

National Fuel Gas Distribution Corporation
Procedures for Renewing and Acquiring Capacity

National Fuel Gas Distribution Corporation (“Distribution” or the “Company”) will follow these procedures when contracts it holds will expire or when evaluating new contract options for capacity that it has determined is necessary to satisfy customer demand needs on its system.¹ The current capacity is identified in the SATS Rate Schedule in Special Provisions, C. 2. as “Released Transmission Capacity Not Included in Rates.” This process recognizes the timing required under the Natural Gas Choice and Competition Act (“The Act”).

Request for Replacement Capacity

Procedure for Determining Replacement Capacity

For capacity needed by Distribution to satisfy customer demand needs on the system, eight (8) months prior to the date by which Distribution must notify an interstate pipeline of its intent to renew a capacity contract serving this purpose or to enter into a new contract which will serve this purpose, Distribution will issue a Request for Proposal (“RFP”) to all licensed Natural Gas Suppliers on the Distribution system (“Qualified Suppliers”) of the opportunity to provide replacement capacity for such upcoming terminable capacity.

The RFP will specify the level of capacity needs in the specific areas of Distribution’s system and/or at particular delivery points into National Fuel Gas Supply Corporation’s (“NFG Supply”) system. Such capacity must also be assignable to Distribution to the extent a supplier no longer serves customers on Distribution. Such capacity should be renewable on an annual basis.

Any NGS interested in providing replacement capacity must provide a binding response to Distribution in answer to the RFP within 30 days of its issue (7 months prior to the notice date on the contract.) Such response shall include a statement of intent to provide replacement capacity, an identification of the capacity proposed as replacement, and an affirmation and a description of how such capacity meets all of the conditions specified in the RFP.

Within sixty (60) days of issuing the RFP, (6 months prior to the notice date on the contract) Distribution shall notify the Qualified Suppliers which submitted offers of replacement capacity of Distribution’s acceptance or rejection of such capacity. Before becoming final, replacement capacity must be approved by the Commission.

¹ Customer operational demand does not include the capacity the Company retains for reliability or its SOLR responsibility.

Those accepted capacity bids shall be submitted to the Commission by the Company for approval as soon as practicable thereafter. Nothing defined here in this process will prohibit Distribution from providing evidence or statements to the Commission regarding the viability of such proposed replacement capacity. Upon approval of the Commission the Company shall provide notice of termination for the pipeline capacity which is being replaced. To the extent such capacity is not approved by the Commission the Company will renew its existing capacity.

Replacement Contract Expiration

Sixty days before any applicable notice dates to terminate such replacement capacity provided by the Qualified Supplier under the process above, the Qualified Supplier must demonstrate to Distribution that it has obtained or has a binding agreement to renew or obtain capacity that continues to meet Distribution's requirements established for this capacity. If such Qualified Supplier has not demonstrated to Distribution's satisfaction that it has or will obtain capacity satisfying Distribution's operational requirements then the Qualified Supplier must renew the original replacement capacity.

Exiting Suppliers

Qualified Suppliers exiting Distribution's customer choice program must notify Distribution in accordance with Distribution's SATS Tariff. (Proposed in this filing to be 60 days.) Qualified Suppliers so exiting must first offer to assign to Distribution any replacement capacity they have obtained to serve the customers remaining on the Distribution system. To the extent it deems it necessary, Distribution shall then take assignment of such capacity effective with the end of the Qualified Supplier's SATS agreement.

Distribution's Contracts for New or Renewed Capacity

In the event Distribution does not receive sufficient or acceptable commitments for replacement or new capacity which satisfy the capacity requirements of the RFPs, Distribution shall negotiate and contract for the necessary capacity to meet the customer demand on its system. Distribution shall submit such capacity to the Commission for approval. Upon Commission approval, such capacity so acquired shall qualify for assignment and/or full cost recovery under The Act.

Time line

The estimated preliminary time line associated with this process is as follows and is expected to take approximately 200 days or approximately 6 months, depending upon the time associated with the Commission approval process.

Process Timeline

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| 1. Issue RFP, Evaluate Responses | 45 Days |
| 2. LDC/NGS Negotiation | 60 Days |
| 3. Pa. PUC Approval | 60-90 Days |
| 4. Notification of Pipeline | |

Capacity Retained for Operational, Flexibility and Reliability Responsibilities

As described within this filing, the Company will be retaining capacity and including the costs of the transportation and storage contracts for such capacity in rates. Such capacity is identified in the SATS rate schedule in Special Provisions, C.3. The Company will also be retaining National Fuel Gas Supply Corporation (“NFG Supply”) ESS storage capacity and releasing it along with the associated NFG Supply EFT capacity to SATS Suppliers. This capacity is identified in the SATS rate schedule in Special Provisions, C. 1. and C. 3. This capacity is critical to the operations of the system and will be renewed or replaced under the Company’s sole discretion. To the extent the Company determines that such capacity in whole or in part is no longer critical to the operations of the system due to improvements on the Company’s pipelines’ systems, construction of new pipeline or storage systems that would cause specific capacity to become no longer critical to the system operations, the Company would reclassify such capacity as C. 2. Capacity (Released Transmission and Storage) and the procedures for renewing and acquiring capacity will apply.