

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Rate Ceiling for Capacity Release Transactions

Docket No. PL02-4-000

NOTICE OF STAFF PAPER

(May 30, 2002)

Take notice that the Commission's Staff is posting a Staff Paper presenting data on capacity release transactions relating to the experimental period when the rate ceiling on released capacity was waived. The purpose of this paper is to stimulate comment that can guide the development of policies relating to this issue. This paper, as well as additional information and a spreadsheet will be posted on the Commission's website at <http://www.ferc.fed.us/gas/gas.htm>.

Comments on this paper should be filed within 30 days of the issuance of the instant notice. Comments may be filed electronically or in paper format. For electronic filings via the Internet, see 18 CFR 385.2001(a)(1)(iii) (2001) and the instructions on the Commission's web site under the "e-Filing" link. For paper filings, the original and 14 copies of the comments should be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426. All comments will be placed in the Commission's public files and will be available for inspection in the Commission's Public Reference Room at 888 First Street, N.E., Washington D.C. 20426, during regular business hours. Additionally, all comments may be viewed, printed, or downloaded remotely via the Internet through FERC's Homepage using the RIMS link. User assistance for RIMS is available at 202-208-2222, or by e-mail to [rimsmaster@ferc.gov](mailto:rimsmaster@ferc.gov).

Questions regarding this Notice should be directed to:

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Secretary

## STAFF PAPER AND QUESTIONS

In Order No. 637, the Commission revised its regulations to waive the maximum rate ceiling for capacity release transactions of less than one year, until September 20, 2002.<sup>1</sup> The Commission implemented this waiver on an experimental basis in order to gain experience and collect data regarding the effect of the waiver of its regulations. The Commission's Staff has collected considerable data related to its experiment and in the instant proceeding requests public comment on its data and responses to a set of related questions.<sup>2</sup>

### **Background**

In Order No. 637, the Commission, inter alia, removed the rate ceiling for short-term (less than one year) capacity release transactions for a two-year period ending September 30, 2002. Based upon an examination of the interaction between its traditional cost-of-service regulations and the manner in which gas markets currently operated, the Commission determined to institute an experimental program under which it waived, for two-years, the price ceiling for short-term capacity release transactions in the secondary market, while retaining rate regulation for primary capacity available from the pipeline as well as long-term capacity release transactions.

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<sup>1</sup>Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services, FERC Stats. & Regs., Regulations Preambles (July 1996 - December 2000) ¶ 31,091 (Feb. 9, 2000); order on rehearing, Order No. 637-A, FERC Stats. & Regs., Regulations Preambles (July 1996 - December 2000) ¶ 31,099 (May 19, 2000); order on rehearing, Order No. 637-B, 92 FERC ¶ 61,062 (July 26, 2000); aff'd in part and remanded in part, Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. Apr. 5, 2002).

<sup>2</sup>This Staff paper contains data relevant to capacity release transactions, however, more detailed information is also available on the Commission's website at <http://www.ferc.fed.us/gas/gas.htm>. Included in this additional data is a spreadsheet encompassing all capacity release transactions above the price ceiling for thirty-four pipelines over the twenty-two month period from March 2000 to December 2001.

The Commission undertook this experiment after finding that traditional cost-of-service rate regulation based on average yearly rates was not well suited to the short-term capacity release market. The Commission found that average cost-of-service rate ceilings for short-term capacity release transactions do not approximate competitive prices during peak periods and that the maintenance of such a rate ceiling reduces efficiency, inhibits capacity trading, reduces the dissemination of accurate pricing information, and inequitably allocates the cost of capacity between long-term and short-term shippers.

The Commission found that the price ceiling on capacity release transactions limited short-term shippers' capacity options because firm capacity holders can avoid price ceilings on released capacity by substituting bundled sales transactions at market prices (where the market-place value of transportation is an implicit component of the delivered price). As a consequence, the Commission determined that the current price ceilings do not limit the prices paid by shippers in the short-term market as much as the ceilings limit transportation options for shippers. In short, the Commission found that the rate ceiling actually worked against the interests of short-term shippers, because with the rate ceilings in place, a shipper looking for short-term capacity on a peak day, and willing to offer a higher price in order to obtain it, could not legally do so; this reduced its options for procuring short-term transportation at the times that it needed it most.

In reaching its conclusions, the Commission examined data showing that capacity release prices on average were significantly less than the current maximum rates as well as data from the bundled sales market which suggested that transportation values only exceeded the maximum rate during periods of scarcity and thus reflected the effects of scarcity rather than market power. The Commission further determined that shippers buying in the short-term market would be protected from the exercise of market power by means other than direct price regulation. Such protections included competition from sellers of released capacity, improved reporting, monitoring and complaint procedures, and the maintenance of Commission regulation of pipeline capacity.

The Commission, however, recognized that a review of this experiment was necessary:

No matter how good the data suggesting that a regulatory change should be made, there is no substitute for reviewing the actual results of a regulatory action. The two year waiver will provide an opportunity for such a review after sufficient information is obtained to validly assess the results. Due to the variation between years in winter temperatures, the waiver

will provide the Commission and the industry with two winter's worth of data with which to examine the effects.<sup>3</sup>

The Commission therefore limited the waiver of the price ceiling for short-term release transactions to a two-year period, ending September 20, 2002.

