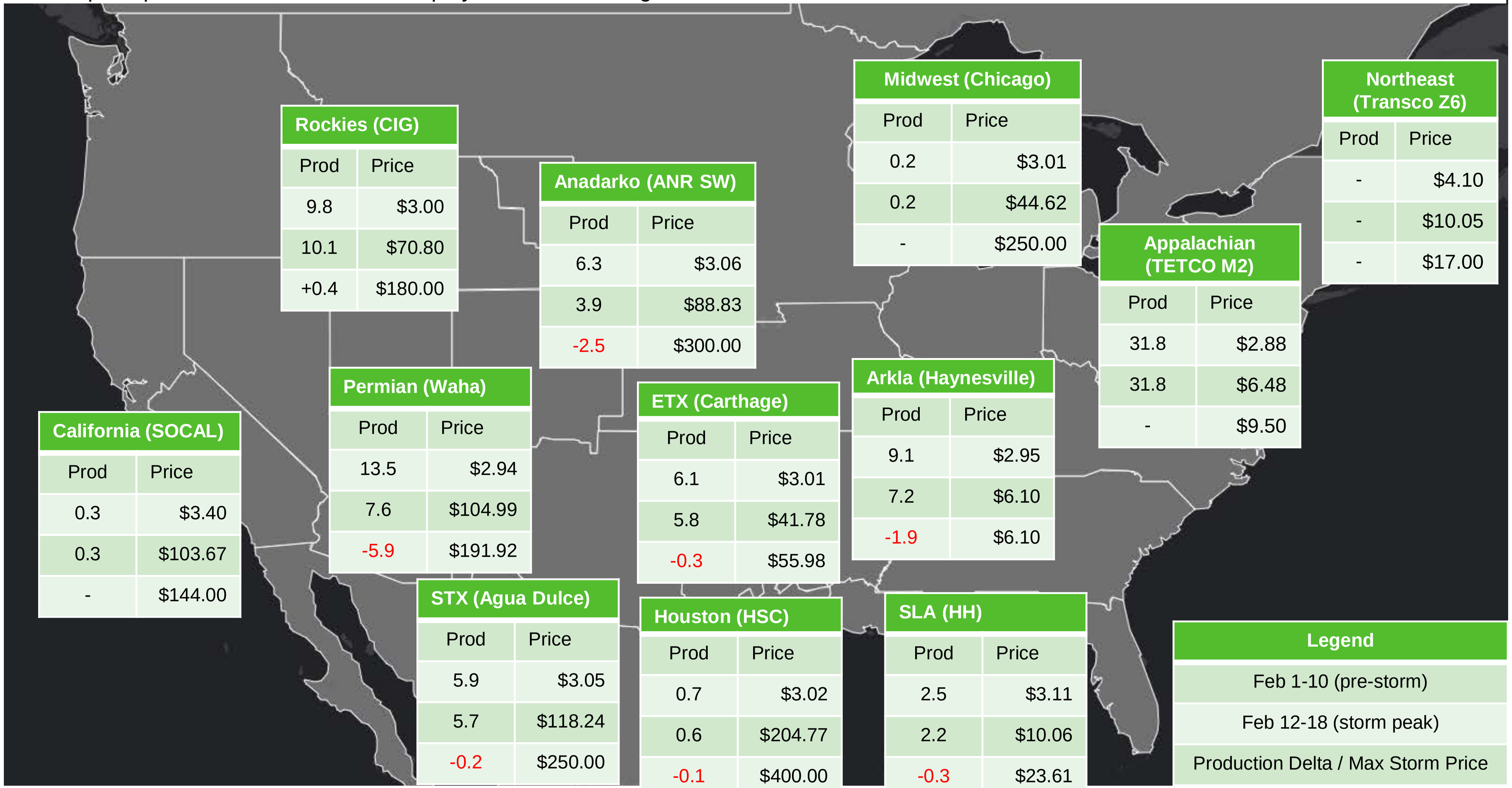
Feb17-20 vs Feb1-10	Bcf/d	%
Industrial	-0.03	-43%
Power	+0.15	+12%
Residential/Commercial	+0.32	+112%
Total Inflows	**+0.45**	**+28%**

Source | Enverus OptiFlo Gas

Production and Price Activity Around the Storm

Each table displays average daily production and prices in key basins over two different periods in February (see legend in lower right).

- The intent is to highlight pre-storm or normal levels as compared to elevated levels experienced during the storm.
- Production (or 'Prod') is the Enverus modeled estimate which is grossed up from the observable interstate pipeline sample.
- The peak price for each hub is also displayed in the lower right of each table.



California (SOCAL)

Prod	Price
0.3	$3.40
0.3	$103.67
-	$144.00

Rockies (CIG)

Prod	Price
9.8	$3.00
10.1	$70.80
+0.4	$180.00

Permian (Waha)

Prod	Price
13.5	$2.94
7.6	$104.99
-5.9	$191.92

STX (Agua Dulce)

Prod	Price
5.9	$3.05
5.7	$118.24
-0.2	$250.00

Anadarko (ANR SW)

Prod	Price
6.3	$3.06
3.9	$88.83
-2.5	$300.00

ETX (Carthage)

Prod	Price
6.1	$3.01
5.8	$41.78
-0.3	$55.98

Houston (HSC)

Prod	Price
0.7	$3.02
0.6	$204.77
-0.1	$400.00

Midwest (Chicago)

Prod	Price
0.2	$3.01
0.2	$44.62
-	$250.00

Arkla (Haynesville)

Prod	Price
9.1	$2.95
7.2	$6.10
-1.9	$6.10

SLA (HH)

Prod	Price
2.5	$3.11
2.2	$10.06
-0.3	$23.61

Appalachian (TETCO M2)

Prod	Price
31.8	$2.88
31.8	$6.48
-	$9.50

Northeast (Transco Z6)

Prod	Price
-	$4.10
-	$10.05
-	$17.00

Legend
Feb 1-10 (pre-storm)
Feb 12-18 (storm peak)
Production Delta / Max Storm Price

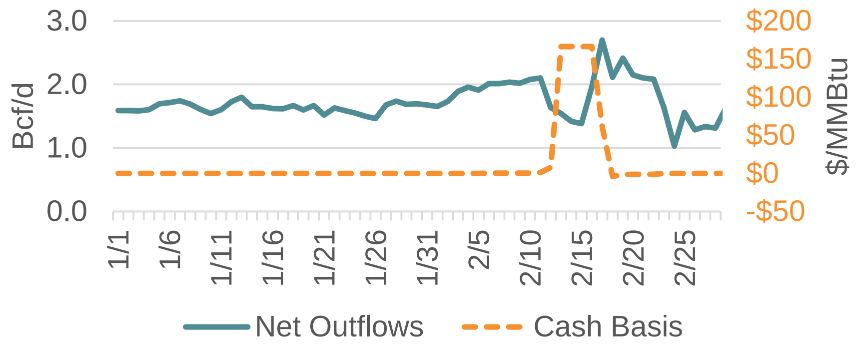
Source | Enverus, Platts except for NGI (CIG, ANR SW, Chicago, TETCO M2, Transco Z6)

Regional Natural Gas Flows and Basis Pricing

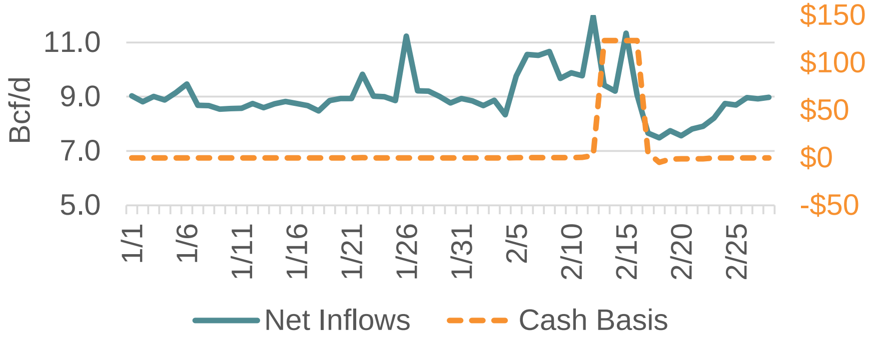
Winter storm Uri impacted nearly all regions in the US. Four regions are highlighted here by showing net gas coming into (inflows) or leaving (outflows) the Rockies, California, Midwest and Appalachian:

- Due to the trajectory of the storm, which came from the West Coast, regions like Rockies, California and even Chicago saw most of the impact in flows and pricing between the 13th and 16th of February.
- The Appalachian was one of the least impacted regions and still saw gas prices increased by over 90%.

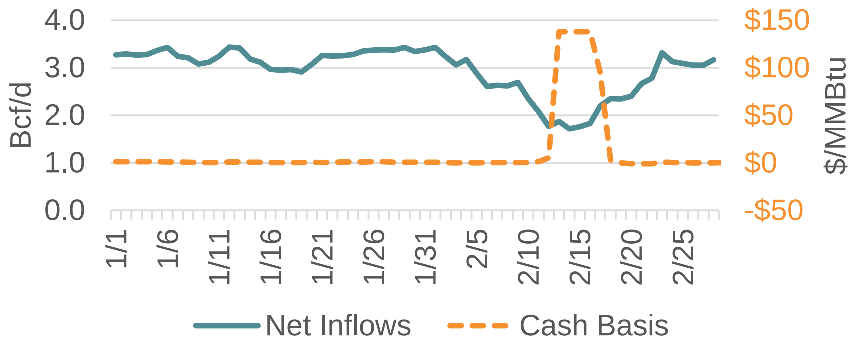
Rockies (CIG)



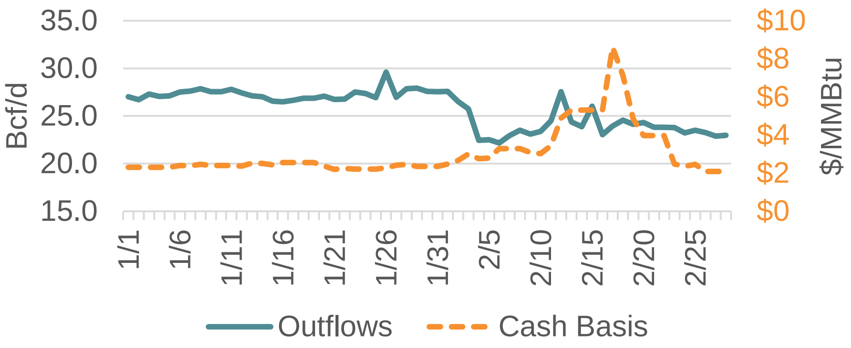
Midwest (Chicago)



California (SoCal)



Appalachian (TETCO M2)



Source | Enverus, NGI

Texas Natural Gas Production

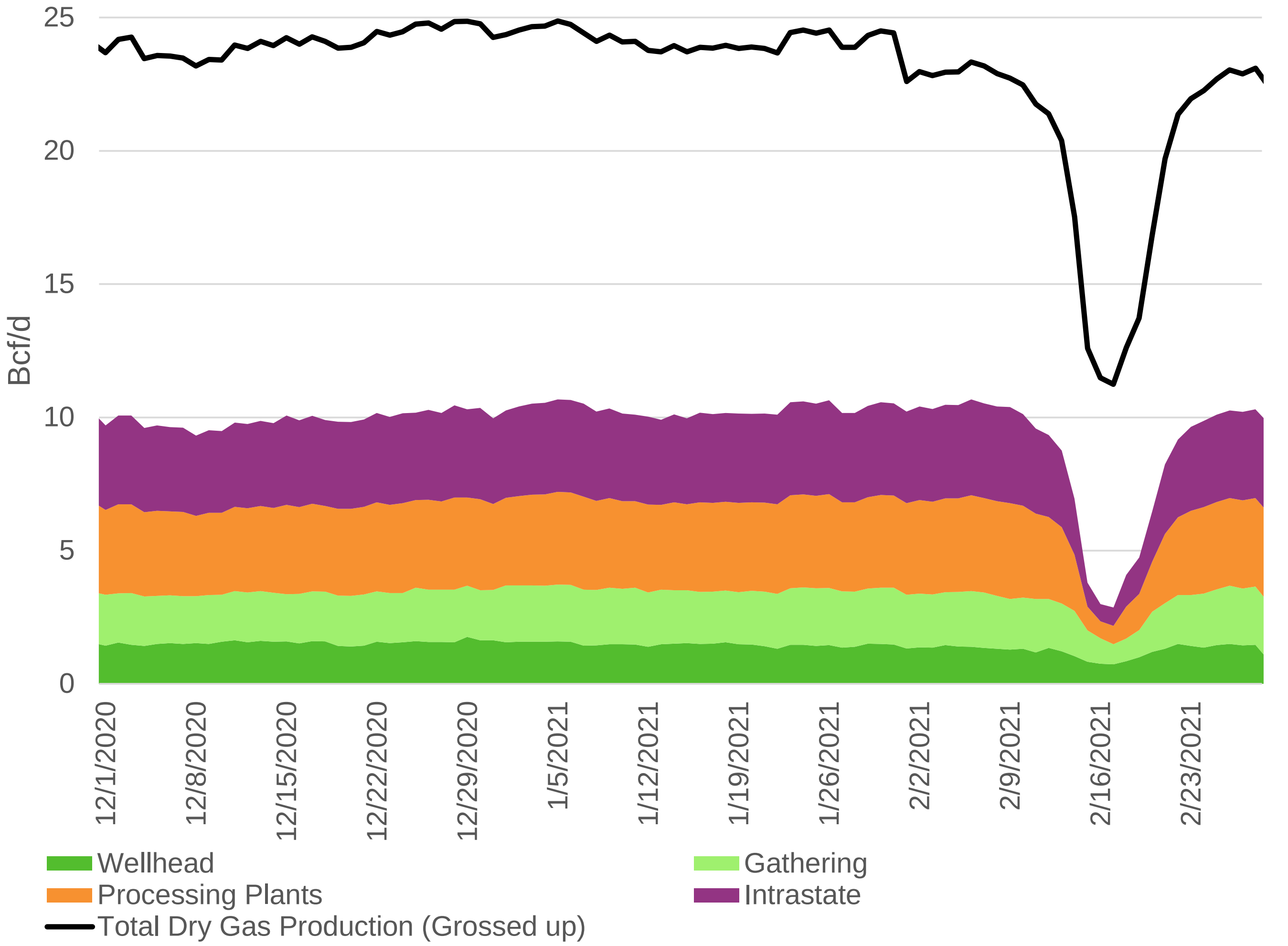
Because intrastate pipelines deliver so much Texas supply to markets, tracking daily production levels is more challenging in the state than in markets served by interstate pipelines.

Based on Enverus's sample of interstate receipts and deliveries, grossed up to account for intrastate volumes, natural gas production began to drop off on Feb. 12, when temperatures dropped below freezing in Dallas and Austin. As the deep freeze extended to all counties in Texas, over 10 Bcf/d of supply was offline. Freeze-offs at the wellhead, midstream infrastructure outages, and pipeline force majeures all impact production.

Based on our samples, the declines were steepest in the Permian region.

Following the event, production was restored to near previous levels within approximately 10 days.

Texas Production Sample by Facility Type and Total Dry Gas (Grossed Up)

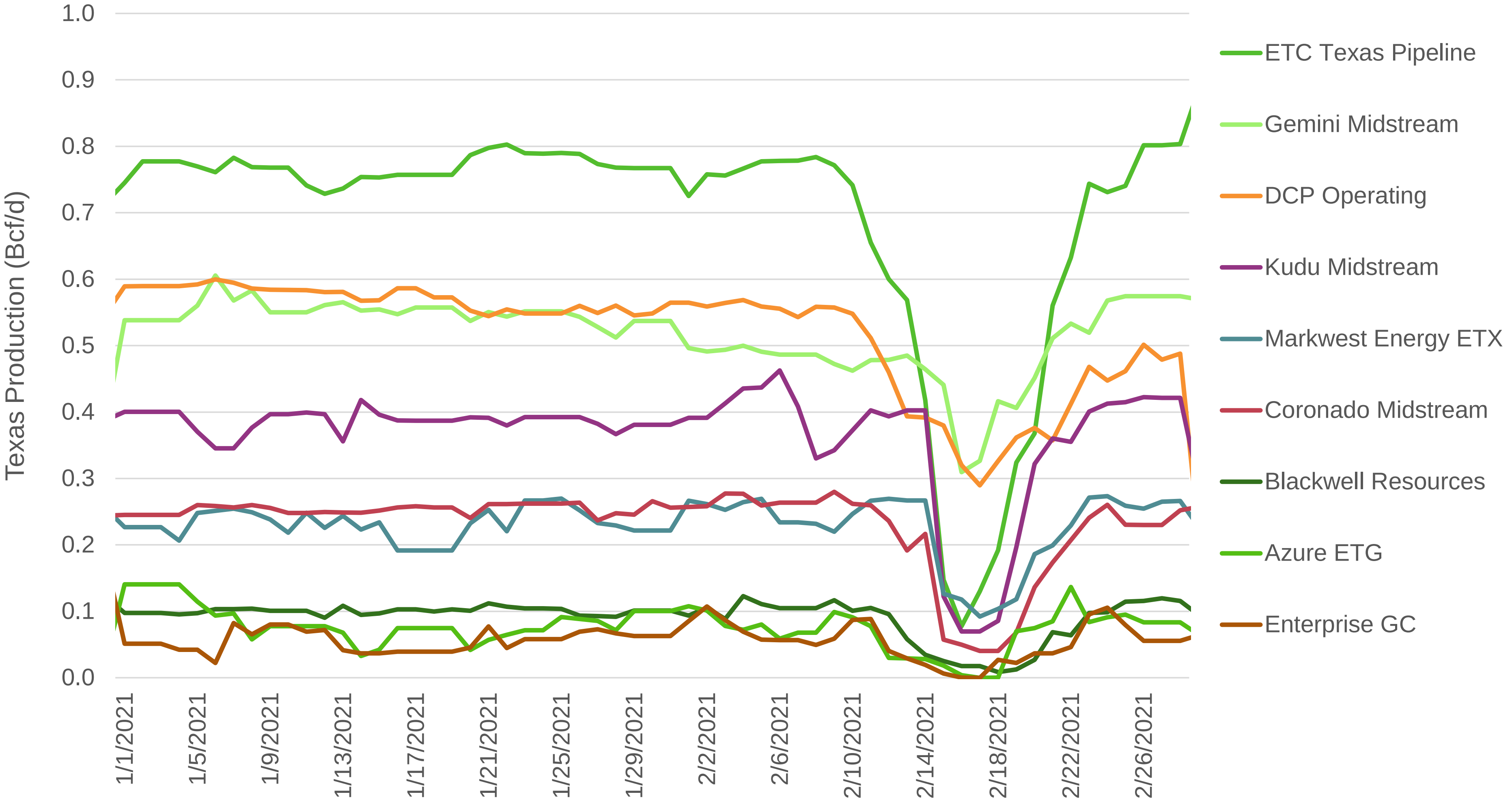


Source: Enverus OptiFlo Gas

Texas Operators with Largest Declines

Enverus's sample gas production from daily pipeline data is displayed in the chart by operator. Energy Transfer - Texas Pipeline leads the operators with the largest declines during the storm. It can also be observed how natural gas production recovers to pre-storm levels as temperatures normalized.

Texas Production Sample – Key Operators



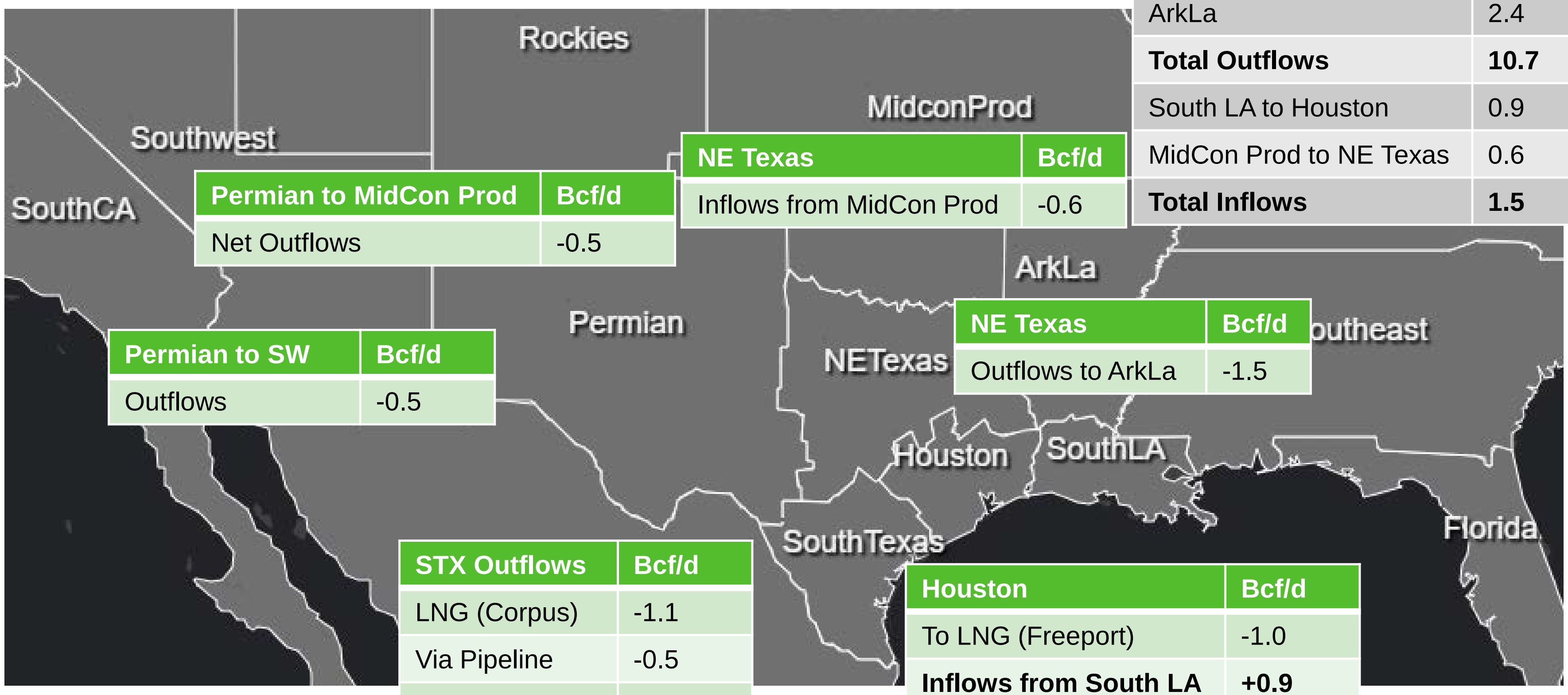
Source | Enverus OptiFlo Gas

Texas Natural Gas Inflows/Outflows Deltas

The tables show natural gas pipeline flow changes between the peak of the storm (Feb. 12-18) vs. pre-storm levels (Feb. 1-10):

- Texas exported less natural gas, which is represented by outflows showing negative figures.
- Texas only received more natural gas from South LA (+1 Bcf/d), specifically from TETCO and Transco pipelines.

Inflows/Outflows (Bcf/d)	Feb 1-10	Feb12-18	Delta
Permian to SW	0.6	0.1	-0.5
Permian to MidCon Prod	1.0	0.5	-0.5
LNG	5.0	2.9	-2.1
Mexico	1.7	1.2	-0.5
ArkLa	2.4	0.9	-1.5
Total Outflows	**10.7**	**5.6**	**-5.1**
South LA to Houston	0.9	1.9	+1.0
MidCon Prod to NE Texas	0.6	0.0	-0.6
Total Inflows	**1.5**	**1.9**	**+0.4**



Permian to MidCon Prod	Bcf/d
Net Outflows	-0.5

NE Texas	Bcf/d
Inflows from MidCon Prod	-0.6

Permian to SW	Bcf/d
Outflows	-0.5

NE Texas	Bcf/d
Outflows to ArkLa	-1.5

STX Outflows	Bcf/d
LNG (Corpus)	-1.1
Via Pipeline	-0.5
Total	**-1.6**

Houston	Bcf/d
To LNG (Freeport)	-1.0
Inflows from South LA	**+0.9**

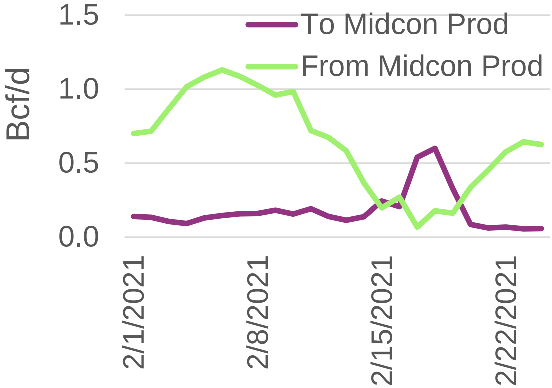
Source: Enverus OptiFlo Gas

Texas February Inflows and Outflows

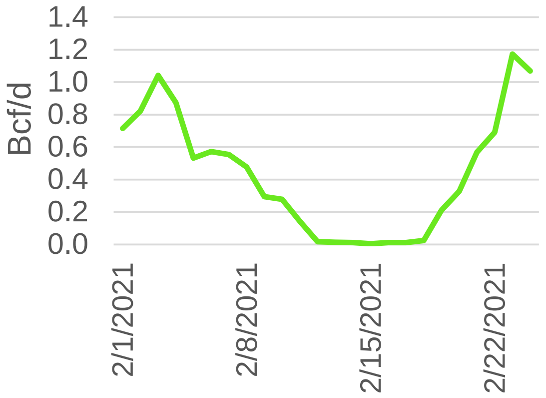
Texas is a net supply state, meaning it produces more than its local demand. Gas moves out of the state via pipelines and LNG terminal facilities.

