

1                                   **UNITED STATES OF AMERICA**  
2                                   **FEDERAL ENERGY REGULATORY COMMISSION**

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5   **Southwest Gas Storage Company                   §                   Docket No. RP07-\_\_-000**

6  
7                                   **PREPARED DIRECT TESTIMONY**

8                                   **OF**

9                                   **MICHAEL T. LANGSTON**

10  
11   **Q.   Please state your name and business address.**

12   A.   My name is Michael T. Langston. My business address is 5444 Westheimer Road,  
13       Houston, Texas 77056.

14   **Q.   On whose behalf are you testifying in this proceeding?**

15   A.   I am testifying on behalf of Southwest Gas Storage Company ("Southwest Gas  
16       Storage").

17   **Q.   What are your responsibilities with Southwest Gas Storage?**

18   A.   I am Senior Vice President, Government and Regulatory Affairs with primary  
19       responsibility for rate and regulatory matters for Southwest Gas Storage. I hold the  
20       same positions with Panhandle Eastern Pipe Line Company, LP; Florida Gas  
21       Transmission Company, LLC; Trunkline Gas Company, LLC; Trunkline LNG  
22       Company, LLC and Sea Robin Pipeline Company, LLC.

23   **Q.   Please describe briefly your educational and professional background.**

24   A.   I received a Bachelor of Science Degree in Electrical Engineering with honors  
25       from the University of Texas at Austin in 1975. I received a Master of Business  
26       Administration from Southern Methodist University in Dallas, Texas in 1978. I

1 was employed by Mobil Pipeline Company from 1975 to 1979 in various positions  
2 in their engineering and project development departments. From 1979 to 1986, I  
3 was employed by Texas Oil & Gas Corp. and its affiliate, Delhi Gas Pipe Line  
4 Corporation, holding various positions in corporate planning, special projects, and  
5 project development. I joined Southern Union Company ("Southern Union") in  
6 September 1986 and have been employed by Southern Union and its affiliates  
7 since that time, holding various positions involving gas supply, gas marketing, gas  
8 control, contract administration, business development, and state and federal  
9 regulatory areas. I am also a Registered Professional Engineer in the states of  
10 Texas, Oklahoma, and Louisiana.

11 **Q. Have you previously testified or presented testimony before the Federal**  
12 **Energy Regulatory Commission ("Commission")?**

13 A. Yes. I provided testimony in Docket No. RP07-513-000 on behalf of Sea Robin  
14 Pipeline Company, LLC, in Docket No. RP07-34-000 on behalf of Southwest Gas  
15 Storage Company, in Docket No. RP06-614-000 on behalf of Transwestern  
16 Pipeline Company, LLC, in Docket No. RP04-249-000 on behalf of Florida Gas  
17 Transmission Company, LLC, and in Docket No. RP88-44-000 on behalf of  
18 Southern Union Gas Company.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to: (1) provide the background of this proceeding;  
21 (2) discuss the overall rate filing, return on equity, capital structure, and testimony

1 and support offered by other Company witnesses; (3) describe the current business  
2 risks; and (4) discuss various other factors affecting the cost of service.

3 **Q. Please briefly describe the prepared testimony of Southwest Gas Storage's**  
4 **other witnesses in this proceeding.**

5 A. First, Mr. Lawrence J. Biediger, Senior Director of Rates, describes the overall  
6 Cost of Service calculations including Rate Base and Return, Accumulated  
7 Deferred Income Taxes, Regulatory Assets and Liabilities, Depreciation, Operation  
8 and Maintenance Expenses, Federal and State Income Taxes, At-Risk Revenues,  
9 Other Revenues, Miscellaneous Revenues and Gas Balance.

10 Second, Mr. Rickey J. Brocato, Manager of Cost of Service, describes the Gas  
11 Plant, Accumulated Provision for Depreciation, Working Capital and Taxes Other  
12 Than Income.

13 Third, Mr. William W. Grygar, Vice President of Rates & Regulatory, will  
14 describe cost classification, cost allocations, and overall rate design. In addition,  
15 he will describe the Base Period revenues and billing determinants, and the Test  
16 Period revenues and billing determinants.

17 Fourth, Ms. Karen G. Benson will discuss the basis for the reclassification of the  
18 base gas from recoverable to non-recoverable.

19 Fifth, Mr. Edward H. Feinstein, with Brown, Williams, Moorhead, and Quinn will  
20 provide support for Southwest Gas Storage's proposed depreciation rates.

21 Sixth, Mr. Robert B. Hevert, President of Concentric Energy  
22 Advisors, provides support for Southwest Gas Storage's cost of equity capital.

1 Seventh, Mr. James S. Taylor, with Brown, Williams, Moorhead, and Quinn will  
2 provide support for Southwest Gas Storage's proposed negative salvage costs.

3 **Q. What exhibits are you presenting in this proceeding?**

4 A. I am responsible for the following exhibits:

5	<u>Exhibit No.</u>	<u>Reference</u>	<u>Description</u>
6	SGS-2		System Map
7	SGS-3		Proposed Tariff Sheet
8	SGS-4	Statement F-2	Capitalization
9	SGS-5	Statement F-3	Debt Capital
10	SGS-6		FERC Allowed Certificate Returns
11	SGS-7		Southwest Gas Storage/Panhandle
12			Storage Agreement
13	SGS-8		Agreement with Tenaska Gas Storage,
14			LLC
15	SGS-9		General Terms and Conditions –
16			Section 17.6
17	SGS-10		Billing for Third-Party Storage for
18			April and May 2007
19	SGS-11		Request for Proposals for Third-Party
20			Storage Service
21	SGS-12		Compilation of Bids for Third-Party
22			Storage Service

7 **Q. Please describe the corporate structure under which Southwest Gas Storage is**  
8 **owned and operated?**

16 **Q. Please describe the Southwest Gas Storage facilities?**

17 A. Southwest Gas Storage is a natural gas company whose primary business function  
18 is the operation of underground natural gas storage facilities in interstate  
19 commerce, subject to the jurisdiction of the Commission. Southwest Gas Storage  
20 currently operates four underground natural gas storage facilities located in Meade  
21 County, Kansas; Woods County, Oklahoma, Morgan and Sangamon Counties,  
22 Illinois; and Livingston and Washtenaw Counties, Michigan. The Borchers North  
23 and the North Hopeton storage fields, which are located in Kansas and Oklahoma

1 respectively, comprise the West Area storage facilities. The Waverly and Howell  
2 storage fields, which are located in Illinois and Michigan, respectively, comprise  
3 the East Area storage facilities.

4 All available capacity from the West Area storage facilities and the East  
5 Area storage facilities is aggregated in the respective areas. The aggregate use  
6 from four different storage sources permits Southwest Gas Storage to offer a  
7 greater level of storage flexibility. The storage fields are connected to Panhandle's  
8 transmission system. A map showing the location of the storage fields and their  
9 proximity to the Panhandle transmission system is included in Exhibit No. SGS-2.

10 **Q. What services does Southwest Gas Storage offer?**

11 A. Southwest Gas Storage provides open access storage of natural gas under Rate  
12 Schedules FSS (Firm Storage Service) and ISS (Interruptible Storage Service)  
13 pursuant to its blanket certificate authority under Subpart G of Part 284 of the  
14 Commission Regulations in Docket No. CP90-1014-000 and Docket No. CP97-  
15 237-000, respectively. These are traditional type storage services providing for the  
16 injections into storage during the summer period (April through October) and  
17 withdrawals during the winter heating season (November through March), which  
18 as the Commission has recognized helps to moderate otherwise high gas prices.  
19 The West Area facilities have a 100-day withdrawal profile. The East Area  
20 facilities have a higher 67-day withdrawal profile.

21 Southwest Gas Storage currently has one contract under Rate Schedule FSS  
22 with its parent Panhandle, which was entered into pursuant to a settlement

1 approved by the Commission. This contract expires on March 31, 2009. A copy  
2 of this service agreement is included in Exhibit No. SGS-7. Southwest Gas  
3 Storage does not have any interruptible customers under Rate Schedule ISS. In  
4 fact, there has been no request for interruptible storage service for several years.

5 **Overview**

6 **Q. Please explain the selection of the Base Period and Test Period in this filing.**

7 A. The Base Period in this filing is the twelve months ended April 30, 2007. The  
8 Base Period data has been adjusted to reflect known and measurable changes in  
9 revenues and costs for the nine-month period ending January 31, 2008  
10 (“Adjustment Period”). The Base Period, as adjusted in this manner, is referred to  
11 in Sea Robin’s filing and testimony as the “Test Period”.

12 **Q. What is the overall Cost of Service utilized by Southwest Gas Storage in this**  
13 **filing?**

14 A. Southwest Gas Storage has filed a cost of service totaling \$50,448,945, as shown  
15 on Exhibit No. SGS-34 and discussed in Mr. Biediger’s testimony.

16 **Q. What rate design methodology is utilized by Southwest Gas Storage?**

17 A. Southwest Gas Storage continues to utilize the Straight Fixed Variable rate design  
18 methodology which the Commission previously approved in Docket No. CP90-  
19 1014-000. In addition, Southwest Gas Storage is utilizing the same classification,  
20 cost allocation and rate design as those utilized in developing the current rates.

21 This is discussed in more detail in the testimony of Mr. Grygar.

22 **Q. When was the last Southwest Gas Storage rate proceeding?**

1 A. Rates applicable to Southwest Gas Storage facilities were approved by the  
2 Commission in Docket No. CP90-1014-000. Such rates were also confirmed in the  
3 settlement reached in Docket No. CP97-237-000. Southwest Gas Storage was also  
4 ordered in RP07-34-000, a NGA Section 5 case, to file a Cost and Revenue Study.  
5 Such study was filed on February 20, 2007, and such study was updated in  
6 Southwest Gas Storage's filed answering testimony in that case on June 22, 2007.

7 **Q. Did the filing in RP07-34-000 indicate a need for an increase in rates?**

8 A. Yes. The filing in RP07-34-000 indicated a cost of service level of \$ 48,867,953,  
9 as compared to a cost of service level approved in the last case of approximately  
10 \$44 million.

11 **Q. If the case in RP07-34-000 was ongoing, what is the reason for this filing?**

12 A. Several parties in RP07-34-000 raised issues about the applicability of an  
13 appropriate adjustment period following the Base period. As such, in this  
14 proceeding, there is no question as to the applicability of a nine month adjustment  
15 period following the base period, and in this case the Test Period ends January 31,  
16 2008.

17 **Q. Is the cost of service level proposed in this case different than the level filed in**  
18 **testimony in RP07-34-000?**

19 A. Yes. The cost of service level in this case has been updated for the most recent  
20 known and measurable costs, as forecast through January 31, 2008. These reflect  
21 changes in labor, supplies and expenses, corporate allocation costs, and update of



1 plant balance forecasts, among others. These changes are supported in the  
2 testimony of Mr. Biediger and Mr. Brocato.

3 **Q. What are the major reasons for the rate increase?**

4 A. The main reason for the increase in rates is an increase in costs, particularly third  
5 party storage costs and reclassification of base gas, which are somewhat offset by  
6 reductions in depreciation and other expenses.

7 **Q. Do you have an exhibit that shows the tariff sheet for the proposed rates?**

8 A. Yes. My Exhibit No. SGS-3 includes copies of the tariff sheet which sets forth the  
9 proposed rates for Southwest Gas Storage's storage services.

10 **Fuel Retention**

11 **Q. Has Southwest Gas Storage made adjustments to the fuel rates on the system?**

12 A. No. Southwest Gas Storage makes bi-annual adjustments to its fuel retention  
13 percentages pursuant to Section 16 of its General Terms and Conditions of its  
14 FERC Gas Tariff, First Revised Volume No. 1. The next fuel tracker filing is  
15 scheduled to become effective November 1, 2007.

16 **Capitalization and Return**

17 **Q. What capitalization is included in this filing?**

18 A. Southwest Gas Storage has utilized the actual debt/equity levels of its parent,  
19 Panhandle Eastern Pipe Line Company, LP, as shown in Statement F-2, contained  
20 in my Exhibit No. SGS-4.

21 **Q. What is Panhandle's capital structure that has been utilized in this**  
22 **proceeding?**

1 A. The most current data available is Panhandle's capital structure at April 30, 2007.  
2 Exhibit No. SGS-4 compiles the debt capital and equity capital data from  
3 Panhandle's FERC books and records. As shown on Exhibit No. SGS-4 the capital  
4 structure is as follows:

	<u>Amount (\$000)</u>	<u>Percentage</u>
6 Debt	\$ 717,428	39.85%
7 Equity	<u>1,082,752</u>	<u>60.15</u>
8 Total	<u>\$1,800,180</u>	<u>100.00%</u>

9 **Q. What cost of debt capital is Southwest Gas Storage proposing in this**  
10 **proceeding?**

11 A. Panhandle's cost of debt capital is 6.51 percent. A schedule showing the current  
12 debt capital, cost of each issuance, and the amortization of costs associated with  
13 debt retirements is reflected in Exhibit No. SGS-5. This cost of debt capital  
14 reflects a March 2007 refinancing.

