



March 15, 2019

Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Attention: Ms. Kimberly D. Bose, Secretary

Re: FERC Form No. 501-G;
El Paso Natural Gas Company, L.L.C.;
Docket No. RP19-73-000

Dear Ms. Bose:

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“Commission”), 18 C.F.R. § 385.602 (2018), El Paso Natural Gas Company, L.L.C. (“El Paso”) hereby submits for filing in the above-referenced proceeding an Offer of Settlement which contains an Explanatory Statement and a Stipulation and Agreement with Appendices A, B, and C (collectively referred to as “S&A”).

The S&A is supported or not opposed by the parties listed on Appendix A which represents all participants in Docket No. RP19-73-000. The S&A was circulated to all the participants in Docket No. RP19-73-000 for review and comment. El Paso is unaware of any participant’s opposition, in whole or in part, to the S&A.

Appendix B contains pro forma tariff records that will be implemented under the terms of the S&A. More specifically, Appendix B contains both clean copies of the proposed tariff records and redlined copies of the same tariff records marked to show the proposed changes from El Paso’s currently effective tariff records.

Appendix C contains a Microsoft Excel rate model, filed concurrently herewith in its native file format, which will be used solely to provide for the implementation of any remedy determined as a result of the appeals currently pending before the United States Court of Appeals for the District of Columbia Circuit in Case Nos. 15-1323, 16-1122, and 18-1183, including any subsequent FERC or Court orders or opinions.

Request for Shortened Comment Period and Notice Respecting Comments Regarding Offer of Settlement

El Paso anticipates that all participants to these proceedings will support, or not oppose, this Offer of Settlement. Accordingly, El Paso is respectfully requesting a shortened comment period. Should this request to shorten the comment period be granted, then, in accordance with the provisions of Rule 602(d)(2), all participants in these proceedings as well as all other persons required by Rule 602(d)(1) are hereby notified that comments on the Offer of Settlement are due to be filed no later than ten (10) days after the date hereof (i.e., Monday, March 25, 2019), and reply comments are due to be filed no later than seventeen (17) days after the date hereof (i.e., Monday, April 1, 2019). All participants have been made aware of and have agreed to these comment dates in advance of this filing.

El Paso specifically directs the attention of persons served with this Offer of Settlement to Section 602(f)(3) of the Commission's Rules of Practice and Procedure which provides that, "Any failure to file a comment constitutes a waiver of all objections to the offer of settlement."

Service of Comments and Other Materials

El Paso requests that copies of initial comments, reply comments and any other related correspondence or communications be sent to:

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Colorado Springs, CO 80944
Telephone: (719) 520-4227
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Email:
David.Dewey@kindermorgan.com

El Paso respectfully requests that the Commission approve this Offer of Settlement as soon as administratively feasible in order for El Paso to implement the benefits provided through the proposed S&A.

Copies of this transmittal letter and the Offer of Settlement are being served on all participants in Docket No. RP19-73-000.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY, L.L.C.

/s/ David K. Dewey

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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

El Paso Natural Gas Company, L.L.C.) Docket No. RP19-73-000

**OFFER OF SETTLEMENT
AND EXPLANATORY STATEMENT**

Pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”),¹ El Paso Natural Gas Company, L.L.C. (“El Paso”) hereby submits this Offer of Settlement which includes the Explanatory Statement and the Stipulation and Agreement (“S&A”). For the reasons set forth herein, El Paso respectfully requests that the Commission approve the attached S&A as in the public interest and a fair and reasonable resolution of all matters and issues in the above-captioned proceedings.

I. PROCEDURAL BACKGROUND

On October 11, 2018, El Paso filed its FERC Form No. 501-G (“Form 501-G”) in accordance with the requirements of recently promulgated 18 C.F.R. § 260.402. El Paso elected Option 3 for its submittal (as detailed in Order No. 849) and included an explanation as to why no rate change is needed.² On October 15, 2018, the Commission published notice of El Paso’s filing and established a comment date of

¹ 18 C.F.R. § 385.602(2018).

² *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 83 Fed. Reg. 36,672 (July 30, 2018), FERC Stats. & Regs. ¶ 31,404 (2018) (cross-referenced at 164 FERC ¶ 61,031).

October 23, 2018. Several parties submitted protests and comments in response to El Paso's Form 501-G.

On December 4, 2018, El Paso hosted a well-attended settlement conference to discuss resolving the issues raised in this proceeding. In the ensuing weeks, the parties entered into good faith negotiations and exchanged multiple settlement offers which culminated in the comprehensive settlement which is the subject of this S&A.

II. EXPLANATORY STATEMENT

The various provisions of the S&A, and the Articles included therein, are summarized below. In the event of any conflict between this Explanatory Statement and the S&A, the provisions of the S&A will govern.

Article I – Introduction

Article I briefly describes the factual background and procedural history of this proceeding.

Article II – Settlement Rates and Other Provisions

Article II contains a provision for the new settlement rates and other related provisions. Section 2.1 establishes new settlement rates for El Paso's transportation services on a "black box" basis except as further delineated by the S&A. The settlement rates set forth in Appendix B will become effective January 1, 2019, and remain in effect until new rates become effective pursuant to a new general, system-wide rate change pursuant to Section 4 or Section 5 of the Natural Gas Act ("NGA")

Section 2.2 provides a billing protocol for customers entitled to Article 11.2(a) billing rates.

Section 2.3 provides that the Settlement will not affect any remedy or implementation thereof, or any further determinations (including refunds and/or surcharges) from the appeals currently pending before the United States Court of Appeals for the District of Columbia Circuit in Case Nos. 15-1323, 16-1122, and 18-1183.

Section 2.4 provides that within fifteen (15) days after the S&A becomes effective in accordance with Article VI, El Paso will file with the Commission revised tariff records reflecting the settlement rates shown on the *Pro Forma* Statement of Rates contained in Appendix B, to become effective January 1, 2019.

Section 2.5 provides that within sixty (60) days following the effective date of the S&A, El Paso will refund, by invoice credit, the amount collected beginning January 1, 2019, above the applicable settlement rates. Refunds will include interest pursuant to 18 C.F.R. § 154.501(d) (2018), and El Paso will file a refund report within sixty (60) days after refunds are made.

Section 2.6 describes accounting related matters. Section 2.6(a) establishes El Paso's FERC depreciation rates for book purposes and for the settlement rates, while Section 2.6(b) provides that the rates in effect during the term of the S&A include a beginning balance of approximately \$40.0 million dollars and approximately one million, six hundred thousand dollars (\$1,600,000) per year of amortization on the regulatory liability associated with excess ADIT resulting from the TCJA.

Article III – Settling and Contesting Parties

Article III contains provisions addressing settling and contesting parties. Section 3.1 and Section 3.2 define the entities that will be settling parties and contesting parties, respectively. Section 3.3 describes the process for the Commission to apply the S&A to a contesting party and make the entirety of the S&A effective as to such contesting party. Section 3.4 describes the circumstances under which El Paso and the settling parties intend for a contesting party to be severed from the benefits of the S&A.

Article IV – Term of S&A

Article IV provides that the term of the S&A will extend from the effective date pursuant to Article VI through the earlier of: (a) the date new rates become effective pursuant to a new general, system-wide rate change submitted by El Paso pursuant to section 4 of the NGA,³ or (b) the date the Commission initiates or institutes an investigation pursuant to Section 5 of the NGA⁴ to determine whether the rates charged by El Paso are just and reasonable.

Article V – Rate Moratorium

Article V sets forth the requirements of the rate moratorium. Section 5.1 provides that, prior to January 1, 2022, each settling party and El Paso will in no manner whatsoever advocate any change to any provision of the S&A including, without limitation, the settlement rates.

³ 15 U.S.C. § 717c (2019).

⁴ 15 U.S.C. § 717d (2019).

Section 5.2(a) provides that during the rate moratorium, all settling parties and El Paso will be free, so long as no settling party or El Paso actively seeks to undermine the S&A, to participate in certain, specified proceedings of general industry-wide applicability. Section 5.2(b) provides that during the rate moratorium, so long as El Paso does not actively seek to undermine the S&A, El Paso may make certain limited NGA Section 4 filings.

Section 5.3 states that El Paso will file with the Commission a cost and revenue study at the conclusion of the moratorium.

Article VI – Effectiveness

Article VI sets forth the requirements for the S&A to become effective. Section 6.1 establishes that neither the S&A, nor any of the provisions thereof, will become effective unless and until the Commission enters an order no longer subject to rehearing or judicial review approving or accepting the S&A, without any condition, clarification or modification or, in the event of a condition, clarification or modification, El Paso shall not have exercised its right under Section 6.3 to withdraw the Offer of Settlement including the S&A within the prescribed time, and the Commission has denied any request for rehearing of the order modifying, clarifying or conditioning the S&A. Section 6.2 establishes the effective date of the S&A as the first day of the month following the month in which the conditions specified by Section 6.1 have been satisfied. Section 6.3 provides the conditions under which El Paso may withdraw its Offer of Settlement.

