

Dominion Energy® Technical Conference

Docket No. 18-057-T04

Terminology

Nomination: A request by a specific Transportation Service customer or that customer's authorized supplier/agent (nominating party) to have a physical quantity of customer-owned gas delivered to a specific Company receipt point(s) for a specific gas day or period. Nominations are not considered final until confirmed by the applicable Transportation Service Provider. See confirmation.

Confirmation: Is a process by which nominations are verified with upstream parties. If the verified capacity is greater than or equal to the total nominated quantities, all nominated quantities are scheduled. If verified capacity is less than nominated quantities, nominated quantities will be allocated according to priority of service. See scheduled quantity.

Scheduled Quantity: The final physical quantity of customer-owned gas confirmed by the Transportation Service Provider as delivered to a specific Company receipt point(s) for a specific Transportation Service customer on a specific gas day.

Hold Burn to Scheduled Quantity Restriction

- Who: Applies to all firm and interruptible transportation service customers
- What: Restricts customers to only burn the amount of gas they bring to the system on that day. Customers will be penalized for burning more gas than is scheduled for them on that day.
- When: During times of supply constraint or shortage
- Why: To allow customers to keep burning as usual, but to ensure they have enough supply to do so. The nominating party is responsible for making sure their gas arrives.
- How: Both customers and nominating parties will be notified with details of the restriction with reasonable notice and always before final cycle nominations are due.

Hold Burn to Scheduled Quantity Restriction

Examples:

- Extreme cold weather expected near supply or processing facilities
- Upsets at storage, supply, and/or processing facilities
- Upstream pipeline notices indicating potential supply disruptions
- Upstream pipelines or storage facilities being constrained or reducing nominations
- Abnormally high gas prices

Interruption

Who: Applies to all interruptible customers

What: Customers are required to stop using interruptible volumes during an interruption. Transportation customers may still use gas up to their firm contract limit. Customers will be penalized for burning gas above their firm contract limit.

When: Times of capacity constraint on the DEU system due to weather, maintenance, etc.

Why: Interruptible customers agreed to being interrupted when signing up for this rate schedule. The system has not been designed to supply them during these times.

How: All Interruptible customers and nominating parties will be notified and have two hours to discontinue use.

Interruption

Examples:

- Near design peak day conditions
- System capacity constraints
- System maintenance
- System emergencies

During extreme cold weather, it is likely to see both a Hold Burn to Scheduled Quantity Restriction and an Interruption.

Partial Day Restrictions

- Efforts will be made to call Hold Burn to Scheduled Quantity Restrictions for entire gas days.
- In the event that a Hold Burn to Scheduled Quantity Restriction is called for less than an entire gas day, Customers are entitled to burn $1/24^{\text{th}}$ of their final cycle nomination for each hour of the restriction.
- Example: Final nomination 240 Dth
Restriction called at noon (5 hours into gas day)
Customer may burn $19 \times 10 \text{ Dth} = 190 \text{ Dth}$ between the hours of noon current day and 8am the following day

Restriction on Daily Imbalances

- Language exists in current Tariff Section 5.09
- Will be issued in the event that a customer's imbalance may cause Company to alter operations or gas supply plans
- Frequently called in response to customer behavior
- Penalty equal to the greater of \$1.00/Dth or the difference between the monthly and daily index prices plus \$0.25/Dth charged on imbalances remaining after trading period
- A penalty of \$25/Dth may be imposed when a nominating party or customer has repeatedly ignored restrictions
 - Nominating party egregiously ignoring restrictions
 - Nominating party or customer acting differently than others

Penalties

	Current Tariff	Proposed Tariff
Usage above firm contract during Interruption	\$40/Dth plus commodity + 3 years firm service	\$40/dth + 3 years firm service Applies to interruptible customers only
Usage above scheduled quantity during an Interruption (up to firm limit)	\$40/Dth plus commodity	-
Ignoring Daily Imbalance Restriction	\$25/Dth	\$25/Dth
Usage above scheduled quantity during Hold Burn to Scheduled Quantity Restriction (up to contract total limit)	-	\$25/Dth plus commodity
Volumes in overrun (above total contract limit) during Hold Burn to Scheduled Quantity Restriction	-	\$25/Dth plus commodity and \$40/Dth + 3 years firm service on these volumes

