

SCHEDULE NO. ST-1/NT-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS

1. AVAILABILITY

This schedule is available to any customer for transportation of natural gas by the Company from any existing interconnection between the Company and its upstream pipeline transporters, herein called Receipt Point to the Delivery Point(s) on the Company's system under the following conditions:

- 1.1 The Company has available capacity to render the requested service without construction of any additional facilities, except as provided by Section 8 hereof;
- 1.2 This transportation schedule is available for use by customers that qualify for service according to either (a), (b), (c) or (d) below:
 - a. Except for customers otherwise served under Schedule Nos. SG-AC/NG-AC, SG-WP/NG-WP, or SG-CNG/NG-CNG, the transportation quantity shall average, on an annual basis, not less than 500 therms per day at one of the customer's premises.
 - b. Projected transportation quantities for customers otherwise served under Schedule No. SG-CNG/NG-CNG shall not be less than 50,000 therms annually at one of the customer's premises.
 - c. Projected transportation quantities for seasonal customers otherwise served under Schedule Nos. SG-AC/NG-AC or SG-WP/NG-WP shall not be less than 500 therms per day at one of the customer's premises during the months of May through October.
 - d. Customers with multiple meters from the same class of service at a single premise, including subcategories of general service, may combine such meters to meet the minimum volume requirements specified in (a), (b) or (c) above to qualify for transportation service.

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SCHEDULE NO. ST-1/NT-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

1. AVAILABILITY (Continued)

- 1.3 The customer and the Company have executed a service agreement for service under this schedule. A single service agreement may provide for service to any or all of the customer's separate premises, provided that all of the premises are under common ownership. Each premise must individually qualify for transportation service.
- 1.4 Service Election. Existing transportation customers are required to notify the Company if they desire to elect sales service. The election must be submitted to the Company no later than April 1 of each year for a period of no less than eighteen (18) months commencing the following November 1. New customers or customers adding new equipment or end uses may begin service as a transportation or sales customer at any time, subject to meeting the conditions set forth in Sections 1.1 and 1.2, but subsequently will be subject to the conditions set forth in this section herein.

2. APPLICABILITY AND CHARACTER OF SERVICE

This schedule shall apply to gas transported by the Company for the customer pursuant to the executed service agreement.

- 2.1 The basic transportation service rendered under this schedule shall consist of:
- a. The receipt by the Company for the account of the customer of the customer's gas at the Receipt Point(s);
 - b. The transportation of gas through the Company's system for the account of the customer; and
 - c. The delivery of gas after transportation by the Company for the account of the customer at the Delivery Point(s).

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
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2. APPLICABILITY AND CHARACTER OF SERVICE (Continued)

- 2.2 The Company may curtail or interrupt service as defined by Section 5 of this schedule or by Rule No. 8 of this Nevada Gas Tariff. In the event of curtailment or interruption, the Company shall provide service as follows:
- a. The Company shall provide the customer with as much advance notice as is practical of any curtailment or interruption of service;
 - b. The Company may, to the extent feasible, continue to receive the customer's gas at the Receipt Point(s) on a scheduled basis during the period of curtailment or interruption and shall, to the extent feasible, redeliver such gas at the Delivery Point(s). For the period of curtailment or interruption, the Company may waive any payments that may otherwise be due pursuant to Section 7 hereof.

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2. APPLICABILITY AND CHARACTER OF SERVICE (Continued)

2.2 (Continued)

c. Alternate fuel capable customers with an average annual usage of greater than 1,000 therms per day served under this schedule may be asked by the Company to voluntarily switch to their alternate fuel source. In the event that the Company requests that any such customer served hereunder switch to its alternate fuel source in order to continue service to a lower priority (numerically higher priority number) customer, the Company shall credit to such customer (1) the cost of any gas diverted for use by lower priority customers, and (2) the incremental cost of the alternate fuel, i.e., the difference between the actual cost of using the alternate fuel and the actual cost of natural gas purchased by the customer for transportation under this schedule. Such credit shall be applied to the Company's next scheduled billing after customer has furnished adequate proof to the Company concerning replacement volumes and incremental costs. The Company reserves the right to verify alternate fuel consumption and cost and to quantify the associated reduction in deliveries of natural gas for the period requested by the Company. This provision shall not apply when higher priority (numerically lower priority number) customers are being curtailed or when curtailment volumes exceed the aggregate volumes displaced by alternate fuel under this provision.

