

August 10, 2021

Ms. Kimberly D. Bose, Secretary Federal Energy Regulatory Commission 888 First Street, N.E. Washington, D.C. 20426

Re: Southwest Gas Storage Company

Docket No. RP21-

Creditworthiness and other Tariff Revisions

Dear Ms. Bose:

Southwest Gas Storage Company (Southwest) hereby electronically submits for filing with the Federal Energy Regulatory Commission (Commission), the revised tariff records listed below to its FERC NGA Gas Tariff, Second Revised Volume No. 1 (Tariff), proposed to become effective September 10, 2021.

<u>Version</u>	<u>Description</u>	<u>Title</u>
6.0.0	Part I	Table of Contents
4.0.0	Part VI	General Terms and Conditions
6.0.0	GT&C Section 1.	Definitions
2.0.0	GT&C Section 2.	Requests for Service
7.0.0	GT&C Section 6.	Capacity Release
5.0.0	GT&C Section 7.	Contracting for Service Rights
1.0.0	GT&C Section 9.	Conditions of Receipt and Delivery
3.0.0	GT&C Section 16.	Creditworthiness

STATEMENT OF NATURE, REASONS AND BASIS

The purpose of this filing, made in accordance with the provisions of Section 154.204 of the Commission's Regulations, is to update and clarify several tariff provisions in the General Terms and Conditions (GT&C) of Southwest's Tariff as more fully described below.

First, Southwest proposes to move and update the creditworthiness provisions from GT&C Section 2 to a separate section of the General Terms and Conditions. The creditworthiness provisions in the previously reserved GT&C Section 16 present more fully described procedures that are both streamlined and consistent with Commission policy. The Commission's policy requires pipelines to establish and use objective criteria for determining creditworthiness. Southwest proposes objective criteria in GT&C Section 16.2. In addition, GT&C Section 16.3 outlines the information that may be reviewed by Southwest in determining creditworthiness, if needed. GT&C Section 16.4 sets out an alternative mechanism to assess creditworthiness when a shipper does not qualify for creditworthiness under the objective criteria of GT&C Section 16.2. Finally, if a shipper fails to establish or maintain creditworthiness, then that shipper may still obtain or continue service if the shipper provides credit support pursuant to GT&C Section 16.5. All of these sections provide more detail on the methodology

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to be utilized in making determinations as to creditworthiness of shippers. Additional provisions address Southwest's right to re-evaluate shipper's creditworthiness and notify shipper of non-creditworthiness (GT&C Section 16.6), procedures for suspension of service (GT&C Section 16.7) and termination of the service agreement (GT&C Section 16.8), a re-evaluation request by a non-creditworthy shipper (GT&C Section 16.9) and creditworthiness associated with new or expanded facilities (GT&C Section 16.10). By adding this new GT&C Section 16 for Creditworthiness, Southwest proposes to revise GT&C Section 2 for the related portions regarding creditworthiness to reflect a reference to the new GT&C Section 16 and update any other creditworthiness references throughout the Tariff. The proposed creditworthiness language is patterned after the provisions previously accepted for Panhandle Eastern Pipe Line Company, LP (Panhandle).

Southwest also proposes administrative housekeeping revisions to its Tariff. In GT&C Section 1, Definitions, Southwest proposes to modify an existing definition and remove a defined term that is no longer applicable in the Tariff. For GT&C Section 9, Conditions of Receipt and Delivery, Southwest proposes to include indemnity language with regards to Quality requirements similar to other Commission approved pipeline tariff records.

IMPLEMENTATION

Pursuant to Section 154.7(a)(9) of the Commission's Regulations, Southwest requests that the proposed tariff records be accepted effective September 10, 2021.

CONTENTS OF THE FILING

This filing is made in electronic format in compliance with Section 154.4 of the Commission's Regulations. In addition to the proposed tariff records in RTF format with metadata attached, the XML filing package contains:

- . A transmittal letter in PDF format
- . A clean copy of the proposed tariff record in PDF format
- . A marked version of the proposed tariff changes in PDF format
- . A copy of the complete filing in PDF format for publishing in eLibrary

¹ Panhandle Eastern Pipe Line Company, LP, (Panhandle), 170 FERC ¶ 61,172, P 101 (2020).

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COMMUNICATIONS, PLEADINGS AND ORDERS

Southwest requests that all Commission orders and correspondence as well as pleadings and correspondence from other parties concerning this filing be served on the following:

Michael T. Langston 2

Vice President
Chief Regulatory Officer
Southwest Gas Storage Company
1300 Main Street
Houston, TX 77002
(713) 989-7610
(713) 989-1205 (Fax)
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In accordance with Section 154.2(d) of the Commission's Regulations, a copy of this filing is available for public inspection during regular business hours at Southwest's office at 1300 Main Street, Houston, Texas 77002. In addition, copies of this filing are being served electronically on jurisdictional customers and interested state regulatory agencies. Southwest has posted this filing on its Internet website accessible via http://swgsmessenger.energytransfer.com under Informational Postings, Regulatory.

Pursuant to Section 385.2005(a) of the Commission's Regulations, the undersigned has read this filing and knows its contents, the contents are true as stated, to the best of his knowledge, and belief, and possesses full power and authority to sign such filing.

Respectfully submitted,

SOUTHWEST GAS STORAGE COMPANY

/s/ Lawrence J. Biediger

Lawrence J. Biediger Sr. Director, Rates and Regulatory Affairs

² Designated to receive service pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure. Southwest respectfully requests that the Commission waive Rule 203(b)(3), 18 C.F.R. § 385.203(b)(3), in order to allow Southwest to include additional representatives on the official service list.

³ Designated as responsible Company official under Section 154.7(a)(2) of the Commission's Regulations.

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The following General Terms and Conditions are applicable to all services provided herein:

1. DEFINITIONS

"Average Storage Balance" shall mean the sum of the daily Quantity of Gas, expressed in dekatherms, held by Southwest in storage for Shipper's account divided by the number of Days in a particular Month.

"Business Day" shall mean Monday through Friday from 8:00 a.m. to 5:00 p.m. Central Clock Time, excluding Federal Banking Holidays.

"Central Time" or "Central Clock Time" shall mean the time in the Central Time Zone, as adjusted for Daylight Savings Time and Standard Time.

"Commission" or "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

"Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time. The reference date for any Day shall be the date of the beginning of such Day.

"Dekatherm (Dt)" shall mean one thousand cubic feet of gas (Mcf) with a heat content of 1,000 Btu per cubic foot on a measurement basis specified under Section 9.2 herein and based on the same pressure base as the volumes.

"East Area" shall mean the area where service is provided by the East Area Storage Facilities.

"East Area Storage Facilities" shall mean those storage facilities owned by Southwest and known as the Howell Storage Field located in Livingston County, Michigan and the Waverly Storage Field located in Morgan and Sangamon Counties, Illinois in addition to acquired off-system capacity.

"Electronic Gas Measurement (EGM)" shall mean that form of measurement equipment used by Southwest which may consist of a computerized remote terminal unit, transducers and other associated power, radio and sensing and other electronic devices to accomplish gas measurement and the transfer of data, without the use of charts.

"Fuel Reimbursement" shall mean the reimbursement in kind to Southwest by Shipper for fuel usage and lost or unaccounted for gas.

"Injection Season" shall mean the months of April, May, June, July, August, September and October.

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"Long-Term Agreement" shall mean a Storage Service Agreement with a primary term of one year or more.

"Market Based Rate" shall mean a rate that is negotiated based on market conditions and has no stated minimum or maximum value for storage service.

"Maximum Daily Injection Quantity (MIQ)" shall mean the maximum Quantity which Southwest is obligated to inject for Shipper on any Day during the Injection Season as described in Section 2.2 of the applicable Rate Schedule.

"Maximum Daily Withdrawal Quantity (MWQ)" shall mean the maximum Quantity which Southwest is obligated to withdraw for Shipper on any Day during the Withdrawal Season as described in Section 2.3 of the applicable Rate Schedule.

"Maximum Annual Quantity (MAQ)" shall mean the maximum Quantity of Gas which Southwest is obligated to hold for the account of Shipper.

"Messenger® system" shall mean the electronic communication system offered by Southwest on a nondiscriminatory basis to any person that has compatible equipment for electronic transmission of data; provided that such person has executed a Messenger® Agreement, has been assigned a USERID and password and agrees to comply with the procedures for access to and use of the Messenger® system.

"Month" shall mean the period beginning at 9:00 a.m. Central Clock Time on the first Day of the calendar month and continuing through the last Day of the calendar month.

"NGA" shall mean the Natural Gas Act of 1938, as amended.

"Point of Delivery" shall mean the interconnect of Panhandle Eastern Pipe Line Company, LP's (Panhandle) transmission facilities and Southwest's East Area Storage Facilities or West Area Storage Facilities whereby Southwest delivers gas withdrawn to or for the account of Shipper.

"Point of Receipt" shall mean the interconnect of Panhandle's transmission facilities and Southwest's East Area Storage Facilities or West Area Storage Facilities whereby Southwest receives gas for injection from or for the account of Shipper.

"Pre-arranged Replacement Shipper (PRS)" shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Messenger® system. The PRS must be on the approved bidders list in accordance with Section 6.4(A) of the General Terms and Conditions and will become a Replacement Shipper upon selection of its bid as the best bid.

"Quantity of Gas" or "Quantities" shall mean the number of units of gas expressed in Dekatherms (Dt)

"Releasing Shipper" shall mean a firm Shipper that releases capacity pursuant to Section 6 herein.

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"Replacement Shipper" shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 6 herein.

"Shipper" shall mean the entity that has executed a storage service agreement with Southwest for storage service or for any capacity release.

"Southwest" shall mean Southwest Gas Storage Company.

"Storage Service Agreement" shall mean the executed agreement, in the form prescribed in this tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

"Web Site" shall mean Southwest's HTML page accessible via the Internet's World Wide Web located at http://swgsmessenger.energytransfer.com.

"West Area" shall mean the area where service is provided by the West Area Storage Facilities.

"West Area Storage Facilities" shall mean those storage facilities owned by Southwest and known as the Borchers Storage Field located in Meade County, Kansas and the North Hopeton Storage Field located in Woods County, Oklahoma in addition to acquired off-system capacity.

"Withdrawal Season" shall mean the months of November, December, January, February and March.

2. REQUESTS FOR SERVICE

2.2

2.1 Persons desiring storage service must first deliver a written, properly executed request for storage service to Southwest at the following address:

Southwest Gas Storage Company Attn: Customer Services P. O. Box 4967 Houston, Texas 77210-4967 Phone: (713) 627-4272 or

1-800-275-7375 Fax: (713) 989-1178

Information Required

The specific information required from a Shipper for a valid request for storage service provided hereunder shall include, at a minimum, the following information in writing:

- (A) Maximum Annual Quantity (MAQ) expressed in dekatherms;
- (B) Maximum Daily Injection Quantity (MIQ) and Maximum Daily Withdrawal Quantity (MWQ);
- (C) The date on which service is requested to commence;
- (D) The date on which service is requested to terminate;
- (E) The complete legal name and legal description of Shipper;
- (F) The type of entity represented by Shipper (ie. LDC, Intrastate, Interstate, End User, Marketer, Producer, or other);
- (G) The name, title, mailing address, and telephone number of the person designated by Shipper for purpose of nominations and scheduling under Section 3 herein; and
- (H) The information, including mailing address of Shipper, necessary for billing under Section 12 herein.