Permian to Southwest

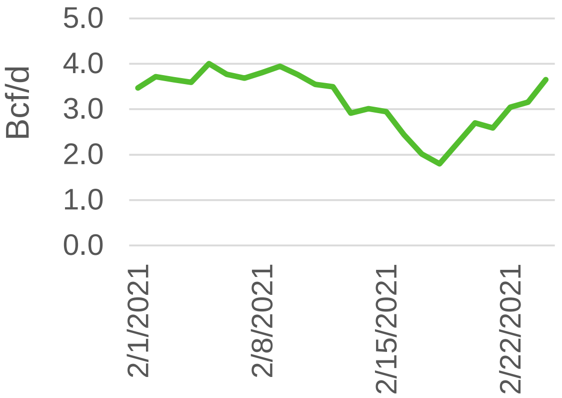
Permian



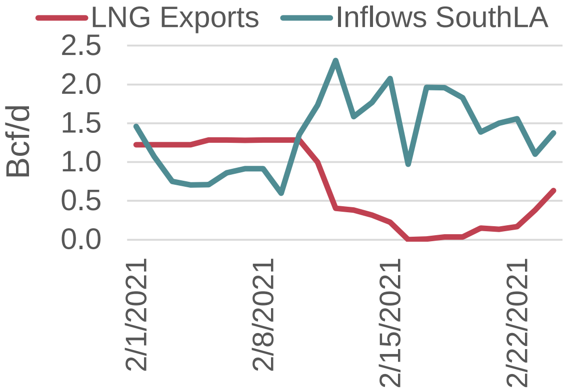
Midcon Prod to NE Texas



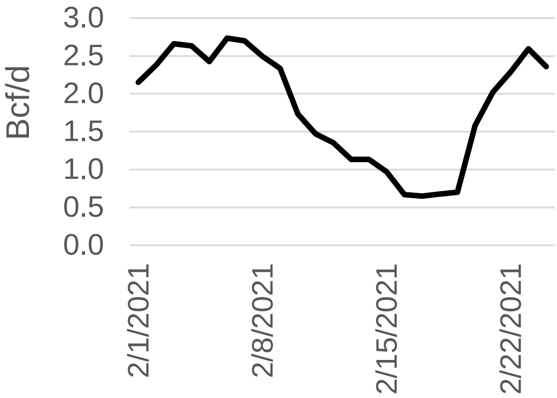
South Texas to LNG and MX



Houston



NE Texas to ArkLa



Source | Enverus OptiFlo Gas

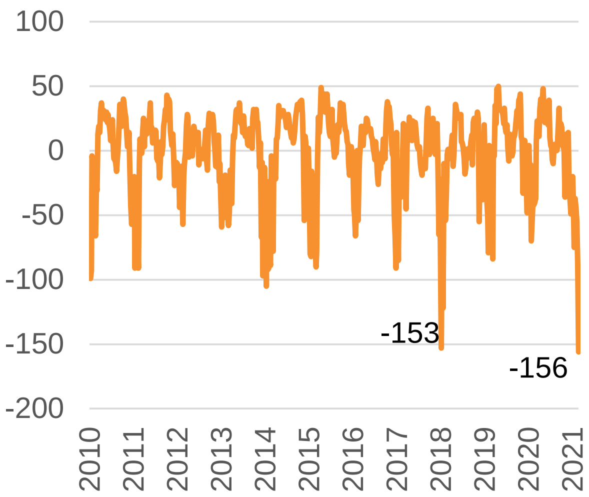
Underground Natural Gas Storage

EIA South Central Region comprises the states of TX, LA, OK, KS, AR, MS and AL.

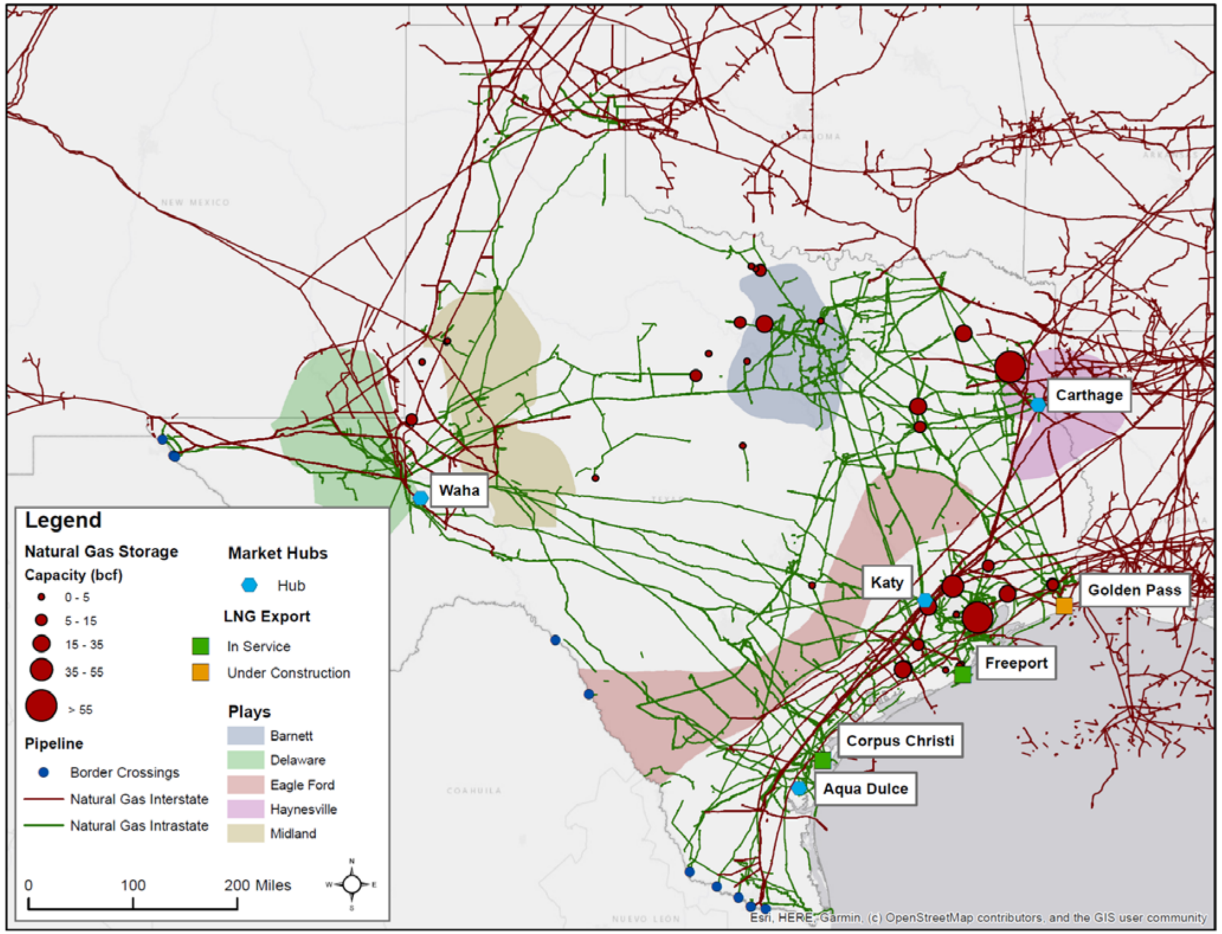
Texas has 30 storage fields, which represent 35% of the working gas capacity of the region.

A record-high withdrawal of -156 Bcf was reported by EIA for the week ending Feb. 19. This withdrawal could have been higher, but power outages and other operational conditions due to the extreme temperatures limited the ability to bring more natural gas to the market.

EIA South Central Region

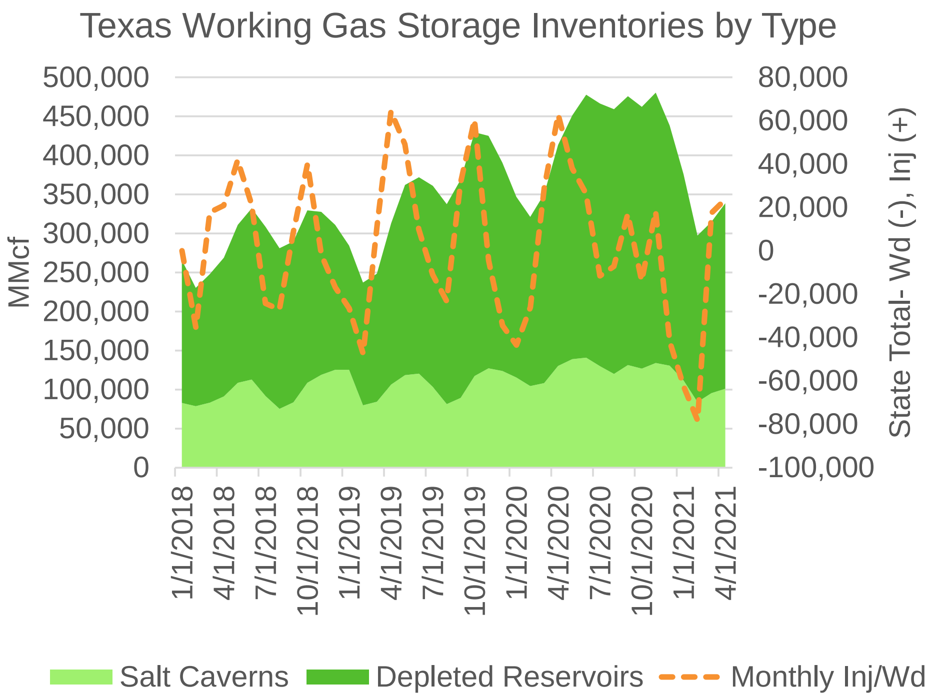


Texas Gas Infrastructure Map



Source | Enverus OptiFlo Gas, EIA

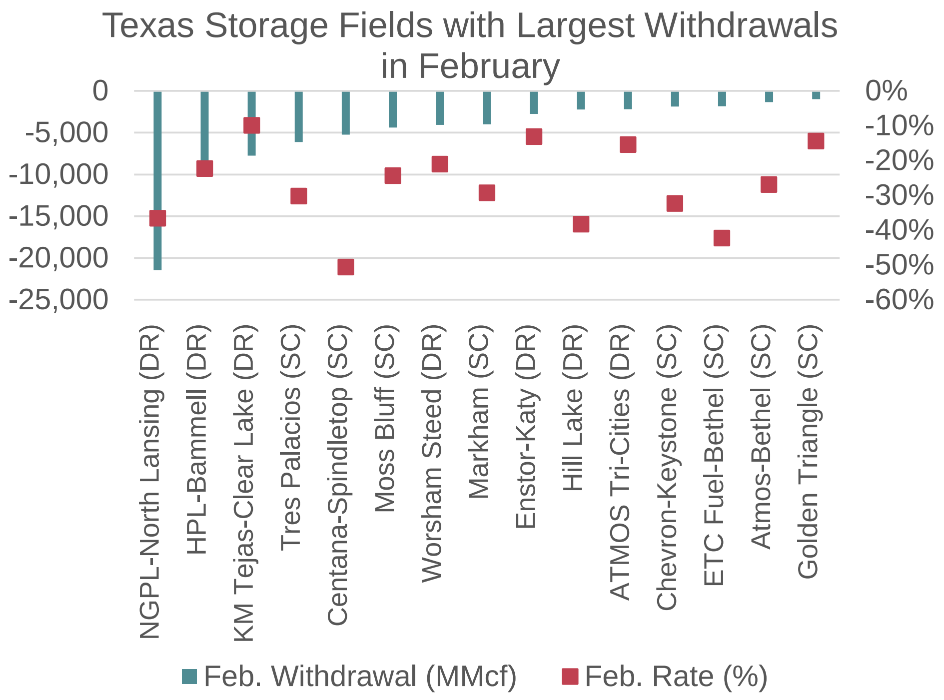
Texas Gas Storage Operations by TXRRC


Texas Working Gas Storage Inventories by Type

In line with EIA, the Texas Railroad Commission (TXRRC) also reported a record high storage withdrawal for February 2021.

Depleted Reservoirs showed the largest change in February with inventories decreasing by 19% or a drop of 51 Bcf compared to January.

Salt Caverns facilities also had a large decline in working gas inventories in February, down 25% or 27 Bcf from January levels.


Texas Storage Fields with Largest Withdrawals in February

At a storage facility levels, a good mix of Depleted Reservoirs and Salt Caverns were among those with the largest withdrawals in the month of February when storm Uri hit the state.

Natural Gas Pipeline (NGPL), North Lansing depleted reservoir field, withdrew the most gas with 21 Bcf, which represented 37% of the working gas of the field.

Centana pipeline, Spindletop salt cavern field in Jefferson County, pulled 5 Bcf and 51% of its working gas capacity.

Source | **Railroad Commission of Texas (TXRRC)**

Texas Storage Sample from Pipeline Data

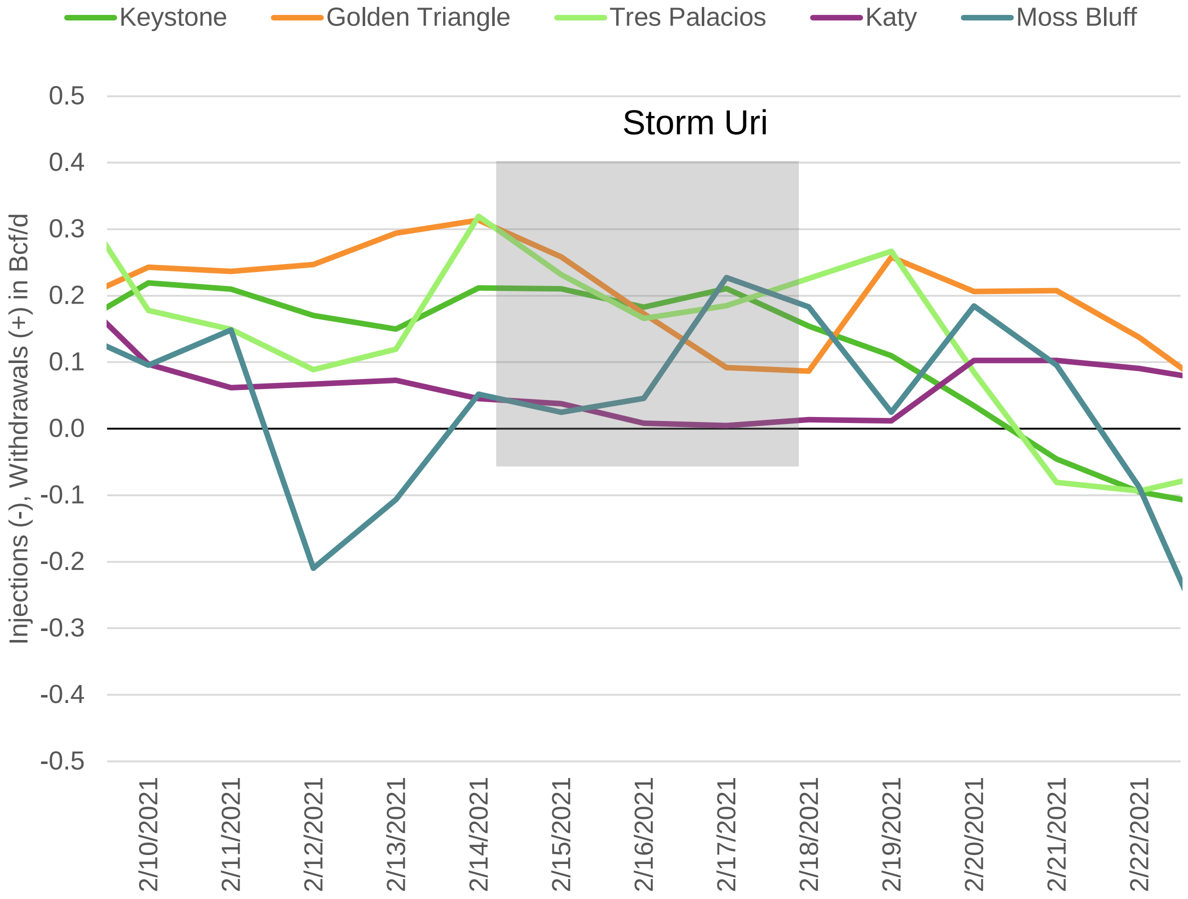
There are five natural gas storage facilities observable in the pipeline flow data. Storage activity around Winter Storm Uri is shown in the chart.

Even though the sample is small (~15%), it provides some insight into how storage facilities responded during this critical time.

Three out of the five fields reported lower withdrawals during the storm. Tres Palacios was one of these facilities and a Critical Notice was issued indicating loss of power as the reason.

The other two fields, Keystone and Moss Bluff, did report higher withdrawals during the storm, providing much-needed supply to the Texas market.

Texas Gas Storage Facilities – Net Storage Withdrawals



Source | Enverus OptiFlo Gas

Pipeline Notices

Pipeline notices are published in natural gas pipeline portals called EBBs (Electronic Bulletin Boards) to communicate with shippers and natural gas market players.

A summary of these notices is included in the table:

- Pre-Storm (Weather Alerts): Some pipelines sent critical notices as early as Feb. 2nd notifying of the colder-than-normal temperatures in the forecast.
- Pipelines in stress. Due to the storm, most pipelines declared either an OFO (Operational Flow Order), SOC/COC (Strained and Critical Operating Condition) or FM (Force Majeure). During these events, only firm and primary receipt and delivery nominations are accepted.
- During the Storm: Notices about pipeline imbalances, especially related to lack of supply.
- Loss of power was only announced at 2 of the 24 systems reviewed: Golden Pass and Tres Palacios.

Pipeline	Pre- Storm (Weather Alerts)	OFO/FM	During the Storm	Power Outage
El Paso	2/10	SOC/COC: 2/12-18	Washington gas storage (NM) on maximum withdrawal. Permian basin supply losses due to freeze offs	-
NGPL	2/10-High demand	-	Various locations at risk for transport. IT storage also limited.	-
Tennessee	-	OFO: 2/12-2/20	-	-
Texas Eastern	-	OFO: 2/12-2/20	Restricted IT and secondary out of path volumes.	-
Texas Gas	2/10	-	-	-
Transco	-	-	Notices of some Texas meters having capacity reduced.	-
Black Marlin	-	-	-	-
Cimarron	2/15	-	2/15-2/23: lack of supply volumes	-
Golden Pass	-	FM: 2/16-2/17	-	2/16
Golden Triangle	-	-	-	-
Gulf States	-	-	-	-
High Island	-	-	-	-
Tiger	-	-	Underperforming meters in LA	-
Tres Palacios	-	FM: 2/15-2/18	-	2/15-2/17
ANR	-	-	-	-
Enable	-	OFO: 2/10-2/18	Supply advisory, Human needs requirements	-
Florida Gas	2/2: Operational Alerts	-	Operational alerts: tolerance 5-15%	-
Gulf South	-	-	-	-
MRT	-	OFO: 2/11-2/18	-	-
Panhandle	2/3	OFO: 2/15-2/18	-	-
Northern Natural	-	FM: 2/15-2/16	-	-
Southern Star	2/2	OFO Storage: 2/15-2/17	Underperforming notices due to imbalances	-
Transwestern	2/11	-	-	-
Trunkline	2/3	OFO: 2/17-2/19	-	-

Source | Enverus, Pipeline EBBs

Note: Primary receipt and delivery meters are defined in contracts. During OFO events shippers can only nominate to/from, from these primary meters and lose flexibility to nominate to other meters (or out of path meters).

Exhibit BJ-2
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Gas Supply Plan Analysis

General Comments on Gas Supply Plans

- Enverus was engaged to provide an experienced, unbiased third-party assessment of the suitability of Texas Gas Service's gas procurement plan and opine on whether it is consistent with best industry practices.
- Enverus is qualified to provide this assessment in that the team of analysts that prepared this review have over 30 years of combined experience with various North American gas utilities. This experience includes previous advisory engagements at Enverus as well as prior career experience as physical gas managers and traders with exposure to all geographical service areas within the U.S.
- The U.S. natural gas distribution industry is very mature and therefore similarities are common across many utilities' gas procurement strategies regardless of geographical location.
- This is not only because these strategies have been time-tested through the decades by knowledgeable gas management teams but also because they typically have very similar objectives, generally aligned around some combination of achieving:
    1. Reliability
    2. Affordability
    3. Consistency
- In the wake of extreme market conditions, it is erroneous (though common) to solely judge the procurement plan against the monetary result. However, we must keep in mind the utility's obligation is to meet the above-mentioned priorities. It is not to outperform the market as a gas marketing entity or speculative trading operation endeavors to do.
- Because natural gas consumption is highly correlated with weather and weather is prone to unpredictable changes, history has shown that the most optimal strategy is to employ a diverse portfolio of procurement instruments of varying durations, supply sources, delivery paths, and price mechanisms.
- While there will always be some nuance in the actual performance of the portfolio each year, so long as the portfolio is continually reviewed and adjusted considering the latest market data and fundamental supply and demand data by qualified personnel, a utility is acting in the best interest of its customer base.

Industry Best Practices

- Within the industry, there are specific time-tested strategies employed by gas supply management teams. These strategies generally align around diversity of supply mix, gas transportation, and purchase term. Employing a broad mix of each, based on options available to a specific buyer, allows the manager to maximize reliability while minimizing costs.
  - Gas Transport and Storage – There are numerous pipeline and storage options available to deliver gas to a particular LDC. However, these options vary based on location and availability of capacity to contract. Some LDCs will have access to numerous pipelines (some including storage fields) that transport gas from many different producing basins. Other LDCs may be served by only a couple pipelines with limited storage capabilities, and sourcing from one or two producing regions. Some pipelines have unsubscribed capacity available to contract, and some do not. Some pipelines offer different products including no-notice service, and others do not. The specific options available are unique to each LDC. Best practice is to employ a diverse mix of transportation and storage based on the options available, and to continually analyze additional options (and demand trends) if they become available to determine if a change or new contract is warranted.
  - Gas Purchasing
    - Geography – Natural gas producing basins vary in terms of extreme weather preparedness (equipment meant to mitigate extreme weather is typically deployed in a given basin based on typical weather, not extreme event potential), growth or decline trends, pipeline capacity available to transport gas, distance from population/demand centers, local price, and various other characteristics. Because of this, industry best practice is to source natural gas supply from a diverse mix of sellers, producers, and regions, based on options available to each LDC.
    - Term of purchase – Gas demand is largely driven by weather and weather is difficult to predict. As a result, industry best practice is to use a combination of long term (>=1 year), seasonal, and spot (<= 1month) durations to prevent the LDC from being “out in the market” for large portions of its supply needs at any given time. There are also LDC system capacity constraints (bottlenecks) that must be managed when purchasing gas. Purchasing all gas in long-term contracts and in a quantity sufficient to meet design-day demand would result in an oversupply of gas nearly every single day. This inefficiency would result in higher costs to rate payers than necessary. On the other extreme, purchasing all gas in the spot market would result in highly volatile price exposure to rate payers and would increase operational costs to the LDC, because they would need extreme system flexibility to manage this lack of predictability.
    - Backup supply options – Depending on available pipeline, storage, and supply options, some LDCs also use backup supply including LNG peak shaving, propane-air peak shaving, or various other options. These are nearly always the most expensive options available, however they can provide additional supply during peak demand when ensuring reliability is the hardest.

Texas Gas Service Gas Supply Plan

- TGS provided Enverus with its “2020 Texas Gas Supply Plan” (“The Plan”) as well as detailed responses to Enverus inquiries surrounding actions taken ahead of and during Winter Storm Uri.
- To understand the relative size of the service provided, some highlights from the Plan are:
  - TGS provides natural gas services to approximately 673,697 customers in Texas, most of which are residential customers dependent upon natural gas service for uses such as cooking, water heating and space heating. They serve 102 communities throughout 6 geographical regions.
  - A normal February retail sales total is just over 6 Bcf.
  - TGS has contracted capacity on 16 upstream pipelines.
  - Annual consumption is ~54 Bcf with each residential customer averaging just under 39 Mcf.
- Consistent with the common industry objectives identified on the previous page, TGS’s objectives as clearly outlined in the Plan are:
  1. *Reliability* – Gas will be available when customers demand it under a wide variety of operating and market conditions…. so that it experiences no curtailment of human needs customers and avoids penalties for not purchasing minimum contracted volumes.
  2. *Flexibility* – the supply portfolio is flexible to take advantage of market opportunities while maintaining the needed reliability.
  3. *Reduced price volatility* – gas supply costs are stabilized so that customers are shielded from severe month-to-month changes in the billed gas supply rate.
  4. *Just and Reasonable Cost* – the cost of supply will be reasonable based on market conditions, customers’ requirements, **and** TGS’s service obligation.

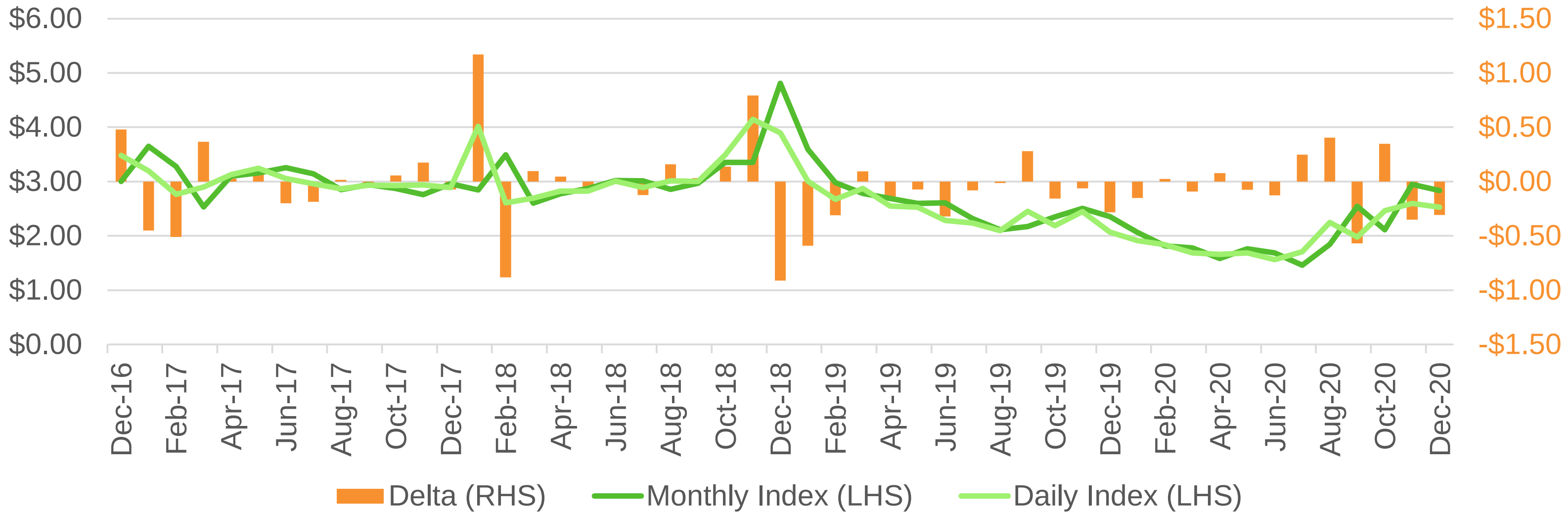
Texas Gas Service Gas Supply Plan

- Within the Plan, Enverus notes the following intentions communicated by TGS within the Plan which contribute to achieving the Plan's objectives. Enverus agrees that these objectives are consistent with best industry practices and finds no evidence that best efforts to achieve them were not undertaken:
    - The Gas Supply Plan is designed to provide a diversified portfolio of suppliers, provide flexibility to benefit from market opportunities, and mitigate commodity price volatility while ensuring safe, reliable service under anticipated weather conditions.
    - Because of the large geographic areas served by TGS, temperature variations can impact customer demand differently across the state.
    - TGS conducts diligent fundamental analysis, analyzes historical data, uses forecasting software, and engages qualified and reputable outside expert sources and government agencies, in order to establish the appropriate supply portfolio mix.
    - Gas supply services are obtained via a competitive bid process.
    - TGS's supply portfolio must be sufficiently flexible to accommodate inherently unpredictable changes in demand. Since TGS's purchases of supply are greatest when supplies are most difficult to obtain and supply failure will have the greatest adverse effect on essential human needs customers, the company must also have supply that is reliable.
    - A balanced combination of upstream pipeline firm transportation service, firm storage service, and long-term plus seasonal supply purchases is utilized to provide service to TGS's distribution systems.
    - The combination of durations employed is intended to prevent TGS from being out in the market for large portions of its supply needs at any given time.
    - TGS reviews the actual performance against Plan objectives and parameters presented in its prior year's Plan (including an evaluation measuring hedging program performance).