2.3 Gas transported under this schedule shall be for use only by the customer, except for customers who would otherwise be served under Schedule No. SG-CNG/NG-CNG. Service under the provisions of this schedule shall not constitute the dedication of the Company's pipeline system or any portion thereof to the customer.

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3. RATES

- 3.1 The customer shall pay the Company monthly the sum of the following charges.
- a. Basic Service Charge. The basic service charge as set forth in the Statement of Rates of this Nevada Gas Tariff, for each meter included in the transportation service agreement.
 - b. Volumetric Charges. The margin component of the commodity charge per therm as set forth in the Statement of Rates of this Nevada Gas Tariff for each meter included in the transportation service agreement, plus an amount for distribution system shrinkage as defined in Rule No. 1 and set forth in the Statement of Rates of this Nevada Gas Tariff. The amount collected for distribution system shrinkage shall be recorded in the Deferred Energy Account.
 - c. Demand Charge. The monthly demand charge, if applicable, shall be the product of the demand charge rate set forth on the Statement of Rates of this Nevada Gas Tariff, multiplied by the customer's billing determinant. The billing determinant shall be equal to the customer's highest monthly throughput during the most recent twelve (12) month period, ending prior to the current billing period. For new customers, the initial billing determinant shall be calculated by multiplying the customer's estimated average daily use by thirty (30) days.
 - d. Transportation Service Charge. A monthly charge per individually qualifying premise as set forth in the Statement of Rates of this Nevada Gas Tariff.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

3. RATES (Continued)

3.1 (Continued)

- e. Deferred Energy Account Adjustment. For customers converting from sales service in accordance with Section 1.4 hereof an additional amount equal to the currently effective Deferred Energy Account Adjustment will be assessed for a period of twelve (12) months.
- f. Any applicable imbalance charges as specified in Section 7 hereof.
- g. Anti-Bypass Rate Adjustment. The Company may adjust from time to time the applicable unit transportation rates to customers whose requirements may be served by other natural gas pipelines provided, however, that such adjusted rates shall not exceed the applicable charges as specified in Section 3.1 hereof. As a condition precedent to qualifying for an Anti-Bypass Rate Adjustment, the customer must establish, to the Company's satisfaction, that bypass is economically, operationally and physically feasible and imminent. This demonstration of eligibility shall include engineering studies, cost estimates, economic feasibility analyses, the ability to obtain all necessary right-of-way and the ability to obtain upstream transportation capacity sufficient to supply the customer's requirements. When the Company adjusts rates from the maximum applicable rate to avert customer bypass, the margin components set forth in (b) and/or (c) above will be reduced. In addition, prior to initiating service under this provision, the Company shall file the executed service agreement and supporting economic studies with the Commission.

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(Continued)

3. RATES (Continued)

3.1 (Continued)

h. Alternate Fuel Capability Rate Adjustment. The Company may adjust from time to time the applicable unit transportation rates to customers whose requirements may be served by alternate fuels. As a condition precedent to qualifying for an Alternate Fuel Capability Rate Adjustment, the customer must have and maintain adequate alternate fuel standby facilities of equivalent capacity to those natural gas facilities served hereunder. These facilities are subject to the Company's inspection and verification of operating capacity and capability. When the Company adjusts rates from the maximum applicable rate to alternate fuel capable customers, the margin component set forth in (b) and/or (c) above will be reduced.

In addition to the basic service charge, transportation service charge, demand charge, volumetric charges and any applicable imbalance charges pursuant to Section 7 herein, the Company shall include as a surcharge on the customer's bill any charges from upstream pipeline transporters or suppliers which have been incurred by the Company because of the transportation service rendered for the customer under this schedule.

3.2 Any transportation customer being served under this schedule may elect to switch to sales service in accordance with Section 1.4 under either Schedule No. SG-AS/NG-AS or their otherwise applicable gas sales schedule.

3.3 Excluding imbalance charges, all rates and charges described herein shall apply by meter to each meter reflected in the customer's service agreement.

3.4 The charges specified for this schedule are subject to adjustment for the applicable proportionate part of any taxes, assessments or governmental impositions assessed on the Company.

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(Continued)

4. MINIMUM CHARGE

The minimum charge per month is the basic service charge, the transportation service charge and the demand charge, if applicable.