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2.3 Credit Appraisal

The firm storage service rendered hereunder (including capacity release pursuant to Section 6) is contingent upon Shipper satisfying the creditworthiness requirements specified in Section 16.

- 2.4 A Request for storage shall not be deemed to have been received and accepted by Southwest until Southwest has received in writing the information required or requested under Sections 2.2 and 2.3 herein. If Southwest requests additional information or assurances in accordance with this Section, and such information is provided within seven (7) days of such request, Shipper's Request for storage will be deemed to have been received when the information set forth in Sections 2.2 and 2.3 was received. Otherwise Shipper's Request for storage will be deemed to have been received when such additional information or assurances actually were received in writing by Southwest.
- 2.5 Southwest may require such other information as is required to comply with regulatory reporting or filing requirements.
- 2.6 In the event that any information provided by Shipper or potential Shipper in this Section 2 changes or is expected to change, Shipper or potential Shipper shall provide prompt written notice of such changes to Southwest.
- 2.7 In the event that a Shipper or potential Shipper may have any complaints, Shipper or potential Shipper shall:
 - (A) Provide Southwest a written description of the complaint, including the identification of Shipper's contract number or request for service, whichever is applicable, by contacting Southwest at the following:

Southwest Gas Storage Company Attn: Customer Services P. O. Box 4967 Houston, Texas 77210-4967 Phone: (713) 627-4272 or

1-800-275-7375

(B) Southwest shall respond initially within forty-eight (48) hours and in writing within thirty (30) days advising Shipper or potential Shipper of the disposition of the complaint.

6. CAPACITY RELEASE

6.1 Capacity Eligible for Release

Shippers under Rate Schedule FSS shall be permitted to release their capacity on a temporary or permanent basis, in accordance with this Section 6. Capacity which may be assigned to the Replacement Shipper hereunder shall be limited to the firm capacity reserved by the Releasing Shipper, as defined by the primary Points of Receipt and the primary Points of Delivery contained in the released capacity. Releases may be made on an interruptible (i.e., subject to recall) or firm basis and shall be billed by Southwest based on usage.

6.2 Shipper Release Notice

- (A) A Shipper that desires to release any or all of its firm capacity under this Section 6 must notify Southwest electronically on the Messenger® system or through electronic data interchange of its intent to release capacity and the terms of the release (hereinafter referred to as "Shipper Notice"). A Shipper Notice shall be posted on the Messenger® system upon receipt by Southwest or such later time which must comply with the timeline set forth in Section 6.4(B) herein, as requested by Releasing Shipper. This Shipper Notice shall include:
 - (1) Releasing Shipper's contract number;
 - (2) The specific quantity of capacity to be released;
 - (3) If the request for release is on a permanent basis;
 - (4) The Points of Receipt and Points of Delivery at which Releasing Shipper will release capacity and the quantity of capacity to be released at each point;
 - (5) The period of time or term of the release;
 - (6) The conditions of Releasing Shipper's right of recall as well as methods and rights associated with returning the previously recalled capacity to the Replacement Shipper, if applicable;
 - (7) Whether contingent bids will be accepted and when the contingency must be removed;
 - (8) The identity of a Pre-arranged Replacement Shipper (PRS), if applicable;

- (9) The minimum rate expressed in dollars and cents, a percentage of a rate for a non-index-based release or the index-based formula as detailed in the capacity release offer, term, and quantity of capacity Releasing Shipper shall accept, if any, and whether bids using a volumetric rate for the collection of Capacity and Deliverability Charges will be accepted and whether Releasing Shipper requires a volumetric commitment. Southwest shall support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Commission;
- (10) The duration of the posting which may not be less than the minimum bid period specified in Section 6.4(B) herein;
- (11) The best bid criterion is the method by which volumetric or contingent bids will be evaluated, and any alternate, objective and nondiscriminatory method for breaking ties. The best bid evaluation method, which is established by Releasing Shipper, must be objectively stated, applicable to all PRS or Replacement Shippers and not unduly discriminatory and shall enable Southwest to rank the bids received by utilizing the weight assigned by Releasing Shipper to each element of the Shipper Notice;
- (12) If the release is for any period of thirty-one (31) days or less and is exempt from bidding in accordance with Section 6.3(A), the Releasing Shipper may designate in the Shipper Notice the winning bid criterion to be the first acceptable bid received;
- (13) Restrictions, if any, on the PRS or Replacement Shipper's ability to request changes in Points of Receipt or Points of Delivery;
- (14) Whether the Shipper Notice may be rejected in part in the event Southwest rejects such Shipper Notice pursuant to Section 6.7; and
- (15) Whether the Replacement Shipper is (a) an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations and, if so, include the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect or (b) a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.
- (B) Releasing Shipper shall post the Shipper Notice on the Messenger® system.

 Releasing Shipper may withdraw its Shipper Notice at any time prior to the close of the bid period specified in the Shipper Notice herein when unanticipated circumstances justify and no minimum bid has been made.

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- (C) When a Releasing Shipper presents a PRS that is on the approved bidders list, such PRS shall acknowledge the Shipper Release Notice electronically.
- (D) The terms Releasing Shipper imposes may not conflict with any provision of the Storage Service Agreement, Rate Schedule or General Terms and Conditions. In the event of such conflict, Southwest may withdraw the Shipper Notice from posting.

6.3 Exceptions to Bidding

- (A) The following capacity releases are exempt from the bidding process set forth in Section 6.4 herein:
 - (1) A capacity release for any period of thirty-one (31) days or less. A firm Shipper shall not roll over, extend or in any way continue such capacity release to the same Replacement Shipper until 28 days after the first release period has ended. This 28-day period does not apply to any release to the same Replacement Shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding set forth in Sections 6.3(A)(2) or (3) below.
 - (2) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.
 - (3) A capacity release to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.
- (B) In the event a capacity release is exempt from bidding in accordance with Section 6.3(A) herein, the Releasing Shipper presents a PRS that is on the approved bidders list, and such PRS agrees to all conditions of the release prior to the submission of the Shipper Notice to Southwest, the released capacity will be assigned to the PRS and such Shipper Notice shall be exempt from the bidding process in accordance with Section 6.4 herein. The PRS will be posted as the winning bidder in accordance with Section 6.4(I) herein.
- (C) Timing of Capacity Releases Exempt from Bidding
 - The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to NAESB WGQ Standard No. 1.3.2. The posting deadlines are:

Timely Cycle
Evening Cycle
Intraday 1 Cycle
12:00 Noon
5:00 p.m.
9:00 a.m.

- Intraday 2 Cycle 1:30 p.m.
- Intraday 3 Cycle 6:00 p.m.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

6.4 Bidding Process

- (A) In order to submit a valid bid under this capacity release program, any party, including a PRS, must be on the approved bidders list. To be on the approved bidders list, a party must meet the provisions of Sections 2 and 16 herein and have executed a Capacity Release Service Agreement with Southwest in the form as set forth in this Tariff (Capacity Release Service Agreement). A party shall remain on the approved bidders list until such party notifies Southwest to the contrary, no longer meets the credit qualifications in Section 16 herein, or is suspended from the approved bidders list in the event and for such time as such party fails to pay part or all of the amount of any bill for service in accordance with Section 12 herein.
- (B) The capacity release timeline in Central Clock Time applies to all parties involved in the capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered; 2) for index-based capacity release transactions, the Releasing Shipper has provided Southwest with sufficient instructions to evaluate the corresponding bid(s) according to the timeline; and 3) there are no special terms or conditions of the release. Further, Southwest may complete the capacity release process if the offer includes unfamiliar or unclear terms and conditions (e.g. designation of an index not supported by Southwest).
 - (1) For biddable releases (1 year or less)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.

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- If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

(2) For biddable releases (more than 1 year)

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
- If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

(3) Timeline for Releases with Special Conditions

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For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology. If the Releasing Shipper specifies a bid evaluation methodology other than highest rate, net revenue or present value, or a

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permanent release or any other special conditions, the above timelines shall apply; provided, however, one additional Business Day will be added to the evaluation period. Such extended evaluation period shall cause gas flow to be at least one day later than gas could flow under the timeline set forth in Section 6.4(B)(1) or Section 6.4(B)(2).

- (C) All bids must be expressed in dollars and cents, a percentage of a rate for a non-index-based release or the index-based formula as detailed in the capacity release offer, whichever is stated in the Shipper Notice, include the required bid information and must be received and posted electronically through the Messenger® system. Bids shall be posted on the Messenger® system with any contingencies identified and with the bidder's identity deleted.
- (D) A bidder may submit only one bid at a time in response to a Shipper Notice. A bidder may withdraw its bid through the Messenger® system at any time prior to the close of the posting period specified in the Shipper Notice without prejudice to its submitting another bid with an economic value equal to or greater than the economic value of the withdrawn bid.
- (E) Where there is a PRS and a bid which is better than the bid submitted by the PRS, Southwest shall notify the PRS by 2:00 p.m. Central Clock Time on the Day capacity is awarded and the PRS will have until 2:30 p.m. to match the better bid and obtain the right to the released capacity.
 - Southwest shall issue an Addendum to the PRS unless a better bid, established in accordance with Section 6.2(A)(11) herein, is received within the time period specified in the posting. In the event the PRS does not match the better bid, Southwest shall issue an Addendum to the party who made the best bid.
- (F) All bids not withdrawn by written or electronic notice to Southwest prior to the close of the posting period specified in the Shipper Notice shall be binding. Bids cannot be withdrawn after the bid period ends.
- (G) In the event that a winning bid has a contingency, and Southwest is not notified through the Messenger® system that such contingency has been removed within the time period specified in the Shipper Notice, such contingent bid will be rejected by Southwest.
- (H) The Releasing Shipper may define in the Shipper Notice the criteria for determining the best bid. If the Releasing Shipper does not specify the criteria, Southwest shall use the Net Present Value calculation as set forth in Section 7.3 herein to determine the best bid. If there are multiple bids meeting the minimum conditions, Southwest shall rank the bids and Southwest shall award the bids, best bid first, until all offered capacity is awarded. Southwest will notify, through the Messenger® system by 2:00 p.m. Central Clock Time following the end of the

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- posting period, or by 3:00 p.m. Central Clock Time if a matching period is applicable, the PRS or Replacement Shipper that capacity has been awarded.
- (I) Southwest shall post the winning bids and Replacement Shippers' identity on the Messenger® system for at least five Business Days.

6.5 Rights and Obligations of Releasing Shipper

- (A) Regardless of the amount of capacity Releasing Shipper releases under this Section 6, Releasing Shipper shall remain liable for the Capacity and Deliverability Charges attributable to the released capacity unless otherwise agreed to in writing and in advance by Southwest. In the event of a permanent release, Southwest may, and will not unreasonably refuse to, waive liability of Releasing Shipper for the Capacity and Deliverability Charges.
- (B) When capacity is awarded to Replacement Shipper, Releasing Shipper must adjust or reconfirm its nominations to reflect the capacity released. Southwest will automatically change Releasing Shipper's nominations to zero for the Service Agreement under which capacity was released unless such nominations are adjusted or reconfirmed by the Releasing Shipper.
- (C) In the event of termination of a Replacement Shipper's Addendum pursuant to Section 6.6(C) herein, the released capacity related to such Addendum will revert to the Releasing Shipper.
- (D) Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The recall notification to Southwest shall specify the Quantity in terms of total released capacity entitlements.

