

# Tariff Design and the Restructuring Process Natural Gas Issues

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## What is Being Unbundled in the Natural Gas Business

- Services Competitively Available Now
  - Commodity
  - Capacity
  - Balancing
  - Billing
- Potential Competitive Services
  - Metering
  - Information Services
  - Anything other than the physical distribution plant

## Major Components of Natural Gas Tariffs

- **Delivery Charge (set by the PSC)**
  - Reflects the cost of moving the gas from the citygate (interconnection with interstate pipeline company) to customer's meter
- **Gas Supply Charge**
  - Adjusted monthly and reconciled annually
  - Reflects the costs of gas supplies (commodity and capacity) purchased on interstate pipelines or from local production
  - Commodity price is set by the marketplace; utilities use hedging instruments to moderate price volatility
  - Capacity price is set by FERC

## Other Rate Components

- **Weather Normalization Clause** – lower bills during colder than normal weather periods and raise bills during warmer than normal weather; tends to smooth customer bills and revenue stream to LDC
- **Storage Service** – allows for gas injections during the summer when prices are presumably low, and withdrawals in winter during peak demand and high prices
- **Standby Service** – back-up commodity supply service provided to transportation customers as needed