



NARUC

Gas Curtailment Brief

**Highlighting
Gas/Electric
Interdependencies in the
States**

**Christina Cody
Sharon Thomas**

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Winter is coming

We have been enjoying plentiful supply of natural gas across the United States for some time now. However, as last year's polar vortex shows, there is just about no level of comfort that Mother Nature can't interrupt. As we prepare for another cold winter, States should be aware of how their policies and the policies in their neighboring States may cause unintended consequences in gas supply. In this brief, we will examine the implications of varying gas curtailment tariffs and cross examine this conundrum with the varying gas curtailment authority across States. As a State regulator, take a few moments to consider the status of your neighboring States' tariff and curtailment authority. Because the entities who determine these two factors are not the same, does a disconnection in cause and effect present challenges for your State this coming winter?

The curtailment authority-tariff crux

States create their autonomous curtailment policies with no requirement to consult neighboring or other States' policies. In some cases, some States may have gone beyond minimum requirement and considered the implications of their neighbors' policies. In other cases, States may not be aware that their neighbors' policies might create problems for them. In the case of a gas shortage, which might occur under conditions such as a particularly harsh winter, States may find themselves in the unfortunate position that we outline below.

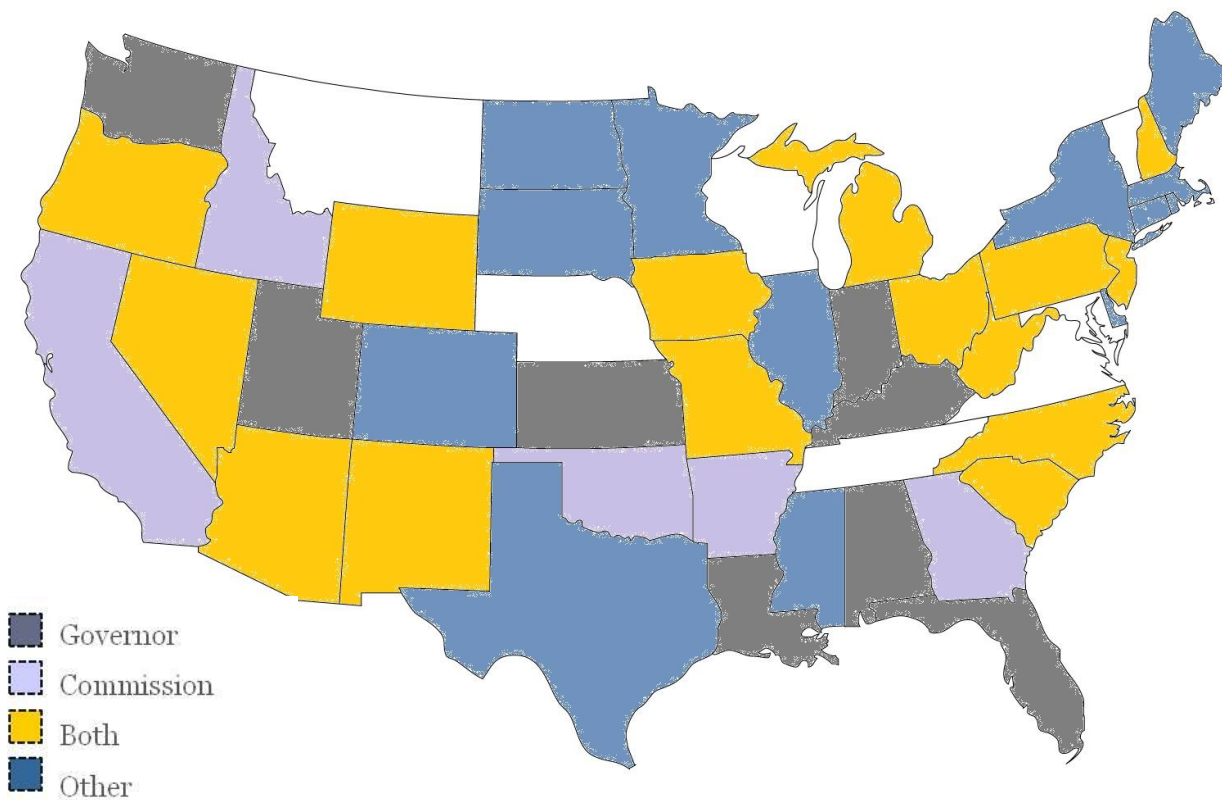
Consider State A whose curtailment tariff is \$3/unit. Its neighboring State B, served by the same gas pipeline, has a curtailment tariff of \$5/unit. A gas shortage is occurring, so the RTO must make a market-based decision. Curtailment will occur to State A in favor of State B, whose tariff is more costly. Concurrently, let us consider that the gas curtailment authority in State A resides with the Governor. The gas curtailment authority resides with the Public Utility Commission in State B. And the curtailment will affect electric generation before it affects other gas buyers. Therefore, we should explore the unintended consequences of these variations across States.

