

Topics



- What is an OFO
- What causes OFOs
- How OFOs have worked historically
- Potential implementation of future OFOs in appropriate situations
- Questions



OFO Definition



An Operational Flow Order (OFO) is “an order issued by Pipeline under GT&C Section 15 to alleviate conditions, among other things, that threaten the safe operations or integrity of Pipeline’s system, or the maintenance of operations required to provide efficient and reliable firm service.”

From GT&C Section 15.1 of CGT’s FERC Gas Tariff

“...Pipeline's ability to deliver anticipated quantities and maximize efficiency and capacity utilization *is dependent upon maintaining projected flow patterns* (e.g., receipts, deliveries, and balances) within optimal ranges...”



OFO Types



- Standard OFO
 - Preemptive or preventative in nature
 - May be driven by weather or shipper imbalances
 - Scheduled Receipts < Forecasted Demand or vice versa
 - Reduces or neutralizes threats
 - Preserves the integrity of all or a portion of CGT's system
- Emergency OFO
 - Curative or reactive in nature
 - Response to an unforeseen or *force majeure* event
 - CGT has not issued an Emergency OFO to date
 - Requires immediate actions to reduce or neutralize threats to the integrity of all or a portion of CGT's system



OFO Factors



- Many factors are considered when determining if an OFO is warranted
 - Weather forecast (Heating Degree Days, extreme events)
 - Historic demand
 - Forecasted demand
 - Pipeline Conditions
 - Line inventory
 - Current operating pressures relative to pressure obligations
 - Receipt pressures from upstream pipes
 - Nominated Quantities
 - Nominated receipts are compared to CGT's forecasted demand



OFO Causes



- Shipper Imbalances
 - CGT has no on-system storage
 - Daily imbalances affect line inventory
 - Line inventory affects operating pressures and deliverability (which may threaten CGT's ability to meet its Firm Transportation obligations)
- Tightening of CGT's system
 - Increased demand
 - The south part of CGT's system is fully subscribed
- OFO activities on upstream pipelines



