

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION FILED BY TEXAS GAS SERVICE COMPANY, A DIVISION OF ONEOK, INC.'S 2011 GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS OF THE NORTH TEXAS SERVICE AREA.	§ § § § § §	GAS UTILITIES DOCKET NO. 10246
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2010). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Texas Gas Service Company, a Division of Oneok, Inc., (TGS) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. TGS owns and operates a natural gas distribution system known as the North Texas Service Area (NTSA).
3. On February 28, 2013, TGS filed an application for an annual interim rate adjustment (IRA) applicable to the unincorporated customers located in the North Texas service area.
4. TGS requested that the IRA for all customer classes become effective on April 30, 2013.
5. On March 5, 2013, the Commission suspended implementation of TGS' proposed IRA until June 14, 2013, which is 45 days following the 60th day after the application.
6. Neither TEX. UTIL. CODE § 104.301 (Vernon 2010) nor 16 TEX. ADMIN. CODE § 7.7101 (2010) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.

7. 16 TEX. ADMIN. CODE § 7.7101 (2010) allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
8. As of the date of this interim order, no comments or protests concerning this application have been received by the Commission.
9. This docket represents the first annual IRA for TGS in the North Texas service area since **GUD No. 10094**, the most recent rate case for the environs or unincorporated areas of TGS' North Texas service area.
10. Until promulgation of TEX. UTIL. CODE § 104.301 (Vernon 2010), a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
11. The proposed IRA will allow TGS an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of TGS' comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of TGS' North Texas service area.
13. As of December 31, 2011, TGS had approximately 1,993 customers in the unincorporated areas of the North Texas service area. Of these, 1,655 are residential customers, 305 are commercial customers, 1 is a large volume commercial customer, 0 industrial customers, 1 is a large industrial customers, 31 are public authority and 0 Large public authority customers.

Most Recent Comprehensive Rate Case

14. TGS' most recent rate case for the area in which the IRA will be implemented is **GUD No. 10094**, *Statement of Intent Filed by Texas Gas Service Company to Change Rates within the Environs of the North Texas Service Area*.
15. **GUD No. 10094** was filed on June 23, 2011.
16. The data used in **GUD No. 10094** was based on a test-year ending December 31, 2010.
17. The Commission signed the **GUD No. 10094** Final Order on June 26, 2012, and the rates became effective the same day.

18. The following chart shows the factors that were established in **GUD No. 10094**¹ to calculate the return on investment, depreciation expense, and incremental federal income taxes for TGS:

Table 1.0
Key IRA Factors

Rate of Return – IRA Filings	8.5840%
Rate of Return – Earnings Monitoring Report ²	4.99%
Depreciation Rate ³	Various
Federal Income Tax Rate	35%

Interim Rate Adjustment

19. TGS seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes, Exhibit B.
20. The revenue amounts to be recovered through the proposed annual IRA for TGS are incremental to the revenue requirement established in the most recent rate case for TGS for the area in which the IRA is to be implemented, **GUD No. 10094**, and the first annual IRA for TGS for the area in which the IRA is to be implemented, **GUD No. 10246**.
21. TGS calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and federal income taxes for the twelve-months ended December 31, 2011. Revenue related taxes are not included in TGS's calculation of the IRA. An existing rate schedule that was established by the Final Order in **GUD No. 10094** is applied to all revenues, including revenues that result from an IRA.
22. The value of TGS' invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
23. TGS is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for TGS in the most recent rate case for the area in which the IRA is to be implemented, **GUD No. 10094**.

