

August 30, 2018

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. RP18-

Dear Ms. Bose:

Southwest Gas Storage Company (Southwest) hereby electronically submits for filing with the Federal Energy Regulatory Commission (Commission) the following revised tariff records to its FERC NGA Gas Tariff, Second Revised Volume No. 1, (Tariff) proposed to be effective October 1, 2018:

Version	<u>Description</u>	<u>Title</u>
4.0.0	Part I	Table of Contents
1.0.0	Part IV	Currently Effective Rates
0.0.0	<ol><li>Negotiated Rates</li></ol>	Currently Effective Rates
2.0.0	1. Rate Schedule FSS	Firm Storage Service
3.0.0	GT&C Section 1.	Definitions
4.0.0	GT&C Section 6.	Capacity Release
2.0.0	GT&C Section 7.	Contracting for Service Rights
2.0.0	<ol> <li>Rate Schedule FSS</li> </ol>	Form of Service Agreement

## STATEMENT OF NATURE, REASONS AND BASIS

The purpose of this filing, made in accordance with Section 154.204 of the Commission's regulations, is to propose a negotiated rate provision in accordance with current Commission policy and to modify the contract extension provision.

The proposed negotiated rate provision states that Southwest and a shipper may agree, on a prospective basis, to a negotiated rate which may be less than, equal to or greater than the maximum rate; shall not be less than the minimum rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. The details of the negotiated rate agreement shall be specified on Exhibit A of the executed Rate Schedule FSS service agreement. In addition, Southwest is establishing a new tariff record identified as 3. Negotiated Rates, Currently Effective Rates to summarize the details of each negotiated rate agreement. The pertinent details shall include the name of the shipper, Rate Schedule, points of receipt and delivery, contract quantity, negotiated rate and term of the agreement. Corresponding changes to reflect this new tariff record are included in the Table of Contents and on the index to Part IV, Currently Effective Rates. In order to accommodate certain capacity release agreements with negotiated rates based on a rate design other than straight fixed variable, Southwest added a new GT&C Section 6.9(D), as well as Section 3.6 of Rate Schedule FSS to reflect that Southwest and the releasing shipper of such a capacity release may agree upon a payment obligation and crediting mechanism that varies from or is in addition to the provisions of GT&C capacity release Section 6.9 in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. In GT&C Section 7.3 on bid evaluation under contracting for service rights, Southwest clarifies that a shipper offering to pay a negotiated rate that is more than maximum rate will be considered as paying the maximum rate for purposes of evaluating bids to award capacity. A similar clarification is not necessary in the tariff scheduling provisions as the rate in a service agreement is not a factor in

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scheduling service on Southwest. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Southwest proposes to modify the contract extension provision in GT&C Section 7.6 to include negotiated rates and to allow Southwest and a shipper to renegotiate in a not unduly discriminatory manner the terms, including length, rate and quantity, of a storage service agreement in exchange for extending the term of the contract. The proposed language follows the provision approved for Trunkline Gas Company, LLC in the Commission's letter order issued on February 3, 2011 in Docket No. RP11-1692-000.

The Commission's current policy, among other things, permits pipelines to allow for negotiated rates for service agreements as long as the agreement contains no deviation from the form of service agreement in Southwest's Tariff that goes beyond filling in the blank spaces or that affects the substantive rights of the parties in any way. The negotiated rate tariff modifications proposed herein comply with the Commission's policy on negotiated rates.

#### **IMPLEMENTATION**

Pursuant to Section 154.7(a)(9) of the Commission's Regulations, Southwest requests that the proposed tariff records submitted herewith become effective October 1, 2018.

#### **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 record in RTF format with metadata attached, the XML filing package contains:

- . a transmittal letter including a Statement of Nature, Reasons and Basis in PDF format
- . a clean copy of the proposed tariff record in PDF format for publishing in eLibrary
- . a marked version of the proposed tariff changes in PDF format
- . a copy of the complete filing in PDF format for publishing in eLibrary

#### **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 1

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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.

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Deborah A. Bradbury 12

Sr. Director – Regulatory Tariffs & Reporting Southwest Gas Storage Company 1300 Main Street Houston, TX 77002 (713) 989-7571 (713) 989-1205 (Fax) debbie.bradbury@energytransfer.com

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 <a href="http://swgsmessenger.energytransfer.com">http://swgsmessenger.energytransfer.com</a> 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 her knowledge, and belief, and possesses full power and authority to sign such filing.

Respectfully submitted,

SOUTHWEST GAS STORAGE COMPANY

/s/ Deborah A. Bradbury

Deborah A. Bradbury Sr. Director – Regulatory Tariffs & Reporting

<sup>&</sup>lt;sup>2</sup> Designated as responsible Company official under Section 154.7(a)(2) of the Commission's Regulations.

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# Part IV Currently Effective Rates

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Part IV Currently Effective Rates 3. Negotiated Rates Version 0.0.0

CURRENTLY EFFECTIVE RATES NEGOTIATED RATES

Maximum
Rate Negotiated Annual

Rate Negotiated Annual Points of Schedule Rate Quantity Service Shipper Term

## RATE SCHEDULE FSS FIRM STORAGE SERVICE

#### 1. AVAILABILITY

This Rate Schedule FSS is available to any person (Shipper) for the purchase of natural gas storage service on a firm basis from Southwest Gas Storage Company (Southwest) upon execution of a Storage Service Agreement in the form provided for in this Tariff.

Shipper shall arrange separately for any transportation attendant to the storage service provided hereunder and Shipper shall pay separately for such transportation services.