5. FORCE MAJEURE

5.1. Relief From Liability. Neither party shall be liable in damages to the other on account of "force majeure" occasioned by any act, omission or circumstances occasioned by or in consequence of any act of God, strikes, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, depletion of or temporary failure of gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or not, and not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to settle or prevent any strikes or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

5.2. Liabilities Not Relieved. Neither the customer nor the Company shall be relieved from liability in the event of its concurring negligence or failure on its part to use due diligence to remedy the force majeure and remove the cause with all reasonable dispatch, nor shall such causes or contingencies affecting performance of any agreement relieve either party from its obligations to make payments when due in respect of gas theretofore delivered.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES

6.1. Nominating and Scheduling of Gas Receipts and Deliveries: For nominations made directly to the upstream interstate pipelines, North American Energy Standards Board (NAESB) guidelines will be followed regarding nominating, confirming and scheduling gas receipts and deliveries as they may be revised by the Federal Energy Regulatory Commission (FERC) from time to time. The customer shall be responsible for contacting the upstream interstate pipeline(s) to arrange for the nominating and scheduling of receipts and deliveries. However, the customer may designate one party to serve as its Agent for such purpose. The Company and upstream interstate pipeline(s) require that specific information be provided to successfully process each nomination. It is the customer's or their Agent's responsibility to satisfy the pipeline's information requirements.

For nominations made to the Company, the customer or Agent must provide their nomination(s) to the Company via facsimile or other Company approved method no later than the nomination deadlines set forth below:

Cycle 1 (Timely Nominations)	8:00 a.m. Pacific Clock Time on the day prior to flow.
Cycle 2 (Evening Nominations)	2:30 p.m. Pacific Clock Time on the day prior to flow.
Cycle 3 (Intraday Nominations)	6:30 a.m. Pacific Clock Time on the flow day.
Cycle 4 (Intraday Nominations)	1:30 p.m. Pacific Clock Time on the flow day.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES (Continued)

6.1. Nominating and Scheduling of Gas Receipts and Deliveries (Continued)

- (a) Customers or their Agents may submit Nominations for multiple days (Standing Nominations), provided such Nominations are within the term of the customer's transportation service agreement. The Company will confirm whether it has sufficient operational capacity to deliver all or a portion of the customer's gas.
- (b) Nominations received after a deadline will be processed for the following cycle with the exception that late Cycle 4 Nominations will not be processed. The Company will confirm the volumes nominated for Cycle 1 (Timely Nominations) through all four cycles, regardless of upstream cuts in scheduled quantities, unless the Company receives a revised Nomination from the responsible party for any subsequent cycle.
- (c) Intraday Nominations will replace existing Standing Nominations only for the duration of the flow day requested.
- (d) Balancing quantities nominated under the provisions of Section 6.9 herein must be separately identified in the Nomination. The Company shall determine and notify the customer if there is sufficient operating flexibility to schedule such quantities. The Company will only accept balancing quantities for Cycle 1 Nominations.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES (Continued)

6.1. Nominating and Scheduling of Gas Receipts and Deliveries (Continued)

(e) Nominations for multiple customers must specify the quantity of gas to be scheduled at each of the Company's receipt points with its upstream interstate pipeline(s). The customer or Agent must specify, prior to the flow day, the method to be used by the Company for allocating imbalances among individual customers. If the allocation method is not specified prior to the flow day, the Company will allocate any imbalances pro rata from the Cycle 1 Nomination.

6.2 Limitation Upon the Company's Daily Transportation Obligations. Customer shall cause deliveries into the Company's system of volumes to be transported hereunder to be made at approximately a uniform daily rate. On any operating day, the Company may refuse to accept quantities of gas that result in fluctuations in excess of twenty percent (20%) percent from the volumes transported during the previous operating day. Fluctuations in excess of twenty percent (20%) shall only be allowed if prior approval has been obtained from the Company's dispatcher.

6.3 Records of Scheduled Quantities

- a. The Company shall keep accurate records of the quantities of gas scheduled for transportation and any imbalances, which records shall be made available to the customer at its request. If the customer's gas is commingled with other gas at the Receipt Point(s) or at the Delivery Point(s), the scheduling arrangements and the Company's records shall include procedures for the division of the total quantity at such points.
- b. On any day when a customer's metered quantity differs from the sum of the customer's scheduled transportation quantity and approved imbalance adjustment, the difference shall be balanced subject to Sections 6.9 and 7 herein.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES (Continued)