15 **Q. What return on equity is Southwest Gas Storage requesting in this filing?**

16 A. Southwest Gas Storage proposes a return on equity of 13.00 percent. This level is  
17 consistent with the recommendations of Mr. Hevert in his Exhibit No. SGS- 64.  
18 Given the risk factors facing Southwest Gas Storage, this return is clearly justified.  
19 This level is also consistent with the recent FERC authorized rates for pipeline  
20 expansion projects as well as the range of equity rates authorized by the  
21 Commission over a long history in pipeline rate filings. Attached as Exhibit No.

1 SGS-6 is a listing of certificate filings for pipeline expansions and the associated  
2 returns approved for those projects.

3 **Q. Is the requested return on equity consistent with capital requirements,**  
4 **investor expectations, and risks?**

5 A. Yes. The Commission has struggled with this issue. In the *Kern River* Case (117  
6 FERC ¶ 61,077 (2006)), the Commission rejected the use of companies in the DCF  
7 calculations that were structured as master limited partnerships (“MLPs”). The  
8 basis was that a portion of the distributions to unit holders could be considered a  
9 return of capital as opposed to the payment of a dividend. However, the  
10 Commission recognized that a significant number of companies are utilizing an  
11 MLP structure, and in the *Mojave* Case (118 FERC ¶ 61,252 (2007)), invited  
12 parties to propose additional criteria for the use of MLPs in the DCF calculations  
13 as part of a proxy group.

14 As Mr. Hevert outlines, capital markets have accepted MLP structures, and  
15 provided greater market valuations for such structures. As such, it is clear that  
16 investors have a preference for holding equity in a company structured as an MLP.  
17 With the recent decision of United States Court of Appeals for the DC Circuit in  
18 *ExxonMobil Oil Corporation vs. FERC* issued May 29, 2007, the issue of the  
19 appropriateness of the Commission allowing an income tax recovery for regulated  
20 operations held as MLPs, pursuant to the Commission policy statement (111 FERC  
21 61,139 (2005)) has eliminated a potential cost recovery uncertainty of placing  
22 regulated operations within MLP structures. As such, there seems to be significant

1 support for allowing MLPs into a determination of an appropriate return  
2 calculation.

3 **Q. Has the Commission recognized the need to include MLP's in proxy groups?**

4 A. Yes. On July 19, 2007, the Commission issued a Proposed Policy Statement in  
5 Docket No. PL07-2-000, Composition of Proxy Groups for Determining Gas and  
6 Oil Pipeline Return on Equity. Therein, the Commission addresses a proposed  
7 substantive change to the process by which the appropriate rate of return on equity  
8 ("ROE") is determined for companies like Southwest Gas Storage. Specifically,  
9 the Commission proposes for the first time to allow MLPs to be included in the  
10 proxy group used in its Discounted Cash Flow ("DCF") model to develop a range  
11 of returns for companies with corresponding risks to determine the ROE.

12 **Q. Are there limitations in the Proposed Policy Statement regarding the inclusion**  
13 **of MLPs in proxy groups?**

14 A. The Commission proposed several limitations on the use of MLPs in proxy  
15 groups. Those included 1) a cap on the "dividend" used in the DCF analysis at  
16 the pipeline's reported earnings, thus adjusting the amount of the distribution to  
17 be included in the DCF model, and 2) a requirement to provide a multi-year  
18 analysis of past earnings to show that the MLP does have stable earnings to  
19 support a finding that the cash to be included in the DCF calculation is likely to  
20 be available for distribution.

21 **Q. What is the primary concern of the Commission in proposing these**  
22 **limitations?**

1       A. The Commission is concerned that a portion of the distributions from an MLP  
2       that exceed the earnings of the MLP is a return of capital. Such return is already  
3       considered in ratemaking in the form of depreciation. Therefore, the  
4       Commission proposes to cap the “distributions” at the earnings level to solve this  
5       issue.

6       **Q. Will the Commission’s final Policy Statement affect this Section 4 case?**

7       A. Yes. Southwest Gas Storage may need to file supplemental testimony to address  
8       any change that the Commission may adopt in the final Policy Statement regarding  
9       the use of MLPs in proxy groups.

10      **Q. What is the overall return for Southwest Gas Storage?**

11      A. The overall average cost of capital is 10.41 percent. The derivation is included in  
12      Exhibit No. SGS-4. The weighted average cost of capital reflects Southwest Gas  
13      Storage’s parent’s current capital structure at April 30, 2007.

14      **Q. Does Southwest Gas Storage consider its proposed overall return to be**  
15      **reasonable?**

16      A. Yes. Southwest Gas Storage operates in a very competitive environment, and other  
17      third party storage services are available as an option to services offered by  
18      Southwest Gas Storage. Given the business risks facing Southwest Gas Storage,  
19      this return is reasonable, and as noted, consistent with other returns authorized by  
20      the Commission.

21      **Q. Please explain the business risks facing Southwest Gas Storage.**

1 A. Southwest Gas Storage has several factors that give rise to risk in its operations.  
2 These factors include 1) single turn service, 2) limited ability to offer more flexible  
3 service, 3) physical reservoir performance risk, and 4) increasing competition from  
4 new storage providers.

5 **Q. Please discuss the single turn service limitation.**

6 A. Southwest Gas Storage operates reservoirs that provide a basic service, injection of  
7 gas into the reservoir during the injection months of April through October, and  
8 withdrawal of gas during the winter months of November through March. The  
9 nature of these reservoirs does not enable them to be cycled multiple times during  
10 the year, as are salt dome storage facilities, or facilities with greater physical  
11 capabilities. This physical operational limitation requires that historic markets,  
12 such as local distribution companies, are the main market for the type of services  
13 offered by Southwest Gas Storage.

14 **Q. Are there other markets that Southwest will not be able to serve as a result of**  
15 **the physical limitations of Southwest Gas Storage's operations?**

16 A. Yes. More flexible facilities, such as salt dome storage facilities, are able to cycle  
17 many times per year, on the order of 8-10 turns per year. As such, these facilities  
18 are able to serve short duration peaking needs, such as gas fired peak electric  
19 generation units. Southwest Gas Storage does not currently have facilities that  
20 could serve such short term peaking markets.

21 **Q. What physical reservoir risks does Southwest Gas Storage operate under?**

1 A. As evidenced by the abandonment filing for a portion of the North Hopeton storage  
2 reservoir, in Docket No. CP07-69-000, the actual performance of these reservoirs  
3 can vary substantially from what is originally expected. As such, as Southwest  
4 Gas Storage operates its facilities, such operations must take care not to affect the  
5 overall performance characteristics of the fields through actions such as  
6 overpressure, dewatering, injection or withdrawal too quickly, or other actions that  
7 may impact the long term performance of the reservoirs.

8 **Q. What other business risk factors will affect Southwest Gas Storage?**

9 A. New and expanded storage facilities, which are either rate regulated, or are allowed  
10 to charge market based rates will continue to enter the market, and as such, offer  
11 alternatives to Southwest Gas Storage facilities. In addition, as evidenced by the  
12 Enstor filing recently, there are companies that are looking at packaging regulated  
13 services into market based rate offerings. As such, Southwest will face new  
14 service offerings that it may not be able to duplicate in the market.

15 **Cost of Service Issues**

16 **Q. Are there other issues that have been included in the cost of service**  
17 **calculations?**

18 A. Yes. I will review 1) changes proposed in depreciation rates, 2) inclusion of third-  
19 party storage service costs, 3) proper reclassification of storage base gas, and 4)  
20 applicability of costs related to the North Hopeton Storage Field.

21 **Depreciation Rates**

22 **Q. Southwest Gas Storage proposing changes to its depreciation rates?**

1 A. Yes. The depreciation rate applicable to storage plant was previously set at 3.6%.  
2 As shown in the cost of service calculations shown in Exhibit No. SGS-38 in Mr.  
3 Biediger's testimony, Southwest Gas Storage is proposing a depreciation rate of  
4 1.95%, and a negative salvage rate of 0.97%.

5 **Q. How were these rates developed?**

6 A. These rates are supported by the analysis presented in Exhibit No. SGS-51, the  
7 testimony of Mr. Feinstein and Exhibit No. SGS-79, the testimony of Mr. Taylor.

8 **Third Party Storage Cost**

9 **Q. Please discuss Southwest Gas Storage's need to acquire additional working**  
10 **storage capacity.**

11 A. Earlier this year Southwest Gas Storage determined that the working storage  
12 capacity at the North Hopeton storage field would not support the service  
13 obligations for firm storage service under Rate Schedule FSS. While the North  
14 Hopeton storage field had a certificated design capacity of 10,000,000 Dt, the field  
15 could only provide 3,500,000 Dt of working storage, a 6,500,000 Dt shortfall.  
16 Southwest Gas Storage's contract with Panhandle requires a maximum annual  
17 quantity of 37,807,753 Dt from the West Area facilities of which 10,000,000 Dt  
18 was to be provided by North Hopeton. A copy of the storage service agreement  
19 with Panhandle is included in Exhibit No. SGS-7. In order to have sufficient  
20 working storage capacity for its customer, Southwest Gas Storage contracted for  
21 5,800,000 Dt from Tenaska Gas Storage, LLC ("TGS"). A copy of this agreement  
22 is attached as Exhibit No. SGS-8.



1    **Q.   Since Panhandle has not always fully utilized the storage capacity it has**  
2           **contracted with Southwest Gas Storage, could Southwest Gas Storage elect**  
3           **not to contract for this additional capacity from TGS?**

4    A.   No. Southwest Gas Storage has a contract with Panhandle to provide the specified  
5           storage capacity and deliverability, pursuant to its tariff. Panhandle relies on that  
6           contracted capacity, as well as other third party storage agreements, to provide  
7           tariff storage services to its customers, including winter peaking capacity. As such,  
8           if Southwest Gas Storage failed to fulfill its Commission approved service  
9           obligations, then ultimately Panhandle's customers would suffer, since Panhandle  
10          could not provide the jurisdictional services it has contracted to provide.

11   **Q.   Does Southwest Gas Storage dictate how its customer utilizes the storage for**  
12          **which they contract?**

13   A.   No. Once storage capacity is contracted for, the customer will determine how, or  
14          if, they will utilize the contracted amounts. In this case, while Panhandle utilizes  
15          the capacity it contracts with Southwest Gas Storage to provide service to  
16          customers, such utilization is ultimately determined by market demand, weather  
17          influences, alternatives available to the customers, flowing gas price  
18          considerations, and other factors unique to each individual customer. Regardless,  
19          the obligation of Southwest Gas Storage is unchanged to stand ready to meet the  
20          firm commitments under its contracts and tariff.

21   **Q.   Will the price volatility in the Natural Gas market, and the long term supply**  
22          **considerations, affect overall storage utilization in the future?**

1 A. Yes. It is clear that customers are able to derive substantial economic benefit from  
2 having storage available to them, and this results in overall lower prices for their  
3 customers. As such, as prices continue to be volatile, storage provides a method to  
4 mitigate this price volatility, as well as ensuring that gas is available to utility type  
5 customers who need winter peaking volumes during weather driven market  
6 demand.

7 **Q. Please describe the contract with TGS.**

8 A. The contract with TGS provides Southwest Gas Storage with working storage  
9 capacity that replicates the storage service for the West Area under Rate Schedule  
10 FSS. TGS will provide 5,800,000 Dt of working storage capacity with a maximum  
11 daily redelivery quantity of 58,000 Dt, which equates to a 100-day service. This is  
12 the equivalent storage service profile that Southwest Gas Storage provides with its  
13 West Area facilities. The contract term is effective from April 1, 2007 to March  
14 31, 2009. This contract term conforms to Southwest Gas Storage's contract with  
15 Panhandle, which is currently scheduled to terminate on March 31, 2009. For this  
16 storage service Southwest Gas Storage will pay \$1,015,000 per month or  
17 \$12,180,000 annually.

18 **Q. Where is the delivery point for the service provided by TGS?**

19 A. Southwest Gas Storage will deliver and receive quantities of gas to and from  
20 storage at TGS's Field Zone Pool Point on the Panhandle system. When  
21 Panhandle schedules gas for storage injections, Southwest Gas Storage will either  
22 deliver some of the gas to TGS at the Panhandle Field Zone Pool Point or inject the

1 gas in North Hopeton or Borchers North. Similarly during the withdrawal period,  
2 Southwest Gas Storage will request storage volume redelivery from TGS at the  
3 Panhandle Field Zone Point. As shown on Exhibit No. SGS-2, the West Area  
4 storage fields are connected to Panhandle in the Field Zone.

