

APPENDIX 1

STORAGE RULES AND REGULATIONS

Firm Storage Service

1. Eligibility

Subject to the Service Specifications, Firm Storage Service is available to any Customer. The Customer must hold TEP Service, but does not have to hold transportation Service.

2. Capacity

All Services require Contracted Capacity to be contracted on a Firm basis.

3. Injection

(a) All Gas injected into Storage will be received from Customer's own Shipper's Imbalance Account at TEP.

(b) (i) A Nomination for Injection must be placed with TransGas for next Day Service. (See Nomination Procedure).

(ii) TransGas will notify Customer by 14:00 hours CCT if the Nomination is not accepted.

(iii) Nomination changes will be accepted and confirmed at other times on a reasonable efforts basis.

(c) Injection Nomination quantities are deemed to have occurred upon acceptance by TransGas.

(d) Customers, who have contracted for Firm Withdrawal rights, shall also receive a right to Base Firm Injection and may opt to request additional Injection Service. Those Customers, who have not contracted for Firm Withdrawal rights, must utilize Seasonal Biddable Injection Service, Monthly Biddable Injection Service, Short-Term Firm Injection Service, or daily Excess Injection Service. These Services are outlined below.

(e) **Base Firm Injection**

Storage Customers, contracted for Firm Withdrawal (Firm Storage and/or Firm Summer-Use Storage), shall be allocated a minimum level of Firm Injection Capacity calculated as a percentage of their contracted Firm Withdrawal rate including Firm Withdrawal contracted as Summer Use. Such percentage shall be determined by the Customers' actual Inventory level as

shown in "Table A" below. Actual Inventory levels shall include contracted Summer Use Storage. The Capacity so allocated shall be referred to as "Base Firm Injection".

(f) **TABLE "A" – Allowable Injection rights**

Actual Inventory Level (as Percentage of Contracted Capacity)	Percentage of Contracted Rate of Withdrawal to be used as Firm Injection rights
> 0 and <= 20	70
> 20 and <= 40	60
> 40 and <= 60	50
> 60 and <= 80	40
> 80 and <= 100	30

(g) **Seasonal Biddable Injection Service**

In addition to any Base Firm Injection Service, a Customer may also obtain rights to Seasonal Biddable Injection Service. Any excess seasonal Injection Capacity may be offered to Storage Customers, or their duly appointed agents, prior to the start of the Storage year through the bid process as described below. This Service will be limited to the Injection season (May to October inclusive). Customer may opt for a term of one to six Months, in Monthly increments only.

- (i) Prior to February 07 of each year, TransGas will determine the amount, if any, of excess Firm Injection Capacity available, by Month, throughout the following Injection season, May to October inclusive.
- (ii) TransGas will determine the incremental cost of offering this Service. The minimum acceptable bid price will be based on this incremental cost.
- (iii) TransGas will notify Customers of the Capacity available, by Month, for seasonal biddable Firm Injection, along with the minimum acceptable bid price.
- (iv) The bid window will remain open for a 14-Day period during which Customers, or their agents, may submit their bids to TransGas for this Service. The bid window will close February 21 of each year.
- (v) The Customer is required to bid the amount of seasonal Injection Capacity requested, for the Months required, up to the total Capacity TransGas determines being available for those Months, along with the bid price for this capacity in \$ per GJ per Day. This will represent a Demand Charge for the Month payable regardless of actual utilization of this Injection right.
- (vi) In accordance with the terms and conditions set out on the Bid Form (see Standard Forms section of the Tariff), TransGas may award the incremental Firm Injection Capacity based upon the price bid per unit of Injection Capacity.

- (vii) TransGas will allocate the available Capacity based on the highest bid revenue on the first working Day following closure of the bid window, and notify individual bidders as to whether the bid resulted in an award of Service. In awarding the Service, if two bids are of equal value but Capacity does not exist to fill all equal bids, the available Capacity will be prorated among the equal bids. Bidders will not be obligated to accept a quantity less than their bid quantity.
- (viii) TransGas will make public the quantity of Injection Service awarded and the bid prices accepted, without identifying the successful applicants.

(h) **Monthly Biddable Injection Service**

In addition to Base Firm Injection and Seasonal Biddable Injection Service, a Customer may also obtain rights to Monthly Biddable Injection Service. Any excess Monthly Injection capability may be offered to Storage Customers, or their duly appointed agents, through a bid process as described below. This Service will be limited to a one-Month duration.

