

TSP Name / TSP: EASTERN GAS TRANSMISSION AND STORAGE, INC (116025180)
Critical: N
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Notice Stat Desc: Initiate Notice ID: 231579
Notice Type Desc: Storage Prior Notice: 0
Regrd Rsp Desc: No response required
Response Date:
Response Time:

Subject: EGTS Storage Inventory Tax Allocation 2020 Tax Year

Notice Text:

To: Eastern Gas Transmission and Storage, Inc. Customers

The storage inventory percentages in this posting are as of December 31, 2020, and should be used to calculate 2020 state property taxes.

If your company has secured storage services provided by Eastern Gas Transmission and Storage, Inc. (EGTS) , the following information may apply. Since EGTS's customers own the gas inventory within EGTS's storage system, EGTS's customers are responsible for any taxes imposed on such inventory by the three states in which EGTS's storage facilities are located (Pennsylvania, New York and West Virginia).

The State of West Virginia imposes a property tax on the inventory of natural gas that is contained in the EGTS's storage facilities. EGTS attributes this storage inventory property tax to those customers that own the gas inventory based on the year-end inventory balance. EGTS does continue to pay taxes that are imposed by the State of West Virginia on its activities as an operator of storage pools within the state.

EGTS operates its storage system in the aggregate. Thus, EGTS customers have rights to capacity on the system as a whole, rather than within any particular storage pool. The aggregate operation of EGTS's storage system prevents customers from determining the location of the gas that they own in the storage system.

Accordingly, each year EGTS allocates the customers' storage inventory on a pro rata basis. For purposes of computing state tax liability, each storage customer is deemed to have its gas located in each of the three states in which EGTS operates storage pools, in proportion to the percentage of gas in EGTS's storage system that is available for allocation in each of the states.

As of December 31, 2020, EGTS's storage inventory balance was as follows: Pennsylvania with 57.41%, New York with 8.16% and West Virginia with 34.43%.

Within West Virginia, the inventory was located in various counties as follows: Harrison 46.48%, Lewis 41.98%, Gilmer 8.68%, Taylor 1.72% and Doddridge 1.14%.

The December 31, 2020, storage inventory held under contract by your company was noted on the December 2020 invoice in Dth, which must be converted to Mcf. To calculate your share of storage by state:

- 1) Add the storage balance for each storage contract listed on the December 2020 invoice to obtain your total Dth storage balance.
- 2) Divide the Dth total storage balance (step 1 results) by 1.047(average BTU).
- 3) Multiply the total Mcf storage balance (step 2 results) by the state percentage listed above.

Customers may "trade" pro rata volumes among themselves for tax purposes, in separate agreements. If customers choose to enter into such agreements, EGTS will recognize these trading agreements, provided they meet the following specifications:

- 1) Each agreement must be in writing, and must be signed by both trading partners.
- 2) Customers must trade equal quantities to/from each state, in Mcfs.
- 3) Each trading agreement must contain the following language:

This agreement is made by and between the undersigned customers of EGTS. This agreement shall not be interpreted in any way to have any effect on the manner in which customers under EGTS's Rate Schedule GSS or GSS-II receive storage service from EGTS. This agreement does not give either customer the right to select the state in which storage gas is either injected into or withdrawn from storage. EGTS shall continue to operate its gas storage field in such a manner as it, in its sole discretion, deems necessary and appropriate to meet its service obligations. This agreement does not create, reduce, modify or amend EGTS's service obligations or service agreement in any manner. The undersigned Customers agree to hold EGTS harmless from and indemnify EGTS against any liability as a result of this agreement.

- 4) EGTS must receive a signed copy of all agreements to trade quantities for tax liability purposes no later than March 17, 2021. EGTS will recognize any trading agreement that it receives before March 17, 2021, that conforms to the above specifications. If required, EGTS will report the customers' volumes to

state taxing authorities based on its pro rata allocation to customers, as modified by the terms of any timely, conforming trading agreement. If EGTS receives an agreement after March 17, 2021, or receives an agreement that does not conform to the specifications above, then EGTS will report volumes to state taxing authorities based only upon EGTS's pro rata allocations of inventory.

Customers should send any executed trade agreements to :

Anne M. Tracy
Director Transmission Services
Eastern Gas Transmission and Storage, Inc.
6603 West Broad Street, 5th Floor
Richmond, Virginia 23230

If you need assistance with the calculation of these amounts or would like to verify your calculations, please contact your customer transportation representative.