1 Docket No. 10094 Final Order.

2 Annual Earnings Monitoring Report for the 12 months ending December 31, 2011.

3 Schedule IRA – 9.

24. TGS filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101 (2010). The Company's actual rate of return is 4.99%, which is less than 0.75% in excess of the 8.5840% allowed rate of return established in **GUD No. 10094**.
25. Gas Utilities Docket No. 10094, TGS' most recent Statement of Intent rate case for the unincorporated areas of the North Texas service area and the basis for the key factors in an Interim Rate Adjustment (IRA) calculation, was approved by the Commission on June 26, 2012. Customer Charges are shown in Column B, below.
26. This docket, Gas Utilities Docket No. 10246, is the *first* IRA application for the unincorporated areas of the North Texas service area. The proposed 2011 IRA adjustments are shown in Column C, below.
27. Under TEX. UTIL. CODE § 7.7101(i), TGS must file a rate case, Statement of Intent, supporting the IRA's not later than 180 days after the fifth anniversary of the date of its initial IRA, or by December 10, 2018.
28. Under TEX. ADMIN. CODE § 7.7101(j), "any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence" in the next rate case. Per TEX. ADMIN. CODE § 7.7101(i), "all amounts collected from customers under an interim rate adjustment tariff" are subject to refund until the conclusion of the next rate case.
29. When the current Customer Charge, the 2011 Interim Rate Adjustments, and proposed Interim Rate Adjustments (Columns B and C) are added, the resulting customer charge for affected customer classes is shown in Column D, Table 2.0 below.

Table 2.0
North Texas Service Area Customer Charges and Interim Rate Adjustments (IRA)

Customer Class	Current Customer Charge	IRA - 2011	New Customer Charge
A	B	C	D
Residential	\$ 10.75	\$ 2.33	\$ 13.08
Commercial	\$ 22.50	\$ 7.80	\$ 30.30
Large Commercial	\$ 400.00	\$ 204.84	\$ 604.84
Industrial	\$ 50.00	\$ 50.35	\$ 100.35
Large Industrial	\$ 400.00	\$ 74.72	\$ 474.72
Public Authority	\$ 40.00	\$ 18.59	\$ 58.59
Large Public Authority	\$ 400.00	\$ 284.69	\$ 684.69

- 30. TGS filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101 (2010). Net capital additions included in this docket totaled \$ 4,015,856.¹
 Gross capital project additions totaled \$ 2,860,328.²
 Safety-related improvements/infrastructure projects are 53.85%% of total net additions.³
 Integrity testing projects are 0.00% of total net additions.⁴
 Distribution Integrity Management Plan (DIMP) projects are included in Safety-related projects.⁵
 Pipeline Integrity Management (IMP) projects are 0.00% of the total net additions.⁶
 Steel Pipe Replacement Program (SPRP) projects are included in Safety-related projects.⁷
- 31. TGS is required to allocate the revenue to be collected through the IRA among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented, **GUD No. 10094**.
- 32. TGS' proposed the IRA as a flat rate to be applied to the monthly Customer Charge rather than to the usage rate.
- 33. The following allocation among customer classes is used to allocate the interim rate adjustment, Table 3.0 below:

Table 3.0
Revenue Requirement Allocation for the unincorporated areas
of the North Texas Service Area

Customer Class	Allocation Factors
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145

1 Schedule IRA – 3.

2 *Id*

3 Response to Staff's RFI No. 3-1.

4 Response to Staff's RFI No. 3-2.

5 Response to Staff's RFI No. 3-3.

6 Response to Staff's RFI No. 3-4.

7 Response to Staff's RFI No. 3-5.

34. TGS is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
35. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010) require the regulatory authority to review a utility's method of calculating the IRA.
36. Due process protections are deferred until TGS files its next full statement of intent rate case.

Notice

37. The Company provided adequate notice to customers in the unincorporated areas of TGS' North Texas service area on March 26, 2013.

Comprehensive Rate Case Required

38. The Company is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA.
39. Under 16 TEX. ADMIN. CODE § 7.7101 (l) (2010) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary. TGS is required to file a statement of intent rate case not later than December 10, 2018.

Review of Interim Rate Adjustment

40. TGS presented its IRA calculation using the factors approved in **GUD No. 10094** for rate of return, depreciation, and federal income tax.
41. TGS' 2011 IRA is \$ 706,824, based on an incremental net utility plant investment increase of \$ 4,015,856¹, of which approximately \$ 84,996 is attributed to the unincorporated area.
42. TGS would only recover \$705,269 of the \$706,824 system wide total change in revenue requirement as a result of an error in GUD 10094 customer class allocation.
43. The net effect of the customer class allocation error in GUD No. 10094 attributable to the environs is less than \$200, system wide environs amount of \$84,996 compared to approximately \$84,809.
44. TGS' proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 (Vernon 2010), and with 16 TEX. ADMIN. CODE § 7.7101 (2010).