#### APPLICABILITY AND CHARACTER OF SERVICE

2.1 The firm service rendered hereunder is the storage of natural gas up to a Maximum Annual Quantity (MAQ) as set forth in the Storage Service Agreement, with a Maximum Daily Withdrawal Quantity (MWQ) and a Maximum Daily Injection Quantity (MIQ) as provided herein, subject to the availability of capacity, the General Terms and Conditions and the further provisions of the Storage Service Agreement. Southwest is not obligated to provide any storage service for which capacity is not available, which would constrain the operational efficiency of its facilities, or which would require the construction, purchase or acquisition of new facilities or the modification or expansion of existing facilities.

## 2.2 Injections into Storage

- (A) Shipper's MIQ shall be:
  - (1) West Area Storage Facilities
    - (a) 1/180th of the MAQ until ninety percent (90%) of the MAQ has been injected;
    - (b) Thereafter sixty percent (60%) of the volume specified in 2.2(A)(1)(a) above until ninety-five percent (95%) of the MAQ has been injected;
    - (c) Thereafter thirty-five percent (35%) of the volume specified in 2.2(A)(1)(a) above.

- (2) East Area Storage Facilities
  - (a) 1/180th of the MAQ until seventy-five percent (75%) of the MAQ has been injected;
  - (b) Thereafter sixty percent (60%) of the volume specified in 2.2(A)(2)(a) above until ninety percent (90%) of the MAQ has been injected;
  - (c) Thereafter forty percent (40%) of the volume specified in 2.2(A)(2)(a) above.
- (B) Authorized Injection Overrun Quantities

Upon request of Shipper, Southwest may, but is not obligated to, inject on any Day Quantities in excess of Shipper's MIQ when, in Southwest's sole judgment, the capacity of its system will permit such injection without impairing the ability of Southwest to meet its other obligations.

(C) Injection During the Withdrawal Season

Upon request of Shipper, Southwest may, but is not obligated to, inject on any Day during the Withdrawal Season Quantities up to Shipper's MIQ and any Authorized Injection Overrun Quantities when, in Southwest's sole judgment, the capacity of its system will permit such injection without impairing the ability of Southwest to meet its other obligations.

- 2.3 Withdrawals from Storage
  - (A) Shipper's MWQ shall be:
    - (1) West Area Storage Facilities
      - (a) 1/100th of the MAQ until fifty percent (50%) of the MAQ has been withdrawn;
      - (b) Thereafter sixty percent (60%) of the volume specified in 2.3(A)(1)(a) above until seventy-five percent (75%) of the MAQ has been withdrawn;
      - (c) Thereafter thirty-three percent (33%) of the volume specified in 2.3(A)(1)(a) above.

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## (2) East Area Storage Facilities

- (a) 1/67th of the MAQ until sixty percent (60%) of the MAQ has been withdrawn;
- (b) Thereafter fifty percent (50%) of the volume specified in 2.3(A)(2)(a) above until eighty-five percent (85%) of the MAQ has been withdrawn;
- (c) Thereafter twenty-five percent (25%) of the volume specified in 2.3(A)(2)(a) above.

#### (B) Authorized Withdrawal Overrun Quantities

Upon request of Shipper, Southwest may, but is not obligated to, withdraw on any Day Quantities in excess of Shipper's MWQ when, in Southwest's sole judgment, the capacity of its system will permit such withdrawal without impairing the ability of Southwest to meet its other obligations. Shipper shall pay Southwest the applicable Authorized Overrun Charge for such Quantities as set forth on the Currently Effective Rates for Rate Schedule FSS.

## (C) Withdrawal During Injection Season

Upon request of Shipper, Southwest may, but is not obligated to withdraw on any Day during the Injection Season Quantities up to Shipper's MWQ and any Authorized Withdrawal Overrun Quantities when, in Southwest's sole judgment, the capacity of its system will permit such withdrawal without impairing the ability of Southwest to meet its other obligations.

## 3. RATE

The rates and charges for firm service under this Rate Schedule FSS shall include the applicable storage rate components per Dt as described in Sections 3.1, 3.2 and 3.3.

#### 3.1 Storage Charges

For Storage service rendered to Shipper under this Rate Schedule FSS, Shipper shall pay Southwest each Month the sum of the following charges as set forth on the Currently Effective Rates for Rate Schedule FSS of this Tariff:

## (A) Capacity Charge

The monthly capacity charge per Dt is determined by multiplying the Maximum Annual Quantity (MAQ) by the Capacity Charge rate, divided by twelve.

## (B) Deliverability Charge

The monthly deliverability charge per Dt is determined by multiplying the Maximum Daily Withdrawal Quantity (MWQ) by the monthly Deliverability Charge rate.

## (C) Injection Charge

The injection charge shall be equal to the applicable injection rate multiplied by the Quantity injected into Southwest's facilities by Shipper, as provided for in Section 2.2, during any Month.

### (D) Withdrawal Charge

The withdrawal charge shall be equal to the applicable withdrawal rate multiplied by the Quantity withdrawn from Southwest's facilities, as provided for in Section 2.3, during any Month.

### 3.2 Authorized Overrun Charge

The Authorized Overrun Charge shall be the product of the authorized overrun rate per Dt, as set forth on the Currently Effective Rates for Rate Schedule FSS of this Tariff, and the Quantity of Gas withdrawn from Southwest's facilities pursuant to Section 2.3(B).

## 3.3 Fuel Reimbursement

Shipper shall reimburse Southwest in kind for fuel usage pursuant to the terms and conditions of the Storage Service Agreement and as stated on the Currently Effective Rates for Rate Schedule FSS for service hereunder.

