











Storage (cont.)

Since the 1980s, the number of salt cavern storage sites developed in the United States has grown steadily, principally because of its unique capabilities and high cycling rate (inventory turnover). The large majority of salt cavern storage facilities have been developed in salt dome formations located in the Gulf Coast States. Salt caverns leached from bedded salt formations in Northeastern, Midwestern, and Western States have also been developed but the number has been limited due to a lack of suitable geology. Cavern construction is more costly than depleted field conversions when measured on the basis of dollars per thousand cubic feet of working gas capacity, but the ability to perform several withdrawal and injection cycles each year reduces the per-unit cost of each thousand cubic feet of gas injected and withdrawn.







Storage (cont.)

- The Future of Natural Gas Storage is Here, as Dominion Announces Storage Factory Project
- Combines new salt-cavern storage with depleted reservoir storage Adds up to 50 Bcf to Dominion's storage capacity
- Will eventually result in 75-100 new jobs
- Will eventually result in 75-100 new jobs RICHMOND, Va. Dominion (NYSE: D) Tuesday announced the Storage Factory Project, which would expand its natural gas storage capacity by up to 50 billion cubic feet (Bcf). The Storage Factory Project would integrate the high deliverability of storage in salt formations with the large capacity of depleted reservoir storage. The result is an efficient, reliable operation that will bring competitive and flexible gas storage services to customers in the Northeast and Mid-Atlantic market areas. The first phase will add 11.2 Bcf of new natural gas storage. Initial construction is scheduled for 2009, when work will begin on two salt caverns to be added to the existing fleet of depleted reservoirs. The salt caverns will be in Tioga County, Pennsylvania. reservoirs. The salt caverns will be in Tioga County, Pennsylvania

"Open Access" to Storage Capacity (cont.)

Today, in addition to the interstate storage sites, many storage facilities owned/operated by large LDCs, intrastate biological strates and independent operators also operate on an open-access basis, especially those sites affiliated with natural gas market centers. Open access has allowed storage to be used other than the biological strategies and the storage to be used other than the biological strategies and the storage to be used other than the biological storage to be used other the biological storage to gas market centers. Open access has allowed storage to be used other than simply as backup inventory or a supplemental seasonal supply source. For example, marketers and other third parties may move gas into and out of storage (subject to the operational capabilities of the site or the tariff limitations) as changes in price levels present arbitrage opportunities. Further, storage is used in conjunction with various financial instruments (e.g. futures and options contracts, swaps, etc.) in ever more creative and complex ways in an attempt to profit from market conditions. Reflecting this change in focus within the natural gas storage industry during recent years, the largest growth in daily withdrawal capability has been from high deliverability storage sites, which include salt cavem storage reservoirs as well as some depleted oil or gas reservoirs. These facilities can cycle their inventories-i.e., completely withdraw and refill working gas (or vice versa)-more rapidly than can other types of storage, a feature more suitable to the flexible mer inventories-Le, completely windraw and relini working das (or vice versa)-more rapidly than can other types of storage, a feature more suitable to the flexible operational needs of today's storage users. Since 1993, daily withdrawal capability from high deliverability salt cavern storage facilities has grown significantly. Nevertheless, conventional storage facilities continue to be very important to the industry



as well

"Open Access" to Storage Capacity

Prior to 1994, interstate pipeline companies, which are subject to the jurisdiction of the FERC, owned all of the gas flowing through their systems, including gas held in storage, and had exclusive control over the capacity and utilization of their storage facilities. With the implementation of FERC Order 636, jurisdictional pipeline companies were required to operate their storage facilities on an open-access basis. That is, the major portion of working gas capacity (beyond what may be reserved by the pipeline/operator to maintain system integrity and for load balancing) at each site must be made available for lease to third parties on a nondiscriminatory basis



Storage Pennsylvania

- Several western Pennsylvania natural gas utilities own storage fields or lease capacity in storage fields
- · Eastern Pennsylvania gas utilities contract with interstate pipelines for storage capacity.
- No Pennsylvania PUC licensing procedures for storage fields
- Regulated by FERC
- Unbundled storage facilities from distribution facilities in the • year 2000
- Storage is now a cost component in the cost of gas surcharge



Pennsylvania Storage

- Storage usage and contracts reviewed by the Commission annually
- Commission policy for least cost supplies supports the use of storage facilities to reduce the cost of gas
- Requirement for least cost procurement