- (i) Fifteen Days prior to Month-end, TransGas will estimate the amount of excess Monthly firm Injection Capacity that will be available to offer to Storage Customers for the following Month.
- (ii) TransGas will determine the incremental cost of offering this Service. The minimum acceptable bid price will be based on this incremental cost.
- (iii) TransGas will notify Customers of the amount of Capacity available to be bid upon, 14 Days prior to Month-end, along with the minimum acceptable bid price.
- (iv) The bid window will remain open for a seven-day period during which Customers, or their agents, may submit their bids to TransGas for this Service for the following Month. The bid window closes seven Days prior to Month-end.
- (v) The Customer is required to bid the amount of Injection Capacity requested up to the total Capacity TransGas anticipates being available and the bid price for this Capacity in \$ per GJ per Day. This will represent a Demand Charge for the Month payable regardless of actual utilization of this Injection right.
- (vi) In accordance with the terms and conditions set out on the Bid Form, TransGas may award the incremental Firm Injection Capacity based upon the price bid per unit of Injection Capacity.
- (vii) The Day following the close of bids, TransGas will notify individual bidders as to whether their bid has resulted in an award of Service.
- (viii) Customers who have bid for more Capacity than is available will have their bid quantity prorated. A Customer will not be obligated to accept a quantity less than their bid quantity. If a Customer does not accept a lower, prorated quantity, this quantity would be made available to other bidders.

- (ix) TransGas will make public the quantity of Injection Service awarded and the bid prices accepted, without identifying the successful applicants.

(i) **Short-Term Firm Injection Service**

In addition to the foregoing Injection Services, Customer may also obtain rights to Short-Term Firm Injection Service. Any excess Monthly Injection Capacity, after the Monthly Biddable Injection Service has been awarded, may be offered for Short-Term Firm Injection Service. This Service will be limited to periods of less than one Month in duration.

- (i) Customer will request this Service by submitting a written request for the Service, specifying the period during the Month and the required amount of Injection rights.
- (ii) The price for such Service (Service Price) will be set equal to the MAXIMUM bid price accepted for the Month through the Monthly Biddable Injection Service process, expressed on a per Day basis. If no bids were accepted, the Service Price will be the MINIMUM bid price established by TransGas for the Monthly bid Service, again, expressed on a per Day basis.
- (iii) TransGas will provide this Service on a first come basis and will notify Customer, in writing, of an awarding of Service.
- (iv) The Service price, in \$ per GJ per Day, will represent a Demand Charge for the period of the Month, payable regardless of actual utilization of this Injection right.

(j) **Excess Injection Service (Daily)**

In addition to the foregoing Services, on any given Day, TransGas may still have daily Injection Capacity that exceeds Firm Service. On these Days, TransGas will still provide the additional Injection Capacity on a reasonable efforts basis.

- (i) This Service will be available on a reasonable efforts basis only.
- (ii) Customers will request this Service by submitting a Nomination for Injection. TransGas will notify Customer if the Nomination for Injection is not accepted.
- (iii) The fee for this Service, in \$ per GJ, will be equal to the MINIMUM bid price established by TransGas for the Monthly bid Service, expressed on a Daily basis. The Daily charge for this Service will be based on the net Injection amount after deducting for any of Customer's Withdrawals that may have occurred on the same Day.

(k) Injection into Storage shall be scheduled based on the following priorities:

- (i) Injections, which have a coinciding Withdrawal on the same day

- (ii) Firm Service-injection equal to or less than "Base Injection, Seasonal Biddable Injection, Monthly Biddable Injection and Short-Term Firm Injection" (Includes Summer Use quantity referred to in 3(e) above during the Summer Period)
 - (iii) High Priority Interruptible Service
 - (iv) Interruptible Service and Excess Injection Service
- (l) In the event that valid Nominations exceed TransGas' current Injection capability, Nominations for Injection shall be prorated in the following manner:
- (i) Interruptible Service and Excess Injection Service (Priority Level IV)
This is the first category of Service to be prorated. Nominated quantities shall be prorated based on the Nominating Customer's Contracted Capacity and TransGas' available Capacity.
 - (ii) High Priority Interruptible Service (Priority Level III)
This is the second category of Service to be prorated. Nominated quantities shall be prorated based on the Nominating Customer's Firm Injection rights, the allocated Injection level, and TransGas' available Capacity.
 - (iii) Firm Service: Base, Biddable, and Short-Term Firm (Priority Level II)
Customers who have contracted for Firm Storage Service will only be prorated in the event of a Force Majeure pursuant to Article 13 of the General Terms and Conditions. The proration will be based on Customer's Firm Injection rights.
 - (iv) Coinciding Injections and Withdrawals (Priority Level I)
Injections, which have coinciding Withdrawals on the same Day.

4. Withdrawals

All Gas withdrawn from Storage will be delivered into Customer's own Shipper's Imbalance Account at TEP. Firm Storage Customers shall contract for a Contracted Rate of Withdrawal. During the period November 1 to April 30 inclusive, Customer's Allowable Withdrawal rights will be calculated as a percentage of their Contracted Rate of Withdrawal. Such percentage shall be determined by the Customers' actual Inventory level as shown on "Table B" below. During the period May 1 to October 31 inclusive, Customer's Allowable Withdrawal rights will be equal to their Contracted Rate of Withdrawal.

- (a) Table “B” – Allowable Withdrawal rights

Actual Inventory Level (as Percentage of Contracted Capacity)	Percentage of Contracted Rate of Withdrawal to be used as Allowable Withdrawal rights
> 0 and <= 10	60
> 10 and <= 20	80
> 20 and <= 100	100

Note: for the period November 1 to April 30 only.