## 3.4 Range of Rates

Unless otherwise agreed upon by Shipper and Southwest, the rates applicable to a Shipper for service hereunder shall be the applicable Maximum Rate(s) as set forth on the Currently Effective Rates for Rate Schedule FSS. In the event an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be confirmed in writing by Southwest, shall be applied prospectively and Southwest shall be responsible for compliance with any reporting requirements prescribed by the Commission.

## 3.5 Annual Charge Adjustment Provision (ACA)

Shipper shall pay the ACA unit charge which has been assessed by the Federal Energy Regulatory Commission pursuant to Sections 382.202 and 154.402 of the Regulations. The ACA unit charge, as revised annually and posted on the Commission's website

located at <a href="http://www.ferc.gov">http://www.ferc.gov</a>, is incorporated by reference in Southwest's Tariff. The annual charges unit charge (ACA unit charge) is stated on the Commission's website under "Natural Gas, Annual Charges, FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge." The ACA unit charge is restated to be effective each October 1 on the first day of the Commission's fiscal year. The ACA unit charge shall be applicable to the Quantity injected into Southwest's facilities by Shipper, as provided for in Section 2.2, during any Month.

## 3.6 Negotiated Rates

Shipper and Southwest may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Southwest is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Southwest may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 6.9 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.6 shall authorize Southwest or Shipper to negotiate terms and conditions of service.

#### 4. MONTHLY BILL

The monthly bill for storage service shall be the sum of the applicable Storage Charges as defined in Section 3.1, the ACA Unit Charge, and an Authorized Overrun Charge, if applicable.

## 5. RESERVATIONS

Filed: August 30, 2018

Southwest reserves the unilateral right from time to time to make any changes to or to supersede, the rates and charges and other terms in this Rate Schedule FSS and the other provisions of Southwest's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act, the Natural Gas Policy Act and the Commission's Regulations thereunder.

## 6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Southwest's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

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Effective: October 1, 2018

#### **GENERAL TERMS AND CONDITIONS**

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 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 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.

"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.

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

Part VI General Terms and Conditions GT&C Section 1. Definitions Version 3.0.0

"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 Rate" shall mean the applicable Maximum Rate as set forth on the Currently Effective Rates for Rate Schedule FSS or Rate Schedule ISS, plus all surcharges specified in the General Terms and Conditions, as may be applicable from time to time.

"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.

"Minimum Rate" shall mean the applicable Minimum Rate as set forth on the Currently Effective Rates for Rate Schedule FSS or Rate Schedule ISS.

"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.

"Negotiated Rate" shall mean the rate agreed to by Shipper and Southwest which may be less than, equal to or greater than the Maximum Rate but shall not be less than the Minimum Rate. The Negotiated Rate may be based on a rate design other than straight fixed variable and may include a minimum quantity.

"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.

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Effective: October 1, 2018

Part VI General Terms and Conditions GT&C Section 1. Definitions Version 3.0.0

"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.

"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 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 storage service.

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

#### **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, percentage of Maximum Rate 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. The maximum volumetric rate that may be bid shall not exceed the one hundred percent (100%) load factor equivalent of the maximum Capacity and Deliverability reservation rates. 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. The maximum reservation rate that may be bid shall not exceed the Maximum Rate for the applicable service being released as set forth on the applicable Currently Effective Rates. Notwithstanding the above, no rate limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Southwest is notified of the release;
- (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

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- (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.
- (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), (3) or (4) below.
  - (2) A capacity release for more than one year at the maximum tariff rate.
  - (3) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.
  - (4) 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

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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
Intraday 2 Cycle
Intraday 3 Cycle
12:00 Noon
5:00 p.m.
9:00 a.m.
1:30 p.m.
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 Section 2 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 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.
- 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

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 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, percentage of Maximum Rate 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 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) Releasing Shipper shall retain all Rights of First Refusal with respect to the released capacity, unless such release is a permanent release.
- (D) 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.
- (E) 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.
- (E) Replacement Shipper shall have no Right of First Refusal with respect to the released capacity, unless such release is permanent.

#### 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

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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 no greater than the 100% load factor equivalent of the Maximum Rate currently applicable to the service released and 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. Notwithstanding the above, no 100% load factor equivalent limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Southwest is notified of the release.
- (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.

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- (D) Southwest and Releasing Shipper may, in connection with a Negotiated Rate based on a rate design other than straight fixed variable, 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 as a means of preserving the economic bases of the Negotiated Rate.
- 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 <a href="http://swgsmessenger.energytransfer.com">http://swgsmessenger.energytransfer.com</a> 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 Section 2 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, subject to the provisions of Section 7.5. 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, which shall not be less than the Minimum Rate nor greater than the Maximum Rate, as stated on the Currently Effective Rates governing such service, over the term of service specified in the request, utilizing a ten percent (10%) annual discount factor. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the economic value of request(s) for service rights. 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 Southwest shall not be obligated to tender or execute a Storage Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates applicable to the service requested. It shall be in Southwest's sole discretion to tender or execute a Storage Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Southwest and potential Shipper both shall agree to any rate

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requested at less than the applicable Maximum Rate before Southwest becomes obligated to tender or execute a Storage Service Agreement for firm service at any rate less than the applicable Maximum Rate.

