

**Open Season Notice of Expansion Firm Capacity on El Paso Natural Gas Company, L.L.C. (EPNG)**

**Bid Deadline – 2:00 PM Mountain Time, April 17, 2019**

**Portable Document Format (.pdf) file of Open Season:**

<https://pipeline2.kindermorgan.com/PortalWeb/PortalDocs.aspx?code=EPNG&parent=1600>

EPNG is conducting a binding Open Season for expansion capacity from existing and/or new receipt points in Eddy County, New Mexico for delivery to Keytran. EPNG believes that with certain system enhancements including (a) construction of an additional 16-inch diameter pipeline segment approximately 17-miles in length that would mostly parallel EPNG’s existing Line No. 3191 and with a maximum allowable operating pressure not to exceed 1,170 psig (referred to herein as the “Additional Pipeline Segment”), (b) installation of pipeline and valve modifications at or near EPNG’s existing Eunice Compressor Station, (c) installation of pressure control facilities on EPNG’s existing Line Nos. 30132, 3019 and 3026, and (d) certain other potential system modifications elsewhere on EPNG’s pipeline system located within the Permian Basin (collectively referred to herein as the “Enhancement Project”), EPNG can increase the quantity available from the Primary Receipt Point(s) described below for delivery to Keytran by up to 159,000 Dth per day.

<b>Rate Schedule:</b>	<b>FT-1</b>
<b>Volume / TCD:</b>	<b>159,000 Dth/day</b>
<b>Primary Receipt Point(s):</b>	<p><b>Existing and/or new receipt points on EPNG’s Line No. 3191 and/or the proposed Additional Pipeline Segment – up to 159,000 Dth/day</b></p> <p>Subject to available meter capacity and prior to executing the Firm Transportation Service Agreement(s) (“FTSA”) with EPNG, successful bidders will have a one-time option to adjust its Primary Receipt Point entitlements amongst the available receipt point(s) on Line No. 3191.</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>- Any additional EPNG facilities associated with modifications to existing receipt points or the construction of new receipt points would be subject to the negotiation and execution of separate agreement(s).</li> <li>- Shippers are encouraged to contact the individuals listed below from</li> </ul>

	EPNG's Business Development department to confirm the availability of capacity at specific points.
<b>Primary Delivery Point:</b>	Keytran up to 159,000 dth/day
<b>Alternate Receipt Points:</b>	All receipt points on EPNG's existing Line No. 3191 that are in existence and in-service as of the date FTSA(s) are executed.
<b>Alternate Delivery Points:</b>	All delivery points on EPNG's system within the Permian Basin that are in existence and in-service as of the date FTSA(s) are executed.
<b>Recommended Reservation Bid Rate:</b>	In order to economically justify EPNG's capital investment in the project, EPNG anticipates that it will require a negotiated reservation rate bid of not less than \$3.7352 per Dth per month (which, for illustrative purposes, is equivalent to \$0.12280 per Dth on a daily basis) (although EPNG reserves the right to reject any bids inconsistent with the terms and conditions of this open season regardless of term).
<b>Applicability of Usage Rates:</b>	Successful bidder(s) with a Negotiated Reservation Rate of not less than \$3.7352 per Dth per month (which, for illustrative purposes, is equivalent to \$0.12280 per Dth on a daily basis) will be subject to a Usage Rate of \$0.0000 per Dth for transportation service from Primary Receipt Point(s) to the Primary Delivery Point. All other successful bidders will be subject to the applicable Usage Rate stated in EPNG's Tariff.
<b>Right-of-First-Refusal:</b>	EPNG will grant successful bidders a contractual right-of-first-refusal, exercisable and administered in accordance with Section 4.14 of the General Terms and Conditions of EPNG's Tariff, for any bids that are otherwise not eligible for a right-of-first-refusal pursuant to EPNG's Tariff.
<b>Recommended Bid Term:</b>	In order to economically justify EPNG's capital investment in the project, EPNG anticipates that it will require a minimum bid term of ten (10) years (although EPNG reserves the right to reject any bids inconsistent with the terms and conditions of this open season regardless of term).
<b>Available Term:</b>	Subject to EPNG's receipt of all necessary regulatory approvals, permits, rights of way and other surface rights, and other authorizations required for the construction and operation of the Enhancement Project, in a form and substance satisfactory to EPNG in its sole discretion, EPNG anticipates the ability to achieve an in-service date for the Enhancement Project as early as September 1, 2020.
<b>Open Season Start:</b>	4:00 PM MDT, April 1, 2019
<b>End:</b>	2:00 PM MDT, April 17, 2019