Article VII – Reservations

Article VII sets forth reservations including, without limitation, that the S&A is submitted pursuant to Rule 602 (18 C.F.R. § 385.602 (2018)), that neither El Paso nor any settling party waives any claim or right which it may otherwise have with respect to any matters not expressly set forth in the S&A, and that except as otherwise provided in the S&A, nothing in the S&A will be deemed to create a “settled practice” as the term is interpreted in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), or to affect or shift the burden of proof on any issue in any proceeding. Additionally, Article VII identifies the controlling document in the event of a conflict between the Explanatory Statement, the S&A, and/or the tariff records.

Article VIII – Standard of Review

Article VIII establishes that the standard of review for any changes proposed to the terms of the S&A by El Paso, any party identified in Appendix A of the S&A, and/or any party that expressly supports or does not oppose the S&A will be the more rigorous application of the statutory “just and reasonable” standard of review which is characterized as the *Mobile-Sierra* “public interest” standard.⁵ If the Commission finds that application of the *Mobile-Sierra* “public interest” standard to any such party is inconsistent with Commission policy, precedent, or applicable law, then the standard of

⁵ See *Devon Power LLC*, 134 FERC ¶ 61,208, at P 1 (2011), citing *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332, 76 S. Ct. 373, 100 L. Ed. 373 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348, 76 S. Ct. 368, 100 L. Ed. 388 (1956); *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1 of Snohomish County, Washington*, 554 U.S. 527, 545, 128 S. Ct. 2733, 171 L. Ed. 2d 607 (2008) (for the proposition that the “just and reasonable” standard is the only statutory standard of review). See also *NRG Power Marketing, LLC v. Maine Public Util. Comm’n*, 558 U.S. 165, 130 S. Ct. 693, 175 L. Ed. 2d 642 (2010)

review will be the most stringent standard permissible under Commission policy, precedent, and applicable law.⁶ The standard of review for any changes proposed by the Commission acting *sua sponte* will be the just and reasonable standard.

Article IX – Effect of Approval of Offer of Settlement

Article IX provides that the Commission’s approval of the Offer of Settlement will authorize and approve the tariff changes in Appendix B of the S&A and a waiver of any requirement to the extent necessary to carry out any provision of the S&A.

III. INFORMATION TO BE PROVIDED WITH SETTLEMENT AGREEMENTS

Pursuant to the Chief Administrative Law Judge’s directive regarding settlement filings,⁷ the following information is provided with regard to the Settlement:

A. Pending Cases. Does the settlement affect other pending cases?

No other pending cases are affected by the Settlement.

B. Issues of First Impression. Does the settlement involve issues of first impression?

The Settlement does not involve any issues of first impression.

C. Commission Precedent. Does the settlement depart from Commission precedent?

The Settlement does not depart from Commission precedent.

⁶ See *Natural Gas Pipeline Co. of America LLC*, 162 FERC ¶ 61,009 (2018) and *Gas Transmission Northwest LLC*, 165 FERC ¶ 61,195 (2018).

⁷ *Amended Notice to the Public on Information to be Provided with Settlement Agreements and Guidance on the Role of Settlement Judges*, December 15, 2016.

D. Standard of Review. Does the settlement seek to impose a standard of review other than the ordinary just and reasonable standard with respect to any changes to the settlement that might be sought by either a third party or the Commission acting *sua sponte*?

The Settlement provides that the standard of review for any changes proposed to the terms of the S&A including, but not limited to, the settlement rates, by El Paso, any party identified in Appendix A of the S&A, and/or any party that expressly supports or does not oppose the S&A will be the more rigorous application of the statutory “just and reasonable” standard of review which is characterized as the *Mobile-Sierra* “public interest” standard.⁸ If the Commission finds that application of the *Mobile-Sierra* “public interest” standard to any such party is inconsistent with Commission policy, precedent, or applicable law, then the standard of review will be the most stringent standard permissible under Commission policy, precedent, and applicable law.⁹ The standard of review for any changes proposed by the Commission acting *sua sponte* will be the just and reasonable standard.

⁸ See *Devon Power LLC*, 134 FERC ¶ 61,208, at P 1 (2011), citing *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332, 76 S. Ct. 373, 100 L. Ed. 373 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348, 76 S. Ct. 368, 100 L. Ed. 388 (1956); *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1 of Snohomish County, Washington*, 554 U.S. 527, 545, 128 S. Ct. 2733, 171 L. Ed. 2d 607 (2008) (for the proposition that the “just and reasonable” standard is the only statutory standard of review). See also *NRG Power Marketing, LLC v. Maine Public Util. Comm’n*, 558 U.S. 165, 130 S. Ct. 693, 175 L. Ed. 2d 642 (2010)

⁹ See *Natural Gas Pipeline Co. of America LLC*, 162 FERC ¶ 61,009 (2018) and *Gas Transmission Northwest LLC*, 165 FERC ¶ 61,195 (2018).

IV. CONCLUSION

WHEREFORE, El Paso respectfully asks that the Commission promptly issue an order approving this Offer of Settlement without condition or modification.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY, L.L.C.

/s/ William D. Wible

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Counsel for El Paso Natural Gas Company, L.L.C.

Certificate of Service

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding in accordance with the requirements of 18 C.F.R. § 385.2010 (2018) of the Commission's Rules of Practice and Procedures.

Dated at Colorado Springs, Colorado as of this 15th day of March 2019.

/s/

Francisco Tarin
Director, Regulatory

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719-667-7517

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

El Paso Natural Gas Company, L.L.C.)

Docket No. RP19-73-000

STIPULATION AND AGREEMENT

Pursuant to Rule 207(a)(5) of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. § 385.207(a)(5) (2018), El Paso Natural Gas Company, L.L.C. (“El Paso”) hereby submits this Stipulation and Agreement (“S&A”) in support of its Offer of Settlement in the instant proceeding. The S&A, which is supported or not opposed by the active parties listed in Appendix A, resolves the issues raised in this proceeding, which relate to El Paso’s FERC Form No. 501-G filing¹ and the impact of the Tax Cuts and Jobs Act of 2017 (“TCJA”)² on El Paso’s rates, and will provide the benefits from the TCJA to El Paso’s customers.

**Article I
Introduction**

The exact legal name of El Paso is El Paso Natural Gas Company, L.L.C. It is a limited liability company duly organized and existing under the laws of the State of Delaware, having its principal place of business located in Colorado Springs, Colorado.³

¹ *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 83 Fed Reg. 36672 (July 30, 2018); FERC Stats. & Regs., Reg. Preambles ¶ 31,404 (which required El Paso to submit a FERC Form No. 501-G).

² An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, Pub. L. No. 115-97, 131 Stat.2054 (2017).

³ El Paso is a wholly-owned subsidiary of Kinder Morgan Energy Partners, L.P.

El Paso is authorized to conduct business as a foreign corporation in the States of Arizona, California, Colorado, Idaho, Kansas, Louisiana, Nevada, New Mexico, New York, Oklahoma, Texas, Utah and in the District of Columbia. El Paso received a blanket transportation certificate in Docket No. CP88-433-000⁴ for transportation of natural gas on behalf of others as contemplated by Part 284, Subpart G, of the Commission's regulations.

On October 11, 2018, El Paso filed its FERC Form No. 501-G ("Form 501-G") in accordance with the requirements of recently promulgated 18 C.F.R. § 260.402. El Paso elected Option 3 for its submittal (as detailed in Order No. 849) and included an explanation as to why no rate change is needed.⁵ On October 15, 2018, the Commission published notice of El Paso's filing and established a comment date of October 23, 2018. Several parties submitted protests and comments in response to El Paso's Form 501-G.

On December 4, 2018, El Paso hosted a well-attended settlement conference to discuss resolving the issues raised in this proceeding. In the ensuing weeks, the parties entered into good faith settlement negotiations and exchanged multiple settlement offers. Those efforts culminated in the comprehensive settlement which is the subject of this S&A. This S&A represents a compromise of the positions of the parties and includes, *inter alia*, a combination of maximum reservation and usage rate reductions by El Paso.

⁴ See *El Paso Natural Gas Company*, 45 FERC ¶ 61,175, (1988).

⁵ *Interstate and Intrastate Natural Gas Pipelines; Rate Changes Relating to Federal Income Tax Rate*, Order No. 849, 83 Fed. Reg. 36,672 (July 30, 2018), FERC Stats. & Regs. ¶ 31,404 (2018) (cross-referenced at 164 FERC ¶ 61,031).