Regulation - Statute

§ 1302. Tariffs; filing and inspection. Under such regulations as the commission may prescribe, every public utility shall file with the commission, within such time and in such form as the commission may designate, tariffs showing all rates established by it and collected or enforced, or to be collected or enforced, within the jurisdiction of the commission. The tariffs of any public utility also subject to the jurisdiction of a Federal regulatory body shall correspond, so far as practicable, to the form of those prescribed by such Federal regulatory body. Every public utility shall keep copies of such tariffs open to public inspection under such rules and regulations as the commission may prescribe. One copy of any rate



filing shall be made available, at a convenient location and for a reasonable length of time within each of the utilities' service areas, for inspection and study by customers, upon request to the utility.





THE PEOP d/b/a DOM	LES NATURAL GAS COMPANY NION PEOPLES	SUPPLEMENT NO. 37 TO GAS PA-PUC NO. 43 SECOND REVISED PAGE NO. 67 CANCELING FIRST REVISED PAGE NO. 57
RATE ST STORAGE SERVICE AVAILABILITY (C)		
<u> </u>		(0)
Storage/balancing service is available to transportation ratepayers under the following conditions:		
a.	Rato ST is available for overdeliveries in excess of 3.5 percent, subject to a maximum volume imitation in storage at any one time, that will be based on the ratepayer's average monthly usage and on monthly volument injection levels set forth below.	
b.	Monthly limitations on scheduled injection April - 2 percent of average mo May - 15 percent of average m June-September - 20 percent October - 15 percent of averag	levels into storage are as follows: nthly usage of average monthly usage e monthly usage
с.	Withdrawals from storage shall be limited maximum volume limitation.	to a maximum daily amount equal to 1/44 of the ratepayer's
đ.	Storage of gas by a transportation ratepay Company's sole discretion.	er other than described in (A) and (B) above will be at the
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THE PEOPLES NATURAL GAS COMPANY d/b/a DOMINION PEOPLES

SUPPLEMENT NO. 19 TO GAS PA-PUC NO. 43 FIRST REVISED PAGE NO. 58 CANCELING ORIGINAL REVISED PAGE NO. 58

RATE ST STORAGE SERVICE

\$ 0.0532 per Mcf at the time of delivery into storage (injection fee) \$ 0.0532 per Mcf at the time of withdrawal from storage (withdrawal fee) \$ 0.0529 per Mcf fee assessed on the maximum storage level attained in the storage year (capacity fee)

The rate for delivery into storage will be assessed in the month in which (a) the storage election is made or (b) the Company grants a request for storage. The rate for storage of gas (storage level fee) will also be assessed at that time and will be applied to the maximum storage level altained in a storage year (April 1 through March 31) and will be reassessed annualy on April 1. The rate for delivery of gas from storage will be assessed in the month the gas is withdrawn. At the time of withdrawd, the applicable transportation rate from GS-To Rate T will also be assessed. LATE-PAYMENT CHARGE

STORAGE CHARGE

A late-payment charge of 2.00 percent per month for industrial and NGDC ratepayers and 1.50 percent per month for commercial ratepayers shall be applied for failure to make payment in full by the due date shown on the bill. A late-payment charge of 1.50 percent per month for residential ratepayers will be made for failure to make payment in fail within five days after the due date shown on the bill. This charge is to be calculated on the overdue portion of the bill, excluding any unpix late-payment charges.

SURCHARGES

All applicable riders to this tariff.

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RULES AND DELIVERY TERMS

Deliveries Into and From Storage

Deliveries to the Company in excess of the 3.5 percent banking level will be injected into storage unless the ratepayer requests otherwise by the 25th of the month. If the monthly limits on injection levels are exceeded, then the Company may purchase these volumes under the buy-back provisions in paragraph 13 of Rate G-T or paragraph 13 of Rate T.

The Company shall withdraw the nate-poperty gate prevention a paragraph root action of the Company shall withdraw the nate-payer's gas from storage to meet the nate-payer's needs in excession storage to meet the nate-payer does not have the required storage balance to meet the withdrawal, then the ratepayer will be subject to the balancing provisions contained in thate GST- and the T.

Request for storage under availability provision (d) above must be made by the 25th day of the month. The Company will notify the ratepayer of acceptance or rejection of this request within three days of the receipt of the request.

ISSUED: January 31, 2003

EFFECTIVE: April 11, 2003

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