- (b) (i) Nominations for Withdrawals must be placed with TransGas for next Day Service. (See Nomination Procedure).
(ii) TransGas will notify Customer by 14:00 hours CCT if the Nomination is not accepted.
(iii) Nomination changes will be accepted and confirmed at other times on a reasonable efforts basis.
- (c) Withdrawal Nomination quantities are deemed to have occurred upon acceptance by TransGas.
- (d) In the event that valid Nominations exceed TransGas’ current Withdrawal capability, and if Interruptible Service is available, Nominations shall be prorated in the following manner;
- (i) Interruptible Service & Excess Withdrawal Service (Priority Level IV)
First category of Service to be prorated. Nominated quantities shall be prorated equally based on Contracted Capacity and TransGas' available Capacity.
- (ii) High Priority Interruptible Service (Priority Level III)
Second category of Service to be prorated. Nominated quantities shall be prorated equally based on the Customer’s Allowable Withdrawal rights and TransGas' available Capacity.
- (iii) Firm Service (Priority Level II)
Customers who have contracted for Firm Storage Service will only be prorated in the event of Force Majeure pursuant to Article 13 of the General Terms and Conditions. The proration will be based on Customer’s Allowable Withdrawal rights.
- (iv) Coinciding Injections and Withdrawals (Priority Level I)
Withdrawals which have coinciding injections on the same Day.

5. Firm Summer Use Storage

- (a) Summer Use period, for the purposes of Storage, is defined as commencing on April 01, 09:00 CCT and ending October 31, 09:00 CCT. Summer Use Storage Services are available in two forms:

(1) Short-term Summer Use Storage

Short-term Summer Use Storage allows the Customer to utilize Firm Withdrawal Services for a minimum of one Month, and a maximum of six Months during the Summer Use period, as defined above. This type of Service is only available to the Customer for the defined Summer Use period, **and does not have any Rights of Renewal (NRR)**. Contracted Capacity and associated charges will be applicable for the defined Summer Use period.

(2) Long-term Summer Use Storage

Long-term Summer Use Storage allows the Customer to utilize Storage Services over a twelve-Month period, May 01 to May 01, but Firm Withdrawal Services are only available during the defined Summer Use period. Any requested firm withdrawals outside of the defined Summer Use period are on a “reasonable efforts” basis only. Contracted Capacity and associated charges will apply for the twelve-Month period. **This type of Service carries annual Rights of Renewal for the Customer (YAIT).**

- (b) With the exception of the foregoing, all Storage Rules and Regulations applicable to Firm Storage Service also apply to Summer Use Storage.

6. High Priority Interruptible Service

High Priority Interruptible Service is only offered when a Schedule of Service for Firm Storage Service has been executed and are awaiting Firm Service but Capacity is not currently available.

All Storage Rules and Regulations for Firm Storage Service described above apply to High Priority Interruptible Service with the exception of the following:

- (a) Withdrawal rate is contracted at 0 GJ/d;
- (b) Withdrawal is on a reasonable-efforts basis only and is subject to the Daily Withdrawal charge rate;
- (c) Excess Injection or Withdrawal Service may be curtailed with four hours’ notice from TransGas and prorated Service will occur as described in Sections 3 and 4 above.

7. **Interruptible Storage Service**

All Storage Rules and Regulations for Firm Storage Service described above apply to Interruptible Storage Service with the exception of the following:

- (a) Withdrawal rate is contracted at 0 GJ/d
- (b) Withdrawal is on a reasonable efforts basis only and is subject to the Daily Withdrawal charge rate
- (c) Excess Injection or Withdrawal Service may be curtailed with four hours' notice from TransGas and prorated Service will occur as described in Section 3 and 4 above.

8. **Inventory Transfers of Storage Gas**

- (a) TransGas will allow, upon prior TransGas approval, the transfer of Storage Gas to another TransGas Storage Customer. The following principles shall be applicable with respect to requests for such transfers.
 - The Storage Service Customer receiving the Gas from another Storage Service Customer must submit Nomination requests to TransGas at any time during TransGas normal business hours. The Nomination form will reference the respective Customer's Storage Service numbers, and must be authorized by all Persons. Handshakes will not be allowed.
 - Daily Inventory Transfer amounts are NOT restricted to Customer's Daily Withdrawal or Injection Rights.
 - TransGas will verify Customer eligibility, and confirm that the actual inventories are available, to complete this transaction. The Storage Service Customer receiving the Gas may exceed their Contracted Capacity only with written approval by TransGas and would be liable for the appropriate overholding charge. Confirmation of transfers will be returned to the Persons by the next working Day.
 - Retroactive quantity transfers will not be allowed.
 - Transfers out of Summer Use Storage are permitted for the period April 1 to October 31 only.

These Storage Rules And Regulations May Be Amended From Time To Time By TransGas. TransGas Shall Notify Customer Of All Amendments Made Thereto As Soon As Practical After Such Amendments Are Made.

In The Event Of A Conflict Between The Provisions Of Storage These Rules And Regulations And The Provisions Of The Service Specifications Or TransGas Service Agreement, The Persons Agree That The Provisions Of These Rules And Regulations Shall Prevail.