#### 7.6 Contract Extension

Prior to the expiration of the term of any existing Maximum Rate, discounted rate or Negotiated Rate Storage Service Agreement(s) and prior to initiation of the right of first refusal process pursuant to GT&C Section 8.2, if applicable, 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 (maximum, discounted or negotiated), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

## 7.7 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.

Page 2 of 2

## RATE SCHEDULE FSS FIRM STORAGE SERVICE FORM OF STORAGE SERVICE AGREEMENT

CONTRACT NO	
This Agreement, is made and entered into as of the, by and between Southwest Gas Storage Company (her	
consideration of mutual covenants and agreements as herein secovenant and agree upon the following terms and conditions:	• • • • • • • • • • • • • • • • • • • •
ARTICLE 1 - SERVICE	
Southwest agrees to inject and withdraw at the intercon Company, LP's transmission facilities and Southwest's East Area Facilities, as defined in the General Terms and Conditions, and st Natural Gas as described in Section 2 of Rate Schedule FSS. Ship	Storage Facilities and West Area Storage tore on a firm basis, Quantities of
East Area Storage Facilities:	
Maximum Annual Quantity (MAQ):	Dt
Maximum Daily Injection Quantity (MIQ):	Dt
Maximum Daily Withdrawal Quantity (MWQ):	Dt
West Area Storage Facilities:	
Maximum Annual Quantity (MAQ):	Dt
Maximum Daily Injection Quantity (MIQ):	Dt
Maximum Daily Withdrawal Quantity (MWQ):	Dt
ARTICLE 2 - TERM	
This Agreement shall become effective from the date first remain effective for a term of	from the initial date for service and tor Shipper upon at least six (6) months

Page 1 of 6

#### **ARTICLE 3 - RATES AND CHARGES**

For the services provided or contracted for hereunder, Shipper agrees to pay Southwest the then-effective applicable rates and charges under Southwest's Rate Schedule FSS filed with the Commission, as such rates and charges and Rate Schedule FSS may hereafter be modified, supplemented, superseded, or replaced generally or as to the service hereunder. Southwest reserves the unilateral right from time to time to file and to make effective any such changes in the terms or rate levels under Rate Schedule FSS and the applicability thereof, the General Terms and Conditions or any other provisions of Southwest's Tariff, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder.

From time to time Southwest and Shipper may agree to a Negotiated Rate for a specified term for service hereunder. Provisions governing such Negotiated Rate and term shall be set forth on Exhibit A hereto.

#### **ARTICLE 4 - FUEL REIMBURSEMENT**

In addition to collection of the rates and charges provided for in Article 3, Southwest shall retain the percentage as stated on the Currently Effective Rates for Rate Schedule FSS of the Quantities received from Shipper and injected hereunder and of the Quantities redelivered to Shipper and withdrawn hereunder for reimbursement in kind from Shipper for fuel usage.

#### ARTICLE 5 - GENERAL TERMS AND CONDITIONS

The Storage Service Agreement and all terms for service hereunder are subject to the further provisions of Rate Schedule FSS and the General Terms and Conditions of Southwest's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Southwest reserves the unilateral right from time to time to file and to make effective any such changes in the provisions of Rate Schedule FSS and the General Terms and Conditions, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder. Such Rate Schedule FSS and the General Terms and Conditions, as may be changed from time to time, are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.

### **ARTICLE 6 - SUCCESSION AND ASSIGNMENTS**

This Agreement shall be binding upon and inure to the benefit of any successor(s) to either Southwest or Shipper by merger, consolidation or acquisition. Either Southwest or Shipper may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture or other instrument which it has executed or may execute hereafter as security for indebtedness.

Part VII Form of Service Agreements
1. Rate Schedule FSS
Version 2.0.0

#### ARTICLE 7 - CANCELLATION OF PREVIOUS CONTRACTS

This Agreement supersedes and cancels the following Storage Service Agreement(s) between the parties hereto:

#### **ARTICLE 8 - NOTICES**

Any formal notice, request or demand which either party hereto may desire to give to the other respecting this Storage Service Agreement shall be in writing and sent to Southwest's address posted on Southwest's Web Site or to Shipper's address stated below, or such other physical or electronic address as either party shall designate by written or electronic communication.

as either party shall designate by written or electronic communication.		
Shipper:		
Billing:		
Nomination and Scheduling:		
Emergency:		
All Other:		
Southwest:		
Nomination and Scheduling:	Southwest Gas Storage Company Attn: Marketing Operations P. O. Box 4967 Houston, Texas 77210-4967 Phone: (713) 962-9862 Fax: (713) 286-5402	

Pipeline Emergencies: SOUTHWEST GAS STORAGE COMPANY

(Not to be used for anyAttn: Gas Controlother purpose)P. O. Box 4967

Houston, Texas 77210-4967 Phone: (713) 627-5623 Toll Free: 1-800-225-3913

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All Other:

**Southwest Gas Storage Company Attn: Customer Services** P. O. Box 4967

Houston, Texas 77210-4967 Phone: (713) 627-4272 or

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

Fax:

Part VII Form of Service Agreements 1. Rate Schedule FSS Version 2.0.0

	Contract No
IN WITNESS WHEREOF, both Southwest and Shipper have caused t in several counterparts by their respective officers or other persons duly at	
SHIPPER:	-
By:	-
(Please type or print name)	
Title:	
EXECUTED,	
SOUTHWEST GAS STORAGE COMPANY	
Ву:	-
 (Please type or print name)	
Title:	
EXECUTED,	

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Part VII Form of Service Agreements 1. Rate Schedule FSS Version 2.0.0

## **EXHIBIT A**

Storage Agreement
For
Firm Storage Service
Under Rate Schedule FSS
Contract No.

