

Tariff Development for Natural Gas Storage

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Background

- Rates, tariffs for gas storage services under FERC jurisdiction; NYPSC does not regulate these rates
- NYPSC, other State Regulatory Commissions, and storage service customers intervene in rate cases
- Rates set by FERC are non-discriminatory and are based on the cost of service
- Amounts charged for storage services based on cost of service studies



Market-based Storage Rates

- New FERC rules permit market-based rates for existing and new storage facilities
 - If storage operator can demonstrate that they can not exert market power
 - For new storage capacity, including expansions, FERC can authorize storage providers to charge market-based rates, even when the storage providers cannot demonstrate that they lack market power
- Encourages new storage development
- Reduces price volatility









Firm Storage Rate Components

- Fixed Storage Costs
 - Incurred to support the storage field's deliverability and capacity functions
 - Include base or pillow gas amount treated as rate base
 - Deliverability function of a storage field refers to the ability of the storage field to withdraw gas on a particular day
 - Capacity function refers to the storage field's capacity to store gas for a designated customer or for system operations
 - Classified equally to Deliverability and Capacity cost components
- Variable Storage Costs
 - Assigned to the "Injection/Withdrawal" component
 - Injection/Withdrawal component refers to the injecting and withdrawing gas for customers or for system operations









Firm Storage Rate Development

- Capacity charge = capacity costs/capacity of the storage field
- Deliverability (demand) charge = Deliverability costs/certificated deliverability of the storage field
- Rates are assessed monthly for each firm customer's contract level for deliverability and capacity
- Injection/withdrawal charge = injection/withdrawal costs divided by annual projection of injection and withdrawal activity (firm & interruptible)
- Injection/withdrawal charge is assessed per unit of volumes actually injected or withdrawn by each firm and interruptible customer



Interruptible Storage Service Rate development

- Calculated similar to firm rates but assume 100% load factor for capacity and deliverability components
- Must pay the same injection/withdrawal rate as firm customers
- Rate calculation provides a lower overall charge and provides a contribution to system costs



Examples of Gas Storage Rates

- Dominion Gas Storage Service (GSS)
 - Storage Demand \$1.7984/dth (based on contracted maximum daily demand)
 - Storage Capacity \$0.0145/dth (based on total contracted storage capacity)
 - Injection Charge \$0.0154/dth (based on actual monthly volumes)
 - Withdrawal Charge \$0.0154/dth (based on actual monthly volumes)



Examples of Gas Storage Rates – Cont.

- Dominion Interruptible Storage Service (ISS)
 - ➢ ISS Capacity \$0.0736/dth
 - ➢ Injection Charge \$0.0154/dth
 - ➢ Withdrawal Charge \$0.0154/dth