<p><b>Award Notification Date:</b></p>	<p><b>4:00 PM MDT, April 30, 2019</b></p> <p>Email attached Bid Sheet to <a href="mailto:KMWestBids@KinderMorgan.com">KMWestBids@KinderMorgan.com</a></p> <p>NOTE: EPNG will rely upon the time the bid is <b>received</b> to determine whether the bid was timely. Bids that are received (as determined by the time stamp on the EPNG's email inbox) after the end date and time listed above will be considered invalid bids and will not be eligible for an award of capacity in this Open Season. EPNG recommends that bids be submitted well in advance of the closing time listed above to minimize the risk that any email delay could cause a bid to be excluded from consideration.</p>
<p><b>Conditions to Availability and Award of Capacity</b></p>	<p><b>The availability and award of capacity offered in this Open Season will be subject to:</b></p> <ul style="list-style-type: none"> <li>- <b>Receipt of sufficient shipper commitments to economically justify the Enhancement Project;</b></li> <li>- <b>Receipt of all necessary EPNG corporate approvals;</b></li> <li>- <b>Availability of capacity required to provide the proposed services.</b></li> </ul> <p><b>The conditions to the obligations of EPNG to provide the capacity must be satisfied in a manner, form and substance satisfactory to EPNG in its sole discretion. Successful bidder(s) will be notified by 4:00 p.m., MDT, on April 30, 2019 confirming satisfaction of Conditions to Availability and Award of Capacity.</b></p>

**General Open Season Requirements:**

Parties interested in bidding in this Open Season should submit completed Bid Sheet(s) (in the form attached hereto) to EPNG before the close of the open season via email at the following address: [KMWestBids@KinderMorgan.com](mailto:KMWestBids@KinderMorgan.com).

By submitting Bid Sheet(s) to EPNG, the bidding party certifies that (a) all information contained in the request is complete and accurate, (b) it satisfies, or will be able to satisfy, all the requirements of EPNG's Federal Energy Regulatory Commission ("FERC") Gas Tariff, Third Revised Volume No. 1A, as the same may be amended from time to time ("EPNG's Tariff"), and (c) the person submitting the bid has full authority to bind the bidding party.

The bid rate must be presented as : 1) the reservation rate per Dth/month, 2) the reservation rate per Dth/day (which will be converted to a Dth/month rate for the Transportation Service Agreement (TSA) by rounding to the fourth decimal the result of the formula (daily rate x 365)/12), or (c) the maximum recourse

rate. In addition to the bid rate, each bid shall be subject to all other maximum rates, charges and surcharges, including ACA, Fuel, lost and unaccounted-for gas (“L&U”), retainage and any other authorized surcharges assessed under the applicable Rate Schedule of EPNG's Tariff as those amounts maybe amended or superseded from time-to-time. This includes incremental lateral charges and any third party charges resulting from the use of capacity that EPNG may hold on other pipelines.

EPNG reserves the right to reject negotiated rate bids, bids that have rates less than the maximum recourse rate, bids stated as the dollar equivalent of the current maximum recourse rate, bids that are incomplete, contain offers of varying rates within the term, contain additional or modified terms or are inconsistent with the provisions of EPNG's Tariff.

If EPNG does not receive maximum recourse or negotiated rate bids for quantities and terms sufficient to economically justify EPNG's capital investment in the Enhancement Project, then EPNG reserves the right not to move forward with the project described in this Open Season, or to negotiate with bidders to propose a more appropriately sized expansion at a corresponding rate. Existing shippers with capacity on EPNG's system that could be used in lieu of the Enhancement Project should notify EPNG if they wish to permanently turnback their capacity through a release to prospective shippers in this Open Season. Those who wish to so release their capacity should notify EPNG of the amount, the term, and any other conditions that would be necessary to effectuate such a release of their capacity. Such notices should be submitted to EPNG before the close of the Open Season.

EPNG also reserves the right to seek clarification of bids that have what appears to be an obvious error. Any clarification by bidders must be provided in writing and within the time requested by EPNG. Such clarifications shall be incorporated as part of the binding bid submitted by the bidder.

