

Customer Meeting Proposed Tariff Changes – FAQs

Operational Flow Orders (“OFO”) Questions

1. Have any FERC regulated electric RTO's or ISO's been involved with developing these changes? Have they been made aware officially that these changes are being developed?

Transco posted a notice on April 14, 2020 on its Electronic Bulletin Board (“EBB”) to officially notify parties of the development of these proposed tariff changes and to solicit feedback on the proposed tariff sheets.

2. Does the Reduce Cumulative Imbalance and Maintain Cumulative Imbalance requirement apply only during periods for which an OFO is in effect? What if a shipper had an imbalance prior to the issuance of a Reduce Cumulative Imbalance OFO?

The Reduce Cumulative Imbalance OFO and the Maintain Cumulative Imbalance OFO are two new types of OFOs. Transco may issue these types of OFOs any time they are necessary to alleviate operating conditions which may threaten the integrity of Transco’s system. At the time that the OFO is issued, the shipper’s current monthly cumulative imbalance is subject to the OFO.

3. If a Reduce Cumulative OFO is required, will Transco provide timely notice to align with normal natural gas trading and scheduling windows?

If a Reduce Cumulative Imbalance OFO is required, Transco will issue the OFO consistent with Section 52.3 of the General Terms and Conditions of its FERC Gas Tariff (“GT&C”) by providing at least 24 hours’ notice unless exigent circumstances dictate otherwise. Consistent with its existing practice, Transco will endeavor to continue to provide as much notice as is practical.

4. Will Reduce Cumulative Imbalance and Maintain Cumulative Imbalance OFOs cover a broad geographic area, or will they be customer specific?

Reduce Cumulative Imbalance and Maintain Cumulative Imbalance OFOs can be applied to the entire system, a smaller geographical region, or a specific shipper or location.

5. Will Transco be able to call both a Cumulative and Daily Imbalance OFO at the same time?

Yes, assuming the circumstances required both a cumulative and a daily imbalance OFO.

6. Is there any point in the month that would be a cut-off after which a Reduce Cumulative Imbalance OFO cannot be issued? Could Transco call it on the 27th day of a 30-day month?

No, there is not a cut-off. Transco could declare a Reduce Cumulative Imbalance OFO to be effective on the 27th day of a 30-day month, and if cumulative imbalances are not reduced to within the specified tolerance by the 30th, then penalties would apply to the imbalance on the 30th.

7. Will parties be penalized each day that their cumulative imbalance is not resolved?

Yes. Parties must stay within the tolerance defined in the OFO notice for the time specified or they will be subject to penalty each day that their imbalance is not within the tolerance.

8. Does Transco intend to use the Imbalance OFO provisions to force shippers to zero out imbalances by the end of the month, or will Transco still allow imbalances to remain and be cashed out barring an operational issue?

Transco does not intend to force shippers to zero out imbalances at the end of each month; however, Transco will use the Imbalance OFO provisions if necessary as a result of operational situations on its system. In general, shippers should keep their imbalances to a minimum in order to minimize the need for Transco to issue OFOs.

9. Can a Reduce Cumulative Imbalance OFO penalize a customer for their cumulative imbalance on the same day that the OFO was called?

No, a Reduce Cumulative Imbalance OFO may not specify a time period for shippers to reduce their cumulative monthly imbalances that is less than three (3) Gas Days, one of which must be a business day. A shipper will not be penalized for any cumulative monthly imbalances in excess of the allowable variation until the time specified in the OFO notice has passed.

10. Why is there both a scheduling and an imbalance OFO penalty? It seems like Transco is penalizing twice for the same imbalance.

Scheduling and imbalance OFOs are different in how they are applied. A scheduling OFO is applied to keep the variance between scheduled and allocated quantities at location(s) within a specified tolerance. An imbalance OFO is applied to keep the imbalances within a specified area of the pipeline to a specified tolerance. Any penalties assessed would be based on the type of OFO in effect at the time, scheduling or imbalance. If both a scheduling and imbalance OFO were concurrently in effect, penalties would be assessed on both.

11. When would Transco implement a Class 1 versus a Class 2 OFO?

There are many circumstances which can create the need for an OFO. Transco would issue a Class 1 OFO in order to manage circumstances when operating conditions warrant an OFO and when Transco believes the less punitive penalties will be sufficient to address the situation fully. A Class 2 OFO may be issued if a Class 1 OFO did not rectify the situation or if Transco needs to address an imminent or more severe threat to its operations or system integrity or reliability.