OFO Mitigation

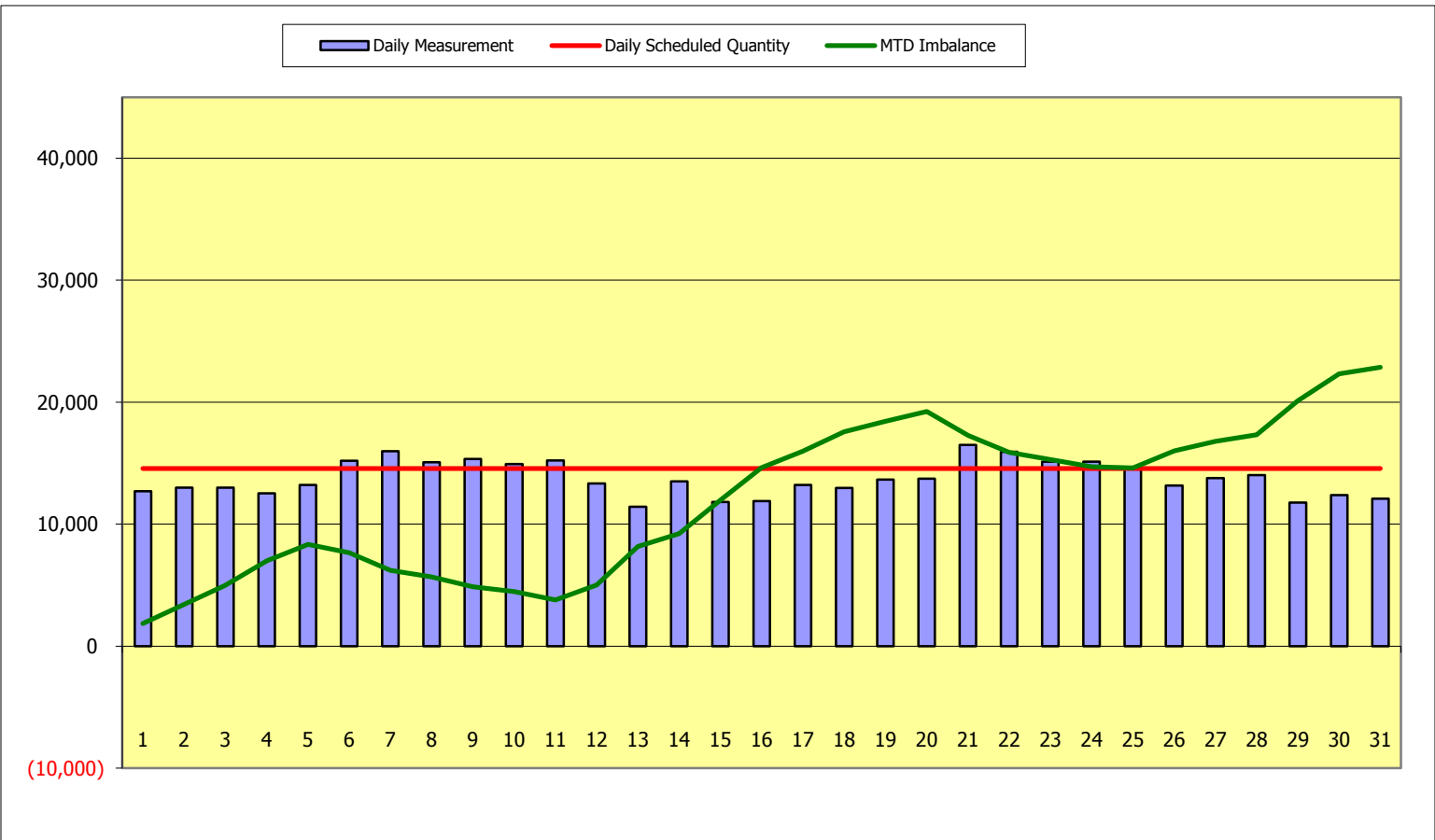


- The potential for OFOs can be minimized by:
 - Nominating appropriate volumes of gas each day to meet daily needs
 - Instead of nominating an average based on monthly needs
 - Making adjustments daily if needed
 - Utilizing intraday nominating cycles to correct under or over-estimations of daily needs
 - Adjusting nominated volumes for events such as plant shutdowns, system maintenance, etc.