## **NEGOTIATED RATE AGREEMENT**

Shipper agrees to the Negotiated Rate option in accordance with Section 3.6 of Rate Schedule FSS and notifies Southwest that it desires to be billed, and agrees to pay, the charges specified below for the period commencing,and continuing until, Shipper acknowledges that this election is an alternative to the billing of charges for Rate Schedule FSS set forth on the Currently Effective Rates, as revised from time to time. Shipper also acknowledges that its election constitutes waiver of its reliance on and its right to use the recourse rates which are available to it under the Rate Schedule FSS.		
pecification of Negotiated Rate:		
HIPPER:		
BY:		
(Please type or print name)		
OUTHWEST GAS STORAGE COMPANY		
BY:		
(Please type or print name)		
PATED:		
UPERSEDES EXHIBIT A DATED:		

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# Part VII Form of Service Agreements

Rate Schedule FSS
 Rate Schedule ISS
 Capacity Release
 Reserved
 Form of Service Agreement
 Form of Service Agreement
 Form of Agreement

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# Part IV Currently Effective Rates

Rate Schedule FSS
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 Rate Schedule ISS
 Negotiated Rates
 Currently Effective Rates
 Currently Effective Rates

Part IV Currently Effective Rates 3. Negotiated Rates Version 0.0.0

# CURRENTLY EFFECTIVE RATES NEGOTIATED RATES

			Maximum		
	Rate	Negotiated	Annual	Points of	
Shipper	Schedule	Rate	Quantity	Service	Term

# RATE SCHEDULE FSS FIRM STORAGE SERVICE

#### 1. AVAILABILITY

This Rate Schedule FSS is available to any person (Shipper) for the purchase of natural gas storage service on a firm basis from Southwest Gas Storage Company (Southwest) upon execution of a Storage Service Agreement in the form provided for in this Tariff.

Shipper shall arrange separately for any transportation attendant to the storage service provided hereunder and Shipper shall pay separately for such transportation services.

#### APPLICABILITY AND CHARACTER OF SERVICE

2.1 The firm service rendered hereunder is the storage of natural gas up to a Maximum Annual Quantity (MAQ) as set forth in the Storage Service Agreement, with a Maximum Daily Withdrawal Quantity (MWQ) and a Maximum Daily Injection Quantity (MIQ) as provided herein, subject to the availability of capacity, the General Terms and Conditions and the further provisions of the Storage Service Agreement. Southwest is not obligated to provide any storage service for which capacity is not available, which would constrain the operational efficiency of its facilities, or which would require the construction, purchase or acquisition of new facilities or the modification or expansion of existing facilities.

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## 2.2 Injections into Storage

- (A) Shipper's MIQ shall be:
  - (1) West Area Storage Facilities
    - (a) 1/180th of the MAQ until ninety percent (90%) of the MAQ has been injected;
    - (b) Thereafter sixty percent (60%) of the volume specified in 2.2(A)(1)(a) above until ninety-five percent (95%) of the MAQ has been injected;
    - (c) Thereafter thirty-five percent (35%) of the volume specified in 2.2(A)(1)(a) above.

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Effective: October 1, 2018

- (2) East Area Storage Facilities
  - (a) 1/180th of the MAQ until seventy-five percent (75%) of the MAQ has been injected;
  - (b) Thereafter sixty percent (60%) of the volume specified in 2.2(A)(2)(a) above until ninety percent (90%) of the MAQ has been injected;
  - (c) Thereafter forty percent (40%) of the volume specified in 2.2(A)(2)(a) above.
- (B) Authorized Injection Overrun Quantities

Upon request of Shipper, Southwest may, but is not obligated to, inject on any Day Quantities in excess of Shipper's MIQ when, in Southwest's sole judgment, the capacity of its system will permit such injection without impairing the ability of Southwest to meet its other obligations.

(C) Injection During the Withdrawal Season

Upon request of Shipper, Southwest may, but is not obligated to, inject on any Day during the Withdrawal Season Quantities up to Shipper's MIQ and any Authorized Injection Overrun Quantities when, in Southwest's sole judgment, the capacity of its system will permit such injection without impairing the ability of Southwest to meet its other obligations.

- 2.3 Withdrawals from Storage
  - (A) Shipper's MWQ shall be:
    - (1) West Area Storage Facilities
      - (a) 1/100th of the MAQ until fifty percent (50%) of the MAQ has been withdrawn;
      - (b) Thereafter sixty percent (60%) of the volume specified in 2.3(A)(1)(a) above until seventy-five percent (75%) of the MAQ has been withdrawn;
      - (c) Thereafter thirty-three percent (33%) of the volume specified in 2.3(A)(1)(a) above.

#### (2) East Area Storage Facilities

- (a) 1/67th of the MAQ until sixty percent (60%) of the MAQ has been withdrawn;
- (b) Thereafter fifty percent (50%) of the volume specified in 2.3(A)(2)(a) above until eighty-five percent (85%) of the MAQ has been withdrawn;
- (c) Thereafter twenty-five percent (25%) of the volume specified in 2.3(A)(2)(a) above.

#### (B) Authorized Withdrawal Overrun Quantities

Upon request of Shipper, Southwest may, but is not obligated to, withdraw on any Day Quantities in excess of Shipper's MWQ when, in Southwest's sole judgment, the capacity of its system will permit such withdrawal without impairing the ability of Southwest to meet its other obligations. Shipper shall pay Southwest the applicable Authorized Overrun Charge for such Quantities as set forth on the Currently Effective Rates for Rate Schedule FSS.