On April 5, 2002, the United States Court of Appeals for the District of Columbia Circuit, in Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. 2002) (INGAA), upheld the Commission's experimental program in removing the price cap on short term capacity release transactions. The Court found that the Commission's "lightheaded " approach to the regulation of capacity release prices was, given the safeguards that the Commission had imposed, consistent with the criteria set forth in Farmers Union Cent. Exch. v. FERC, 734 F.2d 1486 (D.C. Cir. 1984) (Farmers Union). The Court found that the Commission made a substantial record for the proposition that market rates would not materially exceed the "zone of reasonableness" required by Farmers Union. The Court also found that the Commission's inference of competition in the capacity release market was well founded, that the price spikes shown in the Commission's data were consistent with competition and reflected scarcity of supply rather than monopoly power, and that outside of such price spikes, the rates were well below the estimated regulated price.

Over the course of the two-year experiment, a large quantum of data regarding capacity release transactions has been gathered. This data is presented below, and additional data is available on the Commission's website. The Commission's Staff seeks comments, based on this information, regarding the price ceiling for short-term released capacity. The Commission's Staff also is requesting responses to a set of questions to further illuminate the issue. These comments an/or responses should be filed with the Commission within 30 days of the issuance of this paper.

### **Capacity Release Price Ceiling Data**

#### **Incidence of Above Cap Releases**

The subject capacity release data relates to capacity releases on 34 pipelines during the twenty-two month period from March 2000 to December 2001. During this period, the data reflects a total of 713 releases over the price cap (Above Cap Releases), with an average total capacity release gas volume of 4,316 BBtu per day. The data

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<sup>3</sup>Order No. 637, FERC Stats. & Regs., Regulations Preambles [July 1996 - December 2000] ¶ 31,091, at 31,379.

reflects that the high point of above cap capacity release gas volume was 570 BBtu per day in October of 2000, and most recently above cap capacity release gas volumes were 126 BBtu per day in December of 2001. During the twenty-two month period, Above Cap Releases accounted for no more than 7% of all (short-term and long term) capacity releases and accounted for no more than 6% of released volumes in any particular month during the period. For the period as a whole, Above Cap Releases accounted for 2% of the total number of capacity releases, and 2% of total capacity release gas volumes. Therefore, it appears that the waiver of the price cap for short-term releases did not result in a large increase of capacity releases or release volumes over the price cap. However, during peak periods, the percentages of releases occurring above the cap increased.<sup>4</sup>

The data reflects that Above Cap Releases were not distributed equally across pipelines, either by the number of capacity releases or by the associated volumes of release capacity. Of the 34 pipelines, ten had no Above Cap Releases during the twenty-two month period and twenty had twenty-five or fewer Above Cap Releases. Seventy-six percent (76%) of Above Cap Releases during the period occurred on four pipelines. Three of these pipelines serve the East coast: Transcontinental Gas Pipe Line Company (Transco) (183 Above Cap Releases); Texas Eastern Transmission Corporation (TETCO) (122 Above Cap Releases), and; Columbia Gas Transmission Corporation (Columbia) (101 Above Cap Releases). The remaining pipeline, El Paso Natural Gas Company (El Paso) (135 Above Cap Releases) serves the West coast.

Because the majority of above cap capacity releases over the twenty-two month period took place on these four pipelines, these pipelines were examined in greater detail. Since October of 2001, Transco has implemented the most Above Cap Releases followed by TETCO and Columbia. The following Table shows the number of Above Cap Releases, the percentage of these Above Cap Releases to total releases on the pipeline, the volumes released above the cap, and the percentage of these Above Cap Release volumes to total release volumes on the pipeline for each of the thirty-four pipelines examined.

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<sup>4</sup>For example, Transco (February 2001) and TETCO (January 2001) both peaked with 18% of their capacity release volumes over the price cap, while Columbia (November 2000) peaked at 17% of its capacity release volumes over the price cap, all during the winter of 2000-2001. On El Paso, the percentage of total release volumes over the price cap peaked in August of 2000 at 50%, when its pipeline blow-out occurred. Recently, in December of 2001, the percentages of release volumes over the price cap on these pipelines were much lower, with Columbia at 4%, TETCO at 3%, Transco at 12%, and El Paso at 0%.

Above Cap Releases by Pipeline  
Releases Awarded Between March 26, 2000 and December 31, 2001