¹ Schedule IRA – 3.

Reimbursements of Expense

45. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
46. After the Commission has finally acted on TGS' application for an IRA, the Director of the Gas Services Division will estimate TGS' proportionate share of the Commission's annual costs related to the processing of such applications.
47. In making the estimate of TGS' proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
48. TGS is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Texas Gas Service Company (TGS) is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) (Vernon 2010) and § 121.001 (Vernon 2010), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over TGS' applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2010), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010), TGS is required to seek Commission approval before implementing an IRA tariff to TGS' customers.
5. TGS filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).

6. TGS' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
7. In accordance with 16 TEX. ADMIN. CODE § 7.315 (2010), within thirty days of the effective date of any change to rates or services, TGS is required to file with the Gas Services Division of the Commission its revised tariffs.
8. TGS may not charge any rate that has not been successfully electronically filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§ 102.151 and 104.002 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.315 (2010).
9. In accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(a) (2010), the filing date of TGS' most recent rate case, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date TGS filed its initial IRA.
10. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(e) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(d) (2010), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. TGS shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. TGS is required, under TEX. UTIL. CODE ANN. § 104.301(f) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010), to file with the Commission an annual earnings-monitoring report demonstrating TGS' earnings during the preceding calendar year.
13. TGS is required, under 16 TEX. ADMIN. CODE § 7.7101(h) (2010), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i) (2010), all amounts collected from customers under TGS' IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j) (2010), in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment

and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that TGS files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.

16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(e) (2010).
17. TGS provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(b) (2010).
18. TGS' application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
19. TGS' IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX UTIL. CODE ANN. § 104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010).
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010), TGS shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective, or December 10, 2018.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(m) (2010), to recover from TGS the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Texas Gas Service Company's IRA for the unincorporated areas of the North Texas service area, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

IT IS FURTHER ORDERED THAT TGS **SHALL** file with the Commission no later than December 10, 2018, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101(l) (2010).

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

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

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

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

SIGNED this 13th day of June, 2013.

RAILROAD COMMISSION OF TEXAS


 BARRY T. SMITHERMAN
 CHAIRMAN


 DAVID PORTER
 COMMISSIONER


 CHRISTI CRADDICK
 COMMISSIONER

ATTEST

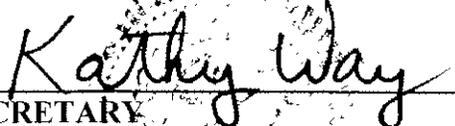

 SECRETARY



EXHIBIT A

RESIDENTIAL SERVICE RATE

APPLICABILITY

Applicable to a residential customer in a single dwelling, or in a dwelling unit of a multiple dwelling or residential apartment, for domestic purposes.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 10.75 plus
Interim Rate Adjustments (IRA)	\$ 2.33 per month (Footnote 1)
Total Customer Charge	\$ 13.08

All Ccf per monthly biling period @ \$.29090 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Residential service shall have priority in supply.

Footnote 1: 2011 IRA - \$2.33

COMMERCIAL SERVICE RATE

APPLICABILITY

Applicable to commercial consumers and to consumers not otherwise specifically provided for under any other rate schedule, with monthly usage of 2,900 Ccf or less, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 22.50 plus
Interim Rate Adjustment (IRA)	\$ 7.80 per month (Footnote 1)
Total Customer Charge	\$ 30.30

All Ccf at \$ 0.28200 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other consumers served.

Footnote 1: 2011 IRA - \$7.80

LARGE VOLUME COMMERCIAL SERVICE RATEAPPLICABILITY

Applicable to commercial customers and to customers not otherwise specifically provided for under any other rate schedule, with monthly usage greater than 2,900 Ccf, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 204.84 per month (Footnote 1)
Total Customer Charge	\$ 604.84

All Ccf at \$ 0.26200 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other customers served.

Footnote 1: 2011 IRA – 204.84

INDUSTRIAL SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government, with monthly usage of 2,900 Ccf or less, on average.

