



1301 South Mopac Expressway, Suite 400
Austin, Texas 78746
texasgasservice.com

December 22, 2017

VIA UPS Delivery
City of Galveston
823 Rosenberg, Ste. 201
Galveston, TX 77550

RE: Annual Reporting per Rate Schedule RCE (Rate Case Expense Surcharge Rider) effective July 27, 2016 for the Gulf Coast Service Area served by Texas Gas Service

Texas Gas Service, a division of ONE Gas, Inc., (“TGS” or the “Company”) was authorized recovery of rate case expenses for the newly consolidated Gulf Coast Service Area (“GCSA”) pursuant to the Final Order in Gas Utilities Docket Number 10488 and the Unanimous Settlement Agreement signed by TGS, the GCSA cities (except Jamaica Beach) and the RRC on March 24, 2016. In accordance with Rate Schedule RCE, Section E Compliance, enclosed is the Annual Compliance Reconciliation Report for the Company’s rate case expense recovery. The Compliance Reconciliation Report includes data through the Company’s General Ledger Month of November 2017.

The amount approved for recovery is capped at \$853,824 for the GCSA incorporated areas. As of the November 2017 General Ledger Month, \$400,932.10 has been collected from incorporated customers.

If you have any questions or concerns, please contact me at denise.dembowski@onegas.com or at 512-370-8359.

Respectfully submitted,

Denise Dembowski
Denise Dembowski *by Christy Bell*

Manager - Rates and Regulatory Analysis

Enclosures:
RCE-Rider Annual Compliance Report
Rate Schedule RCE

RATE CASE EXPENSE SURCHARGE

A. APPLICABILITY

The Rate Case Expense Surcharge (RCE) rate as set forth in Section (B) below is pursuant to the following cities either approving via City Ordinance or operation of law the Gas Utilities Docket No. 10488 Unanimous Settlement Agreement signed March 24, 2016 between Texas Gas Service (TGS) and the Cities of Galveston, Bayou Vista, Port Neches, Port Arthur, Nederland and Groves, Texas (collectively, the "Cities"). This rate shall apply to the following rate schedules of Texas Gas Service Company in the incorporated areas of the Cities served in TGS's Gulf Coast Service Area: 10, 20, 30, 40 and T-1.

B. RCE RATE

All Ccf during each billing period: \$0.0172 per Ccf

This rate will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedules. Texas Gas Service Company will recover \$706,179 in actual expense and up to \$147,645 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

C. OTHER ADJUSTMENTS

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

D. CONDITIONS

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

E. COMPLIANCE

TGS shall file a reconciliation report annually on or before December 31st, commencing in 2016. TGS shall file the report with the Commission, Addressed to the Director of the Oversight and Safety Division and referencing Gas Utilities Docket No. 10488, Rate Case Expense Recovery Report. The report shall include:

- The volumes used by month by customer class during the applicable period,
- The amount of Rate Case Expense recovered, by month
- The outstanding balance, by month