Penalties

If Interruption and Hold Burn to Scheduled Quantity Restriction overlap:

- The Hold Burn to Scheduled Quantity penalty only considers firm contract limit
- The interruption penalty covers volumes above firm contract limit

Why \$25?

- Matches existing penalty for repeatedly ignoring imbalance restrictions
- DEU system is impacted by downstream markets
- Penalty calculation was made to ensure that nominating parties do not short the DEU system to send gas to other locations downstream
 - NV Energy (fed by Kern River) can call an OFO with 0% tolerance and a penalty of \$15/Dth
 - SoCal (fed by Kern River) has 6 levels of restriction
 - Level 5 has a tolerance of 5% and a penalty of \$25/Dth
 - Emergency level has a tolerance of 0% and a penalty of \$50/Dth

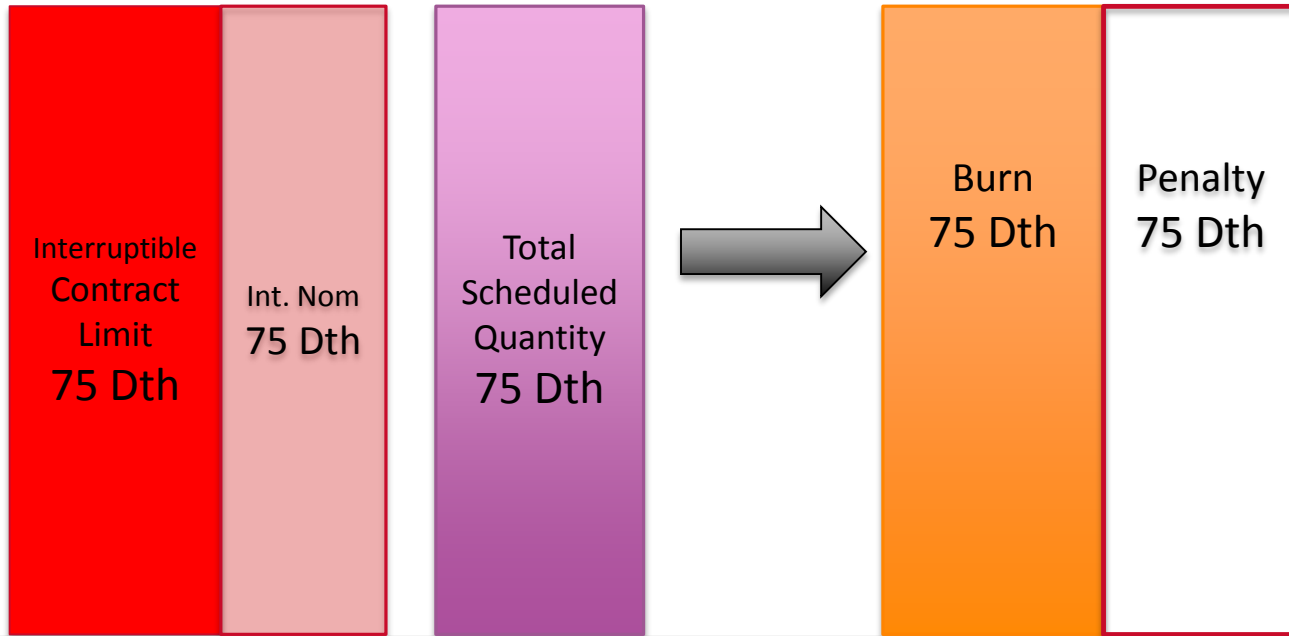
Economic Disincentives Do Alter Behavior