EPNG notes that FERC Order No. 894, in some cases, prohibits multiple affiliates of the same entity from bidding in an open season for capacity in which the pipeline may allocate capacity on a pro rata basis. It appears to EPNG that the restrictions imposed by FERC Order No. 894 will be applicable in this Open Season and FERC recommends that potential bidders review and adhere to the requirements of that FERC Order.

Although this is a binding open season, EPNG reserves the right, in its sole discretion, to consider requests for expansion capacity received after the close of the Open Season period, including requests to modify a participant's validly submitted bid, but shall be under no obligation to do so.

EPNG will review all bids and award capacity based upon the criteria outlined below.

## **EVALUATION CRITERIA**

If EPNG receives acceptable bids for capacity in excess of the expansion capacity offered, then EPNG will award and/or allocate the capacity in a manner that yields the highest total Present Value (PV) as calculated below. In determining which bid(s) yield the highest total PV, EPNG reserves the right to combine multiple bids, in whole or in part, in a manner that results in a total PV of the combined bids that exceeds the highest PV achievable by accepting one or more of the disaggregated bids. This process could result in a bidder being awarded less capacity than requested (unless such bidder elects on its bid sheet not to accept a pro rata allocation of capacity).

PV will be calculated as the sum of the present values for all of the months beginning with the first month capacity is available through the end date of the bid term. Bids stating a commencement date upon the in-service date of any to-be-constructed facilities will be evaluated using EPNG's estimate of the completion date of the required facilities (i.e., September 1, 2020).

The PV for each month will be calculated as follows:

$$PV = (R \times Q) / ((1+i)^n)$$

Where:

R = the monthly reservation bid rate

Q = the monthly bid quantity

i = the monthly discount rate of 0.454167% (which is the annual discount rate of 5.45% divided by 12).

n = the number of months from the earliest date the capacity is available in the Open Season to the month the revenue will be received (the first month capacity is available n = 1, the second month n = 2, and so on).

**To provide a fair evaluation, the PV of bids that will be subject to the Usage Rate stated in EPNG's Tariff will also include the value of such Usage Rate, assuming a 100% load factor usage.**

Each successful bidder shall enter into an FTSA reflecting the terms of its bid as awarded by EPNG. The FTSA will be consistent with the appropriate form of service agreement contained in EPNG's Tariff.

## **CREDITWORTHINESS REQUIREMENTS**

By no later than July 1, 2019, each successful bidder must demonstrate, and maintain throughout the term of the related FTSA(s), satisfaction of creditworthiness in the manner set forth below:

(i) If bidder is rated by Standard & Poor's Corporation ("S&P") and/or Moody's Investor Service ("Moody's") (hereinafter referred to as a "Rated Bidder"), then the Rated Bidder shall satisfy its creditworthiness obligations by making a demonstration to EPNG that: (a) Rated Bidder's senior unsecured debt securities are rated at least BBB- by S&P or Baa3 by Moody's or Rated Bidder's long-term issuer rating is at least BBB- by S&P or Baa3 by Moody's (in the event Rated Bidder is rated differently by multiple agencies, the lowest rating shall be used in making such determination); and (b) Rated Bidder is not under review for possible downgrade by S&P and/or Moody's to a level below that set forth in subpart (a) of this section (i).

If at any time prior to or during the term of any FTSA executed in connection with this Open Season, a Rated Bidder's S&P or Moody's rating falls below the levels described above, or a Rated Bidder becomes unrated or otherwise fails to satisfy the requirements of this section (i), then for the time period that the Rated Bidder's ratings are below that level or a Rated Bidder is unrated or is otherwise unable to satisfy the requirements of this section (i), Rated Bidder shall satisfy its creditworthiness obligation by providing one of the forms of credit support described in section (ii) below. If a Rated Bidder subsequently becomes able to satisfy the S&P or Moody's rating levels described above, the Rated Bidder may immediately satisfy its creditworthiness obligations in the manner provided in this section (i).