#### (C) Withdrawal During Injection Season

Upon request of Shipper, Southwest may, but is not obligated to withdraw on any Day during the Injection Season Quantities up to Shipper's MWQ and any Authorized Withdrawal Overrun Quantities when, in Southwest's sole judgment, the capacity of its system will permit such withdrawal without impairing the ability of Southwest to meet its other obligations.

#### 3. RATE

The rates and charges for firm service under this Rate Schedule FSS shall include the applicable storage rate components per Dt as described in Sections 3.1, 3.2 and 3.3.

#### 3.1 Storage Charges

For Storage service rendered to Shipper under this Rate Schedule FSS, Shipper shall pay Southwest each Month the sum of the following charges as set forth on the Currently Effective Rates for Rate Schedule FSS of this Tariff:

# (A) Capacity Charge

The monthly capacity charge per Dt is determined by multiplying the Maximum Annual Quantity (MAQ) by the Capacity Charge rate, divided by twelve.

#### (B) Deliverability Charge

The monthly deliverability charge per Dt is determined by multiplying the Maximum Daily Withdrawal Quantity (MWQ) by the monthly Deliverability Charge rate.

#### (C) Injection Charge

The injection charge shall be equal to the applicable injection rate multiplied by the Quantity injected into Southwest's facilities by Shipper, as provided for in Section 2.2, during any Month.

#### (D) Withdrawal Charge

The withdrawal charge shall be equal to the applicable withdrawal rate multiplied by the Quantity withdrawn from Southwest's facilities, as provided for in Section 2.3, during any Month.

#### 3.2 Authorized Overrun Charge

The Authorized Overrun Charge shall be the product of the authorized overrun rate per Dt, as set forth on the Currently Effective Rates for Rate Schedule FSS of this Tariff, and the Quantity of Gas withdrawn from Southwest's facilities pursuant to Section 2.3(B).

#### 3.3 Fuel Reimbursement

Shipper shall reimburse Southwest in kind for fuel usage pursuant to the terms and conditions of the Storage Service Agreement and as stated on the Currently Effective Rates for Rate Schedule FSS for service hereunder.

#### 3.4 Range of Rates

Unless otherwise agreed upon by Shipper and Southwest, the rates applicable to a Shipper for service hereunder shall be the applicable Maximum Rate(s) as set forth on the Currently Effective Rates for Rate Schedule FSS. In the event an amount less than the applicable Maximum Rate(s) and not less than the applicable Minimum Rate(s) is agreed upon, such amount shall be confirmed in writing by Southwest, shall be applied prospectively and Southwest shall be responsible for compliance with any reporting requirements prescribed by the Commission.

# 3.5 Annual Charge Adjustment Provision (ACA)

Shipper shall pay the ACA unit charge which has been assessed by the Federal Energy Regulatory Commission pursuant to Sections 382.202 and 154.402 of the Regulations. The ACA unit charge, as revised annually and posted on the Commission's website

Effective: October 1, 2018

located at <a href="http://www.ferc.gov">http://www.ferc.gov</a>, is incorporated by reference in Southwest's Tariff. The annual charges unit charge (ACA unit charge) is stated on the Commission's website under "Natural Gas, Annual Charges, FY [Year] Gas Annual Charges Correction for Annual Charges Unit Charge." The ACA unit charge is restated to be effective each October 1 on the first day of the Commission's fiscal year. The ACA unit charge shall be applicable to the Quantity injected into Southwest's facilities by Shipper, as provided for in Section 2.2, during any Month.

## 3.6 Negotiated Rates

Shipper and Southwest may agree, on a prospective basis, to a Negotiated Rate with respect to the charges identified in Sections 3.1 herein which may be less than, equal to or greater than the Maximum Rate; shall not be less than the Minimum Rate; may be based on a rate design other than straight fixed variable; and may include a minimum quantity. Such Negotiated Rate shall be set forth on Exhibit A of the executed Service Agreement and on the Currently Effective Rates for Negotiated Rates. The Maximum Rate shall be available to any Shipper that does not choose a Negotiated Rate.

Shippers paying a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of scheduling, curtailment and interruption, and calculating the economic value of a request for unsubscribed firm capacity. Replacement Shippers are not eligible for Negotiated Rates. Replacement Shippers may bid or pay a rate greater than Maximum Rate if the release of capacity is for a period of one year or less and the release is to take effect on or before one year from the date on which Southwest is notified of the release.

In the event that capacity subject to a Negotiated Rate which is based on a rate design other than straight fixed variable is released, Shipper and Southwest may agree on billing adjustments to the Releasing Shipper that may vary from or are in addition to those set forth in Section 6.9 of the General Terms and Conditions in order to establish the basis of accounting for revenues from a Replacement Shipper as a means of preserving the economic bases of the Negotiated Rate. Such payment obligation and crediting mechanism for capacity release shall be set forth on Exhibit A of the executed Service Agreement. Nothing in this Section 3.6 shall authorize Southwest or Shipper to negotiate terms and conditions of service.

#### 4. MONTHLY BILL

Filed: August 30, 2018

The monthly bill for storage service shall be the sum of the applicable Storage Charges as defined in Section 3.1, the ACA Unit Charge, and an Authorized Overrun Charge, if applicable.

# 5. RESERVATIONS

Filed: August 30, 2018

Southwest reserves the unilateral right from time to time to make any changes to or to supersede, the rates and charges and other terms in this Rate Schedule FSS and the other provisions of Southwest's FERC Gas Tariff, and the applicability thereof, subject to the provisions of the Natural Gas Act, the Natural Gas Policy Act and the Commission's Regulations thereunder.