Pipeline	No. Releases Above Max Rate	% of Total Releases	Release Quantity Above Max Rate (MMBtu/day)	% of Total Release Quantity
TOTAL	713	2.2	4,316,241	2.1
ALGONQUIN	1	0.1	18,453	0.2
ANR PIPELINE	1	0.1	30,000	0.2
CIG	19	6.5	109,984	4.4
DOMINION (CNGT)	21	1.0	65,789	0.7
COLUMBIA GAS	101	4.4	374,727	2.7
COLUMBIA GULF	.	.	.	.
EAST TENNESSEE	.	.	.	.
EL PASO	135	13.3	631,683	12.5
FLORIDA GAS	25	1.7	43,526	1.4
GREAT LAKES	3	1.3	15,000	0.6
IROQUOIS	.	.	.	.
KERN RIVER	2	3.9	55,000	2.5
KMI (KNENERGY)	3	1.0	1,409	0.0
GULF SOUTH (KOCH)	.	.	.	.
MIDWESTERN	1	0.6	50,000	2.3
MISSISSIPPI RIVER	.	.	.	.
MOJAVE PIPELINE CO	1	2.6	40,000	4.7
NATURAL GAS PIPELINE CO.	16	3.2	270,489	2.3
RELIANT (NORAM)	.	.	.	.
NORTHERN BORDER	.	.	.	.
NORTHERN NATURAL	12	1.6	23,273	0.5
NORTHWEST PIPELINE	24	1.8	139,850	4.1
PAIUTE PIPELINE	.	.	.	.
PANHANDLE EASTERN	1	0.4	1,000	0.1
SOUTHERN NATURAL	7	0.3	24,101	0.2
TENNESSEE GAS	11	0.4	36,421	0.2
TETCO	122	3.8	645,856	3.3
TEXAS GAS	6	0.5	103,237	1.0
TRAILBLAZER	3	25.0	15,000	10.0
TRANSCO	183	3.3	1,540,885	4.1
TRANSWESTERN	11	4.5	64,058	6.5
TRUNKLINE	.	.	.	.
WILLIAMS	4	0.4	16,500	0.3
WILLISTON BASIN	.	.	.	.

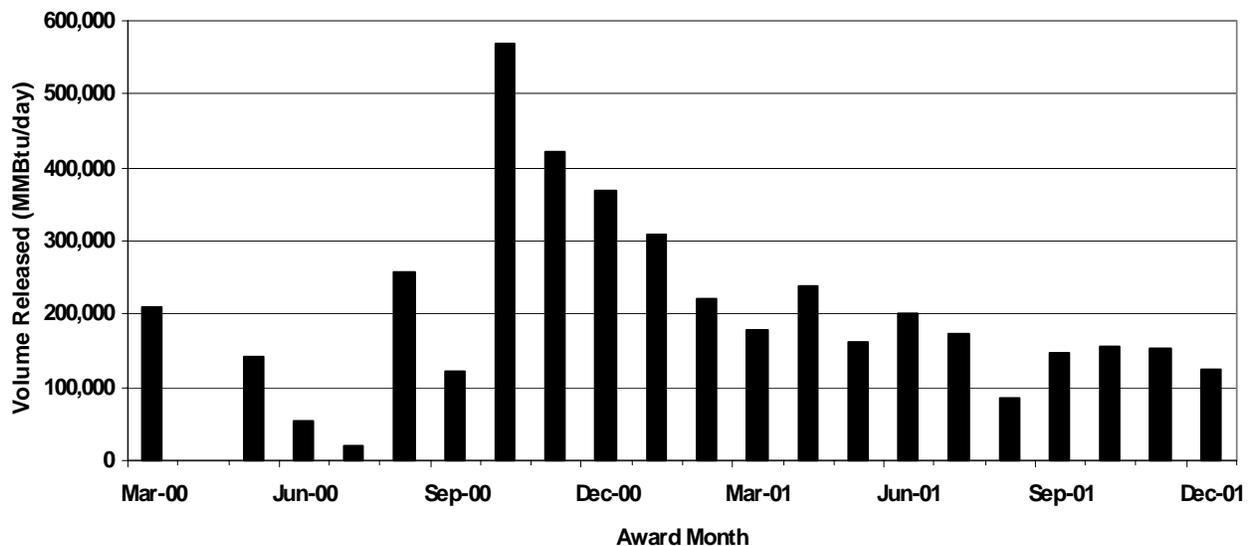
### **Term of Above Cap Releases**

The vast majority (83%) of Above Cap Releases were one month releases. Most, (86%) were for capacity releases which were to begin in the subsequent month. For example, an August Above Cap Release generally was executed during the last week of August for September capacity. Relatively few capacity releases were for multiple months, a season, or were for periods starting other than at the beginning of the subsequent month.

