

TSP Name / TSP: EASTERN GAS TRANSMISSION AND STORAGE INC (116025180)
Critical: N
Notice Eff Date: 07/13/2021 Posting Date: 07/21/2021
Notice Eff Time: 10:23 AM Posting Time: 11:55 AM
Notice Stat Desc: Initiate Notice ID: 235838
Notice Type Desc: Other Prior Notice: 0
Regrd Rsp Desc: No response required
Response Date:
Response Time:

Subject: Review of Potential Penalty Situations During Winter Season

Notice Text:

TO ALL CUSTOMERS:

In light of the constraints that Eastern Gas Transmission and Storage, Inc. (EGTS) has experienced in recent months and the potential for continued volatile weather conditions, we would like to share recent "lessons learned" so that customers may better plan their use of EGTS services and avoid penalty situations under similar circumstances.

When an equalization (or "conform nominations") OFO is issued, please consider the following:

- Generally, during the winter, an equalization OFO is issued because EGTS cannot tolerate under-deliveries on its system on a given gas day. Certain customers assume that an OFO penalty will not be assessed for under-deliveries for a particular day, as long as they already have a cumulative positive imbalance on EGTS's system. However, the equalization OFO is calculated daily based on actual receipts and actual deliveries. Cumulative imbalances are not considered part of this calculation. If there is a shortage for the specific day when the OFO is in place, then the OFO penalty will be assessed. Conversely, if there is an over-delivery on a day when the equalization OFO is issued because EGTS cannot handle over-deliveries, then the OFO penalty will be assessed. This latter situation generally occurs during the summer.

- Some EGTS customers have contracted for Rate Schedule MCS balancing service in conjunction with Rate Schedule FT service (See Section 7.4 of Rate Schedule FT). However, recognize that Rate Schedule MCS service is an interruptible service that is generally not available when an OFO or similar critical notice has been issued. If there is an equalization OFO in effect, Rate Schedule MCS service will likely not be available to handle differences between receipts and deliveries on a daily basis - even if the imbalance has occurred on a firm transportation contract. Therefore, any differences will result in the assessment of an OFO penalty. If you are unsure about the availability of MCS service, please contact your Customer Transportation Representative.

- FT and IT customers that carry imbalances, generally have until 20 days in the month to resolve the prior month's imbalances. However, imbalance cures normally will not be allowed when an OFO is in place. If an equalization OFO is in place, customers must stay as close to "in balance" as possible. We encourage customers to either use what is brought on the system each day, or err towards remaining long in the winter and short in the summer. To avoid additional charges, customers are strongly encouraged to closely monitor Dekaflow during critical periods and take immediate action to cure imbalances during any period when an OFO is lifted.

- Notwithstanding the issuance of an OFO, customers are reminded to carefully review the requirements under their service agreements to ensure compliance. That is the best approach to avoid the imposition of additional charges and/or penalties. For example, GSS customers have a monthly limitation on withdrawals based on the number of days of GSS service in each contract. Customers with GSS service greater than 60 days have a monthly withdrawal limitation of 87.5% of the daily entitlement, while customers with less than 60 days service are limited to 70%.

- The penalties for violations of transportation OFOs is based on a penalty per Dt equal to the higher of \$10.00 or two times the Penalty Index Price. The Penalty Index Price is defined in EGTS's FERC Gas Tariff in GT&C Section 1.1.W. as "the highest of the midpoint prices for: 'Eastern Gas, South,' 'Transco, zone 5 del.', 'Transco, zone 6 N.Y.', or 'Chicago city-gates' as published in Platts Gas Daily for the flow date applicable to the day on which the penalty is incurred." Customers are reminded that the Penalty Index Price may at times be significantly higher than \$10.00.

Thank you for reviewing this important information. If you have additional questions regarding specific EGTS capacity, contract terms and OFO limitations, please contact your Customer Transportation Representative.