6.6 Rights and Obligations of Replacement Shipper

- (A) Any bid submitted will bind Replacement Shipper or PRS to the terms of the bid if Southwest selects such bid as the best bid. If all the information provided by the Releasing Shipper and the bidder/PRS is valid, the Replacement Shipper is creditworthy, and there are no special terms and conditions, Southwest will issue and execute the Addendum to the Capacity Release Service Agreement within one hour of awarding the winning bid. The capacity release addendum number also will be issued within one hour of the award posting.
- (B) Replacement Shipper may submit nominations pursuant to Section 3 herein beginning at the next available nomination cycle for the effective date of the capacity release addendum; however, in no event will Gas flow on Replacement Shipper's Service Agreement prior to the effective date of the release as posted in the Shipper Notice.

- (C) Replacement Shipper is responsible for payment of the applicable Capacity and Deliverability Charges, and any surcharges thereon, in the amount of its winning bid. Replacement Shipper is also responsible for all other billings, e.g., Injection Charge and Withdrawal Charge and applicable surcharges. In the event of payment default, subject to Section 12 herein, Southwest may elect to terminate that Replacement Shipper's Capacity Release Service Agreement which shall terminate all service thereunder utilized by the Replacement Shipper.
- (D) Once Replacement Shipper or PRS is notified of a winning bid, such Replacement Shipper or PRS shall have all the rights and obligations specified under the Releasing Shipper's Rate Schedule, the Releasing Shipper's Service Agreement and the General Terms and Conditions of this Tariff including the right to release firm capacity pursuant to this Section unless the conditions prescribed by the Shipper Notice require otherwise.

6.7 Rights and Obligations of Southwest

Southwest shall determine, in its sole discretion, the best bid based upon the best bid criteria established pursuant to Section 6.2(A)(11) or Section 6.4(H) herein. Southwest shall have the right, but not the obligation, to reject, in whole or in part, the terms of any Shipper Notice or bid which is discriminatory or conflicts with any order or regulation issued by the FERC, or provision of the Service Agreement, Rate Schedule or General Terms and Conditions. Such Shipper Notice shall be rejected in its entirety unless Shipper, pursuant to Section 6.2(A)(14), permits a partial rejection. Southwest shall provide simultaneous notification to Shipper, through the Messenger® system, of the reason(s) for rejecting a release notice with the notice of rejection. Southwest shall not have any liability to any Shipper, Releasing Shipper, Replacement Shipper, bidder or any other party as a result of Southwest's performance of its obligations under its capacity release program, and such Shippers, Releasing Shippers, Replacement Shippers, and bidders shall indemnify Southwest from and against any and all losses, damages, expenses, claims, suits, actions and proceedings whatsoever threatened, incurred or initiated as a result of Southwest's performance hereunder, except to the extent such loss, damage, expense, claim, suit, action or proceeding is the result of Southwest's negligence, bad faith or willful misconduct.

6.8 Term

- (A) Any release under this Section 6 shall be for a minimum term of at least one Day.
- (B) Any release under this Section 6 shall be for a maximum term expiring on the earlier of:
 - (1) The last date this Tariff provision shall be effective;
 - (2) The expiration date of Releasing Shipper's Service Agreement when the release is for the full term of such agreement; or

- (3) The expiration date specified by the Releasing Shipper in the Shipper Notice.
- 6.9 Billing Adjustments to Releasing Shipper
 - (A) Southwest shall credit Releasing Shipper's monthly bill to reflect the Capacity and Deliverability Charges (including surcharges, if any) invoiced to Replacement Shipper. In the event of a release with a volumetric rate, the volumetric rate shall be credited to the Releasing Shipper's monthly bill. Replacement Shipper's payment of the Volume Injection Charge and Volume Withdrawal Charge and applicable usage surcharges, if any, shall be retained by Southwest.
 - (B) If Replacement Shipper fails to pay all or any part of the Capacity and Deliverability Charges so credited within thirty (30) days of its due date, then such unpaid amount plus interest will be charged to Releasing Shipper's next monthly bill and will be due and payable by Releasing Shipper in accordance with Section 12 herein.
 - (C) The Releasing Shipper and Southwest may agree that, in return for Southwest actively marketing the Releasing Shipper's Service Agreement, Southwest will reduce the Releasing Shipper's invoice credit by a negotiated marketing fee.
 - (D) Southwest and Releasing Shipper may agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of this Section 6.9 in order to establish the basis of accounting for revenues from a Replacement Shipper.
- 6.10 Requests to Purchase Releasable Capacity

Any party may initiate a request to purchase releasable firm capacity by following the instructions posted on Southwest's Informational Postings Web Site located at http://swgsmessenger.energytransfer.com under "Notices, Request to Purchase Releasable Capacity." The form shall specify the terms and conditions of the request and the location of the posting on Southwest's Informational Postings Web Site. Such offer to purchase released capacity shall be posted on Southwest's Web Site for 30 Days.

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7. CONTRACTING FOR SERVICE RIGHTS

This Section 7 governs the order in which requests for storage service shall be accommodated when unsubscribed firm capacity, other than released capacity, becomes available. It does not govern scheduling, which is governed by Section 3 herein. Requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- 7.1 In order to be eligible for firm capacity, a party requesting service (potential Shipper) must submit a valid request in accordance with the provisions of Sections 2 and 16 herein.
- 7.2 Southwest will post on the Messenger® system and the Web Site available capacity. A potential Shipper that submits a valid request may submit in writing a bid for the available capacity at any time. In the event of multiple bids, Southwest will evaluate the bids and determine the bid having the greatest economic value as determined in Section 7.3.
- 7.3 Southwest shall tender a Storage Service Agreement for execution to the potential Shipper submitting the bid having the greatest economic value for the capacity available. The criteria for determining which potential Shipper has submitted the bid with the greatest economic value shall be the Net Present Value (NPV) of the capacity and deliverability charges that potential Shipper would pay at the rates potential Shipper has bid over the term of service specified in the request, utilizing a ten percent (10%) annual discount factor. For purposes of calculating each potential Shipper's NPV, the term will be limited to ten (10) years. If the economic values of separate service requests are equal, then service shall be offered in sequence starting with the request with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such potential Shippers on a pro rata basis.
- 7.4 If potential Shipper fails to execute a Storage Service Agreement within thirty (30) Days of the date on which it was tendered by Southwest, potential Shipper's request for service may be considered withdrawn.

7.5 Contract Extension

Prior to the expiration of the term of any existing Storage Service Agreement(s), Southwest and the existing Shipper may mutually agree to renegotiate the terms of such Storage Service Agreement(s) in exchange for Shipper's agreement to extend the term of at least a portion of its obligations under a restructured Storage Service Agreement(s) (the exact terms, including the length and rate), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

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7.6 Termination of Interruptible Service Agreements

Southwest may terminate Shipper's Storage Service Agreement under Rate Schedule ISS upon thirty (30) days prior written notice to Shipper who has not submitted nominations to store Gas under such Storage Service Agreement within the immediately preceding twelve (12) Months. In addition, Southwest and Shipper may mutually agree to terminate such interruptible agreement at any time.

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9. CONDITIONS OF RECEIPT AND DELIVERY

- 9.1 Southwest shall receive Quantities of natural gas from Shipper at the Point of Receipt and Southwest shall deliver Quantities of natural gas to Shipper at the Point of Delivery. Southwest and Shipper shall, by mutual agreement, establish the date of commencement of receipt and redelivery of gas hereunder. Receipts and redeliveries of gas hereunder shall be at uniform hourly and daily rates of flow as nearly as practicable.
- 9.2 Measurement shall be both volumetric and thermal, at a temperature of 60° Fahrenheit and at a pressure of 14.73 psia, and on the basis of the methods prescribed and published by the American Gas Association in conjunction with the ANSI/API 2530 Report as now and any subsequent amendments thereof accepted and agreed upon between the parties if orifice meters are used, and in accordance with generally accepted industry practices, as mutually agreed upon, if positive or turbine meters are used.

The Btu content shall be determined by taking the arithmetic average of the heating value as recorded by recording calorimeter or other method of determination generally accepted in the industry. Flowing temperature shall be determined by a recording thermometer or EGM.

- 9.3 Shipper may witness Southwest's installation or maintenance of measuring equipment. Southwest shall not be required to verify accuracy more often than once during any thirty (30) day period. If, upon test, accuracy is found to be within 2% by volume (chromatograph/calorimeter within 0.5%), such equipment shall be assumed to be accurate. Any error exceeding these percentages will require correction to zero error of previous recordings back to the date error began. If beginning date of error is unknown, correction shall extend to one-half the time since the last test, not to exceed sixteen (16) days.
- 9.4 Deliveries of gas at the Points of Receipt shall be at a pressure sufficient to enter Southwest's facilities at such point. Redeliveries of gas at the Points of Delivery shall be at such pressure as exists in Southwest's facilities. Gas received and redelivered shall be merchantable natural gas; shall be free of water and hydrocarbons in liquid form; shall contain not more than 7 pounds of water vapor per MMcf, 1.0 grain of hydrogen sulphide and twenty (20) grains of total sulphur per one hundred (100) cubic feet, 2% of carbon dioxide (by volume), and fifty (50) parts per million of oxygen; and shall not exceed one hundred twenty degrees (120°) Fahrenheit in temperature. The gas shall have a total or gross heating value of not less than nine hundred fifty (950) Btu and not more than one thousand two hundred (1,200) Btu per cubic foot. Southwest shall not be obligated to accept gas for storage which does not meet these quality provisions.

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Shipper shall indemnify Southwest for any loss, cost, damage or expense incurred by Southwest as a direct or indirect result of Shipper's failure to comply with the provisions in this Section 9.4, except to the extent such loss, damage, expense, claim, suit, action or proceeding is the result of Southwest's negligence, bad faith or willful misconduct or is the direct result of Southwest's deliberate decision to take Shipper's nonconforming gas.

9.5 Upon termination of storage service under Rate Schedules FSS or ISS, Shipper will balance any final imbalance within sixty (60) days of the date that Southwest notifies Shipper of any final imbalance. If at the end of such final balancing period, Southwest owes Shipper gas which Shipper has not received, Southwest will retain those Quantities free and clear of any adverse claims.

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Effective: September 10, 2021

16. CREDITWORTHINESS

- 16.1 Prior to execution of a Storage Service Agreement or as a condition for continuation of service, a Shipper or prospective shipper shall be required to establish and maintain creditworthiness on an on-going basis with Southwest. Southwest shall apply consistent evaluation practices to all similarly situated shippers to determine the Shipper's financial ability to satisfy the payment obligations due to Southwest over the term of the requested service agreement. Southwest shall not be required to: (1) execute a Storage Service Agreement providing for service on behalf of any Shipper who fails to meet Southwest's standards for creditworthiness; or (2) initiate service for a Shipper who fails to meet Southwest's standards for creditworthiness; or (3) continue service on behalf of any Shipper who is or has become insolvent or who, at Southwest's request, fails to demonstrate creditworthiness pursuant to Southwest's standards in this Section 16.
- 16.2 A Shipper shall be deemed creditworthy when Shipper meets the creditworthiness criteria in this Section 16.2.
 - (A) If Shipper is rated by Standard & Poor's or its successor (S&P), and/or by Moody's Investors Service, Inc. or its successor (Moody's), Southwest may establish creditworthiness if:
 - (1) (i) In the event Shipper is rated by both S&P and Moody's, Shipper's long-term senior unsecured debt securities are rated at least BBB- by S&P and at least Baa3 by Moody's, provided, however, that if the Shipper's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper is rated only by S&P, Shipper's long-term senior unsecured debt securities are rated at least BBB-, provided, however, that if the Shipper's rating is at BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper is rated by only Moody's, Shipper's long-term senior unsecured debt securities are rated at least Baa3, provided, however, that if the Shipper's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
 - (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth.