5 **Q. Does Southwest Gas Storage need additional Commission authority to acquire**  
6 **third-party storage capacity?**

7 A. No. Southwest Gas Storage has express authorization from the Commission to  
8 acquire off-system third-party storage and related transportation service pursuant to  
9 Section 17.6 of its FERC Gas Tariff, First Revised Volume No. 1. Exhibit No.  
10 SGS-9 is a copy of this tariff provision. Pursuant to the policy established in Texas  
11 Eastern Transmission Corporation (95 FERC ¶ 61,056 (2001)), the Commission  
12 accepted Southwest Gas Storage tariff provision in Docket No. RP01-450-000 on  
13 July 6, 2001.

14 **Q. Has Southwest Gas Storage commenced storage injections under the TGS**  
15 **contract?**

16 A. Yes. Southwest Gas Storage nominated and scheduled initial storage injections  
17 commencing April 10, 2007. The initial injection quantity was 28,420 Dt/d.  
18 During April and May 2007, Southwest Gas Storage injected 607,260 Dt and  
19 899,000 Dt, respectively. A copy of the TGS invoice for service provided during  
20 April and May 2007 is attached as Exhibit No. SGS-10. The invoiced amounts  
21 have and will continue to be paid in the normal course of business. Southwest Gas

1 Storage anticipates that based on customer demand, it will fully utilize the TGS  
2 storage service as part of its overall storage contract commitments.

3 **Q. If Southwest Gas Storage was unable to provide 6,500,000 Dt working storage**  
4 **capacity at the North Hopeton field, why did Southwest Gas Storage only**  
5 **acquire 5,800,000 Dt from TGS?**

6 A. During 2006-2007 Southwest Gas Storage increased the working storage inventory  
7 level at the Borchers North storage field by 700,000 Dt. The Borchers North field  
8 is the other storage field that supports the West Area storage capacity. As such,  
9 with the reduction of 6,500,000 Dt of capacity from North Hopeton, and the  
10 additional capacity of 700,000 Dt available at Borchers North , Southwest only  
11 needed to contract for 5,800,000 from TGS to meet its contractual commitments.

12 **Q. Since the cost of this storage is significantly higher than the rates charged by**  
13 **Southwest Gas Storage, did Southwest Gas Storage pay too much for the TGS**  
14 **storage capacity?**

15 A. No. After determining that additional working storage capacity was needed,  
16 Southwest Gas Storage issued a Request for Proposals (RFP) to solicit bids from  
17 storage service providers. Exhibit No. SGS-11 is a copy of the RFP. Exhibit No.  
18 SGS-12 is a compilation of the bids that Southwest Gas Storage received in  
19 response to its RFP. These data shows that the current market price for storage  
20 range from \$2.787 to \$4.464 per Dt of storage capacity.

21 **Q. How do these rates compare to the cost of capacity acquired from TGS?**

1 A. Southwest Gas Storage will pay TGS \$12,180,000 annually for 5,800,000 Dt of  
2 storage capacity. This equates to \$2.10 per Dt. Southwest Gas Storage was able to  
3 achieve a better price than indicated by the bids that were submitted during the  
4 RFP process.

5 **Q. What do you conclude should be included in Southwest Gas Storage cost of**  
6 **service for third-party storage costs?**

7 A. Southwest Gas Storage has demonstrated that additional storage capacity is needed  
8 to support its West Area contractual commitment to provide 100-day storage  
9 service. Southwest Gas Storage made every effort to acquire competitively priced  
10 storage capacity. As demonstrated by the offers received during the RFP process,  
11 Southwest Gas Storage was able to achieve a better price than initially offered.  
12 Accordingly, Southwest Gas Storage can properly include \$12,180,000 in its cost  
13 of service for third-party storage services, and the recovery of these costs is  
14 appropriate in rates.

15 **Base Gas Reclassification**

16 **Q. Please explain Southwest Gas Storage's need to reclassify base storage gas**  
17 **inventory from recoverable to non-recoverable?**

18 A. The reclassification of storage base gas from Account No. 117 (Gas Stored  
19 Underground – Non-Current) to Account No. 352.3 (Non-Recoverable Storage  
20 Gas) is an accounting determination that does not require Commission certificate  
21 authorization. Account No. 352.3 is one of the storage gas plant sub-accounts of  
22 Account No. 101 (Gas Plant In Service). The current balance in Account No.

1 352.3 is \$8,762,277 as shown in Southwest Gas Storage witness Mr. Brocato's  
2 Exhibit No. SGS-47, Page 2, Line No. 15, Column (e). Over the years certain  
3 storage base amounts have been reclassified from recoverable to non-recoverable  
4 base gas as accounting determinations require. The Commission's Uniform  
5 System of Accounts provides that volumes that are non-recoverable but are used to  
6 maintain pressure and deliverability should be recorded in Gas Plant Account  
7 352.3, Non-Recoverable Gas. Exhibit No. SGS-13 is a listing of previous transfers  
8 of storage base gas to Account 352.3 (Non-Recoverable Storage Gas). The latest  
9 major transfer occurred in 1991.

10 **Q. What was the basis for this transfer?**

11 A. Prior to the transfer of the North Hopeton, Waverly and Howell storage facilities to  
12 Southwest Gas Storage, the facilities were owned and operated by Panhandle.  
13 Panhandle proposed a reclassification of storage base gas at the Waverly storage  
14 field in a rate proceeding in Docket No. RP91-229-000. Panhandle proposed to  
15 reclassify 15.566 Bcf or \$3,078,195. The Commission Staff recommended that  
16 only 6.231 Bcf or \$1,144,094 should be reclassified. Ultimately this issue was  
17 resolved with a Trial Stipulation between Panhandle and the Commission Staff.  
18 The Trial Stipulation resulted in 11.1 Bcf or \$2,156,687 to be reclassified from  
19 Account No. 117 to Account No. 352.3 as non-recoverable base gas. Exhibit No.  
20 SGS-14 is a copy of this Trial Stipulation.

21 **Q. Has Southwest Gas Storage made a determination that the storage gas plant**  
22 **accounting requires an adjustment?**

1 A. Yes. Southwest Gas Storage's storage reservoir engineer, Ms. Benson, has  
2 analyzed the base gas inventory to determine how much of storage base gas  
3 inventory is economically recoverable when the storage fields are no longer  
4 operating. Her testimony and evaluation demonstrates that 26.6 Bcf of storage  
5 base gas can no longer be considered as recoverable and should be reclassified to  
6 Account 352.3 as non-recoverable.

7 **Q. Why should this adjustment be made at this time?**

8 A. When the Company's cost of service is being updated and re-evaluated, it is  
9 appropriate for this accounting to be incorporated into the analysis. In this  
10 proceeding, the Commission is establishing prospective rates for Southwest Gas  
11 Storage. This element of Gas Plant in Service should be properly reflected in the  
12 cost of service used to derive rates. When storage base gas is determined to be  
13 non-recoverable, Southwest Gas Storage is entitled to recovery of its costs from the  
14 current rate payers.

15 **North Hopeton Base Gas**

16 **Q. What certificate authority is being requested for North Hopeton?**

17 A. On January 26, 2007, Southwest Gas Storage requested certificate authorization  
18 under Section 7(b) and 7(c) of the Natural Gas Act to purchase an additional 3 Bcf  
19 of base gas and adjust the maximum working storage capacity from 10 Bcf to 3.5  
20 Bcf of the North Hopeton Storage field located in Woods County, Oklahoma. The  
21 3 Bcf of base gas is needed to sustain the working storage capability of this field.

1     **Q.     What adjustment to the cost of service is needed to reflect the base gas**  
2     **acquisition?**

3 A. Upon Commission authorization Southwest Gas Storage will purchase 3 Bcf of gas  
4 for the additional base gas at North Hopeton. Southwest Gas Storage estimated  
5 that the base gas will cost \$22.5 million. Market prices are expected to be similar  
6 at the time Southwest Gas Storage would acquire the gas following Commission  
7 approval of the certificate application in Docket No. CP07-69-000. Once acquired,  
8 the cost of the base gas will be included in Account No. 117 (Gas Stored  
9 Underground – Non-Current). Exhibit No. SGS-15 shows the derivation of cost of  
10 acquiring the 3 Bcf. Mr. Brocato's Exhibit No. SGS-47, Page 1 reflects the  
11 inclusion of the base gas in Gas Plant.

12 **Conclusion**

13     **Q.    Based on your testimony, and other Southwest Gas Storage witnesses in this**  
14           **proceeding, what is the appropriate cost of service level for Southwest Gas**  
15           **Storage?**

16     A.     As discussed in the testimony, the cost of service level, which reflects the  
17           adjustments noted, totals \$50,448,945. The rates applicable for the services  
18           offered by Southwest Gas Storage that are derived from this cost of service are  
19           shown in Exhibit No. SGS-3.

20 Q. Does this complete your prepared direct testimony?

21 A. Yes, it does.



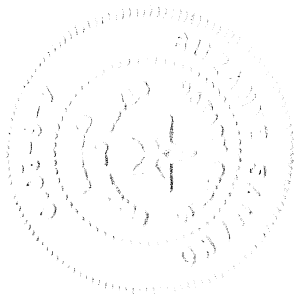
The State of Texas}
} SS.
County of Harris }

BEFORE ME, the undersigned authority, on this day personally appeared
Michael T. Langston, who being by me first duly sworn, on oath deposes and says:

That he is the Michael T. Langston, offering the foregoing prepared direct testimony
and that all statements of fact contained therein are true and correct to the best of his
knowledge, information and belief.

[Handwritten signature of Michael T. Langston]
Michael T. Langston

Subscribed and sworn to before me this 27th day of July, 2007.



[Handwritten signature of Suzanne Samano]
Notary Public

My Commission Expires:

April 6, 2010



## **NON-INTERNET PUBLIC**

## **INFORMATION**

Exhibit No. SGS-2, Detailed System Map, has been designated as Non-Internet Public ("NIP"), and as such has been removed and filed under separate tab as "Non-Internet Public".

Public access to this document is available through the Public Reference Room at the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426, email address, [public.referenceroom@ferc.gov](mailto:public.referenceroom@ferc.gov).

Southwest Gas Storage Company

SOUTHWEST GAS STORAGE COMPANY  
FERC GAS TARIFF  
First Revised Volume No. 1

Twentieth Revised Sheet No. 5  
Superseding Nineteenth Revised Sheet No. 5

CURRENTLY EFFECTIVE RATES

Each rate set forth on this tariff sheet is the currently effective rate pertaining to the particular rate schedule to which it is referenced, but each such rate is separate and independent and the change in any such rate shall not thereby effect a change in any other rate schedule.

	Maximum Rate Per Dt ----- (1)	Minimum Rate Per Dt ----- (2)
RATE SCHEDULE FSS -----		
Capacity Charge	\$ 0.4057 (1)	\$ -
Deliverability Charge	2.8421 (1)	-
Injection Charge	0.0137	0.0137
Withdrawal Charge	0.0137	0.0137
Authorized Overrun Charge	0.0934	-
ACA Unit Charge	0.0016	0.0016
Fuel Reimbursement		
West Area Storage Facilities		
Injection	1.41 %	1.41 %
Withdrawal	0.55	0.55
East Area Storage Facilities		
Injection	3.04	3.04
Withdrawal	1.43	1.43
RATE SCHEDULE ISS -----		
Inventory Charge	\$ 0.1385	\$ 0.0274
Authorized Overrun Charge	0.0934	0.0137
ACA Unit Charge	0.0016	0.0016
Fuel Reimbursement		
West Area Storage Facilities		
Injection	1.41 %	1.41 %
Withdrawal	0.55	0.55
East Area Storage Facilities		
Injection	3.04	3.04
Withdrawal	1.43	1.43

(1) Maximum rate applicable for capacity release.

Issued by: Michael T. Langston  
Sr. Vice President  
Issued on: August 1, 2007

Effective: September 1, 2007

SOUTHWEST GAS STORAGE COMPANY

Resulting Return on Common Equity  
From Overall Rate of Return Claimed  
For the Period Ending April 30, 2007, As Adjusted

Line No.	Description (a)	Capitalization 1/ (\$000) (b)	Ratio (c)	Cost (d)	Weighted Rate (e)	Return Component (f)	Rate of Return on Equity (g)
1	Overall Rate of Return Claimed					10.41%	
2	Debt	\$ 717,428	39.85%	6.51%	2.59%	-	
3	Common Equity	1,082,752	60.15%	13.00%	7.82%		13.00%
4	Total	\$ 1,800,180	100.00%				

1/ Capitalization shown is Southwest Gas Storage's parent company,  
Panhandle Eastern Pipe Line Company, LP's capitalization.

SOUTHWEST GAS STORAGE COMPANY

Debt Capital

Southwest Gas Storage Company has utilized the long-term debt outstanding of its parent, Panhandle Eastern Pipe Line Company, LP, as of April 30, 2007, the latest data available.