12. How were the \$5, \$10 and \$15 penalties determined for the tiers?

Transco reviewed other pipeline's approved OFO penalty provisions in developing the penalties applicable to Class 1 OFOs and in an effort to provide for less punitive penalties than those already set forth in Transco's Tariff.

13. Is it possible to have a bracketed OFO at the 2% level?

Yes, for Class 1 OFOs, Transco will have the ability to issue bracketed OFOs so long as the allowable variation is not less than 2% or 10,000 dt, whichever is greater.

14. Does Transco anticipate more frequent, less frequent, or the same frequency of OFOs that impact the operator at OBA locations?

Transco's pipeline conditions, as well as shipper behavior, will determine any change in frequency of OFOs impacting OBA locations.

15. Does Transco envision the frequency of OFOs to remain at the same level as they are today?

These proposed OFO tariff changes, together with Transco's other tariff proposals, are designed to help reduce the number of OFOs issued at the Class 2 penalty level. However, customer behavior

and operational conditions will continue to be evaluated and will ultimately determine the frequency and types of OFOs needed.

16. Are scheduling OFO penalties computed based on the total scheduled quantities or the variance between the scheduled quantity and the allocated quantity?

Penalties for scheduling OFOs are based on the variance between the quantity that was scheduled and the quantity that was allocated. The variance between those quantities must be within the specified tolerance percentage (based on a percentage of the total scheduled) and penalties will be assessed on any quantities in excess of that tolerance.

17. Under a scheduling OFO, if a meter operator has a 3rd party deliver gas to the meter instead of delivering it using the operator's capacity, will some of the tolerance be applied to the 3rd party based on what they deliver, even though they are not at risk for penalties?

Scheduling OFOs compare the quantity that was scheduled to the quantity that was allocated. The variance between those quantities must be within the specified tolerance percentage (based on a percentage of the total scheduled) and penalties will be assessed on any quantities in excess of that tolerance. A meter operator will determine which shipper/contract(s) to swing on and ultimately will determine which contracts the imbalance will be assigned to.

Underrun/Overrun Questions

18. Is the underrun concept new?

Yes. The proposed Daily Unauthorized Underrun language is a new concept for Transco.

19. Will Unauthorized Daily Overrun penalties be billed to the shipper or the delivery operator? Will Unauthorized Daily Underrun penalties be billed to the shipper or the delivery operator?

Unauthorized Daily Underrun and Unauthorized Daily Overrun penalties are charged to the Swing Service Delivery Point (SSDP) location operator or to the party designated by the SSDP location operator.

20. Why does Transco feel that such a large penalty for Unauthorized Daily Underruns is needed all the time, rather than only when the Transco system is experiencing issues?

Transco will post on its EBB the Daily Unauthorized Underrun tolerance percentage, which dictates the level of underrun that will be allowed before penalties will be assessed. The tolerance quantity will be established based on Transco's system conditions at the time. As a result, although the penalty for Unauthorized Daily Overruns will remain unchanged, the tolerance percentage should be higher when Transco is not experiencing any operational issues and parties will be less likely to incur penalties.

21. Will retro nominations still apply or be eliminated?

Any retroactive nomination or PDA requests that have been scheduled successfully that result in a change to the measurement allocation at a SSDP location will cause a recalculation of any Unauthorized Daily Underrun or Unauthorized Daily Overrun penalties. All retroactive changes must be approved by all affected parties (including Transco) in accordance with Section 39 of the GT&C.

22. How does Transco propose to treat measurement adjustments after the operator has been already been penalized?

Measurement adjustments are allowed up to the limitations set by the NAESB standards. Any increases to already penalized Daily Unauthorized Overrun or Daily Unauthorized Underrun quantities will not result in increased tiering per the existing and proposed language in Transco GT&C Section 18. Measurement changes at a location may put a party into penalty if they were not already. There is no exception for penalties caused by measurement errors.

23. Does Transco propose to retain a portion of penalty revenues?

Transco will retain the IT zone of delivery charge for all underrun penalty quantities. Transco stood ready to make the deliveries on these nominations and reserved space for these transactions to be scheduled. Transco had to transport the gas scheduled on the receipt side to a location that was able to take the gas. Therefore, the cost to Transco of the unauthorized underruns was the lost opportunity to provide additional IT service.