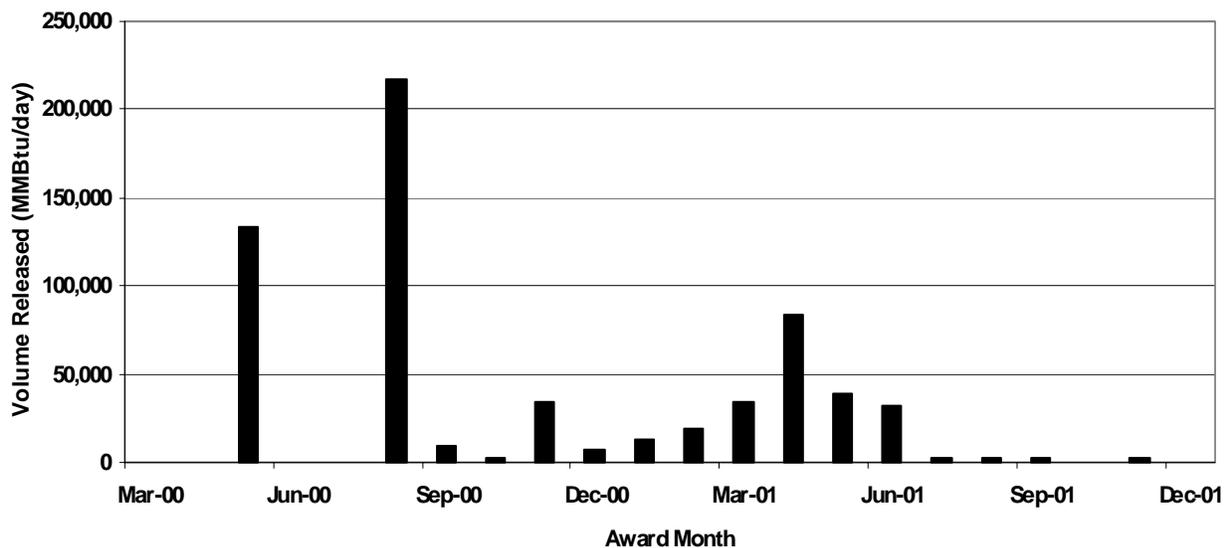
### **When Above Cap Releases Occur**

Above Cap Releases were awarded in all months since the implementation of the price ceiling waiver, except for April 2000. These Above Cap Releases occurred to a greater degree, (and at higher prices) during seasonal and other peak periods. Above Cap Release volumes were highest during the fall and winter 2000-2001 and were lower the following winter. Above Cap Release volumes also increased on individual pipelines in response to pipeline specific events. For example, on El Paso, release volumes over the cap displayed a significant increase during the blowout of one of its pipes, in August of 2000. Volumes released over the cap also increased on El Paso during the period of high electric prices in the spring of 2001. The following charts reflect volumes released above the price ceiling on all 34 pipelines from March 2000 through December 2001 and Above Cap Releases on El Paso, respectively.

**Above Cap Release Volumes**  
**- All Pipelines -**  
 Source: Data Downloads from Pipelines



**Above Cap Release Volumes**  
**- El Paso -**  
 Source: Data Downloads from Pipelines



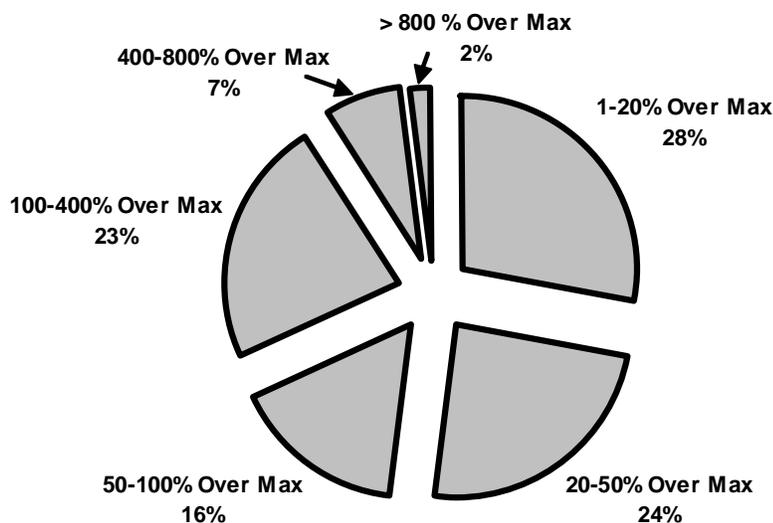
### Capacity Release Rates

For the period from March 2000 through December 2001, the volume weighted average Above Cap Release rate for all 34 pipelines was \$0.58 per MMBtu per day, more than double the associated maximum rate for those capacity releases of \$0.26 per MMBtu per day. Over half of all Above Cap Release volumes had rates within 50% of the maximum rate for that capacity.<sup>5</sup> Less than 10% of Above Cap Releases and Above Cap Release volumes had rates 400% or more above the rate cap, and none of these releases were awarded after June 2001. The following chart reflects the percentage by which the Above Cap Releases for the period were in excess of the maximum rate.

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<sup>5</sup>Releases within 1% of the maximum rate were considered to be at the maximum rate.

**Rates for Releases Over Cap by Percent Over Max Rate  
- All Pipelines -  
Source: Data Downloads from Pipelines**



Capacity releases with prices of 400% or more over the maximum rate occurred primarily on the Natural Gas Pipeline Company of America (Natural), El Paso, and TETCO systems.<sup>6</sup> Twenty-four capacity releases occurred at rates more than 800% over the maximum rate for the associated capacity. Of these twenty-four releases, fifteen were associated with El Paso capacity between April and June 2001.<sup>7</sup> The remainder of the capacity releases were on Transco, Southern Natural Gas Company (Southern), Dominion Transmission, Inc. (Dominion) and Kinder Morgan Interstate Gas Transmission, LLC (KMI).

The data also permits an assessment of the effect of Above Cap Releases on the average price paid for released capacity. One way to assess this effect is to calculate an average release rate for all releases, assuming that all Above Cap Releases had instead

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<sup>6</sup>In the 400%+ category, 34% of Above Cap Release Volumes were on Natural's system (associated with three releases), 33% of the Above Cap Release Volumes were on El Paso's system, and 22% of the Above Cap Release volumes were on TETCO's system.