PANHANDLE EASTERN PIPE LINE COMPANY, LP

Weighted Average Cost of Debt Capital

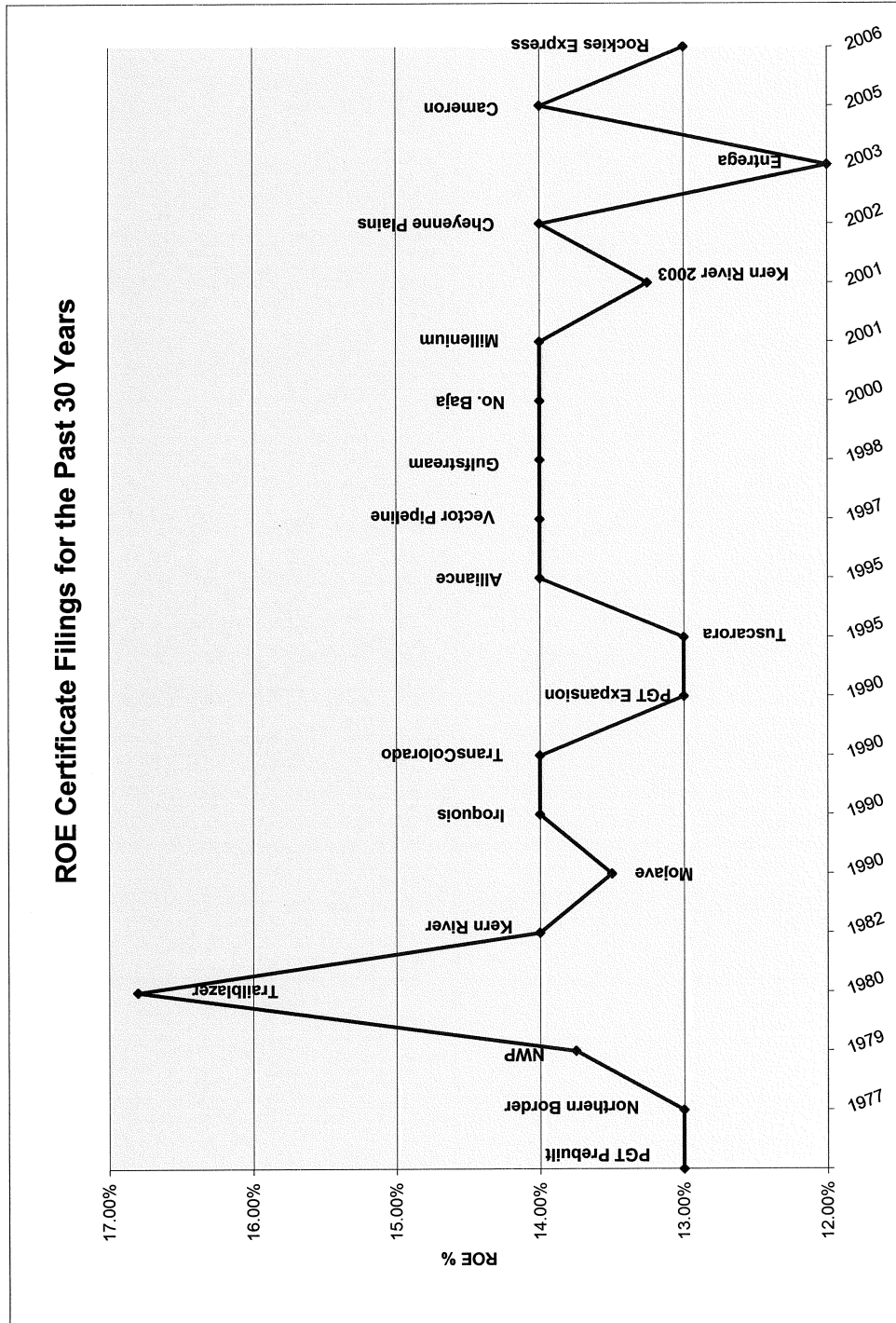
Line No.	Description (a)	Term Note Due 7/15/2009 (b)	Senior Note Due 7/15/2029 (c)	Senior Note Due 4/1/2010 (d)	Senior Note Due 8/15/2008 (e)	Senior Note Due 8/15/2013 (f)	Total (g)	Amortization of Gain/Loss on Recquired Debt (h)	Net (i)
1	Nominal Date of Issue								
2	Date of Maturity	3-29-1999	3-29-1999	3-27-2000	8-18-2003	8-18-2003			
3	Interest Rate	7-15-2009 6.50%	7-15-2029 7.00%	4-1-2010 8.25%	8-15-2008 4.80%	8-15-2013 6.05%			
4	Principal Amount of Issue (Gross Proceeds)	\$ 60,623,000	\$ 66,305,000	\$ 40,500,000	\$ 300,000,000	\$ 250,000,000	\$ 717,428,000	\$	\$ 717,428,000
5	Underwriter's Discount or Commission	\$ 143,873	\$ 1,048,407	\$ 74,737	\$ 362,612	\$ 993,060	\$ 2,622,689	\$	\$ 2,622,689
6	Underwriter's Costs as % of Gross Proceeds	0.24%	1.58%	0.18%	0.12%	0.40%			
7	Issuance Expense	\$ 217,367	\$ 1,176,767	\$ 13,192	\$ 723,681	\$ 1,420,249	\$ 3,551,256	\$	\$ 3,551,256
8	Issuance Expense as % of Gross Proceeds	0.36%	1.77%	0.03%	0.24%	0.57%			
9	Debt Loss Upon Retirement							\$ 15,227,668	\$ 15,227,668
10	Net Proceeds (L4 - L5 - L7)	\$ 60,261,760	\$ 64,079,825	\$ 40,412,072	\$ 298,913,707	\$ 247,586,690	\$ 711,254,055	\$	\$ 726,481,723
11	Net Proceeds Per Unit (\$100) (L9 / L4)	99.40	96.64	99.78	99.64	99.03			
12	Term of Issue (Years)	10	30	10	5	10			
13	Remaining Term for Debt Discounts/Expenses	2.38	22.38	3.00	1.46	6.46			
14	Cost of Money (Yield to Maturity)	6.75%	7.15%	8.27%	5.05%	6.20%			
15	Debt Outstanding at 12-31-2006	\$ 60,623,000	\$ 66,305,000	\$ 40,500,000	\$ 300,000,000	\$ 250,000,000	\$ 717,428,000	\$	\$ 717,428,000
16	Debt Due Within One Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$	\$ -
17	Debt Less Current Maturities (L15 - L16)	\$ 60,623,000	\$ 66,305,000	\$ 40,500,000	\$ 300,000,000	\$ 250,000,000	\$ 717,428,000	\$	\$ 717,428,000
18	Annual Cost of Debt	\$ 4,092,596	\$ 4,740,799	\$ 3,350,043	\$ 15,144,887	\$ 15,498,674	\$ 42,826,998	\$ 3,878,404	\$ 46,705,403
19	Weighted Average Cost of Debt on Issuance Principal	6.75%	7.15%	8.27%	5.05%	6.20%	5.97%		6.51%

PANHANDLE EASTERN PIPE LINE COMPANY, LP

Amortization of Loss on Reacquired Debt

Line No.	Description (a)	10.375% Debentures Due 2011 (b)	8.25% Debentures Due 2010 (c)	6.50% Debentures Due 2009 (d)	7.95% Debentures Due 2023 (e)	7.20% Debentures Due 2024 (f)	7% Debentures Due 2029 (g)	Total (h)
1	Nominal Date of Issue							
2	Date of Maturity	3/1/1999	6/12/2003	6/12/2003	12/15/2001	12/15/2001	08/19/2003	
3	Interest Rate	11/1/2011	4/01/2010	7/15/2009	3/15/2023	8/15/2024	7/15/2029	
		10.375%	8.25%	6.50%	7.95%	7.20%	7.00%	
4	Principal Amount of Issue (Gross Proceeds)	\$ 100,000,000	\$ 59,500,000	\$ 139,377,000	\$ 100,000,000	\$ 100,000,000	\$ 233,695,000	
5	Underwriter's Discount or Commission							
6	Underwriter's Costs as % of Gross Proceeds							
7	Issuance Expense							
8	Issuance Expense as % of Gross Proceeds							
9	Debt Loss upon Retirement	\$ 2,018,069	\$ 2,938,205	\$ 4,020,709	\$ 3,807,470	\$ 1,518,634	\$ 924,581	\$ 15,227,668
10	Net Proceeds (L4 - L5 - L7)	\$ 97,981,931	\$ 56,561,795	\$ 135,356,291	\$ 96,192,530	\$ 98,481,366	\$ 232,770,419	
11	Term of Issue (Years) - Remaining	4.33	2.75	2.04	15.71	17.13	22.04	
12	Cost of Money (Yield to Maturity)	-	-	-	-	-	-	
13	Debt Outstanding at 12-31-2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14	Amortization of Loss on Reacquired Debt	\$ 466,067	\$ 1,068,438	\$ 1,970,936	\$ 242,360	\$ 88,653	\$ 41,950	\$ 3,878,404

Order Date	Return on Equity	Order Date	Docket No.
1977	13.00%	7/8/1977	RP75-57
1979	13.00%	6/8/1979	CP78-124
1980	13.75%	6/13/1980	CP79-56
1982	16.80%	3/12/1982	CP79-80
1990	14.00%	1/24/1990	CP89-2047
1990	13.50%	1/24/1990	CP89-2048
1990	14.00%	7/30/1990	CP86-523
1990	14.00%	12/20/1990	CP90-1777
1995	13.00%	1/12/1995	CP93-618
1995	13.00%	4/4/1995	CP93-685
1997	14.00%	8/1/1997	CP97-168
1998	14.00%	10/19/1998	CP98-131
2000	14.00%	4/28/2000	CP00-6
2001	14.00%	5/18/2001	CP01-22
2001	14.00%	12/19/2001	CP98-150
2002	13.25%	2/27/2002	CP02-422
2003	14.00%	10/22/2003	CP03-301
2005	12.00%	8/9/2005	CP04-413
2006	14.00%	5/22/2006	CP02-378
2006	13.00%	12/31/2006	CP06-354





RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT

CONTRACT NO. 900050

This Agreement, is made and entered into as of the 1st day of April, 1999, by and between Pan Gas Storage Company d/b/a Southwest Gas Storage Company ("Seller") and Panhandle Eastern Pipe Line Company ("Buyer"). In consideration of mutual covenants and agreements as herein set forth, both Seller and Buyer covenant and agree upon the following terms and conditions:

ARTICLE 1 - SERVICE

Seller agrees to inject and withdraw at the interconnection of Panhandle Eastern Pipe Line Company's transmission facilities and Seller's East Area Storage Facilities and West Area Storage Facilities, as defined in Sections 6.1 (o) and (p) of Rate Schedule FSS, respectively, and store on a firm basis, quantities of natural gas as described in Section 6.3 of Rate Schedule FSS. Buyer elects the following:

East Area Storage Facilities:

Maximum Annual Quantity (MSQ):	<u>21,860,137</u> Dt.
Maximum Injection Quantity (MIQ):	<u>121,445</u> Dt.
Maximum Withdrawal Quantity (MWQ):	<u>326,271</u> Dt.

West Area Storage Facilities:

Maximum Annual Quantity (MSQ):	<u>35,128,600</u> Dt.
Maximum Injection Quantity (MIQ):	<u>195,159</u> Dt.
Maximum Withdrawal Quantity (MWQ):	<u>351,286</u> Dt.

ARTICLE 2 - TERM

This Agreement shall become effective from the date first stated above. This Agreement shall remain effective for a term of five (5) years from the initial date for service and thereafter shall continue in effect until terminated by Seller or Buyer upon at least six (6) months prior written notice to the other, as of any date not earlier than the date of expiration of the primary term.

RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT  
(Continued)

ARTICLE 3 - RATES AND CHARGES

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

For the information of Buyer, Exhibit A hereto states the rates and charges anticipated to be effective and applicable to the service agreed to hereunder as of the date first stated above; but, the terms of this Rate Schedule FSS, other applicable provisions of Seller's Tariff, and the Regulations and Orders of the Commission shall control in the event of any conflict with the rates and charges stated on Exhibit A hereto.

ARTICLE 4 - FUEL REIMBURSEMENT

In addition to collection of the rates and charges provided for in Article 3, Seller shall retain the percentage as stated on Exhibit A hereto (or succeeding effective percentage) of the quantities received from Buyer and injected hereunder and of the quantities redelivered to Buyer and withdrawn hereunder for reimbursement in kind from Buyer for fuel usage.