Data from TIC filings

	Net Annual Imbalance	Total Annual TS Usage	% of Total
2014	3,333,731	45,283,446	7.36%
2018	2,772,586	51,466,130	5.39%

Examples

Interruption



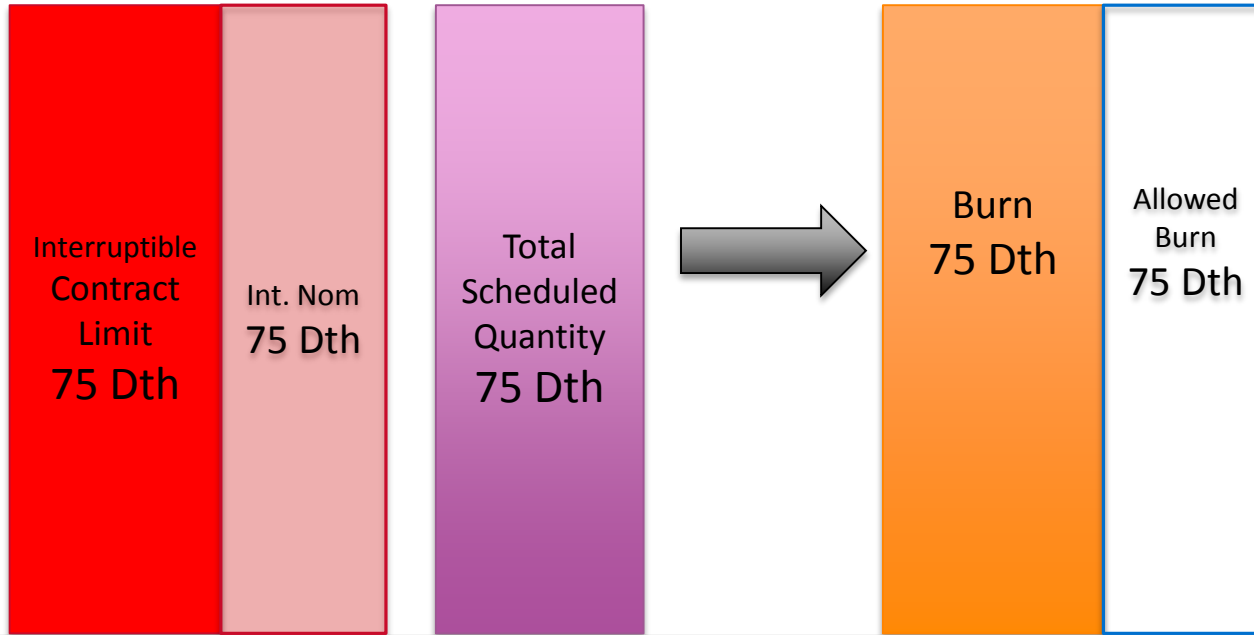
Penalties

- 75 Dth for failure to interrupt
 - \$40/Dth
 - Must purchase 75 Dth Firm for 3 years

Hold Burn to Scheduled Quantity Restriction

Penalties

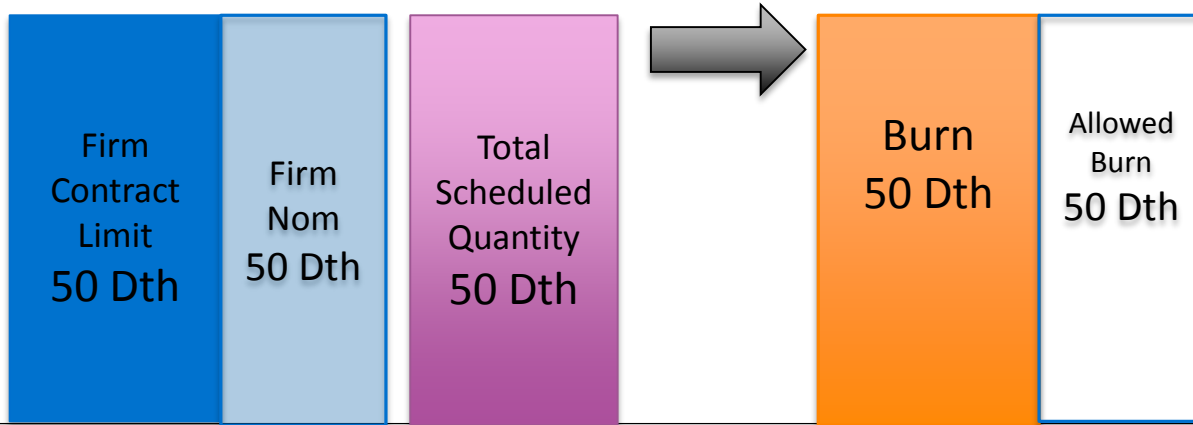
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Hold Burn to Scheduled Quantity Restriction

