

Demand Charge Credits At A Delivery Based TSB



Definitions

- > Primary Firm Entitlement (PFE) – Primary firm maximum daily quantity on a contract in a given segment
- > Demand Charge Credits (DCC) – Credits for reservation charges assessed by Transco (up to reservation amount paid)
- > DCC Eligible – A request for primary firm service reduced through a delivery based TSB by a package limiting primary firm transportation
- > Potential DCC – Quantity reduced by Transco on DCC eligible requests
- > Actual DCC – DCC given after the contract was evaluated and Transco did not deliver all requests (up to the PFE)
- > Throughput Section Boundary (TSB) - A point along the pipeline in which Transco anticipates that available capacity may be less than shippers' requests. TSB's can be established as receipt based, delivery based or both. They are posted on the EBB as "Market & Production Constraints". For this presentation, the TSB is including primary firm priority requests and it is assumed that all lower priority requests are not accepted. Transco will only limit primary firm due to force majeure or operating conditions as described in section 11 of the GT&C.

How Are DCC's Determined?

- > Step 1 – Determine if reduction at a TSB is “eligible” to be considered for a demand charge credit
- > Step 2 – Limit Each Shipper's Potential DCC to the Contract PFE
- > Step 3 – Determine each shipper's actual DCC if Transco failed to deliver up to the TCQ on a contract

Step 1: Determining Demand Charge Credit Eligibility

- > All primary firm priority requests that could potentially be cut through a delivery based TSB will be evaluated for DCC
- > Planned Event
 - When Transco provides notice of a delivery based TSB prior to the Timely cycle for the effective gas day, for potential cuts to primary firm.
 - Examples include operating conditions as defined in 11.1 of Transco's GT&C
 - In this situation nominations are considered DCC eligible, but PDA Limit Values are not considered DCC eligible.
- > Unplanned Event
 - When Transco does not provide notice of a delivery based TSB prior to the Timely cycle for the effective gas day, for potential cuts to primary firm.
 - Examples include force majeure events as defined in Section 11.1 of Transco's GT&C
 - In this situation both the nomination and the PDA Limit Values are considered DCC eligible.

Legend

-  Primary path nomination
-  Primary path – High Limit Value PDA(LV)

Limiting Primary Firm at a Delivery Based TSB Planned Event

DCC for Nominations → Eligible; DCC for PDA → Not Eligible

	As Submitted	MDQ Check in Segment	TSB reductions in Segment	Potential DCC
TSB Limit of 36				
K1 →	K1 Nominated = 60	K1 Nominated = 60	K1 Scheduled = 60 12	K1 - 48 ¹
K1 - - - →	K1 LV = 100 (standing qty)	K1 LV = 100 40	K1 LV = 40 0	
K2 →	K2 Nominated = 30	K2 Nominated = 30	K2 Scheduled = 30 12	K2 - 18 ¹
K2 - - - →	K2 LV = 80	K2 LV = 80 70	K2 LV = 70 0	
K3 →	K3 Nominated = 30	K3 Nominated = 30	K3 Scheduled = 30 12	K3 - 18
	Total Submitted = 300	Valid Nom & LV = 230	Total thru TSB = 36	

Note: K1, K2 and K3 all have a PFE of 100 in the segment

¹ No demand charge credit for cuts to PDAs, since customers received advanced notice of outage, and had time to react and adjust business accordingly.