ARTICLE 5 - GENERAL TERMS AND CONDITIONS

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

RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT  
(Continued)

ARTICLE 6 - SUCCESSION AND ASSIGNMENTS

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

ARTICLE 7 - CANCELLATION OF PREVIOUS CONTRACTS

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

Rate Schedule S-1

ARTICLE 8 - NOMINATIONS AND NOTICES

Periodic scheduling of the quantities of service requested hereunder must be provided by Buyer to Seller, at the times and according to the procedures specified in Section 6.4 of the General Terms and Conditions. Except as otherwise specified, any other notice, request, demand, statement or bill provided for in the General Terms and Conditions and any other notice which either Seller or Buyer may desire to give to the other(s), shall be in writing and shall be considered as duly delivered when mailed by registered mail to the Post Office address of the other(s), or at such other address as may be designated by formal written notice. Routine communications and bills shall be considered as duly delivered when mailed by registered or ordinary mail or an equivalent. The Post Office addresses of both Seller and Buyer are as follows:

Buyer:

Billing:

Panhandle Eastern Pipe Line Company  
Attn: Capacity Management  
P. O. Box 1642  
Houston, Texas 77251-1642

RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT  
(Continued)

Scheduling and  
Notification:

Panhandle Eastern Pipe Line Company  
Attn: Capacity Management  
P. O. Box 1642  
Houston, Texas 77251-1642  
Phone: (713) 627-5623  
Fax: (713) 627-5769

All Other:

Panhandle Eastern Pipe Line Company  
Attn: Capacity Management  
P. O. Box 1642  
Houston, Texas 77251-1642  
Phone: (713) 627-5623  
Fax: (713) 627-5769

Seller:

Payments:

Southwest Gas Storage Company  
Attn: Cash Management  
P. O. Box 1311  
Houston, Texas 77001-1311

Scheduling and  
Nomination:

Southwest Gas Storage Company  
Attn: Gas Control Operations  
P. O. Box 1642  
Houston, Texas 77251-1642  
Phone: (713) 627-5621  
Fax: (713) 627-5769

All Others:

Southwest Gas Storage Company  
Attn: Marketing Administration  
P.O. Box 1642  
Houston, Texas 77251-1642  
Phone: (713) 627-4765  
FAX: (713) 627-4829

RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT  
(Continued)

IN WITNESS WHEREOF, both Seller and Buyer have caused this Agreement to be executed in several counterparts by their respective officers or other persons duly authorized to do so, as of the date first stated above.

Buyer: Panhandle Eastern Pipe Line Company

By: Cynthia C. Albert  
Title: Vice President  
EXECUTED March 30, 1999

ATTEST/WITNESS:

By: Mark A. Wilke  
Title: - Witness  
EXECUTED 3/31, 1999

Southwest Gas Storage Company

By: Craig R. Tucker  
Title: Vice President  
EXECUTED March 30, 1999

ATTEST/WITNESS:

By: Quanita Rodriguez  
Title: Witness  
EXECUTED 3-31, 1999

RATE SCHEDULE FSS  
FIRM STORAGE SERVICE  
FORM OF STORAGE SERVICE AGREEMENT  
(Continued)

EXHIBIT A

Storage Service Agreement  
For  
Firm Storage Service  
Under Rate Schedule FSS

RATES

Contract No. 900050

Buyer: Panhandle Eastern Pipe Line Company

<u>Charge Description</u>	<u>Rate Per Dt.</u>
Deliverability Charge	\$2.8496
Capacity Charge	\$0.3419
Injection Charge	\$0.0015
Withdrawal Charge	\$0.0015
Fuel Reimbursement	
West Area Storage Facilities	
Injection	1.28%
Withdrawal	0.51%
East Area Storage Facilities	
Injection	2.19%
Withdrawal	0.99%

AMENDMENT TO STORAGE AGREEMENT

Parties: SOUTHWEST GAS STORAGE and  
PANHANDLE EASTERN PIPE LINE COMPANY

The above parties, by their execution of the Exhibit A referenced below, hereby agree to amend their Storage Agreement dated 03/30/1999 designated as Contract Number 900050 as follows:

1. Exhibit A is hereby deleted in its entirety and replaced with the Exhibit A attached hereto.

SUPERSEDING  
EXHIBIT A

Storage Service Agreement  
between  
SOUTHWEST GAS STORAGE  
For  
Firm Storage Service  
Under Rate Schedule FSS

and

PANHANDLE EASTERN PIPE LINE COMPANY

Contract No. 900050

Effective Date

April 1, 1999

Supersedes Exhibit A dated

April 1, 1999

SOUTHWEST GAS STORAGE

By CORRECTION

Title N/A

Executed April 1, 1999

PANHANDLE EASTERN PIPE LINE COMPANY

By CORRECTION

Title N/A

Executed April 1, 1999



AMENDMENT TO STORAGE AGREEMENT

Parties: SOUTHWEST GAS STORAGE COMPANY    and  
PANHANDLE EASTERN PIPE LINE COMPANY, LLC

The above parties, by their execution of the Exhibit A referenced below, hereby agree to amend their Storage Agreement dated 03/30/1999 designated as Contract Number 900050 as follows:

1. Exhibit A is hereby deleted in its entirety and replaced with the Exhibit A attached hereto.

SUPERSEDING  
EXHIBIT A

Storage Service Agreement  
Between  
SOUTHWEST GAS STORAGE COMPANY  
For  
Firm Storage Service  
Under Rate Schedule FSS  
and

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

Contract No. 900050

Effective from 04/01/2004 through 3/31/2009

EAST

Maximum Annual Quantity (MAQ):	23,110,137 Dt.
Maximum Daily Injection Quantity (MDIQ):	128,390 Dt./Day
Maximum Daily Withdrawal Quantity (MDWQ):	344,927 Dt./Day

WEST

Maximum Annual Quantity (MAQ):	35,128,600 Dt.
Maximum Daily Injection Quantity (MDIQ):	195,159 Dt./Day
Maximum Daily Withdrawal Quantity (MDWQ):	351,286 Dt./Day

SUPERSEDING  
EXHIBIT A

Storage Service Agreement  
between  
SOUTHWEST GAS STORAGE COMPANY  
For  
Firm Storage Service  
Under Rate Schedule FSS

and

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

Contract No. 900050

Effective Date

April 1, 2004

Supersedes Exhibit A dated


April 1, 1999

SOUTHWEST GAS STORAGE COMPANY

By

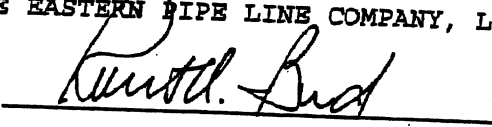
Title

Executed

  
Vice President  
3-24-04

PANHANDLE EASTERN PIPE LINE COMPANY, LLC

By

  
Robert O. Bond  
(Please type or print name)

Title

Sr. Vice President

Executed

3/24/04

AMENDMENT TO STORAGE SERVICE AGREEMENT

Parties : SOUTHWEST GAS STORAGE COMPANY and

PANHANDLE EASTERN PIPE LINE COMPANY, LP

The above parties, by their execution of the information referenced below, hereby agree to amend their Storage Service Agreement dated 04/01/1999 designated as Contract Number 900050 as follows :

1. The quantities and term are hereby deleted in their entirety and replaced with the information attached hereto.
2. This Amendment shall be effective from the Effective Date as set out on the attached.
3. Except as provided herein, all other terms and conditions of this Agreement will remain in full force and effect.

**SUPERSEDING**

**Storage Service Agreement  
Under Rate Schedule FSS**

Effective Date: April 01, 2005

**East Area Storage Facilities:**

Maximum Annual Quantity (MAQ):	23,110,137	Dt
Maximum Daily Injection Quantity (MIQ):	128,390	Dt
Maximum Daily Withdrawal Quantity (MWQ):	344,927	Dt

**West Area Storage Facilities:**

Maximum Annual Quantity (MAQ):	37,807,753	Dt
Maximum Daily Injection Quantity (MIQ):	210,043	Dt
Maximum Daily Withdrawal Quantity (MWQ):	378,078	Dt

**SOUTHWEST GAS STORAGE COMPANY**

By: Michael Langston  
Title: Sr. Vice President

Executed: 03/28/2005

**PANHANDLE EASTERN PIPE LINE COMPANY, LP**

By: Robert O. Bond  
Title: Sr. Vice President

Executed: 03/22/2005

Execution Copy

**FIRM NATURAL GAS DELIVERY AND REDELIVERY SERVICE AGREEMENT**

This Firm Natural Gas Delivery and Redelivery Service Agreement (the "Agreement") is made and entered into as of the 4th day of April, 2007, by and between Tenaska Gas Storage, LLC, a Delaware limited liability company ("TGS"), and Pan Gas Storage, LLC, doing business as Southwest Gas Storage Company, a Delaware limited liability company ("SOUTHWEST GAS STORAGE"). TGS and SOUTHWEST GAS STORAGE may from time to time herein be referred to individually as a "Party" and collectively as the "Parties".

**RECITALS**

**WHEREAS**, TGS has under contract certain rights that would permit it to provide the services requested by SOUTHWEST GAS STORAGE, including contract capacity at intrastate natural gas storage facilities for the injection, storage and withdrawal of natural gas, and such facilities have authorization from the Federal Energy Regulatory Commission ("FERC") to provide related Section 311 services under the Natural Gas Policy Act ("Intrastate Storage"); and

**WHEREAS**, the Intrastate Storage facilities have the requisite Statements of Operating Conditions on file with the FERC authorizing the storage service contemplated herein; and

**WHEREAS**, TGS represents that it can provide the services contemplated herein utilizing Intrastate Storage facilities or using other contract resources that it may from time to time have available; and

**WHEREAS**, SOUTHWEST GAS STORAGE owns and operates storage facilities providing open access storage service to customers in interstate commerce, and holds FERC authority under the Natural Gas Act to lease off-system capacity from third-parties necessary to providing its certificated storage services; and

**WHEREAS**, SOUTHWEST GAS STORAGE is undertaking to secure such off-system capacity to compensate for reduced working storage capacity levels in its North Hopeton Storage Field in Woods County, Oklahoma; and

**WHEREAS, SOUTHWEST GAS STORAGE** desires to purchase Firm Delivery and Redelivery Service ("Service") from TGS for use in providing these jurisdictional storage services; and

**WHEREAS, SOUTHWEST GAS STORAGE** would utilize the TGS Service by delivering its customer owned natural gas ("Gas") to TGS during the months of April through October, and have quantities of Gas redelivered by TGS to SOUTHWEST GAS STORAGE for redelivery to SOUTHWEST GAS STORAGE's customers during the months of December through March; and

**WHEREAS, TGS** would accept certain quantities of Gas at the Delivery Point (as defined in Article 4.1) and exchange such Gas for equivalent quantities either in inventory or to be delivered into its Intrastate Storage capacity or other contract assets; and when SOUTHWEST GAS STORAGE submits a nomination to TGS for the redelivery of such Gas, TGS would utilize its Intrastate Storage capacity or other assets to make gas available for exchange and redelivery of equivalent quantities of Gas at the Redelivery Point (as defined in Article 4.2).

**WHEREAS,** subject to the terms and conditions set forth herein, TGS is willing and able to provide Service to SOUTHWEST GAS STORAGE.

**NOW, THEREFORE,** in consideration of the mutual covenants and conditions herein contained, and intending to be legally bound, SOUTHWEST GAS STORAGE and TGS agree as follows:

**ARTICLE I**  
**DELIVERY AND REDELIVERY QUANTITY**

**1.1** The term "Maximum Delivery and Redelivery Quantity" shall mean a maximum of 5,800,000 Dth to be delivered and redelivered at the Delivery and Redelivery Points (as defined in Article 4.1 and 4.2).

**1.2** The term "Maximum Daily Delivery Quantity" shall mean a maximum of 29,000 Dth per day available at the Delivery Point.

**1.3** The term "Maximum Daily Redelivery Quantity" shall mean a maximum of 58,000 Dth per day available at the Redelivery Point.

1.4 During each period from April through October (the "Summer Period") of the Contract Term (as defined in Article III), SOUTHWEST GAS STORAGE shall deliver a quantity of Gas to TGS at the Delivery Point, plus Delivery Fuel (as defined in Article 2.2), and TGS shall receive such quantity from SOUTHWEST GAS STORAGE up to the Maximum Delivery and Redelivery Quantity. Such deliveries by SOUTHWEST GAS STORAGE shall be at the daily rate nominated by SOUTHWEST GAS STORAGE up to the Maximum Daily Delivery Quantity, excluding Delivery Fuel.

1.5 During each period from December through March (the "Winter Period") of the Contract Term, TGS shall redeliver to SOUTHWEST GAS STORAGE at the Redelivery Point a quantity of Gas equal to that previously delivered to TGS less Redelivery Fuel (as defined in Article 2.2) and less any in-kind payment due under Article 2.3 hereof. Such redeliveries by TGS shall be at the daily rate nominated by SOUTHWEST GAS STORAGE up to the Maximum Daily Redelivery Quantity, excluding Redelivery Fuel.

