

Operational Flow Order and Operational Control

Tariff Changes



OFO/OC Filing: When and Why

- > Filed on August 20, 2015; proposed to be effective October 1, 2015
- > Revise penalty price indices to provide more accurate pricing points and improves the effectiveness of the notices.
- > More accurately reflect geographical price differences; daily pricing better corresponds penalties with the day(s) on which the notice is in effect.
- > Proposed penalty price indices are consistent with FERC policy issued November 19, 2004.
- > Similar to Columbia Gas, Carolina Gas, Algonquin, Guardian, Viking and Midwestern.

What is changing for OFOs?

- > Revise the OFO allowable variation from 5% to a variation that will be specified in the notice but not less than 5%. (Section 52.4)
- > Penalties applied to the zone of receipt or zone of delivery as directed in the notice. (Section 52.5(a))
- > Revise the reference index prices for imbalance and scheduling OFOs from Energy Intelligence weekly prices to Platt's daily prices. (Section 52.5(b))
 - Zone 1 – “Transco, zone 1” Midpoint price
 - Zone 2 – “Florida Gas, zone 1” Midpoint price
 - Zone 3 – “Transco, zone 3” Midpoint price
 - Zone 4, 4A, and 4B – “Transco, zone 4” Midpoint price
 - Zone 5 – “Transco, zone 5 del.” Midpoint price
 - Zone 6 – The highest of “Transco, Leidy Line receipts”; “Transco, zone 6 non-N.Y.”; “Transco, zone 6 non-N.Y. North”; and “Transco, zone 6 N.Y.” Midpoint prices

Imbalance OFO

Current	Effective 10/1/2015
<p>Tolerance = total delivered for the day X 5% or 1,000 dth (whichever is greater)</p>	<p>Tolerance = total delivered in <u>each identified zone</u> X <u>at least</u> 5% for that zone or 1,000 dth (whichever is greater)</p> <ul style="list-style-type: none"> • Each identified zone can have a different %.
<p>Penalties apply to unauthorized OFO imbalances in Buyer's zone of receipt whether it's a receipt based or delivery based OFO.</p>	<p>Penalties apply to unauthorized OFO imbalances in Buyer's zone of receipt for a receipt based OFO and zone of delivery for a delivery based OFO.</p>
<p>Tolerance is calculated based on total deliveries for all activity included in the OFO.</p>	<p>Tolerance calculation:</p> <ul style="list-style-type: none"> • Total deliveries at each zone of delivery in which the OFO is directed for delivery based OFO. • Total deliveries from each zone of receipt in which the OFO is directed for a receipt based OFO.
<p>Zone penalty price is the higher of \$50/dth or 3x highest WEEKLY spot price for current month.</p> <ul style="list-style-type: none"> • Pricing source: Energy Intelligence Weekly Reference Spot Price 	<p>Zone penalty price is the higher of \$50/dth or 3x the applicable DAILY price.</p> <ul style="list-style-type: none"> • Pricing source: Platts Gas Daily • Penalty based on each identified zone price for that day

EXAMPLES OF IMBALANCE OF POST FERC APPROVAL

Example of Imbalance OFO Critical Notice (Delivery Based)

Key Items to Look For...

Notice Text:

Subject: Imbalance Operational Flow Order (OFO)

Transco recently provided notice that temperatures below normal were forecasted for most of its market area and recommended all shippers manage their system requirements to ensure a concurrent balance of receipts and deliveries. Those forecasted temperatures are expected to continue for the next several days.

In order to ensure system integrity, manage imbalances on its system and handle within-the-day volatility, effective with the beginning of gas day Friday, October 15, 2015 Transco is issuing an Imbalance Operational Flow Order (OFO) for Zones 5 and 6.