- 6.4 Arrangements Prior to Receipt and After Delivery. It shall be the customer's obligation to make arrangements with other parties for delivery of gas into the Company's system at the Receipt Point(s) and for receipt of gas after transportation to the Delivery Point(s). The customer shall be obligated in such arrangements to require dispatching and operating coordination by such other parties with the Company and access to appropriate charts and records. Such arrangements must be satisfactory to the Company.
- 6.5 Operating Information and Estimates. Upon request of the Company, the customer shall from time to time submit its best estimates of the daily, monthly and annual volumes of gas to be transported, including peak day requirements, together with such other operating data as the Company may require in order to schedule its operations.
- 6.6 Quantities. All quantities referred to in Section 6 shall be provided as MMBtus (one million British Thermal Units).
- 6.7 Deliverability. The Company shall not be liable for its failure to deliver gas when such failure to deliver gas shall be due to unavailability of gas supply or interruption of third party transportation services.
- 6.8 Processing Requests for Transportation Service. Requests for transportation hereunder shall be made by and shall be deemed to be complete upon the customer providing the following information to the Company:
- a. Gas Quantities. The Maximum Daily Quantity applicable to the Receipt Point(s) and the maximum quantity per day applicable to each Delivery Point and estimated total quantities to be received and transported over the delivery period should be stated individually in both Mcfs and MMBtus for each Receipt Point and each point of delivery.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES (Continued)

6.8 Processing Requests for Transportation Service (Continued)

b. Delivery Point(s). Point(s) of delivery by the Company to the customer.

c. Term of Service.

(1) Date service requested to commence; and

(2) Date service requested to terminate.

d. Performance. A letter from the customer certifying that the customer has entered into or will enter into those arrangements necessary to assure all upstream transportation will be in place prior to the commencement of service under a service agreement. The customer's agent, if any, must be named.

Upon receipt of all of the information specified above, the Company shall prepare and tender to the customer for execution a service agreement in the form contained in this Nevada Gas Tariff. If the customer fails to execute the service agreement within thirty (30) days of the date tendered, the customer's request shall be deemed null and void.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES (Continued)

6.9 Balancing (Continued)

a. Daily Balancing (Continued)

Customers that receive gas through multiple meters may aggregate individually-metered quantities for purposes of making daily imbalance determinations. For customer meters without telemetry, the daily metered quantity shall be deemed to be the average daily quantity for that billing period.

b. Monthly Balancing

Customers are provided a monthly operating window under which the customer's cumulative imbalances must be within plus or minus five percent ($\pm 5\%$) of the month's total of daily net scheduled transportation quantities, including any Company-approved imbalance adjustment quantity, or 1,500 therms, whichever is greater.

c. Operational Flow Order (OFO)

The sole purpose of an OFO is to protect system integrity or manage upstream resources. The following conditions shall apply to the issuance of OFOs:

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(Continued)

6. OPERATING PROCEDURES *(Continued)*

6.9 Balancing *(Continued)*

c. Operational Flow Order (OFO) *(Continued)*

1. The Company will issue and implement an OFO as soon as possible before 7:30 a.m. on the day prior to the day of gas flow, however, the Company reserves the right to issue and/or modify an OFO at any time. Notice to customers of an OFO event, and/or changes during the OFO will be provided electronically or by other means mutually acceptable to the Company and the Customer. The notice will contain, at a minimum, (1) the starting time of the OFO, (2) the OFO Stage from Section 6.9.c.3., (3) the anticipated OFO duration, (4) the extent of the OFO (systemwide, local, or customer specific), (5) the reason(s) for the OFO and (6) if not readily available through other Company sources, the prior day's Btu conversion factor. A specific OFO may not last longer than three (3) days. If at the end of three (3) days the conditions requiring the OFO still exist, a new OFO will be issued.

2. If an OFO is issued or modified during the gas day, the Company will make a good faith effort to notify customers at least one hour prior to the Cycle 3 and Cycle 4 Intraday Nomination deadline set forth in Section 6.1. When an OFO is issued, or modified during the gas day, the daily imbalance window will be prorated based on the number of hours each imbalance Tolerance Band was effective during the day.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

6.9 Balancing *(Continued)*

c. Operational Flow Order (OFO) *(Continued)*

3. While an OFO is in effect, customers' daily imbalances must be within the Tolerance Bands specified below (or as prorated per Section 6.9.c.2. above) or be subject to applicable Noncompliance Charge(s).