Penalties

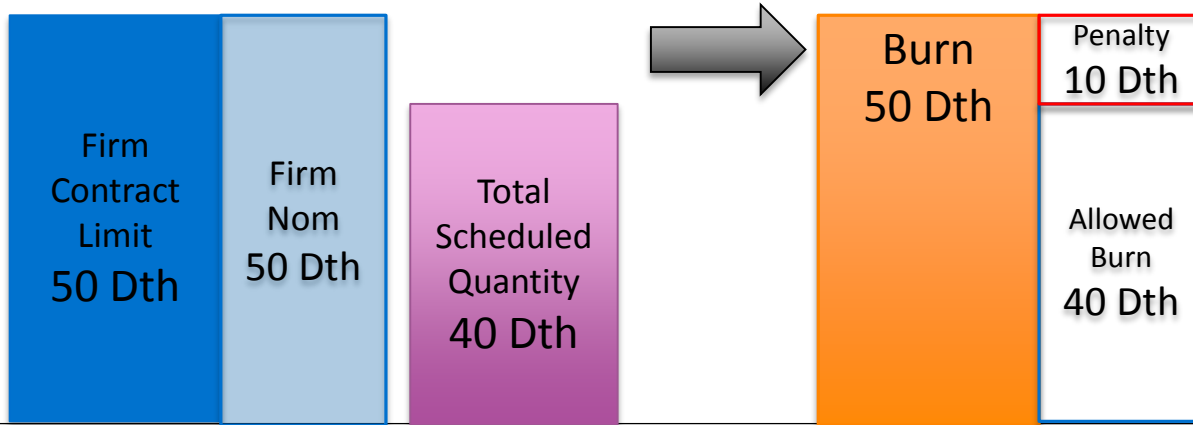
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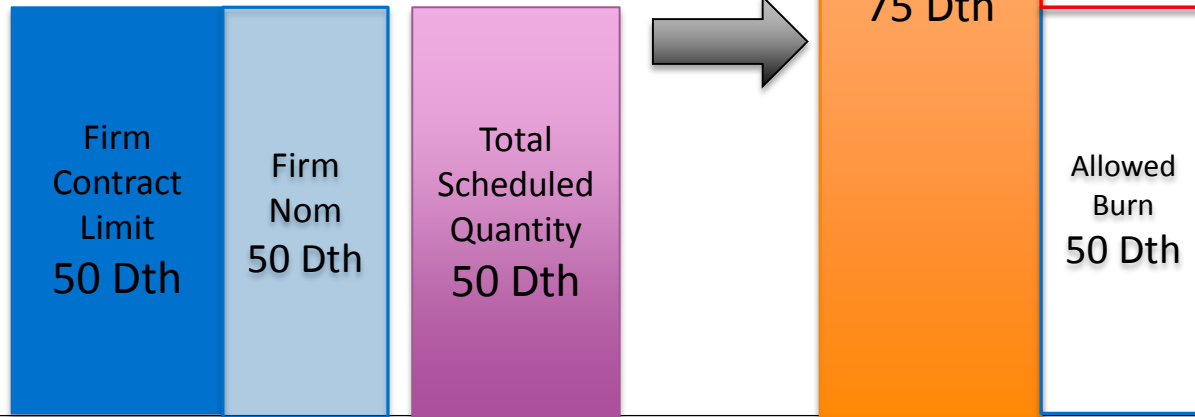
Hold Burn to Scheduled Quantity Restriction