Gas Supply Plan – Winter Storm Uri

- Enverus assesses TGS's Gas Supply planning and procurement actions to be reasonable and prudent. The Plan is consistent with industry best practices.
- Industry practices have evolved over the decades with experience as well as with expanding infrastructure. As the market developed so have the liquidity and availability of products available to gas supply planners.
- An academic exploration of modern portfolio theory is beyond the scope of this report, but a generally acceptable principle is that a diverse portfolio that utilizes a robust combination of available infrastructure and instruments will perform better over time and should be considered a necessity.
- A very simplified way to illustrate this visually is to consider an extreme example of relying on the daily spot market to make all purchases as compared procuring all supply using month-ahead indices. The image below shows the random walk over time of these two available price indices (not to mention the complexities of balancing actual demand against planned demand). There is no obvious consistent "winner" and therefore a diverse and robust mixture will always be more prudent.

Houston Ship Channel - Daily vs Monthly Index ($/MMBtu)

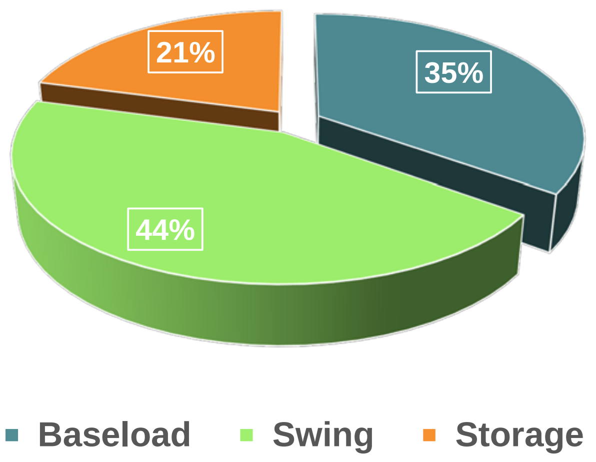


Source | NGI

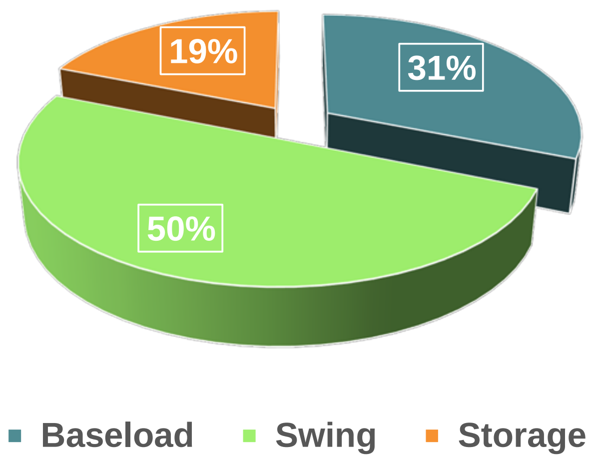
Gas Supply Plan – Winter Storm Uri (cont.)

- The TGS portfolio is diverse and includes several instruments and infrastructure contracts to distribute price exposure appropriately amongst baseload (monthly indexed), storage, and swing (daily indexed) to provide reliable gas supply at reasonable cost.
- In response to progressively worsening forecasts and HDD (heating degree day) counts and in anticipation of potential extreme prices, TGS was actively adjusting its portfolio to provide gas and manage high market prices.
- The images below show the various allocations of price exposure for both TGS's plan and actual results.
- Note that despite a significant increase in total actual load brought on by the winter event, the allocation of price exposure maintained consistent distribution.

Feb 2021 - TGS Plan
6,023,600 MMbtu



Feb 2021 - TGS Actuals
7,021,851 MMbtu



Gas Supply Plan – Winter Storm Uri (cont.)

- On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021.
- Following and in concert with that, the Railroad Commission of Texas issued an **emergency order** on February 12 directing operators of gas utility systems to curtail the transportation, delivery and/or sale of natural gas in the State of Texas for any other purpose other than serving human needs customers. This order to prioritize serving human needs customers was due to “imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow, and freezing rain statewide”.
- Immediately subsequent to that the Commission issued a **notice** on February 13 to LDCs acknowledging the demand for natural gas during the 2021 Winter Weather Event, may require them to pay extraordinarily high prices in the market for natural gas as well as subject them to other extraordinary expenses when responding to the 2021 Winter Weather Event. The notice authorized the use of an accounting mechanism for these regulated companies to seek future recovery of extraordinary expenses.
- With that in mind, the MOST important conclusion regarding the prudence of TGS’s procurement planning and execution is supported by the following:
  - While the company did curtail a small number of commercial and industrial customer as allowed by their service agreements, the company did not experience any customer outages caused by an overall lack of gas supply and did not curtail any residential or human needs customers. The efforts of the company aligned with direct guidance and leadership provided by the Railroad Commission and were necessary based on the severity of the event and threat presented.
- Stated another way, TGS’s methods of planning for and operating under a design day temperature, design day load, and design hour are as robust and as diligent as any other in the industry (and subject to the same risk of error).

Power Outage Analysis

ERCOT - Demand

A combination of record winter demand and power unit outages cascaded into an instability and outages across the ERCOT power grid resulting in 4.5 million Texans without electricity at the peak.

Based on our assessment of available data and the timing of outages, it is likely the issues started at power generation units. Once power outages began, it impacted natural gas production which then exacerbated the ability for power generators to receive natural gas supplies.

Exhibit BJ-2
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ERCOT Power Grid Outage: Power Load/Demand

Texas was hit with one of the coldest winter events in its history. Tuesday February 16th Dallas recorded temperatures as low as -2 degrees which was the second lowest temperature ever recorded. The previous record was set in 1899.

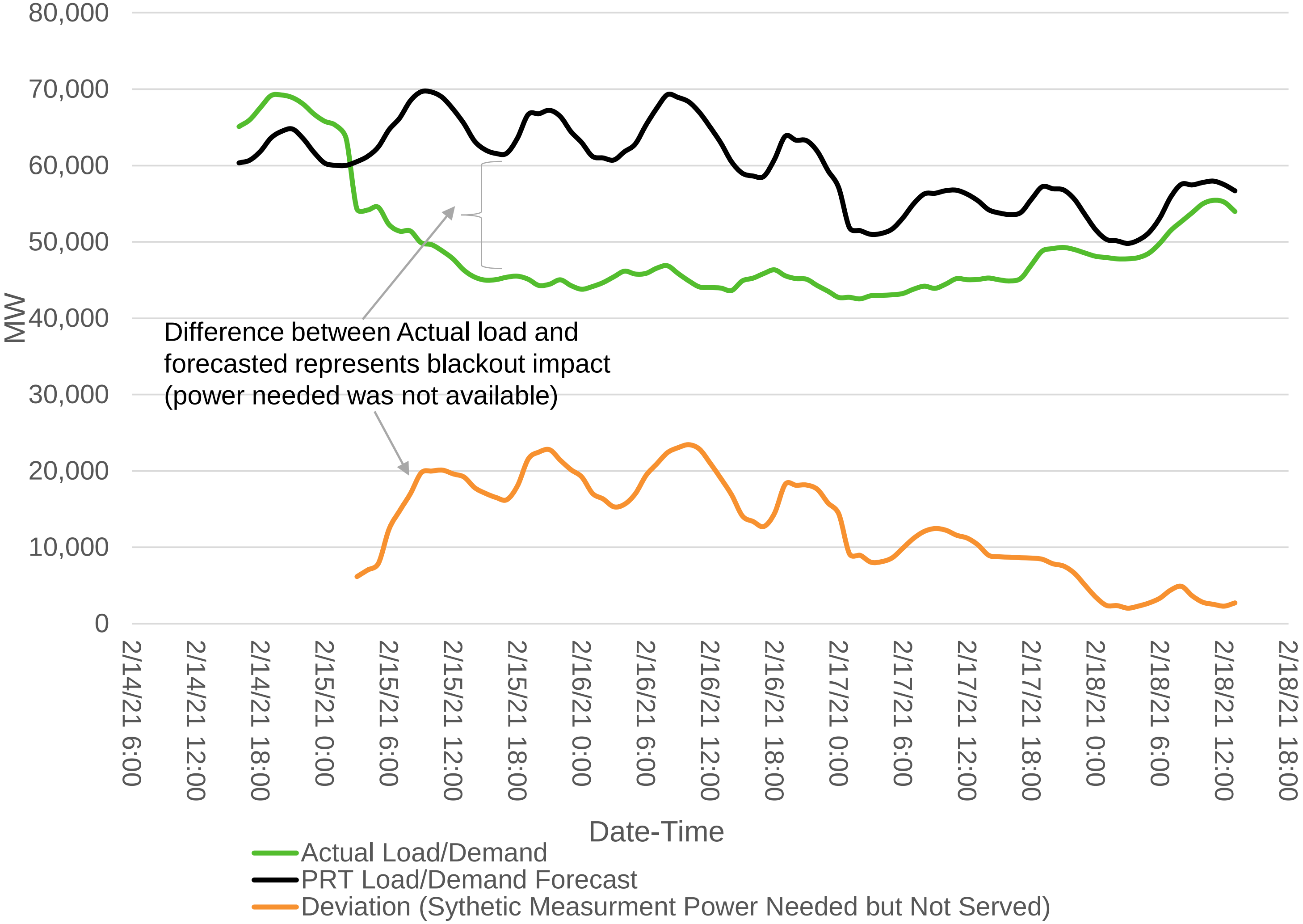
ERCOT reports, as early as 1AM on Saturday February 14th , a cascade of power generation reported output limitations or were forced offline that was impacted by the extreme weather.

At its highest point more than 48.6% of all generation in ERCOT was in forced outage. At least 4.5 million customers were without power during the event. More than 13 million customers had water service interruptions.

ERCOT entered Emergency Operations Level 3 at 01:20 AM Monday February 15th and did not return to normal operations until 10:35 AM Friday February 19th.

ERCOT ordered firm-load shed, cutting off customer's power from 01:20 AM Monday February 15th through the evening of Thursday February 18th.

Load/Demand and Synthetic Measurement of Power Needed but Not Served



Difference between Actual load and forecasted represents blackout impact (power needed was not available)

Source | ERCOT

Note: As early as 01:00 on 2/14/2021, two units at NRG's WA Parish Power Plant were reported output restrictions (capacity derates).

ERCOT Power Grid Outage: Temperature Overview

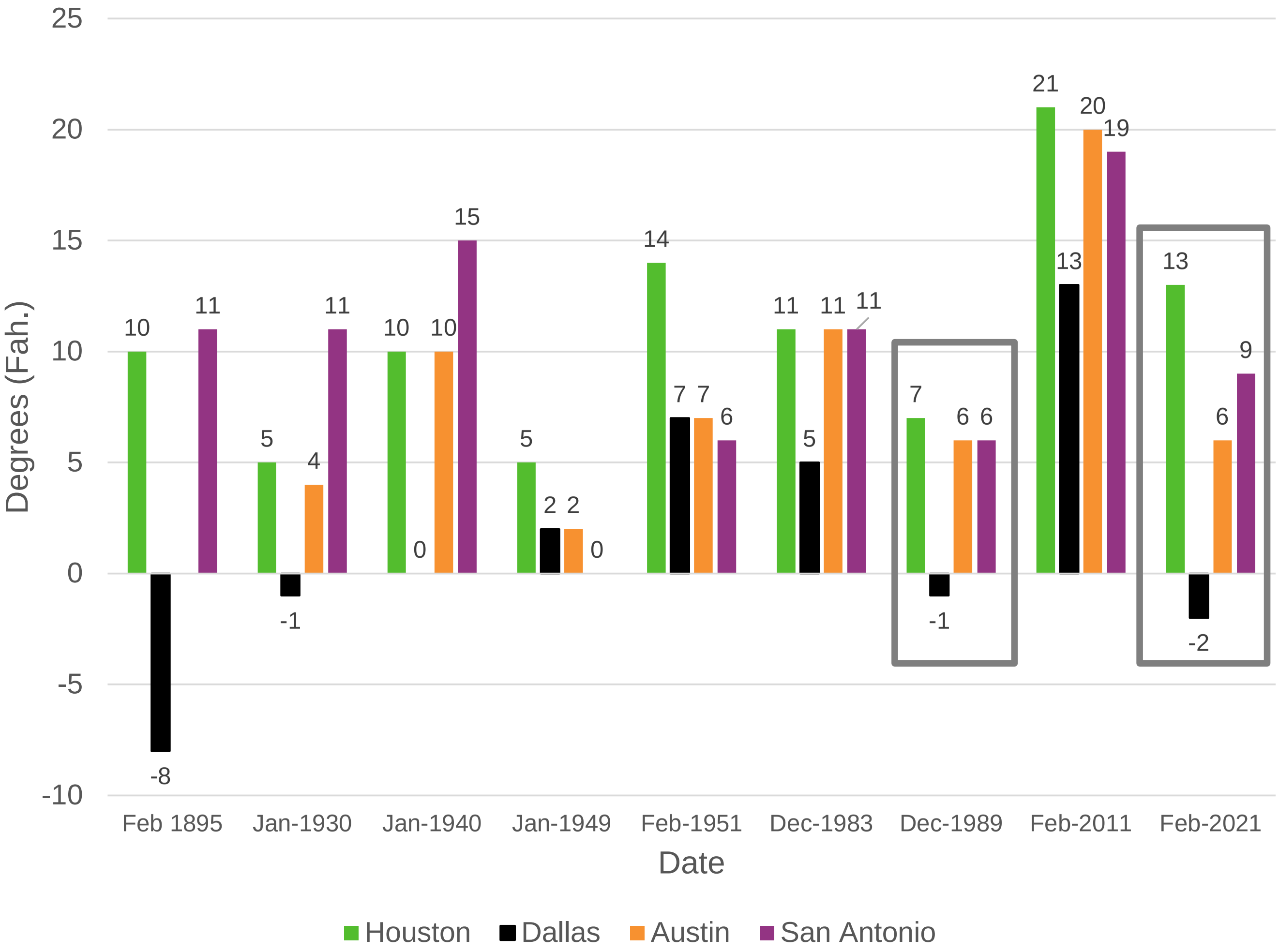
The Seasonal Assessment of Resource Adequacy for the ERCOT Region (SARA) Winter 2020/2021 used 2011 as the load comparison.

This chart illustrates lowest minimum temperatures for the four main cities in Texas for the 2021 cold-snap event and the eight other events in history.

The low temperature for 2011, on a historic perspective, was relatively warm compared to other events.

The event in 1989, adjusted for current load, transmission, population, and resource variables, may have been a better option for extreme winter demand (load) planning.

Minimum Low Temperature For Uri Event By Largest City



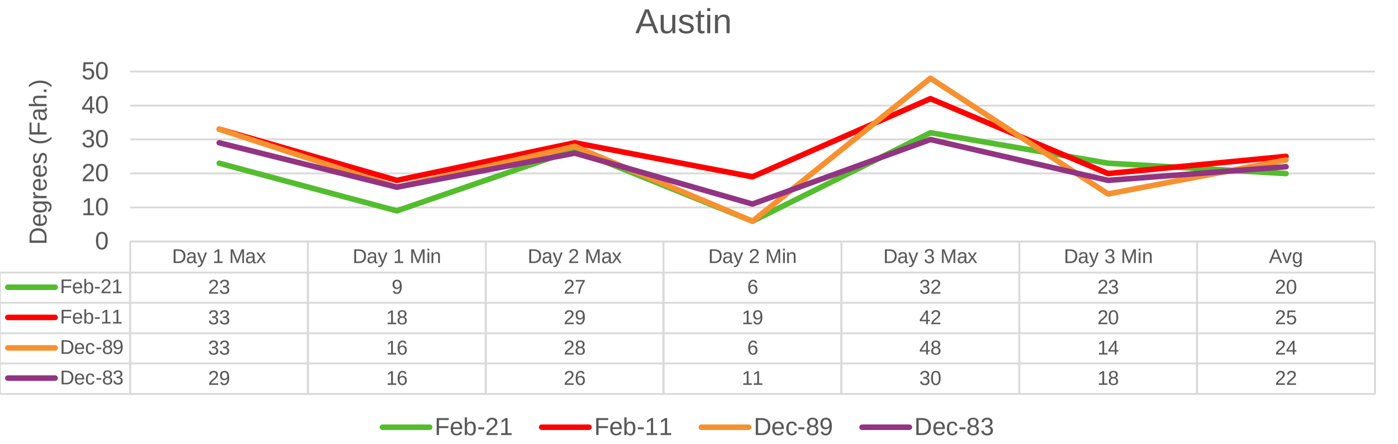
Source | NOAA, National Weather Service

ERCOT Power Grid Outage: Temperature Overview

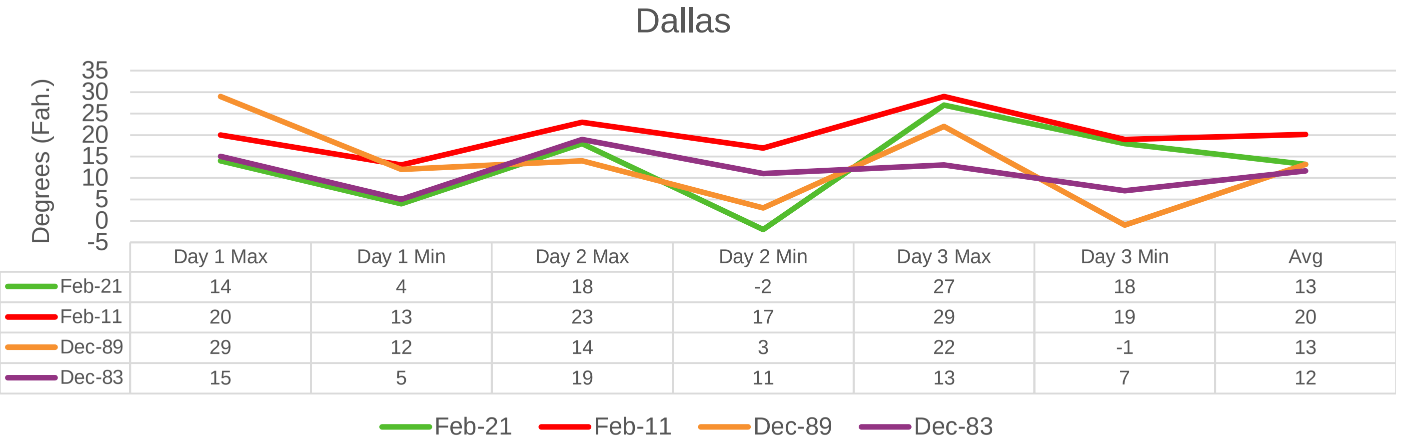
ERCOT Based the 2020/21 Extreme Winter Peak on the 2011 Winter

This weather comparison illustrates max/min trends across three days of the cold-snap events for the four most recent events.

These comparison charts show 2011 was warmer during almost every day during these cold snap periods too.



	Day 1 Max	Day 1 Min	Day 2 Max	Day 2 Min	Day 3 Max	Day 3 Min	Avg
Feb-21	23	9	27	6	32	23	20
Feb-11	33	18	29	19	42	20	25
Dec-89	33	16	28	6	48	14	24
Dec-83	29	16	26	11	30	18	22



	Day 1 Max	Day 1 Min	Day 2 Max	Day 2 Min	Day 3 Max	Day 3 Min	Avg
Feb-21	14	4	18	-2	27	18	13
Feb-11	20	13	23	17	29	19	20
Dec-89	29	12	14	3	22	-1	13
Dec-83	15	5	19	11	13	7	12

Source | NOAA, National Weather Service

ERCOT Power Grid Outage: Electricity Generation

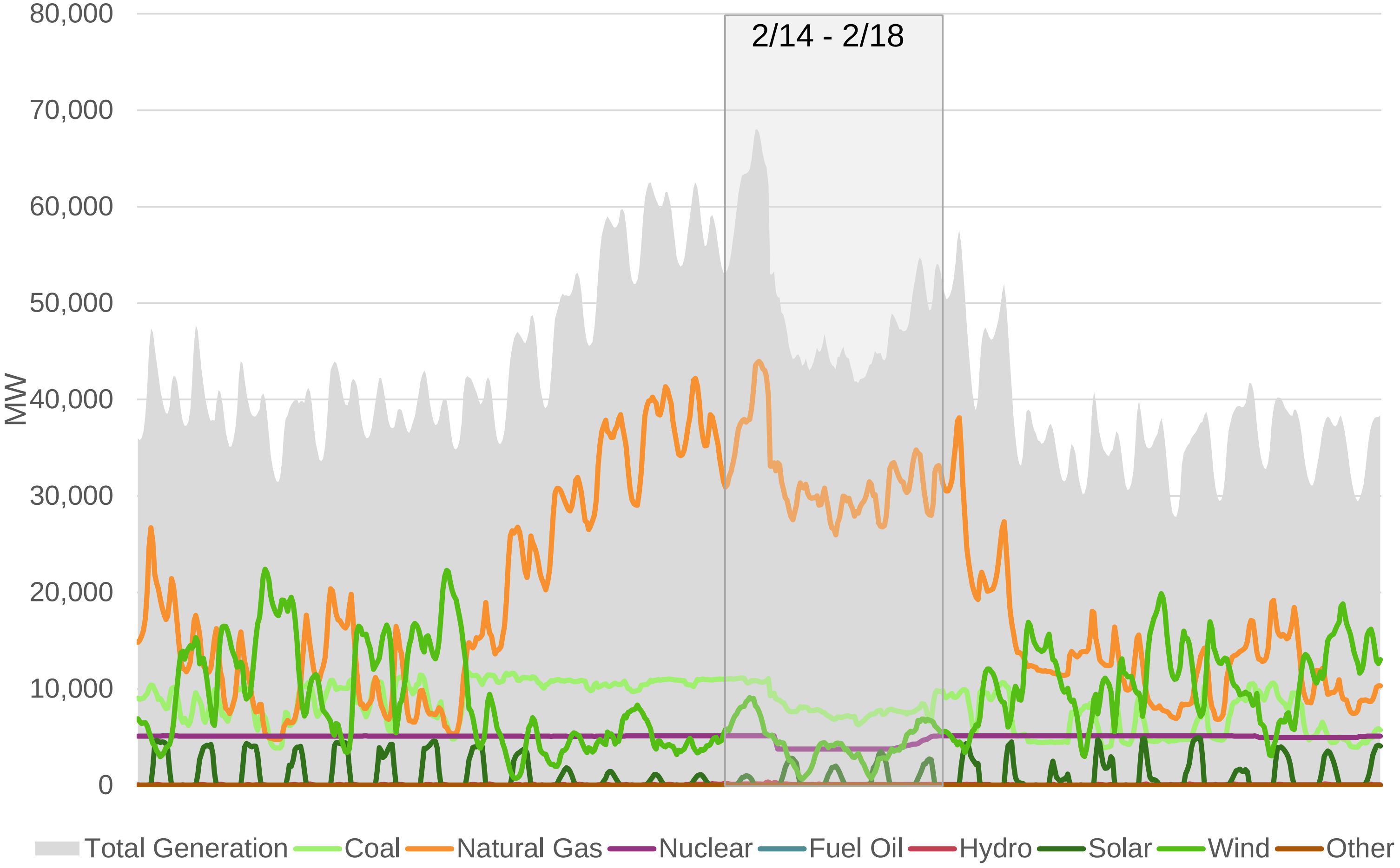
During this event the peak was observed Sunday evening near 70,000 MW. This level of demand has never been observed before in the Winter season in ERCOT.

Traditional resources began going offline rapidly on Monday morning (see the dip in the gray area in the chart).

However, a dip in resources was observed in every fuel type, even nuclear. During this event, Natural gas (orange) provided the majority of generation but also represented the largest share of outages. Wind and solar generation also dipped during this time as a result of weather, equipment freeze-offs, and transmission congestion.

At the peak of the event 20,000 MW of natural gas came offline followed by 6,000 MW of coal 4,000 MW of wind and 1,000 MW of nuclear generation.

February ERCOT Hourly Electricity Generation by Fuel Type



Seasonal Assessment of Resource Adequacy for the ERCOT Region (SARA) Winter 2020/2021 final version released 11/5/2020 vs. how much power was produced by fuel type

Early Monday morning (February 15th) power units of all types began tripping off.