In the event Shipper is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. For the purposes of this Section 16.2, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and

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other intangible assets. Only actual tangible assets are included in Southwest's assessment of creditworthiness. If a Shipper has multiple Storage Service Agreements with Southwest, then the total contract commitment and imbalance exposure or potential exposure of all such Storage Service Agreements shall be considered in determining creditworthiness.

- (B) If Shipper cannot demonstrate creditworthiness pursuant to Section 16.2(A) above, Southwest may establish creditworthiness based upon:
 - (1) (i) In the event Shipper's parent is rated by both S&P and Moody's, the Shipper's parent having a senior unsecured debt rating of at least BBB- by S&P and Baa3 by Moody's, provided, however, that if the Shipper's parent's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper's parent is rated by only S&P, the Shipper's parent having a senior unsecured debt rating of at least BBB-, provided, however, that if the Shipper's parent's rating is a BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper's parent is rated by only Moody's, the Shipper's parent having a senior unsecured debt rating of at least Baa3, provided, however, that if the Shipper's parent's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
 - (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's parent's tangible net worth; and
 - (3) Shipper's parent issues a guaranty acceptable to Southwest.

In the event Shipper's parent is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. If a Shipper's parent has multiple Storage Service Agreements with Southwest or multiple subsidiaries with Storage Service Agreements with Southwest in addition to Shipper's Storage Service Agreements, then the total contract commitment and imbalance exposure or potential exposure of all of those Storage Service Agreements shall be considered in determining creditworthiness.

- (C) In the event Shipper is a cooperative or a municipal Shipper and Shipper cannot demonstrate creditworthiness pursuant to Section 16.2(A) or 16.2(B) above, Southwest may establish creditworthiness based upon:
 - (1) Shipper's issuer and/or revenue bond rating is a rating that has the equivalent rank of those listed in Section 16.2(A)(1) above; or

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- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth, or Shipper's preceding calendar year revenues are at least six (6) times Southwest's anticipated charges for the ensuing 12-month period.
- 16.3 To permit Southwest to conduct an initial or ongoing creditworthiness review, Southwest may request, and a Shipper shall provide within five (5) Business Days any or all of the following:
 - (A) (i) Audited financial statements for the most current two (2) fiscal years prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America or, for non-U.S. based Shippers, prepared in accordance with equivalent standards, or (ii) if Shipper's fiscal year-end financial statements are unaudited, an attestation by its Chief Financial Officer that such statements constitute a true, correct, and fair representation of financial condition prepared in accordance with GAAP or equivalent or (iii) for non-public entities, any existing sworn filing, which provides the most recent available interim financial statements and annual financial reports filed with any applicable regulatory authority, showing the Shipper's current financial condition;
 - (B) List of corporate affiliates, parent companies, and subsidiaries, if applicable;
 - (C) Publicly available information from credit reports of credit and bond rating agencies;
 - (D) A bank reference and at least three (3) trade references, a check of which show along with any credit reports submitted herein that Shipper's undisputed obligations are being paid in a timely manner;
 - (E) Statement of legal composition;
 - (F) Statement of the length of time the business has been in operation;
 - (G) For state-regulated utility local distribution companies, documentation from their respective state regulatory commission (or an equivalent authority) of an authorized gas supply cost recovery mechanism;
 - (H) Confirmation by Shipper that Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditor, or any informal creditors' committee agreement;
 - (I) Such other information as may be mutually agreed to by Shipper and Southwest; and/or

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- 16.4. If Shipper or Shipper's parent does not meet the criteria described in Section 16.2 above, then credit appraisal shall be based upon Southwest's evaluation of any or all of the following information and credit criteria:
 - (A) Any information received pursuant to Section 16.3 above;
 - (B) Consistent and nondiscriminatory financial statement analysis to determine the acceptability of Shipper's or Shipper's parent's current and future financial strength. Financial statements shall be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability;
 - (C) S&P, Moody's, Dun & Bradstreet and other credit reporting agency ratings, opinions, watch alerts, and rating actions shall be considered in determining creditworthiness;
 - (D) Results of credit reports and of bank and trade reference checks must demonstrate that a Shipper is paying its obligations in a timely manner;
 - (E) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy; an exception may be made for a Shipper who is a debtor-in-possession operating under Chapter XI of the Federal Bankruptcy Act whereby adequate assurance is provided under purview of by the bankruptcy court having jurisdiction over such debtor-in-possession that the service billings will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment;
 - (F) Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent;
 - (G) Shipper's ongoing business relationship, if any, with Southwest with consideration being given to whether Shipper has or has had any delinquent balances outstanding for services provided by Southwest, gas imbalances, and gas loans due Southwest and whether Shipper is paying and has paid its account balances promptly according to the terms established in its Storage Service Agreements (excluding amounts as to which there is a good faith dispute);

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- (H) Shipper's ability to recover the costs of Southwest's services through filings with regulatory agencies or otherwise to pass on such costs to its customers, as applicable; and/or
- (I) Any other information, including any information provided by Shipper, that is reasonably relevant to Shipper's current and future financial strength and Shipper's ability to make full payment over the term of the Storage Service Agreement(s).
- 16.5 If a Shipper fails to establish or maintain creditworthiness or if Shipper's credit limit as determined by Southwest is insufficient to cover Shipper's total contractual obligations, Shipper may still obtain or continue service hereunder if Shipper, except to the extent otherwise agreed, provides credit support in an amount sufficient to cover three months service as determined in accordance with Section 16.5(B)(1) under one of the following options.
 - (A) Forms of Credit Support. Shipper may select from the following forms of credit support (Credit Support) and Southwest shall not unreasonably discriminate in the forms of Credit Support it determines to accept from Shippers.
 - (1) Guaranty. A Shipper may provide a guaranty of financial performance in a form satisfactory to Southwest from a corporate parent, corporate affiliate or a third party that meets the creditworthiness standards above.
 - (2) Deposit. A shipper may provide a cash deposit. If Southwest is required to draw down these funds, Southwest will notify Shipper and Shipper must replenish such funds within three (3) Business Days after receipt of such notice.
 - (3) Standby Irrevocable Letter of Credit drawn on a bank which is a U.S. bank or a U.S. branch of a foreign bank with an S&P Debt Rating of at least A or Moody's Debt Rating of at least A2.
 - (4) Security Interest or lien in collateral found to be satisfactory to Southwest.
 - (5) Other security acceptable to Southwest.
 - (B) Credit Support Requirements. Credit Support required for non-creditworthy shippers shall be an amount sufficient to cover service for three (3) months.
 - (1) Three months service. The amount of Credit Support for firm Storage Service Agreements must be sufficient to cover the highest three (3) months of reservation charges during the previous twelve (12) month period. The amount of Credit Support for interruptible services shall be based upon the highest three (3) months of usage during the previous twelve (12) month period for all rates and charges. If the Shipper has not contracted for or

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utilized interruptible storage service during the previous twelve (12) month period, Southwest will establish the Credit Support requirement based upon Shipper's estimated usage for a three (3) month period as determined by Shipper and Southwest's marketing representative.

- 16.6 Southwest shall have the right to update Shipper's credit file at any time after commencement of service. Such update may be conducted by Southwest periodically and Shipper shall provide assistance and cooperation. If Southwest concludes that a Shipper is non-creditworthy or if Shipper fails to maintain Credit Support under Section 16.5 of these General Terms and Conditions, Southwest shall provide Shipper an initial notice in writing that it has lost its creditworthiness status along with the reasons for such determination and that Shipper has five (5) Business Days after receipt of such initial notice, to provide Southwest with Credit Support consistent with Section 16.5 of these General Terms and Conditions which is adequate to cover all charges for one Month's advance service. A Shipper may challenge Southwest's determination by providing a written rebuttal to Southwest's explanation within ten (10) days after the initial notification and explanation is provided by Southwest. Southwest shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of creditworthiness by Southwest in response to such a rebuttal by the Shipper shall be based on the creditworthiness criteria set out in Section 16.4 and shall be performed as provided in Section 16.4 of these General Terms and Conditions. If Southwest determines after such reevaluation that Shipper is creditworthy, the Credit Support to cover all charges for one Month's advance service shall be released to Shipper within five (5) Business Days after such determination. In the event Southwest concludes after reevaluation that Shipper remains non-creditworthy, Shipper shall comply with the requirement in the initial notice to provide, within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, the means for adequate assurance of future performance, covering the full level of Credit Support provided for under Section 16.5 of these General Terms and Conditions. If the Shipper has not satisfied either requirement in the initial notice to provide specified Credit Support within five (5) Business Days or to provide the additional specified Credit Support within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, Southwest may without further notice immediately suspend service to Shipper.
- 16.7 Any suspension of service hereunder shall continue until Southwest is reasonably satisfied that Shipper is creditworthy under Section 16.2 or 16.4 of these General Terms and Conditions or until Shipper has provided Credit Support under Section 16.5 of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation charges for suspended service attributable to the period when that service is suspended. During the period of suspension, such Shipper may not release or recall capacity.
- 16.8 In addition to suspension, Southwest may terminate service if the Shipper fails to provide Credit Support consistent with Section 16.5 of these General Terms and Conditions no earlier than sixty (60) days after Southwest has provided its initial notice to Shipper pursuant to Section 16.7 herein. Any such termination requires thirty (30) days' prior notice to Shipper,

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Releasing Shipper, if any, and the Commission. To avoid termination, the Shipper must satisfy Section 16.5 of these General Terms and Conditions within this notice period. If the Storage Service Agreement is terminated, Southwest shall net and/or set off, as allowed by law, all positions calculated in accordance with the provisions of the applicable Rate Schedule (i.e., invoiced storage amounts) against outstanding account balances due the Shipper. Southwest shall have the right to assert any liens or other interests, consistent with applicable law, against any gas remaining on its System. Southwest may not take any action under this Section 16 which conflicts with any order of the U. S. Bankruptcy Court.

- At any time after a Shipper is determined to be non-creditworthy by Southwest, the Shipper may request a creditworthiness reevaluation by Southwest pursuant to NAESB WGQ Standard Nos. 0.3.8 and 0.3.9 as incorporated in Section 19 of these General Terms and Conditions. If Southwest determines after such reevaluation that Shipper is creditworthy without Credit Support, any Credit Support requirements under Section 16.5 of these General Terms and Conditions shall be terminated and any deposit amounts shall be released to Shipper within five (5) Business Days after such determination.
- 16.10 Notwithstanding the above, Southwest may agree with a Shipper in an executed precedent agreement, for service on new or expanded facilities to be constructed by Southwest, to creditworthiness provisions which differ from one or more of the provisions in this Section 16, and which, in addition to the other provisions of this Section 16, govern service provided to the Shipper pursuant to the precedent agreement.

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Filed: August 10, 2021

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The following General Terms and Conditions are applicable to all services provided herein:

1. DEFINITIONS

"Average Storage Gas Balance" shall mean the sum of the daily Storage Gas Balance Quantity of Gas, expressed in dekatherms, held by Southwest in storage for Shipper's account divided by the number of Days in a particular Month.

"Business Day" shall mean Monday through Friday from 8:00 a.m. to 5:00 p.m. Central Clock Time, excluding Federal Banking Holidays.