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

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 50.00 plus
Interim Rate Adjustment (IRA)	\$ 50.35 per month (Footnote 1)
Total Customer Charge	\$ 100.35

All Ccf at \$ 0.24500 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other consumers served.

Footnote 1: 2011 IRA - \$50.35

LARGE VOLUME INDUSTRIAL SERVICE RATE

APPLICABILITY

Service under this rate schedule is available to any customer whose primary business activity at the location served is included in one of the following classifications of the Standard Industrial Classification Manual of the U.S. Government, with monthly usage greater than 2,900 Ccf, on average.

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

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 74.72 per month (Footnote 1)
Total Customer Charge	\$ 474.72

All Ccf at \$ 0.22500 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other consumers served.

Footnote 1: 2011 IRA – \$74.72

TEXAS GAS SERVICE COMPANY

North Texas Area

RATE SCHEDULE 4A

PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts, with monthly usage of 2,900 Ccf or less, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 40.00 plus
Interim Rate Adjustment (IRA)	\$ 18.59 per month (Footnote 1)
Total Customer Charge	\$ 58.59

All Ccf at \$ 0.27490 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule 1-ENV.

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

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other consumers served.

Footnote 1: 2011 IRA – \$18.59

Supersedes Same Sheet Dated:
July 30, 2012

Meters Read On and After
April 30, 2013

LARGE VOLUME PUBLIC AUTHORITY SERVICE RATE

APPLICABILITY

Applicable to all public and parochial schools and colleges, and to all facilities operated by Governmental agencies not specifically provided for in other rate schedules or special contracts, with monthly usage greater than 2,900 Ccf, on average.

TERRITORY

All customers served by the Company in the unincorporated areas of Weatherford, Aledo, Hudson Oaks, Willow Park, Mineral Wells, Graford, Millsap, Breckenridge, Graham, Jacksboro, Bryson, Jermyn, Palo Pinto, Perrin, Whitt, Possum Kingdom, and Punkin Center, Texas.

COST OF SERVICE RATE

During each monthly billing period:

A Customer Charge of	\$ 400.00 plus
Interim Rate Adjustment (IRA)	\$ 284.69 per month (Footnote 1)
Total Customer Charge	\$ 684.69

All Ccf at \$ 0.25490 per Ccf

OTHER ADJUSTMENTS

Cost of Gas Component: The basic rates for cost of service set forth above shall be increased by the amount of the Cost of Gas Component for the billing month computed in accordance with the provisions of Rate Schedule I-ENV.

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

Interim Rate Adjustment: The basic rates for cost of service set forth above shall be adjusted to include the amount of the Interim Rate Adjustment in accordance with the provisions of Rate Schedule IRA-ENV.

Taxes: Plus applicable taxes and fees related to above.

CONDITIONS

1. Subject to all applicable laws and orders, and the Company's Rules and Regulations on file with the regulatory authority.
2. Delivery of gas hereunder may be interrupted or curtailed at the discretion of the Company, in case of shortage or threatened shortage of gas supply from any cause whatsoever, to conserve gas for residential and other customers served.

Footnote 1: 2011 IRA – \$ 284.69

EXHIBIT B

SUMMARY

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
 ENVIRONS GRIP FILING

Line No.	Description	12/31/2010		12/31/2011	Reference
		(a)	(b)	(c)	
1	Net Investment		\$ 29,943,219	\$ 33,959,074	(b) IRA-7 lines 62+77 col (h), (c) IRA-8 lines 62+73 col (h)
2	Increase in Net Investment			\$ 4,015,856	IRA-9 lines 62 + 74 col (g)
3	Authorized Return on Capital			8.584%	IRA-15 line 6 col (d)
4					
5	Change in Return on Net Investment			\$ 344,721	Line 2 * Line 3
6	Change in Depreciation Expense			\$ 17,438	IRA-9 line 62 col (f)
7	Change in Federal, Revenue and Other Taxes			\$ 344,665	IRA-5 line 13 col (g) plus IRA-8 line 26 (c)
8	Change in Revenue Requirement			\$ 706,824	Sum of Lines 5 - 7
9					
10	Annual Number of Bills			201,696	
11	Increase Per Bill Per Month			See Below	
12	(to be applied to monthly customer charge or initial block rate, check on)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					