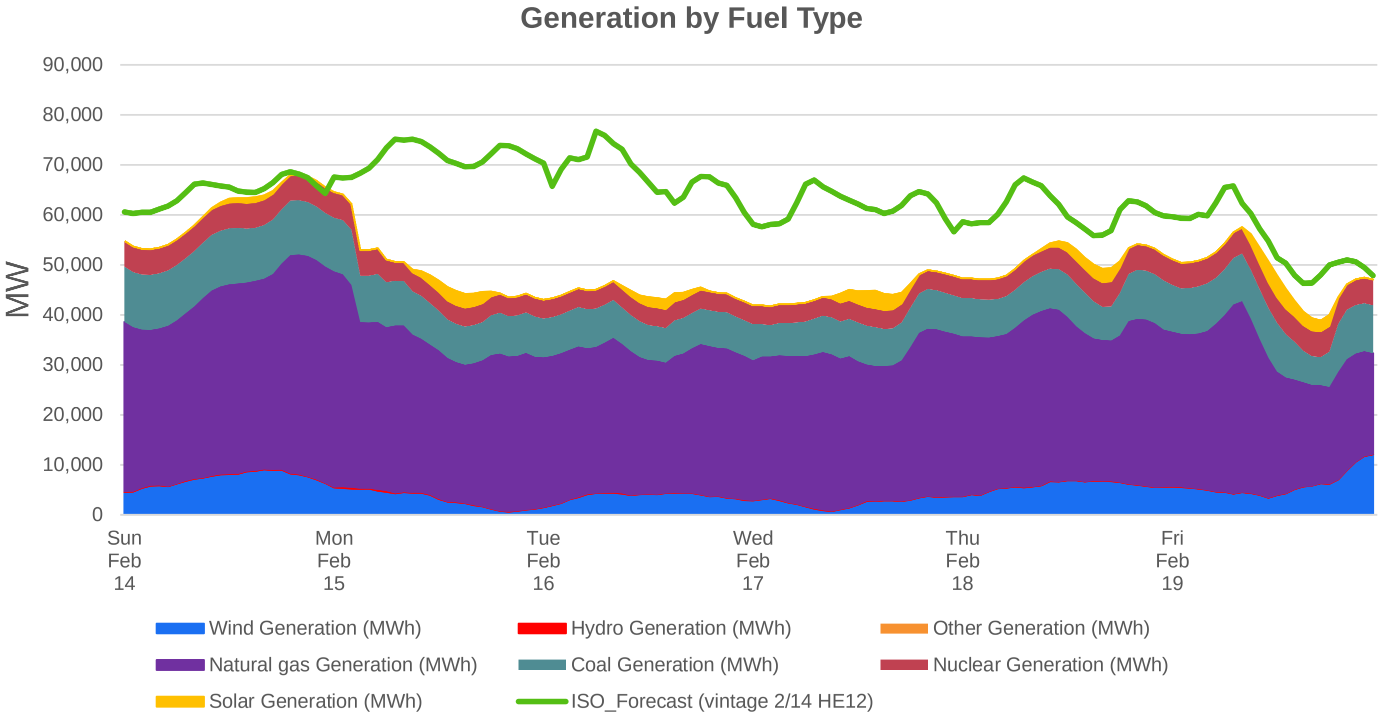
Approximately 48.6% of generation was forced out at the highest point due to the impacts of various extreme weather conditions.

Controlled outages were implemented to prevent a statewide blackout.

The ERCOT SARA report expected 67.2 GW of peak load which was based on the 2011 cold snap. The total resources that were expected to be available during such an event were 71.3 GW which would have been adequate to meet that load. The table above shows the expected capacity by fuel type.

However, the 2021 winter event was much colder and ERCOT forecasted load reached 75.8 GW which far exceeded the resources available. ERCOT's planning group should have used the 1989 winter temperatures per page 15.

ERCOT SARA-FinalWinter2020-2021 Forecasted Peak Capacity (GW)			
Natural Gas	48.4	Wind	6.1
Coal	10.9	Solar	0.3
Nuclear	5.2	Hydro	0.4
Extreme Peak Winter Load Forecast: 67.2 GW (Based on 2011 winter with revised economic growth)			



Source | EIA, ERCOT

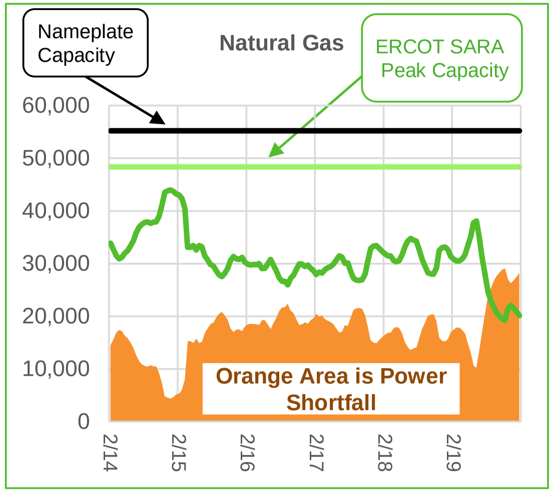
Power generation by fuel type

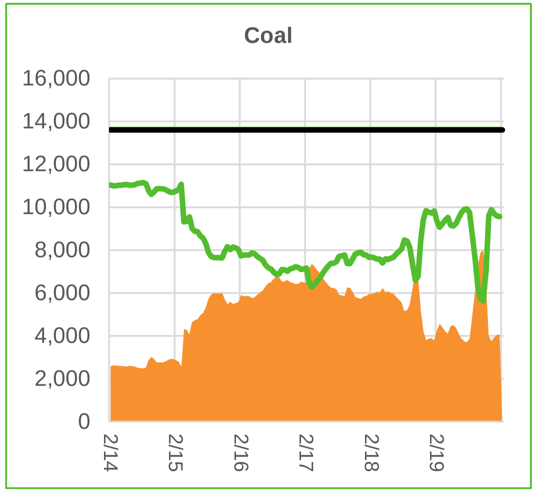
All major power generation fuel types underperformed the expected winter capacity rating that was planned in the SARA.

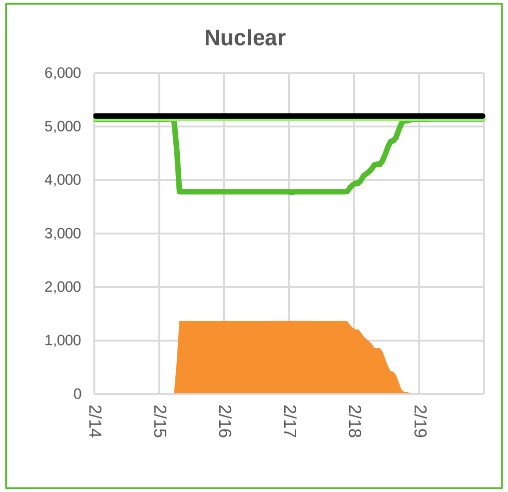
Actual generation was less than 50% of the planned generation for an extreme winter event.

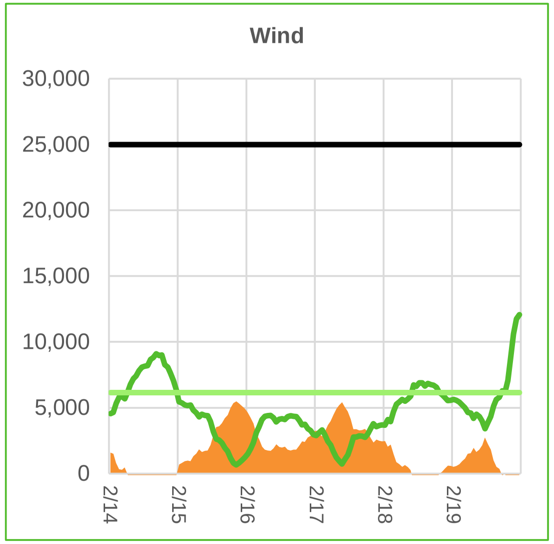
Natural Gas generation was the worst performing of all fuel types. However, this illustration does not point to why the gas plants performed worse.

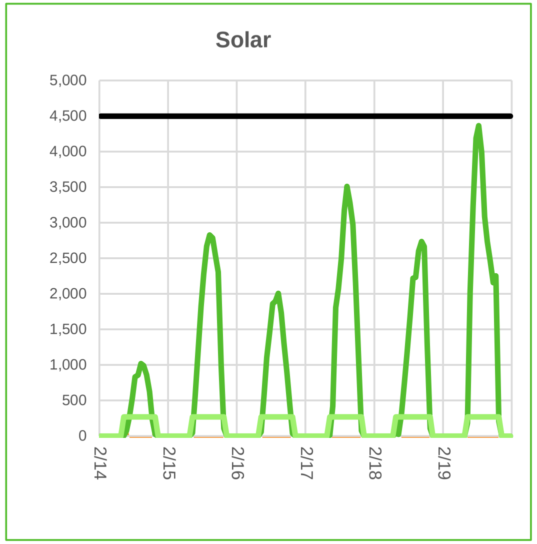
Fuel Type	SARA/Short of SARA Expectations (Average)	Nameplate Capacity/% SARA
Nat. Gas	48.4/17.3 GW	55.2/88% GW
Coal	10.9/5.1 GW	13.6/80% GW
Wind	6.1/1.4 GW	25.0/24% GW
Nuclear	5.2/0.7 GW	5.2/100% GW
Hydro	0.4/0.1 GW	0.5/80% GW

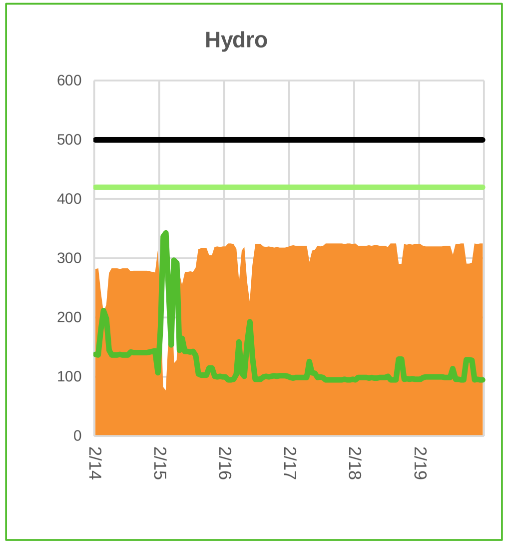












Source | EIA

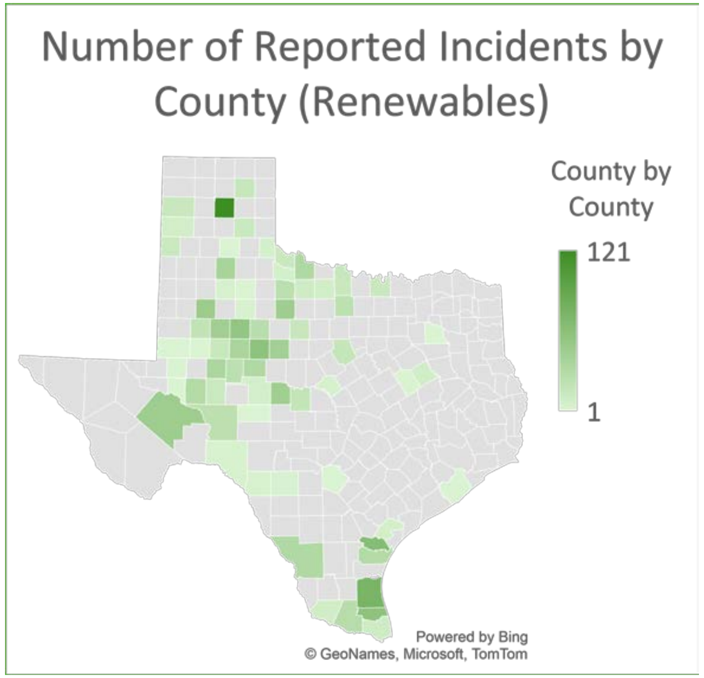
ERCOT Supply – Generator Failure

Power generators across the state of Texas experienced outages. Power generators in south Texas were more suspectable to outages as their tolerance for cold weather is lower. Power plants around the Houston area were especially vulnerable to the cold weather. In addition, some of the older wind generators in west Texas saw heavy capacity reductions.

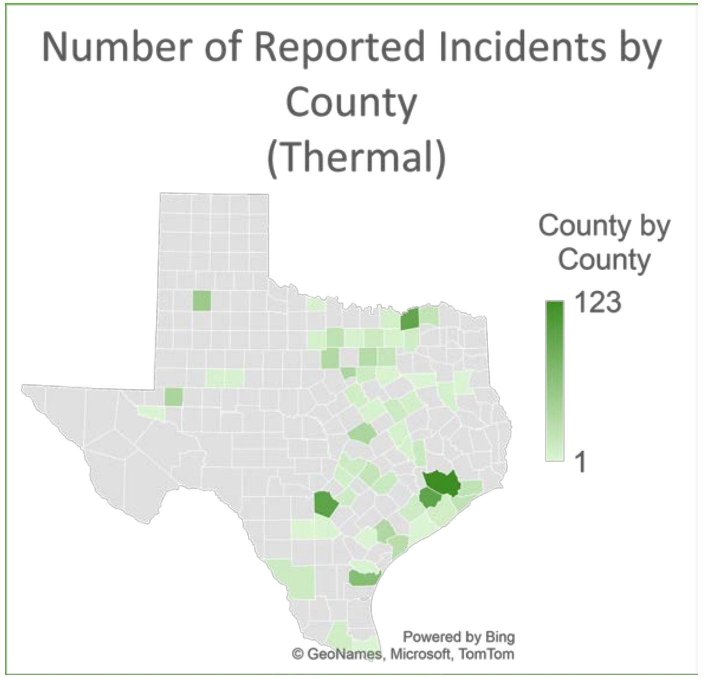
Capacity Reduction Incidents (Derate/Outages) by Resource Class from February 10 – 19, 2021

Widespread issues were observed in South Texas. Older wind-farms in west Texas near Scurry and Nolan counties also appear to have had an inordinate number of reported capacity related incidents.

Thermal resource incidents and outages were heavily focused in the Houston area. Harris and Fort Bend counties experienced a significant number of generator incidents including the W A Parish coal plant which reported having issues as early as February 14th, the day before the Energy Emergency Conditions occurred.



Number of Reported Incidents by County (Renewables)



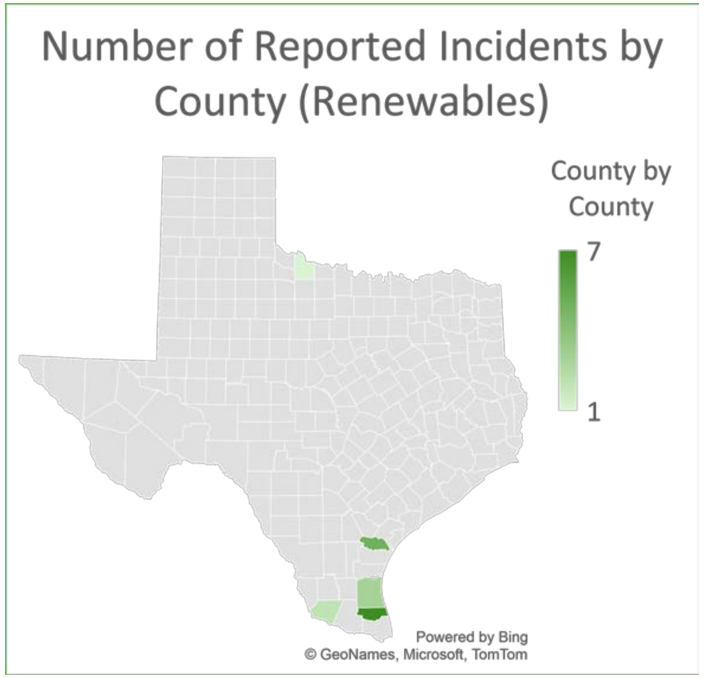
Number of Reported Incidents by County (Thermal)

Capacity Reduction Incidents (Derate/Outages) of Units by Resource Class February 15th 00:00-02:00

Between Midnight and 2AM, the power units that tripped offline were localized south of Austin.

South Texas wind farms comprised the majority of renewable capacity reductions during this time.

The quick succession of outages observed in this limited timeframe, combined with the wide geographic location of these outages indicates the initial problems did not occur as a result of natural gas supply outages, but instead likely occurred due to other reasons at the power generation level including frequency related trips and other turbine protection related trips.



Number of Reported Incidents by County (Renewables)

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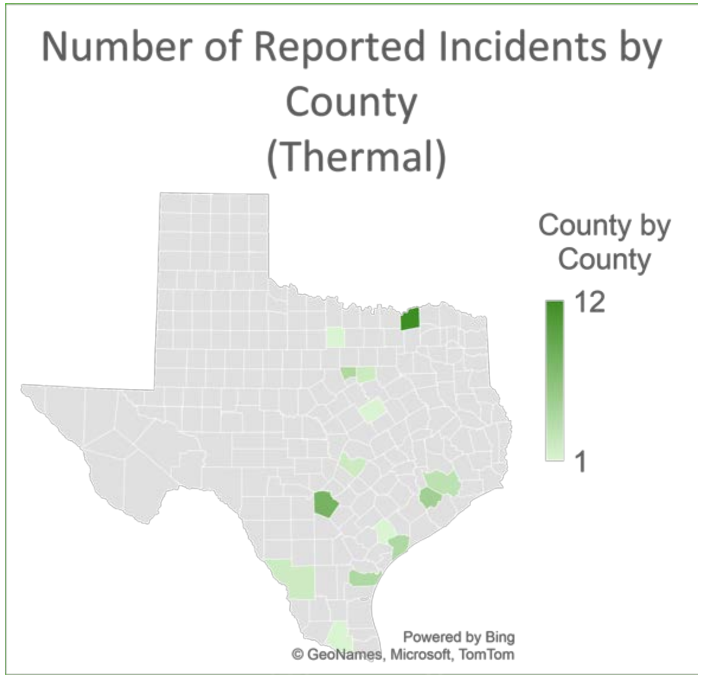

Number of Reported Incidents by County (Thermal)

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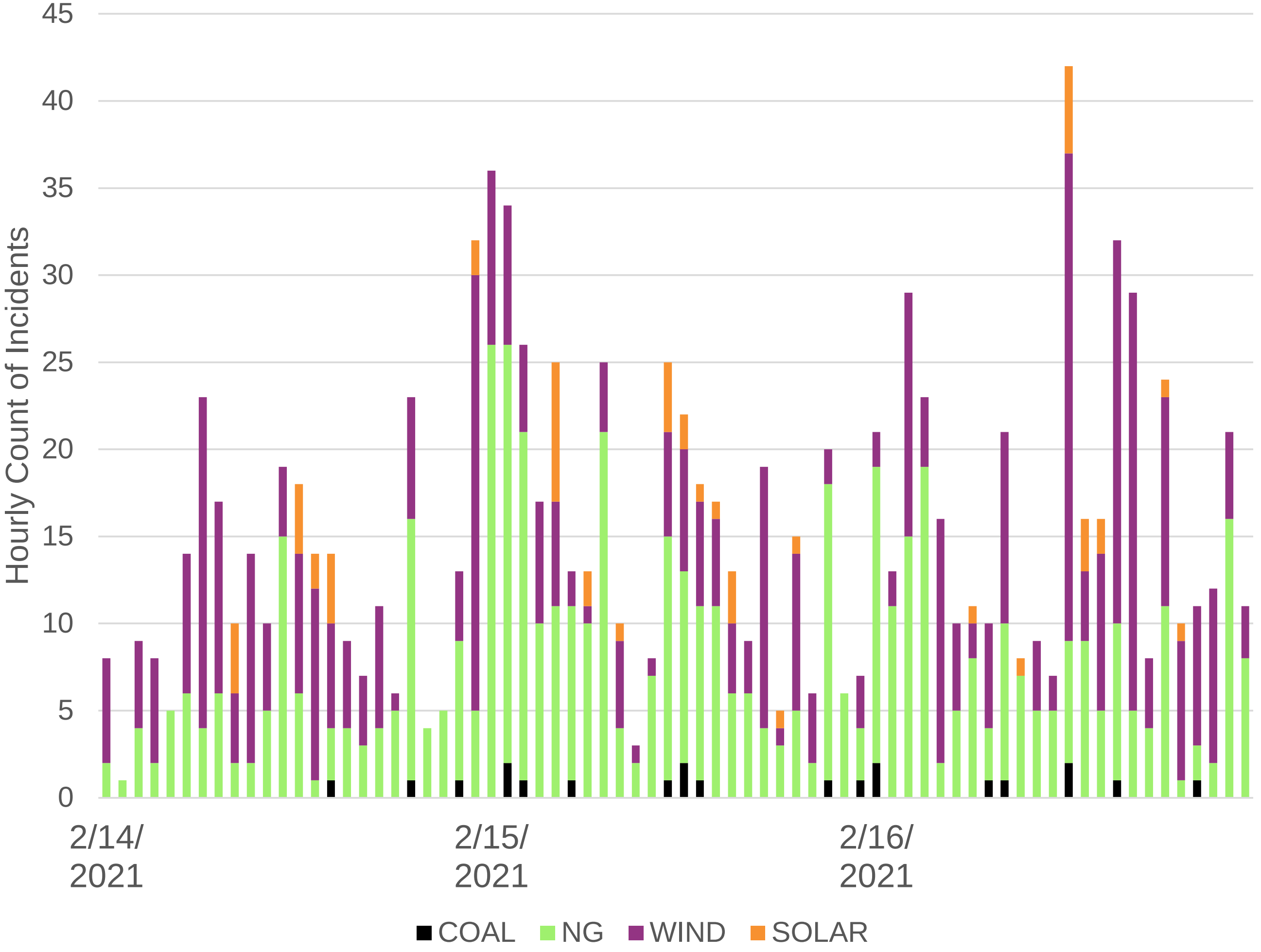
Capacity Reduction Incidents (Derate/Outages) by Fuel Class from February 14 – 16, 2021

Natural Gas was the dominant fuel class to report capacity reductions during the event, followed by derates/outages at wind farm sites.

Capacity reductions at coal plants increased during the peak of the black-outs.

Capacity Reduction Incidents (Derates/Outages) by Fuel Class

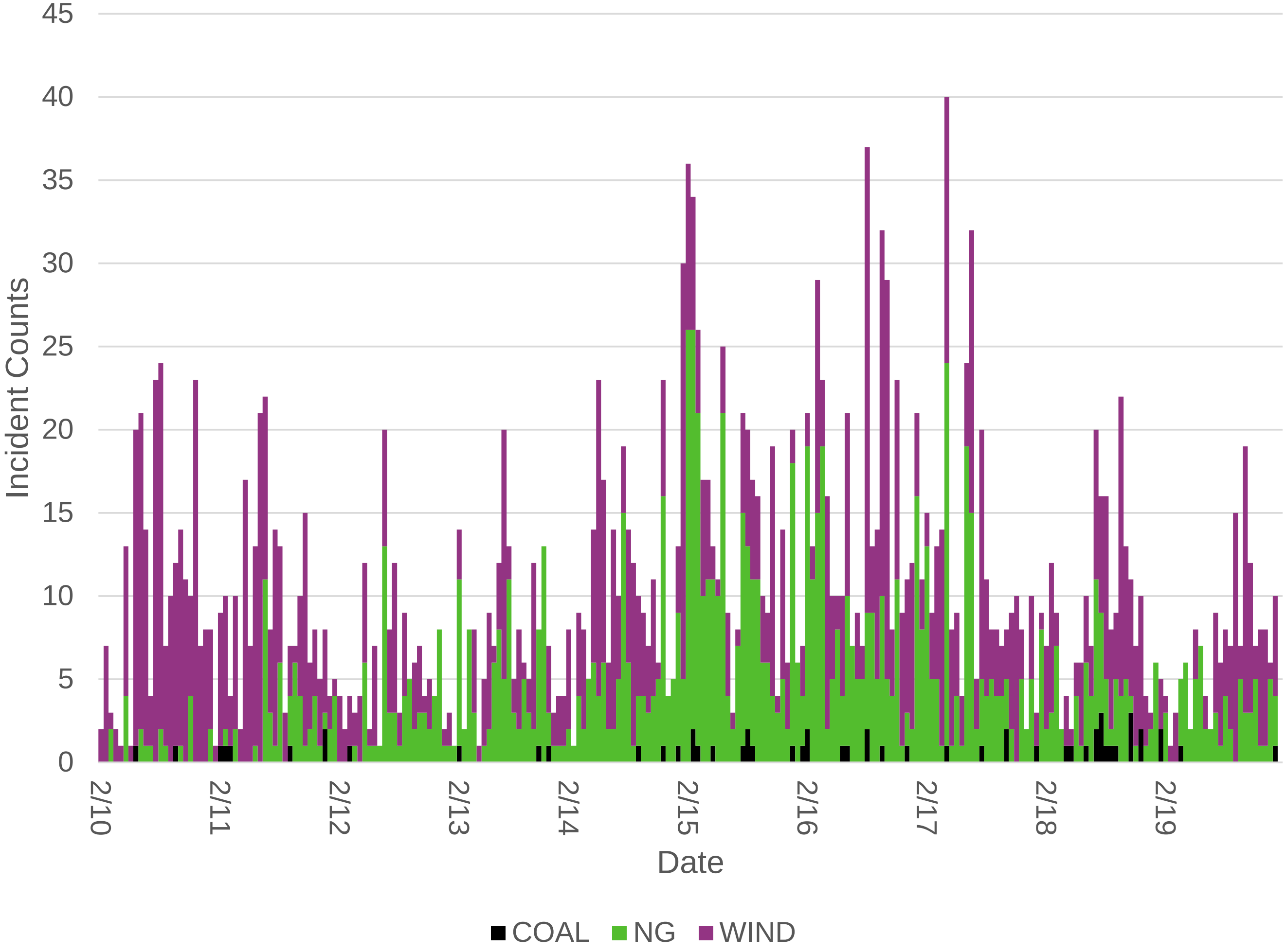


Capacity Reduction Incidents (Derate/Outages) of Units by Fuel Class from February 10 – 16, 2021

Wind units were reporting capacity reductions as early as Wednesday 2/10, likely due to icing of the turbine blades and similar weather-related issues.

These issues with the wind farms persisted through the cold-snap event and contributed to grid instability.

Capacity Reduction Incidents (Derates/Outages) by Fuel Class



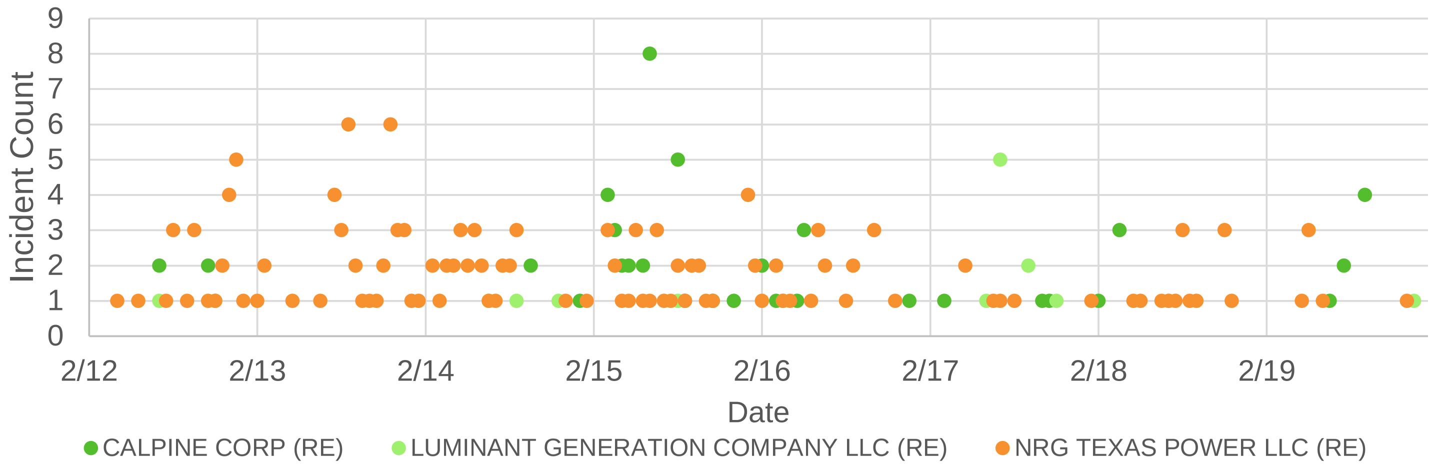
Capacity Reduction Incidents (Derate/Outages) by Generator Owners from February 12 – 19, 2021

NRG in the Houston area had a large number of capacity related issues over the course of the event.

