

CUSTOMER RATE RELIEF RATE SCHEDULE

Applicable to all Sales Customers for the purpose of collecting and remitting customer rate relief charges as authorized by the Railroad Commission of Texas (Commission) in accordance with Chapter 104, Subchapter I of the Texas Utilities Code and the Commission Financing Order issued in Docket No. OS-21-00007061.

A. ABBREVIATIONS AND DEFINITIONS

- 1) Authority – The Texas Public Finance Authority, together with any successor to its duties and functions.
- 2) Bonds or Customer Rate Relief (“CRR”) Bonds – The “Texas Natural Gas Securitization Finance Corporation Customer Rate Relief Bonds, Series 2023” and any additional or different designation or title by which each series of Bonds shall be known as determined by the Issuer Entity.
- 3) Ccf and Mcf – For Ccf, one hundred (100) standard cubic feet of gas, where one (1) standard cubic foot of gas is the amount of gas contained in one (1) cubic foot of space at a standard pressure of fourteen point sixty-five (14.65) pounds per square inch, absolute and a standard temperature of sixty (60) degrees Fahrenheit; and, for Mcf, 1,000 standard cubic feet of gas.
- 4) Central Servicer – The entity engaged in accordance with the terms of the Financing Order to, amongst other things, engage the Participating Gas Utilities as collection agents for the purposes of facilitating collection and remittance of CRR Charges by Participating Gas Utilities, and perform the other services required of it under the Servicing Agreement (as defined in the Financing Order).
- 5) Commission – The Railroad Commission of Texas, including its staff or delegate.
- 6) CRR Charge True-Up Adjustment – A True-Up Adjustment (as defined in the Financing Order).
- 7) CRR Charge True-Up Charge Adjustment Letter – A true-up adjustment letter substantially in the form of Exhibit 3 to the Financing Order.
- 8) CRR Scheduled Adjustment Date – January 1 and July 1 of each applicable year, provided that the CRR Scheduled Adjustment Date and any other deadlines or target dates related thereto, shall be subject to modification prior to the date the Bonds so as to reflect the terms of the Servicing Agreement.
- 9) Customer Rate Relief (“CRR”) Charge – A nonbypassable charge as defined in Tex. Util. Code § 104.362(7).
- 10) Financing Order – The order adopted under Tex. Util. Code § 104.366 approving the issuance of CRR Bonds and the creation of Customer Rate Relief Property and associated CRR Charges for the recovery of regulatory assets, including extraordinary costs, related financing costs, and other costs authorized by the Financing Order.
- 11) Gas Utility – Texas Gas Service Company, a Division of ONE Gas, Inc. and its successors and assignees, an operator of natural gas distribution pipelines that delivers and sells natural gas to the public and that is subject to the Commission’s jurisdiction under Tex. Util. Code § 102.001, or 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 Commission in a rate proceeding filed under Chapter 104 of the Utilities Code, within the service area.

- 12) Irrevocable – The Financing Order, together with the Customer Rate Relief Property as defined by Tex. Util. Code § 104.362(8) and the CRR Charges authorized by the Financing Order, are irrevocable and not subject to reduction, impairment, or adjustment by further action of the Commission, except in connection with true-ups authorized by the Financing Order.
- 13) Issuer Entity – Texas Natural Gas Securitization Finance Corporation, a Texas nonprofit public corporation established by the Authority, or any successor created pursuant to Tex. Gov't Code § 1232.1072.
- 14) Large Participating Gas Utility – Atmos Energy Corporation on behalf of its Mid-Tex Division and West Texas Division; CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas; Texas Gas Service Company, a Division of ONE Gas, Inc., excluding the West Texas Service Area; and any Participating Gas Utility or Successor Utility (as defined in the Financing Order) each of whose Normalized Sales Volumes exceed 2.0% of the total aggregate Normalized Sales Volumes among all Participating Gas Utilities. Any calculation performed in connection with the preceding sentence shall be made on the basis of the most recently reported Normalized Sales Volumes and such calculation shall be performed by the Central Servicer annually no later than one (1) month after Normalized Sales Volumes are reported as regularly scheduled under Paragraph H hereof; provided that the Commission and/or Central Servicer may perform such calculation without any limitation in order to give effect to any merger, acquisition, disposition, divestiture, spin-off or other transaction that would impact a Participating Gas Utility's share of the total aggregate Normalized Sales Volumes. The Commission or the Central Servicer shall promptly thereafter provide written notice to a Participating Gas Utility that subsequently becomes a Large Participating Gas Utility, which change shall take effective beginning on January 1 of the following calendar year.
- 15) Nonbypassable – CRR Charges must be paid by all existing or future customers receiving service from a Participating Gas Utility or such gas utility's successors or assigns.
- 16) Normalized Sales Volumes –
- a) For Large Participating Gas Utilities: All natural gas volumes projected to be billed for the upcoming twelve (12) month period in conjunction with the operation of a Participating Gas Utility's Purchased Gas Adjustment, Cost of Gas Clause, or other equivalent tariff established for the collection of natural gas costs. For the avoidance of doubt, only the Normalized Sales Volumes of Large Participating Gas Utilities shall be aggregated to calculate the CRR Charges.
 - b) For other Participating Gas Utilities: All natural gas volumes billed in the preceding calendar year in conjunction with the operation of a Participating Gas Utility's Purchased Gas Adjustment, Cost of Gas Clause, or other equivalent tariff established for the collection of natural gas costs and normalized according to the methodology utilized in each Participating Gas Utility's application filed in Docket No. OS-21- 00007061, *Consolidated Applications For Customer Rate Relief and Related Regulatory Asset Determinations In Connection With The February 2021 Winter Storm*.