<u>Tolerance Band</u> <u>(the Greater of)</u>	<u>Noncompliance</u> <u>Charge per Therm</u> <u>in Excess of Tolerance</u>
Stage 1: +/- 20% or 10,000 Therms	\$0.05
Stage 2: +/- 10% or 300 Therms	\$0.25
Stage 3: +/- 0% or 0 Therms	\$1.50

Subject to restrictions defined in Section 6.9.c.3.i below, if the aggregate daily imbalances of all transportation customers who are (1) included in an OFO event declared under this Section 6.9.c and (2) subject to the payment of imbalance penalties under this Section 6.9.c.3 exceeds the applicable Tolerance Band (such excess is the Excess Imbalance Volumes), the Company's OFO Noncompliance Charge(s) will be assessed as follows. Individual transportation customer Excess Imbalance Volumes established during a Stage 1 and/or Stage 2 OFO will be subject to the Company's applicable Stage 1 and Stage 2 noncompliance charges. Individual transportation customer Excess Imbalance Volumes established during a Stage 3 OFO will be subject to the Company's Stage 3 noncompliance charge only when the Company is penalized by one or more of its upstream pipelines for imbalances established during the same day(s) the Company's Stage 3 OFOs were in effect. Otherwise such Stage 3 excess imbalance volumes will be subject to the Company's Stage 2 noncompliance charge.

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(Continued)

6. OPERATING PROCEDURES (Continued)

6.9 Balancing (Continued)

c. Operational Flow Order (OFO) (Continued)

3. (Continued)

Subject to restrictions defined in Section 6.9.c.3.i below, OFO Noncompliance charges will not be assessed if the aggregate daily imbalances of all transportation customers who are (1) included in an OFO event declared under this Section 6.9.c and (2) subject to the payment of imbalance penalties under this Section 6.9.c.3 are within the applicable Tolerance Band.

- i. When gas has been withdrawn from Paiute Pipeline Company's Liquefied Natural Gas (LNG) Facility during an OFO event for use by customers on the Company's system, transportation customers located downstream from the LNG facility will not be allowed to aggregate volumes with transportation customers located upstream from the LNG facility. In such case(s), daily imbalances for transportation customers located downstream and upstream from the LNG facility will be separately aggregated for purposes of determining whether the Company's OFO Noncompliance Charge(s) are applicable.

The Company will not assess any daily charges during an OFO event based on estimated daily usage for telemetered customers.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

6.9 Balancing *(Continued)*

c. Operational Flow Order (OFO) *(Continued)*

4. The Company shall not impose a penalty more than once on the same volumes of unauthorized deliveries, and whenever the Company imposes a penalty for unauthorized deliveries pursuant to Section 6.9.c.3, the Company shall not as well pass along any penalties associated with the same volumes of unauthorized deliveries which may be assessed on the Company by upstream pipelines.
5. Any charges for noncompliance collected under this provision shall be credited to Account No. 191, Unrecovered Purchased Gas Costs.

The Company will issue and implement an OFO in one direction only. In such case, the Company's normal daily balancing provisions, i.e. the greater of plus or minus twenty-five percent ($\pm 25\%$) or 35,000 therms, will apply in the opposite direction. The Company may issue a "Hold Burn to Scheduled Quantities" notice asking customers to match their burn to scheduled quantities prior to initiating an OFO event. Generally, an OFO event will begin with a Stage 1 notice; however, an OFO event, and associated noncompliance charge, may begin at any stage deemed necessary by the Company. The Company may subsequently evaluate the stage of the OFO, if necessary, to ensure system integrity or manage upstream resources subject to the same notification requirements set forth in Section 6.9.c.1. herein. The particular OFO Stage issued by the Company will depend upon the severity of

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6. OPERATING PROCEDURES (Continued)

6.9 Balancing (Continued)

c. Operational Flow Order (OFO) (Continued)

upstream and/or system operating conditions. The Company will only issue a Stage 3 OFO if it is in an imminent penalty situation with one or more of its upstream pipeline suppliers, or the continuous operations of its system are imperiled. The Company may subject a customer to an elevated OFO Stage if the customer has not complied with prior requests to balance daily supply and demand. The Company will only subject a customer to an elevated OFO Stage if, and for as long as, the customer fails to comply with the Company's OFO events.

6.10 Adjustments. Periodically, volume adjustments may be made by the upstream pipeline transporter or the customer's Supplier or Agent. In such instances, the daily quantities invoiced will be compared with the customer's daily scheduled transportation quantities.

Should adjustments to the customer's scheduled transportation quantities become necessary, such adjustments will be reflected in the month in which the quantities were actually scheduled for purposes of administering this schedule.

6.11 Customer's Default. The Company shall not be required to perform or continue service on behalf of any customer that fails to comply with the terms contained in this schedule and the terms of the customer's service agreement with the Company. The Company shall have the right to waive any one or more specific defaults by any customer under any provision of this schedule or the service agreement provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character.