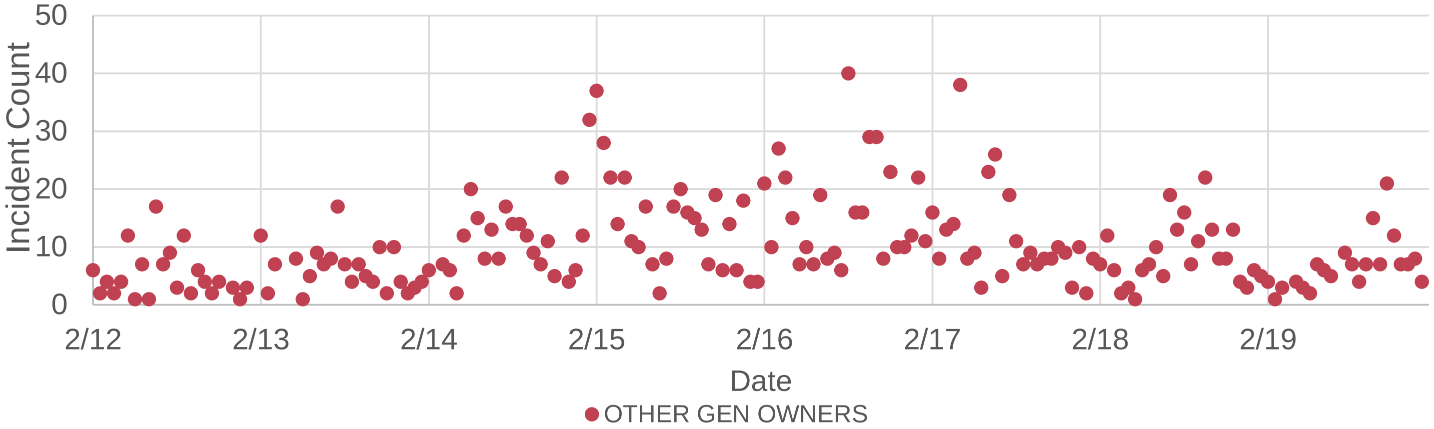
The other two top generation owners show increased capacity related issues later in the week.

For all other Generation Owners, the capacity related issues increased substantially during the heart of the blackout event. This data represents an aggregation of incidents for each hour; the high incident count in the bottom chart is a result of the large number of individual plant operators.

Top 3 Generation Owners in ERCOT



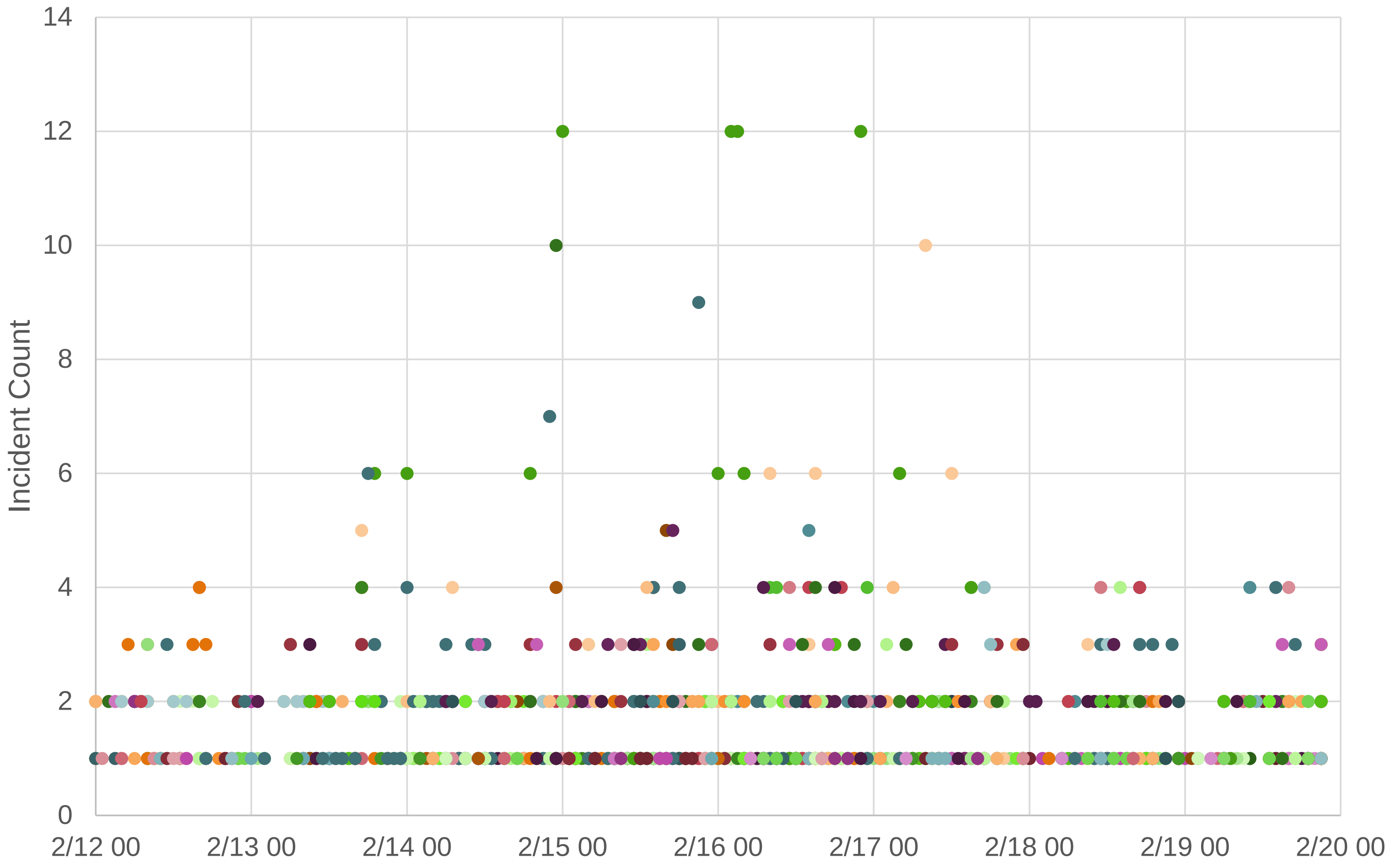
All Other Generation Owners in ERCOT



Capacity Reduction Incidents (Derate/Outages) by Plant from February 12 – 19, 2021

This chart illustrates the count of incidents by plant and by hour. You can see issues and many plants across the cold-snap event with some facilities even experiencing up to 12 incidents in one hour during the peak outage period on 02/15 - 02/17.

Incident Counts By Hour For Each Plant



ERCOT Energy Emergency Alert Levels

Energy Emergency Alert 1 (EEA1)	Energy Emergency Alert 2 (EEA2)	Energy Emergency Alert 3 (EEA3)
Reserves < 2,300MW and not expected to recover within 30 minutes Actions: · Issue "EEA 1" to Market Participants via hotline and Notice Builder · Use additional capacity available from other grids (via DC Ties; 500 MW on average) · Commit all available units; implement Emergency Response Service (ERS) resources and TDSP Load Management programs if needed. · Load Management programs if needed. Deploy Responsive Reserves if PRC is <2,000 MW	Physical Responsive Capability (PRC) <1,750 MW and not expected to recover within 30 minutes or frequency is below 59.91 HZ for 15 minutes Actions: · Issue "EEA 2" to Market Participants via hotline and Notice Builder · Deploy demand response resources: Load Resources under contract (typically ~1,150 MW) and/or remaining ERS** (currently 1,000 MW on peak), in either order. · Begin block load transfers of load to other grids if appropriate.	Energy deficient and unable to meet minimum Contingency Reserve Requirements Actions: · Issue "EEA 3 – Rotating Outages" to Market Participants via hotline and Notice Builder · Instruct transmission operators to implement rotating outages; areas affected are at the discretion of the utilities.

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CASE NO. 00007069

APPLICATION OF TEXAS GAS	**§**	**BEFORE THE**
SERVICE COMPANY, A DIVISION OF	**§**	
ONE GAS, INC., FOR CUSTOMER	**§**	**RAILROAD COMMISSION**
RATE RELIEF RELATED TO WINTER	**§**	
STORM URI AND A REGULATORY	**§**	**OF TEXAS**
ASSET DETERMINATION	**§**	

DIRECT TESTIMONY

OF

BRUCE H. FAIRCHILD

ON BEHALF OF

GAS UTILITIES PARTICIPATING IN THE REGULATORY ASSET DETERMINATION AND RELATED SECURITIZATION

July 30, 2021

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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.

Q. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A. I am providing testimony on behalf of the gas utilities participating in this proceeding -- AgriTexGas, LP, Atmos Energy Corporation on behalf of its Mid-Tex Division and West Texas Division, Bluebonnet Natural Gas, LLC, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex, CenterPoint Energy Arkla, and CenterPoint Energy Texas Gas, Corix Utilities (Texas) Inc., CoServ Gas, Ltd., EPCOR Gas Texas Inc., NatGas, Inc., SiEnergy, LP, Texas Gas Service Company, a Division of ONE Gas, Inc., and Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. (collectively, "participating gas utilities").

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 Ph.D. 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 on behalf of the PUCT staff in numerous cases involving most major investor-owned and cooperative electric, telephone, and water/sewer utilities in the state regarding a variety of financial, accounting, and economic issues. Since forming FINCAP in 1979, I have participated in a wide range of analytical assignments involving utility-related matters on behalf of utilities, industrial consumers, municipalities, and regulatory commissions. I have also prepared and presented expert testimony before a number of regulatory authorities addressing revenue requirements, cost allocation, and rate design issues for gas, electric, telephone, and water/sewer utilities. I have been a frequent speaker at regulatory conferences and seminars and have published research concerning various regulatory issues. A resume that contains the details of my experience and qualifications is attached as Appendix A, with Appendix B listing my prior testimony before regulatory agencies since leaving the PUCT.

B. Purpose of Testimony

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A. The purpose of my testimony is four-fold. The first purpose is to describe generally how the extraordinary costs related to the winter weather event in February 2021 ("Winter Storm Uri") recorded as regulatory assets by participating gas utilities would be financed through customer rate relief ("CRR") bonds issued through the Texas Public Finance Authority ("TPFA"). The second purpose is to determine whether it would be more cost-effective to recover these regulatory assets through CRR bonds versus alternative recovery methods. The third purpose is to determine whether the use of CRR bonds would result in more affordable estimated monthly costs to customers than conventional recovery methods. Finally, I explain why the use of CRR bonds to finance and recover the extraordinary costs related to the February 2021 Winter Weather Event would provide tangible and quantifiable benefits to customers greater than other recovery methods and would serve the public interest.

C. Summary of Conclusions

Q. BRIEFLY SUMMARIZE THE CONCLUSIONS OF YOUR TESTIMONY.

A. For the reasons explained below, I conclude:

- Issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers;
- The issuance of CRR bonds to reimburse gas utilities for the regulatory assets has the least immediate impact on customers' monthly bills compared to conventional recovery methods; and

- Using CRR bonds to reimburse the participating gas utilities for their regulatory assets would enable the gas utilities to maintain their financial integrity, ensure their ability to raise debt and equity capital on reasonable terms to finance normal, ongoing expenditures as well as manage another crisis, should it arise.

II. BACKGROUND

Q. PLEASE DESCRIBE THE EVENTS LEADING TO THE PRESENT CASE.

A. Beginning on February 11, 2021, an unprecedented cold winter weather event hit Texas. On February 12, Governor Abbott issued a State of Disaster in Texas for all Texas counties, and the Railroad Commission of Texas ("Commission") issued an Emergency Order temporarily modifying natural gas utility curtailment priorities to ensure the protection of human needs customers throughout the storm. Natural gas usage by homes, businesses, and electric generating facilities surged while natural gas supply fell as production, processing, treating, and pipeline facilities froze or otherwise became inoperable. This prolonged winter storm resulted in a dramatic increase in natural gas prices as demand greatly exceeded supply. At the same time, gas utilities experienced major gas supply interruptions, including *force majeure* declarations from suppliers. To continue to supply customers and maintain system operations, gas utilities were required to purchase additional gas to meet demand and replace interrupted supplies at extremely high market prices. The combination of greater customer usage and increased gas prices resulted in gas utilities incurring extraordinary gas supply costs.

Q. DID THE COMMISSION TAKE ANY ACTION TO RECOGNIZE THAT GAS UTILITIES WERE INCURRING EXTRAORDINARY COSTS AS A RESULT OF WINTER STORM URI?

A. Yes. On February 13, 2021, the Commission issued a Notice to Local Distribution Companies ("Regulatory Asset NTO") stating that, to provide customers safe and reliable service, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices for natural gas and incur other extraordinary expenses responding Winter Storm Uri. The Regulatory Asset NTO authorized Texas LDCs to record the extraordinary costs in a regulatory asset account to defer and reduce their impact on customers. A copy of the Regulatory Asset NTO is attached to my testimony as Appendix C.

Q. DID THE LEGISLATURE TAKE ANY ACTION TO ADDRESS THE EXTRAORDINARY COSTS GAS UTILITIES INCURRED AS A RESULT OF WINTER STORM URI?

A. Yes. During the 87th Regular Session, the Texas Legislature passed, and on June 16, 2021, Governor Abbott signed, House Bill ("H.B.") 1520, attached to my testimony as Appendix D. The purpose of H.B. 1520 is to reduce the costs that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after the event. To this end, H.B. 1520 authorizes securitization financing that would provide rate relief by extending the period over which the extraordinary costs are recovered from customers and support the financial strength and stability of gas utilities. Before the CRR bonds may be issued, however, H.B. 1520 requires the Commission to ensure that the securitization financing provides tangible and quantifiable benefits to customers greater than would have been achieved absent the issuance of CRR bonds. It also requires the Commission to determine that CRR bonds are the most cost-effective method of funding regulatory asset reimbursements, consider customer affordability, and find that the securitization financing mechanism is in the public interest.

Q. PLEASE EXPLAIN YOUR UNDERSTANDING OF HOW THE SECURITIZATION PROCESS CONTEMPLATED UNDER H.B. 1520 WILL BE CONSIDERED BY THE COMMISSION.

A. On June 17, 2021, the Commission issued a Notice to Gas Utilities ("NGU") directing those desiring to participate in the CRR bond program to file an Application for Regulatory Asset Determination ("Application"). This NGU is attached to my testimony as Appendix E. Each gas utility's Application must contain extensive data and documentation to support the regulatory asset recorded on its books. The NGU also requires that gas utilities demonstrate the CRR bonds would provide customers tangible and quantifiable benefits greater than would be achieved otherwise, would benefit customers through affordability, and would be in the public interest and consistent with the purposes of subchapter 1, chapter 104 of the Texas Utilities Code. After the Commission has issued its regulatory asset determinations, if it finds that the CRR bonds are most cost-effective, provide affordability benefits, and are in the public interest, it will issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the CRR bonds.

III. CUSTOMER RATE RELIEF BONDS

Q. WHAT IS THE PURPOSE OF THIS SECTION OF YOUR TESTIMONY?

A. In this section, I provide an overview of the CRR bonds contemplated by H.B. 1520 to reimburse gas utilities for their regulatory assets and provide customers rate relief by allowing the extraordinary winter storm costs to be recovered differently than would be available through conventional recovery methods.

A. Securitized Financing

Q. WHAT IS SECURITIZED FINANCING?

A. Securitization is a financing technique used by many companies whereby certain assets are legally isolated in a special purpose entity ("SPE"). Generally, the SPE's primary asset is a revenue stream produced by financial assets such as loans, leases, or receivables, with its activities being carried out through a servicing agreement by another party. The SPE is also generally financed by selling debt and/or equity to investors, which are typically institutional investors such as banks, pension funds, and insurance companies. Bonds issued by an SPE are typically self-amortizing through payment of principal over time, and there is customarily a broad and diverse pool of underlying obligors that will make the payments to service the bonds. Securitizations are generally non-recourse and bankruptcy-remote from the underlying company.

Q. HAVE UTILITIES IN TEXAS USED SECURITIZATION AS A FORM OF FINANCING?

A. Yes. Securitization is a unique form of financing that has typically been used pursuant to specific statutory provisions by electric utilities in Texas to finance and recover costs from customers over longer periods of time. The securitizations by Texas utilities have involved the recovery of costs that are not incurred in the normal course of utility business. For example, securitization was used by electric utilities to recover “stranded costs” resulting from the transition from a regulated to competitive wholesale market for electricity in the early 2000s. Securitization has also been used to reimburse utilities for the extensive damage to facilities caused by hurricanes along the Gulf Coast. In utility securitizations, an SPE typically issues bonds backed primarily by the specific statutory and regulatory right to receive a charge paid to a utility by its customers, which in turn is remitted to the SPE. While it is common for the SPE to be managed by the utility pursuant to a service and administration agreement, care is taken to maintain the SPE as a separate entity and isolate its assets from the utility and its creditors.

Q. WHAT BENEFITS ARE DERIVED FROM SECURITIZATION FINANCING?

A. When authorized by the Legislature for use in the recovery of these types of extraordinary, non-typical costs, securitizations involve a unique, particularly high-quality stream of revenues, which the SPE has statutory and regulatory rights to receive, and that can be kept separate from a utility’s other assets and activities. The SPE can then sell bonds secured by this revenue stream that are less risky than the utility itself. Because the bonds issued by SPEs are less risky, they typically have a higher credit rating than the debt of the utility. As a result, the bonds issued by the SPE carry a lower interest rate and, because the bonds are secured with a high-quality revenue stream, the SPE can be heavily debt financed, both of which reduce the carrying cost of the underlying asset. In the case of H.B. 1520, because the securitized bonds are a liability of a state agency-created SPE and not the utility, they are not carried on the utility's balance sheet. Accordingly, the securitized bonds should not increase the gas utility's debt load, which supports its financial strength and stability, nor should they reduce the utility's borrowing capacity, which should maintain the utility's ability to attract capital to finance property, plant, and equipment on reasonable terms.

Q. DESCRIBE THE SPE CONTEMPLATED UNDER H.B. 1520.

A. If securitization is approved by the Commission, H.B. 1520 authorizes the TPFA to create an issuing financing entity (the SPE) to issue CRR bonds. The issuing financing entity would be a self-funding, non-profit, public authority of Texas governed by a three-member board. The CRR bonds sold by the issuing financing entity would not be a liability of Texas, the Commission, or the participating gas utilities; rather, they would be securitized and repaid from customer rate relief charges assessed to all customers of the participating gas utilities. The customer rate relief charges would be sufficient to cover the SPE's costs, including initial financing costs, CRR bond principal and interest, and other financing, administrative, and operating expenses authorized by the Financing Order.

B. Structure of Customer Rate Relief Bonds

Q. WOULD THE CRR BONDS BE STRUCTURED LIKE TYPICAL UTILITY DEBT?

A. No. The long-term bonds issued by most large gas utilities are outstanding for a specified number of years. A fixed interest rate is usually paid on the original face amount periodically, with the entire principal balance being due at maturity. While this "balloon payment" debt structure is generally satisfactory for financing a large utility's permanent property, plant, and equipment, it is not well-suited to an entity having just a single, self-liquidating asset.

Q. HOW WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge applicable to all existing and future customers of participating gas utilities. Although the resulting revenue stream could be used to pay annual principal and interest payments on a single issue of CRR bonds (like a home mortgage), this is not the structure normally used. Because of differing portfolio and reinvestment considerations, large investors do not want all bonds having the same life. To amortize the CRR bonds while still allowing investors to select their preferred maturities, the bonds are anticipated to be split among several series or tranches, each with a different scheduled maturity and corresponding interest rate. In this way, on any given payment date, interest is paid on all the bond series, but principal is repaid only on the series that is maturing. This structuring into series or tranches enhances marketing of the bonds because it enables both shorter-term investors (e.g., banks) and longer-term investors (e.g., pension funds) to participate in the same securitization issue but offers each a maturity most suitable for its investment objectives. The actual structure of the CRR bonds would depend on the Commission's Financing Order, input from TPFA and investment bankers, and capital market conditions at the time the CRR bonds were issued.

Q. OVER WHAT PERIOD WOULD THE CRR BONDS MOST LIKELY BE STRUCTURED?

A. H.B. 1520 caps the maximum scheduled maturity of the CRR bonds to 30 years, with the Commission ultimately deciding in its Financing Order the period over which the bonds are to be repaid by customers. Because the CRR bonds would be secured only by customer rate relief charges and not physical assets, it is believed that investors would prefer the bonds to have a maximum term of between 10 and 15 years. I understand that in the securitizations approved by the PUCT for electric utilities, the scheduled maturity of the bonds has typically been less than 15 years.

C. Interest Rates on Customer Rate Relief Bonds

Q. WHAT INTEREST RATES WILL THE CRR BONDS BEAR?

A. The actual interest rates on the CRR bonds will depend on capital market conditions at the time they are issued, the maturity structure of the various series, and the rating assigned to the CRR bonds by rating agencies.

Q. WHAT BOND RATING WOULD LIKELY BE ASSIGNED TO THE CRR BONDS?

A. To achieve the lowest interest rate, the CRR bonds would need to be rated triple-A by the major bond rating agencies (i.e., Moody’s, Standard & Poor’s, and Fitch). Most of the characteristics and features required for the CRR bonds to be rated triple-A are provided for in H.B. 1520 and would also need to be included in the Financing Order.

Q. WHAT ARE CURRENT INTEREST RATES ON BONDS RATED TRIPLE-A?

A. The table below shows average interest rates between mid-June and mid-July 2021 on triple-A rated taxable bonds issued by government entities having different maturities over the next 15 years. These range from 0.19% to 2.07%, with the interest rate increasing with the length of the bond term:

Maturity (Years)	Interest Rate	(Years)	Interest Rate	(Years)	Interest Rate
1	0.19%	6	1.18%	11	1.77%
2	0.32%	7	1.36%	12	1.85%
3	0.50%	8	1.50%	13	1.92%
4	0.74%	9	1.62%	14	2.00%
5	0.96%	10	1.69%	15	2.07%

Q. COULD THE CRR BONDS HAVE A VARIABLE INTEREST RATE INSTEAD OF A FIXED INTEREST RATE?

A. Although floating-rate bonds could be issued, fixed interest rates allow the likely costs and benefits to be better evaluated in advance and would facilitate developing and maintaining a uniform monthly volumetric charge over time. Additionally, current interest rates are at historical lows, which are not expected to persist indefinitely. I understand that all the securitized bonds issued by Texas electric utilities have had fixed interest rates.

IV. <u>COST-EFFECTIVENESS</u>

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. H.B. 1520 requires that, before issuing a Financing Order, the Commission must determine that CRR bonds are the most cost-effective method of funding reimbursements to gas utilities of the regulatory asset associated with the extraordinary costs incurred in connection with Winter Storm Uri. The purpose of this section is to compare the expected costs associated with CRR bonds and the costs of other methods that might be used to finance the regulatory assets.

A. Alternative Methods

Q. WHAT ALTERNATIVE METHODS ARE AVAILABLE TO FUND THE EXTRAORDINARY COSTS INCURRED BY THE PARTICIPATING GAS UTILITIES ATTRIBUTABLE TO WINTER STORM URI?

A. There are basically three alternative methods. The first would be to include the extraordinary costs related to Winter Storm Uri in the gas utility's purchased gas cost ("PGC") recovery mechanism (sometimes referred to as a "purchased gas adjustment" (PGA), "gas cost recovery" (GCR) mechanism, "cost of gas clause" (COG), or "purchased gas factor" (PGF), depending on the utility). The second would be to treat the regulatory assets similar to rate case expenses, where they would be amortized over a relatively short period and recovered through an established rate or a specific surcharge added to customers' bills until the total amount is received. The third method would be to include the regulatory assets in rate base, amortize them over a longer time period (e.g., 10 to 15 years), and include the additional costs in the gas utilities' base service rates.

Q. PLEASE DISCUSS THE FIRST ALTERNATIVE, INCLUDING THE EXTRAORDINARY COSTS IN THE PGC RECOVERY MECHANISM.

A. Under this method, the regulatory asset would be included as a cost of gas and recovered from customers over a period of approximately up to a year through each participating gas utility's PGC recovery mechanism. The effect of this method would be to fund the extraordinary Winter Storm Uri costs from current customers. While this method may be the least expensive because carrying costs and administrative expenses would be minimized, as will be addressed later in my testimony, it would have the greatest immediate impact on current bills and be the least affordable method for customers.

Q. PLEASE DISCUSS THE SECOND ALTERNATIVE THAT WOULD ADJUST AN EXISTING RATE OR ADD A SURCHARGE TO CUSTOMER BILLS UNTIL THE EXTRAORDINARY COSTS ARE FULLY RECOVERED.

A. Similar to how rate case expenses are recovered, this method would amortize the regulatory asset over a relatively short period, such as three years, with an adjustment to existing rates or a surcharge being added to each customer's monthly bill until the regulatory asset is fully recovered. While this alternative would have a smaller monthly or annual impact than recovering the regulatory asset pursuant to the terms of the existing PGC recovery mechanism, it would still have a significant impact on customers' bills in the near-term and their affordability. Additionally, this method could adversely impact the financial integrity of certain gas utilities and their ability to attract capital. Specifically, many of the participating gas utilities financed the extraordinary costs of Winter Storm Uri, in whole or in part, with short-term debt, which has adversely impacted their borrowing capacity. As a result, the ability to raise additional debt to finance ordinary capital requirements would be impaired or potentially non-existent for certain utilities, as would their ability to manage another crisis. Additionally, this short-term debt matures prior to when the regulatory assets would be fully recovered approximately three years following the completion of this proceeding. Rolling over maturing short-term debt would continue to leave the gas utilities with limited or exhausted borrowing capacity, while refinancing it with permanent capital would not only increase the cost of capital but would strain their ability to raise additional debt and equity to finance normal, ongoing capital expenditures and withstand extraordinary events. Similarly, the ability to attract additional capital by those utilities that financed the extraordinary gas costs with permanent capital may already be significantly reduced.

Q. PLEASE DISCUSS THE THIRD ALTERNATIVE THAT WOULD INCLUDE THE REGULATORY ASSET IN RATE BASE AND RECOVER THE EXTRAORDINARY COSTS IN BASE SERVICE RATES.

A. Under the third method, the regulatory assets associated with Winter Storm Uri would remain on the gas utilities' books and be financed by the utility. For ratemaking purposes, the regulatory asset would be included in rate base along with property, plant, and equipment, and amortized over a longer period, such as 10 to 15 years. The capital carrying costs, income taxes, and amortization expense associated with the regulatory asset would then be included in the gas utilities' base service rates.