For the avoidance of doubt, only the Normalized Sales Volumes of Large Participating Gas Utilities shall be aggregated in order to calculate the CRR Charges.

- 17) Participating Gas Utilities – Atmos Energy Corporation on behalf of its Mid-Tex Division and West Texas Division; Rockin’ M Gas LLC d/b/a Bluebonnet Natural Gas LLC; CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Texas Gas; Corix Utilities (Texas) Inc.; EPCOR Gas Texas Inc.; SiEnergy, LP; Summit Utilities Arkansas, Inc.¹, Texas Gas Service Company, a Division of ONE Gas, Inc., excluding the West Texas Service Area; and Universal Natural Gas, LLC d/b/a Universal Natural Gas, Inc. or any Successor Utility (as defined in the Financing Order).
- 18) Sales Customer(s) – All active customers taking service under a Participating Gas Utility’s Purchased Gas Adjustment, Cost of Gas Clause, or other equivalent tariff established for the collection of natural gas costs.

B. APPLICABILITY

This rate schedule sets out the rate, terms and conditions under which the CRR Charge shall be billed and collected by Texas Gas Service Company, a Division of ONE Gas, Inc. as a Participating Gas Utility for all Incorporated and Unincorporated Areas of the Central-Gulf Service Area, Rio Grande Valley Service Area, North Texas Service Area and Borger/Skellytown Service Area under the terms of the Financing Order. Each individual Sales Customer is responsible for paying the CRR Charge billed to it in accordance with the terms of this rate schedule. Payment is to be made by an individual Sales Customer to the Participating Gas Utility of which it is a customer. The Participating Gas Utility is obligated to apply amounts collected from customers to pay any outstanding CRR Charges prior to applying such amounts for any other purpose. The Participating Gas Utility, as collection agent, shall remit collections of the CRR Charges to the Indenture Trustee in accordance with the terms of the Financing Order and any servicing or other similar agreement that is contemplated by the Financing Order.

C. TERM

This rate schedule shall remain in effect until the CRR Charges have been collected and remitted to the Indenture Trustee in an amount sufficient to satisfy all obligations in regard to paying principal and interest on the CRR Bonds together with all other financing costs, bond administrative expenses and other costs as provided in the Financing Order. This rate schedule and the CRR Charge are irrevocable and nonbypassable.

D. SALES CUSTOMERS

For the purposes of billing the CRR Charges, all Sales Customers of the Participating Gas Utility’s Central-Gulf Service Area, Rio Grande Valley Service Area, North Texas Service Area and Borger/Skellytown Service Area shall be assessed the uniform volumetric charge identified below.

¹ Summit Utilities Arkansas, Inc. is the Successor Utility of CenterPoint Energy Arkla as of January 10, 2022.

E. CRR CHARGE

The CRR Charge will be a monthly volumetric rate of \$0.11/Ccf. The CRR Charge is calculated in accordance with and subject to the provisions set forth in the Financing Order and will be adjusted at least annually based upon the CRR Charge true-up adjustment procedure. The CRR Charge shall be included in the Participating Gas Utility's Purchase Gas Adjustment, Cost of Gas Clause, or other equivalent tariff established for the collection of natural gas costs. Participating Gas Utilities may reflect the CRR Charge according to the delivery pressures defined in Participating Gas Utilities' applicable tariffs. Such delivery pressure specific charges shall be equivalent to the CRR Charge as determined below at 14.65 per square inch, as defined above.

F. DETERMINATION OF CUSTOMER RATE RELIEF CHARGE

The CRR Charge will be adjusted no less frequently than annually, in accordance with the terms of the Servicing Agreement (as defined in the Financing Order), to ensure that the expected collection of CRR Charges is adequate to pay when due, pursuant to the expected amortization schedule, principal and interest on the CRR Bonds and together with all other financing costs, bond administrative expenses and other costs, as provided in the Financing Order, on a timely basis. The CRR Charge shall be computed according to the formula described below.