(ii) If at the time bidder is unable to satisfy its creditworthiness obligations in the manner set forth in section (i) above, then bidder shall satisfy its creditworthiness obligations by providing and maintaining, at its option: (a) an irrevocable, unconditional guarantee of its obligations in connection with this Open Season, and any related FTSA executed in connection with this Open Season, acceptable to EPNG and issued by another person or entity which satisfies the creditworthiness standards set forth in section (i); or (b) an irrevocable letter of credit acceptable to EPNG and from a bank acceptable to EPNG equal to the lesser of three (3) years or the period of time remaining in the term, of the anticipated charges in connection with this Open Season, and any related FTSA executed in connection with this Open Season; or (c) such other credit arrangements which are mutually agreed to by EPNG and bidder, and which are accepted by EPNG on a nondiscriminatory basis.

(iii) If at any time bidder is unable to satisfy the creditworthiness standards set forth in section (i) above, then, upon reasonable request by EPNG, in addition to the requirements set forth in section (ii) above, bidder shall promptly provide evidence to EPNG of bidder's creditworthiness, which EPNG may share with its lenders or creditors or any nationally recognized rating agency that is then maintaining a rating of EPNG's debt securities.

(iv) If any change in ratings or conditions requires bidder to change the manner in which it demonstrates its satisfaction of its creditworthiness requirements, bidder shall make that demonstration (including if necessary the provision of any guarantee or letter of credit) within fifteen (15) business days of the change in ratings or conditions requiring the new demonstration of creditworthiness.

Bidders that fail to satisfy the creditworthiness requirements of this section within a reasonable time will have their capacity award withdrawn. EPNG will treat the financial statements provided by prospective shippers as confidential.

### **CONTACT INFORMATION**

Questions concerning this Open Season should be directed to Greg Ruben (719-520-4870) or Ken Ulrich (719-520-3712) in the Business Development department.

**Open Season EBB Identifier: Carlsbad South**  
[Email Bid To: KMWestBids@KinderMorgan.com](mailto:KMWestBids@KinderMorgan.com)

A. Shipper Information:

Legal Name of Bidder: \_\_\_\_\_

Name of Requesting Party: \_\_\_\_\_

Title of Requesting Party: \_\_\_\_\_

DUNS Number: \_\_\_\_\_

Phone: \_\_\_\_\_

B. Term of Service (total months): \_\_\_\_\_

Requested Term Start Date: \_\_\_\_\_

Requested Term End Date: \_\_\_\_\_

C. Transportation Contract Demand ("TCD"): \_\_\_\_\_ Dth/day

Will you accept a pro rata allocation of capacity if necessary? (Select One)

- Yes       No

Primary Receipt Point(s)	Primary Delivery Point(s)	Flow Path	Requested Dth/day MDQ

Note: EPNG will grant successful bidders a contractual right-of-first-refusal, exercisable and administered in accordance with Section 4.14 of the General Terms and Conditions of EPNG's Tariff, for bids that are otherwise not eligible for a right-of-first-refusal pursuant to EPNG's Tariff.

D. Bid Rate

Reservation Rate (select one):

- EPNG's maximum recourse rate
- Discounted Recourse Rate: \$ \_\_\_\_\_ per Dth per Month or Dth per Day (circle one)
- Negotiated Rate: \$ \_\_\_\_\_ per Dth per Month or Dth per Day (circle one)

Applicability of Usage & Other Charges:

**Successful bidder(s) with a Negotiated Reservation Rate of not less than \$3.7352 per Dth per month (which, for illustrative purposes, is equivalent to \$0.12280 per Dth on a daily basis) will be subject to a Usage Rate of \$0.0000 per Dth for transportation service from Primary Receipt Point(s) to the Primary Delivery Point. All other bidders will be subject to the applicable Usage Rate stated in EPNG's Tariff. To provide a fair evaluation, the PV of bids that will be subject to the Usage Rate stated in EPNG's Tariff will also include the value of such Usage Rate, assuming 100% load factor usage.**

In addition, all successful bidders will be subject to all other maximum rates, charges and surcharges, including ACA, Fuel and L&U, and any other authorized surcharges assessed under the applicable Rate Schedule of EPNG's Tariff as those amounts maybe amended or superseded from time-to-time. This includes incremental lateral charges and any third party charges resulting from the use of capacity that EPNG may hold on other pipelines.

\*By submitting a bid to EPNG, the bidding party certifies that (a) all information contained in the request is complete and accurate, (b) it satisfies, or will be able to satisfy, all the requirements of EPNG's FERC Gas Tariff, and (c) the person submitting the bid has full authority to bind the bidding party.