<sup>7</sup>Eleven of these releases were awarded in April 2001, and all of these capacity releases were associated with May capacity.

been consummated at the maximum rate. The resulting figure can then be compared with the actual average rate for all releases, which includes Above Cap Releases.<sup>8</sup> During the time period in question, the average unadjusted rate for all (including short-term and long-term) releases was \$0.19 per MMBtu per day or \$0.06 below the associated \$0.26 per MMBtu per day maximum rate. If the Above Cap Releases were assumed to be at the at the maximum rate, then the average release rate would have been \$0.18 per MMBtu per day. Thus, average release rates were \$0.01, or 5.5%, per MMBtu per day higher than they would have been with the cap in place. A month-by-month examination of the effect on rates of permitting capacity releases over the price ceiling cap reveals that the average release rates were never more than \$0.03 higher as a result of permitting capacity releases above the price ceiling.<sup>9</sup> An examination of the data by pipeline yields similar results for Columbia, Transco, and TETCO. In each case, for the twenty-two month period, the Above Cap Releases added \$0.01 or less to the average release rate on the system. In the case of El Paso, however, Above Cap Releases had a more substantial impact on rates, raising the average release rate for the period by \$0.09 (31 %), and by \$0.60 in November 2000.<sup>10</sup>

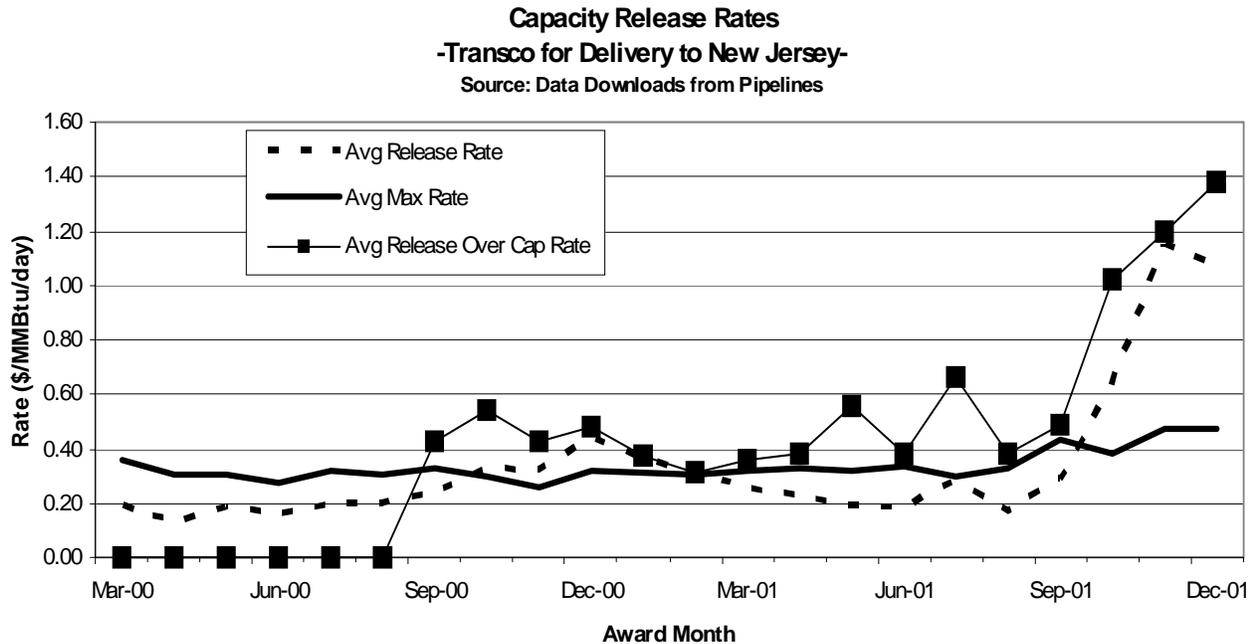
The data shows that when Above Cap Releases occur on a pipeline, there are usually other releases occurring that same month for delivery to the same market at, or often below, the maximum rate. As a result, the average release rate for all releases into that market is usually below the maximum rate, in spite of the Above Cap Releases. During peak periods, Above Cap Releases occurring at high rates may increase the average rate for all releases over the maximum rate. The following chart shows the effect of Above Cap Release rates on the average rate for all releases for capacity released on Transco with delivery to New Jersey. During the period from March 2000 to December 2001, above cap releases increased the average rate for all releases above the maximum rate in seven months (October 2000 - January 2001, October 2001 - December 2001).

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<sup>8</sup>At least some of these Above Cap Releases may not have occurred at the maximum rate because some shippers would retain capacity for their own use or execute bundled sales at market prices.

<sup>9</sup>The \$0.03 increase occurred in November 2000.