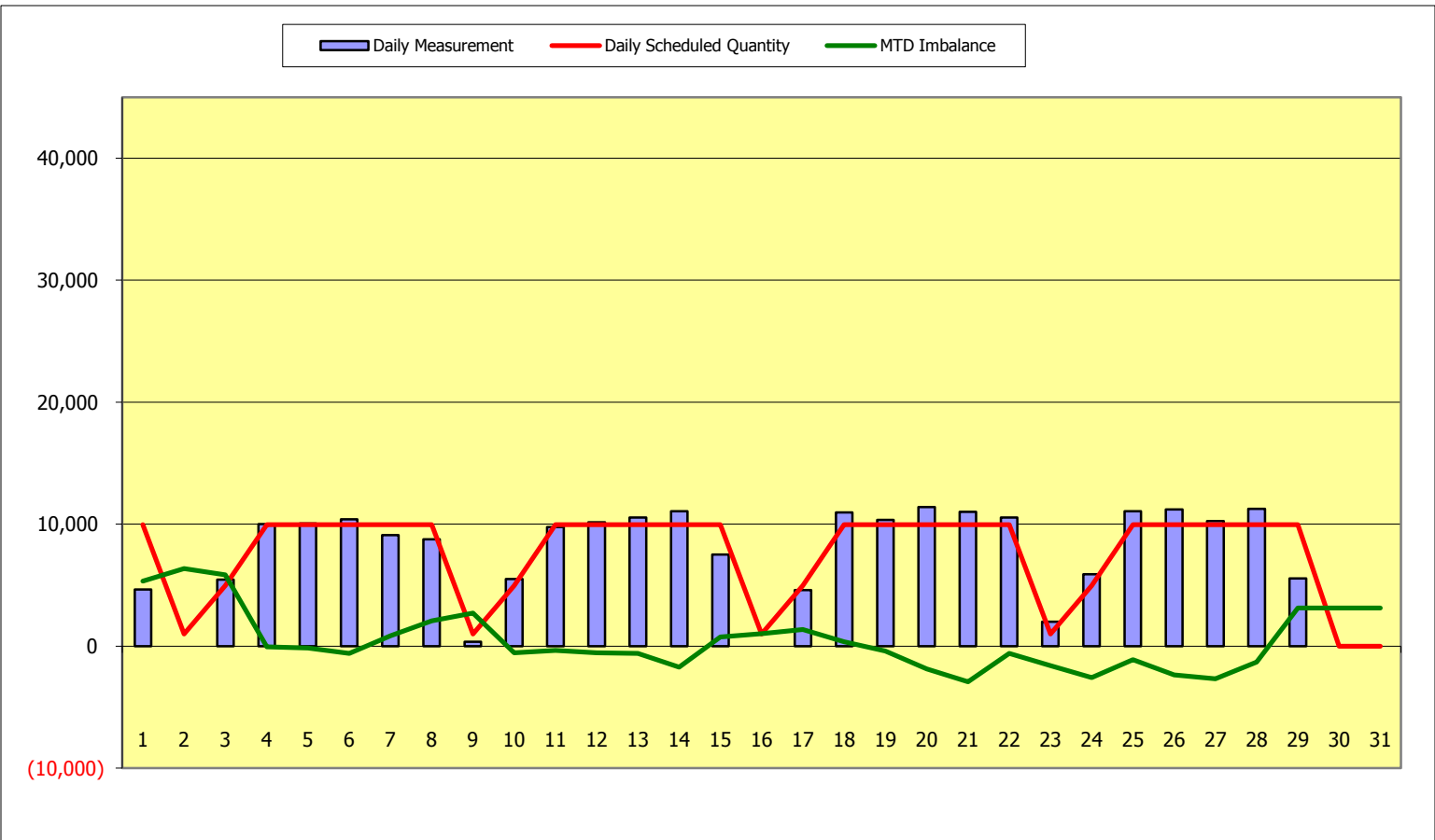
Daily Average Nomination

Hypothetical Example



Day to Day Nomination

Hypothetical Example



OFO History



- Last winter had the most OFOs of any winter to date, and also the most OFO days
- This winter, OFO frequency could be the same or greater

Winter of	# OFOs Issued	# OFO Days
06-07	4	6
07-08	2	4
08-09	2	4
09-10	2	14
10-11	7	23



OFO History (continued)



- Most OFOs that have been issued have been for negative imbalances
 - Allocated Deliveries > Scheduled Receipts
- CGT's first OFO for positive imbalances was issued earlier this year
 - Scheduled Receipts > Allocated Deliveries
- All OFOs to date have been Standard OFOs
- All OFOs have been system-wide, with quantities netted to the contract level when evaluating non-compliance