This OFO is directed to Buyers (Shippers) consistent with Section 52 of Transco's FERC Gas Tariff General Terms and Conditions with a minimum \$50 per dt penalty. This OFO will continue until further notice and requires that all buyers with deliveries in Zones 5 and 6 ensure that their daily "Due From Shipper" imbalance (i.e. short to the pipeline) be no greater than 5% or 1,000 dts whichever is greater, for each gas day during the effectiveness of the OFO. Buyers with imbalances greater than the allowed tolerance will be subject to penalties specified in section 52.5 of Transco's FERC Gas Tariff General Terms and Conditions.

Imbalances incurred at locations with an OBA will not be subject to this Operational Flow Order. Buyers (Shippers) with daily "Due To Shipper" imbalances (i.e. long to the pipeline) will not be subject to this Operational Flow Order.

Additional information on Operational Flow Orders is available at this link: http://www.1line.williams.com/Transco/files/training/Critical_Day.pdf

Transco will notify all parties via 1Line as soon as operations on its system allow the termination of this OFO.

Please contact your Transportation Services Representative if you have any questions.

Ross Sinclair

Manager, Pipeline Control

Zones included in OFO

Type: Imbalance or Scheduling

Beginning day of OFO

Direction: Due To or Due From

Receipt or Delivery based

Tolerance

Example Calculation for Imbalance OFO (Due from Shipper for deliveries in zones 5 & 6)

Svc Req Prop	OFO Date	Receipt Delivery		Net Alloc Rec Qty	Alloc Del Qty	End Imb Qty	1,000 dt or 5% Tolerance	Penalty Volume	Penalty Value
		Zn ID	Zn ID						
123456	10/15/2015	3	5	5,300	8,950	3,650			
123456	10/15/2015	5	5	3,000	5,000	2,000			
123456	10/15/2015	5	5	<u>3,000</u>	<u>7,500</u>	<u>4,500</u>			
				11,300	21,450	10,150	(a) 1,073	(b) 9,077	(c) \$453,850 (d)
123456	10/15/2015	3	6	5,000	8,000	3,000			
123456	10/15/2015	3	6	10,100	7,500	(2,600)			
123456	10/15/2015	6	6	23,900	23,900	0			
123456	10/15/2015	6	6	<u>13,300</u>	<u>13,300</u>	<u>0</u>			
				52,300	52,700	400	(a) 2635	(b) 0	(c) 0 (d)

Transactions sorted by Delivery Zone

Total Deliveries per zone are used to calculate tolerance

- (a) Ending Imbalance Quantity for each delivery zone = Allocated Delivery Quantity for each delivery zone – Net Allocated Receipt Quantity for each delivery zone
- (b) Tolerance for each delivery zone = Allocated Delivery Quantity for each identified delivery zone X 5% (or 1,000 dth, whichever is greater)
- (c) Penalty Volume for each delivery zone = Ending Imbalance Quantity for each delivery zone – Tolerance calculated for that delivery zone
- (d) Penalty Value for each delivery zone = Penalty Volume calculated for that zone X \$50 (or 3x the applicable GD price for zone in penalty, whichever is higher)
(Note: in this example, \$50 was higher)

Example of Imbalance OFO Critical Notice (Receipt based)

Key Items to Look For...

Notice Text:

Subject: Imbalance Operational Flow Order (OFO)

Transco recently provided notice of limited flexibility to manage imbalances and recommended shippers maintain a concurrent balance of receipts and deliveries.

In order to ensure system integrity, manage imbalances and handle within-the-day volatility, effective with the beginning of gas day Friday, October 02, 2015 Transco is issuing an Imbalance Operational Flow Order (OFO) for Zones 5 and 6. Buyers with receipts in Zones 5 and 6 may be subject to this Imbalance OFO if their receipts in Zone 6 exceed delivered quantities regardless of the zone of delivery.