NARUC asked the following question of its members, the answers to which are compiled in the table that follows:

In your state, which entity has primary authority to respond to a natural gas shortage or require the curtailment of gas usage? (Such authority could include an Energy Emergency Act, disaster declaration or other grants of authority)

Definitions and Disclaimer

The information presented in the table below pertains only to states' emergency curtailment policies. We are defining emergency curtailment as a forced reduction in service below contracted-for levels in response to inadequacy of capacity or inadequacy of supplies. Please keep in mind, when reviewing this material, that in addition to whatever regulatory authority that might reside within a commission, some states have energy specific emergency legislation and virtually all states have disaster or emergency powers. The implications for states with such legislation and designated authority is that in the event of a widespread natural disaster and/or in a declared state of emergency (the degree of the natural gas shortfall is sufficient to trigger these authorities) the governors may have the authority to prioritize natural gas use or recovery efforts and take actions as provided in additional statutes.



This tool should prompt some assessment as to whether individual state curtailment policies are sufficient, or whether emergency natural gas curtailment plans require more regional coordination.

Questions

Let's take some time to consider your State's response and the response of your neighbors. If your neighbors' responses are incomplete or unclear, one next step for States may be to track their neighbors' curtailment tariffs and policy. Then consider the following questions:

Do you know your neighbors' curtailment tariffs?
Does their policy for curtailment concern you, given this tariff?
If State regulators share curtailment authority, when was the last time you coordinated with the other entities to address this policy?
If authority is not yours, are you in communication with the entity that has authority? Are you aware of what their specific stipulations are?
If we played a simulation of an emergency scenario which involved a gas shortage, would your State be concerned, based on the maps above, about the production of electricity?
Are you aware of your neighbors' curtailment policies? Their tariff rate?
When was the last time either the policy or tariff was updated?
If you share authority, how do you work with the other entity involved?
If your organization does <i>not</i> have authority to curtail, how do you work with the entity that does?
Have you run an emergency exercise with this entity?

Appendix

Responses				
State	Governor	Commission	Both	Other
Alabama	x			
Arizona			x	
Arkansas		X		
California		X		
Colorado				x
Connecticut				x
Delaware				x
District of Columbia				x
Florida	x			
Georgia		X		
Idaho		X		
Illinois				x
Indiana	x			
Iowa			x	
Kansas	x			
Kentucky	x			
Louisiana	x			
Maine				x
Maryland		NO RESPONSE		
Massachusetts				x
Michigan			x	
Minnesota				x
Mississippi				x
Missouri			x	
Montana		NO RESPONSE		
Nebraska				x
Nevada			x	
New Hampshire			x	
New Jersey			x	
New Mexico			x	
New York				x
North Carolina			x	
North Dakota			x	
Ohio			x	
Oklahoma		X		
Oregon			x	
Pennsylvania			x	
Rhode Island				x
South Carolina			x	
South Dakota				x
Tennessee		NO RESPONSE		
Texas		X		x
Utah	x			
Vermont		NO RESPONSE		
Virginia		NO RESPONSE		
Washington	x			
West Virginia			x	
Wisconsin		NO RESPONSE		
Wyoming			x	
Totals:	8	6	13	14