

Glossary

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Affiliated Company: A company that is either directly or indirectly controlled and/or owned by another firm or holding company.

Alternative Fuel Capacity: The on-site availability of apparatus to burn fuels other than natural gas.

Annual Demand Charge: The charge to take "on demand" delivery based on annual volumes taken under the MFV rate design. Part of a two-part demand charge.

Billing Units: The basis used to convert costs into rates or fees. For reservation fees this may be the maximum daily quantity for service or the maximum annual quantity for service. For usage fees this may be the total annual throughput.

Blanket Certificate (Authority): Permission granted by the Federal Energy Regulatory Commission (FERC) for a certificate holder to engage in an activity (such as transportation service or sales) on a self-implementing or prior notice basis, as appropriate, without case-by-case approval from FERC.

Btu: Abbreviation for British thermal unit. The quantity of heat needed to raise the temperature of 1 pound of water by 1 degree Fahrenheit at a specified temperature and pressure (from 59 degrees Fahrenheit to 60 degrees Fahrenheit at an atmospheric pressure of 29.92 inches of mercury).

Certificated Capacity: The capability of a pipeline project to move gas volumes on a given day, based on a specific set of flowing parameters (operating pressures, temperature, efficiency, and fluid properties) for the pipeline system as stated in the dockets filed (and subsequently certified) in the application for the Certificate of Public Convenience and Necessity at the Federal Energy Regulatory Commission. Generally, the certificated capacity represents a level of service that can be maintained over an extended period of time and may not represent the maximum throughput capability of the system on any given day.

Coincidental Peak-Day Flow: The volume of gas that moves through a pipeline or section thereof or is delivered to a customer on the day of the year when the pipeline system handles the largest volume of gas.

Commodity Charge: The portion of a natural gas rate for bundled sales service based upon the volume actually purchased.

Contract Demand: The level of firm service in terms of the maximum daily and/or annual volumes of natural gas sold and/or moved by the pipeline company to the customer holding the contract. Failure of a pipeline company to provide service at the level of the contract demand specified in the contract can result in a liability for the pipeline company.

Daily Average Flow: The volume of gas that moves through a section of pipe determined by dividing the total annual volume of gas that moves through a section of pipe by 365 days. Volumes are expressed in million cubic feet per day measured at a pressure of 14.73 psia and a temperature of 60 degrees Fahrenheit. For pipes that operate with bidirectional flow, the volume used in computing the average daily flow rate is the volume associated with the direction of flowing gas on the peak day.

Deliverability: Refers to the volumes of natural gas which may be transferred at a designated point on the transportation network. The specific volume level is normally stated on a peak-day capability basis and is a function of facility (system) design which itself is premised upon actual or estimated market demand requirements. In the discussion that follows on network deliverability, that which pertains to pipeline service is predicated upon a summary measure of pipeline capacity at regional and/or State boundaries. Pipeline capacity is, in part, a function of the number of pipes, their diameter, compression, and operating pressure situated at the transfer point. Deliverability from storage represents a volume level that may be transferred to the pipeline network on a peak-day to supplement the pipeline capacity serving the regional market.

Deliverability (from storage): The output of gas from a storage reservoir, as expressed as a rate in thousand cubic feet (Mcf) per 24 hours, at a given total volume of gas in storage with a corresponding reservoir pressure and at a given flowing pressure at the wellhead.

Design Capacity: See certificated capacity. The design capacity of pipeline sections having bidirectional flow is the capacity associated with the direction of the flow observed on the peak day.

Federal Energy Regulatory Commission (FERC): The Federal agency with jurisdiction over interstate natural gas transportation and sale for resale rates, wholesale electric rates, hydroelectric licensing, oil pipeline rates, and gas pipeline certification.

Firm Service: Service offered to customers (regardless of class of service) under schedules or contracts which anticipate no interruptions. The period of service may be for only a specified part of the year as in off-peak service. Certain firm service contracts may contain clauses that permit unexpected interruption in case the supply to residential customers is threatened during an emergency.

Heating Degree Day: An index indicating the difference between 65 degrees Fahrenheit and the average temperature for a day, where the average temperature is the average of the day's high and low temperatures. If a day's average temperature were 45, there would be 20 degree days for the date. If the average temperature were above 65 degrees Fahrenheit, then the heating degree day would equal zero.

Interruptible Service: A sales volume or pipeline capacity made available to a customer without a guarantee for delivery. "Service on an interruptible basis" means that the capacity used to provide the service is subject to a prior claim by another customer or another class of service (18 CFR 284.9(a)(3)). Gas utilities may curtail service to their customers who have interruptible service contracts to adjust to seasonal shortfalls in supply or transmission plant capacity without incurring a liability.

Interstate Pipeline: A natural gas pipeline company that is engaged in the sale for resale or transportation, by pipeline, of natural gas across State boundaries, and is subject to the jurisdiction of FERC under the Natural Gas Act.

Intrastate Pipeline: A natural gas pipeline company engaged in the transportation, by pipeline, of natural gas not subject to the jurisdiction of FERC under the Natural Gas Act.

LDC: Local Distribution Company.