This OFO is directed to Buyers (Shippers) consistent with Section 52 of Transco's FERC Gas Tariff General Terms and Conditions with a minimum \$50 per dt penalty. This OFO will continue until further notice and requires that all buyers with receipts in Zones 5 and 6 ensure that their daily "Due To Shipper" imbalance (i.e. long to the pipeline) be no greater than 5% or 1,000 dts whichever is greater, for each gas day during the effectiveness of the OFO. Buyers with imbalances greater than the allowed tolerance will be subject to penalties specified in section 52.5 of Transco's FERC Gas Tariff General Terms and Conditions.

Imbalances incurred at locations with an OBA will not be subject to this Operational Flow Order. Buyers (Shippers) with daily "Due From Shipper" imbalances (i.e. short to the pipeline) will not be subject to this Operational Flow Order.

Additional information on Operational Flow Orders is available at this link.
http://www.1line.williams.com/Transco/files/training/Critical_Day.pdf

Please contact your Transportation Services Representative if you have any questions.

Ross Sinclair

Manager, Pipeline Control

Zones included in OFO

Type: Imbalance or Scheduling

Beginning day of OFO

Direction: Due To or Due From

Receipt or Delivery based

Tolerance

Example Calculation for Imbalance OFO (Due To Shipper for receipts in zones 5 & 6)

Svc Req Prop	OFO Date	Receipt	Delivery	Net Alloc Rec Qty	Alloc Del Qty	End Imb Qty	1,000 dt or 5% Tolerance	Penalty Volume	Penalty Value
		Zn ID	Zn ID						
123456	10/2/2015	5	5	5,000	3,000	2,000			
123456	10/2/2015	5	6	3,000	3,000	0			
				8,000	6,000	2,000	(a) 1,000	(b) 1,000	(c) \$50,000 (d)
123456	10/2/2015	6	6	20,000	15,000	5,000			
123456	10/2/2015	6	6	13,300	10,800	2,500			
				33,300	25,800	7,500	(a) 1,290	(b) 6,210	(c) \$310,500 (d)
								7,210	\$360,500 Total

Transactions sorted by Receipt Zone

Total Deliveries per zone are used to calculate tolerance

- (a) Ending Imbalance Quantity in each receipt zone = Allocated Delivery Quantity from each zone of receipt – Net Allocated Receipt Quantity in each receipt zone
- (b) Tolerance in each receipt zone = Allocated Delivery Quantity from each identified zone of receipt X 5% (or 1,000 dth, whichever is greater (Note: in receipt zone 5, the 5% tolerance was less than 1,000 dth, therefore the tolerance is 1,000 dth))
- (c) Penalty Volume in each receipt zone = Ending Imbalance Quantity in each receipt zone – Tolerance calculated for that receipt zone
- (d) Penalty Value in each receipt zone = Penalty Volume calculated for that receipt zone X \$50 (or 3x the applicable GD price for zone in penalty, whichever is higher (Note: in this example, \$50 is higher))

Scheduling OFO

Current	Effective 10/1/2015
<p>Tolerance = total <u>scheduled</u> for the day X 5% or 1,000 dth (whichever is greater)</p>	<p>Tolerance = total scheduled in <u>each identified zone</u> X <u>at least</u> 5% for that zone or 1,000 dth (whichever is greater)</p> <ul style="list-style-type: none"> Each identified zone can have a different %.
<p>Tolerance is calculated based on total <u>scheduled</u> quantities for all activity in the OFO.</p>	<p>Tolerance calculation:</p> <ul style="list-style-type: none"> Total scheduled quantity for activity in each zone when more than one zone is specified in the OFO. Total scheduled quantity for activity in the area specified in the OFO when the area is smaller than a zone.
<p>Zone penalty price is the higher of \$50/dth or 3x highest WEEKLY spot price for current month.</p> <ul style="list-style-type: none"> Pricing source: Energy Intelligence Weekly Reference Spot Price 	<p>Zone penalty price is the higher of \$50/dth or 3x the applicable DAILY price.</p> <ul style="list-style-type: none"> Pricing source: Platts Gas Daily Penalty based on each identified zone price for that day

