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TAC Endorsed NPRR 1169 Comments

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TAC-approved NPRR responds to PUC's concern: limit risk of curtailment, including by RRC curtailment rule

- **The risk of curtailment under the RRC rule is significantly less than during Winter Storm Uri based on two critical considerations:**
 - Under RRC curtailment rule, pipeline CANNOT curtail supply of gas that it does not own, and the GR will own the gas under FFSS. Pipeline can only curtail capacity (e.g., based on an operational limitation).
 - Under new RRC curtailment rule, the utility itself, not the RRC, decides when it needs to curtail.
 - Curtailment event 16 TAC 7.455: *"When a gas utility determines that its ability to deliver gas may become inadequate to support continuous service to firm customers on its system"*
 - Curtailment can't be imposed on a utility pipeline for circumstances occurring on other systems.
 - The revised rule differs from the curtailment order during Uri – curtailment is **not** imposed by the RRC under the new rule.

TAC-approved NPPR limits curtailment risk on transport path and imposes meaningful performance standards

- Limits risk without disqualifying intrastate transportation and storage resources while aligning with PUC's mandate to limit risk on transport path between storage and GR.
- Eliminates curtailment risk as proxy for performance standard and imposes actual performance requirements
- Only transmission pipelines are eligible; distribution pipelines, which typically serve LDCs and end-use customers, do not qualify
- Minimizes risk by requiring pipeline to provide contractual assurances of:
 - **Sufficient transport capacity even with curtailment**
 - This is measurable. Only 15% of KMI's total load is LDC. 32% is GR. Up to 53% of transport capacity can be curtailed under the RRC's Curtailment Rule before a GR would be subject to a capacity curtailment.
 - **Sufficient pipeline pressure to make deliveries**

TAC-approved NPPRR limits risk on transport path and imposes meaningful performance standards

- **Warranty that pipeline did not curtail gas delivery to GRs during Uri**
 - Past performance is a meaningful measure of future results. The following occurred during Uri under imposed curtailment order:
 - KMI and Enterprise Products met 100% of obligations to GRs with firm storage and withdrawal rights.
 - Did not curtail gas delivery to GRs with firm storage and withdrawal rights.
 - No FM notices for delivery of gas from storage.
- **New: GR certifies to ERCOT that pipeline's warranty is accurate**
 - Add GR confirmation of subsection (c)(iii) of QP definition to "FFSS Qualified Contract"

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Appendix

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Why ERCOT needs TAC-approved NPPR 1169?

- The current “qualifying pipeline” definition poses a risk that significant gas storage and transportation resources will not be available to support the FFSS.
- QP definition eliminates eligibility for intrastate gas utility pipelines with firm contracts to human needs customers.
 - This appears to exclude large intrastate pipeline systems connected to storage where entity that owns the far-reaching system “is” the utility.
 - 85% of ERCOT GRs are served by intrastate pipelines.
 - 63% of gas storage withdrawal capacity served by intrastate gas utility pipelines.
 - All significant intrastate pipelines that serve GRs serve LDCs.
- NPPR 1169 significantly increases the gas resources available to support the FFSS for off-site fuel, and thus reliability.

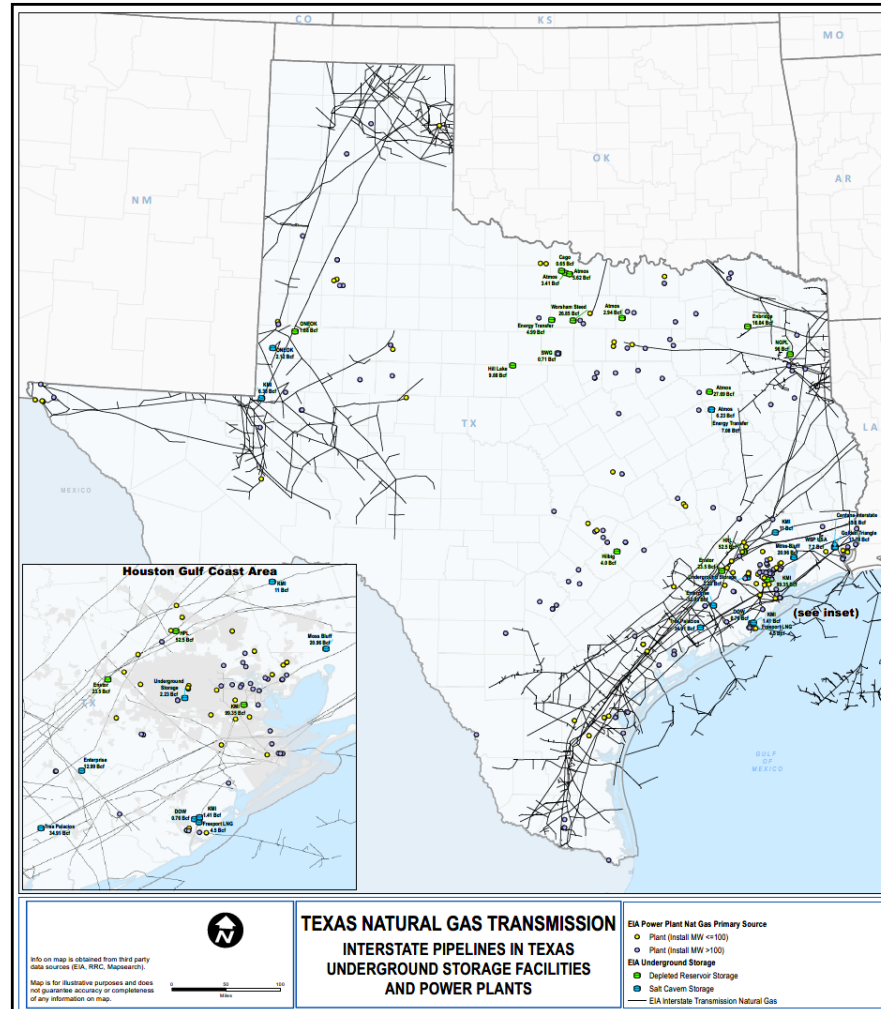
PUC clarification excludes key intrastate gas

- PUC Open Meeting guidance on 5/25/23: No human needs service on pipeline between gas storage and GR to avoid curtailment risk.
 - This eliminates intrastate storage and transport systems from FFSS because this configuration likely exists in very limited circumstances, if at all. Storage facilities and pipelines are located proximate to, and serve, human needs.
- KMI's and Enterprise Product's systems, two of the largest in the state, cannot meet this requirement, and it is very likely that others cannot as well.
 - KMI's intrastate gas utility pipelines serve 24,000 MW of GR – approximately 43% of ERCOT's gas-fired GR capacity.
 - KMI's gas storage facilities under development and operation represent 1/4 of intrastate storage capacity.

What about certainty of off-site service from interstates?

- Generally, only interstate pipelines are likely to qualify to provide the FFSS under existing QP definition.
 - Interstate pipelines are perceived as lower risk because they are not subject to the Curtailment Rule. But they face the same operational curtailment risk as intrastates and, pursuant to tariff, curtail on a pro rata basis – where GRs would not be the 2nd priority.
 - The ERCOT survey results are, by ERCOT's qualification, limited because the survey responses do not provide a substantiated measure of availability of, or contracts for, capacity on the interstate pipelines.

Interstate pipeline system relative to GRs and storage



Intrastate pipeline system relative to GRs and storage