Possible OFO Scope

Under Appropriate Conditions

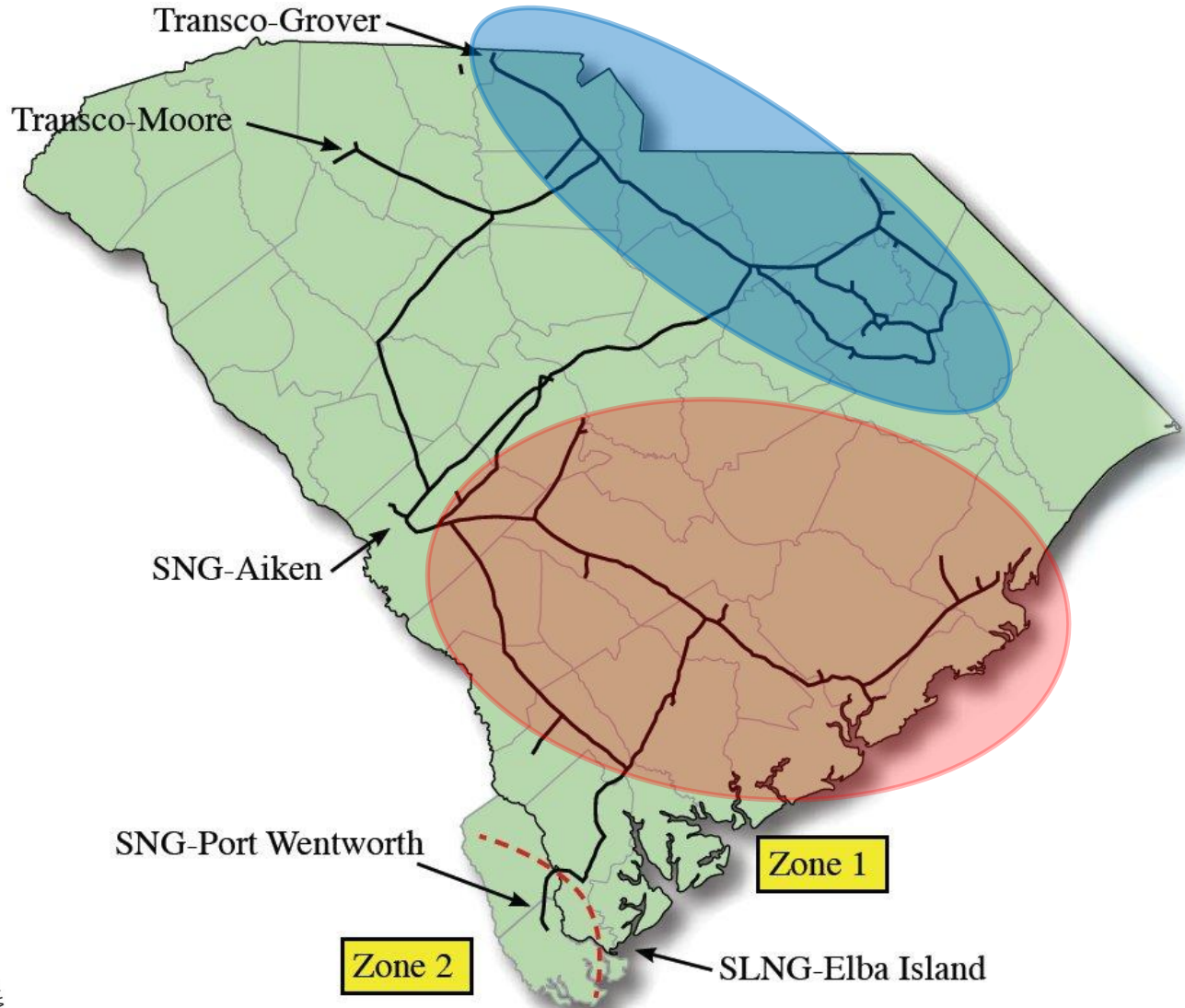


- Delivery Point / Area Specific OFOs
 - Objective is to limit the area of the system impacted by an OFO to the area of chief operational concern
 - Areas most likely to be subject to this type of OFO if effective to address the operational upset will be those areas fully subscribed or nearly fully subscribed
 - The Low Country (points listed in Notice 1351)
 - The Pee Dee (the area from Transco-Grover to the coast)



Potential OFO Areas

For Illustrative Purposes Only



Key Differences



- One area may be under an OFO while others are not
- Shipper's deliveries within the OFO area will be netted when determining OFO compliance
 - Shippers making deliveries to points in the OFO area will not be able to net their deliveries against delivery points outside the OFO area. (i.e. a negative imbalance in the OFO area cannot be offset by a positive imbalance for a point outside the OFO area) even though it is scheduled under the same transportation agreement



Key Differences (continued)



- Initially, penalties will not be assessed to shippers for violations in the OFO area provided all shippers in aggregate have maintained takes within the aggregate scheduled quantities plus the stated tolerance, if any, in the OFO notice
- Initially, CGT will net a Shipper's long and short imbalance position within a Delivery Point OFO area to avoid penalties



Key Points



- OFOs are a tool in order to balance CGT's system, protect the operational integrity of the pipeline, and assure reliability of firm service for tomorrow and subsequent gas days.
- Any penalties assessed for OFO violations are shared with non-offending firm shippers through Penalty Revenue Sharing
- To the extent possible, CGT will utilize delivery point or area specific OFOs to minimize the impact to shippers outside the area(s) of concern
- CGT's goal is to provide safe, reliable transportation services





Questions?