Limiting Primary Firm at a Delivery Based TSB

Unplanned Event*

DCC for Nominations → Eligible; DCC for PDA → Eligible

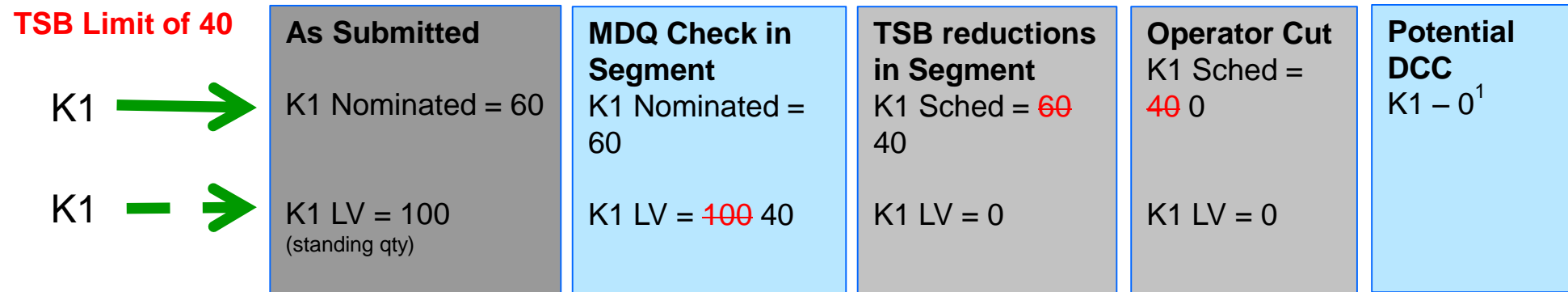
	As Submitted	MDQ Check in Segment	TSB reductions in Segment	Potential DCC
TSB Limit of 36				
K1 →	K1 Nominated = 60	K1 Nominated = 60	K1 Scheduled = 60 12	K1 – 88 ¹
K1 - - - →	K1 LV = 100 (standing qty)	K1 LV = 100 40	K1 LV = 40 0	
K2 →	K2 Nominated = 30	K2 Nominated = 30	K2 Scheduled = 30 12	K2 – 88 ¹
K2 - - - →	K2 LV = 80	K2 LV = 80 70	K2 LV = 70 0	
K3 →	K3 Nominated = 30	K3 Nominated = 30	K3 Scheduled = 30 12	K3 – 18 ¹
	Total Submitted = 300	Valid Nom & LV = 230	Total thru TSB = 36	

Note: K1, K2 and K3 all have a PFE of 100 in the segment

* Unplanned event may be re-categorized as a planned event for subsequent days of the same outage at pipelines discretion, if Transco determines that customers have received sufficient notice for such subsequent days

1 Potential DCC for both Noms and PDA requests, since customers did not receive advance notice of the event, and customers did not have time to react and adjust business accordingly. Therefore, in addition to scheduled volumes credit, credit will also be given for PDA's representing No Notice Service for that day.

Limiting Primary Firm at a Delivery Based TSB Planned Event - Operator Cut

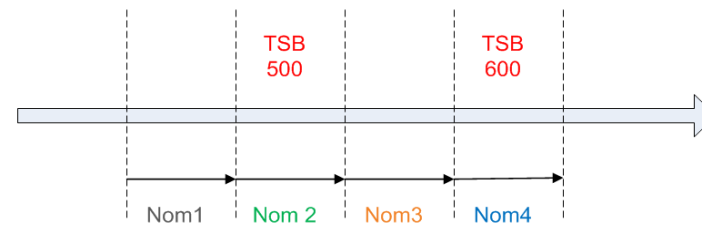


1 Operator cuts more limiting than Transco's TSB reductions; therefore no DCC due

Step 2 – Limit Each Shipper’s Potential DCC to the Contract PFE

Demand As Invoiced K1 Invoice			
Contract	Volume	Rate	Charge
K1	1000	\$2.00	\$2,000.00

K = 1000
 Nom1 = 800, Allocated = 800
 Nom2 = 1000, Allocated = 500
 Nom3 = 1000, Allocated = 1000
 Nom4 = 1000, Allocated = 400



- Sum of all Potential DCC on DCC Eligible transactions (capped at greatest PFE on K)
 - DCC capped at greatest PFE of 1000
 - Total cuts (500+600=1100 which is > 1000 PFE)
 - Potential DCC 1000

Step 3: Determining Actual Demand Charge Credits

- > If Transco is unable to deliver a DCC eligible primary request on a contract, and has not delivered in total the PFE of the contract, then the contract will be due a demand charge credit
- > Per Section 3.3 of Rate Schedule FT:
 - If, under the provisions of Section 11.1 through 11.4 of the General Terms and Conditions, Seller orders interruption or reduction of service to Buyer, then the Reservation Charge for the month in which such day or days occur shall be computed as follows: Determine for each such day the number of dt which Seller was unable to deliver, and multiply the sum of all such days' deficiencies by the reservation rate per dt of TCQ, and the result shall be subtracted from the Reservation Charge for such month as otherwise computed. No adjustment to the Reservation Charge shall be made as a result of a reduction or interruption of service under the provisions of Sections 11.5 or 11.6 of the General Terms and Conditions.