Penalties

- 10 Dth flow above scheduled quantity
 - \$25/Dth + daily index price



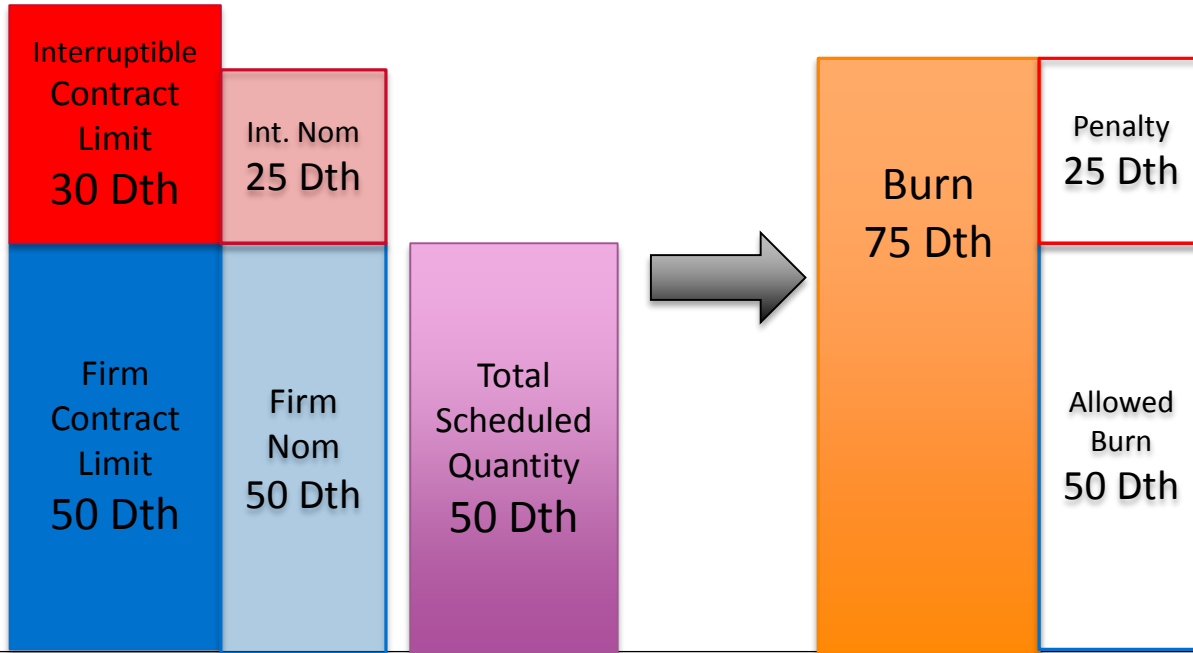
Hold Burn to Scheduled Quantity Restriction



Penalties

- 25 Dth flow above scheduled quantity
 - \$25/Dth + daily index price
- 25 Dth of overrun
 - \$40/Dth
 - Must purchase 25 Dth additional Firm for 3 years