"Central Time" or "Central Clock Time" shall mean the time in the Central Time Zone, as adjusted for Daylight Savings Time and Standard Time.

"Commission" or "FERC" shall mean the Federal Energy Regulatory Commission or any successor regulatory agency.

"Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 9:00 a.m. Central Clock Time. The reference date for any Day shall be the date of the beginning of such Day.

"Dekatherm (Dt)" shall mean one thousand cubic feet of gas (Mcf) with a heat content of 1,000 Btu per cubic foot on a measurement basis specified under Section 9.2 herein and based on the same pressure base as the volumes.

"East Area" shall mean the area where service is provided by the East Area Storage Facilities.

"East Area Storage Facilities" shall mean those storage facilities owned by Southwest and known as the Howell Storage Field located in Livingston County, Michigan and the Waverly Storage Field located in Morgan and Sangamon Counties, Illinois in addition to acquired off-system capacity.

"Electronic Gas Measurement (EGM)" shall mean that form of measurement equipment used by Southwest which may consist of a computerized remote terminal unit, transducers and other associated power, radio and sensing and other electronic devices to accomplish gas measurement and the transfer of data, without the use of charts.

"Fuel Reimbursement" shall mean the reimbursement in kind to Southwest by Shipper for fuel usage and lost or unaccounted for gas.

"Injection Season" shall mean the months of April, May, June, July, August, September and October.

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"Long-Term Agreement" shall mean a Storage Service Agreement with a primary term of one year or more.

"Market Based Rate" shall mean a rate that is negotiated based on market conditions and has no stated minimum or maximum value for storage service.

"Maximum Daily Injection Quantity (MIQ)" shall mean the maximum Quantity which Southwest is obligated to inject for Shipper on any Day during the Injection Season as described in Section 2.2 of the applicable Rate Schedule.

"Maximum Daily Withdrawal Quantity (MWQ)" shall mean the maximum Quantity which Southwest is obligated to withdraw for Shipper on any Day during the Withdrawal Season as described in Section 2.3 of the applicable Rate Schedule.

"Maximum Annual Quantity (MAQ)" shall mean the maximum Quantity of Gas which Southwest is obligated to hold for the account of Shipper.

"Messenger® system" shall mean the electronic communication system offered by Southwest on a nondiscriminatory basis to any person that has compatible equipment for electronic transmission of data; provided that such person has executed a Messenger® Agreement, has been assigned a USERID and password and agrees to comply with the procedures for access to and use of the Messenger® system.

"Month" shall mean the period beginning at 9:00 a.m. Central Clock Time on the first Day of the calendar month and continuing through the last Day of the calendar month.

"NGA" shall mean the Natural Gas Act of 1938, as amended.

"Point of Delivery" shall mean the interconnect of Panhandle Eastern Pipe Line Company, LP's (Panhandle) transmission facilities and Southwest's East Area Storage Facilities or West Area Storage Facilities whereby Southwest delivers gas withdrawn to or for the account of Shipper.

"Point of Receipt" shall mean the interconnect of Panhandle's transmission facilities and Southwest's East Area Storage Facilities or West Area Storage Facilities whereby Southwest receives gas for injection from or for the account of Shipper.

"Pre-arranged Replacement Shipper (PRS)" shall mean the entity designated by Releasing Shipper prior to the released capacity being posted on the Messenger® system. The PRS must be on the approved bidders list in accordance with Section 6.4(A) of the General Terms and Conditions and will become a Replacement Shipper upon selection of its bid as the best bid.

"Quantity of Gas" or "Quantities" shall mean the number of units of gas expressed in Dekatherms (Dt)

"Releasing Shipper" shall mean a firm Shipper that releases capacity pursuant to Section 6 herein.

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"Replacement Shipper" shall mean any entity that obtains capacity from a Releasing Shipper pursuant to Section 6 herein.

"Shipper" shall mean the entity that has executed a storage service agreement with Southwest for storage service or for any capacity release.

"Southwest" shall mean Southwest Gas Storage Company.

"Storage Gas Balance" shall mean the Quantity of Gas, expressed in dekatherms, held by Southwest in storage for Shipper's account at any point in time.

"Storage Service Agreement" shall mean the executed agreement, in the form prescribed in this tariff, applicable to the particular Rate Schedule under which service is being provided, including a Capacity Release Service Agreement.

"Web Site" shall mean Southwest's HTML page accessible via the Internet's World Wide Web located at http://swgsmessenger.energytransfer.com.

"West Area" shall mean the area where service is provided by the West Area Storage Facilities.

"West Area Storage Facilities" shall mean those storage facilities owned by Southwest and known as the Borchers Storage Field located in Meade County, Kansas and the North Hopeton Storage Field located in Woods County, Oklahoma in addition to acquired off-system capacity.

"Withdrawal Season" shall mean the months of November, December, January, February and March.

GENERAL TERMS AND CONDITIONS

2. REQUESTS FOR SERVICE

2.1 Persons desiring storage service must first deliver a written, properly executed request for storage service to Southwest at the following address:

Southwest Gas Storage Company Attn: Customer Services P. O. Box 4967 Houston, Texas 77210-4967

Phone: (713) 627-4272 or 1-800-275-7375

Fax: (713) 989-1178

2.2 Information Required

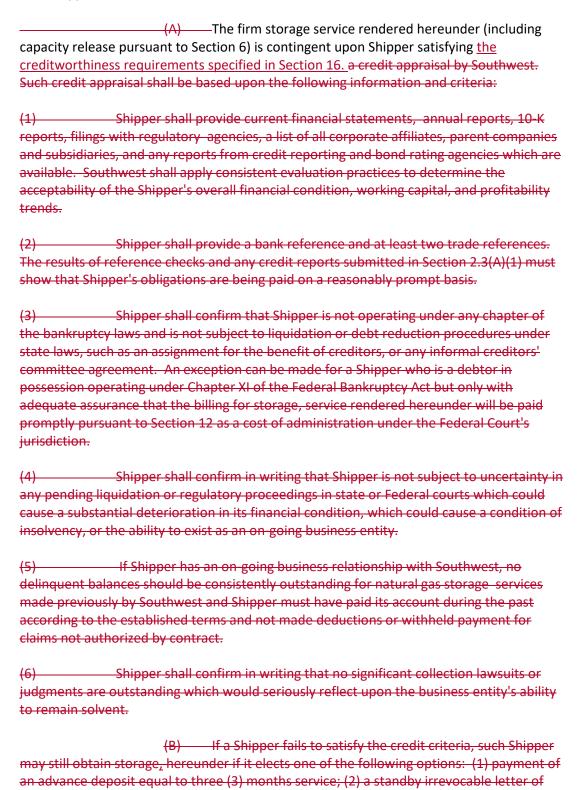
The specific information required from a Shipper for a valid request for storage service provided hereunder shall include, at a minimum, the following information in writing:

- (A) Maximum Annual Quantity (MAQ) expressed in dekatherms;
- (B) Maximum Daily Injection Quantity (MIQ) and Maximum Daily Withdrawal Quantity (MWQ);
- (C) The date on which service is requested to commence;
- (D) The date on which service is requested to terminate;
- (E) The complete legal name and legal description of Shipper;
- (F) The type of entity represented by Shipper (ie. LDC, Intrastate, Interstate, End User, Marketer, Producer, or other);
- (G) The name, title, mailing address, and telephone number of the person designated by Shipper for purpose of nominations and scheduling under Section 3 herein; and
- (H) The information, including mailing address of Shipper, necessary for billing under Section 12 herein.

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2.3 Credit Appraisal



credit drawn on a bank acceptable to Southwest; (3) a security interest in collateral provided by Shipper found to be satisfactory to Southwest; or (4) a guarantee, acceptable to Southwest, by a person or another entity which does satisfy the credit appraisal.

- 2.4 A Request for storage shall not be deemed to have been received and accepted by Southwest until Southwest has received in writing the information required or requested under Sections 2.2 and 2.3 herein. If Southwest requests additional information or assurances in accordance with this Section, and such information is provided within seven (7) days of such request, Shipper's Request for storage will be deemed to have been received when the information set forth in Sections 2.2 and 2.3 was received. Otherwise Shipper's Request for storage will be deemed to have been received when such additional information or assurances actually were received in writing by Southwest.
- 2.5 Southwest may require such other information as is required to comply with regulatory reporting or filing requirements.
- 2.6 A request for Firm Storage Service hereunder, other than capacity release pursuant to Section 6, must be accompanied by one (1) month's payment of the applicable Capacity Charge and Deliverability Charge to be deemed a valid request. Such payment must be made by Shipper to Southwest. When service is commenced, this payment plus the interest accrued from the date payment is received until the date service has commenced will be used to offset Shipper's monthly bill. If Shipper's request expires, Southwest will refund Shipper's payment plus the accrued interest from the date payment is received until the refund is sent to Shipper. For purposes of this Section, accrued interest will be computed in a manner consistent with Section 154.501(d) of the Commission's Regulations.
- 2.67 In the event that any information provided by Shipper or potential Shipper in this Section 2 changes or is expected to change, Shipper or potential Shipper shall provide prompt written notice of such changes to Southwest.
- 2.78 In the event that a Shipper or potential Shipper may have any complaints, Shipper or potential Shipper shall:
 - (A) Provide Southwest a written description of the complaint, including the identification of Shipper's contract number or request for service, whichever is applicable, by contacting Southwest at the following:

Southwest Gas Storage Company Attn: Customer Services P. O. Box 4967 Houston, Texas 77210-4967 Phone: (713) 627-4272 or

1-800-275-7375

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(B) Southwest shall respond initially within forty-eight (48) hours and in writing within thirty (30) days advising Shipper or potential Shipper of the disposition of the complaint.

GENERAL TERMS AND CONDITIONS

6. CAPACITY RELEASE

6.1 Capacity Eligible for Release

Shippers under Rate Schedule FSS shall be permitted to release their capacity on a temporary or permanent basis, in accordance with this Section 6. Capacity which may be assigned to the Replacement Shipper hereunder shall be limited to the firm capacity reserved by the Releasing Shipper, as defined by the primary Points of Receipt and the primary Points of Delivery contained in the released capacity. Releases may be made on an interruptible (i.e., subject to recall) or firm basis and shall be billed by Southwest based on usage.