Article II
Settlement Rates and Other Provisions

2.1 Settlement Rates. This S&A establishes new settlement reservation rates (“Settlement Reservation Rates”) and new settlement usage rates (“Settlement Usage Rates”) (collectively referred to as “Settlement Rates”) for El Paso’s transportation services on a “black box” basis except as may be delineated in this Article II. It is stipulated and agreed that upon the approval and effectiveness of this S&A, El Paso’s maximum rates for its services shall be the rates set forth in the *pro forma* tariff records attached hereto in Appendix B.

2.2 El Paso’s FERC Gas Tariff – Sections 37.2(c) and 37.2(g). On and after January 1, 2019, El Paso shall interpret Section 37.2(g) of its FERC Gas Tariff (including its applicability to capacity release transactions) such that (a) if the applicable Article 11.2(a) maximum reservation rate for a Section 37 Transportation Service Agreement (“TSA”) is higher than the otherwise applicable maximum reservation rate, the service for such TSA will be billed at the lower applicable maximum reservation rate, and (b) if the applicable Article 11.2(a) maximum usage rate for a Section 37 TSA is higher than the otherwise applicable maximum usage rate, the service for such TSA will be billed at the lower applicable maximum usage rate. In that regard, El Paso and the Settling Parties agree that the second sentence of Section 37.2(c) does not apply to capacity released under a Section 37 TSA.

2.3 Appellate Matters. El Paso and the Settling Parties, as defined in Article III, acknowledge that the terms of this S&A will not affect any remedy or implementation thereof, or any further determinations (including refunds and/or surcharges) from the

appeals currently pending before the United States Court of Appeals for the District of Columbia Circuit in Case Nos. 15-1323, 16-1122, and 18-1183 (jointly “Appeals”); provided, however, that the cost reductions underlying the proposed Settlement Rates (including the reductions associated with the federal income tax rate) would continue to be reflected in the calculation of rates to comply with any orders on the Appeals or a subsequent FERC order as a result of the Appeals for the period that the proposed Settlement Rates are to be in effect. Solely to provide for the implementation of any remedy determined as a result of the Appeals, including any subsequent FERC or Court orders or opinions, while preserving the underlying reductions implemented by this S&A, El Paso and the Settling Parties have agreed to derive the Settlement Reservation Rates utilizing the Microsoft Excel rate model referenced in Appendix C and filed concurrently herewith in its native file format. El Paso and the Settling Parties also agreed to Settlement Usage Rates that were not derived using the Microsoft Excel rate model referenced in Appendix C. As discussed in Section 2.1 the rates are “black box” and, as also noted in Section 7.3, no Party should be deemed to agree or support in any manner any element underlying the calculation in Section 7.3 as a result of this S&A other than those elements reflected in the rate model referenced in Appendix C, as such may be changed to implement a required remedy. For example, should the decisions in the Appeals and subsequent orders and opinions ultimately result in a capital structure different from that embedded in the rate model referenced in Appendix C, the capital structure in such rate model shall be changed in accordance with such decisions and opinions to implement any required remedy to calculate new Settlement Rates for the duration of the term of this S&A and permit any required refunds or surcharges.

2.4 Rate and Tariff Record Implementation. Within fifteen (15) days after this S&A becomes effective in accordance with Article VI, El Paso shall file with the Commission the revised *pro forma* tariff records attached hereto in Appendix B, which include the Settlement Rates, to be effective January 1, 2019. The Commission's order approving this S&A and making it effective shall constitute all authority necessary for El Paso to place into effect the *pro forma* tariff records attached hereto in Appendix B.

2.5 Refunds. Within sixty (60) days following the Effective Date of this S&A as defined in Article VI, El Paso shall refund, by invoice credit, the amount collected beginning January 1, 2019, above the applicable Settlement Rates. Refunds will include interest pursuant to 18 C.F.R. § 154.501(d) (2018). El Paso shall file a refund report within sixty (60) days after refunds are made.

2.6 Accounting Related Matters.

(a) Depreciation and Amortization. El Paso's FERC depreciation rates for book purposes and for the Settlement Rates described above are unchanged and shall be as follows:

Depreciation, Amortization and Negative Salvage Rates

Line No.	Plant Category	Rate
	(a)	(b)
1	Transmission	2.20%
2	Willcox Lateral	2.20%
3	Willcox Expansion	2.20%
4	Rights-of-Way Renewals	Term of Agmt.
5	Negative Salvage (Transmission Plant)	0.12%
6	Under Ground Storage	1.09%
7	Intangible Miscellaneous	4.00%
8	Miscellaneous Intangible Plant - Computer Software	15.00%
9	General Structures	4.00%
10	Leasehold Improvements	Life of Lease

Line No.	Plant Category	Rate
11	Office Furniture & Equipment ⁶	0.00%
12	Computer Equipment & Hardware	20.00%
13	Transportation Equipment < 13,000 lbs	13.33%
14	Transportation Equipment > 13,000 lbs	1.66%
15	Tools and Work Equipment	10.00%
16	Communication Equipment	10.00%

(b) Regulatory Liability – Excess Accumulated Deferred Income Taxes (ADIT).

The rates in effect during the term of this S&A include a beginning balance of approximately forty million dollars (\$40,000,000) and approximately one million, six hundred thousand dollars (\$1,600,000) per year of amortization on the regulatory liability associated with excess ADIT resulting from the TCJA. El Paso and the Settling Parties agree that this amortization of the excess ADIT balances begins on January 1, 2019 at a rate of no more than \$1,650,000 each year.

**Article III
Settling and Contesting Parties**

3.1 Settling Parties. The term “Settling Party” means (a) any party identified in Appendix A; or (b) any party, as that term is defined in 18 C.F.R. § 385.102(c), and any shipper not identified in Appendix A that (i) expressly supports, or (ii) does not oppose the S&A as a whole and/or any of its underlying provisions. If this S&A is approved without modification or condition, El Paso and the Settling Parties shall be bound by the terms of this S&A and waive any and all rights to rehearing and judicial

⁶ El Paso is currently fully depreciated in this account and will reflect a 0.00% annual depreciation rate until it does experience a net positive balance for the account. At that point, El Paso will record depreciation expense using an annual depreciation rate of 10.00%, calculated by multiplying the annual rate by the new plant added from that time forward.

review of the Commission's order approving the S&A.

3.2 Contesting Parties.

(a) A Contesting Party is any entity that (i) files any comment or other pleading that opposes approval of this S&A or advocates any change or modification to this S&A, (ii) states in any comment pursuant to Rule 602, or other pleading, a desire not to be bound by all provisions of this S&A; (iii) files any comment conditioning consent to the S&A or reserving any right inconsistent with this S&A; (iv) files any pleading that seeks to undermine this S&A or the enforcement of any of its provisions; or (v) seeks rehearing or judicial review, or otherwise seeks to set aside or challenge, an order that approves this S&A without modification or condition. A Contesting Party shall be deemed to contest the S&A as to each and every one of the service agreements it has with El Paso, if any. A Contesting Party shall become a Contesting Party on the date on which it fulfills any of the conditions listed above, provided however, if the Commission later determines that an entity deemed to be a Contesting Party through meeting one or more of the conditions above, was not, in fact, contesting the S&A, El Paso shall provide to that entity refunds, plus interest calculated pursuant to 18 C.F.R. § 154.501(d) (2018), equal to the difference between the applicable Settlement Rate(s) and the rate(s) charged that entity.

(b) If any party files any pleading that seeks to undermine this S&A or the enforcement of any of its provisions prior to the Effective Date of this S&A, pursuant to Section 3.2(a)(iv) above, El Paso shall notify such party if such request would, in El Paso's opinion, make that party a Contesting Party. If El Paso provides such notice and such party does not effectuate the withdrawal or modification within five (5) days of El

Paso's written notice, said party shall be deemed a Contesting Party, and El Paso shall inform the Settling Parties to this proceeding of any party so deemed to contest the S&A by filing a notice with the Commission in this proceeding. Said party shall have the right to submit a filing with the Commission requesting a determination whether the party should be deemed a Contesting Party under the S&A. This provision shall not apply to suggested clarifications or interpretations of the S&A that are consistent with this S&A and made in reply comments in response to a Contesting Party's initial comments on the Offer of Settlement.

(c) El Paso may permit a Contesting Party to become a Settling Party at any time, but El Paso shall not be required to do so, unless the Commission orders otherwise, or be permitted to do so in an unduly discriminatory manner.

3.3 Commission Disposition of Contested Settlement. If, consistent with the Commission's Rules of Practice and Procedure, the Commission finds that this S&A should be applied to any Contesting Party, and approved over that party's objection, for any reason including, but not limited to: (a) the Contesting Party's arguments have failed to raise a genuine issue of material fact; (b) the Commission is able to make a merits determination on policy or legal issues raised by the Contesting Party; (c) the S&A as a package produces an overall just and reasonable result; (d) the Contesting Party's interest is sufficiently attenuated to allow the Commission to approve the S&A under the fair and reasonable standard applicable to uncontested settlements; and/or (e) there is substantial evidence upon which to make a finding that the S&A is just and reasonable and can be approved as to all El Paso's customers, El Paso and the Settling Parties request that the Commission's order approving this S&A make the entirety of the S&A

effective as to such Contesting Party, and such party shall be deemed a Settling Party.