#### 6. GENERAL TERMS AND CONDITIONS

The General Terms and Conditions of Southwest's FERC Gas Tariff are applicable to this Rate Schedule and are hereby made a part hereof.

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Effective: October 1, 2018

#### **GENERAL TERMS AND CONDITIONS**

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 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 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.

"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.

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

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"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 Rate" shall mean the applicable Maximum Rate as set forth on the Currently Effective Rates for Rate Schedule FSS or Rate Schedule ISS, plus all surcharges specified in the General Terms and Conditions, as may be applicable from time to time.

"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.

"Minimum Rate" shall mean the applicable Minimum Rate as set forth on the Currently Effective Rates for Rate Schedule FSS or Rate Schedule ISS.

"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.

"Negotiated Rate" shall mean the rate agreed to by Shipper and Southwest which may be less than, equal to or greater than the Maximum Rate but shall not be less than the Minimum Rate. The Negotiated Rate may be based on a rate design other than straight fixed variable and may include a minimum quantity.

"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.

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"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.

"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 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 storage service.

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

#### **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, percentage of Maximum Rate 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. The maximum volumetric rate that may be bid shall not exceed the one hundred percent (100%) load factor equivalent of the maximum Capacity and Deliverability reservation rates. 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. The maximum reservation rate that may be bid shall not exceed the Maximum Rate for the applicable service being released as set forth on the applicable Currently Effective Rates. Notwithstanding the above, no rate limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Southwest is notified of the release;
- (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

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- (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.
- (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), (3) or (4) below.
  - (2) A capacity release for more than one year at the maximum tariff rate.
  - (3) A capacity release to an asset manager as defined in Section 284.8(h)(3) of the Commission's Regulations.
  - (4) 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
Intraday 2 Cycle
Intraday 3 Cycle
12:00 Noon
5:00 p.m.
9:00 a.m.
1:30 p.m.
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 Section 2 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 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.
- 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

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 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, percentage of Maximum Rate 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 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) Releasing Shipper shall retain all Rights of First Refusal with respect to the released capacity, unless such release is a permanent release.
  - (D) 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.
  - (E) 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.
- (E) Replacement Shipper shall have no Right of First Refusal with respect to the released capacity, unless such release is permanent.

#### 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 no greater than the 100% load factor equivalent of the Maximum Rate currently applicable to the service released and 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. Notwithstanding the above, no 100% load factor equivalent limitation shall apply to a capacity release for a period of one year or less if the release is to take effect on or before one year from the date on which Southwest is notified of the release.
- (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.

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- (D) Southwest and Releasing Shipper may, in connection with a Negotiated Rate based on a rate design other than straight fixed variable, 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 as a means of preserving the economic bases of the Negotiated Rate.
- 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 <a href="http://swgsmessenger.energytransfer.com">http://swgsmessenger.energytransfer.com</a> 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 Section 2 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, subject to the provisions of Section 7.5. 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, which shall not be less than the Minimum Rate nor greater than the Maximum Rate, as stated on the Currently Effective Rates governing such service, over the term of service specified in the request, utilizing a ten percent (10%) annual discount factor. Shippers requesting service at a Negotiated Rate which exceeds the Maximum Rate will be considered to be paying the Maximum Rate for purposes of determining the economic value of request(s) for service rights. 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 Southwest shall not be obligated to tender or execute a Storage Service Agreement for service at any rate less than the Maximum Rate set forth in the Currently Effective Rates applicable to the service requested. It shall be in Southwest's sole discretion to tender or execute a Storage Service Agreement at any rate less than the applicable Maximum Rate for the service requested. Southwest and potential Shipper both shall agree to any rate

requested at less than the applicable Maximum Rate before Southwest becomes obligated to tender or execute a Storage Service Agreement for firm service at any rate less than the applicable Maximum Rate.

#### 7.6 Contract Extension

Prior to the expiration of the term of an existing Storage Service Agreement and prior to initiation of the Right of First Refusal process pursuant to Section 8.2, if applicable, Southwest and the existing Shipper may mutually agree to an extension of the term of the Storage Service Agreement with respect to all or part of the underlying capacity (the exact length of which is to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

Prior to the expiration of the term of any existing Maximum Rate, discounted rate or Negotiated Rate Storage Service Agreement(s) and prior to initiation of the right of first refusal process pursuant to GT&C Section 8.2, if applicable, 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 (maximum, discounted or negotiated), of which are to be negotiated on a case-by-case basis in a not unduly discriminatory manner).

#### 7.7 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.

# RATE SCHEDULE FSS FIRM STORAGE SERVICE FORM OF STORAGE SERVICE AGREEMENT

CONTRACT NO	
This Agreement, is made and entered into as of the, by and between Southwest Gas Storage Company (her	einafter called "Southwest") and (hereinafter called "Shipper"). In
consideration of mutual covenants and agreements as herein secovenant and agree upon the following terms and conditions:	t forth, both Southwest and Shipper
ARTICLE 1 - SERVICE	
Southwest agrees to inject and withdraw at the intercon Company, LP's transmission facilities and Southwest's East Area s Facilities, as defined in the General Terms and Conditions, and st Natural Gas as described in Section 2 of Rate Schedule FSS. Ship	Storage Facilities and West Area Storag tore on a firm basis, Quantities of
East Area Storage Facilities:	
Maximum Annual Quantity (MAQ):	Dt
Maximum Daily Injection Quantity (MIQ):	Dt
Maximum Daily Withdrawal Quantity (MWQ):	Dt
West Area Storage Facilities:	
Maximum Annual Quantity (MAQ):	Dt
Maximum Daily Injection Quantity (MIQ):	Dt
Maximum Daily Withdrawal Quantity (MWQ):	Dt
ARTICLE 2 - TERM	
This Agreement shall become effective from the date first remain effective for a term of thereafter shall continue in effect until terminated by Southwest prior written notice to the other, as of any date not earlier than term.	from the initial date for service and tor Shipper upon at least six (6) months