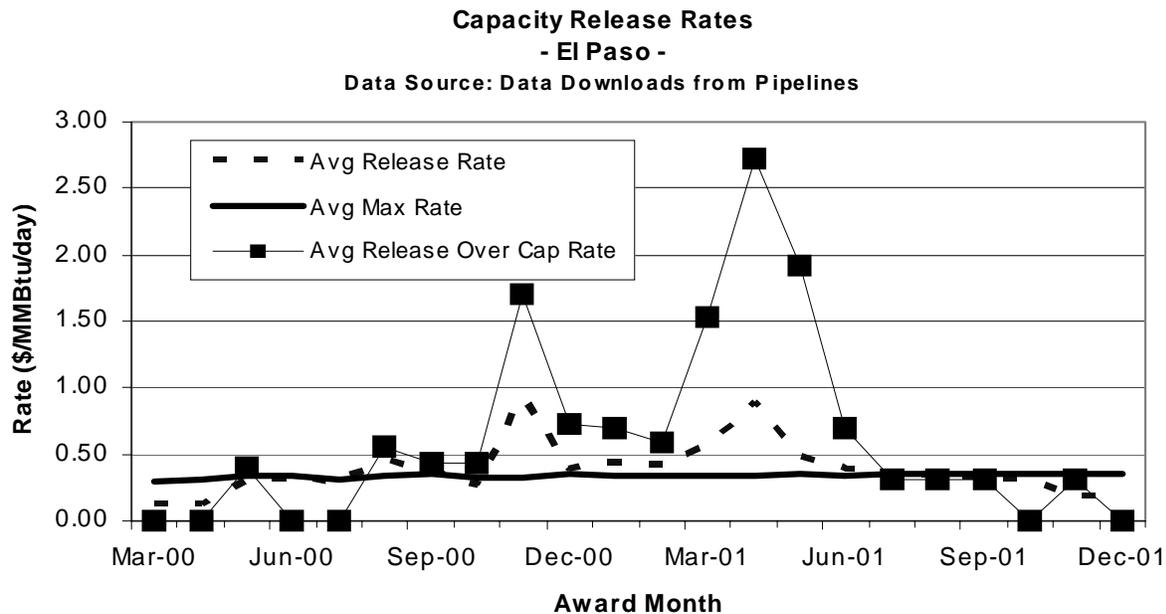
<sup>10</sup>On El Paso, November 2000 Above Cap Release volumes constituted a relatively large portion of total capacity release volumes, therefore, these volumes had a large effect on the average release rate.



On El Paso, average capacity release rates exceeded the maximum rate in August 2000 and November 2000-June 2001. When El Paso experienced a service disruption on one of its pipes during August of 2000, about half of the release volumes awarded later that month were at the maximum rate, the other half was above the maximum rate.<sup>11</sup>

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<sup>11</sup>On the El Paso system, there were several months in which no releases occurred below the maximum rate. These months include September and November of 2000 and January and July of 2001.



### Comparison of Release Rates with Basis Differentials

A basis differential is the difference between two spot prices. Typically, the basis differential is measured as the difference between the price at a delivery point or market zone, such as Transco's Zone 6, and a receipt point in the production area, such as the Henry Hub. A customer needing gas at a delivery point has a choice between buying the gas at the delivery point, or buying the gas at the receipt point and paying the cost of transportation from the receipt point to the delivery point. If the cost of transportation is less than the basis differential, then buying gas at the receipt point and purchasing transportation to the delivery point will be cheaper. Therefore, the basis differential should reflect the value of transportation between the receipt and delivery points, and can be regarded as the implicit value of transportation between the two points.<sup>12</sup>

<sup>12</sup>The data reflects that Above Cap Releases were generally distributed across the system for Transco, TETCO, and Columbia. Transco's Above Cap Releases are associated with delivery to New Jersey (34%), Georgia (17%), Louisiana (11%), North Carolina (11%), and New York (6%). TETCO's Above Cap Releases are associated with delivery to its Access zones (36%), Market zones 1--2 (28%) and Market zones 1--3 (25%). Columbia's Above Cap Releases are associated with delivery to Virginia (31%), New Jersey (21%), Georgia (10%), Ohio (10%), New York (5%), Maryland (4%) and (continued...)

Because the basis differential measures the implicit value of transportation, it can be compared with the rate for capacity release. The proper measure for comparison is the expected basis differential corresponding to the term of the released capacity. For example, if released capacity for the month of September is purchased in August, then the relevant basis differential is the price difference for September that buyers expected in August. Because information on the expected differences is not available, actual basis differentials were used as a proxy. In this analysis, basis differentials were calculated daily from average prices at the receipt point and the delivery point. The maximum of the daily basis differentials for the month was used to give a measure of the highest value for a unit of capacity between two locations for that month. Actual basis differentials in a month will not track exactly with expected differentials, but should nevertheless serve as a reasonable guideline for purposes of comparison with capacity release rates.<sup>13</sup>

Basis differentials can be compared with release rates. Examining the Above Cap Release rates and monthly maximum basis differentials (the highest daily basis for the month) for Transco, Columbia, TETCO and El Paso reveals capacity release rates that are mostly below the average spot basis differentials, with the exception of Transco.<sup>14</sup> For example, the following chart reflects basis differentials on Columbia Gas as well as the highest and average rate for releases over the price cap on the Columbia Gas system during the period from March of 2000 through December of 2001.