3.4 Severance.

(a) If this S&A cannot be approved as to all Settling Parties pursuant to this Article III, then El Paso and the Settling Parties intend to permit the severance of the Contesting Parties as a last resort to avoid modification of the bargains memorialized in the S&A to the extent allowed under Rule 602 of the Commission's Rules of Practice and Procedure.

(b) Subject to the Commission's authority to dispose of a contested settlement as set forth in Section 3.3, the Commission may approve the S&A only for the Settling Parties. Contesting Parties, however, shall forego any and all rights or obligations under this S&A. El Paso shall retain all rights to file Natural Gas Act⁷ (NGA) Section 4 base rate changes applicable to all Contesting Parties notwithstanding anything in this S&A. Any Commission orders during the term of this S&A related to NGA Section 4 filings that are otherwise precluded by the S&A shall become effective only as to Contesting Parties. Further, no rate, surcharge, or allocation of costs applicable to any Settling Party shall be modified as a result of the election of any other party to be a Contesting Party.

(c) If (i) the Commission severs one or more issues for a Contesting Party or severs a Contesting Party and establishes additional proceedings to resolve matters in either circumstance, and (ii) this S&A does not become null and void pursuant to Paragraph 6.3 of this S&A, then El Paso and/or the Settling Parties may intervene and/or participate in such additional proceedings, as applicable, but: (A) the Settling

⁷ 15 U.S.C. §§ 717-717w (2019).

Parties shall not challenge El Paso's proposed cost of service or billing determinants; (B) neither El Paso nor the Settling Parties (whether individually or collectively) will advocate for, or support any changes to the S&A, including the *pro forma* tariff records attached hereto in Appendix B implementing the provisions of this S&A; and (C) the Settling Parties shall not propose any changes to El Paso's tariff or current cost allocation or rate design, as the tariff, cost allocation, or rate design apply to the Settling Parties. The Settling Parties will otherwise have the right to participate fully in the additional proceedings, including, but not limited to challenging (I) changes to cost allocation or rate design proposed by El Paso or any other participant, or (II) changes proposed by El Paso or any other participant to El Paso's tariff. Further, any rate or tariff changes resulting from a Commission order addressing severed issues shall be applied only to Contesting Parties. Moreover, any rate or tariff changes resulting from a Commission order involving matters for which Settling Parties are expressly precluded from participating pursuant to this section (e.g., El Paso's proposed cost of service or billing determinants) shall not serve as a generally applicable precedent, or settled practice, or in any way impact the burden of proof in any future El Paso rate proceeding which commences after the expiration of the Rate Moratorium as established in Article V.

Article IV Term of S&A

4.1 Term. The term of this S&A shall extend from the Effective Date pursuant to Article VI, through the earlier of: (a) the date new rates become effective pursuant to a new general, system-wide rate change submitted by El Paso pursuant to Section 4 of

the NGA,⁸ or (b) the date the Commission initiates or institutes an investigation pursuant to Section 5 of the NGA⁹ to determine whether the rates charged by El Paso are just and reasonable. Once they become effective, Section 2.6 of this S&A and the *pro forma* tariff records attached hereto in Appendix B, will remain in full force and effect until such time as they are superseded by a final order of the Commission. Notwithstanding anything herein, Section 2.2 of Article II and Article VII shall survive expiration of this S&A.

Article V Rate Moratorium

5.1 NGA Section 4 and Section 5 Moratorium. Prior to January 1, 2022, and except as set forth in Section 2.3, during the term of this S&A, each Settling Party and El Paso, on behalf of itself and its parents, affiliates, subsidiaries, representatives, successors, and assigns, represents and warrants that it will not, pursuant to the NGA or any other statute, challenge or advocate, in any manner whatsoever, a change in any provision of the S&A, including, without limitation, the Settlement Rates, at the Commission or with any other governmental authority or regulatory body having jurisdiction over El Paso. For purposes of clarity, this Section 5.1 (a) does not preclude any Settling Party from making any NGA Section 5 filing on the basis that El Paso has violated the terms of this S&A or has applied the terms of this S&A in an unduly discriminatory manner, and (ii) does not apply after the end of the term of this S&A as set forth in Section 4.1.

⁸ 15 U.S.C. § 717c (2019).

⁹ 15 U.S.C. § 717d (2019).

5.2 Parties' Rights During the Moratorium.

(a) During the Moratorium, all Settling Parties and El Paso shall be free, so long as no Settling Party or El Paso actively seeks to undermine this S&A or the enforcement of any of its provisions, to (i) advance legislative changes and/or petition to initiate rulemaking proceedings of general industry-wide applicability; (ii) actively participate in any rulemaking, notice of inquiry, or similar proceeding of general applicability before the Commission ("Commission Rulemakings"); (iii) petition for and actively participate in judicial appeals or remands of Commission Rulemakings or pipeline proceedings unrelated to this S&A; and (iv) participate in any other Commission proceeding and any related judicial appeals and take any position on any issue in those proceedings.

(b) During the Moratorium, El Paso shall be free, so long as El Paso does not actively seek to undermine this S&A or the enforcement of any of its provisions, to make limited NGA Section 4 filings including, but not limited to, the establishment of a rate for a new service; the approval of nonconforming and/or negotiated rate agreements; the recovery of appropriate costs incurred for fuel, lost and unaccounted-for gas, and ACA charges; any appropriate tariff filings for service modifications as needed over time; and such filings, if any, necessary to comply with Commission policy, rules, regulations or orders, and/or make requests for rehearing, seek judicial review, and participate in remands of Commission orders associated with the types of filings listed in this Section 5.2(b). For the avoidance of doubt, this provision does not preclude either a filing under Section 7 of the NGA to establish initial rates for new facilities or the filing of comments, protests or motions with respect to any such filing.

(c) Nothing in this S&A is intended to affect the rights of any Settling Party to advocate any position on any issues arising from NGA Section 4 filings made by El Paso.

5.3 Cost and Revenue Study. El Paso shall file with the Commission a cost and revenue study at the conclusion of the moratorium. The study shall be based on actual costs, revenues and volumes for a 12-month base period that complies with Section 154.303(a)(1) of the Commission's regulations; provided, however, that El Paso may also submit an additional and separate cost and revenue study for such 12-month period that may include adjustments.

Article VI Effectiveness

6.1 Conditions for this S&A to Become Effective. Except as otherwise expressed in this Article VI, the various provisions of this S&A are an integrated whole and are not severable. Neither this S&A, nor any of the provisions hereof, shall become effective unless and until the Commission has entered an order no longer subject to rehearing or judicial review approving or accepting this S&A, without any condition, clarification or modification, or in the event of a condition, clarification or modification, El Paso shall not have exercised its right under Section 6.3 of this Article VI to withdraw the Offer of Settlement including this S&A within the prescribed time, and the Commission has denied any request for rehearing of the order modifying, clarifying or conditioning this S&A.

6.2 Effective Date. The Effective Date of this S&A shall be the first day of the month following the month in which the conditions in Section 6.1 have been satisfied.

6.3 El Paso Withdrawal of Settlement Offer. If the Commission approves or accepts this S&A with any condition, clarification or modification, El Paso shall have the right, exercised in good faith, to withdraw the Offer of Settlement including this S&A by notifying the Commission and all other participants in the instant proceeding of such a withdrawal within twenty (20) days from the date of the order by the Commission approving or accepting the instant S&A with any condition, clarification or modification that is unacceptable to El Paso. Upon such a withdrawal, the Offer of Settlement including without limitation this S&A shall become null and void. Conversely, should the Commission, in its order approving the Settlement, impose any condition, clarification or modification acceptable to El Paso but opposed by any Settling Party, such Settling Party shall have the right to become a Contesting Party.

Article VII Reservations

7.1 Rule 602 Privilege. This S&A is submitted pursuant to Rule 602 of the Commission's Rules of Practice and Procedure.¹⁰ Unless and until the S&A becomes effective in accordance with Article VI, this S&A shall remain privileged. All discussions held and materials provided by any participant in the instant proceeding in reaching this S&A shall be treated as privileged under Rule 602 of the Commission's Rules of Practice regardless of whether this S&A becomes effective.

7.2 Scope. The provisions of this S&A are intended to relate only to the specific matters referred to herein and, by agreeing to the instant S&A, neither El Paso nor any Settling Party waives any claim or right which it may otherwise have with

¹⁰ 18 C.F.R. § 385.602 (2018).

respect to any matters not expressly provided for herein.