6.2 Shipper Release Notice

- (A) A Shipper that desires to release any or all of its firm capacity under this Section 6 must notify Southwest electronically on the Messenger® system or through electronic data interchange of its intent to release capacity and the terms of the release (hereinafter referred to as "Shipper Notice"). A Shipper Notice shall be posted on the Messenger® system upon receipt by Southwest or such later time which must comply with the timeline set forth in Section 6.4(B) herein, as requested by Releasing Shipper. This Shipper Notice shall include:
 - (1) Releasing Shipper's contract number;
 - (2) The specific quantity of capacity to be released;
 - (3) If the request for release is on a permanent basis;
 - (4) The Points of Receipt and Points of Delivery at which Releasing Shipper will release capacity and the quantity of capacity to be released at each point;
 - (5) The period of time or term of the release;
 - (6) The conditions of Releasing Shipper's right of recall as well as methods and rights associated with returning the previously recalled capacity to the Replacement Shipper, if applicable;
 - (7) Whether contingent bids will be accepted and when the contingency must be removed;
 - (8) The identity of a Pre-arranged Replacement Shipper (PRS), if applicable;

- (9) The minimum rate expressed in dollars and cents, a percentage of a rate for a non-index-based release or the index-based formula as detailed in the capacity release offer, term, and quantity of capacity Releasing Shipper shall accept, if any, and whether bids using a volumetric rate for the collection of Capacity and Deliverability Charges will be accepted and whether Releasing Shipper requires a volumetric commitment. Southwest shall support volumetric releases with volumetric commitments by fully accounting for volumetric and reservation components, consistent with the rules and regulations enunciated by the Commission;
- (10) The duration of the posting which may not be less than the minimum bid period specified in Section 6.4(B) herein;
- (11) The best bid criterion is the method by which volumetric or contingent bids will be evaluated, and any alternate, objective and nondiscriminatory method for breaking ties. The best bid evaluation method, which is established by Releasing Shipper, must be objectively stated, applicable to all PRS or Replacement Shippers and not unduly discriminatory and shall enable Southwest to rank the bids received by utilizing the weight assigned by Releasing Shipper to each element of the Shipper Notice;
- (12) If the release is for any period of thirty-one (31) days or less and is exempt from bidding in accordance with Section 6.3(A), the Releasing Shipper may designate in the Shipper Notice the winning bid criterion to be the first acceptable bid received;
- (13) Restrictions, if any, on the PRS or Replacement Shipper's ability to request changes in Points of Receipt or Points of Delivery;
- (14) Whether the Shipper Notice may be rejected in part in the event Southwest rejects such Shipper Notice pursuant to Section 6.7; and
- (15) Whether the Replacement Shipper is (a) an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations and, if so, include the volumetric level of the asset manager's delivery or purchase obligation and the time period during which that obligation is in effect or (b) a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.
- (B) Releasing Shipper shall post the Shipper Notice on the Messenger® system.

 Releasing Shipper may withdraw its Shipper Notice at any time prior to the close of the bid period specified in the Shipper Notice herein when unanticipated circumstances justify and no minimum bid has been made.

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- (C) When a Releasing Shipper presents a PRS that is on the approved bidders list, such PRS shall acknowledge the Shipper Release Notice electronically.
- (D) The terms Releasing Shipper imposes may not conflict with any provision of the Storage Service Agreement, Rate Schedule or General Terms and Conditions. In the event of such conflict, Southwest may withdraw the Shipper Notice from posting.

6.3 Exceptions to Bidding

- (A) The following capacity releases are exempt from the bidding process set forth in Section 6.4 herein:
 - (1) A capacity release for any period of thirty-one (31) days or less. A firm Shipper shall not roll over, extend or in any way continue such capacity release to the same Replacement Shipper until 28 days after the first release period has ended. This 28-day period does not apply to any release to the same Replacement Shipper that is posted for bidding or that qualifies for any of the other exemptions from bidding set forth in Sections 6.3(A)(2) or (3) below.
 - (2) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.
 - (3) A capacity release to a marketer participating in a state-regulated retail access program as defined in Section 284.8(h)(4) of the Commission's Regulations.
- (B) In the event a capacity release is exempt from bidding in accordance with Section 6.3(A) herein, the Releasing Shipper presents a PRS that is on the approved bidders list, and such PRS agrees to all conditions of the release prior to the submission of the Shipper Notice to Southwest, the released capacity will be assigned to the PRS and such Shipper Notice shall be exempt from the bidding process in accordance with Section 6.4 herein. The PRS will be posted as the winning bidder in accordance with Section 6.4(I) herein.
- (C) Timing of Capacity Releases Exempt from Bidding
 - The posting of prearranged deals that are not subject to bid are due no later than one hour prior to the nomination deadline for the applicable cycle, pursuant to NAESB WGQ Standard No. 1.3.2. The posting deadlines are:

Timely Cycle
Evening Cycle
Intraday 1 Cycle
12:00 Noon
5:00 p.m.
9:00 a.m.

- Intraday 2 Cycle 1:30 p.m.
- Intraday 3 Cycle 6:00 p.m.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

6.4 Bidding Process

- (A) In order to submit a valid bid under this capacity release program, any party, including a PRS, must be on the approved bidders list. To be on the approved bidders list, a party must meet the provisions of Sections 2 and 16 herein and have executed a Capacity Release Service Agreement with Southwest in the form as set forth in this Tariff (Capacity Release Service Agreement). A party shall remain on the approved bidders list until such party notifies Southwest to the contrary, no longer meets the credit qualifications in Section 2.3-16 herein, or is suspended from the approved bidders list in the event and for such time as such party fails to pay part or all of the amount of any bill for service in accordance with Section 12 herein.
- (B) The capacity release timeline in Central Clock Time applies to all parties involved in the capacity release process provided that: 1) all information provided by the parties to the transaction is valid and the Replacement Shipper has been determined to be creditworthy before the capacity release bid is tendered; 2) for index-based capacity release transactions, the Releasing Shipper has provided Southwest with sufficient instructions to evaluate the corresponding bid(s) according to the timeline; and 3) there are no special terms or conditions of the release. Further, Southwest may complete the capacity release process if the offer includes unfamiliar or unclear terms and conditions (e.g. designation of an index not supported by Southwest).
 - (1) For biddable releases (1 year or less)
 - Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
 - Open season ends at 10:00 a.m. on the same or a subsequent Business Day.
 - Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.

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- If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

(2) For biddable releases (more than 1 year)

- Offers should be tendered such that they can be posted by 9:00 a.m. on a Business Day.
- Open season shall include no less than three 9:00 a.m. to 10:00 a.m. time periods on consecutive Business Days.
- Evaluation period begins at 10:00 a.m. during which any contingencies are eliminated, determination of best bid is made, and ties are broken.
- If no match is required, the evaluation period ends and the award is posted by 11:00 a.m.
- Where match is required, the match is communicated by 11:00 a.m., the match response occurs by 11:30 a.m., and the award is posted by 12:00 Noon.
- The capacity release addendum is issued within one hour of the award posting (with a new capacity release addendum number, when applicable).
- Nomination is possible beginning at the next available nomination cycle for the effective date of the capacity release addendum.

(3) Timeline for Releases with Special Conditions

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For index-based capacity release transactions, the Releasing Shipper shall provide the necessary information and instructions to support the chosen methodology. If the Releasing Shipper specifies a bid evaluation methodology other than highest rate, net revenue or present value, or a

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permanent release or any other special conditions, the above timelines shall apply; provided, however, one additional Business Day will be added to the evaluation period. Such extended evaluation period shall cause gas flow to be at least one day later than gas could flow under the timeline set forth in Section 6.4(B)(1) or Section 6.4(B)(2).

- (C) All bids must be expressed in dollars and cents, a percentage of a rate for a non-index-based release or the index-based formula as detailed in the capacity release offer, whichever is stated in the Shipper Notice, include the required bid information and must be received and posted electronically through the Messenger® system. Bids shall be posted on the Messenger® system with any contingencies identified and with the bidder's identity deleted.
- (D) A bidder may submit only one bid at a time in response to a Shipper Notice. A bidder may withdraw its bid through the Messenger® system at any time prior to the close of the posting period specified in the Shipper Notice without prejudice to its submitting another bid with an economic value equal to or greater than the economic value of the withdrawn bid.
- (E) Where there is a PRS and a bid which is better than the bid submitted by the PRS, Southwest shall notify the PRS by 2:00 p.m. Central Clock Time on the Day capacity is awarded and the PRS will have until 2:30 p.m. to match the better bid and obtain the right to the released capacity.
 - Southwest shall issue an Addendum to the PRS unless a better bid, established in accordance with Section 6.2(A)(11) herein, is received within the time period specified in the posting. In the event the PRS does not match the better bid, Southwest shall issue an Addendum to the party who made the best bid.
- (F) All bids not withdrawn by written or electronic notice to Southwest prior to the close of the posting period specified in the Shipper Notice shall be binding. Bids cannot be withdrawn after the bid period ends.
- (G) In the event that a winning bid has a contingency, and Southwest is not notified through the Messenger® system that such contingency has been removed within the time period specified in the Shipper Notice, such contingent bid will be rejected by Southwest.
- (H) The Releasing Shipper may define in the Shipper Notice the criteria for determining the best bid. If the Releasing Shipper does not specify the criteria, Southwest shall use the Net Present Value calculation as set forth in Section 7.3 herein to determine the best bid. If there are multiple bids meeting the minimum conditions, Southwest shall rank the bids and Southwest shall award the bids, best bid first, until all offered capacity is awarded. Southwest will notify, through the Messenger® system by 2:00 p.m. Central Clock Time following the end of the

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- posting period, or by 3:00 p.m. Central Clock Time if a matching period is applicable, the PRS or Replacement Shipper that capacity has been awarded.
- (I) Southwest shall post the winning bids and Replacement Shippers' identity on the Messenger® system for at least five Business Days.

6.5 Rights and Obligations of Releasing Shipper

- (A) Regardless of the amount of capacity Releasing Shipper releases under this Section 6, Releasing Shipper shall remain liable for the Capacity and Deliverability Charges attributable to the released capacity unless otherwise agreed to in writing and in advance by Southwest. In the event of a permanent release, Southwest may, and will not unreasonably refuse to, waive liability of Releasing Shipper for the Capacity and Deliverability Charges.
- (B) When capacity is awarded to Replacement Shipper, Releasing Shipper must adjust or reconfirm its nominations to reflect the capacity released. Southwest will automatically change Releasing Shipper's nominations to zero for the Service Agreement under which capacity was released unless such nominations are adjusted or reconfirmed by the Releasing Shipper.
- (C) In the event of termination of a Replacement Shipper's Addendum pursuant to Section 6.6(C) herein, the released capacity related to such Addendum will revert to the Releasing Shipper.
- (D) Releasing Shippers may, to the extent permitted as a condition of the capacity release, recall released capacity. The recall notification to Southwest shall specify the Quantity in terms of total released capacity entitlements.

6.6 Rights and Obligations of Replacement Shipper

- (A) Any bid submitted will bind Replacement Shipper or PRS to the terms of the bid if Southwest selects such bid as the best bid. If all the information provided by the Releasing Shipper and the bidder/PRS is valid, the Replacement Shipper is creditworthy, and there are no special terms and conditions, Southwest will issue and execute the Addendum to the Capacity Release Service Agreement within one hour of awarding the winning bid. The capacity release addendum number also will be issued within one hour of the award posting.
- (B) Replacement Shipper may submit nominations pursuant to Section 3 herein beginning at the next available nomination cycle for the effective date of the capacity release addendum; however, in no event will Gas flow on Replacement Shipper's Service Agreement prior to the effective date of the release as posted in the Shipper Notice.

- (C) Replacement Shipper is responsible for payment of the applicable Capacity and Deliverability Charges, and any surcharges thereon, in the amount of its winning bid. Replacement Shipper is also responsible for all other billings, e.g., Injection Charge and Withdrawal Charge and applicable surcharges. In the event of payment default, subject to Section 12 herein, Southwest may elect to terminate that Replacement Shipper's Capacity Release Service Agreement which shall terminate all service thereunder utilized by the Replacement Shipper.
- (D) Once Replacement Shipper or PRS is notified of a winning bid, such Replacement Shipper or PRS shall have all the rights and obligations specified under the Releasing Shipper's Rate Schedule, the Releasing Shipper's Service Agreement and the General Terms and Conditions of this Tariff including the right to release firm capacity pursuant to this Section unless the conditions prescribed by the Shipper Notice require otherwise.