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<sup>12</sup>(...continued)

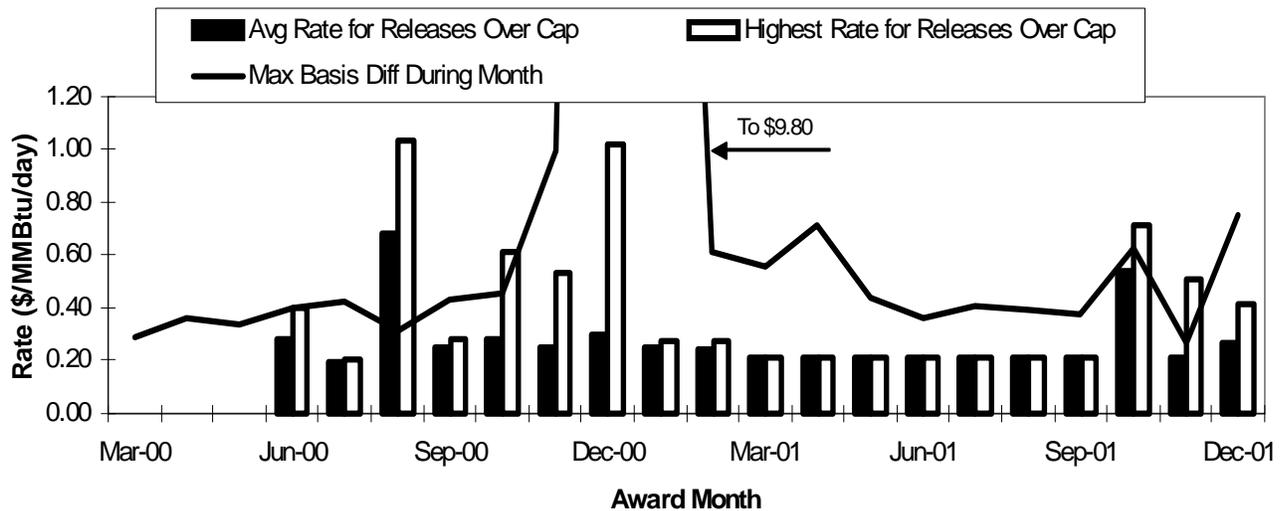
Pennsylvania (4%). However, El Paso's Above Cap Releases are associated with delivery to Arizona (generally for entry into California).

<sup>13</sup>However, even such a comparison may still result in discrepancies if the *expected* value of the following month's capacity is significantly different than the actual value of the capacity during the current month.

<sup>14</sup>On TETCO only 4% of Above Cap Release volumes exceeded the maximum basis differential between Henry Hub and TETCO M3-NY. These primarily occurred during November 2000, and were releases by Southern Company Energy Marketing into Market Zone 3. On Columbia, 13% of Above Cap Release Volumes were above the maximum spot basis differential between Henry Hub and Columbia Gas (delivered) city-gate prices. These releases primarily occurred in October 2000 and October 2001, with most releases associated with delivery into Ohio and Maryland. On El Paso, only 0.3% of Above Cap Release volumes exceeded the maximum monthly release differential between Topock and Waha.

**Average and Highest Rates for Above Cap Releases on Columbia Gas and  
Max Columbia Gas (Delivered) Citygate/Henry Hub Basis Differential**

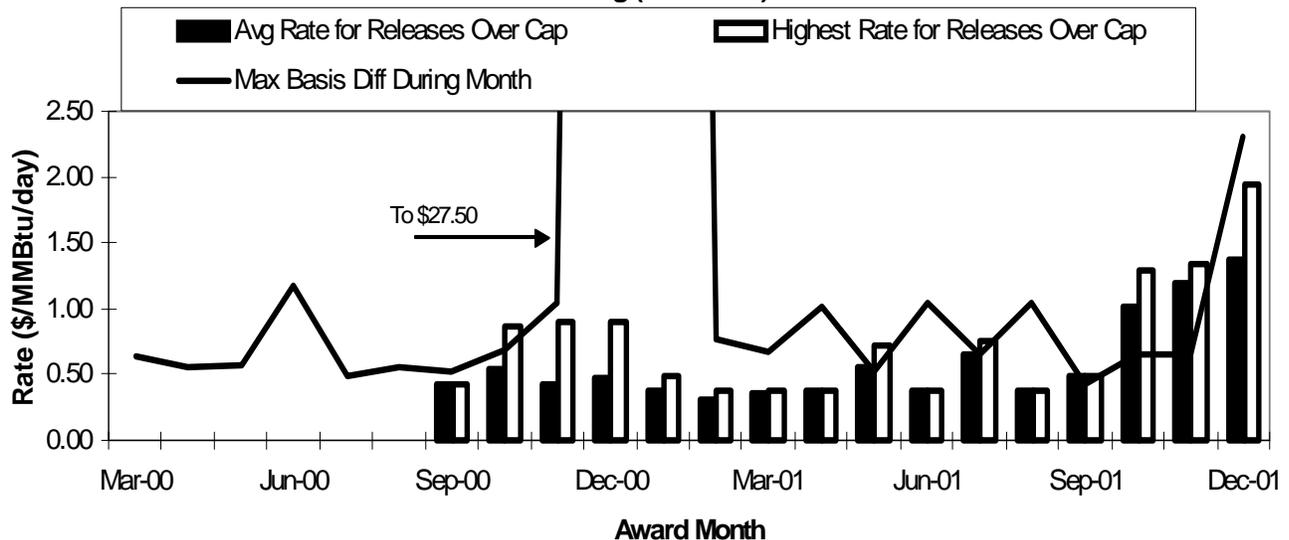
Sources: Data Downloads from Pipelines (Cap Release)  
Gas Daily (Gas Prices)