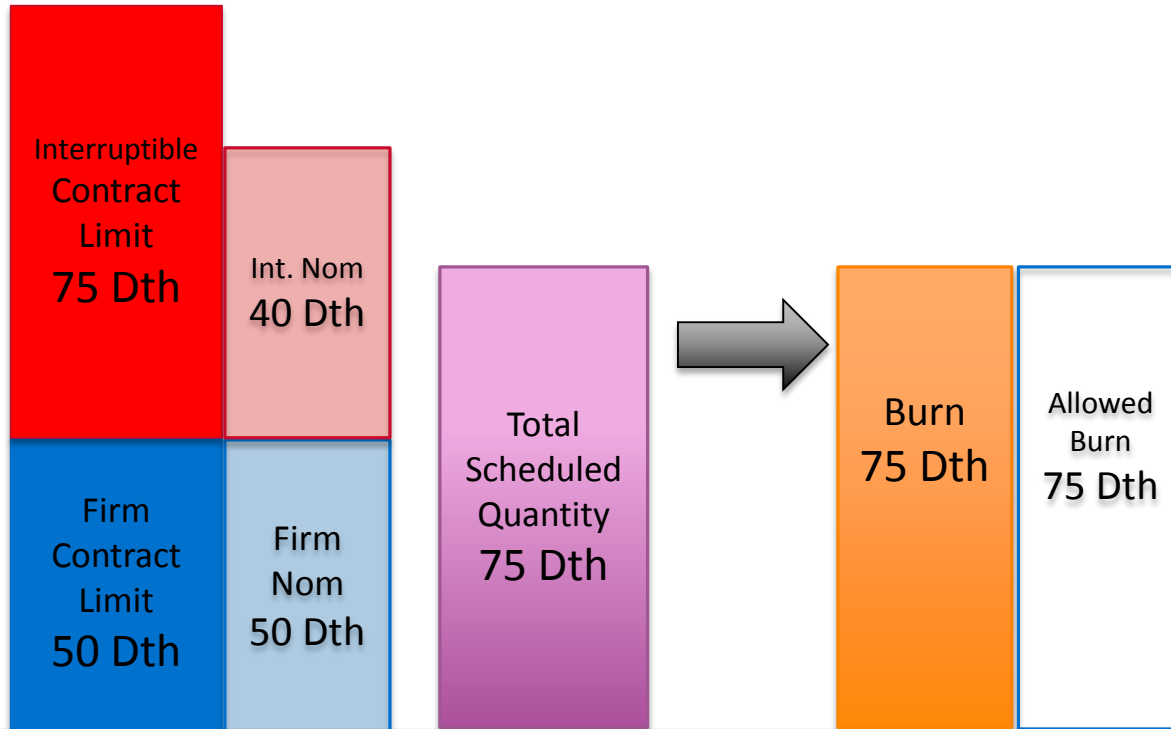
Hold Burn to Scheduled Quantity Restriction



Penalties

- 25 Dth flow above scheduled quantity
 - \$25/Dth + daily index price

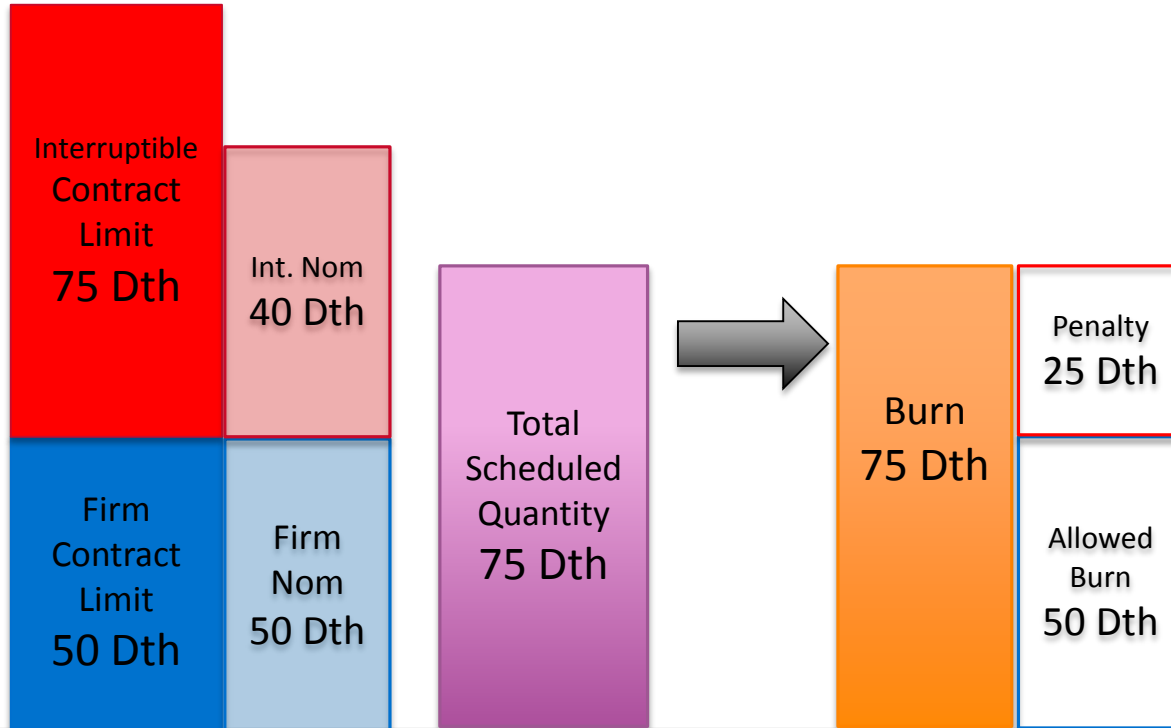
Hold Burn to Scheduled Quantity Restriction