16
17

Current and Proposed Bill Information - With Gas Cost					
		Current	Proposed	Difference	% Change
21	Residential				
22	Average Monthly Bill @ 4.1 Mcf	\$ 41.69	\$ 44.02	\$ 2.33	5.6%
23					
24	Commercial				
25	Average Monthly Bill @ 18.9 Mcf	\$ 163.43	\$ 171.23	\$ 7.80	4.8%
26					
27	Large Commercial				
28	Average Monthly Bill @ 608.8 Mcf	\$ 4,817.85	\$ 5,022.69	\$ 204.84	4.3%
29					
30	Industrial				
31	Average Monthly Bill @ 181.1 Mcf	\$ 1,333.39	\$ 1,383.74	\$ 50.35	3.8%
32					
33	Large Industrial				
34	Average Monthly Bill @ 148.5 Mcf	\$ 1,422.67	\$ 1,497.39	\$ 74.72	5.3%
35					
36	Public Authority				
37	Average Monthly Bill @ 51.3 Mcf	\$ 418.88	\$ 437.47	\$ 18.59	4.4%
38					
39	Large Public Authority				
40	Average Monthly Bill @ 928.7 Mcf	\$ 7,073.32	\$ 7,358.01	\$ 284.69	4.0%

41
42
43

Current and Proposed Bill Information - Without Gas Cost					
		Current	Proposed	Difference	% Change
47	Residential				
48	Average Monthly Bill @ 4.1 Mcf	\$ 22.68	\$ 25.01	\$ 2.33	10.3%
49					
50	Commercial				
51	Average Monthly Bill @ 18.9 Mcf	\$ 75.80	\$ 83.60	\$ 7.80	10.3%
52					
53	Large Commercial				
54	Average Monthly Bill @ 608.8 Mcf	\$ 1,995.06	\$ 2,199.90	\$ 204.84	10.3%
55					
56	Industrial				
57	Average Monthly Bill @ 181.1 Mcf	\$ 493.70	\$ 544.05	\$ 50.35	10.2%
58					
59	Large Industrial				
60	Average Monthly Bill @ 148.5 Mcf	\$ 734.13	\$ 808.85	\$ 74.72	10.2%
61					
62	Public Authority				
63	Average Monthly Bill @ 51.3 Mcf	\$ 181.02	\$ 199.61	\$ 18.59	10.3%
65					
66	Large Public Authority				
67	Average Monthly Bill @ 928.7 Mcf	\$ 2,767.26	\$ 3,051.95	\$ 284.69	10.3%

69
70
71
72 Average bills exclude revenue related taxes and are computed using a 12 month average Cost of Gas for CY 2011

REVENUE RELATED AND OTHER TAXES

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
 ENVIRONS GRIP FILING

Line No.	Description	(a)	Total (b)	Adjustments (c)	12 Month End As Adjusted (at Present Rates) (d)	Adjustments (1) (e)	12 Month End As Adjusted (at Proposed Rates) (f)	Change (g)
1	Non Revenue - Related							
2	Ad Valorem Tax	\$	169,105 \$	- \$	169,105 \$	27,808 \$	196,913 \$	27,808
3	Revenue - Related							
4	State Gross Receipts - Tax		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
5	Local Gross Receipts - Tax		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
6	Railroad Commission - Gas Utility Tax		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
7	Total Revenue Related Taxes		Note 2	Note 2	Note 2	Note 2	Note 2	Note 2
8	TOTAL TAXES OTHER THAN INCOME	\$	169,105 \$	- \$	169,105 \$	27,808 \$	196,913 \$	27,808
9								
10								
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Note 1: Adjustment is the net change in investment multiplied by the ad valorem effective rate factor based on property tax payments paid in Calendar Year 2010. Also see Company's Schedule 5 in Attachment C.
 Note 2: Revenue related taxes are collected separately on the Customer's bill and are not part of the Company's revenue requirement.