How to Determine Actual DCC?

> Actual DCC = Lesser of rule:

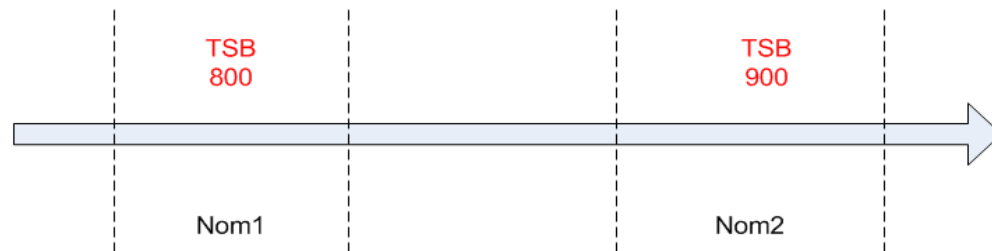
– Sum of all Potential DCC on DCC Eligible transactions (capped at greatest PFE on K)

or

– Greatest PFE on K – Total Allocated Qty of all transactions (both DCC eligible and Non DCC eligible)

Determining Actual DCC

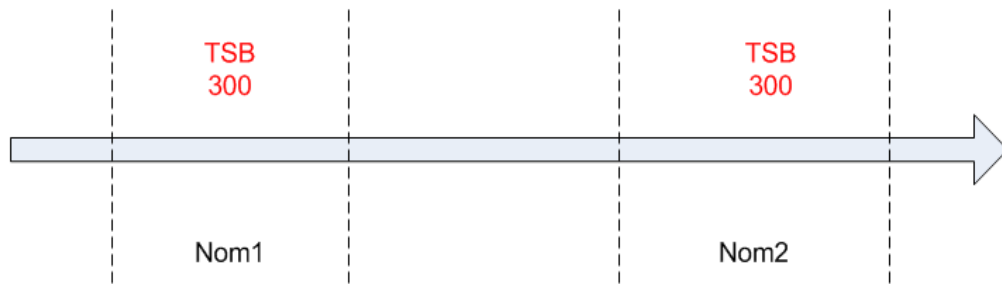
PFE = 1000
 Nom1 = 1000, Allocated 200
 Nom2 = 1000, Allocated 100



- Sum of all Potential DCC on DCC Eligible transactions (capped at greatest PFE on K)
 - DCC capped at greatest PFE of 1000
 - Total cuts (800+900=1700 which is > 1000 PFE)
 - Potential DCC 1000
 - Greatest PFE along the contract path minus the total allocated quantities in all segments (both DCC eligible and Non DCC eligible)
 - Greatest PFE on K 1000
 - Less Total allocated 300
 - Potential DCC 700
- > Actual DCC = 700 using lesser of rule

Determining Actual DCC

PFE = 1000
 Nom1 = 500, Allocated 200
 Nom2 = 400, Allocated 100



- Sum of all Potential DCC on DCC Eligible transactions (capped at greatest PFE on K)
 - DCC capped at greatest PFE of 1000
 - Total cuts 600 (300+300)
 - Potential DCC 600
 - Greatest PFE along the contract path minus the total allocated quantities in all segments (both DCC eligible and Non DCC eligible)
 - Greatest PFE on K 1000
 - Less Total allocated 300
 - Potential DCC 700
- > Actual DCC = 600 using lesser of rule

Determining Actual DCC K 1234560

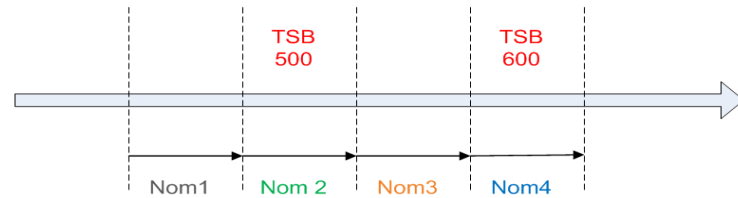
K = 1000

Nom1 = 800, Allocated = 800

Nom2 = 1000, Allocated = 500

Nom3 = 1000, Allocated = 1000

Nom4 = 1000, Allocated = 400



- Sum of all Potential DCC on DCC Eligible transactions (capped at greatest PFE on K)
 - DCC capped at greatest PFE of 1000
 - Total cuts 1100 (500+600 which is > 1000 PFE)
 - Potential DCC 1000
- > Greatest PFE along the contract path minus the total allocated quantities in all segments (both DCC eligible and Non DCC eligible)
 - Greatest PFE on K 1000
 - Less Total allocated 2700
 - Potential DCC (1700) → 0
- > Actual DCC = 0 using the lesser of rule

