STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of National Fuel Gas Distribution Corporation for Gas Service

Case 16-G-0257

ENERGYMARK, LLC RESPONSE TO STAFF OF THE DEPARTMENT OF PUBLIC SERVICE FIRST SET OF INFORMATION REQUESTS

Request No.: **DPS-1**

Date of Request: **September 7, 2016**

Response Due Date: **September 19, 2016**

Date of Reply: **September 12, 2016**

Question 1. In your testimony submitted on August 26, 2016, you express concerns regarding the Company's Capacity Release program. On page six of your testimony, you state that the company limits sales of capacity to a reservation only based offer, and that they should offer volumetric capacity release. Provide any and all specific evidence when any request was made to NFG and was denied.

Response 1. Volumetric Capacity Release is a common practice amongst asset holders in competitive and wholesale natural gas supply markets. A review of all recent and near past regional pipeline postings of capacity release arrangements by National Fuel Gas Distribution (NFGD) demonstrates only reservation based capacity releases made by NFGD. Volumetric releases may provide for increased efficiency, assist replacement shippers in meeting varying daily loads, such as cogeneration users, and generate greater overall capacity release revenue for the LDC. Monthly capacity release offers by the LDC are limited to reservation based offers. Two recent offerings of capacity from the LDC are attached.

Question 2. On page six of submitted testimony you also state that if provided with the volumetric capacity release power generators would have increased reliability and be allowed cost recovery of transportation assets. Provide proof or evidence of this claim.

Response 2. With the volatility of electric commodity pricing, electric grid system congestion and continuously changing generation needs, matching natural gas supply assets to firm generation needs require reliable supply for spot and nearly instantaneous natural gas supply to generators. Currently Power Generators in the state of NY are relying on secondary and interruptible transportation assets for generation needs. If LDC's released space from regional receipt points on a volumetric basis, increased reliability using desirable receipt points and cost recovery of unitized transportation costs are possible through the NY ISO. The NY ISO does not allow full cost recovery for generators of un- used, reservation based transportation costs.

Question 3. Pages six through seven of your testimony also suggests that NFG Distribution exercises market power over gas transactions in the region. Provide proof or evidence of this claim.

Response 3. Energy suppliers' sales rates to Mass Market customers in NY are under the scrutiny of the PSC, utilities and the public. Some suppliers, including EnergyMark compete directly with Utility, on variable monthly rates, offering savings as compared to the LDC's sales service rate. Access to some regional receipt points during peak periods for the transportation of natural gas to both core and non-core utility customers is limited. Changes in our market area have occurred with movement of Marcellus production to Canadian Markets. Canadian suppliers are paying higher values for domestic US production. This movement of domestic supply to Canada is evidenced in National Fuel Gas Supply's Northern Access project, establishing long term movement and use of critical capacity through compression improvements to move gas from Pennsylvania to the Niagara/TransCanada pipeline. 320,000 dthd of movement from Pennsylvania to Canada has taken available expansion capacity effectively away from the National Fuel -- NY Market.

With upstream expansions largely moving natural gas off system, the remaining receipt point capacity using secondary transportation rights to move supply is severely limited. Large transporters such as NFGD, nominating at these points, and using secondary transport rights, dominate these receipt points with large secondary receipt nominations, effectively shutting out smaller secondary shippers including the ESCO's operating behind their systems.

LDC's in pursuit of low cost supply, can control key market area receipt points through their sheer size, their use of secondary rights, and use of long term transportation flowing from primary receipt rights not released to ESCO's operating behind their gates.