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6. OPERATING PROCEDURES (Continued)

6.12 Customer's Creditworthiness. The Company shall not be required to perform or to continue service under this schedule on behalf of any customer who is or has become insolvent or who, at the Company's request, fails within a reasonable period to demonstrate creditworthiness; however, such customer may receive service under this schedule if the customer prepays for such service or furnishes good and sufficient security, as determined by the Company in its reasonable discretion, an amount equal to the cost of performing the service requested by the customer for a six (6) month period. For purposes of this schedule, the insolvency of a customer shall be evidenced by the filing by such customer or any parent entity thereof (hereinafter collectively referred to as the customer) of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the customer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the customer under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the customer or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of sixty (60) consecutive days.

6.13 Other Procedures. The Company reserves the right to impose, at any time, any reasonable operating conditions upon the transportation of the customer's gas which the Company, in its sole good faith judgment, deems necessary to maintain the safe and efficient operation of its distribution system or to make the operating terms and conditions of service hereunder compatible with those of the upstream pipeline(s).

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SCHEDULE NO. ST-1/NT-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE

The Company will provide an Imbalance Service for individual customers when their daily or monthly metered quantities differ from their respective net scheduled daily or monthly transportation quantities to the Company's system. The Imbalance Service provided hereunder has two components: (1) an Imbalance Trading Service for monthly imbalances; and (2) Payment for Excess Imbalances for both daily and monthly excess imbalances.

7.1 Monthly Imbalance Trading Service

The Imbalance Trading Service will be facilitated through the Company's approved electronic method. Customers taking service under this schedule may trade their imbalances with other customers served under Schedule No. ST-1/NT-1. The customer's cumulative monthly imbalances will be stated on an imbalance report provided separately from the monthly bill. The imbalance report will serve as notice of current imbalances. Imbalance trading is allowed for monthly imbalances only. No trades of daily imbalances will be allowed. Only those imbalances occurring in the same time period are eligible for trading.

- a. Beginning at 7:00 A.M. Pacific Clock Time on the tenth (10th) calendar day of the month following notification, customers may enter Company's approved electronic method to post available monthly imbalances. The trading period will end at 2:00 P.M. Pacific Clock Time on the twenty-fifth (25th) calendar day of the month. If the twenty-fifth (25th) falls on a weekend or holiday, the trade period will close the following business day.
- b. Trading of imbalance quantities is allowed within the customer's applicable monthly operating window, but not beyond a zero imbalance level.

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SCHEDULE NO. ST-1/NT-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

7.1 Monthly Imbalance Trading Service (Continued)

- c. Once customers have agreed on the terms of a trade, both parties must complete and send to the Company by facsimile, a copy of the Imbalance Trading Request Form (Form No. 879.0). The Company will then validate the trade and adjust the participants' accounts. The Imbalance Trading Request Form must be received by the Company by the close of the trading period as set forth in Section 7.1.a.. No confirmation of an imbalance trade will be made until signed (hard copy) forms are received via mail or facsimile from both parties. The Company will notify participants through the Company's approved electronic method or other notice once the trade is validated.
- d. After the imbalance trading period, excess imbalance charges (see Sections 7.2 and 7.3) will be applied to all imbalance quantities in excess of the applicable monthly operating window.
- e. Cumulative imbalances for customers with multiple meters under a single transportation service agreement will be determined by subtracting the customer's aggregated metered volume, including the effect of any adjustment for cycle billing, from the total volume scheduled under the customer's service agreement. Imbalances will be allocated between the customer's meters based on metered volumes, including the effect of any adjustment for cycle billing. Customers with multiple meters will not be allowed to trade imbalances based on individual meters or sales accounts.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

7.1 Monthly Imbalance Trading Service (Continued)

- f. The customer is solely responsible for contacting other transportation customers to explore opportunities for trading imbalances.
- (1) Southwest assesses its transportation volume charges based on the transportation billing quantities, adjusted for any volumes traded pursuant to this section.
- (2) It is the customer's sole responsibility to consider all gas supply, interstate and intrastate cost impacts when transacting imbalance trades.
- g. If, as the result of a billing error, metering error or adjustments of scheduled supply, a customer trades an incorrect imbalance quantity based on notification by the Company, the Company will not be liable for any financial losses or damages incurred by the customer nor will the Company be financially liable to any of the customer's imbalance trading partners. If, as a result of such error, the Company overbills the customer, the Company shall refund the difference without interest. If the Company underbills the customer, the customer shall be liable for the undercharge, including any associated excess imbalance charges. For purposes of determining imbalances and any applicable charges hereunder, the Company will include billing adjustments to the volume in prior periods as part of the current month's activity. Trades occurring in prior periods will not be affected by such billing adjustments.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