Penalties

- None

Hold Burn to Scheduled Quantity OFO and Interruption Simultaneously

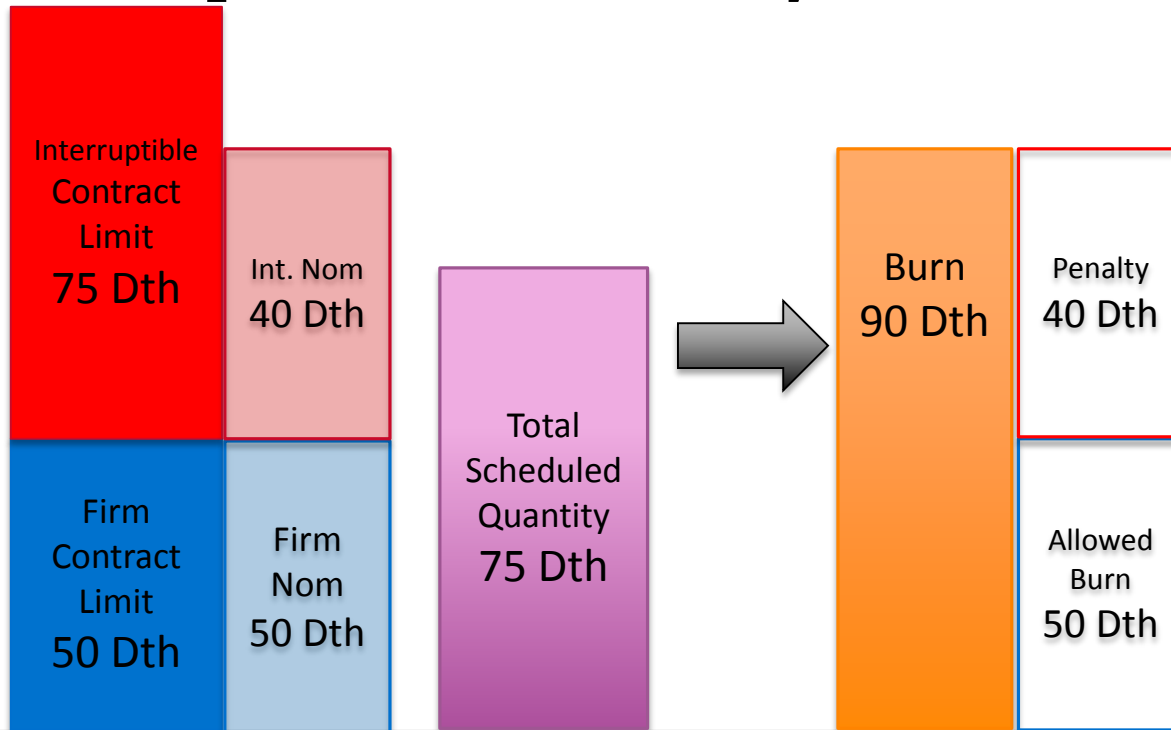


Penalties

- 25 Dth for failure to interrupt
 - \$40/Dth
 - Must purchase 25 Dth Firm for 3 years