EXAMPLE OF SCHEDULING OF POST FERC APPROVAL

Example Calculation for Scheduling OFO (Variation of 5% in Zone 5 & 6 for over receipts and under deliveries)

Svc Req		Zone	Scheduled	Alloc Rec	Rec	Scheduled	Alloc Del	Del	Total	Total	1,000 dth	Penalty	Penalty
Prop	OFO Date	Activity	Rec Qty	Qty	Variance ^(a)	Del Qty	Qty	Variance ^(b)	Scheduled	Variance	or 5% Tolerance	Volume	Value
123456	10/20/2015	5	1,400	1,800	(400)				1,400	(400)			
123456	10/20/2015	5	2,000	1,500	500				2,000	500			
123456	10/20/2015	5				4,200	3,000	(1,200)	4,200	(1,200)			
123456	10/20/2015	5				3,500	1,200	(2,300)	3,500	(2,300)			
									11,100 ^(c)	(3,400) ^(d)	1,000 ^(e)	2,400 ^(f)	\$120,000 ^(g)
123456	10/20/2015	6	1,700	2,000	(300)				1,700	(300)			
123456	10/20/2015	6	1,200	1,300	(100)				1,200	(100)			
123456	10/20/2015	6				2,500	2,850	350	2,500	350			
123456	10/20/2015	6				3,000	3,650	650	3,000	650			
									8,400	600	N/A	0	\$ -

(a) Rec Variance = Scheduled Rec Qty - Alloc Rec Qty

(b) Del Variance = Alloc Del Qty – Scheduled Del Qty

(c) Total scheduled = Scheduled Receipts + Scheduled Deliveries

(d) Total Variance = Sum of Receipt Variance + Sum of Delivery Variance

(e) Tolerance = Total Scheduled * 5% (or 1,000 dth, whichever is greater)

**Tolerance does not apply in zone 6 (Total Variance is over delivery which is not in penalty)

(f) Penalty Volume = Total Variance – Tolerance Allowed

(g) Penalty Value = Penalty Volume * \$50.0

What is changing for OCs?

- > Revise the reference index prices for variance notice and imbalance makeup notice for OCs from Energy Intelligence weekly prices to Platt's daily prices. (Section 51.1(e) and 51.2 (e))
 - Zone 1 – “Transco, zone 1” Midpoint price
 - Zone 2 – “Florida Gas, zone 1” Midpoint price
 - Zone 3 – “Transco, zone 3” Midpoint price
 - Zone 4, 4A, and 4B – “Transco, zone 4” Midpoint price
 - Zone 5 – “Transco, zone 5 del.” Midpoint price
 - Zone 6 – The highest of “Transco, Leidy Line receipts”; “Transco, zone 6 non-N.Y.”; “Transco, zone 6 non-N.Y. North”; and “Transco, zone 6 N.Y.” Midpoint prices

Variance Notice OC

Current	Effective 10/1/2015
<p>Zone penalty price is the highest WEEKLY spot price for current month.</p> <ul style="list-style-type: none">• Pricing source: Energy Intelligence Weekly Reference Spot Price	<p>Zone penalty price is the applicable DAILY price.</p> <ul style="list-style-type: none">• Pricing source: Platts Gas Daily

Imbalance Makeup Notice (IMN) OC

Current	Effective 10/1/2015
<p>Zone penalty price is the highest WEEKLY spot price for current month.</p> <ul style="list-style-type: none">• Pricing source: Energy Intelligence Weekly Reference Spot Price	<p>Zone penalty price is the applicable DAILY price.</p> <ul style="list-style-type: none">• Pricing source: Platts Gas Daily

Questions: Please contact your
Transportation Services Rep or
Customer Services Rep

<http://www.1line.williams.com/Shared/info-postings/marketing-services-contacts.html>