

The Federal Energy Regulatory Commission (FERC) regulates interstate natural gas transportation and storage and must approve and publicly post each pipeline's "tariff"—the terms under which the pipeline transports natural gas. Interstate pipelines do not own or sell the natural gas which moves through the pipeline—pipeline operators are simply a transportation and storage service.

### What types of transportation services do pipelines typically offer?

Pipeline operators typically offer two main types of transportation services:

- ◆ **Firm service** guarantees delivery without interruption (except in extraordinary circumstances, such as an earthquake or terrorist attack that disables the pipeline) at the customer's primary firm delivery point. Firm is the most reliable service; an INGAA survey found interstate pipelines delivered 99.79% of firm commitments to customers' primary delivery points.
- ◆ **Interruptible service (IT)** is less expensive than firm service and does not offer a guarantee of delivery. Pipelines may suspend, reduce, or not schedule IT in accordance with FERC policy and the pipeline's tariff.

### How are pipelines built to deliver those services?

Pipeline operators typically make two assumptions when designing and building facilities:

- ◆ **Built to meet peak demand.** Pipelines are not balloons; they cannot expand to deliver more gas when demand rises and then contract when demand falls. To meet their firm service commitments, pipelines must build their facilities large enough to meet the peak contracted demand of all firm customers, all year long.
- ◆ **Built to deliver equal hourly amounts over the day.** Pipelines require customers to receive gas close to "ratably," meaning in equal amounts each hour over the course of a day, with some tolerance for imbalances. If a customer needs 240 dekatherms, pipelines typically require delivery of approximately 10 dekatherms each hour of the day.

### Can pipelines tailor their services to meet the needs of specific customers, like power plants?

Yes, pipelines can (and a number do) offer services tailored to specific customers' needs, including non-ratable deliveries, park-and-loan services, additional nomination opportunities, and no- or little-notice requirements. These premium services typically require additional facilities, such as larger pipelines or storage, and customers that need these services must be willing to pay for the new or modified facilities necessary to deliver those services.



## Why don't interstate pipelines prioritize power plants ahead of other customers when demand is high?

FERC maintains an "open access" policy under which pipelines must deliver to any customer based on its contractual agreement with the customer including the FERC-approved rate and terms in the pipeline's tariff. Neither FERC nor the interstate pipeline may discriminate against or favor a customer based on how the customer plans to use the gas. For example, neither FERC nor interstate pipes can disregard contracts during periods of extreme weather and reserve pipeline capacity for uses they deem critical. The tariff and the transportation service the customer chooses to buy dictate how much space on the pipeline the customer may use.

## Why don't pipelines build extra capacity for use by IT customers?

FERC has a strict policy against "overbuilding"; FERC limits the pipeline to the approximate size needed to satisfy the needs of "anchor shippers"—customers willing to sign long-term agreements for new capacity. This means that pipelines cannot build substantial amounts of excess capacity for use by IT customers during periods of high demand.

