

Dominion Appalachian Gateway Project Inquiries of Marketers Purchasing DTI Supply

Dominion Field Services

1. If a producer does not sign up for firm transportation on DTI, excluding the potential for shut in or allocations by DTI, will there be any change in the service your company now provides or should we expect the status quo? **No change for “interruptible” supplies. Expect the status quo to be maintained until DTI orders curtailments of interruptible supplies. OK**

2. There appears to be a degradation of service in what DFS is proposing in that the potential exists for the producer to be billed a “market discount fee” if gas is sold at below market. Doesn't this potential exist today with DFS taking that risk and what has changed? Does this highlight an issue with the DTI service being offered? **DFS is making a contractual commitment to buy a producer’s gas at a specified price, i.e. index related, through 2020. While I have been willing to accept various types of market risks that could arise during the relatively short-term contracts under which I buy gas today, I am not willing to tie my hands in reacting to unforeseen market forces for the next 12 years. I would note that I have imposed market discounts on my producers under existing contracts on the TCO system when those producers have purchased firm nominations from DFS. I thought the DTI producers should know about this potential charge up front in the spirit of full disclosure. If market conditions change, will you assign the capacity contracted for by DFS to the producers that request it so that they may potentially mitigate the market discount fee if other options arise?**

3. Since DFS proposes to hold the firm on DTI, will the release of the capacity by DFS be credited back to the producers and how will this be accounted for and reported? **First of all, understand that DFS will not be releasing any unused FT. If, however, during a month when DTI is curtailing interruptible supplies and our total firm nominations in that month for DTI gas falls short of the full amount of FT that DFS owns then DFS will most likely be open to using the unused FT to purchase other producer supplies for that month, nominating them on the FT. Unless the total FT used for these spot purchases is significant, I would not expect to try to pro rate any refunds back to the individual producers who did not utilize their full reservation in the month in question. If a producer consistently does not utilize its full reservation of firm nominations due to inadequate production, then DFS will endeavor to reduce that producer’s obligation to DFS by permanently shifting some of that producer’s obligation to another producer who seeks additional FT.**

Although DFS does not have any incentive to release capacity that is being paid for by the producers, the producers would certainly like to see the capacity released when it is not being utilized to offset the reservation fee. This is especially true given that determining how much capacity is necessary based on the characteristics of Appalachian production and the potential for constraints on the gathering system make it an inexact science. Isn't the proposed \$0.10 fee sufficient for that service to be offered?

4. Will DFS balance the supply for producer's that hold firm on DTI for a fee as they will do for those they contract for and charge the \$0.10 management fee? I interpret this question to mean "will DFS pay a producer who owns its own FT based on actual production, not nominated volumes"? Short answer is "no". If a producer owns its own FT, it will have to establish its own pool, add its meters to its own pool, then nominate the estimated monthly production from that pool to south point where it will sell the nominated volume. The imbalance is the difference between the actual production into the producer's pool and the nominated volumes which the producer took to market. The only way DFS pays a producer for actual production is if the producer's meters are in our pool and the only way the meters can be in our pool is if DFS is the owner of the FT, either directly or by assignment from the producer. As we discussed, under current FERC rules there is at least an argument that DFS cannot accept an assignment of FT from a producer from whom we also buy gas and which producer expects DFS to utilize the assigned FT for the benefit of the producer. Until the FERC rule is clarified in a beneficial way, DFS will not accept such capacity assignments from producers from whom we purchase gas. OK

5. DFS has cited the FERC NOPR regarding capacity release and the potential issue with "coupling" as a reason not to accept assignment of capacity or enter into an agency agreement with producers that hold firm on DTI; however FERC seems to have validated that type of arrangement. What is DFS's current position on the issue? If FERC issues a final order approving asset management arrangements, will DFS incorporate the effects of that order into its proposal? The FERC rule that we are leery of violating is called the "prohibition against tie-in arrangements" and I don't know what you mean by it appearing that FERC has "validated that type of arrangement". If FERC issues a final order approving asset management arrangements and clearly approves the type of FT assignment that we would like to utilize with the DTI FT, then "yes" DFS will consider receiving releases of producer-owned FT, adding the meters to our pool, and paying the releasing producer for actual production volumes. On the other hand, you also ask if DFS is willing to enter into an agency agreement. The answer is probably "yes," DFS is willing to be an agent for a producer who owns FT., But the extent of the agency agreement would be for DFS to nominate the producer's gas on the producer's FT and to buy the gas when it reaches the south point market. There would be a charge for this agency responsibility but we have not yet determined how much it will be. OK