7.3 Negotiated Settlement. This S&A is made on the express understanding that it constitutes a negotiated settlement, and except as otherwise expressly provided for herein, neither El Paso nor any Settling Party shall be deemed to have approved, accepted, agreed to, or consented to any ratemaking principle, or any allocation method or rate design formula, underlying or supposed to underlie any of the rates, charges, cost classifications, cost functionalization or cost of service provided for herein, or to be prejudiced thereby in any future El Paso rate proceeding, or in any other pending or future Commission or court proceedings. Except as otherwise provided in this S&A, nothing in this S&A shall be deemed to create a “settled practice” as the term is interpreted in *Public Service Commission of New York v. FERC*, 642 F.2d 1335 (D.C. Cir. 1980), or to affect or shift the burden of proof on any issue in any proceeding.

7.4 Control. In the event of any conflict between the terms contained in this S&A and those in the accompanying Explanatory Statement, the terms of this S&A control. In the event of any conflict between the terms of this S&A or the accompanying Explanatory Statement and the *pro forma* tariff records reflected in Appendix B, the tariff records control.

Article VIII Standard of Review

Because the participants in the instant proceeding are sophisticated entities having extensive experience with Commission rate proceedings, (a) El Paso, (b) any party identified in Appendix A, and (c) any party, as that term is defined in 18 C.F.R. § 385.102(c), that (i) expressly supports, or (ii) does not oppose the S&A as a whole

and/or any of its underlying provisions, intend that the standard of review for any changes proposed by such parties to the terms of this S&A including, but not limited to, the Settlement Rates, shall be the more rigorous application of the statutory “just and reasonable” standard of review which is characterized as the Mobile-Sierra “public interest” standard;¹¹ provided, however, that if the Commission finds that application of the Mobile-Sierra “public interest” standard to any such party is inconsistent with Commission policy, precedent, or applicable law, then such parties request that the standard of review be the most stringent standard permissible under Commission policy, precedent, and applicable law.¹² The standard of review for any changes proposed by the Commission acting *sua sponte* to the terms of this S&A including, but not limited to, the Settlement Rates, shall be the just and reasonable standard.

Article IX **Effect of Approval of the Offer of Settlement**

The Commission’s approval of the Offer of Settlement including this S&A shall constitute: (a) Commission authorization and approval for El Paso to make the rate and tariff changes set forth in the *pro forma* tariff records attached hereto in Appendix B; and (b) Commission waiver of any requirement to the extent necessary to carry out any provision of this S&A including, without limitation, any necessary waivers of the

¹¹ See *Devon Power LLC*, 134 FERC ¶ 61,208, at P 1 (2011), citing *United Gas Pipe Line Co. v. Mobile Gas Serv. Corp.*, 350 U.S. 332, 76 S. Ct. 373, 100 L. Ed. 373 (1956); *FPC v. Sierra Pac. Power Co.*, 350 U.S. 348, 76 S. Ct. 368, 100 L. Ed. 388 (1956); *Morgan Stanley Capital Group, Inc. v. Pub. Util. Dist. No. 1 of Snohomish County, Washington*, 554 U.S. 527, 545, 128 S. Ct. 2733, 171 L. Ed. 2d 607 (2008) (for the proposition that the “just and reasonable” standard is the only statutory standard of review). See also *NRG Power Marketing, LLC v. Maine Public Util. Comm’n*, 558 U.S. 165, 130 S. Ct. 693, 175 L. Ed. 2d 642 (2010).

¹² See *Natural Gas Pipeline Co. of America LLC*, 162 FERC ¶ 61,009 (2018) and *Gas Transmission Northwest LLC*, 165 FERC ¶ 61,195 (2018).

Commission Rules and Regulations, policies, procedures or practices, or El Paso's FERC Gas Tariff.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY, L.L.C.

/s/ William D. Wible

William D. Wible
Vice President, Regulatory

APPENDIX A

The following parties in Docket No. RP19-73-000 either support or do not oppose the Offer of Settlement including the S&A:

Anadarko Energy Services Company	Occidental Energy Marketing, Inc.
Apache Nitrogen Products, Inc.	PCS Nitrogen Fertilizer, L.P.
Arizona Corporation Commission	Pinnacle West Capital Corporation
Arizona Electric Power Cooperative, Inc.	Process Gas Consumers Group; American Forest and Paper Association
Arizona Public Service Company	Saavi Energia Solutions LLC
BP Energy Company	Southern California Gas Company and San Diego Gas & Electric Company; Sempra Utilities
California Public Utilities Commission	Shell Energy North America (US), L.P.
Calpine Energy Services, L.P.	Southwest Gas Corporation
CFE International	Southwestern Public Service Company a New Mexico corporation
Concord Energy, LLC	UNS Gas, Inc. and Tucson Electric Power Company
ConocoPhillips Company	XTO Energy Inc.
EDF Trading North America	
El Paso Electric Company	
El Paso Municipal Customer Group	
ETC Marketing, Ltd. Or Energy Transfer Partners, L.P.	
Freeport Minerals Corporation	
Koch Energy Services, LLC	
Lucid Artesia Company	
Marathon Petroleum	
Mex Gas Supply, S.L.	
Grupo Mexico	
Mieco, Inc.	
New Mexico Gas Company	

APPENDIX B

PRO FORMA AND REDLINE TARIFF RECORDS

FOR SETTLEMENT RATES

TO BE EFFECTIVE AS DESCRIBED IN SECTION 2.1 OF THE S&A

APPENDIX B

SETTLEMENT RATES

CLEAN TARIFF SECTIONS

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

PRODUCTION AREA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$3.0230	\$3.3252	\$3.5268	\$3.7787	\$6.0459	\$3.9974	\$4.2996	\$4.5012	\$4.7531
Daily Reservation 1/									
Maximum	\$0.0994	\$0.1093	\$0.1159	\$0.1242	\$0.1988	\$0.1314	\$0.1414	\$0.1480	\$0.1563
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$2.9243	\$3.2167	\$3.4117	\$3.6554	\$5.8486				
Daily Reservation 1/									
Maximum	\$0.0961	\$0.1058	\$0.1122	\$0.1202	\$0.1923				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0029	\$0.0034	\$0.0037	\$0.0041	\$0.0077	\$0.0029	\$0.0034	\$0.0037	\$0.0041
Minimum	\$0.0029	\$0.0034	\$0.0037	\$0.0041	\$0.0077	\$0.0029	\$0.0034	\$0.0037	\$0.0041
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

.STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

TEXAS RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$7.8046	\$8.5851	\$9.1054	\$9.7557	\$15.6092	\$8.7790	\$9.5595	\$10.0798	\$10.7301
Daily Reservation 1/									
Maximum	\$0.2566	\$0.2822	\$0.2994	\$0.3207	\$0.5132	\$0.2886	\$0.3143	\$0.3314	\$0.3528
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$7.5499	\$8.3049	\$8.8082	\$9.4374	\$15.0998				
Daily Reservation 1/									
Maximum	\$0.2482	\$0.2730	\$0.2896	\$0.3103	\$0.4964				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0077	\$0.0084	\$0.0089	\$0.0096	\$0.0153	\$0.0077	\$0.0084	\$0.0089	\$0.0096
Minimum	\$0.0077	\$0.0084	\$0.0089	\$0.0096	\$0.0153	\$0.0077	\$0.0084	\$0.0089	\$0.0096
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

NEW MEXICO RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$8.2044	\$9.0249	\$9.5718	\$10.2555	\$16.4089	\$9.1788	\$9.9993	\$10.5462	\$11.2299
Daily Reservation 1/									
Maximum	\$0.2697	\$0.2967	\$0.3147	\$0.3372	\$0.5395	\$0.3018	\$0.3287	\$0.3467	\$0.3692
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$7.9367	\$8.7304	\$9.2595	\$9.9209	\$15.8734				
Daily Reservation 1/									
Maximum	\$0.2609	\$0.2870	\$0.3044	\$0.3262	\$0.5219				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0079	\$0.0087	\$0.0093	\$0.0099	\$0.0158	\$0.0079	\$0.0087	\$0.0093	\$0.0099
Minimum	\$0.0079	\$0.0087	\$0.0093	\$0.0099	\$0.0158	\$0.0079	\$0.0087	\$0.0093	\$0.0099
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

ARIZONA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$10.3196	\$11.3516	\$12.0396	\$12.8995	\$20.6393	\$11.2940	\$12.3260	\$13.0140	\$13.8739
Daily Reservation 1/									
Maximum	\$0.3393	\$0.3732	\$0.3958	\$0.4241	\$0.6786	\$0.3713	\$0.4052	\$0.4279	\$0.4561
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$9.9829	\$10.9812	\$11.6467	\$12.4786	\$19.9658				
Daily Reservation 1/									
Maximum	\$0.3282	\$0.3610	\$0.3829	\$0.4103	\$0.6564				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0093	\$0.0102	\$0.0108	\$0.0116	\$0.0185	\$0.0093	\$0.0102	\$0.0108	\$0.0116
Minimum	\$0.0093	\$0.0102	\$0.0108	\$0.0116	\$0.0185	\$0.0093	\$0.0102	\$0.0108	\$0.0116
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