New Demand Credits Summary Page in 1Line

Summary				
Contract	Greatest Primary Firm Entitlement	Total Potential DCC	Total Delivered on K	Actual DCC Qty
1234560	1000	1000 (500+600=1100) but K is for 1000, so max DCC= 1000	2700	0*
9876540	2500	500	2500	0
4567890	1500	1500	100	1400
6666666	2000	1600	2000	0

* K info from Previous page

Capacity Release

- > Reservation charge credited back to what was paid
- > The release process will be reversed as demand charge credit is issued, crediting the replacement shipper and debiting the releaser, until the demand charge amount is returned to the original releasing contract.

Capacity Release – Current Invoice

K1	1000			K2	700			K3 Capacity	200		
Release to K2	700			Release to K3	200						
K1 Capacity	300			K2 Capacity	500						
	K1 Invoice				K2 Invoice				K3 Invoice		
Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge
K1	1000	\$2.00	\$2,000.00	K2	700	\$3.00	\$2,100.00	K3	200	\$1.75	\$350.00
K2	-700	\$3.00	<u>-\$2,100.00</u>	K3	-200	\$1.75	<u>-\$350.00</u>				
Transco Net			-\$100.00	Transco Net			\$1,750.00	Transco Net			\$350.00

Capacity Release – DCC for Failure to Deliver on all 3 Contracts

TSB1	
K1 Cut/DCC	300
K2 Cut/DCC	500
K3 Cut/DCC	200

Contract	Volume	Rate	Charge	Demand Charge Credit							
				Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge
K3	-200	\$1.75	-\$350.00	K2	200	\$1.75	\$350.00	K1	200	\$3.00	\$600.00
				K2	-200	\$3.00	-\$600.00	K1	-200	\$2.00	-\$400.00*
				K2	-500	\$3.00	-\$1,500.00	K1	500	\$3.00	\$1,500.00
									-500	\$2.00	-\$1,000.00*
									-300	\$2.00	-\$600.00*
			-\$350.00				-\$1,750.00				\$100.00

* Original reservation charge paid of \$2000.00

Capacity Release – DCC for Failure to Deliver on a Contract with Deliveries

Capacity Releases											
K1 Capacity	1000			K2 Capacity	700			K3 Capacity	200		
Release to K2	700			Release to K3	200						
K1 Capacity	300			K2 Capacity	500						
	K1 Invoice				K2 Invoice				K3 Invoice		
Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge
K1	1000	\$2.00	\$2,000.00	K2	700	\$3.00	\$2,100.00	K3	200	\$5.00	\$1,000.00
K2	-700	\$3.00	-\$2,100.00	K3	-200	\$5.00	-\$1,000.00				
Transco Net			-\$100.00	Transco Net			\$1,100.00	Transco Net			\$1,000.00
Adjustment : K1 DCC			\$50.00	Adjustment : K2 DCC			\$100.00	Adjustment : K2 DCC			-\$250.00
Transco Net			-\$50.00	Transco Net			\$1,200.00	Transco Net			\$750.00
Transco collected \$1900.00 from shippers after paying \$100.00 DCC											

TSB Transactions		
K1 - No Transactions Thru TSB	K2 - No Transactions Thru TSB	K3 Cut 200

Demand Charge Credit Evaluation											
K1				K2				K3			
Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge	Contract	Volume	Rate	Charge
								K3 Cut	-200	\$5.00	-\$1,000.00
								(Potential DCC)			
								K3 Deliveries	150	\$5.00	\$750.00
K3 Pass Thru	50	\$3.00	\$150.00	Cap. Rel. Rate P	50	\$5.00	\$250.00	Actual DCC	-50	\$5.00	-\$250.00
K3 Pass Thru	-50	\$2.00	-\$100.00	K3 Pass Thru	-50	\$3.00	-\$150.00				
K1 DCC			\$50.00	K2 DCC			\$100.00	K3 DCC			-\$250.00
Total DCC (K1 DCC + K2 DCC + K3 DCC) -\$100.00											