1.6 Notwithstanding the provisions of Articles 1.4 and 1.5, and with TGS's prior consent, SOUTHWEST GAS STORAGE may: (i) deliver quantities during the Winter Period ("Out of Season Deliveries"), (ii) request redelivery of quantities during the Summer Period ("Out of Season Redeliveries"), (iii) deliver quantities in excess of the Maximum Daily Delivery Quantity ("Overrun Deliveries"), (iv) request redelivery of quantities in excess of the Maximum Daily Redelivery Quantity ("Overrun Redeliveries"), (v) and request redelivery of quantities during the month of November ("November Redeliveries"). TGS reserves the absolute right, in its sole discretion, to determine whether and in what quantity to make such Out of Season or Overrun Deliveries and Redeliveries or November Redeliveries available. In no event shall the total quantity of Gas delivered by SOUTHWEST GAS STORAGE and not yet redelivered by TGS (the "Inventory Quantity") exceed the Maximum Delivery and Redelivery Quantity, nor shall TGS's obligation to redeliver Gas exceed the total volume of Gas delivered by SOUTHWEST GAS STORAGE and not yet redelivered by TGS.

1.7 Prior to 8:15 A.M. CCT of each business day, SOUTHWEST GAS STORAGE shall submit a nomination to TGS, via electronic mail, facsimile or other means mutually agreeable by the Parties, of the daily quantity of Gas that SOUTHWEST GAS STORAGE desires to deliver to TGS, or the daily quantity of Gas SOUTHWEST GAS STORAGE desires to have redelivered to SOUTHWEST GAS STORAGE, during the



following Gas Day, or Gas Days in the case of weekends or holidays. Nominations over weekends and holidays shall be uniform over such period at the Delivery and Redelivery Point. TGS shall provide confirmation, via electronic mail, facsimile or other means mutually agreeable by the Parties, and schedule such nomination consistent with the timely nomination cycle.

**ARTICLE II**  
**SERVICE CHARGES AND FUEL REIMBURSEMENT**

**2.1** SOUTHWEST GAS STORAGE shall pay TGS a Monthly Reservation Fee during the Contract Term of one million, fifteen thousand dollars (\$1,015,000.00 ) without regard to the quantity of Gas it nominates for delivery or redelivery. Except as provided for in Article 2.2 and Article 2.3, the Monthly Reservation Fee shall be inclusive of all existing and any future applicable fees, taxes and surcharges.

**2.2** TGS shall retain for in-kind fuel reimbursement 2.00% of the quantity of Gas delivered by SOUTHWEST GAS STORAGE ("Delivery Fuel"), and 1.00% of the quantity of Gas redelivered to SOUTHWEST GAS STORAGE ("Redelivery Fuel").

**2.3** At the completion of the initial Winter Period, SOUTHWEST GAS STORAGE may elect to carry over a portion of the Maximum Delivery and Redelivery Quantity for redelivery during the succeeding Winter Period within the Contract Term (the "Carry-Over Quantity"). SOUTHWEST GAS STORAGE may so retain up to 580,000 Dth for such carry-over without cost. In the event the Carry-Over Quantity exceeds 580,000, at the end of the Winter Period, then as compensation for TGS' provision of the Carry-Over Quantity in excess of the cost-free quantity, SOUTHWEST GAS STORAGE shall pay TGS in-kind, a quantity equal to six percent of the amount by which the Carry-Over Quantity exceeds the cost free quantity. {i.e. (Carry-Over Quantity – 580,000) \* 6.0%}. SOUTHWEST GAS STORAGE shall provide TGS with a representation that it has title to any such in-kind payment gas actually conveyed to TGS. In no event shall the Inventory Quantity exceed zero at the end of the Contract Term.

**ARTICLE III**  
**TERM**

**3.1** This Agreement shall be effective from April 1, 2007 through March 31, 2009 (the "Contract Term").

**ARTICLE IV**  
**DELIVERY AND REDELIVERY**

**4.1** All Gas delivered by SOUTHWEST GAS STORAGE to TGS shall be delivered at the Delivery Point, subject to the maximum quantities set out in Article I. The Delivery Point shall be TGS' Field Zone Pool Point as the terms "Field Zone" and "Pool Point" are defined in Panhandle Eastern Pipe Line Company, L.P. ("Panhandle") FERC Gas Tariff.

**4.2** All Gas redelivered by TGS to SOUTHWEST GAS STORAGE shall be redelivered at the Redelivery Point, subject to the maximum quantities set out in Article I. The Redelivery Point shall be TGS' Field Zone Pool Point as the terms "Field Zone" and "Pool Point" are defined in Panhandle's FERC Gas Tariff. With regard to the Redelivery Point, as operational conditions permit, and subject to the mutual agreement of the Parties, TGS may redeliver Gas to SOUTHWEST GAS STORAGE at the following secondary Redelivery Points identified on Panhandle's electronic bulletin board as:

Oklahoma Natural Gas (09069)

Northern Natural (NNATL)

Transwestern Sneed (07011)

Other points as mutually agreed to by the parties

**4.3** With respect to Gas delivered by SOUTHWEST GAS STORAGE to TGS, SOUTHWEST GAS STORAGE shall be responsible for making arrangements, and all fuel and expenses incurred, for the transportation of the Gas to the Delivery Point, and TGS shall be responsible for making arrangements, and all fuel and expenses incurred, for the exchange, transportation and storage of the Gas after its delivery at the Delivery Point.

**4.4** With respect to Gas redelivered by TGS to SOUTHWEST GAS STORAGE, TGS shall be responsible for making arrangements, and all fuel and expenses incurred, for the

storage, transportation and exchange of the Gas to the Redelivery Point, and SOUTHWEST GAS STORAGE shall be responsible for making arrangements, and all fuel and expenses incurred, for the transportation of the Gas after its redelivery at the Redelivery Point.

4.5 TGS shall provide SOUTHWEST GAS STORAGE with a monthly statement identifying the physical location of the Intrastate Storage at which the gas that has been delivered hereunder is being stored and SOUTHWEST GAS STORAGE's Inventory Quantity.

## **ARTICLE V**

### **MEASUREMENT, QUALITY AND PRESSURE**

5.1 All Gas delivered by SOUTHWEST GAS STORAGE hereunder at the Delivery Point shall conform to the Quality of Gas specifications contained in Panhandle's FERC Gas Tariff, as amended from time to time.

5.2 All Gas redelivered by TGS hereunder at the Redelivery Point shall conform to the Quality of Gas specifications contained in the interconnecting pipeline's FERC Gas Tariff, as amended from time to time.

5.3 All Gas delivered by SOUTHWEST GAS STORAGE hereunder shall be delivered at the prevailing pipeline pressures of Panhandle. All Gas redelivered by TGS hereunder shall be redelivered at the prevailing pipeline pressures of the interconnecting pipeline.

## **ARTICLE VI**

### **BILLING AND PAYMENT**

6.1 On or before the tenth day of each month, TGS shall render a statement to SOUTHWEST GAS STORAGE for the Monthly Reservation Fee for the previous month. SOUTHWEST GAS STORAGE shall pay to TGS on or before the 25<sup>th</sup> day of the month ("Payment Due Date") the amount billed in that statement. If TGS is late in rendering its statement, the Payment Due Date shall be extended accordingly. Should the Payment Due Date fall on a federally recognized holiday or weekend, the due date for payment purposes shall be the

next business day after the Payment Due Date. Unless notified otherwise, all payments shall be made in U.S. funds by electronic transfer to a bank account specified by TGS.

**6.2** Should SOUTHWEST GAS STORAGE fail to pay the amount of any statement rendered by TGS when such amount is due, SOUTHWEST GAS STORAGE shall pay TGS interest on the unpaid balance at an annual rate equal to the 3-Month LIBOR rate published in the Wall Street Journal on the day the statement was rendered. However, if SOUTHWEST GAS STORAGE in good faith disputes in writing the amount of any such statement or parts thereof and pays to TGS such amounts as it concedes to be correct when such amount is due, then SOUTHWEST GAS STORAGE shall not be required to pay TGS interest on the disputed amount. No payment by SOUTHWEST GAS STORAGE of the amount of a disputed statement shall prejudice the right of SOUTHWEST GAS STORAGE to claim an adjustment of the disputed bill.

**6.3** In the event that an error is discovered in the amount in a statement, or in the amount paid hereunder, such error shall be adjusted within 30 days of the verification thereof, provided that claim therefore shall have been made in writing within 60 days from the date of discovery of such error, but in any event within 12 months from the date of the statement.

## **ARTICLE VII**

### **FORCE MAJEURE**

**7.1** In the event, to the extent, and for so long as either SOUTHWEST GAS STORAGE or TGS is unable, by reason of Force Majeure, to carry out its obligations hereunder, in whole or in part, the obligations of either of SOUTHWEST GAS STORAGE or TGS, shall be suspended, in whole or in part; provided, however, that payment obligations of either party shall not be suspended by occurrence of Force Majeure. Force Majeure, as employed herein, shall mean any cause, whether of the kind herein enumerated or otherwise, not within the control of either of SOUTHWEST GAS STORAGE or TGS claiming suspension, and which by the exercise of due diligence, either of SOUTHWEST GAS STORAGE or TGS has been unable to prevent or overcome, including without limitation, acts of God, the government, or a public enemy; strikes, lockouts, or other industrial disturbances; wars, blockades, or civil disturbances of any kind; epidemics, landslides, hurricanes, earthquakes, crevasses, washouts, tornadoes,

storms, fires, explosions, arrests, and restraints of governments or people; freezing of, breakage or accident to, or the necessity for making repairs or alterations to wells, machinery or lines of pipe; partial or entire failure of wells. Either SOUTHWEST GAS STORAGE or TGS claiming Force Majeure shall give to the other notice and full particulars of such Force Majeure by telephone as soon as reasonably possible after the occurrence of the case relied on, and shall remedy such inability to perform with all reasonable dispatch, including the use of secondary Delivery and Redelivery Points; provided, however, that such requirement or remedy shall not require the settlement of strikes or lockouts by accession to the demands of those opposing either of SOUTHWEST GAS STORAGE or TGS when such course is inadvisable in the discretion of either of SOUTHWEST GAS STORAGE or TGS.

## **ARTICLE VIII**

### **REGULATION**

**8.1** This Agreement is subject to all valid laws, orders, rules and regulations of duly constituted governmental authorities having jurisdiction.

**8.2** Should any governmental agency having jurisdiction over the subject matter of this Agreement, or court of competent jurisdiction, take action that modifies this agreement or renders it partially or wholly unenforceable in a manner that has a material adverse effect on either Party, this Agreement shall either be amended to eliminate the basis for the Agreement being modified or rendered unenforceable or, in the case where such adverse impact cannot be mitigated by amendment, terminated. Notwithstanding any of the foregoing, and to reflect the seasonal nature of the service provided, including the required timing of deliveries and redeliveries hereunder, in the event this Agreement is terminated as a result of court or governmental action, this agreement will be subject to the following provisions. In the event such termination occurs before the end of the first full year of the Contract Term, TGS shall redeliver to SOUTHWEST GAS STORAGE any Inventory Quantity at a rate nominated by SOUTHWEST GAS STORAGE not to exceed the Maximum Daily Redelivery Quantity per day as defined in Article 1.3 hereof and in no event less than ratably over the remainder of the first full year of the Contract Term. All provisions of this Agreement applicable to the redelivery of gas hereunder, expressly including Article 2.1, shall remain in effect during the full first year of

the Contract Term. In the event such termination occurs after the end of the first full year of the Contract Term, TGS shall redeliver to SOUTHWEST GAS STORAGE any Inventory Quantity at a rate nominated by SOUTHWEST GAS STORAGE not to exceed the Maximum Daily Redelivery Quantity per day as defined in Article 1.3 hereof and in no event less than ratably over the remainder of the second full year of the Contract Term. All provisions of this Agreement applicable to the redelivery of gas hereunder, expressly including Article 2.1, shall remain in effect during the period ending on that date the Inventory Quantity is zero. To the extent any court or governmental action conflicts with the enforceability or operation of this Article 8.2, the parties shall meet promptly to mutually resolve any issues including the delivery or redelivery of any net gas owed from one party to the other and a mutually acceptable mechanism for keeping TGS whole for any compensation to which TGS would have received had the agreement remained in effect for the first full year of the Contract Term.

## **ARTICLE IX**

### **RESPONSIBILITY AND WARRANTY**

**9.1** TGS shall be deemed to be in control and possession of the Gas transported and/or stored hereunder only after the Gas is received at the Delivery Point, and before it is redelivered at the Redelivery Point. SOUTHWEST GAS STORAGE shall be deemed to be in control and possession at all other times. The Party deemed to be in control and possession of the Gas shall be responsible for and shall indemnify the other Party with respect to any loss of Gas, injuries to persons, including death, or destruction of property resulting from escape or explosion of Gas occurring while the Gas is in its possession.

**9.2** Each Party warrants that it has the right to deliver or redeliver all Gas delivered and redelivered hereunder and that such gas shall be free and clear of all liens, encumbrances and claims whatsoever, and that it will indemnify the other Party and save it harmless from suits, actions, debts, accounts, damages, costs, losses and expenses arising from or out of adverse claims of any and all persons to said Gas or royalties, taxes, license fees or charges thereon.