Load Factor: The ratio of average daily throughput volume to peak-day throughput volume or contracted volume (see definition of Maximum Daily Quantity). Low load factors are typically associated with small local distribution companies (LDC's) that serve residential and commercial customers with temperature-sensitive loads; high load factors are typically associated with larger LDC's that have a more diversified market or industrial and electric utility customers.

Native Gas: The volume of gas indigenous to the storage reservoir. It includes the total volume of unrecoverable gas and economically recoverable gas within the storage reservoir, which exerts a zero psig at the gauge pressure (psi) at which gas storage is started.

Noncoincidental Peak-Day Flow: The largest volume of gas delivered to a particular customer by a pipeline company in a single day during the year.

Markup: The average cost paid by a pipeline company customer to move a unit of gas.

Maximum Annual Quantity (MAQ): Annual allotment of capacity a customer has reserved on the system. This quantity usually takes into consideration seasonal variation in load and is therefore generally less than 365 times the Maximum Daily Quantity.

Maximum Daily Quantity (MDQ): Daily allotment of capacity a customer has reserved on the system. The quantity is usually based on peak requirements. The customer has the right to this capacity everyday of the year.

Maximum Interruptible Rate: The maximum allowed rate (price ceiling) for interruptible service. Generally, it equals the average unit cost to a firm customer with a 100-percent load factor.

Mileage-based Rate: These rates are also known as a distance-sensitive rates. Rates designed to reflect the variation in pipeline costs based on distance between receipt and delivery points. For instance, zoned rates are mileage-based.

Minimum Interruptible Rate: The minimum allowed rate (price floor) for interruptible service. Generally, it equals the variable cost of moving the gas.

Modified Fixed Variable: Fixed costs associated with the pipeline company's return on equity and associated income taxes are included in its volumetric charge, while all other fixed costs are recovered in the demand charge.

Off-Peak Service: Service made available on special schedules or contracts, but only for a specified part of the year during the off-peak periods.

Open-Access Transportation: The contract carriage delivery of nonsystem supply gas on a nondiscriminatory basis for a fee. Generally subject to transportation tariffs which are usually on an interruptible service basis on first-come, first-serve capacity usage.

Operator: The person or firm responsible for the day-to-day operation of a plant or facility.

Onsystem: Sales from the system supply of a local distribution company. Interstate pipeline companies have system supply and so they cannot have onsystem sales.

Optional Certificate (formerly known as Optional Expedited Certificate): In 1985, FERC issued Order 436, which instituted an optional procedure for construction projects whereby FERC does not assess the need for the project or evaluate competitive proposals if the pipeline

company meets certain requirements, including assuming a majority of the risk of the project..

Peak-Day Demand Charge: The monthly charge to reserve "on-demand" delivery under a bundled sales service and is based on the amount of capacity reserved for the peak day under the MFV rate design. Part of a two-part demand charge.

Postage Stamp Rate: Flat rates charged for transportation service without regard to distance.

Rate Zone: This is a specified area where all customers pay the same price for the same level of service. Rate zones can cover large geographic regions over which gas may travel hundreds of miles.

Reservation Fee: A charge assessed based on the amount of capacity reserved on a daily basis. It is typically a monthly fee that does not vary based on throughput. Under SFV rate design, all fixed costs are allocated to the reservation component.

Section 311 Construction: Section 311 of the Natural Gas Policy Act of 1978 allows an interstate pipeline company to transport gas "on behalf of" any intrastate pipeline or local distribution company. Pipeline companies may expand or construct facilities used solely to enable this transportation service, subject to certain conditions and reporting requirements.

Service Agreement: An agreement between a natural gas company and a gas purchaser specifying the service to be rendered, area to be served, maximum obligation to deliver, delivery points, delivery pressure, applicable rate schedules by reference to the tariff, effective date and term, and identification of any prior agreements being superseded.

Storage (Reservoir) Capacity: The total volume of gas within a reservoir which exerts a pressure from 0 psig to the maximum or ultimate reservoir gauge pressure (psi). This

should include all native gas (recoverable and unrecoverable), cushion (base) gas, and working (current) gas.

Straight Fixed Variable: All fixed costs are allocated to the reservation component and all variable costs to the usage component.

System Supply: Gas supplies purchased, owned, and sold by the supplier or local distribution company to the ultimate end user. System gas is subject to FERC or State tariff and is generally sold under long-term (contract) conditions.

Tariff: A compilation of all the effective rates, rate schedules, and general terms and conditions of service and forms of service agreements.

Throughput: Actual or estimated volume of natural gas that may be carried on a pipeline over a period of time.

Total Storage Capacity: The sum of working (current) gas capacity and the cushion (base) gas that must remain in the storage reservoir for purposes of pressure maintenance.

Usage Fee: A charge assessed for using reserved capacity on the pipeline system. Under SFV rate design, variable costs are allocated to the usage component.

Utilization Rate: Daily flow (throughput) as a percent of estimated capacity. For a segment of pipe, the average-day utilization rate equals the average-day flow divided by the estimated capacity.

Volumetric Rate Design: All costs are allocated to the commodity rate component.

Working (Current) Gas: The volume of gas in an underground storage reservoir in excess of total cushion (base) gas and which is available for delivery (withdrawal).