Q. HOW WOULD THE REGULATORY ASSET BE FUNDED UNDER THIS THIRD METHOD?

A. Because the regulatory asset is essentially treated like the gas utilities' other permanent assets, it would have to be correspondingly financed. Short-term debt currently being used to finance the regulatory assets by certain utilities would have to be replaced with long-term debt and common equity. As under the three-year amortization method, financing the regulatory asset with new long-term debt and equity could strain the utility's ability to raise additional capital to finance normal, ongoing expenditures and withstand extraordinary events. Additionally, the proportions and costs of new long-term debt and equity financing could be adversely affected by the fact that the assets being financed are not physical assets being used to provide service to customers, with the higher capital costs being reflected in rates.

B. Analysis of Cost-Effectiveness

Q. DESCRIBE YOUR ANALYSIS AND COMPARISON OF THE RELATIVE COST-EFFECTIVENESS OF FUNDING THE REGULATORY ASSETS WITH CRR BONDS VERSUS THE ALTERNATIVES IDENTIFIED ABOVE.

A. Because different time periods are involved in evaluating the costs of CRR bonds against the costs of alternative methods to fund reimbursements of the extraordinary costs incurred in connection with Winter Storm Uri, it is necessary to use analyses that take into account the time value of money and measure costs in comparable dollars. For efficiency and consistency with the aggregated nature of securitization cost recovery in H.B. 1520, I have not performed an analysis for each participating gas utility, but have used combined amounts for all of the gas utilities, which are developed in Schedule BHF-1, or representative values for gas utilities.

Q. HOW HAVE YOU TAKEN INTO ACCOUNT THE TIME VALUE OF MONEY IN YOUR ANALYSIS?

A. It is standard practice to analyze costs and benefits that occur over varying time periods using “present value,” which accounts for the fact that a dollar received or paid in the future is worth less than one received or paid today. Present value analysis combines future nominal dollars into a single amount normally expressed in current dollars, so that the comparison is on an “apples to apples” basis. Nominal dollar benefits or costs in future years are converted to present value dollars using a “discount” rate, which is effectively an interest rate reflecting the time value, or opportunity cost, of money.

Q. WHAT WOULD BE THE ANNUAL COSTS OF CRR BONDS?

A. The estimated annual costs of the CRR bonds, including principal and interest and ongoing annual operating and administrative expenses, are developed in Schedule BHF-2.

Q. WHAT IS THE ESTIMATED TOTAL AMOUNT OF BONDS THAT WOULD BE ISSUED UNDER SECURITIZATION?

A. In the upper portion of Schedule BHF-2, an initial CRR bond issuance of $3,830 million is calculated. This amount is the sum of the total regulatory assets of $3,607 million contained in the participating gas utilities’ Applications summarized on Schedule BHF-1, projected underwriting and issuance expenses, and amounts required to fund a debt service reserve. Underwriting and issuance costs are estimated to be 0.40% and 0.30%, respectively, of the CRR bonds issued. The 0.40% underwriting expense is consistent with the percentage in Texas electric securitizations, average and median percentages for other bond issuances by Texas government entities over the last year, and data from investment banks. The 0.30% issuance expense is in-line with recent percentages for other bond issuances by Texas government entities. It may be conservative (i.e., overstated) because the large size of the CRR bond issuance would involve economies of scale, but this allows for other reimbursable costs provided for in H.B. 1520 (e.g., costs incurred by the Commission and TPFA). The debt service reserve fund is equal to one-half of the average annual bond costs. This amount is based on discussions with utility Treasury departments, investment bankers, and the level required by other bonds issued by Texas government entities. It also reflects that H.B. 1520 allows the customer rate relief charge to be revised annually and trued-up as necessary.

Q. WHAT ARE THE ESTIMATED ANNUAL COSTS OF THE CRR BONDS?

A. In this analysis, the CRR bonds are assumed to have a maximum maturity of 10 years, with ten series being sized to result in approximately equal annual principal and interest payments, except for the final principal payment being partially met with funds from the debt service reserve. The bond payments are based on the interest rates between mid-June and mid-July 2021 presented earlier for triple-A rated, taxable bonds issued by government entities. To the bond payments, annual operating and administrative expenses equal to 0.60% of the initial bond issuance, or approximately $23 million, are added. Although electric utilities in Texas have been providing this service for between 0.05% and 0.125% plus projected outside expenses of less than $500,000 per year, the 0.60% is the maximum service fee allowed by the PUCT in recent electric securitizations. As with issuance expenses, the assumed 0.60% servicing fee may be overstated, but this again allows for other reimbursable costs provided for in H.B. 1520. As shown in the last column of the lower portion of Schedule BHF-2, the estimated costs on the CRR bonds are between approximately $411 million and $419 million in each of the ten years.

Q. WHAT WOULD BE THE COSTS IF THE EXTRAORDINARY STORM COSTS WERE RECOVERED THROUGH THE PARTICIPATING UTILITIES' PGC RECOVERY MECHANISMS?

A. Schedule BHF-1 lists the amounts that the participating gas utilities have calculated in their respective Applications that they would be entitled to recover through their respective PGC recovery mechanisms if this method were used. As shown there, this totals $3,604 million and would all be recovered through their PGC recovery mechanisms during the first year.

Q. WHAT WOULD BE THE ANNUAL COSTS IF THE REGULATORY ASSETS WERE AMORTIZED OVER THREE YEARS AND RECOVERED THROUGH A SURCHARGE TO CUSTOMERS?

A. Schedule BHF-1 also shows the total amount that each of the participating gas utilities has calculated in its Application that it would be entitled to recover if the regulatory asset associated with the extraordinary costs were amortized over three years and surcharged to customers. Dividing the total of $4,079 million by three would result in approximately $1,360 million being recovered in each of the three years.

Q. WHAT WOULD BE THE ANNUAL COST IF THE REGULATORY ASSETS WERE INCLUDED IN RATE BASE, AMORTIZED OVER A LONGER PERIOD, AND INCLUDED IN BASE RATES?

A. Schedule BHF-3 develops the annual costs if the regulatory assets of the participating utilities were included in rate base along with property, plant, and equipment and amortized over 10 years. As noted earlier, the regulatory assets contained in the participating gas utilities' Applications total $3,607 million. An annual carrying cost for the regulatory assets is based on capital structure ratios of 41% debt and 59% equity, a cost of debt of 4.75%, and a return on common equity ("ROE") of 9.5%. These representative values reflect those allowed in recent rate cases before the Commission. As shown in the upper portion of Schedule BHF-3, combining these capital structure ratios, cost of debt, and ROE, grossed up for associated federal income taxes at 21%, produces a capital carrying cost of 9.04%. Applying this percentage to the average unamortized balance of the regulatory asset in each year and adding annual amortization expense results in the declining total annual costs in each of the ten years shown on Schedule BHF-3.

Q. WHAT WAS THE NEXT STEP IN YOUR COST-EFFECTIVENESS ANALYSIS?

A. The annual costs to customers under the CRR bonds and the three methods described above to reimburse utilities for the extraordinary costs are summarized on Schedule BHF-4. The next step is to calculate the present value of the annual costs under the CRR bonds and each alternative method. There is not a single discount rate applicable to all customers. For those customers that have money to invest, their opportunity cost may currently be relatively low, while for those customers carrying balances on their credit cards, their time value of money may be in excess of 20%. Accordingly, I used a range of interest rates -- 5%, 10%, 15%, and 20% -- to discount the annual costs of the CRR bonds and each alternative method to calculate their present values, which are shown in the middle of Schedule BHF-4.

Q. WHAT ARE THE RESULTS OF THIS ANALYSIS?

A. At the bottom of Schedule BHF-4, the present values of the cost of the CRR bonds is subtracted from the present values of the costs of the alternative methods to calculate the saving under securitized financing. As summarized in the table below, the CRR bonds are the most cost-effective method to fund the regulatory assets of the participating gas utilities, with the savings ranging between $229 million and $1,384 million, depending on the method and discount rate used (millions of present value dollars):

Savings from CRR Bonds vs. Alternative Methods			
Discount Rate	**PGC Recovery**	**3-year Amortization**	**Rate Base Inclusion**
5%	$229	$506	$959
10%	$759	$869	$860
15%	$1,126	$1,094	$779
20%	$1,384	$1,231	$712

Q. HAVE YOU PERFORMED ANY SENSITIVITY ANALYSES OF THESE RESULTS?

A. Yes. For the CRR bond financing and method that includes the regulatory assets in rate base, I also calculated the present value using a maximum maturity of the bonds of 15 years and amortizing the regulatory asset over 15 years. As shown on Schedule BHF-5, using 15 years versus ten years does not change the conclusion. Again, the CRR bonds are the most cost-effective method to fund the extraordinary storm costs incurred by the participating gas utilities, with the savings from securitization ranging between $316 million and $1,744 million, depending on the method and discount rate used.

Q. WHAT IF A DISCOUNT RATE LOWER THAN 5%, SAY 3%, IS USED TO CALCULATE PRESENT VALUE?

A. If a time value of money of only 3% is used to discount the annual costs of CRR bond financing and the alternative methods, then recovery of the extraordinary gas costs currently through the PGC mechanism becomes slightly more cost-effective, but CRR bond securitization continues to be more cost-effective than both the 3-year amortization or inclusion in rate base methods. However, as will be discussed in the next section, recovery through the PGC mechanism is the least affordable method, and it is doubtful that 3% is representative of the time value of money to the majority of customers.

Q. WHAT HAPPENS IF INTEREST RATES WERE TO CHANGE BETWEEN NOW AND WHEN THE CRR BONDS ARE ISSUED?

A. I also performed a sensitivity analysis assuming that interest rates on the CRR bonds increase 50% over those used in the analyses on Schedules BHF-4 and BHF-5. When these higher interest rates are substituted into the 10-year analyses on Schedule BHF-4, the CRR bonds remain the most cost-effective except for where costs are recovered through the PGC mechanism and discounted at 5%. Substituting the higher interest rates into the 15-year sensitivity analysis on Schedule BHF-5 shows the CRR bonds to be the most cost-effective in all cases. Of course, if interest rates were to increase, so too would the cost of money to customers, with higher discount rates applying to more customers and the 5% discount rate becoming less applicable. A rise in interest rates would also likely increase the cost of capital to utilities and result in the annual costs of the alternative recovery methods being greater, which would improve the relative cost-effectiveness of the CRR bonds.

V. CUSTOMER AFFORDABILITY

Q. WHAT IS THE PURPOSE OF THIS SECTION?

A. In addition to cost-effectiveness, H.B. 1520 requires that the Commission must find that CRR bonds are reasonably expected to provide benefits to customers in the way of affordability. The purpose of this section is to perform an analysis that compares the estimated impact on customers' monthly bills resulting from the issuance of CRR bonds versus the estimated impact on customers' monthly bills that would result under conventional recovery methods. My analysis of customer affordability considers only the residential and small commercial classes because the customers comprising gas utilities' larger classes often have vastly dissimilar gas usage, which causes bill impact calculations based on averages for these other classes to have limited meaning.

Q. WHAT CONVENTIONAL RECOVERY METHODS DID YOU COMPARE SECURITIZATION AGAINST TO EVALUATE CUSTOMER AFFORDABILITY?

A. My analysis of customer affordability compares the cost of financing the regulatory asset using CRR bonds with the same three methods used in the analysis of cost-effectiveness described above. These are: 1) to include the extraordinary expenses in the gas utility's PGC recovery mechanism, 2) to amortize the regulatory assets over a relatively short period and recover them through a surcharge added to customers' bills, and 3) to include the regulatory assets in rate base, amortize them over a longer time period, and recover them through base rates.

Q. HOW DID YOU COMPARE THE RELATIVE AFFORDABILITY OF THE CRR BONDS AGAINST THE OTHER CONVENTIONAL RECOVERY METHODS?

A. Whereas the cost-effectiveness analysis above evaluates the costs of the CRR bonds versus the alternative methods over time, the affordability analysis focuses on the immediate impact of each method on residential and commercial customers' bills. Therefore, I use the first-year costs of each method shown on Schedule BHF-4 to estimate the respective impacts on customer's monthly bills.

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF FINANCING THE REIMBURSEMENT OF THE REGULATORY ASSETS USING CRR BONDS?

A. As noted earlier, H.B. 1520 calls for the customer rate relief charge to be a uniform monthly volumetric charge. As developed on Schedule BHF-6, dividing the first year cost of the CRR bonds of $411 million shown on Schedule BHF-4 by total 2020 volumes of 325,102,345 Mcf reported by the participating gas utilities in their Applications produces a customer rate relief charge of $1.26 per Mcf. As developed on Schedule BHF-1, the average monthly usages for residential and commercial customers are 4.04 Mcf and 26.87 Mcf, respectively, again using data from the participating utilities' Applications. Multiplying these average monthly usages by the customer rate relief charge of $1.26 produces an estimated monthly cost under the CRR bonds of $5.10 to a residential customer and $33.94 to a commercial customer (Schedule BHF-6).

Q. WHAT IS THE IMPACT ON CUSTOMERS' BILLS OF EACH OF THE THREE CONVENTIONAL METHODS OF COST RECOVERY?

A. The estimated monthly costs to customers under each of the three conventional recovery methods are also developed in Schedule BHF-6. Again, a volumetric customer rate relief charge under each method is calculated by dividing the first-year costs from Schedule BHF-4 by the total 2020 volumes of the participating gas utilities. The resulting uniform monthly customer rate relief charges are then multiplied by the average monthly usage of a residential and commercial customer from Schedule BHF-1 to calculate the estimated monthly cost under each conventional recovery method. As summarized in the table below, the average monthly cost for residential customers of $5.10 in the first year under CRR bond securitization compares with $44.77 if the extraordinary costs are recovered through the PGC mechanism; $16.89 if recovered through a 3-year amortization charge; and $8.33 if included in rate base. For commercial customers, the average first-year CRR charge of $33.94 per month compares with $297.86, $112.36, and $55.41, respectively, under the three conventional recovery methods.

Q. WHAT ARE THE ESTIMATED MONTHLY SAVINGS TO CUSTOMERS UNDER SECURITIZATION VERSUS CONVENTIONAL RECOVERY METHODS?

A. The estimated monthly costs to customers resulting from the issuance of CRR bonds are compared with the estimated monthly costs to customers that would result from the application of conventional recovery methods in the table below. As can be seen, the use of the CRR bonds to finance the extraordinary costs incurred in connection with Winter Storm Uri has the least immediate impact on customers' estimated monthly bills, with annual first-year savings ranging between $3.23 and $39.67 per month for the average residential customer and between $21.47 and $263.92 per month for the average commercial customer. First year total savings for residential customers from CRR bond securitization range between $38.73 and $476.03, and for commercial customers between $257.65 and $3,167.08:

Comparison of First-year Savings of CRR Bonds vs. Conventional Methods				
	CRR Securitization	**PGC Mechanism**	**3-year Amortization**	**Inclusion in Rate Base**
Residential:				
Monthly Cost	$5.10	$44.77	$16.89	$8.33
Monthly Savings		$39.67	$11.79	$3.23
Annual Savings		$476.03	$141.458	$38.73
Commercial:				
Monthly Cost	$33.94	$297.86	$112.36	$55.41
Monthly Savings		$263.92	$78.42	$21.47
Annual Savings		$3,167.08	$941.07	$257.65

Q. HOW IS AFFORDABILITY AFFECTED UNDER THE SENSITIVITY ANALYSES DESCRIBED EARLIER?

A. Lengthening the maximum maturity of the CRR bonds and the amortization of the regulatory asset if included in rate base from 10 to 15 years lowers the first-year monthly cost under these methods from those shown in the table above, with there being no change in the costs under the PGC recovery and 3-year amortization methods. The average cost to a residential customer under securitization drops from $5.10 to $3.72 per month and from $33.94 to $24.77 per month for a commercial customer. For the rate base inclusion method, the cost to a residential customer drops from $8.33 to $6.90 and for a commercial customer from $55.41 to $45.92. The $3.72 and $24.77 per month costs to the average residential and commercial customer, respectively, continue to be lower under securitization than those under the three conventional recovery methods.

Meanwhile, a 50% increase in the interest rate on CRR bonds with 10- and 15-year maximum maturities produces first-year costs for a residential customer of $5.63 and $3.87 a month, respectively, and $37.43 and $25.75 a month, respectively, for a commercial customer. These are still below the monthly first-year costs of the three conventional recovery methods, so that even if interest rates rise 50%, CRR bond securitization remains the most affordable.

VI. PUBLIC INTEREST

Q. DOES CRR BOND SECURITIZATION ACCOMPLISH THE OBJECTIVES OF H.B. 1520?

A. Yes. The purpose of H.B. 1520 is to provide rate relief to customers by extending the period over which the extraordinary costs of Winter Storm Uri are recovered and support the financial strength and stability of gas utilities. As described earlier in my testimony, the issuance of CRR bonds to reimburse gas utilities for the regulatory assets authorized by the Commission in the Regulatory Asset NTO would defer these costs over the life of the CRR bonds and substantially reduce the immediate impact on customers' bills compared to conventional recovery methods. As also described earlier, using CRR bonds to reimburse the participating gas utilities for their regulatory assets would eliminate the need for them to finance these substantial assets with short-term debt or permanent capital. This would, in turn, enable the gas utilities to maintain their financial integrity and ensure their ability to raise debt and equity capital on reasonable terms. Additionally, it would preserve their borrowing power so that the gas utilities could access capital to finance normal, ongoing expenditures as well as manage another crisis, should it arise.

Q. IS CRR BOND SECURITIZATION THE MOST COST-EFFECTIVE METHOD OF FUNDING REGULATORY ASSET REIMBURSEMENT TO BE MADE TO GAS UTILITIES?

A. Yes. As shown earlier, issuing CRR bonds is the most cost-effective method to recover the extraordinary Winter Storm Uri costs from customers. Using various discount rates between 5% and 20%, the savings from issuing CRR bonds versus other alternative methods of cost recovery are expected to range between $229 million and $1,384 million in present value dollars. Sensitivity analyses lengthening the maximum maturity of the CRR bonds, using a lower discount rate, and assuming a significant increase in interest rates does not affect this conclusion, with securitization being more cost-effective than the other methods in virtually every case.

Q. DOES CRR BOND SECURITIZATION PROVIDE AFFORDABILITY BENEFITS TO CUSTOMERS COMPARED TO CONVENTIONAL RECOVERY METHODS?

A. Yes. A comparison of the estimated monthly costs to the average residential and commercial customer in the first year resulting from the issuance of CRR bonds versus recovery of the regulatory assets through conventional recovery methods shows that the CRR bonds have the least immediate impact on customers' estimated monthly bills. Therefore, recovering the extraordinary costs associated with Winter

Storm Uri through CRR bonds provides customers more near-term affordability than other conventional methods.

Q. DOES THE SECURITIZATION OF THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI USING CRR BONDS PROVIDE CUSTOMERS TANGIBLE AND QUANTIFIABLE BENEFITS?

A. Yes. As described above, using CRR bonds to finance the participating gas utilities' regulatory assets is expected to save customers hundreds of millions of present value dollars versus recovering the extraordinary storm costs through other methods. Additionally, both residential and commercial customers benefit immediately through lower estimated monthly costs under CRR bond financing when compared to conventional recovery methods. Both of these are tangible and quantifiable benefits to customers from securitization greater than would have been achieved absent the issuance of CRR bonds.

Q. IS IT YOUR OPINION THAT USING CRR BONDS TO FINANCE THE EXTRAORDINARY COSTS ASSOCIATED WITH WINTER STORM URI IS IN THE PUBLIC INTEREST?

A. Yes. For the reasons developed and described above, I believe using CRR bonds to reimburse participating gas utilities for their regulatory assets is consistent with the purposes of H.B. 1520 and in the public interest.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THIS CASE?

A. Yes, it does.

APPENDIX A

BRUCE H. FAIRCHILD

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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.

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"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).

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"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).

"The Entrepreneur and Management: A Case Study," Small Business Administration Seminar, Austin, Texas (October 1979).

"Capital Budgeting by Public Utilities: A New Perspective," with W. Clifford Atherton, Jr., Financial Management Association, Boston, Massachusetts (October 1979).

"Issues in Regulated Industries – Electric Utilities," University of Texas at Dallas 4th Annual Public Utilities Conference, Dallas, Texas (July 1979).

"Investment Conditions and Strategies in Today's Markets," American Society of Women Accountants, Austin, Texas (January 1979).

"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

.	Utility Case	Agency	Docket	Date	Nature of Testimony
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

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies
(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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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Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies

(Continued)

No.	Utility Case	Agency	Docket	Date	Nature of Testimony
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

Bruce H. Fairchild
Summary of Testimony Before Regulatory Agencies
(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	Rate of Return
264.	Oliktok Pipeline Company	Alaska RCA	TL47-334	Jul 21	Rate of Return

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO LOCAL DISTRIBUTION COMPANIES

Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 and is expected to continue until, at a minimum, Thursday, February 18, 2021 ("2021 Winter Weather Event"). The Commission is aware that, due to the demand for natural gas during the 2021 Winter Weather Event, natural gas utility local distribution companies ("LDCs") may be required to pay extraordinarily high prices in the market for natural gas and may be subjected to other extraordinary expenses when responding to the 2021 Winter Weather Event. The Commission encourages LDCs to continue to work to ensure that the citizens of the State of Texas are provided with safe and reliable natural gas service.

Through this Notice, the Commission authorizes LDCs to use an accounting mechanism and a subsequent process through which those regulated companies may seek future recovery of extraordinary expenses resulting from the effects of the 2021 Winter Weather Event in order to partially defer and reduce the impact on customers of these extraordinary expenses. The Commission has exclusive, original jurisdiction to prescribe the manner and form of the books, records, and accounts for gas utilities pursuant to the Gas Utility Regulatory Act, Texas Utility Code § 102.101(a), (b) and (d). **The Commission hereby authorizes each LDC to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply.**

This Notice only authorizes the ability to record the expenses related to securing natural gas throughout the 2021 Winter Weather Event in a regulatory asset account and does **not** authorize the reasonableness, necessity, or accuracy of the expenses placed into the regulatory asset account. In future rate proceedings, the expenses will be fully subject to review for reasonableness and accuracy, and the LDCs shall bear the burden to prove that the expenses would not have been incurred but for the 2021 Winter Weather Event.

If you have questions regarding this notice, please contact the Commission at mark.evarts@rrc.texas.gov.

Please Forward to the Appropriate Section of Your Company

Austin, Texas **February 2021**

H.B. No. 1520

AN ACT

relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 1232.002, Government Code, is amended to read as follows:

Sec. 1232.002. PURPOSE. The purpose of this chapter is to provide a method of financing for:

(1) the acquisition or construction of buildings; [~~and~~]

(2) the purchase or lease of equipment by executive or judicial branch state agencies; and

(3) customer rate relief bonds authorized by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 2. Section 1232.066(a), Government Code, is amended to read as follows:

(a) The board's authority under this chapter is limited to the financing of:

(1) the acquisition or construction of a building;

(2) the purchase or lease of equipment; [~~or~~]

(3) stranded costs of a municipal power agency; or

(4) customer rate relief bonds approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

SECTION 3. Subchapter C, Chapter 1232, Government Code, is amended by adding Section 1232.1072 to read as follows:

Sec. 1232.1072. ISSUANCE OF OBLIGATIONS FOR FINANCING CUSTOMER RATE RELIEF PROPERTY. (a) The definitions in Section 104.362, Utilities Code, apply to terms used in this section.

(b) The authority may create an issuing financing entity for the purpose of issuing customer rate relief bonds approved by the Railroad Commission of Texas in a financing order, as provided by Subchapter I, Chapter 104, Utilities Code.

(c) An issuing financing entity created under this section is a duly constituted public authority and instrumentality of the state and is authorized to issue customer rate relief bonds on behalf of the state for the purposes of Section 103, Internal Revenue Code of 1986 (26 U.S.C. Section 103).

(d) The issuing financing entity must be governed by a governing board of three members appointed by the authority. A member of the governing board may be a current or former director of the authority. A member of the governing board serves without compensation but is entitled to reimbursement for travel expenses incurred in attending board meetings.

(e) The issuing financing entity must be formed in accordance with, be governed by, and have the powers, rights, and privileges provided for a nonprofit corporation organized under the Business Organizations Code, including Chapter 22 of that code, subject to the express exceptions and limitations provided by this section and Subchapter I, Chapter 104, Utilities Code. A single organizer selected by the executive director of the authority shall prepare the certificate of formation of the issuing financing entity under Chapters 3 and 22, Business Organizations Code. The certificate of formation must be consistent with the provisions of this section.

(f) The authority shall establish the issuing financing entity to act on behalf of the state as its duly constituted authority and instrumentality to issue customer rate relief bonds approved under Subchapter I, Chapter 104, Utilities Code.

(g) On a request to the authority from the Railroad Commission of Texas, the authority shall direct an issuing financing entity to issue customer rate relief bonds in accordance with a financing order issued by the railroad commission as provided in Subchapter I, Chapter 104, Utilities Code.

(h) Before the issuance of any customer rate relief bonds, the authority and the Railroad Commission of Texas shall ensure that adequate provision is made in any financing order for the recovery of all issuance costs and all other fees, costs, and expenses of the authority, the issuing financing entity, and any advisors or counsel hired by the authority or the entity for the purposes of this section during the life of the customer rate relief bonds.

(i) Customer rate relief bonds are limited obligations of the issuing financing entity payable solely from customer rate relief property and any other money pledged by the issuing financing entity to the payment of the bonds and are not a debt of this state, the Railroad Commission of Texas, the authority, or a gas utility.

(j) The Railroad Commission of Texas shall ensure that customer rate relief charges are imposed, collected, and enforced in an amount sufficient to pay on a timely basis all bond obligations, financing costs, and bond administrative expenses associated with any issuance of customer rate relief bonds.

(k) The authority and the Railroad Commission of Texas have all the powers necessary to perform the duties and responsibilities described by this section. This section shall be interpreted broadly in a manner consistent with the most cost-effective financing of customer rate relief property, including regulatory assets, extraordinary costs, and related financing costs approved by the Railroad Commission of Texas in accordance with Subchapter I, Chapter 104, Utilities Code.

(l) Any interest on the customer rate relief bonds is not subject to taxation by and may not be included as part of the measurement of a tax by this state or a political subdivision of this state.

(m) The authority shall make periodic reports to the Railroad Commission of Texas and the public regarding each financing made in accordance with Section 104.373(b), Utilities Code, and if required by the applicable financing order.

(n) The issuing financing entity shall issue customer rate relief bonds in accordance with and subject to other provisions of Title 9 applicable to the authority.