6.7 Rights and Obligations of Southwest

Southwest shall determine, in its sole discretion, the best bid based upon the best bid criteria established pursuant to Section 6.2(A)(11) or Section 6.4(H) herein. Southwest shall have the right, but not the obligation, to reject, in whole or in part, the terms of any Shipper Notice or bid which is discriminatory or conflicts with any order or regulation issued by the FERC, or provision of the Service Agreement, Rate Schedule or General Terms and Conditions. Such Shipper Notice shall be rejected in its entirety unless Shipper, pursuant to Section 6.2(A)(14), permits a partial rejection. Southwest shall provide simultaneous notification to Shipper, through the Messenger® system, of the reason(s) for rejecting a release notice with the notice of rejection. Southwest shall not have any liability to any Shipper, Releasing Shipper, Replacement Shipper, bidder or any other party as a result of Southwest's performance of its obligations under its capacity release program, and such Shippers, Releasing Shippers, Replacement Shippers, and bidders shall indemnify Southwest from and against any and all losses, damages, expenses, claims, suits, actions and proceedings whatsoever threatened, incurred or initiated as a result of Southwest's performance hereunder, except to the extent such loss, damage, expense, claim, suit, action or proceeding is the result of Southwest's negligence, bad faith or willful misconduct.

6.8 Term

- (A) Any release under this Section 6 shall be for a minimum term of at least one Day.
- (B) Any release under this Section 6 shall be for a maximum term expiring on the earlier of:
 - (1) The last date this Tariff provision shall be effective;
 - (2) The expiration date of Releasing Shipper's Service Agreement when the release is for the full term of such agreement; or

- (3) The expiration date specified by the Releasing Shipper in the Shipper Notice.
- 6.9 Billing Adjustments to Releasing Shipper
 - (A) Southwest shall credit Releasing Shipper's monthly bill to reflect the Capacity and Deliverability Charges (including surcharges, if any) invoiced to Replacement Shipper. In the event of a release with a volumetric rate, the volumetric rate shall be credited to the Releasing Shipper's monthly bill. Replacement Shipper's payment of the Volume Injection Charge and Volume Withdrawal Charge and applicable usage surcharges, if any, shall be retained by Southwest.
 - (B) If Replacement Shipper fails to pay all or any part of the Capacity and Deliverability Charges so credited within thirty (30) days of its due date, then such unpaid amount plus interest will be charged to Releasing Shipper's next monthly bill and will be due and payable by Releasing Shipper in accordance with Section 12 herein.
 - (C) The Releasing Shipper and Southwest may agree that, in return for Southwest actively marketing the Releasing Shipper's Service Agreement, Southwest will reduce the Releasing Shipper's invoice credit by a negotiated marketing fee.
 - (D) Southwest and Releasing Shipper may agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of this Section 6.9 in order to establish the basis of accounting for revenues from a Replacement Shipper.
- 6.10 Requests to Purchase Releasable Capacity

Any party may initiate a request to purchase releasable firm capacity by following the instructions posted on Southwest's Informational Postings Web Site located at http://swgsmessenger.energytransfer.com under "Notices, Request to Purchase Releasable Capacity." The form shall specify the terms and conditions of the request and the location of the posting on Southwest's Informational Postings Web Site. Such offer to purchase released capacity shall be posted on Southwest's Web Site for 30 Days.

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GENERAL TERMS AND CONDITIONS

7. CONTRACTING FOR SERVICE RIGHTS

This Section 7 governs the order in which requests for storage service shall be accommodated when unsubscribed firm capacity, other than released capacity, becomes available. It does not govern scheduling, which is governed by Section 3 herein. Requests for firm capacity shall be accommodated in the following manner and subject to the following conditions and limitations:

- 7.1 In order to be eligible for firm capacity, a party requesting service (potential Shipper) must submit a valid request in accordance with the provisions of Sections 2 and 16 herein.
- 7.2 Southwest will post on the Messenger® system and the Web Site available capacity. A potential Shipper that submits a valid request may submit in writing a bid for the available capacity at any time. In the event of multiple bids, Southwest will evaluate the bids and determine the bid having the greatest economic value as determined in Section 7.3.
- 7.3 Southwest shall tender a Storage Service Agreement for execution to the potential Shipper submitting the bid having the greatest economic value for the capacity available. The criteria for determining which potential Shipper has submitted the bid with the greatest economic value shall be the Net Present Value (NPV) of the capacity and deliverability charges that potential Shipper would pay at the rates potential Shipper has bid over the term of service specified in the request, utilizing a ten percent (10%) annual discount factor. For purposes of calculating each potential Shipper's NPV, the term will be limited to ten (10) years. If the economic values of separate service requests are equal, then service shall be offered in sequence starting with the request with the earliest date. If separate service requests have equal economic values and the same date of request, service shall be offered to such potential Shippers on a pro rata basis.
- 7.4 If potential Shipper fails to execute a Storage Service Agreement within thirty (30) Days of the date on which it was tendered by Southwest, potential Shipper's request for service may be considered withdrawn.

7.5 Contract Extension

Prior to the expiration of the term of any existing Storage Service Agreements(s), -Southwest and the existing Shipper may mutually agree to renegotiate the terms of such Storage Service Agreement(s) in exchange for Shipper's agreement to extend the term of at least a portion of its obligations under a restructured Storage Service Agreement(s) (the exact terms, including the length and rate), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

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7.6 Termination of Interruptible Service Agreements

Southwest may terminate Shipper's Storage Service Agreement under Rate Schedule ISS upon thirty (30) days prior written notice to Shipper who has not submitted nominations to store Gas under such Storage Service Agreement within the immediately preceding twelve (12) Months. In addition, Southwest and Shipper may mutually agree to terminate such interruptible agreement at any time.

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GENERAL TERMS AND CONDITIONS

9. CONDITIONS OF RECEIPT AND DELIVERY

- 9.1 Southwest shall receive Quantities of natural gas from Shipper at the Point of Receipt and Southwest shall deliver Quantities of -natural gas to Shipper at the Point of Delivery. Southwest and Shipper shall, by mutual agreement, establish the date of commencement of receipt and redelivery of gas hereunder. Receipts and redeliveries of gas hereunder shall be at uniform hourly and daily rates of flow as nearly as practicable.
- 9.2 Measurement shall be both volumetric and thermal, at a temperature of 60° Fahrenheit and at a pressure of 14.73 psia, and on the basis of the methods prescribed and published by the American Gas Association in conjunction with the ANSI/API 2530 Report as now and any subsequent amendments thereof accepted and agreed upon between the parties if orifice meters are used, and in accordance with generally accepted industry practices, as mutually agreed upon, if positive or turbine meters are used.

The Btu content shall be determined by taking the arithmetic average of the heating value as recorded by recording calorimeter or other method of determination generally accepted in the industry. Flowing temperature shall be determined by a recording thermometer or EGM.

- 9.3 Shipper may witness Southwest's installation or maintenance of measuring equipment. Southwest shall not be required to verify accuracy more often than once during any thirty (30) day period. If, upon test, accuracy is found to be within 2% by volume (chromatograph/calorimeter within 0.5%), such equipment shall be assumed to be accurate. Any error exceeding these percentages will require correction to zero error of previous recordings back to the date error began. If beginning date of error is unknown, correction shall extend to one-half the time since the last test, not to exceed sixteen (16) days.
- 9.4 Deliveries of gas at the Points of Receipt shall be at a pressure sufficient to enter Southwest's facilities at such point. Redeliveries of gas at the Points of Delivery shall be at such pressure as exists in Southwest's facilities. Gas received and redelivered shall be merchantable natural gas; shall be free of water and hydrocarbons in liquid form; shall contain not more than 7 pounds of water vapor per MMcf, 1.0 grain of hydrogen sulphide and twenty (20) grains of total sulphur per one hundred (100) cubic feet, 2% of carbon dioxide (by volume), and fifty (50) parts per million of oxygen; and shall not exceed one hundred twenty degrees (120°) Fahrenheit in temperature. The gas shall have a total or gross heating value of not less than nine hundred fifty (950) Btu and not more than one thousand two hundred (1,200) Btu per cubic foot. Southwest shall not be obligated to accept gas for storage which does not meet these quality provisions.

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Shipper shall indemnify Southwest for any loss, cost, damage or expense incurred by Southwest as a direct or indirect result of Shipper's failure to comply with the provisions in this Section 9.4, except to the extent such loss, damage, expense, claim, suit, action or proceeding is the result of Southwest's negligence, bad faith or willful misconduct or is the direct result of Southwest's deliberate decision to take Shipper's nonconforming gas.

9.5 Upon termination of storage service under Rate Schedules FSS or ISS, Shipper will balance any final imbalance within sixty (60) days of the date that Southwest notifies Shipper of any final imbalance. If at the end of such final balancing period, Southwest owes Shipper gas which Shipper has not received, Southwest will retain those Quantities free and clear of any adverse claims.

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GENERAL TERMS AND CONDITIONS

16. CREDITWORTHINESS

- Prior to execution of a Storage Service Agreement or as a condition for continuation of service, a Shipper or prospective shipper shall be required to establish and maintain creditworthiness on an on-going basis with Southwest. Southwest shall apply consistent evaluation practices to all similarly situated shippers to determine the Shipper's financial ability to satisfy the payment obligations due to Southwest over the term of the requested service agreement. Southwest shall not be required to: (1) execute a Storage Service Agreement providing for service on behalf of any Shipper who fails to meet Southwest's standards for creditworthiness; or (2) initiate service for a Shipper who fails to meet Southwest's standards for creditworthiness; or (3) continue service on behalf of any Shipper who is or has become insolvent or who, at Southwest's request, fails to demonstrate creditworthiness pursuant to Southwest's standards in this Section 16.
- 16.2 A Shipper shall be deemed creditworthy when Shipper meets the creditworthiness criteria in this Section 16.2.
 - (A) If Shipper is rated by Standard & Poor's or its successor (S&P), and/or by Moody's Investors Service, Inc. or its successor (Moody's), Southwest may establish creditworthiness if:
 - (1) (i) In the event Shipper is rated by both S&P and Moody's, Shipper's long-term senior unsecured debt securities are rated at least BBB- by S&P and at least Baa3 by Moody's, provided, however, that if the Shipper's rating is at BBB-and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper is rated only by S&P, Shipper's long-term senior unsecured debt securities are rated at least BBB-, provided, however, that if the Shipper's rating is at BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper is rated by only Moody's, Shipper's long-term senior unsecured debt securities are rated at least Baa3, provided, however, that if the Shipper's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
 - (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's tangible net worth.

In the event Shipper is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. For the purposes of this Section 16.2, the term "tangible net worth" shall mean for a corporation the sum of the capital stock, paid-in capital in excess of par or stated value, and other free and clear equity reserve accounts less goodwill, patents, unamortized loan costs or restructuring costs, and

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other intangible assets. Only actual tangible assets are included in Southwest's assessment of creditworthiness. If a Shipper has multiple Storage Service Agreements with Southwest, then the total contract commitment and imbalance exposure or potential exposure of all such Storage Service Agreements shall be considered in determining creditworthiness.