NEVADA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$10.6637	\$11.7301	\$12.4410	\$13.3296	\$21.3274	\$11.6381	\$12.7045	\$13.4154	\$14.3040
Daily Reservation 1/									
Maximum	\$0.3506	\$0.3856	\$0.4090	\$0.4382	\$0.7012	\$0.3826	\$0.4177	\$0.4411	\$0.4703
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$10.3157	\$11.3473	\$12.0350	\$12.8946	\$20.6314				
Daily Reservation 1/									
Maximum	\$0.3391	\$0.3731	\$0.3957	\$0.4239	\$0.6783				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0094	\$0.0104	\$0.0110	\$0.0118	\$0.0188	\$0.0094	\$0.0104	\$0.0110	\$0.0118
Minimum	\$0.0094	\$0.0104	\$0.0110	\$0.0118	\$0.0188	\$0.0094	\$0.0104	\$0.0110	\$0.0118
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

CALIFORNIA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$11.0077	N/A	N/A	N/A	N/A	\$11.9821	N/A	N/A	N/A
Daily Reservation 1/									
Maximum	\$0.3619	N/A	N/A	N/A	N/A	\$0.3939	N/A	N/A	N/A
Minimum	\$0.0000	N/A	N/A	N/A	N/A	\$0.0000	N/A	N/A	N/A
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$10.6485	N/A	N/A	N/A	N/A				
Daily Reservation 1/									
Maximum	\$0.3501	N/A	N/A	N/A	N/A				
Minimum	\$0.0000	N/A	N/A	N/A	N/A				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0096	N/A	N/A	N/A	N/A	\$0.0096	N/A	N/A	N/A
Minimum	\$0.0096	N/A	N/A	N/A	N/A	\$0.0096	N/A	N/A	N/A
Daily Authorized Overrun 7/ 9/	FT-1	N/A	N/A	N/A	N/A	NNTD	N/A	N/A	N/A

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

LATERAL LINE FACILITIES CHARGES 4/

	Monthly Reservation 5/ \$2.9196	Daily Maximum Reservation \$0.0960	Daily Minimum Reservation \$0.0000	Daily Maximum Usage \$0.0000	Daily Minimum Usage \$0.0000	Daily Authorized Overrun FT-1 7/ 9/
FT-1 Willcox 2/						
IT-1 1/ Willcox	N/A	N/A	N/A	\$0.3486	\$0.0000	
IHSW Willcox	N/A	N/A	N/A	\$0.4241	\$0.0000	
PAL Willcox	N/A	N/A	N/A	\$0.3486	\$0.0000	Max PAL Usage

SYSTEM-WIDE BALANCING & STORAGE RATES 4/

	Monthly Reservation 5/ \$9.7437	Daily Maximum Reservation 1/ \$0.3203	Daily Minimum Reservation 1/ \$0.0000	Daily Maximum Usage 1/ \$0.0000	Daily Minimum Usage 1/ \$0.0000
FDBS					

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)

	Storage Inventory		Quantity Injection		Quantity Withdrawal	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
ISS	\$0.0459	\$0.0000	\$0.0267	\$0.0267	\$0.0444	\$0.0444

Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

FIRM SMALL SHIPPER SERVICES 4/
 Contract Quantity Equal to or Less than 10,000 dth/d

	Texas	New Mexico	Arizona
FT-2 1/ Tier 1 Daily Usage 8/ Maximum	\$0.4353	\$0.4575	\$0.5748
Minimum	\$0.0077	\$0.0079	\$0.0093
Tier 2 Daily Usage Maximum	\$0.5224	\$0.5489	\$0.6897
Minimum	\$0.0077	\$0.0079	\$0.0093
FT-2 – Article 11.2(b) 1/ Tier 1 Daily Usage Maximum	\$0.4214	\$0.4428	\$0.5563
Minimum	\$0.0077	\$0.0079	\$0.0093
Tier 2 Daily Usage Maximum	\$0.5057	\$0.5313	\$0.6676
Minimum	\$0.0077	\$0.0079	\$0.0093

	Monthly Reservation 5/	Daily Maximum Reservation 1/	Daily Minimum Reservation 1/	Daily Maximum Usage 1/	Daily Minimum Usage 1/	Daily Authorized Overrun 7/ 9/ FTHV FTHV – Article 11.2(b)
FTH-V	\$3.3252	\$0.1093	\$0.0000	\$0.0034	\$0.0034	
FTH-V – Article 11.2(b)	\$3.2167	\$0.1058	\$0.0000	\$0.0034	\$0.0034	

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)

Fuel and L&U See the Fuel and L&U Statement of Rates.

See the Statement of Rates Footnotes.

Surcharges are shown in Footnote 1.

Issued on:

Effective on: January 1, 2019

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

ZONAL RATES - Daily Usage

	IT-1 1/	IHSW	PAL Parking	PAL Lending
Production Area				
Maximum	\$0.1023	\$0.1283	\$0.3052	\$0.3052
Minimum	\$0.0029	\$0.0041	\$0.0000	\$0.0000
Texas				
Maximum	\$0.2643	\$0.3303	\$0.3052	\$0.3052
Minimum	\$0.0077	\$0.0096	\$0.0000	\$0.0000
New Mexico				
Maximum	\$0.2776	\$0.3471	\$0.3052	\$0.3052
Minimum	\$0.0079	\$0.0099	\$0.0000	\$0.0000
Arizona				
Maximum	\$0.3486	\$0.4357	\$0.3052	\$0.3052
Minimum	\$0.0093	\$0.0116	\$0.0000	\$0.0000
Nevada				
Maximum	\$0.3600	\$0.4500	\$0.3052	\$0.3052
Minimum	\$0.0094	\$0.0118	\$0.0000	\$0.0000
California				
Maximum	\$0.3715	N/A	\$0.3052	\$0.3052
Minimum	\$0.0096	N/A	\$0.0000	\$0.0000
Daily Authorized Overrun	N/A	N/A	Max PAL Usage	Max PAL Usage

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS

FOOTNOTES

- 1/ Surcharge(s) shall be added as applicable.

ACA: Pursuant to Section 17 of the GT&C, the applicable ACA surcharge may be found on the Commission website at <http://www.ferc.gov>.
- 2/ The Willcox Lateral Line Facilities reservation and usage charges are applicable only to those TSAs which provide for the assessment of these charges.
- 3/ Due to the reticulated nature of Transporter's system, there is no distinction between forward hauls and backhauls for base rate purposes.
- 4/ Transporter has adopted the following NAESB Standard for capacity release transactions only. Converting a daily rate to a monthly rate is accomplished by multiplying the daily rate times the number of Days in the rate period, dividing the result by the number of Months in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to Transporter's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by the number of Months in the rate period, dividing the result by the number of Days in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to Transporter's specified decimal place. (NAESB Standard 5.3.22)
- 5/ Shippers shall be billed using the monthly rate. The minimum monthly reservation rate is zero.
- 6/ Shipper shall pay only one penalty/charge when Shipper's actions result in hourly scheduling penalties, daily unauthorized overrun penalties, and/or Critical Condition charges. Shipper shall pay the highest of the hourly scheduling penalty pursuant to Section 14.1 of the GT&C, the daily unauthorized overrun penalty, or the Critical Condition charge pursuant to Section 11.1 of the GT&C ("higher-of-test"). When Shipper is also the DP Operator with an OPAS Agreement, Section 4.4 of Rate Schedule OPAS will also apply to the determination of any applicable penalties.
- 7/ In the event Shipper is subject to a daily authorized overrun charge or a daily unauthorized overrun penalty and has executed TSAs pursuant to various rate schedules and/or service options, such daily overrun charge or penalty shall be assessed by multiplying the daily overrun quantity by the weighted average 100% load factor rate under all such TSAs with the weighting based upon the TCD of each TSA.
- 8/ The Tier 1 Service rates will be assessed only if the Article 11.2(a) rates listed in Section 37 of the GT&C are not applicable. Provisions for Tier 1 and Tier 2 Service are included in Rate Schedule FT-2.

- 9/ Daily authorized overrun rates shall be no more than the maximum daily 100% load factor rate and no less than the minimum daily usage rate, pursuant to the service for which the overrun applies.
- 10/ Charges/penalties in non-Critical and Critical Conditions may apply to the following rate schedules:

<u>Charges/Penalties</u>	<u>Rate Schedule(s)</u>
Hourly Scheduling Penalty	IT-1, FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH
Daily Unauthorized Overrun	FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH
MDO/MHO Violation Penalty	OPAS
SOC/COC Daily Imbalance	IT-1, FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH

- 11/ For purposes of assessing a penalty in a non-Critical Condition, "100% LF IT rate" shall mean the 100% load factor Rate Schedule FT-1 rate equivalent.