7.2 Payment for Excess Imbalances

Customers will be assessed imbalance charges if an imbalance exists in excess of applicable daily or monthly operating windows set forth in Section 6.9 hereof. Monthly imbalances will be adjusted to reflect imbalance trading activity before assessing any imbalance charges. The portion of any imbalance quantity established by a customer in excess of the applicable daily or monthly operating window is defined as an excess imbalance quantity. In addition to the charges payable under this schedule and the customer's otherwise applicable gas sales tariff schedule, any daily or monthly excess imbalance quantity shall be billed as follows:

a. Positive Excess Imbalance

Positive excess imbalances shall be retained by the Company and the excess imbalance eliminated after the customer's bill is credited with the lower of the following two gas costs for each term of the excess imbalance in addition to the customer's applicable transportation volume charge:

- (1) Fifty percent (50%) of the Imbalance Commodity Charge, which is defined as the total annualized test period commodity cost purchased by the Company for sales customers subject to the Annual Rate Adjustment plus applicable upstream pipeline volumetric charges, divided by the total volume of gas purchased by such customers over the same period. The rate is shown in Footnote 3 of the Statement of Rates of this Nevada Gas Tariff; or
- (2) The lowest incremental cost of gas, including the lowest incremental upstream interstate transportation charges, purchased by the Company during the same month.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

7.2 Payment for Excess Imbalances

b. Negative Excess Imbalance

Negative excess imbalances shall be eliminated after the customer is billed the higher of the following two gas costs for each therm of the excess imbalance in addition to the customer's applicable transportation volume charge:

- (1) One hundred-fifty percent (150%) of the sum of the Imbalance Commodity Charge and the Imbalance Reservation Charge. The Imbalance Commodity Charge is defined in Section 7.2 a. (1) herein. The Imbalance Reservation Charge is defined as the total annualized pipeline capacity and storage charges during the Annual Rate Adjustment test period, divided by the total volume of gas purchased by such customers over the same period. Both rates are shown in Footnote 3 of the Statement of Rates of this Nevada Gas Tariff; or
- (2) The highest incremental cost of gas, including the highest incremental upstream interstate transportation charges, purchased by the Company during the same month.

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(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

- 7.3 Subject to mitigation through imbalance trading, if a customer is assessed a monthly imbalance charge based on the Company's billing information that is later determined to be in error, the portion of the imbalance charge not assessable based on the corrected billing information shall be reversed on the customer's bill without interest. If a customer is not assessed a monthly imbalance charge based on the Company's billing information that is later determined to be in error, the customer shall be billed for any applicable imbalance charges determined to be assessable based on the revised billing information.
- 7.4 Should a customer elect to discontinue taking service under this schedule and change to a sales service schedule, the Company may allow, in its sole good faith judgment, any remaining imbalance within the applicable operating window to be cleared as follows:
- a. The Company shall credit the customer for any positive imbalance quantity at a price equal to the lowest incremental cost of gas purchased by the Company during the prior month for gas delivered to the applicable rate jurisdiction.
 - b. For any remaining negative imbalance quantity, the customer shall pay the Company for the imbalance quantity at the otherwise applicable gas sales tariff rate adjusted to exclude the Deferred Energy Account Adjustment.
 - c. The customer may trade any remaining imbalance pursuant to this section; however, if a customer does not enter into a trade for any remaining imbalance quantity, the Company will clear the remaining imbalance by utilizing (a) or (b) herein, as applicable.

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(Continued)

7. TRANSPORTATION IMBALANCE SERVICE (Continued)

7.5 Under no circumstances shall Sections 7.2 and 7.4 herein be considered as giving the customer any right to take excess imbalance quantities, nor shall Sections 7.2 and 7.4 or payment thereunder be considered as a substitute for any other remedy available to the Company against the offending customer for failure to respect its obligation to stay within the authorized quantities.

7.6 All gas cost imbalance charges received by the Company will be credited to Account No. 191, Unrecovered Purchased Gas Costs.

