

NATIONAL FUEL GAS DISTRIBUTION XKR CONFIRMATION POSITION

Upon review of XKR meeting minutes and various GISB datasets, NFGD's can support XKR if modifications to several datasets are made. NFGD's opposition to XKR developed when the sub-committee determined the entity to entity level confirmations would be required to support XKR. NFGD opposes entity to entity level confirmations because we have historically used the contract numbers of the upstream contracts to determine whether the gas was being delivered on a firm on interruptible basis.

NFGD's current New York tariff places the following requirement on transportation for non-residential customers:

Except where the transportation Customer has installed the necessary equipment which allows the Company to monitor the Customer's daily usage of gas, the Customer shall arrange for supply to be delivered, either directly or by displacement, on a firm basis for the entire route from the point of production to the Company's distribution system throughout the term of the Service Agreement.

NFGD has a similar section in its Pennsylvania tariff. Residential transportation is now a reality in both states; any customer in either NFGD jurisdiction may transport gas. Reliability has always been a concern but it is especially heightened for residential and human needs customers. The New York Public Service Commission Order Concerning Assignment Of Capacity Issued and Effective March 24, 1999, states the following:

Marketers' Requirements to Serve Firm Load

Some LDCs have requested that marketers serving human needs, core, or firm customers demonstrate that they have sufficient firm, non-recallable, primary delivery point capacity to the citygate. We endorse this concept. Marketers who operate with only secondary delivery point capability may not be able to deliver gas to their customers' citygate on colder days when the gas system may be capacity constrained. This is a very important issue for any firm load but becomes particularly critical when human needs customers are involved. Therefore, we will require that all marketers serving firm loads demonstrate that they have firm, non-recallable, primary delivery point capacity to the citygate, but only for the winter season (November through March). This issue may be revisited in the ongoing gas reliability proceedings.

The key objective is the quality of transportation and not identification of the contracts (i.e. contract numbers) used for transportation. The contract numbers are used as a means of determining the quality of transportation. As such, a potential solution is addition of "Capacity Type Indicator" to the following datasets:

- 1.4.3 Request for Confirmation
- 1.4.4 Confirmation Response
- 1.4.6 Scheduled Quantity for Operator
- 2.4.3 Allocation

The usage might be slightly different than its current usage and conditionality would have to be such that it was available when requested, if not mandatory.

This needs to be part of the confirmation process. If the first instance that a New York LDC learned, for example, that interruptible gas was scheduled at its gate was upon receipt of scheduled quantities for timely nominations, it would be obligated to send an unsolicited confirmation at the evening cycle to reject gas it confirmed earlier.

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