(o) The issuing financing entity may exercise the powers granted to the governing body of an issuer with regard to the issuance of obligations and the execution of credit agreements under Chapter 1371. A purpose for which bonds, obligations, or other evidences of indebtedness are issued under this section and Subchapter I, Chapter 104, Utilities Code, constitutes an eligible project for purposes of Chapter 1371 of this code.

(p) Assets of an issuing financing entity may not be considered part of any state fund and must be held outside the state treasury. The liabilities of the issuing financing entity may not be considered to be a debt of the state or a pledge of the state's credit. An issuing financing entity must be self-funded from customer rate relief property and established in accordance with Subchapter I, Chapter 104, Utilities Code. A state agency may provide money appropriated for the purpose to the issuing financing entity to provide for initial operational expenses of the issuing financing entity.

SECTION 4. Section 1232.108, Government Code, is amended to read as follows:

Sec. 1232.108. LEGISLATIVE AUTHORIZATION REQUIRED. Except as permitted by Section 1232.1072, 1232.109, 2166.452, or 2166.453, before the board may issue and sell bonds, the legislature by the General Appropriations Act or other law must have authorized:

(1) the specific project for which the bonds are to be issued and sold; and

(2) the estimated cost of the project or the maximum amount of bonded indebtedness that may be incurred by the issuance

and sale of bonds for the project.

SECTION 5. Chapter 104, Utilities Code, is amended by adding Subchapter I to read as follows:

SUBCHAPTER I. CUSTOMER RATE RELIEF BONDS

Sec. 104.361. PURPOSE; RAILROAD COMMISSION DUTY. (a) The purpose of this subchapter is to reduce the cost that customers would otherwise experience because of extraordinary costs that gas utilities incurred to secure gas supply and provide service during Winter Storm Uri, and to restore gas utility systems after that event, by providing securitization financing for gas utilities to recover those costs. The securitization financing mechanism authorized by this subchapter will:

(1) provide rate relief to customers by extending the period during which the costs described by this subsection are recovered from customers; and

(2) support the financial strength and stability of gas utility companies.

(b) The railroad commission shall ensure that securitization provides tangible and quantifiable benefits to customers, greater than would have been achieved absent the issuance of customer rate relief bonds.

Sec. 104.362. DEFINITIONS. In this subchapter:

(1) "Ancillary agreement" means a financial arrangement entered into in connection with the issuance or payment of customer rate relief bonds that enhances the marketability, security, or creditworthiness of customer rate relief bonds, including a bond, insurance policy, letter of credit, reserve

account, surety bond, interest rate or currency swap arrangement, interest rate lock agreement, forward payment conversion agreement, credit agreement, other hedging arrangement, or liquidity or credit support arrangement.

(2) "Authority" means the Texas Public Finance Authority.

(3) "Bond administrative expenses" means all costs and expenses incurred by the railroad commission, the authority, or any issuing financing entity to evaluate, issue, and administer customer rate relief bonds issued under this subchapter, including fees and expenses of the authority, any bond administrator, and the issuing financing entity, fees for paying agents, trustees, and attorneys, and fees for paying for other consulting and professional services necessary to ensure compliance with this subchapter, applicable state or federal law, and the terms of the financing order.

(4) "Bond obligations" means the principal of a customer rate relief bond and any premium and interest on a customer rate relief bond issued under this subchapter, together with any amount owed under a related ancillary agreement or credit agreement.

(5) "Credit agreement" has the meaning assigned by Section 1371.001, Government Code.

(6) "Customer rate relief bonds" means bonds, notes, certificates, or other evidence of indebtedness or ownership the proceeds of which are used directly or indirectly to recover, finance, or refinance regulatory assets approved by the railroad

commission, including extraordinary costs and related financing costs, and that are:

(A) issued by an issuing financing entity under a financing order; and

(B) payable from and secured by customer rate relief property and amounts on deposit in any trust accounts established for the benefit of the customer rate relief bondholders as approved by the applicable financing order.

(7) "Customer rate relief charges" means the amounts authorized by the railroad commission as nonbypassable charges to repay, finance, or refinance regulatory assets, including extraordinary costs, financing costs, bond administrative expenses, and other costs authorized by the financing order:

(A) imposed on and included in customer bills of a gas utility that has received a regulatory asset determination under Section 104.365;

(B) collected in full by a gas utility that has received a regulatory asset determination under Section 104.365, or its successors or assignees, or a collection agent, as servicer, separate and apart from the gas utility's base rates; and

(C) paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or its successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier.

(8) "Customer rate relief property" means:

(A) all rights and interests of an issuing financing entity or any successor under a financing order, including the right to impose, bill, collect, and receive customer rate relief charges authorized in the financing order and to obtain periodic adjustments to those customer rate relief charges as provided in the financing order and in accordance with Section 104.370; and

(B) all revenues, collections, claims, rights to payments, payments, money, or proceeds arising from the rights and interests specified by Paragraph (A), regardless of whether the revenues, collections, claims, rights to payments, payments, money, or proceeds are imposed, billed, received, collected, or maintained together with or commingled with other revenues, collections, rights to payments, payments, money, or proceeds.

(9) "Financing costs" means any of the following:

(A) interest and acquisition, defeasance, or redemption premiums that are payable on customer rate relief bonds;

(B) a payment required under an ancillary agreement or credit agreement or an amount required to fund or replenish reserve or other accounts established under the terms of an indenture, ancillary agreement, or other financing document pertaining to customer rate relief bonds;

(C) issuance costs or ongoing costs related to supporting, repaying, servicing, or refunding customer rate relief bonds, including servicing fees, accounting or auditing fees, trustee fees, legal fees or expenses, consulting fees, administrative fees, printing fees, financial advisor fees or expenses, Securities and Exchange Commission registration fees, issuer fees, bond administrative expenses, placement and underwriting fees, capitalized interest, overcollateralization funding requirements including amounts to fund or replenish any reserve established for a series of customer rate relief bonds, rating agency fees, stock exchange listing and compliance fees, filing fees, and any other bond administrative expenses; and

(D) the costs to the railroad commission of acquiring professional or consulting services for the purpose of evaluating extraordinary costs under this subchapter.

(10) "Financing order" means an order adopted under Section 104.366 approving the issuance of customer rate relief bonds and the creation of customer rate relief property and associated customer rate relief charges for the recovery of regulatory assets, including extraordinary costs, related financing costs, and other costs authorized by the financing order.

(11) "Financing party" means a holder of customer rate relief bonds, including a trustee, a pledgee, a collateral agent, any party under an ancillary agreement, or other person acting for the holder's benefit.

(12) "Gas utility" means:

(A) an operator of natural gas distribution pipelines that delivers and sells natural gas to the public and that is subject to the railroad commission's jurisdiction under Section 102.001; or

(B) an operator that transmits, transports, delivers, or sells natural gas or synthetic natural gas to operators of natural gas distribution pipelines and whose rates for those services are established by the railroad commission in a rate proceeding filed under this chapter.

(13) "Issuing financing entity" means a special purpose nonmember, nonstock, nonprofit public corporation established by the authority under Section 1232.1072, Government Code.

(14) "Nonbypassable" means a charge that:

(A) must be paid by all existing or future customers receiving service from a gas utility that has received a regulatory asset determination under Section 104.365 or the gas utility's successors or assignees, even if a customer elects to purchase gas from an alternative gas supplier; and

(B) may not be offset by any credit.

(15) "Normalized market pricing" means the average monthly pricing at the Henry Hub for the three months immediately preceding the month during which extraordinary costs were incurred, plus contractual adders to the index price and other non-indexed gas procurement costs.

(16) "Regulatory asset" includes extraordinary costs:

(A) recorded by a gas utility in the utility's books and records in accordance with the uniform system of accounts prescribed for natural gas companies subject to the provisions of the Natural Gas Act (15 U.S.C. Section 717 et seq.) by the Federal Energy Regulatory Commission and generally accepted accounting principles; or

(B) classified as a receivable or financial asset under international financial reporting standards under the railroad commission's authorization in the Notice of Authorization for Regulatory Asset Accounting for Local Distribution Companies Affected by the February 2021 Winter Weather Event issued February 13, 2021.

(17) "Servicer" means, with respect to each issuance of customer rate relief bonds, the entity identified by the railroad commission in the financing order as servicer responsible for collecting customer rate relief charges from participating gas utilities, remitting all collected funds to the applicable issuing financing entity or the bond trustee, calculating true-up adjustments, and performing any other duties as specified in the financing order.

(18) "Winter Storm Uri" means the North American winter storm that occurred in February 2021.

Sec. 104.363. EXTRAORDINARY COSTS. For the purposes of this subchapter, extraordinary costs are the reasonable and necessary costs related to Winter Storm Uri, including carrying costs, placed in a regulatory asset and approved by the railroad commission in a regulatory asset determination under Section 104.365.

Sec. 104.364. JURISDICTION AND POWERS OF RAILROAD COMMISSION AND OTHER REGULATORY AUTHORITIES. (a) The railroad commission may authorize the issuance of customer rate relief bonds if the requirements of Section 104.366 are met.

(b) The railroad commission may assess to a gas utility costs associated with administering this subchapter. Assessments must be recovered from rate-regulated customers as part of gas cost.

(c) The railroad commission has exclusive, original jurisdiction to issue financing orders that authorize the creation of customer rate relief property. Customer rate relief property must be created and vested in an issuing financing entity and does not constitute property of the railroad commission or any gas utility.

(d) Except as provided by Subsection (c), this subchapter does not limit or impair a regulatory authority's plenary jurisdiction over the rates, charges, and services rendered by gas utilities in this state under Chapter 102.

Sec. 104.365. REGULATORY ASSET DETERMINATION. (a) The railroad commission, on application of a gas utility to recover a regulatory asset, shall determine the regulatory asset amount to be recovered by the gas utility. A gas utility may request recovery of a regulatory asset under this subchapter only if the regulatory asset is related to Winter Storm Uri.

(b) A gas utility desiring to participate in the customer rate relief bond process under a financing order by requesting recovery of a regulatory asset must file an application with the railroad commission on or before the 60th day after the effective date of the Act enacting this subchapter.

(c) If the railroad commission does not make a final determination regarding the regulatory asset amount to be recovered by a gas utility before the 151st day after the gas utility files the application, the railroad commission is considered to have approved the regulatory asset amount requested by the gas utility.

(d) The regulatory asset determination is not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as authorized by Section 104.370.

(e) The regulatory asset determination is not subject to rehearing by the railroad commission and may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the order is signed by the railroad commission.

(f) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(g) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(h) The railroad commission shall establish a schedule, filing requirements, and a procedure for determining the prudence of the costs included in a gas utility's regulatory asset.

(i) To the extent a gas utility subject to this subchapter receives insurance proceeds, governmental grants, or other sources of funding that compensate or otherwise reimburse or indemnify the gas utility for extraordinary costs following the issuance of customer rate relief bonds, the gas utility may record the amount in a regulatory liability account and that amount shall be reviewed in a future proceeding. If an audit conducted under a valid gas purchase agreement identifies a change of greater than five percent to the total amount of the gas supply costs incurred during the event for which regulatory asset recovery was approved, the gas utility may record the amount in a regulatory asset or regulatory liability account and that amount shall be reviewed for recovery in a future proceeding.

Sec. 104.366. FINANCING ORDERS AND ISSUANCE OF CUSTOMER RATE RELIEF BONDS. (a) If the railroad commission determines that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to be made to gas utilities, the railroad commission, after the final resolution of all applications filed under Section 104.365, may request the authority to direct an issuing financing entity to issue customer rate relief bonds. Before making the request, the railroad commission must issue a financing order that complies with this section.

(b) To make the determination described by Subsection (a), the railroad commission must find that the proposed structuring, expected pricing, and proposed financing costs of the customer rate relief bonds are reasonably expected to provide benefits to customers by:

(1) considering customer affordability; and

(2) comparing:

(A) the estimated monthly costs to customers resulting from the issuance of customer rate relief bonds; and

(B) the estimated monthly costs to customers that would result from the application of conventional recovery methods.

(c) The financing order must:

(1) include a finding that the use of the securitization financing mechanism is in the public interest and consistent with the purposes of this subchapter;

(2) detail the total amount of the regulatory asset determinations to be included in the customer rate relief bond issuance;

(3) authorize the recovery of any tax obligation of the gas utilities arising or resulting from:

(A) receipt of customer rate relief bond proceeds; or

(B) collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the railroad commission determines reasonable;

(4) authorize the issuance of customer rate relief bonds through an issuing financing entity;

(5) include a statement of:

(A) the aggregated regulatory asset determination to be included in the principal amount of the customer rate relief bonds, not to exceed $10 billion for any separate bond issue;

(B) the maximum scheduled final maturity of the customer rate relief bonds, not to exceed 30 years, except that the legal final maturity may be longer based on rating agency and market considerations; and

(C) the maximum interest rate that the customer rate relief bonds may bear, not to exceed the maximum net effective interest rate allowed by law;

(6) provide for the imposition, collection, and mandatory periodic formulaic adjustment of customer rate relief charges in accordance with Section 104.370 by all gas utilities and successors of gas utilities for which a regulatory asset determination has been made under Section 104.365 to ensure that the customer rate relief bonds and all related financing costs will be paid in full and on a timely basis by customer rate relief charges;

(7) authorize the creation of customer rate relief property in favor of the issuing financing entity and pledge of customer rate relief property to the payment of the customer rate relief bonds;

(8) direct the issuing financing entity to disperse the proceeds of customer rate relief bonds, net of bond issuance costs, reserves, and any capitalized interest, to gas utilities for which a regulatory asset determination has been made under Section 104.365 and include the amounts to be distributed to each participating gas utility;

(9) provide that customer rate relief charges be collected and allocated among customers of each gas utility for

which a regulatory determination has been made under Section 104.365 through uniform monthly volumetric charges to be paid by customers as a component of the gas utility's gas cost or in another manner that the railroad commission determines reasonable; and

(10) reflect the commitment made by a gas utility receiving proceeds that the proceeds are in lieu of recovery of those costs through the regular ratemaking process or other mechanism to the extent the costs are reimbursed to the gas utility by customer rate relief bond financing proceeds.

(d) The financing order may provide for a centralized servicer to coordinate with participating gas utilities who bill and collect customer rate relief charges and to provide certain collection and forecast data required for calculating true-up adjustments. The financing order may not provide for the railroad commission, the authority, the issuing financing entity, or a participating utility to act as servicer.

(e) The principal amount determined by the railroad commission must be increased to include an amount sufficient to:

(1) pay the financing costs associated with the issuance, including all bond administrative expenses to be paid from the proceeds of the bonds;

(2) reimburse the authority and the railroad commission for any costs incurred for the issuance of the customer rate relief bonds and related bond administrative expenses;

(3) provide for any applicable bond reserve fund; and

(4) capitalize interest for the period determined necessary by the railroad commission.

(f) The authority, consistent with this subchapter and the terms of the financing order, shall:

(1) direct an issuing financing entity to issue customer rate relief bonds at the railroad commission's request, in accordance with the requirements of Chapter 1232, Government Code, and other provisions of Title 9, Government Code, that apply to bond issuance by a state agency;

(2) determine the methods of sale, types of bonds, bond forms, interest rates, principal amortization, amount of reserves or capitalized interest, and other terms of the customer rate relief bonds that in the authority's judgment best achieve the economic goals of the financing order and effect the financing at the lowest practicable cost; and

(3) reimburse the railroad commission, the authority, or any issuing financing entity for bond administrative expenses and other costs authorized under this subchapter.

(g) To the extent authorized in the applicable financing order, an issuing financing entity may enter into credit agreements or ancillary agreements in connection with the issuance of customer rate relief bonds.

(h) The financing order becomes effective in accordance with its terms. The financing order, together with the customer rate relief property and the customer rate relief charges authorized by the financing order, is irrevocable and not subject to reduction, impairment, or adjustment by further action of the railroad commission, except as provided under Subsection (j) and authorized by Section 104.370.

(i) The railroad commission shall issue a financing order under this section not later than the 90th day following the date of the conclusion of all proceedings filed under Section 104.365.

(j) A financing order is not subject to rehearing by the railroad commission. A financing order may be appealed only to a Travis County district court by a party to the proceeding. The appeal must be filed not later than the 15th day after the date the financing order is signed by the railroad commission.

(k) The judgment of the district court may be reviewed only by direct appeal to the Supreme Court of Texas. The appeal must be filed not later than the 15th day after the date of entry of judgment.

(l) All appeals shall be heard and determined by the district court and the Supreme Court of Texas as expeditiously as possible with lawful precedence over other matters. Review on appeal shall be based solely on the record before the railroad commission and briefs to the court and is limited to whether the financing order:

(1) complies with the constitution and laws of this state and the United States; and

(2) is within the authority of the railroad commission to issue under this subchapter.

(m) The railroad commission shall transmit a financing order to the authority after all appeals under this section have been exhausted.

(n) The authority shall direct an issuing financing entity to issue customer rate relief bonds as soon as practicable and not later than the 180th day after receipt of a financing order issued under this section, except that the authority may cause the issuance after the 180th day if necessary based on bond market conditions, the receipt of necessary approvals, and the timely receipt of necessary financial disclosure information from each participating gas utility.

(o) The issuing financing entity shall deliver customer rate relief bond proceeds net of upfront financing costs in accordance with the applicable financing order.

(p) For the benefit of the authority, the issuing financing entity, holders of customer rate relief bonds, and all other financing parties, the railroad commission shall guarantee in a financing order that the railroad commission will take all actions in the railroad commission's powers to enforce the provisions of the financing order to ensure that customer rate relief charge revenues are sufficient to pay on a timely basis scheduled principal and interest on the customer rate relief bonds and all related financing costs and bond administrative expenses.

(q) The railroad commission shall make periodic reports to the public regarding each financing.

Sec. 104.367. PROPERTY RIGHTS. (a) Customer rate relief bonds are the limited obligation solely of the issuing financing entity and are not a debt of a gas utility or a debt or a pledge of the faith and credit of this state or any political subdivision of this state.

(b) Customer rate relief bonds are nonrecourse to the credit or any assets of this state or the authority. A trust fund created in connection with the issuance of customer rate relief bonds is not subject to Subtitle B, Title 9, Property Code.

(c) The rights and interests of an issuing financing entity or the successor under a financing order, including the right to receive customer rate relief charges authorized in the financing order, are only contract rights until pledged in connection with the issuance of the customer rate relief bonds, at which time the rights and interests become customer rate relief property.

(d) Customer rate relief property created under a financing order is vested ab initio in the issuing financing entity. Customer rate relief property constitutes a present property right for purposes of contracts concerning the sale or pledge of property, notwithstanding that the imposition and collection of customer rate relief charges depends on further acts of the gas utility or others that have not yet occurred. The financing order remains in effect, and the customer rate relief property continues to exist, for the same period as the pledge of the state described by Section 104.374.

(e) All revenue and collections resulting from customer rate relief charges constitute proceeds only of a property right arising from the financing order.

(f) An amount owed by an issuing financing entity under an ancillary agreement or a credit agreement is payable from and secured by a pledge and interest in the customer rate relief property to the extent provided in the documents evidencing the ancillary agreement or credit agreement.

Sec. 104.368. PROPERTY INTEREST NOT SUBJECT TO SETOFF, COUNTERCLAIM, SURCHARGE, OR DEFENSE. The interest of an issuing financing entity or pledgee in customer rate relief property, including the revenue and collections arising from customer rate relief charges, is not subject to setoff, counterclaim, surcharge, or defense by the gas utility or any other person or in connection with the bankruptcy of the gas utility, the authority, or any other entity. A financing order remains in effect and unabated notwithstanding the bankruptcy of the gas utility, the authority, an issuing financing entity, or any successor or assignee of the gas utility, authority, or issuing financing entity.

Sec. 104.369. CUSTOMER RATE RELIEF CHARGES NONBYPASSABLE. A financing order must include terms ensuring that the imposition and collection of the customer rate relief charges authorized in the order are nonbypassable.

Sec. 104.370. TRUE-UP MECHANISM. (a) A financing order must include a formulaic true-up charge adjustment mechanism that requires that the customer rate relief charges be reviewed and adjusted at least annually by the servicer or replacement servicer, including a subservicer or replacement subservicer, at time periods and frequencies provided in the financing order, to:

(1) correct any overcollections or undercollections of the preceding 12 months; and

(2) ensure the expected recovery of amounts sufficient to provide for the timely payment of customer rate relief bond principal and interest payments and other financing costs.

(b) True-up charge adjustments must become effective not later than the 30th day after the date the railroad commission receives a true-up charge adjustment letter from the servicer or replacement servicer notifying the railroad commission of the pending adjustment.

(c) Any administrative review of true-up charge adjustments must be limited to notifying the servicer of mathematical or clerical errors in the calculation. The servicer may correct the error and refile a true-up charge adjustment letter, with the adjustment becoming effective as soon as practicable but not later than the 30th day after the date the railroad commission receives the refiled letter.

Sec. 104.371. SECURITY INTERESTS; ASSIGNMENT; COMMINGLING; DEFAULT. (a) Customer rate relief property does not constitute an account or general intangible under Section 9.106, Business & Commerce Code. The creation, granting, perfection, and enforcement of liens and security interests in customer rate relief property that secures customer rate relief bonds are governed by Chapter 1208, Government Code.

(b) The priority of a lien and security interest perfected under this section is not impaired by any later adjustment of customer rate relief charges under a mechanism adopted under Section 104.370 or by the commingling of funds arising from customer rate relief charges with other funds. Any other security interest that may apply to those funds is terminated when the funds are transferred to a segregated account for the issuing financing entity or a financing party. If customer rate relief property has been transferred to a trustee or another pledgee of the issuing financing entity, any proceeds of that property must be held in trust for the financing party.

(c) If a default or termination occurs under the customer rate relief bonds, a district court of Travis County, on application by or on behalf of the financing parties, shall order the sequestration and payment to the financing parties of revenue arising from the customer rate relief charges.

Sec. 104.372. BOND PROCEEDS IN TRUST. (a) The issuing financing entity may deposit proceeds of customer rate relief bonds issued by the issuing financing entity under this subchapter with a trustee selected by the issuing financing entity or the proceeds may be held by the comptroller in a dedicated trust fund outside the state treasury in the custody of the comptroller.

(b) Bond proceeds, net of the financing costs and reserves described by Subdivisions (2) and (3), including investment income, must be held in trust for the exclusive benefit of the railroad commission's policy of reimbursing gas utility costs and applied in accordance with the financing order. The issuing financing entity shall deliver the net proceeds, as provided in the applicable financing order, to:

(1) reimburse each gas utility the regulatory asset amount determined to be reasonable for that gas utility in the financing order;

(2) pay the financing costs of issuing the bonds; and

(3) provide bond reserves or fund any capitalized interest, as applicable.

(c) On full payment of the customer rate relief bonds and any related financing costs, any customer rate relief charges or other amounts held as security for the bonds shall be used to provide credits to gas utility customers as provided in the financing order.

Sec. 104.373. REPAYMENT OF CUSTOMER RATE RELIEF BONDS. (a) As long as any customer rate relief bonds or related financing costs remain outstanding, uniform monthly volumetric customer rate relief charges must be paid by all current and future customers that receive service from a gas utility for which a regulatory asset determination has been made under Section 104.365. A gas utility and its successors, assignees, or replacements shall continue to bill and collect customer rate relief charges from the gas utility's current and future customers until all customer rate relief bonds and financing costs are paid in full.

(b) The authority shall report to the railroad commission the amount of the outstanding customer rate relief bonds issued by the issuing financing entity under this subchapter and the estimated amount of annual bond administrative expenses.

(c) All revenue collected from the customer rate relief charges shall be remitted promptly by the applicable servicers to the issuing financing entity or the bond trustee for the customer rate relief bonds to pay bond obligations and ongoing financing costs, including bond administrative expenses, to ensure timely payment of bond obligations and financing costs.

(d) Customer rate relief property, including customer rate relief charges, may be applied only as provided by this subchapter.

(e) Bond obligations are payable only from sources provided for payment by this subchapter.

Sec. 104.374. PLEDGE OF STATE. (a) Customer rate relief bonds issued under this subchapter and any related ancillary agreements or credit agreements are not a debt or pledge of the faith and credit of this state or a state agency or political subdivision of this state. A customer rate relief bond, ancillary agreement, or credit agreement is payable solely from customer rate relief charges as provided by this subchapter.

(b) Notwithstanding Subsection (a), this state, including the railroad commission and the authority, pledges for the benefit and protection of the financing parties and the gas utility that this state will not take or permit any action that would impair the value of customer rate relief property, or, except as permitted by Section 104.370, reduce, alter, or impair the customer rate relief charges to be imposed, collected, and remitted to financing parties until the principal, interest and premium, and contracts to be performed in connection with the related customer rate relief bonds and financing costs have been paid and performed in full. Each issuing financing entity shall include this pledge in any documentation relating to customer rate relief bonds.

(c) Before the date that is two years and one day after the date that an issuing financing entity no longer has any payment obligation with respect to customer rate relief bonds, the issuing financing entity may not wind up or dissolve the financing entity's operations, may not file a voluntary petition under federal bankruptcy law, and neither the board of the issuing financing entity nor any public official nor any organization, entity, or other person may authorize the issuing financing entity to be or to become a debtor under federal bankruptcy law during that period.

The state covenants that it will not limit or alter the denial of authority under this subsection, and the provisions of this subsection are hereby made a part of the contractual obligation that is subject to the state pledge made in this section.

Sec. 104.375. TAX EXEMPTION. (a) The sale or purchase of or revenue derived from services performed in the issuance or transfer of customer rate relief bonds issued under this subchapter is exempt from taxation by this state or a political subdivision of this state.

(b) A gas utility's receipt of customer rate relief charges is exempt from state and local sales and use taxes and utility gross receipts taxes and assessments, and is excluded from revenue for purposes of franchise tax under Section 171.1011, Tax Code.

Sec. 104.376. RECOVERABLE TAX EXPENSE. A tax obligation of the gas utility arising from receipt of customer rate relief bond proceeds or from the collection or remittance of customer rate relief charges is an allowable expense under Section 104.055.

Sec. 104.377. ISSUING FINANCING ENTITY OR FINANCING PARTY NOT PUBLIC UTILITY. An issuing financing entity or financing party may not be considered to be a public utility or person providing natural gas service solely by virtue of the transactions described by this subchapter.

Sec. 104.378. NO PERSONAL LIABILITY. A commissioner of the railroad commission, a railroad commission employee, a member of the board of directors of the authority, an employee of the authority, or a director, officer, or employee of any issuing financing entity is not personally liable for a result of an exercise of a duty or responsibility established under this subchapter.