**ARTICLE X**  
**NOTICES**

**10.1** Unless otherwise provided herein, all communications from one Party to the other shall be sent by mail, overnight courier, electronic mail or facsimile transmission, and shall be effective upon receipt thereof. However, routine communications, including monthly statements, shall be considered as duly delivered when mailed by either registered or first-class mail or sent by overnight courier or facsimile transmission. Communications sent by first-class mail shall be considered received three days after deposit in the mail. All communications shall be addressed to:

**Contract Notices**

**Tenaska Gas Storage, LLC:**

Manager, Contract Compliance  
11718 Nicholas Street  
Omaha, NE 68154  
Phone: (402) 758-6266  
Fax: (402) 758-6250

**Southwest Gas Storage Company:**

5444 Westheimer  
Houston, Texas 77056-5306  
Attention: Manager, Contract Administration

- or -

P.O. Box 4967  
Houston, Texas 77210-4967  
Attention: Manager, Contract Administration

Telephone: 713-989-7636  
Fax: 713-989-1177

Operational Notices, Invoices, Statements and Nominations

Tenaska Gas Storage, LLC:

Director, Gas Scheduling  
11718 Nicholas Street  
Omaha, NE 68154  
Phone: (402) 758-6121  
Fax: (402) 758-6200

Southwest Gas Storage Company:

5444 Westheimer  
Houston, Texas 77056-5306  
Attention: Manager, Marketing Operations

- or -

P.O. Box 4967  
Houston, Texas 77210-4967  
Attention: Manager, Marketing Operations

Telephone: 713-989-7581  
Fax: 713-989-1121

**ARTICLE XI**

**NON-WAIVER OF FUTURE DEFAULTS**

**11.1** No waiver by either Party of any one or more defaults by the other in the performance of any provision of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

**ARTICLE XII**

**TRANSFER AND ASSIGNMENT**

**12.1** Any company that shall succeed by purchase merger or consolidation to either Party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Agreement. No assignment of this Agreement or of any rights or obligations hereunder shall be made by either Party without the prior written consent of the other



Party, which shall not be unreasonably withheld. The provisions of this article shall not prevent either Party from pledging or mortgaging its rights hereunder as security for its indebtedness. This Agreement shall be binding upon and inure to the benefit of the respective successors and permitted assigns of the Parties hereto.

**ARTICLE XIII**  
**GOVERNING LAW AND JURISDICTION**

**13.1** This Agreement shall be governed by the laws of the State of Texas.

**ARTICLE XIV**  
**CREDIT SUPPORT**

**14.1** Each Party hereto shall, on or before the commencement of service hereunder, provide the other Party with a guarantee of its obligations hereunder in a form that is acceptable to the receiving Party in its discretion, reasonably exercised.

**ARTICLE XV**  
**INDEMNIFICATION**

**15.1** TGS shall indemnify, release, defend and hold harmless SOUTHWEST GAS STORAGE, its officers, directors, employees, agents, representatives, affiliates, subsidiaries, successors and assigns (collectively the "Southwest Gas Storage Indemnities") from and against any and all losses asserted against, resulting from, imposed upon or incurred by any of the Southwest Gas Storage Indemnities as a result of the breach of this agreement, negligence or willful misconduct of TGS.

**15.2** SOUTHWEST GAS STORAGE shall indemnify, release, defend and hold harmless TGS, its officers, directors, employees, agents, representatives, affiliates, subsidiaries, successors and assigns (collectively the "TGS Indemnities") from and against any and all losses asserted against, resulting from, imposed upon or incurred by any of the TGS Indemnities as a

result of the breach of this agreement, negligence or willful misconduct of SOUTHWEST GAS STORAGE.

**ARTICLE XVI**  
**ENTIRE AGREEMENT**

16.1 This Agreement constitutes the entire agreement between the Parties concerning the subject matter hereof. Any prior understandings, representations, promises, undertakings, agreements or inducements, whether written or oral, concerning the subject matter hereof not contained herein shall have no force and effect. This agreement may be modified or amended only by a writing duly executed by both Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers, as of the date first above written.

**TENASKA GAS STORAGE, LLC**

By: \_\_\_\_\_

Name: **JOHN OBERMILLER**  
Vice President Finance

Title: \_\_\_\_\_

**SOUTHWEST GAS STORAGE COMPANY**

By: \_\_\_\_\_

Name: **Robert O. Bond**

Title: **President and COO**

SOUTHWEST GAS STORAGE COMPANY  
FERC GAS TARIFF  
First Revised Volume No. 1

Sub Sixth Revised Sheet No. 147  
Superseding Fifth Revised Sheet No. 147

GENERAL TERMS AND CONDITIONS  
(Continued)

17. MISCELLANEOUS (Continued)

- 17.5 Southwest has adopted all of the Business Practices and Electronic Communication Standards which are incorporated in 18 CFR §284.12(a). In addition to the standards which are reflected in other provisions of this Tariff, the following NABSB standards, definitions and data sets are incorporated herein by reference.

Version 1.7, December 31, 2003, including errata, October 15, 2004 and April 1, 2005: 0.3.1 through 0.3.10, 1.2.1 through 1.2.3, 1.2.5, 1.2.8 through 1.2.19, 1.3.2(vi), 1.3.3, 1.3.4, 1.3.6, 1.3.13 through 1.3.18, 1.3.20 through 1.3.29, 1.3.31 through 1.3.33, 1.3.35 through 1.3.77, 1.3.79, 1.4.1 through 1.4.7, 2.2.1 through 2.2.5, 2.3.1 through 2.3.13, 2.3.15 through 2.3.23, 2.3.25, 2.3.27, 2.3.28 through 2.3.35, 2.3.51 through 2.3.64, 2.4.1 through 2.4.16, 3.3.1 through 3.3.8, 3.3.10 through 3.3.14, 3.3.16 through 3.3.26, 3.4.1 through 3.4.4, 4.2.2 through 4.2.20, 4.3.1 through 4.3.3, 4.3.5, 4.3.7 through 4.3.15, 4.3.17, 4.3.20, 4.3.24, 4.3.26 through 4.3.62, 4.3.64 through 4.3.76, 4.3.78 through 4.3.88, 5.2.1 through 5.2.3, 5.3.7, 5.3.12, 5.3.17 through 5.3.25, 5.3.27 through 5.3.60, 5.4.1 through 5.4.22 and standards contained in Recommendation R03035A regarding gas quality reporting (new Standards 4.3.89 through 4.3.92 and revised Standard 4.3.23) as well as standards included in 2004 Annual Plan Item 2 FERC Order 2004 and 2005 Annual Plan Item 8 (May 3, 2005) (Affiliate Order standards) which are revised Definition 4.2.1, revised Standards 4.3.16, 4.3.18, 4.3.22, 4.3.23, 4.3.25 and deleted Standards 4.3.6, 4.3.19, 4.3.21, and 4.3.63.

- 17.6 Southwest may, from time to time, enter into agreements with other interstate or intrastate pipeline companies for capacity (off-system capacity). In the event that Southwest acquires off-system capacity, Southwest will provide service to Shippers with the off-system capacity pursuant to Southwest's open access tariff and subject to Southwest's Commission-approved rates, as such tariff and rates may change from time to time. For purposes of transactions entered into subject to this Section 17.6, the "shipper must have title" requirement is waived.

Issued by: William W. Grygar  
Vice President  
Issued on: August 19, 2005

Effective: September 1, 2005

# **TENASKA GAS STORAGE, LLC**

**A Joint Venture Between Tenaska & AIG-FP**

11718 Nicholas Street, Omaha, NE 68154

## **INVOICE**

TO: PAN GAS STORAGE, LLC DBA SOUTHWEST GAS STORAGE COM  
5444 Westheimer  
Houston, TX 77056-5306

INVOICE DATE: 05/08/2007  
INVOICE DUE DATE: 05/25/2007  
INVOICE NUMBER: 200704-0181

ATTENTION: Manager, Marketing Operations

FAX NO: (713) 989-1191

ACTG CODES: CUR=CURRENT CHG., REV=REVERSAL, ADJ=ADJUSTMENT, PMT=PAYMENT, RES=RESERVATION

PROD	ACTG				\$/DTH		DTH	AMOUNT
MO	CODE	METERNO	PIPE	DESCRIPTION	(DRY)	CURRENCY	(DRY)	DUE
<b>CURRENT TRANSPORTATION TRANSACTIONS</b>								
Contract No: TGS-T-3779								
2007/04	RES	P9959	PEPL	DEMAND CHARGE	\$0.000000	\$US	0	\$1,015,000.00
TOTAL CURRENT TRANSPORTATION TRANSACTIONS:								0 \$1,015,000.00
TOTAL CURRENT TRANSACTIONS:								0 \$1,015,000.00

## **INVOICE SUMMARY**

Total Current Transactions: \$1,015,000.00  
Total Prior Period Transactions: \$0.00

**TOTAL AMOUNT DUE:** \$1,015,000.00

IF YOU DO NOT AGREE WITH THIS INVOICE, LETS RECONCILE NOW!  
CALL: Layna P. Gunderson (402) 758-6125 FAX: (402) 758-6253

### **PAYMENT BY ACH or WIRE**

First National Bank  
Account # 22658919  
ABA 1040-0001-6  
Omaha, NE

### **PAYMENT INFORMATION PER CONTRACT TERMS**

INTEREST SHALL ACCRUE ON UNPAID BALANCES AT THE PRIME RATE LISTED IN THE WALL STREET JOURNAL, PLUS 2%

**THANK YOU FOR YOUR BUSINESS**

# **TENASKA GAS STORAGE, LLC**

**A Joint Venture Between Tenaska & AIG-FP**

11718 Nicholas Street, Omaha, NE 68154

## **INVOICE**

TO: TENASKA GAS STORAGE, LLC DBA SOUTHWEST GAS STORAGE COM  
5444 Westheimer  
Houston, TX 77056-5306

INVOICE DATE: 06/08/2007  
INVOICE DUE DATE: 06/25/2007  
INVOICE NUMBER: 200705-0374

ATTENTION: Manager, Marketing Operations

FAX NO: (713) 989-1191

ACCT CODES: CUR-CURRENT CHG., REV-REVERSAL, ADJ-ADJUSTMENT, PMT-PAYMENT, RES-RESERVATION

PROD ACCT	MO	CODE	METER NO	PIPE	DESCRIPTION	\$/DTH (DRY)	CURRENCY	DTH (DRY)	AMOUNT DUE
<b>CURRENT TRANSPORTATION TRANSACTIONS</b>									
Contract No: TGS-T-3779									
200705-0374	06/08/07	09959	TEPL		DEMAND CHARGE	\$0.000000	\$US	0	\$1,015,000.00
<b>TOTAL CURRENT TRANSPORTATION TRANSACTIONS:</b>									0 \$1,015,000.00
<b>TOTAL CURRENT TRANSACTIONS:</b>									0 \$1,015,000.00

## **INVOICE SUMMARY**

Total Current Transactions: \$1,015,000.00  
Total Prior Period Transactions: \$0.00  
**TOTAL AMOUNT DUE: \$1,015,000.00** *not 6/11/07*

IF YOU DO NOT AGREE WITH THIS INVOICE, LETS RECONCILE NOW!  
CALL: Layna P. Gunderson (402) 758-6125 FAX: (402) 758-6253

PAYMENT INFORMATION PER CONTRACT TERMS

PAYMENT BY ACH or WIRE

First National Bank  
ACCOUNT # 22658919  
ABA 1040-0001-6  
SWIFT: FNBNUS33

INTEREST SHALL ACCRUE ON UNPAID BALANCES AT THE PRIME RATE LISTED IN THE WALL STREET JOURNAL, PLUS 2%

**THANK YOU FOR YOUR BUSINESS**

# **SOUTHWEST GAS STORAGE COMPANY**

## **REQUEST FOR PROPOSAL (RFP #100001)**

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### **REQUEST FOR PROPOSAL**

Southwest Gas Storage Company (Southwest Gas) solicits binding proposal(s) from all Bidders interested in providing up to 6,500,000 Dth of natural gas storage services to Southwest Gas with injection and withdrawal points located on Panhandle Eastern Pipe Line Company, LP (Panhandle). Alternatively, Southwest Gas may also accept proposals with injection and withdrawal points located on Trunkline Gas Company, LLC (Trunkline).

Proposals are due no later than 5:00 pm CCT on Friday, February 9, 2007. Bidders will be notified within 5 business days of the status of their proposal.

### **SERVICE REQUIREMENTS**

Nature of Service: Firm Storage  
Term: April 1, 2007 - March 31, 2009  
Storage Quantity: 6,500,000 Dth  
Injection Quantity: 32,500 Dth/d (April - October)  
Withdrawal Quantity: 65,000 Dth/d (November - March)

Proposed injection and withdrawal points must be located on either Panhandle or Trunkline and may be either a physical meter or pooling point. Adequate firm capacity must be available at physical meter locations.