On Transco, 45 capacity releases, which account for 17% of Above Cap Release volumes, exceeded the maximum spot basis differential between Henry Hub and Transco Zone 6. Of these capacity releases, 43 have occurred since May 2001, and 51% of the capacity release volumes were during October and November of 2001. Most of these capacity releases were for delivery to New Jersey (57%) and North Carolina (33%). These releases were primarily transacted by Public Service Electric and Gas, South Jersey Gas, Piedmont Natural Gas Company. The following chart reflects basis differentials between Transco's Zone 6 and the Henry Hub, as well as the highest and average rate for releases over the price cap on Transco's system.

### Average and Highest Rates for Above Cap Releases on Transco Into New Jersey and Max Transco Z6-NY/Henry Hub Basis Differential

Sources: Data Downloads from Pipelines (Cap Release)  
Bloomberg (Gas Prices)



#### Affiliations

One concern with waiving the price ceiling on released capacity was that pipelines may divert capacity to their marketing affiliates so that the marketing affiliate can release the capacity for a price exceeding the rate ceiling. However, at least with marketing affiliates, this concern appears to be unfounded. On the Transco, TETCO and El Paso systems marketing affiliates held a small share of contract demand volumes. The marketing affiliates on these systems engaged in a number of capacity releases proportionate to their CD holdings; however, they transacted a relatively small number of Above Cap Releases. In particular, on these systems, marketing affiliates held 9% or less of the firm contract demand volumes, released 5% or less of the total volume released on the pipeline for the period, and were responsible for 1% or less of the Above Cap Releases on their respective pipelines.<sup>15</sup> On Columbia, marketing affiliates have

<sup>15</sup>On Transco, affiliates held 9% of firm CD, and were responsible for 4% of capacity release volumes and 1% of release volumes over the cap. On TETCO, affiliates held 4% of firm CD, and were responsible for 5% of capacity release volumes and 0% of release volumes over the cap. On El Paso, affiliates held 6% of firm CD, and were

(continued...)

traditionally held a major portion of pipeline capacity, and during this period they held 36% of firm CD on the system. They were responsible for a proportionate 35% of capacity releases, but were only associated with 3% of the Above Cap Release volumes.

### **Issues to be Considered:**

The Commission's Staff seeks comments regarding the price ceiling for short-term released capacity. Commenters should address whether the Commission should reimpose the ceiling, remove the ceiling permanently, continue the experiment to obtain further information (and if so what information should the Commission collect), or explore alternatives to removal of the price ceiling. In particular, comments should address the following issues:

1. Whether removing the price ceiling made a significant difference to the market in light of the ability of shippers to make bundled sales at market-based rates;
  - a. Whether the waiver of the price cap makes more capacity available during periods when capacity is constrained?
  - b. Did the ability to purchase additional released capacity during periods when capacity was constrained enhance market efficiency or provide shippers with an added option that they found valuable?
  - c. For those shippers that purchased released capacity at prices above the ceiling price, why was capacity purchased at these prices rather than purchasing bundled/delivered gas. Did purchasing released capacity provide advantages over the bundled sales market? If so, what were the advantages?
  - d. For shippers that released capacity at an above the cap rate, why did they choose to release capacity rather than make a bundled sale. Would such shippers have chosen to release capacity if the price ceiling had still been in effect?
  - e. Are releasing shippers prevented by state regulation or otherwise from making bundled sales? If so, does the ability to release

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<sup>15</sup>(...continued)

responsible for 5% of capacity release volumes with no releases volumes over the cap.

capacity above the cap provide such shippers with an incentive to sell that capacity during constrained periods?

- f. The data shows that most above cap releases were for a calendar month. Are such purchases more beneficial than purchasing delivered gas daily on the spot market? Are such monthly release purchases part of a hedging strategy? If so, is hedging transportation separately from the gas commodity a more efficient hedging strategy? Please explain.
2. Comments should address whether the waiver of the price ceiling for released capacity contributed to volatility in natural gas prices. Is this likely to be true if the price cap is permanently removed?
3. Comments should address whether the ability to release capacity at above ceiling rates induced releasing shippers to make additional pipeline capacity available. For example, did releasing shippers use peak shaving devices (e. g., liquified natural gas (LNG), gas storage) so that they could free up capacity for release at above ceiling rates? Would the reimposition of the price ceiling reduce the number of releases during peak periods and limit the capacity available to shippers without firm capacity?
4. Comments should address whether there were situations under which releasing shippers did or would be able to exercise market power in the absence of a price ceiling. Comments also should address whether, in light of the conditions on the pipeline at the time of the Above Cap Releases, the rates for these releases should be considered within the zone of reasonableness.
5. Comments should address whether one year was the correct definition of short-term (for the purpose of allowing uncapped release transactions) If not, what period would be more appropriate?