The rates for Shippers are as follows:

Production Area	\$0.1023
Texas	\$0.2643
New Mexico	\$0.2776
Arizona	\$0.3486
Nevada	\$0.3600
California	\$0.3715

APPENDIX B

SETTLEMENT RATES

MARKED TARIFF SECTIONS

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

PRODUCTION AREA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16	
<u>RESERVATION RATES</u>										
Monthly Reservation 5/	\$3.3829-0230	\$3.72123252		\$3.94675268	\$4.22863.7787	\$6.76580459	\$4.46133.9974	\$4.79962996	\$5.02514.5012	\$5.30704.7531
Daily Reservation 1/										
Maximum	\$0.11120994	\$0.12231093	\$0.12981159	\$0.13901242	\$0.22241988	\$0.14671314	\$0.15781414	\$0.16521480	\$0.17451563	
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>										
Monthly Reservation 5/	\$3.20262.9243	\$3.52292167		\$3.73644117	\$4.00333.6554	\$6.40535.8486				
Daily Reservation 1/										
Maximum	\$0.10530961	\$0.11581058	\$0.12281122	\$0.13161202	\$0.21061923					
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000					
<u>USAGE RATES - DAILY 1/</u>										
Maximum	\$0.00970029	\$0.01070034	\$0.01130037	\$0.01210041	\$0.01940077	\$0.00970029	\$0.01070034	\$0.01130037	\$0.01210041	
Minimum	\$0.00970029	\$0.01070034	\$0.01130037	\$0.01210041	\$0.01940077	\$0.00970029	\$0.01070034	\$0.01130037	\$0.01210041	
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16	

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

.STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

TEXAS RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$8.89507.8046	\$9.78458.5851	\$40.37759.1054	\$11.14879.7557	\$17.790015.6092	\$9.97348.7790	\$40.86299.5595	\$11.455910.0798	\$12.197110.7301
Daily Reservation 1/									
Maximum	\$0.29242566	\$0.32172822	\$0.34122994	\$0.36553207	\$0.58495132	\$0.32792886	\$0.35713143	\$0.37663314	\$0.40103528
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$8.42107.5499	\$9.26318.3049			\$9.82458.8082	\$10.52639.4374	\$16.842015.0998		
Daily Reservation 1/									
Maximum	\$0.27692482	\$0.30452730	\$0.32302896	\$0.34613103	\$0.55374964				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.01530077	\$0.01680084	\$0.01780089	\$0.01910096	\$0.03060153	\$0.01530077	\$0.01680084	\$0.01780089	\$0.01910096
Minimum	\$0.01530077	\$0.01680084	\$0.01780089	\$0.01910096	\$0.03060153	\$0.01530077	\$0.01680084	\$0.01780089	\$0.01910096
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

NEW MEXICO RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$9.35598.2044 \$12.773311.2299	\$10.29159.0249	\$10.91529.5718	\$11.694910.2555	\$18.711816.4089		\$10.43439.1788	\$11.36999.9993	\$11.993610.5462
Daily Reservation 1/									
Maximum	\$0.30762697	\$0.33842967	\$0.35893147	\$0.38453372	\$0.61525395	\$0.34303018	\$0.37383287	\$0.39433467	\$0.41993692
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$8.85747.9367	\$9.74318.7304		\$10.33369.2595	\$11.07179.9209		\$17.7144715.8734		
Daily Reservation 1/									
Maximum	\$0.29122609	\$0.32032870	\$0.33973044	\$0.36403262	\$0.58245219				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.01580079	\$0.01740087	\$0.01850093	\$0.01980099	\$0.03160158	\$0.01580079	\$0.01740087	\$0.01850093	\$0.01980099
Minimum	\$0.01580079	\$0.01740087	\$0.01850093	\$0.01980099	\$0.03160158	\$0.01580079	\$0.01740087	\$0.01850093	\$0.01980099
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

ARIZONA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16	
<u>RESERVATION RATES</u>										
Monthly Reservation 5/	\$11.7942 <u>10.3196</u>		\$12.9737 <u>11.3516</u>	\$13.7600 <u>12.0396</u>	\$14.7428 <u>12.8995</u>		\$23.5885 <u>20.6393</u>	\$12.8726 <u>11.2940</u>	\$14.0520 <u>12.3260</u>	\$14.8383 <u>13.0140</u>
Daily Reservation 1/										
Maximum	<u>\$0.38783393</u>	<u>\$0.42653732</u>	<u>\$0.45243958</u>	<u>\$0.48474241</u>	<u>\$0.77556786</u>	<u>\$0.42323713</u>	<u>\$0.46204052</u>	<u>\$0.48784279</u>	<u>\$0.52044561</u>	
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>										
Monthly Reservation 5/	\$11.16589 <u>9.9829</u>	\$12.2823 <u>10.9812</u>	\$13.0267 <u>11.6467</u>	\$13.9572 <u>12.4786</u>		\$22.3315 <u>19.9658</u>				
Daily Reservation 1/										
Maximum	<u>\$0.36713282</u>	<u>\$0.40383610</u>	<u>\$0.42833829</u>	<u>\$0.45894103</u>	<u>\$0.73426564</u>					
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000					
<u>USAGE RATES - DAILY 1/</u>										
Maximum	<u>\$0.04850093</u>	<u>\$0.02030102</u>	<u>\$0.02160108</u>	<u>\$0.02340116</u>	<u>\$0.03690185</u>	<u>\$0.04850093</u>	<u>\$0.02030102</u>	<u>\$0.02160108</u>	<u>\$0.02340116</u>	
Minimum	<u>\$0.04850093</u>	<u>\$0.02030102</u>	<u>\$0.02160108</u>	<u>\$0.02340116</u>	<u>\$0.03690185</u>	<u>\$0.04850093</u>	<u>\$0.02030102</u>	<u>\$0.02160108</u>	<u>\$0.02340116</u>	
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16	

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

NEVADA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$12.190910.6637 \$16.316914.3040	\$13.409911.7301	\$14.222712.4410	\$15.238613.3296	\$24.381721.3274		\$13.269211.6381	\$14.488312.7045	\$15.301013.4154
Daily Reservation 1/									
Maximum	\$0.40083506	\$0.44093856	\$0.46764090	\$0.50104382	\$0.80167012	\$0.43623826	\$0.47634177	\$0.50304411	\$0.53644703
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$11.541210.3157	\$12.695411.3473		\$13.464812.0350	\$14.426512.8946	\$23.082520.6314			
Daily Reservation 1/									
Maximum	\$0.37943391	\$0.41743731	\$0.44273957	\$0.47434239	\$0.75896783				
Minimum	\$0.0000	\$0.0000	\$0.0000	\$0.0000	\$0.0000				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.04880094	\$0.02070104	\$0.02190110	\$0.02350118	\$0.03760188	\$0.04880094	\$0.02070104	\$0.02190110	\$0.02350118
Minimum	\$0.04880094	\$0.02070104	\$0.02190110	\$0.02350118	\$0.03760188	\$0.04880094	\$0.02070104	\$0.02190110	\$0.02350118
Daily Authorized Overrun 7/ 9/	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

CALIFORNIA RATES 4/

	FT-1	FTH-3	FTH-12	FTH-16	FTH-8	NNTD	NNTH-3	NNTH-12	NNTH-16
<u>RESERVATION RATES</u>									
Monthly Reservation 5/	\$12.5875 <u>11.0077</u>	N/A	N/A	N/A	N/A	\$13.6658 <u>11.9821</u>	N/A	N/A	N/A
Daily Reservation 1/									
Maximum	\$0.4138 <u>3619</u>	N/A	N/A	N/A	N/A	\$0.4493 <u>3939</u>	N/A	N/A	N/A
Minimum	\$0.0000	N/A	N/A	N/A	N/A	\$0.0000	N/A	N/A	N/A
<u>RESERVATION RATES – ARTICLE 11.2(B)</u>									
Monthly Reservation 5/	\$11.9167 <u>10.6485</u>		N/A	N/A	N/A	N/A			
Daily Reservation 1/									
Maximum	\$0.3918 <u>3501</u>	N/A	N/A	N/A	N/A				
Minimum	\$0.0000	N/A	N/A	N/A	N/A				
<u>USAGE RATES - DAILY 1/</u>									
Maximum	\$0.0494 <u>0096</u>	N/A	N/A	N/A	N/A	\$0.0494 <u>0096</u>	N/A	N/A	N/A
Minimum	\$0.0494 <u>0096</u>	N/A	N/A	N/A	N/A	\$0.0494 <u>0096</u>	N/A	N/A	N/A
Daily Authorized Overrun 7/ 9/	FT-1	N/A	N/A	N/A	N/A	NNTD	N/A	N/A	N/A