FEDERAL INCOME TAX

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
 ENVIRONS GRIP FILING

Line No.	Description	Prior Year ^a (b)	Amount (c)	Current Year ^b (d)	Amount (e)
1	Return on Investment				
2	Invested Capital (Rate Base)	\$ 23,325,742	\$	\$ 33,959,074	
3	Rate of Return	8.5840%		8.5840%	
4	Return on Investment		\$ 2,002,282		\$ 2,915,047
5					
6	Interest Expense				
7	Invested Capital (Rate Base)	\$ 23,325,742	\$	\$ 33,959,074	
8	Weighted Cost of Debt	3.0500%		3.0500%	
9	Interest Expense		\$ 711,435		\$ 1,035,752
10					
11	After Tax Income		\$ 1,290,847		\$ 1,879,295
12					
13	Gross- Up Factor		1.538		1.538
14					
15	Before Tax Return		\$ 1,985,918		\$ 2,891,223
16					
17	Federal Income Tax Rate		35%		35%
18					
19	Net Income Tax Expense		\$ 695,071		\$ 1,011,928
20	CHANGE IN FEDERAL INCOME TAX		\$ 316,857		

WEIGHTED AVERAGE COST OF CAPITAL

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA

FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
 ENVIRONS GRIP FILING

Per Last Rate Case:
 Docket No. 10094

Line No.	Description	Investment Balance (a)	Percent of Total (b)	Cost (c)	Weighted Cost (d)
1	Common Equity	\$ 11,896,128	0.5100	10.850%	5.53400%
2	Preferred Stock				
3	Preferred Trust Securities				
4	Long-Term Debt	\$ 11,429,614	0.4900	6.220%	3.05000%
5	Short-Term Debt				
6	Total	\$ 23,325,742	100%		8.58400%

ALLOCATION OF INVESTMENT RECOVERY

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA
 FOR THE PERIOD BEGINNING JANUARY 1, 2011 AND ENDING DECEMBER 31, 2011
 ENVIRONS GRIP FILING

Allocation Factors Per Rate Case - Docket Nos. 10094	
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145
Standard Transportation	0.0000
Total System	<u>0.9978</u>

Allocation Factors Requested in this filing	
Residential	0.5752
Commercial	0.2652
Large Commercial	0.0676
Industrial	0.0042
Large Industrial	0.0037
Public Authority	0.0674
Large Public Authority	0.0145
Standard Transportation	0.0000
Total System	<u>0.9978</u>

New Investment Recovery Distribution		
Requested Recovery Amount		\$ 706,824
Residential	0.5752	406,565
Commercial	0.2652	187,450
Large Commercial	0.0676	47,781
Industrial	0.0042	2,969
Large Industrial	0.0037	2,615
Public Authority	0.0674	47,640
Large Public Authority	0.0145	10,249
Standard Transportation	0.0000	0
Total System	<u>0.9978</u>	<u>\$ 705,269</u>

TEXAS GAS SERVICE COMPANY
 NORTH TEXAS SERVICE AREA
 INTERIM COST RECOVERY AND RATE ADJUSTMENT
 CHANGES FROM JANUARY 1, 2011 THROUGH DECEMBER 31, 2011

CHANGE IN CUSTOMER CHARGE BY CUSTOMER CLASS

NO.	CUSTOMER CLASS	REVENUES PER RATE CASE TYE 12/31/2010 (a)	PERCENT OF REVENUES PER RATE CASE TYE 12/31/2010 (b)	REV. REQ. INCREASE (SCH 1) (c)	ANNUAL BILLS CY 2011 (d)	CUSTOMER CHARGE INCREASE (e)
<u>Gas Sales</u>						
1	Residential	\$3,973,843	57.52%	\$406,565	174,726	\$2.33
2	Commercial	\$1,824,109	26.52%	\$187,450	24,045	\$7.80
3	Large Volume Commercial	\$465,392	6.76%	\$47,781	233	\$204.84
4	Industrial	\$29,118	0.42%	\$2,969	59	\$50.35
5	Large Volume Industrial	\$25,693	0.37%	\$2,615	35	\$74.72
6	Public Authority	\$463,553	6.74%	\$47,640	2,562	\$18.59
7	Large Volume Public Authority	\$99,617	1.45%	\$10,249	36	\$284.69
<u>Transportation</u>						
8	Standard (T-1)	0	0.00%	\$0	0	\$0
Grand Total		\$6,881,325	99.78%	\$706,824	201,696	