### **PROPOSAL REQUIREMENTS**

In order for Southwest Gas to evaluate the proposals and reliability of the storage services offered, Bidders should include the following information:

- ♦ Full description of the storage service and associated rights, including but not limited to:
  - Storage Quantity
  - Injection Quantity
  - Withdrawal Quantity
  - Out of Season Injection / Withdrawal Rights
  - Overrun Rights
  - Injection / Withdrawal Ratchets (if applicable)
- ♦ Description of the applicable rate structure, including but not limited to:
  - Reservation Charge(s)
  - Injection Charge

Withdrawal Charge  
Overrun Charges  
Out of Season Injection / Withdrawal Charges (if applicable)  
Applicable Surcharges  
Injection Fuel  
Withdrawal Fuel  
Any other applicable charges

- ♦ List of primary and secondary injection and withdrawal points
- ♦ Credit requirements.
- ♦ Copy of related tariff sheets (if applicable)

### **OTHER**

Bidders may propose storage services in quantities less than the full 6,500,000 Dth. The minimum quantity accepted will be 1,000,000 Dth with increments of 500,000 Dth. Injection and withdrawal quantities will be reduced proportionately.

Southwest Gas reserves the right to meet its firm storage requirements with one or multiple proposals. Proposals may be subject to proration.

Proposals are binding.

### **EVALUATION AND AWARDING OF PROPOSALS**

Southwest Gas reserves the right to reject any and all proposals, or to accept nonconforming proposals in a not unduly discriminatory manner. Evaluation will consider cost as well as Southwest Gas' operational requirements.

### **CONTACT INFORMATION**

Please direct questions and proposals to:

Keith Riebe  
Southwest Gas Storage Company  
5444 Westheimer Road  
Houston, Texas 77056-5306  
Office: (713) 989-7696  
Fax: (713) 989-1177  
E-mail: [keith.riebe@sug.com](mailto:keith.riebe@sug.com)

**Contains  
Privileged Information  
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**SOUTHWEST GAS STORAGE  
Request for Proposals (RFP #100001)  
Evaluation Summary**

**February 14, 2007**

**PROTECTED MATERIALS**

Bidder	MSQ	MDIW	MDWQ	Injection Fuel Consumed	Withdrawal Fuel Consumed	Primary Inj Pt	Primary War Pt	Storage Resrv. Charge	Storage & T-Port Resrv.	Storage & T-Port Commod.	Storage & T-Port Fuel	Total Expense
HPL	6,500,000	32,500 Apr-Oct	65,000 Nov-Mar	1.75%	\$0.02	1.00%	\$0.18					
						WLA	Kountze	\$1.74	\$2,476	+\$0.255	+\$0.725	-\$3,456
MichCon	3,000,000	15,000 Apr-Oct	30,000 Nov-Mar	1.42%	\$0.00	0.00%	\$0.00					
						MichCon / Gas City / Union	MichCon / ANR Defiance	\$2.27	\$2,729	+\$0.056	+\$0.705	-\$3,490
Proliance*	1,500,000	7500 yr2 Apr-Oct	15,000 Nov-Mar	1.00%	\$0.01	0.00%	\$0.01					
						Liberty	Liberty	\$2.31	\$3,313	+\$0.094	+\$0.644	-\$4,051
						Term = Jan07 - Mar09; Storage Reservation Charge represents the proposed reservation charge of \$2.57 over the term of the agreement (22 months) annualized over 24 months.						
Bluewater	3,000,000	15,000 Apr-Oct	30,000 Nov-Mar	1.45%	\$0.016	0.00%	\$0.00					
						TBD	TBD	\$1.00				
						Does not include third party transportation between PEPL and Bluewater						
Tenaska	6,500,000	32,500 Apr-Oct	65,000 Nov-Mar	2.00%	\$0.025	1.00%	\$0.025					
						ANR Defiance	ANR Defiance					
						First 2 Bcf	First 2 Bcf	\$1.95	\$2,412	+\$0.107	+\$0.845	-\$3,364
						Second 2 Bcf	Second 2 Bcf	\$2.25	\$2,712	+\$0.107	+\$0.845	-\$3,664
						Above 4 Bcf	Above 4 Bcf	\$2.50	\$2,962	+\$0.107	+\$0.845	-\$3,914
Tenaska PEPL	2,000,000	10,000 Apr-Oct	20,000 Nov-Mar	2.00%	\$0.025	1.00%	\$0.025					
						Midwestern Scotland	Midwestern Scotland	\$1.95	\$2,347	+\$0.095	+\$0.667	-\$3,109
Tenaska PEPL	6,500,000	32,500 Apr-Oct	65,000 Nov-Mar	2.00%	\$0.025	1.00%	\$0.025					
						ANR Defiance	ANR Defiance	\$2.10	\$2,562	+\$0.107	+\$0.845	-\$3,514
Tenaska PEPL*	2,000,000	10,000 Apr-Oct	20,000 Nov-Mar	2.00%	\$0.025	1.00%	\$0.025					
						Midwestern Scotland	Midwestern Scotland	\$2.10	\$2,497	+\$0.095	+\$0.667	-\$3,259
						*Service must be contracted as part of the larger 6,500,000 dth proposal						
Tenaska TGC	1,000,000	5,000 Apr-Oct	10,000 Nov-Mar	2.80%	\$0.080	2.00%	\$0.080					
						Henry Hub	TGT Kinder	\$2.35	\$3,255	+\$0.235	+\$0.974	-\$4,464
Nexen PEPL	1,000,000	5,000 Apr-Oct	10,000 Nov-Mar	1.50%	\$0.000	0.00%	\$0.000					
						MichCon	MichCon	\$1.56	\$2,019	+\$0.037	+\$0.711	-\$2,787
Nexen TGC	1,000,000	5,000 Apr-Oct	10,000 Nov-Mar	1.50%	\$0.000	0.00%	\$0.000					
						ELA	ELA	\$1.77	\$2,678	+\$0.075	+\$0.685	-\$3,438



**SOUTHWEST GAS STORAGE COMPANY**

**Historical Changes in Gas Plant In Service  
Plant Utility Account 352.30  
Non-recoverable Natural Gas**

<b>Line No.</b>	<b>In Service Year (a)</b>	<b>Amount (b)</b>
1	1963	\$ 541,843
2	1964	118,819
3	1965	101,649
4	1966	148,529
5	1967	132,561
6	1968	147,183
7	1969	137,242
8	1970	783,619
9	1971	503,275
10	1972	438,519
11	1973	79,978
12	1975	73,890
13	1976	239,231
14	1977	834,756
15	1978	300,104
16	1979	466,089
17	1980	90,068
18	1981	88,177
19	1982	1,359,844
20	1983	(3,187)
21	1984	22,931
22	1991	2,156,687
23	1994	470
24	Total	<u>\$ 8,762,277</u>

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Panhandle Eastern Pipe Line ) Docket No. RP91-229-000  
Company )

TRIAL STIPULATION

To: The Honorable Michel Levant,  
Presiding Administrative Law Judge;

In accordance with the provisions of Rule 508(e) of the Commission's Rules of Practice and Procedure, Panhandle Eastern Pipe Line Company (Panhandle) and the Commission's staff (Staff) hereby stipulate with respect to the amount of Waverly Field storage gas to be reclassified from non-current to non-recoverable in this proceeding and with respect to the amount of cyclable gas in Panhandle's Waverly Storage Field, as detailed hereinbelow. Panhandle and Staff stipulate as follows:

1. In this proceeding, Panhandle proposed to reclassify 15.566 Bcf or \$3,078,195 of Waverly Field storage gas from Account No. 117 (Gas Stored Underground: Non-current) to Account No. 352.3 (Non-recoverable Natural Gas). See Exhibit No. \_\_\_\_ (MSK-1), page 4, lines 21 and 22; Exhibit No. \_\_\_\_ (MSK-2), page 16, line 7, page 17, line 3 and page 23. Staff recommended the reclassification of 6.231 Bcf or \$1,144,094 of such storage gas from Account No. 117 to Account No. 352.3. See Exhibit No. \_\_\_\_ (CN-1), page 6, line 26 through page 19, line 12 and page 19 lines 20-23; Exhibit No. \_\_\_\_ (CN-2). Staff reflected that recommendation in its proposed cost of service. Exhibit No. \_\_\_\_ (FTS-1), page 6, line 22 through page 7, line 2.

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COMMISSION

Panhandle also proposed that 5,638,270 Mcf or \$4,952,870 of Waverly Field storage gas be reclassified from Account No. 164 (Gas Stored Underground - Current) to Account No. 117 (Gas Stored Underground - Non-current). Exhibit No. \_\_\_\_ (MSK-1), page 4, lines 21-22; Exhibit No. \_\_\_\_ (MSK-2), page 17, line 3 and page 23; Exhibit No. \_\_\_\_ (GTT-1), page 6, line 3 through Page 7, line 3; Exhibit No. \_\_\_\_ (GTT-4), page 8. Staff recommended that this latter reclassification not be permitted and, instead, that the amount be included as cyclable capacity in the Waverly Storage Field. Exhibit No. \_\_\_\_ (CN-1), page 4, line 23 through page 6, line 25 page 19, lines 14-19. No other party submitted prefiled evidence with respect to these matters. Panhandle has not yet submitted rebuttal evidence with respect to these matters.

2. On July 20, 1993, at a public conference convened for such purpose, Panhandle provided Staff with additional data and information respecting these matters.

3. Panhandle and Staff stipulate that:

(a) 11.1 Bcf, \$2,156,687 of Waverly Field storage gas shall be reclassified from Account No. 117 to Account No. 352.3, as non-recoverable in this proceeding;

(b) 5,638,270 Mcf, \$4,952,870, of Waverly Field storage gas shall be reclassified from Account No. 164 to Account No. 117, as non-current; and

(c) The foregoing factors shall be used for all purposes in determining the rate base, accumulated reserve for depreciation and cost of service in this proceeding, without prejudice to the reconsideration of the matters so determined in proceedings affecting rates for periods after the rates in this proceeding were superseded.

4. This stipulation is made to simplify these proceedings and to relieve Panhandle of the burden of submitting rebuttal testimony respecting these matters, in light of the informal exchange of data and other information between Panhandle and Staff at the conference described in Paragraph 2.

5. Accordingly, in the event the Presiding Administrative Law Judge or the Commission, in formulating their decisions with respect to the rates of Panhandle in this proceeding, shall not utilize the matters specified in Paragraph 3 hereof, Panhandle shall be provided with the opportunity to submit such rebuttal evidence and all participants shall be accorded the right to a full evidentiary hearing with respect to the matters comprehended by this stipulation, including the right to conduct cross-examination with respect thereto and otherwise to pursue a fully litigated conclusion of the matters comprehended hereby.

Seen and agreed this 15th day of November, 1993.

/s/ J. Carmen Gastilo  
J. Carmen Gastilo  
Federal Energy Regulatory  
Commission  
Office of the General Counsel  
825 North Capitol Street, N.E.  
Washington, D.C. 20426  
(202) 208-2182

On Behalf of the Staff of  
the Federal Energy Regulatory  
Commission

/s/ Brian D. O'Neill  
Brian D. O'Neill  
LeBoeuf, Lamb, Leiby & MacRae  
1875 Connecticut Avenue, N.W.  
Washington D.C. 20009  
(202) 986-8000

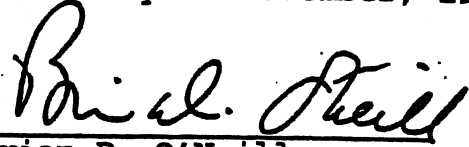
Merlin E. Remmenga  
John R. McDermott  
Panhandle Eastern Pipe Line  
Company  
Post Office Box 1642  
Houston, Texas 77251-1642  
(713) 627-5400

On behalf of Panhandle Eastern  
Pipe Line Company

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person who is designated on the official service list compiled by the Secretary in these proceedings in accordance with the requirements of Rule 2010 of the Rules of Practice and Procedure.

Dated at Washington, D.C. this 15th day of November, 1993.



Brian D. O'Neill  
LeBoeuf, Lamb, Leiby & MacRae  
1875 Connecticut Avenue, N.W.  
Washington D.C. 20009  
(202) 986-80002

SOUTHWEST GAS STORAGE COMPANY

Cost of Base Gas Purchased 1/

<u>Line No.</u>	<u>Description</u>	<u>Detail (a)</u>	<u>Amount (b)</u>
1	Base Gas - Volumes (Dt)	3,000,000	
2	Purchase Price 2/	<u>\$ 7.512</u>	
3	Total		<u>\$ 22,536,000</u>

1/ As reflected in Docket No. CP07-69-000 filed with the Commission on January 26, 2007.

2/ Reflects purchase by Southwest of 3,000,000 Dt of additional Base Gas - Recoverable at \$7.512. The price is based on natural gas futures price on January 23, 2007 for April 2007 delivery.