8. FACILITY ADDITIONS

Any facilities which must be installed by the Company to serve the customer will be constructed in accordance with the Rules included in this Nevada Gas Tariff. All customers, excluding customers whose average daily requirements are less than 1,000 therms, requesting transportation service are required to have telemetering equipment installed at the customer's expense for each meter location at which the customer desires to receive transportation service under this schedule. Whether the installation of telemetry equipment is required by the Company or elected by the customer, all customers shall be allowed to either install customer procured telemetry equipment consistent with reasonable design and construction specifications established by the Company or to have the Company install and bill the customer for the cost of such equipment. If the customer installs customer procured telemetry equipment, ownership of such equipment, once installed, shall be transferred to the Company, and thereafter, the Company shall be responsible for the maintenance of such equipment in the same manner in which the Company would otherwise be responsible had the Company installed the equipment itself.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

9. THIRD PARTY CHARGES

The customer shall reimburse the Company for any charges rendered or billed to the Company by any other upstream pipeline transporters, suppliers or gas gatherers, either before or after termination of the service agreement, which the Company, in its sole good faith opinion, determines have been incurred because of the transportation of customer's gas hereunder and should, therefore, appropriately be borne by the customer. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, standby charges or reservation fees, prepayments, applicable taxes, applicable fuel reimbursement, shrinkage, lost and unaccounted for volumes, G.R.I. surcharges, penalty charges and filing fees. The customer will reimburse the Company for all such charges incurred by the Company as rendered, irrespective of the actual quantities of natural gas delivered to the customer.

10. POSSESSION OF GAS AND RESPONSIBILITY

As between the Company and the customer, the customer shall be deemed to be in control and possession of the gas until it has been delivered to the Company for transportation at the Receipt Point(s). The Company shall thereupon be deemed to be in control and possession of the gas until the gas shall have been delivered to the customer at the Delivery Point(s), after which the customer shall be deemed to be in control and possession. The customer shall have no responsibility with respect to any gas after it has been delivered to the Company at the Receipt Point(s) on account of anything which may be done, happen or arise with respect to said gas, until said gas is delivered to the customer at the Delivery Point(s).

The Company shall have no responsibility with respect to said gas prior to its delivery to the Company at the Receipt Point(s) or after its delivery to the customer at the Delivery Point(s) as a result of anything which may be done, happen or arise with respect to said gas prior to such receipt or after such delivery.

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SCHEDULE NO. ST-1/NT-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

11. WARRANTY OF TITLE

The Company accepts the customer's gas at Receipt Point(s) subject to the understanding that the customer warrants that it will, at the time of delivery of gas to the Company for transportation, have good title to all gas so delivered to the Company free and clear of all liens, encumbrances and claims whatsoever; that it will at such time of delivery have the right to deliver such gas to the Company; and that it will indemnify the Company and hold the Company harmless from all adverse claims of any and all persons to such gas.

The Company warrants that, at the time of delivery of the transported gas to the customer at the Delivery Point(s), it will not have encumbered the gas in any manner whatsoever from the time the gas is accepted at the Receipt Point(s) until the gas is delivered to the customer at the Delivery Point(s).

12. MEASUREMENT BASE

Refer to Rule No. 2 of this Nevada Gas Tariff.

13. HEAT CONTENT

Refer to Rule No. 2 of this Nevada Gas Tariff.

14. BILLING AND PAYMENT

14.1 Billing. The Company shall render a bill to the customer on or before the tenth (10th) day of each month for all service rendered to the customer during the preceding calendar month.

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TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

14. BILLING AND PAYMENT (Continued)

14.2 Payment. On or before the twenty-fifth (25th) day of each month, the customer shall pay the Company for the service rendered hereunder during the preceding month as billed by the Company. Such payment shall be made in immediately-available funds on or before the due date to a depository designated by the Company. If the twenty-fifth (25th) falls on a day that the designated depository is not open in the normal course of business to receive the customer's payment, then payment shall be made on or before the last business day preceding the twenty-fifth (25th) that such depository is available.

14.3 Late Charge. Should the customer fail to pay all of the amount of any bill for gas delivered under the executed service agreement as herein provided, when such amount is due, a late charge of five percent (5%) on the first \$200 of the monthly bill, plus two percent (2%) of any balance above \$200, shall be assessed.

14.4 Delayed Bill. If presentation of a bill to the customer by the Company is delayed after the tenth (10th) day of the month, then the time of payment shall be extended accordingly, unless the customer is responsible for such delay.

14.5 Adjustment of Errors. In the event an error is discovered in any invoice that the Company renders, such error shall be adjusted within thirty (30) days of the determination thereof provided, however, that any claim for adjustment must be made within twelve (12) months from the date of such invoice.

15. GENERAL TERMS AND CONDITIONS

Except as qualified in this schedule, all of the General Terms and Conditions are applicable to this schedule and are hereby made a part hereof.

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