Sec. 104.379. CATASTROPHIC WEATHER EVENT STUDY. (a) The railroad commission shall conduct a study on measures to mitigate catastrophic weather events, including measures to:

(1) establish natural gas storage capacity to ensure a reliable gas supply, including location, ownership, and other pertinent factors regarding gas storage capacity;

(2) assess the advantages and disadvantages of requiring local distribution companies to use hedging tactics to avoid volatile customer rates; and

(3) assess the advantages and disadvantages of prohibiting spot market purchases during a catastrophic weather event that contribute to volatile customer rates.

(b) Not later than December 1, 2022, the railroad commission shall report the railroad commission's findings to the governor, the lieutenant governor, and the speaker of the house of representatives.

(c) This section expires August 31, 2023.

Sec. 104.380. SEVERABILITY. After the date customer rate relief bonds are issued under this subchapter, if any provision in this title or portion of this title or related provisions in Title 9, Government Code, are held to be invalid or are invalidated, superseded, replaced, repealed, or expire for any reason, that occurrence does not affect the validity or continuation of this subchapter or any other provision of this title or related provisions in Title 9, Government Code, that are relevant to the issuance, administration, payment, retirement, or refunding of customer rate relief bonds or to any actions of a gas utility, its successors, an assignee, a collection agent, or a financing party, which shall remain in full force and effect.

SECTION 6. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2021.

President of the Senate

Speaker of the House

I certify that H.B. No. 1520 was passed by the House on April 20, 2021, by the following vote: Yeas 139, Nays 5, 1 present, not voting; and that the House concurred in Senate amendments to H.B. No. 1520 on May 28, 2021, by the following vote: Yeas 130, Nays 12, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 1520 was passed by the Senate, with amendments, on May 26, 2021, by the following vote: Yeas 29, Nays 2.

Secretary of the Senate

APPROVED: ____________________

Date

____

Governor

RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Gas Services Department

NOTICE TO GAS UTILITIES

Procedure for Gas Utilities to File an Application for Regulatory Asset Determination Pursuant to H.B. No. 1520, Texas Utilities Code, chapter 104, subchapter I, and Participate in Securitization of Extraordinary Costs Incurred as a Result of the February 2021 Winter Weather Event

Background

On February 12, 2021, Governor Greg Abbott declared a State of Disaster in Texas for all Texas counties in response to the unprecedented cold winter weather event that began in Texas on Thursday, February 11, 2021 ("February 2021 Winter Weather Event" or "Winter Storm Uri").

On February 13, 2021, the Commission issued a *Notice to Local Distribution Companies* (the "Regulatory Asset NTO") authorizing each natural gas utility local distribution company "to record in a regulatory asset account the extraordinary expenses associated with the 2021 Winter Weather Event, including but not limited to gas cost and other costs related to the procurement and transportation of gas supply." The Regulatory Asset NTO only authorized the ability to record extraordinary expenses related to the February 2021 Winter Weather Event and deferred the Commission's determination regarding the reasonableness, necessity, and accuracy of the extraordinary expenses recorded in the regulatory asset account.

H.B. 1520

On June 16, 2021, H.B. 1520 (87th Regular Session), *relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments*, became effective. H.B. 1520 authorizes the Commission to issue a Financing Order directing the Texas Public Finance Authority ("TFPA") to issue bonds for the purposes of reducing the costs that customers would otherwise experience due to extraordinary costs that gas utilities incurred to secure gas supply and to provide service during Winter Storm Uri. The new law provides securitization financing ("customer rate relief bonds") for gas utilities that choose to participate to recover those extraordinary costs, thereby (1) providing rate relief to customers by extending the period during which these extraordinary costs would otherwise be recovered; and (2) supporting the financial strength and stability of gas utility companies.

H.B. 1520 requires that the Commission undertake two specific actions. First, Texas Utilities Code section 104.365, as added by H.B. 1520, requires the Commission to determine the regulatory asset amount to be recovered by a gas utility upon application by the gas utility within 150 days after the date of the application. Second, section 104.366 authorizes the Commission, after it has issued all of the regulatory asset determinations and determined that customer rate relief bonds are the most cost-

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effective method of funding regulatory asset reimbursements, to issue a Financing Order requesting that the TPFA direct an issuing financing entity to issue the customer rate relief bonds.

Procedure for Filing Applications for Regulatory Asset Determination

The Commission expects to convene one or more proceeding(s) to issue the regulatory asset determinations and Financing Order if the statutory requirements are met.

Gas utilities as defined in Tex. Util. Code § 104.362(12) desiring to participate in securitization pursuant to H.B. 1520 are encouraged to file an *Application for Regulatory Asset Determination* **on Friday, July 30, 2021** in accordance with Tex. Util. Code § 104.365(b). Before a gas utility may file its application, the company must be set up to file its documents through the Commission's Case Administration Service Electronic System ("CASES"). The company must contact Gas Services at (512) 463-7167 or MOS@rrc.texas.gov before filing its application to be fully authorized to file its application through CASES and be assigned a case number for this filing.

After each *Application for Regulatory Asset Determination* has been received, the Commission's Hearings Division may consolidate the cases into one or multiple proceeding(s). An Administrative Law Judge will be assigned and will make pre-hearing rulings, issue a procedural schedule, issue a protective order, if applicable, and issue any other necessary rulings as may arise. The procedural schedule deadlines will be expedited as the Commission expects to complete the regulatory asset determinations within the deadline set forth in H.B. 1520.

Information to be Included in an Application for Regulatory Asset Determination

Due to the expedited nature of the regulatory asset review and determination, the Commission directs each applicant to propose for recovery only extraordinary gas procurement costs incurred during the February 2021 Winter Weather Event in its application. Such costs may include taxes, any financing and other costs incurred to secure and pay for natural gas volumes purchased during the 2021 Winter Weather Event, and the gas utility's legal and consulting expenses relating to its gas procurement costs and this proceeding. Other extraordinary costs associated with the 2021 Winter Weather Event, such as overtime, equipment charges, or similar non-fuel related expenses, may be recorded in a separate regulatory asset, which will be reviewed for reasonableness in each gas utility's subsequent rate proceeding, as applicable.

The Commission requires each gas utility to include in its application pre-filed testimony, supporting documentation, and evidence of, at a minimum, the following information:

1. The gas utility's total gas costs incurred for February 2021.

2. The gas utility's total gas costs recovered for February 2021.

3. The gas utility's total volumes (Mcf) for February 2021.

4. The gas utility's total gas costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15).

5. The total extraordinary costs proposed by the gas utility to be approved in a regulatory asset determination, including the following:

    a. The gas utility's proposed extraordinary gas procurement costs for February 2021, calculated as the lesser of: 1) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs recovered for February 2021; or 2) the difference between the gas utility's total gas procurement costs incurred for February 2021 and the gas utility's total gas procurement costs for February 2021 using the Normalized Market Pricing definition set forth in section 104.362(15);

b. The gas utility's financing costs or any other costs incurred to secure and pay for natural gas volumes that are included in extraordinary gas cost;
c. The gas utility's estimate of its legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520;
d. Carrying costs included in the proposed regulatory asset, including the basis for the carrying costs and the calculation of the carrying costs; and
e. The gas utility's expected tax obligation if securitization financing is authorized.

6. Support and evidence for the reasonableness, necessity, and prudence of all costs included in the gas utility's regulatory asset, including:

    a. General ledger entries (by FERC account) associated with the regulatory asset and supporting documentation for each entry, including but not limited to:

        i. Invoices

            1. Gas Purchases (FERC accounts 800-804);
            2. Transportation (FERC account 858);
            3. Other Gas Supply Expenses (FERC accounts 805-813);
            4. Imbalances or other penalties and fees incurred;
            5. Adjustments;
            6. Meter Statements;
            7. Proof of Payment/Payment Arrangements;
            8. Gas Withdrawn from Storage (FERC account 808.1); and
            9. Gas Delivered to Storage (FERC account 808.2).

        ii. Contracts

            1. Gas Purchase (including penalties, if applicable);
            2. Spot Purchases (Confirmation Agreements); and
            3. Transportation.

        iii. Customer Bills

            1. One or more residential bill(s); and
            2. One or more commercial bill(s).

    b. Invoices and supporting documentation of the gas utility's legal and consulting expenses resulting from its election to participate in a securitization pursuant to H.B. 1520. Include a summary spreadsheet that ties to supporting documentation.

7. The information required in Paragraph 6(a)(i)-(iii) above for January, February, and March 2021.

8. Evidence as to how securitization would provide tangible and quantifiable benefits to utility customers, greater than would be achieved absent the issuance of customer rate relief bonds.

9. Evidence that customer rate relief bond financing for extraordinary costs is the most cost-effective method of funding regulatory asset reimbursements to the gas utility including:

    a. Evidence that proposed structuring, expected pricing, and proposed financing costs of customer rate relief bonds are reasonably expected to provide benefits to customers by considering customer affordability and comparing:

        i. The estimated monthly costs to customers resulting from issuance of customer rate relief bonds; and
        ii. The estimated monthly costs to customers that would result from the application of conventional recovery methods.

    b. Include an Excel worksheet that models this comparison and provides for sensitivity analysis using key variables.

10. Evidence of how a securitization financing mechanism would be in the public interest and is consistent with the purposes of subchapter I, chapter 104, Texas Utilities Code.

11. Evidence and detail of any expected tax obligation arising or resulting from receipt of customer rate relief bond proceeds; or collection or remittance of customer rate relief charges through the gas utilities' gas cost recovery mechanism or other means that the Commission may determine as reasonable.

12. Normalized volumes by customer class for the year ending December 31, 2020 and total customer count by customer class as of December 31, 2020.

13. A statement of commitment that if the gas utility receives proceeds pursuant to a securitization, those proceeds are in lieu of recovery of costs through the regular ratemaking process or other mechanism.

14. Any other information the gas utility deems pertinent to its application.

Additionally, gas utilities are encouraged to file proposed procedural schedules with their applications that anticipate expedited timelines. Gas utilities are likewise encouraged to file proposed protective orders to the extent the gas utility will be filing information it deems confidential and/or proprietary. Gas utilities should not upload any documents through the CASES Online Portal that are considered confidential. Any files containing potentially confidential information should be delivered to the RRC using previously established processes in accordance with RRC rules. To the extent applicable, gas utilities shall disclose the terms of the contracts and related transaction confirmations related to gas procurement costs to be securitized pursuant to the terms of the governing protective order. Gas utilities may adopt portions of other gas utilities' testimony, as necessary.

Please Forward to the Appropriate Section of Your Company

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Schedule BHF-1

DATA FOR PARTICIPATING GAS UTILITIES

	Amount to be Recovered			Customer Count and Usage Information				
				Residential Customers		Commercial Customers		
Gas Utility	Regulatory Asset (000s)	Purchased Gas Costs (000s)	3-year Amortization (000s)	Count	Annual Mcf	Count	Annual Mcf	Total Mcf
Atmos Energy	2,038,998	2,026,592	2,345,177	1,885,414	105,174,336	149,107	60,487,264	172,953,731
CenterPoint Energy								
Entex	1,131,471	1,132,892	1,251,066	1,688,270	68,498,910	94,829	18,413,319	94,547,960
Arkla	9,808	9,880	10,903	12,887	931,741	1,635	134,996	1,066,737
Texas Gas Service	290,104	302,560	329,909	628,837	26,024,086	34,276	10,587,407	40,271,506
CoServe Gas, Ltd.	69,045	63,428	69,560	134,758	10,100,382	2,911	1,478,698	11,860,868
Universal Natural Gas, LLC	32,443	33,845	35,219	17,959	893,452	271	138,022	1,031,474
SiEnergy, LP	18,742	19,421	20,935	31,531	1,475,688	183	68,989	1,557,021
EPCOR Gas Texas	11,360	11,360	11,360	4,708	243,716	125	46,700	292,203
Bluebonnet Natural Gas	1,980	1,927	2,277	587	17,428	12	1,580	62,433
AgriTexGas, LP	1,326	1,291	1,291	2,468	216,435	73	27,272	1,369,496
Natgas Inc.	971	971	971	997	44,724	101	24,888	78,456
Corix Utilities (Texas) Inc.	285	216	236	240	7,508	23	2,952	10,460
Totals	**3,606,534**	**3,604,383**	**4,078,905**	**4,408,656**	**213,628,406**	**283,546**	**91,412,087**	**325,102,345**
Average Use per Month (Mcf)					**4.04**		**26.87**	

Source: Schedules A and H of Participating Gas Utilities' Applications.

Schedule BHF-2
Page 1 of 1

ANNUAL COST OF CUSTOMER RATE RELIEF BONDS

Bond Principal (000s):

Total Regulatory Asset		3,606,534
Underwriting Expenses @	0.40%	15,319
Issuance Expenses @	0.30%	11,489
Debt Service Reserve Funding	50.0%	196,366
Bond Principal		**3,829,707**

Annual Costs (000s):

Year	Interest Rate	Principal Payment	Interest Expense	Bond Costs	Operation & Admin. @ 0.60%	Annual Costs
1	0.19%	347,300	40,370	387,670	22,978	410,649
2	0.32%	350,773	39,723	390,496	22,978	413,475
3	0.50%	354,281	38,585	392,865	22,978	415,844
4	0.74%	357,824	36,819	394,643	22,978	417,621
5	0.96%	361,402	34,165	395,567	22,978	418,545
6	1.18%	365,016	30,713	395,729	22,978	418,707
7	1.36%	368,666	26,420	395,086	22,978	418,065
8	1.50%	372,353	21,407	393,760	22,978	416,738
9	1.62%	376,076	15,840	391,916	22,978	414,894
10	1.69%	576,203	9,742	389,579	22,978	412,558
Total		3,829,892				

Schedule BHF-3

ANNUAL COST OF RATE BASE INCLUSION

Rate of Return:

Source	% of Total	Component Cost	Weighted Cost	Tax Factor	Weighted Cost
Debt	41.0%	4.75%	1.95%	1.0000	1.95%
Equity	59.0%	9.50%	5.61%	1.2658	7.09%
Total	**100.0%**				**9.04%**

Annual Costs (000s):

Year	Regulatory Asset	Average Accumulated Amortization	Average Unamortized Balance	Return and Income Taxes	Amortization Expense	Annual Costs
1	3,606,534	180,327	3,426,207	309,813	360,653	670,466
2	3,606,534	540,980	3,065,554	277,201	360,653	637,854
3	3,606,534	901,633	2,704,900	244,589	360,653	605,242
4	3,606,534	1,262,287	2,344,247	211,977	360,653	572,630
5	3,606,534	1,622,940	1,983,594	179,365	360,653	540,019
6	3,606,534	1,983,594	1,622,940	146,753	360,653	507,407
7	3,606,534	2,344,247	1,262,287	114,141	360,653	474,795
8	3,606,534	2,704,900	901,633	81,530	360,653	442,183
9	3,606,534	3,065,554	540,980	48,918	360,653	409,571
10	3,606,534	3,426,207	180,327	16,306	360,653	376,959

Schedule BHF-4

COST-EFFECTIVENESS OF CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

		Alternative Methods		
Year	**Securitized Customer Rate Relief Bonds**	**Purchased Gas Cost Recovery**	**3-Year Amortization Charge**	**Inclusion in Rate Base**
1	410,649	3,604,383	1,359,635	670,466
2	413,475	-	1,359,635	637,854
3	415,844	-	1,359,635	605,242
4	417,621	-	-	572,630
5	418,545	-	-	540,019
6	418,707	-	-	507,407
7	418,065	-	-	474,795
8	416,738	-	-	442,183
9	414,894	-	-	409,571
10	412,558	-	-	376,959
Present Value (000s):				
5%	3,288,460	3,517,517	3,794,060	4,247,288
10%	2,677,498	3,436,644	3,546,244	3,537,836
15%	2,235,224	3,361,104	3,329,047	3,014,656
20%	1,906,571	3,290,336	3,137,405	2,618,813
Savings from Securitized CRR Bonds (000s):				
5%		229,058	505,600	958,828
10%		759,147	868,746	860,338
15%		1,125,881	1,093,824	779,433
20%		1,383,765	1,230,834	712,242

Schedule BHF-5

COST-EFFECTIVENESS OF 15-YEAR CRR BONDS VERSUS ALTERNATIVE METHODS

Annual Costs (000s):

		Alternative Methods		
Year	**Securitized Customer Rate Relief Bonds**	**Purchased Gas Cost Recovery**	**3-Year Amortization Charge**	**Inclusion in Rate Base**
1	299,731	3,604,383	1,359,635	555,684
2	301,568	-	1,359,635	533,942
3	303,107	-	1,359,635	512,201
4	304,262	-	-	490,460
5	304,863	-	-	468,719
6	304,968	-	-	446,977
7	304,551	-	-	425,236
8	303,688	-	-	403,495
9	302,490	-	-	381,754
10	300,972	-	-	360,012
11	299,267	-	-	338,271
12	297,347	-	-	316,530
13	295,210	-	-	294,789
14	292,878	-	-	273,047
15	290,322	-	-	251,306
Present Value (000s):				
5%	3,201,153	3,517,517	3,794,060	4,500,302
10%	2,404,656	3,436,644	3,546,244	3,517,305
15%	1,892,157	3,361,104	3,329,047	2,862,128
20%	1,546,461	3,290,336	3,137,405	2,405,230
Savings from Securitized CRR Bonds:				
5%		316,365	592,907	1,299,149
10%		1,031,988	1,141,588	1,112,650
15%		1,468,948	1,436,891	969,971
20%		1,743,876	1,590,944	858,770

AFFORDABILITY OF CRR BONDS VERSUS CONVENTIONAL METHODS

		Conventional Methods		
	Securitized Customer Rate Relief Bonds	**Purchased Gas Cost Recovery**	**3-Year Amortization Charge**	**Inclusion in Rate Base**
Extraordinary Winter Storm Uri Costs:				
1st-year Costs (a)	$ 410,648,713	$ 3,604,382,693	$ 1,359,634,943	$ 670,466,009
Total Mcf (b)	325,102,345	325,102,345	325,102,345	325,102,345
Cost per Mcf	**$ 1.26**	**$ 11.09**	**$ 4.18**	**$ 2.06**
Residential Customers:				
Average Mcf Use per Month (b)	4.04	4.04	4.04	4.04
Monthly Cost -- Residential	**$ 5.10**	**$ 44.77**	**$ 16.89**	**$ 8.33**
Savings from CRR Bonds:				
Per Month		$ 39.67	$ 11.79	$ 3.23
First Year		$ 476.03	$ 141.45	$ 38.73
Commercial Customers:				
Average Mcf Use per Month (b)	26.87	26.87	26.87	26.87
Monthly Cost -- Commercial	**$ 33.94**	**$ 297.86**	**$ 112.36**	**$ 55.41**
Savings from CRR Bonds:				
Per Month		$ 263.92	$ 78.42	$ 21.47
First Year		$ 3,167.08	$ 941.07	$ 257.65

(a) Schedule BHF-4.
(b) Schedule BHF-1.

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 a principal in 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 this 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 22nd day of July 2021.

Notary Public in and for the State of Texas

STEPHANIE TANNER
Notary Public, State of Texas
Notary ID 12852236-8
My Commission Exp. 02-09-2023

Exhibit E

CASE NO. 00007069

APPLICATION OF TEXAS GAS SERVICE COMPANY, A DIVISION OF ONE GAS, INC., FOR CUSTOMER RATE RELIEF RELATED TO WINTER STORM URI AND A REGULATORY ASSET DETERMINATION	§ § § § § § §	**BEFORE THE RAILROAD COMMISSION OF TEXAS**

PROTECTIVE ORDER

This Protective Order shall govern the use of all information deemed confidential or highly sensitive confidential information by a party providing information to the Railroad Commission of Texas ("Commission") or responding to discovery requests, including information whose confidentiality may be under dispute in this docket and all dockets consolidated herewith. This order may be modified by the Examiner *sua sponte*, or on advice of the Open Records Coordinator, Office of General Counsel, and the Railroad Commission of Texas.

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 ORDER ISSUED IN CASE NO. 00007069"** (hereinafter referred to as "protected materials"). The documents shall be consecutively Bates Stamped when necessary.

2. Materials Excluded from Protected Materials Designation

Protected materials shall not include any information or document contained in the public files of the Commission 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 Order 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 Order as a party expressly admitted or that has had a Motion to Intervene granted in Case No. 00007069.

4. Definition of "producing party."

A "producing party" is defined for purposes of this Protective Order as a party expressly admitted or that has had a Motion to Intervene granted in Case No. 00007069, which has had discovery propounded upon it in any form as provided by applicable law.

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 ORDER ISSUED IN CASE NO. 00007069."

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 Case No. 00007069 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 Order. 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 Case No. 00007069, who have primary responsibility for utility regulation. The authorized representatives for the Commission's Director of Gas Services or the State of Texas for the purpose of access to these materials shall consist of its respective counsel of record in this docket and associated attorneys, paralegals, economists, statisticians, accountants, consultants, or other persons employed or retained by those agencies and directly engaged in this docket. 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 Order:

> I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Order in Case No. 00007069, and that I have been given a copy of it and have read the Protective Order 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 Order and shall be used only for the purpose of the proceeding in Case No. 00007069. I acknowledge that the obligations imposed by this certification are pursuant to a ruling issued by the Examiners in this docket. However, if the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this docket, 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 Order:

> I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Order in Case No. 00007069.

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 Order, 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 Order 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 Order, 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 parties 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 Order. 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 Order. A party 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 party.

All non-voluminous protected materials may be reviewed only during the "reviewing period," which period shall commence upon issuance of this Protective Order and continue until conclusion of the plenary jurisdiction of the Commission in this proceeding. The "reviewing period" shall reopen if the Commission regains jurisdiction due to a remand as provided by law. Protected materials that are admitted into the evidentiary record or accompanying the evidentiary record as offers of proof, may be reviewed while this proceeding or any appeals hereof are pending.

11. Treatment of Protected Materials

(a) If a party tenders for filing any written testimony, exhibit, brief, or other submission that quotes from protected materials or discloses the confidential content of protected materials, the confidential portion of such testimony, exhibit, brief, or other submission shall be sealed and shall be filed and served in accordance with the appropriate procedures utilized by the Commission. The Examiners may subsequently, on their own motion or on motion of a party, issue a ruling respecting whether or not the inclusion, incorporation, or reference to protected materials is such that the written testimony, exhibit, brief, or other submission should remain under seal.

(b) Any party or person giving testimony in this proceeding may designate those portions of his or her testimony deemed to be confidential materials in accordance with Paragraph 1 of this Protective Order by advising the Examiner of such fact. In that event, the Examiner shall, on a case-by-case basis, devise procedures which are fair to all parties without unduly burdening the record in this docket.

(c) All protected materials filed with the Commission, the Examiner, any other judicial or administrative body in support of or as part of a motion, other pleading, brief, or other document, shall be filed and served in sealed envelopes or other appropriate containers.

12. Changes to Protective Order

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 Order 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.

13. Judicial Findings

In the event that the Examiner at any time in the course of this proceeding finds that all or part of the protected materials are not confidential, by finding, for example, that such materials have entered the public domain, those materials shall nevertheless be subject to the protection afforded by this ruling for three full working days, unless otherwise ordered, from the latest of (i) the date of receipt by the party asserting confidentiality of the Examiner's order, or (ii) the date of a final and appealable Commission order denying an appeal filed within the three full working day period from the Examiner's order; or (iii) approval of such order by operation of law following the filing of such an appeal. Neither the party asserting confidentiality, nor any reviewing party waives its right to seek additional administrative or judicial remedies after the Commission's denial of any appeal.

14. Disclosure of Protected Materials

(a) During the pendency of Case No. 00007069 at the Commission, in the event that a party wishes to disclose protected materials to any person to whom disclosure is not authorized by this Protective Order, or wishes to have changed the designation of certain information or material as protected materials by alleging, for example, that such information or material has entered the public domain, such party shall first file and serve on all parties written notice of such proposed disclosure or request for change in designation, identifying with particularity each of such protected materials. In the event that the party asserting confidentiality wishes to contest such proposed disclosure or request for change in designation, that party shall file with the Commission its objection to such proposal, with supporting sworn affidavits, if any, within five working days after receiving such notice of proposed disclosure or request for change in designation. Failure of that party to file such an objection within this period shall be deemed a waiver of objection to the proposed disclosure or request for change in designation. Upon the request of either the producing party or reviewing party or upon the Examiner's own initiative, the Examiner may conduct a prehearing conference. If either the producing or reviewing party wishes to submit materials in question for an in camera inspection, it shall do so at the time of filing its written notice or objection to disclosure. Responses to such an objection, with supporting affidavits, if any, shall be filed within five working days after receipt of the objection. The Examiner will determine whether the proposed disclosure or change in designation is appropriate. The burden is on the party asserting confidentiality to show that such proposed disclosure or change in designation should not be made. If the Examiner determines that such proposed disclosure or change in designation should be made, disclosure shall not take place earlier than three full working days after such determination unless otherwise ordered. No party waives any right to seek additional administrative or judicial remedies concerning such Examiner's ruling. As long as the periods set out in this Protective Order for filing the pleadings described above for consideration by the Examiner and for challenging the determination of the Examiner or the Commission have not expired and while a challenge is pending, the protected materials shall maintain the confidential treatment and status provided for in this Protective Order.

(b) All protected materials shall be afforded the confidential treatment and status provided for in this Protective Order during the period an appeal on an Examiner's ruling is pending before the Commission and during the periods for challenging the various orders.

(c) All notices, applications, responses, or other correspondence shall be made in a manner that protects protected materials from unauthorized disclosure.

15. 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.

16. 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 Order 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.

17. Compliance with Legal Requirements

This Protective Order 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.

18. 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.

19. Effect of Violation of Court Order

In the event of a breach of the provisions contained in Paragraph 18, 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.

Signed this ______ day of _______, 2021.

____
Name
Administrative Law Judge

EXHIBIT A

CERTIFICATIONS

<u>Certification for protected materials only:</u>

I certify my understanding that the protected materials are provided to me pursuant to the terms and restrictions of the Protective Order in Case No. 00007069, and that I have been given a copy of it and have read the Protective Order 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 Order and shall be used only for the purpose of the proceeding in Case No. 00007069. I acknowledge that the obligations imposed by this certification are pursuant to a ruling issued by the Examiners in this docket. However, if the information contained in the protected materials is obtained from independent sources that did not obtain such information from documents obtained in this docket, the understanding stated herein shall not apply.

Signature	Party Represented
Printed Name	Date

<u>Additional certification for highly sensitive protected materials:</u>

I certify that I am eligible to have access to highly sensitive protected materials under the terms of the Protective Order in Case No. 00007069.

Signature	Party Represented
Printed Name	Date

Exhibit F - Workpapers

The Schedule Workpapers and Testimony Workpapers are being provided electronically. Confidential materials will be provided upon execution of the Protective Order issued in this proceeding.