Step 1: Determination of Normalized Sales Volumes
(A) Total Large Participating Gas Utility Normalized Sales Volumes (Mcf)
(B) Assumed % of uncollectible sales
(C) Total Normalized Sales Volumes Billed and Collected: (A * (1 - B))

For the avoidance of doubt, Normalized Sales Volumes are assumed to be calculated without giving effect to volumes anticipated from Participating Gas Utilities making up less than two percent (2.0%) of the total Normalized Sales Volumes of all Participating Gas Utilities.

Step 2: Determination of CRR Charge
(D) Total CRR Charge Rate Revenue Requirement for Applicable Period
(E) CRR Charge per Normalized Sales Volumes (Mcf): (D / C)
<i>Thereof: CRR Charge for Sales Customers</i>

G. CRR CHARGE TRUE-UP

Changes to the CRR Charge will be effected through the filing of CRR Charge True-Up Adjustment Letters by the Central Servicer to the Commission as authorized by the Financing Order and in accordance with the Servicing Agreement. Not less than fifteen (15) days prior to each CRR Scheduled Adjustment Date and more frequently as required by the Central Servicer, the Central Servicer will submit the CRR Charge True-Up Adjustment Letter in the form of Exhibit 3 to the Financing Order to ensure that CRR Charge collections are sufficient to make all scheduled payments of CRR Bond principal and interest and meet other Ongoing Financing Costs (as defined in the Financing Order) on a timely basis during the payment period.

In addition to the foregoing, the Central Servicer shall be authorized to file CRR Charge True-Up Adjustment Letters with the Commission that adjust the CRR Charge more frequently (but not more often than quarterly) as required under the provisions of the Servicing Agreement (as defined in the Financing Order).

H. CRR CHARGE TRUE-UP PROCEDURE

Texas Gas Service Company, a Division of ONE Gas, Inc. shall annually file with the Commission and the Central Servicer by June 1 of each year its Normalized Sales Volumes; each Large Participating Gas Utility shall include projected volumes for each of the future twelve (12) months beginning July 1, and each other Participating Gas Utility shall include its Normalized Sales Volumes for the prior calendar year. Such filing and/or reporting may be more frequent to the extent required under the Servicing Agreement and applicable Collection and Reporting Arrangements. If Texas Gas Service Company, a Division of ONE Gas, Inc. is a Large Participating Gas Utility, the Participating Gas Utility shall, upon the request of the Central Servicer, provide the Commission and the Central Servicer updated Normalized Sales Volumes for the succeeding twelve (12) month period no later than the fifteenth (15th) day following such request to allow the Central Servicer to make Interim True-Up Adjustments. Each Participating Gas Utility shall have the right to provide the foregoing information to the Central Servicer on a confidential basis if reasonably necessary to ensure compliance with applicable securities laws (subject to any (i) legal requirements necessitating the disclosure of such information, including compliance with (A) applicable securities laws and (B) other generally applicable laws and (ii) certain customary restrictions and exceptions to be agreed). The Central Servicer shall submit to the Commission and the Participating Gas Utilities, not less than fifteen (15) days prior to the CRR Scheduled Adjustment Date, a CRR Charge True-Up Adjustment Letter applying the CRR Charge True-Up Adjustment based on Normalized Sales Volumes and other mathematical factors and requesting administrative approval from the Commission as provided for in the Servicing Agreement. The Commission's review and approval of the True-Up Adjustment Letter shall be as set forth in the Servicing Agreement (it being understood such review is limited to determining if any mathematical or clerical errors are present in the application of the CRR Charge True-Up Adjustment relating to the appropriate amount of any over-collection or under-collection of CRR Charges and the amount of an adjustment).

If any CRR Charge True-Up Adjustment that is an Interim True-Up Adjustment is necessary, (i) the Central Servicer may request and the Large Participating Gas Utilities shall provide revised Normalized Sales Volumes for each of the immediately succeeding twelve (12) months and related data and (ii) within fifteen (15) days of receipt of such data, the Central Servicer shall file a revision to the CRR Rate Schedule in a True-Up Charge Adjustment Letter setting forth the adjusted CRR Charge to be effective for the upcoming period, in accordance with the Servicing Agreement. Texas Gas Service Company, a Division of ONE Gas, Inc. shall have the right to provide such information on a confidential basis if reasonably necessary to ensure compliance with applicable securities laws (subject to any (i) legal requirements necessitating the disclosure of such information, including compliance with (A) applicable securities laws and (B) other generally applicable laws and (ii) certain customary restrictions and exceptions to be agreed). A CRR Charge resulting from a true-up adjustment will become effective on the first (1st) billing cycle that is not less than fifteen (15) days following the making of the CRR Charge True-Up Adjustment filing.

I. TAXABILITY

The receipt of CRR Charges by a Participating Gas Utility 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 Tex. Tax Code § 171.1011.