25 Dth of scheduled quantity can be cut, redirected, or left on system as imbalance

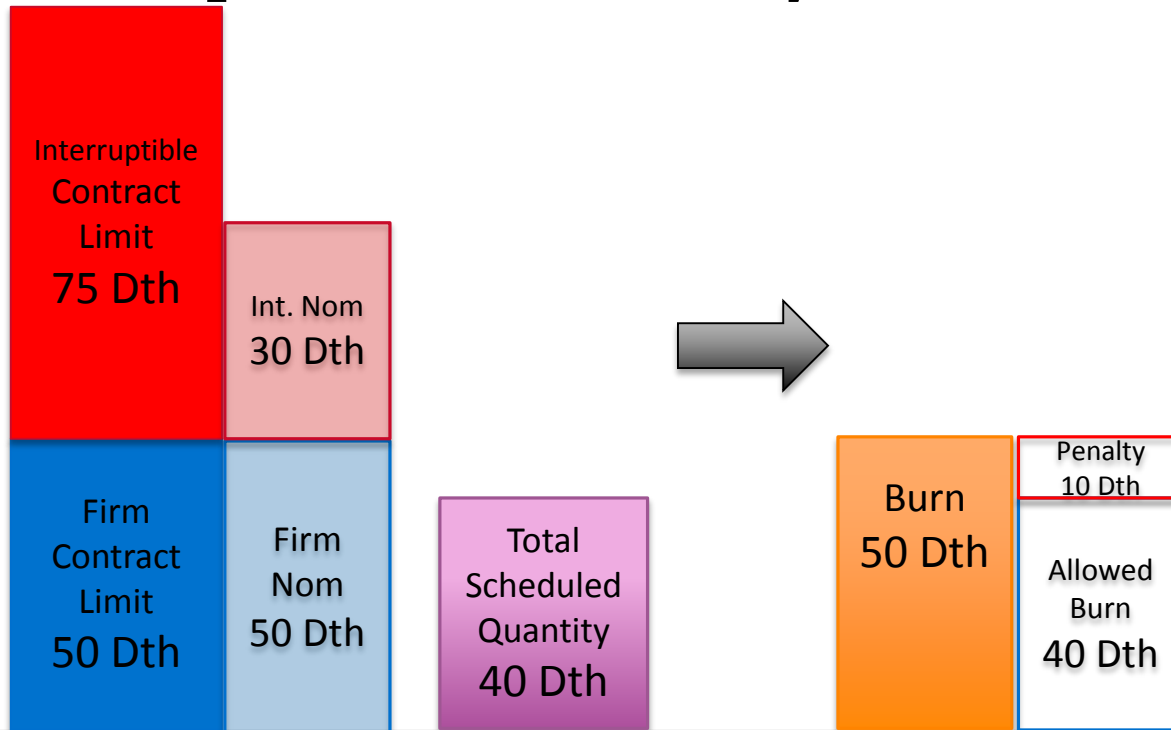
Hold Burn to Scheduled Quantity Restriction and Interruption Simultaneously



Penalties

- 15 Dth flow above scheduled quantity
 - \$25/Dth + daily index price
- 40 Dth of failure to interrupt
 - \$40/Dth
 - Must purchase 40 Dth additional Firm for 3 years

Hold Burn to Scheduled Quantity Restriction and Interruption Simultaneously



Penalties

- 10 Dth flow above scheduled quantity
 - \$25/Dth + daily index price

Questions?