- (B) If Shipper cannot demonstrate creditworthiness pursuant to Section 16.2(A) above, Southwest may establish creditworthiness based upon:
- (1) (i) In the event Shipper's parent is rated by both S&P and Moody's, the Shipper's parent having a senior unsecured debt rating of at least BBB- by S&P and Baa3 by Moody's, provided, however, that if the Shipper's parent's rating is at BBB- and/or Baa3, respectively, the long-term outlook shall be Stable or Positive; or (ii) in the event Shipper's parent is rated by only S&P, the Shipper's parent having a senior unsecured debt rating of at least BBB-, provided, however, that if the Shipper's parent's rating is a BBB-, the long-term outlook shall be Stable or Positive; or (iii) in the event Shipper's parent is rated by only Moody's, the Shipper's parent having a senior unsecured debt rating of at least Baa3, provided, however, that if the Shipper's parent's rating is at Baa3, the long-term outlook shall be Stable or Positive; and
- (2) The net present value of the sum of reservation charges, usage charges and any other associated fees and charges for the contract term is less than 15% of Shipper's parent's tangible net worth; and
 - (3) Shipper's parent issues a guaranty acceptable to Southwest.

In the event Shipper's parent is rated by both S&P and Moody's at levels which are not equivalent, the lower rating shall apply. If a Shipper's parent has multiple Storage Service Agreements with Southwest or multiple subsidiaries with Storage Service Agreements with Southwest in addition to Shipper's Storage Service Agreements, then the total contract commitment and imbalance exposure or potential exposure of all of those Storage Service Agreements shall be considered in determining creditworthiness.

- (C) In the event Shipper is a cooperative or a municipal Shipper and Shipper cannot demonstrate creditworthiness pursuant to Section 16.2(A) or 16.2(B) above, Southwest may establish creditworthiness based upon:
 - (1) Shipper's issuer and/or revenue bond rating is a rating that has the equivalent rank of those listed in Section 16.2(A)(1) above; or

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(2)

		of Shipper's tangible net worth, or Shipper's preceding calendar year
		revenues are at least six (6) times Southwest's anticipated charges for the
		ensuing 12-month period.
16.3	To permit Southwest to conduct an initial or ongoing creditworthiness review, Southwest may	
	request, and a Shipper shall provide within five (5) Business Days any or all of the following:	
	(A)	(i) Audited financial statements for the most current two (2) fiscal years prepared in
		conformity with generally accepted accounting principles (GAAP) in the United States
		of America or, for non-U.S. based Shippers, prepared in accordance with equivalent
		standards, or (ii) if Shipper's fiscal year-end financial statements are unaudited, an
		attestation by its Chief Financial Officer that such statements constitute a true,
		correct, and fair representation of financial condition prepared in accordance with
		GAAP or equivalent or (iii) for non-public entities, any existing sworn filing, which
		provides the most recent available interim financial statements and annual financial
		reports filed with any applicable regulatory authority, showing the Shipper's current
		financial condition;
	<u>(B)</u>	List of corporate affiliates, parent companies, and subsidiaries, if applicable;
	<u>(C)</u>	Publicly available information from credit reports of credit and bond rating agencies;
	(D)	A bank reference and at least three (3) trade references, a check of which show along
		with any credit reports submitted herein that Shipper's undisputed obligations are
		being paid in a timely manner;
	(E)	Statement of legal composition;
	(F)	Statement of the length of time the business has been in operation;
	(G)	For state-regulated utility local distribution companies, documentation from their

respective state regulatory commission (or an equivalent authority) of an authorized

Confirmation by Shipper that Shipper is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditor, or any informal creditors'

Such other information as may be mutually agreed to by Shipper and Southwest;

The net present value of the sum of reservation charges, usage charges and

any other associated fees and charges for the contract term is less than 15%

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gas supply cost recovery mechanism;

committee agreement;

and/or

(H)

(1)

- 16.4. If Shipper or Shipper's parent does not meet the criteria described in Section 16.2 above, then credit appraisal shall be based upon Southwest's evaluation of any or all of the following information and credit criteria:
 - (A) Any information received pursuant to Section 16.3 above;
 - (B) Consistent and nondiscriminatory financial statement analysis to determine the acceptability of Shipper's or Shipper's parent's current and future financial strength.

 Financial statements shall be analyzed along with key ratios and trends regarding liquidity, asset management, debt management, debt coverage, capital structure, operational efficiency and profitability;
 - (C) S&P, Moody's, Dun & Bradstreet and other credit reporting agency ratings, opinions, watch alerts, and rating actions shall be considered in determining creditworthiness;
 - (D) Results of credit reports and of bank and trade reference checks must demonstrate that a Shipper is paying its obligations in a timely manner;
 - (E) Shipper must not be operating under any chapter of the bankruptcy laws and must not be subject to liquidation or debt reduction procedures under state laws and there must not be pending any petition for involuntary bankruptcy; an exception may be made for a Shipper who is a debtor-in-possession operating under Chapter XI of the Federal Bankruptcy Act whereby adequate assurance is provided under purview of by the bankruptcy court having jurisdiction over such debtor-in-possession that the service billings will be paid promptly as a cost of administration under the federal court's jurisdiction, based on a court order in effect, and if the Shipper is continuing and continues in the future actually to make payment;
 - (F) Whether Shipper is subject to any lawsuits or judgments outstanding which could materially impact its ability to remain solvent;
 - (G) Shipper's ongoing business relationship, if any, with Southwest with consideration being given to whether Shipper has or has had any delinquent balances outstanding for services provided by Southwest, gas imbalances, and gas loans due Southwest and whether Shipper is paying and has paid its account balances promptly according to the terms established in its Storage Service Agreements (excluding amounts as to which there is a good faith dispute);

- (H) Shipper's ability to recover the costs of Southwest's services through filings with regulatory agencies or otherwise to pass on such costs to its customers, as applicable; and/or
- (I) Any other information, including any information provided by Shipper, that is reasonably relevant to Shipper's current and future financial strength and Shipper's ability to make full payment over the term of the Storage Service Agreement(s).
- 16.5 If a Shipper fails to establish or maintain creditworthiness or if Shipper's credit limit as determined by Southwest is insufficient to cover Shipper's total contractual obligations, Shipper may still obtain or continue service hereunder if Shipper, except to the extent otherwise agreed, provides credit support in an amount sufficient to cover three months service as determined in accordance with Section 16.5(B)(1) under one of the following options.
 - (A) Forms of Credit Support. Shipper may select from the following forms of credit support (Credit Support) and Southwest shall not unreasonably discriminate in the forms of Credit Support it determines to accept from Shippers.
 - (1) Guaranty. A Shipper may provide a guaranty of financial performance in a form satisfactory to Southwest from a corporate parent, corporate affiliate or a third party that meets the creditworthiness standards above.
 - (2) Deposit. A shipper may provide a cash deposit. If Southwest is required to draw down these funds, Southwest will notify Shipper and Shipper must replenish such funds within three (3) Business Days after receipt of such notice.
 - (3) Standby Irrevocable Letter of Credit drawn on a bank which is a U.S. bank or a
 U.S. branch of a foreign bank with an S&P Debt Rating of at least A or
 Moody's Debt Rating of at least A2.
 - (4) Security Interest or lien in collateral found to be satisfactory to Southwest.
 - (5) Other security acceptable to Southwest.
 - (B) Credit Support Requirements. Credit Support required for non-creditworthy shippers shall be an amount sufficient to cover service for three (3) months.
 - (1) Three months service. The amount of Credit Support for firm Storage Service
 Agreements must be sufficient to cover the highest three (3) months of
 reservation charges during the previous twelve (12) month period. The
 amount of Credit Support for interruptible services shall be based upon the
 highest three (3) months of usage during the previous twelve (12) month
 period for all rates and charges. If the Shipper has not contracted for or

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utilized interruptible storage service during the previous twelve (12) month period, Southwest will establish the Credit Support requirement based upon Shipper's estimated usage for a three (3) month period as determined by Shipper and Southwest's marketing representative.

- Southwest shall have the right to update Shipper's credit file at any time after commencement of service. Such update may be conducted by Southwest periodically and Shipper shall provide assistance and cooperation. If Southwest concludes that a Shipper is non-creditworthy or if Shipper fails to maintain Credit Support under Section 16.5 of these General Terms and Conditions, Southwest shall provide Shipper an initial notice in writing that it has lost its creditworthiness status along with the reasons for such determination and that Shipper has five (5) Business Days after receipt of such initial notice, to provide Southwest with Credit <u>Support consistent with Section 16.5 of these General Terms and Conditions which is adequate</u> to cover all charges for one Month's advance service. A Shipper may challenge Southwest's determination by providing a written rebuttal to Southwest's explanation within ten (10) days after the initial notification and explanation is provided by Southwest. Southwest shall respond to such a rebuttal in writing within ten (10) days. Any reevaluation of creditworthiness by Southwest in response to such a rebuttal by the Shipper shall be based on the creditworthiness criteria set out in Section 16.4 and shall be performed as provided in Section 16.4 of these General Terms and Conditions. If Southwest determines after such reevaluation that Shipper is creditworthy, the Credit Support to cover all charges for one Month's advance service shall be released to Shipper within five (5) Business Days after such determination. In the event Southwest concludes after reevaluation that Shipper remains non-creditworthy, Shipper shall comply with the requirement in the initial notice to provide, within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, the means for adequate assurance of future performance, covering the full level of Credit Support provided for under Section 16.5 of these General Terms and Conditions. If the Shipper has not satisfied either requirement in the initial notice to provide specified Credit Support within five (5) Business Days or to provide the additional specified Credit Support within thirty (30) days after the initial notice, but not less than five (5) Business Days after notice that Shipper remains non-creditworthy, Southwest may without further notice immediately suspend service to Shipper.
- Any suspension of service hereunder shall continue until Southwest is reasonably satisfied that Shipper is creditworthy under Section 16.2 or 16.4 of these General Terms and Conditions or until Shipper has provided Credit Support under Section 16.5 of these General Terms and Conditions. A Shipper shall not be obligated to pay any reservation charges for suspended service attributable to the period when that service is suspended. During the period of suspension, such Shipper may not release or recall capacity.
- In addition to suspension, Southwest may terminate service if the Shipper fails to provide Credit Support consistent with Section 16.5 of these General Terms and Conditions no earlier than sixty (60) days after Southwest has provided its initial notice to Shipper pursuant to Section 16.7 herein. Any such termination requires thirty (30) days' prior notice to Shipper,

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Releasing Shipper, if any, and the Commission. To avoid termination, the Shipper must satisfy Section 16.5 of these General Terms and Conditions within this notice period. If the Storage Service Agreement is terminated, Southwest shall net and/or set off, as allowed by law, all positions calculated in accordance with the provisions of the applicable Rate Schedule (i.e., invoiced storage amounts) against outstanding account balances due the Shipper. Southwest shall have the right to assert any liens or other interests, consistent with applicable law, against any gas remaining on its System. Southwest may not take any action under this Section 16 which conflicts with any order of the U. S. Bankruptcy Court.

- At any time after a Shipper is determined to be non-creditworthy by Southwest, the Shipper may request a creditworthiness reevaluation by Southwest pursuant to NAESB WGQ Standard Nos. 0.3.8 and 0.3.9 as incorporated in Section 19 of these General Terms and Conditions. If Southwest determines after such reevaluation that Shipper is creditworthy without Credit Support, any Credit Support requirements under Section 16.5 of these General Terms and Conditions shall be terminated and any deposit amounts shall be released to Shipper within five (5) Business Days after such determination.
- 16.10 Notwithstanding the above, Southwest may agree with a Shipper in an executed precedent agreement, for service on new or expanded facilities to be constructed by Southwest, to creditworthiness provisions which differ from one or more of the provisions in this Section 16, and which, in addition to the other provisions of this Section 16, govern service provided to the Shipper pursuant to the precedent agreement.

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