

SMALL COMMERCIAL SERVICE RATE

APPLICABILITY

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

TERRITORY

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

COST OF SERVICE RATE

During each monthly billing period:

A customer charge per meter per month of \$75.00 plus

A delivery charge per monthly billing period @ \$0.63855 per Ccf

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

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

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

OTHER ADJUSTMENTS

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

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

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

SMALL COMMERCIAL SERVICE RATE (Continued)

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

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

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

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

CONDITIONS

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