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

LATERAL LINE FACILITIES CHARGES 4/

	Monthly Reservation 5/	Daily Maximum Reservation	Daily Minimum Reservation	Daily Maximum Usage	Daily Minimum Usage	Daily Authorized Overrun FT-1 7/ 9/
FT-1 Willcox 2/	\$3.10222 .9196	\$0.10200 960	\$0.0000	\$0.0000	\$0.0000	
IT-1 1/ Willcox	N/A	N/A	N/A	\$0.40623486	\$0.0000	
IHSW Willcox	N/A	N/A	N/A	\$0.48744241	\$0.0000	
PAL Willcox	N/A	N/A	N/A	\$0.40623486	\$0.0000	Max PAL Usage

SYSTEM-WIDE BALANCING & STORAGE RATES 4/

	Monthly Reservation 5/	Daily Maximum Reservation 1/	Daily Minimum Reservation 1/	Daily Maximum Usage 1/	Daily Minimum Usage 1/
FDBS	\$10.78369 .7437	\$0.35453 203	\$0.0000	\$0.0000	\$0.0000

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)

	Storage Inventory		Quantity Injection		Quantity Withdrawal	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
ISS	\$0.05050459	\$0.0000	\$0.0267	\$0.0267	\$0.0444	\$0.0444

Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

FIRM SMALL SHIPPER SERVICES 4/
 Contract Quantity Equal to or Less than 10,000 dth/d

	Texas	New Mexico	Arizona			
FT-2 1/ Tier 1 Daily Usage 8/ Maximum	\$0. <u>50274353</u>	\$0. <u>52854575</u>	\$0. <u>66475748</u>			
Minimum	\$0. <u>01530077</u>	\$0. <u>01580079</u>	\$0. <u>01850093</u>			
Tier 2 Daily Usage Maximum	\$0. <u>60325224</u>	\$0. <u>63425489</u>	\$0. <u>79776897</u>			
Minimum	\$0. <u>01530077</u>	\$0. <u>01580079</u>	\$0. <u>01850093</u>			
FT-2 – Article 11.2(b) 1/ Tier 1 Daily Usage Maximum	\$0. <u>47674214</u>	\$0. <u>50114428</u>	\$0. <u>63035563</u>			
Minimum	\$0. <u>01530077</u>	\$0. <u>01580079</u>	\$0. <u>01850093</u>			
Tier 2 Daily Usage Maximum	\$0. <u>56905057</u>	\$0. <u>59825313</u>	\$0. <u>75276676</u>			
Minimum	\$0. <u>01530077</u>	\$0. <u>01580079</u>	\$0. <u>01850093</u>			
	Monthly Reservation 5/	Daily Maximum Reservation 1/	Daily Minimum Reservation 1/	Daily Maximum Usage 1/	Daily Minimum Usage 1/	Daily Authorized Overrun 7/ 9/ FTHV FTHV – Article 11.2(b)
FTH-V	\$3. <u>72123252</u>	\$0. <u>42231093</u>	\$0.0000	\$0. <u>01070034</u>	\$0. <u>01070034</u>	
FTH-V – Article 11.2(b)	\$3. <u>52292167</u>	\$0. <u>41581058</u>	\$0.0000	\$0. <u>01070034</u>	\$0. <u>01070034</u>	

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)

Fuel and L&U See the Fuel and L&U Statement of Rates.

See the Statement of Rates Footnotes.

Surcharges are shown in Footnote 1.

Issued on:

Effective on: January 1, 2019

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS
 (Rates per dth)

ZONAL RATES - Daily Usage

	IT-1 1/	IHSW	PAL Parking	PAL Lending
Production Area				
Maximum	\$0. 12091023	\$0. 15111283	\$0. 35513052	\$0. 30523551
Minimum	\$0. 00970029	\$0. 01210041	\$0.0000	\$0.0000
Texas				
Maximum	\$0. 30772643	\$0. 38473303	\$0. 30523551	\$0. 30523551
Minimum	\$0. 01530077	\$0. 01910096	\$0.0000	\$0.0000
New Mexico				
Maximum	\$0. 32342776	\$0. 40433471	\$0. 30523551	\$0. 30523551
Minimum	\$0. 01580079	\$0. 01980099	\$0.0000	\$0.0000
Arizona				
Maximum	\$0. 40623486	\$0. 50784357	\$0. 30523551	\$0. 30523551
Minimum	\$0. 01850093	\$0. 02310116	\$0.0000	\$0.0000
Nevada				
Maximum	\$0. 41963600	\$0. 52454500	\$0. 30523551	\$0. 30523551
Minimum	\$0. 01880094	\$0. 02350118	\$0.0000	\$0.0000
California				
Maximum	\$0. 43303715	N/A	\$0. 30523551	\$0. 30523551
Minimum	\$0. 01910096	N/A	\$0.0000	\$0.0000
Daily Authorized Overrun	N/A	N/A	Max PAL Usage	Max PAL Usage

Mainline Backhaul 3/ (Forward haul rate identified above applicable to the delivery zone for which service is provided.)
 Fuel and L&U See the Fuel and L&U Statement of Rates.

 See the Statement of Rates Footnotes.
 Surcharges are shown in Footnote 1.

STATEMENT OF RATES FOR TRANSPORTATION OF NATURAL GAS

FOOTNOTES

- 1/ Surcharge(s) shall be added as applicable.

ACA: Pursuant to Section 17 of the GT&C, the applicable ACA surcharge may be found on the Commission website at <http://www.ferc.gov>.
- 2/ The Willcox Lateral Line Facilities reservation and usage charges are applicable only to those TSAs which provide for the assessment of these charges.
- 3/ Due to the reticulated nature of Transporter's system, there is no distinction between forward hauls and backhauls for base rate purposes.
- 4/ Transporter has adopted the following NAESB Standard for capacity release transactions only. Converting a daily rate to a monthly rate is accomplished by multiplying the daily rate times the number of Days in the rate period, dividing the result by the number of Months in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to Transporter's specified decimal place. Converting a monthly rate to a daily rate is accomplished by multiplying the monthly rate by the number of Months in the rate period, dividing the result by the number of Days in the rate period, taking the remainder out to 5 decimal places, and rounding up or down to Transporter's specified decimal place. (NAESB Standard 5.3.22)
- 5/ Shippers shall be billed using the monthly rate. The minimum monthly reservation rate is zero.
- 6/ Shipper shall pay only one penalty/charge when Shipper's actions result in hourly scheduling penalties, daily unauthorized overrun penalties, and/or Critical Condition charges. Shipper shall pay the highest of the hourly scheduling penalty pursuant to Section 14.1 of the GT&C, the daily unauthorized overrun penalty, or the Critical Condition charge pursuant to Section 11.1 of the GT&C ("higher-of-test"). When Shipper is also the DP Operator with an OPAS Agreement, Section 4.4 of Rate Schedule OPAS will also apply to the determination of any applicable penalties.
- 7/ In the event Shipper is subject to a daily authorized overrun charge or a daily unauthorized overrun penalty and has executed TSAs pursuant to various rate schedules and/or service options, such daily overrun charge or penalty shall be assessed by multiplying the daily overrun quantity by the weighted average 100% load factor rate under all such TSAs with the weighting based upon the TCD of each TSA.
- 8/ The Tier 1 Service rates will be assessed only if the Article 11.2(a) rates listed in Section 37 of the GT&C are not applicable. Provisions for Tier 1 and Tier 2 Service are included in Rate Schedule FT-2.

- 9/ Daily authorized overrun rates shall be no more than the maximum daily 100% load factor rate and no less than the minimum daily usage rate, pursuant to the service for which the overrun applies.
- 10/ Charges/penalties in non-Critical and Critical Conditions may apply to the following rate schedules:

<u>Charges/Penalties</u>	<u>Rate Schedule(s)</u>
Hourly Scheduling Penalty	IT-1, FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH
Daily Unauthorized Overrun	FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH
MDO/MHO Violation Penalty	OPAS
SOC/COC Daily Imbalance	IT-1, FT-1, FT-2, FTH-V, FT-H, NNTD, NNTH

- 11/ For purposes of assessing a penalty in a non-Critical Condition, "100% LF IT rate" shall mean the 100% load factor Rate Schedule FT-1 rate equivalent.

The rates for Shippers are as follows:

Production Area	\$0. 1209 <u>1023</u>
Texas	\$0. 3077 <u>2643</u>
New Mexico	\$0. 3234 <u>2776</u>
Arizona	\$0. 4062 <u>3486</u>
Nevada	\$0. 4196 <u>3600</u>
California	\$0. 4330 <u>3715</u>

APPENDIX C

RATE MODEL

Please see the accompanying Microsoft Excel Rate Model filed concurrently herewith in its native file format.