Page 1 of 6

#### **ARTICLE 3 - RATES AND CHARGES**

For the services provided or contracted for hereunder, Shipper agrees to pay Southwest the then-effective applicable rates and charges under Southwest's Rate Schedule FSS filed with the Commission, as such rates and charges and Rate Schedule FSS may hereafter be modified, supplemented, superseded, or replaced generally or as to the service hereunder. Southwest reserves the unilateral right from time to time to file and to make effective any such changes in the terms or rate levels under Rate Schedule FSS and the applicability thereof, the General Terms and Conditions or any other provisions of Southwest's Tariff, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder.

From time to time Southwest and Shipper may agree to a Negotiated Rate for a specified term for service hereunder. Provisions governing such Negotiated Rate and term shall be set forth on Exhibit A hereto.

#### **ARTICLE 4 - FUEL REIMBURSEMENT**

In addition to collection of the rates and charges provided for in Article 3, Southwest shall retain the percentage as stated on the Currently Effective Rates for Rate Schedule FSS of the Quantities received from Shipper and injected hereunder and of the Quantities redelivered to Shipper and withdrawn hereunder for reimbursement in kind from Shipper for fuel usage.

#### ARTICLE 5 - GENERAL TERMS AND CONDITIONS

The Storage Service Agreement and all terms for service hereunder are subject to the further provisions of Rate Schedule FSS and the General Terms and Conditions of Southwest's Tariff, as such may be modified, supplemented, superseded or replaced generally or as to the service hereunder. Southwest reserves the unilateral right from time to time to file and to make effective any such changes in the provisions of Rate Schedule FSS and the General Terms and Conditions, subject to the applicable provisions of the Natural Gas Act and the Commission's Regulations thereunder. Such Rate Schedule FSS and the General Terms and Conditions, as may be changed from time to time, are by this reference incorporated in their entirety into this Agreement and made an integral part hereof.

#### **ARTICLE 6 - SUCCESSION AND ASSIGNMENTS**

This Agreement shall be binding upon and inure to the benefit of any successor(s) to either Southwest or Shipper by merger, consolidation or acquisition. Either Southwest or Shipper may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture or other instrument which it has executed or may execute hereafter as security for indebtedness.

**Shipper:** 

Billing:

Part VII Form of Service Agreements
1. Rate Schedule FSS
Version 2.0.0

#### ARTICLE 7 - CANCELLATION OF PREVIOUS CONTRACTS

This Agreement supersedes and cancels the following Storage Service Agreement(s) between the parties hereto:

#### **ARTICLE 8 - NOTICES**

Any formal notice, request or demand which either party hereto may desire to give to the other respecting this Storage Service Agreement shall be in writing and sent to Southwest's address posted on Southwest's Web Site or to Shipper's address stated below, or such other physical or electronic address as either party shall designate by written or electronic communication.

Nomination and Scheduling:	
Emergency:	
All Other:	
Southwest:	
Nomination and Scheduling:	Southwest Gas Storage Company Attn: Marketing Operations P. O. Box 4967 Houston, Texas 77210-4967 Phone: (713) 962-9862 Fax: (713) 286-5402
Pipeline Emergencies: (Not to be used for any other purpose)	SOUTHWEST GAS STORAGE COMPANY Attn: Gas Control P. O. Box 4967

Phone: (713) 627-5623 Toll Free: 1-800-225-3913

Houston, Texas 77210-4967

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Filed: August 30, 2018

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All Other:

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

Part VII Form of Service Agreements 1. Rate Schedule FSS Version 2.0.0

Contract No	
IN WITNESS WHEREOF, both Southwest and Shipper have caused to in several counterparts by their respective officers or other persons duly a	
SHIPPER:	_
By:	_
(Please type or print name)	-
Title:	-
EXECUTED,(Date)	
SOUTHWEST GAS STORAGE COMPANY	
Ву:	_
(Please type or print name)	_
Title:	-
EXECUTED,(Date)	

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Part VII Form of Service Agreements 1. Rate Schedule FSS Version 2.0.0

# **EXHIBIT A**

Storage Agreement
For
Firm Storage Service
Under Rate Schedule FSS
Contract No.

# **NEGOTIATED RATE AGREEMENT**

Shipper agrees to the Negotiated Rate option in accord	ance with Section 3.6 of Rate Sch	edule FSS and
notifies Southwest that it desires to be billed, and agree	es to pay, the charges specified b	elow for the
period commencing , and cont	inuing until ,	. Shipper
acknowledges that this election is an alternative to the	billing of charges for Rate Schedu	ıle FSS set
forth on the Currently Effective Rates, as revised from t	<u>ime to time. Shipper also acknow</u>	vledges that its
election constitutes waiver of its reliance on and its right	ht to use the recourse rates which	<u>n are available</u>
to it under the Rate Schedule FSS.		
Specification of Negotiated Rate:		
SHIPPER:		
BY:		
(5)		
(Please type or print name)		
SOUTHWEST GAS STORAGE COMPANY		
300 THWEST GAS STORAGE COMPAINT		
BY:		
<u>01.</u>		
(Please type or print name)		
DATED:		
	-	
SUPERSEDES EXHIBIT A DATED:		

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