

## Capacity Release Frequently Asked Questions

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### **What is Capacity Release?**

Capacity release is a tool available to Kern River's firm shippers to resell or auction capacity to another party on either a temporary or permanent basis.

### **Who is eligible to participate in the Capacity Release Program?**

Shippers holding firm capacity can post offers to release all or a portion of their capacity. Bidders with sufficient credit can bid on posted capacity.

### **Where are capacity release offers located on Kern River's website?**

Capacity release offers are posted on Kern River's website under Customer Activities>Capacity Release. To access the Capacity Release System, you must have a Rapids security access user ID and password. The [New Customer Setup](#) link can be used to sign up for Customer Activities.

### **What is the difference between a biddable and non-biddable capacity release?**

The difference is some releases are required to be biddable. A releasing shipper may enter a prearranged capacity release transaction with another party. If the prearranged release is greater than one year and at the maximum tariff rate, bidding is not required. Also, prearranged releases for 31 days or less and released to an asset manager or a marketer participating in a state regulated retail access program, are not subject to the bidding requirement. However, a release for a term of 31 days or less not subject to the posting and bidding exemption cannot continue to the same replacement shipper until 28 days after the first release period has ended. The 31 days or less prearranged capacity release transactions are called non-biddable capacity release transactions. All other capacity release transactions are subject to the posting and bidding procedures and are therefore, biddable capacity release transactions.

Biddable capacity releases can only be completed during a workday. Non-biddable capacity releases can be completed on workdays, weekends, and holidays. The minimum bidding period for a release of one year or less (short term) is one hour between 9:00 a.m. and 10:00 a.m. Central time, and must be submitted by 9:00 a.m. Central time, and the minimum bidding period for a release of more than one year (long term) is three business days, using the same timeline as short term. If an Offer for a release of more than one year is submitted after the 9:00 a.m. deadline, the next day is counted as day one of the bid period. Weekends and holidays are excluded from the three-day bid period.

### **Can a customer recall capacity that it has released?**

If the conditions of a temporary capacity release offer include recall provisions, the releasing shipper can recall its capacity. A recall is when the releasing shipper takes back its capacity. When capacity is recalled, it cannot be reup for the same gas day. Recalls must adhere to the timing deadlines that coincide with the North American Energy Standard Board (NAESB) grid nomination cycles.

### **What is a reup?**

Subject to the terms of the temporary capacity release, if the releasing shipper recalls its capacity but determines it no longer needs the capacity, the releasing shipper can reup the capacity back to the replacement shipper, meaning the releasing shipper can give the recalled capacity back to the replacement shipper. Reups can only be completed for the Timely nomination cycle for the next gas day. Notification of the reup to Kern River is due by 8:00 a.m.

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### **What are the rates for capacity release transactions?**

In a prearranged release, the releasing and replacement shippers agree upon the reservation rate in a capacity release transaction. The releasing and replacement shippers can negotiate any reservation rate, up to the maximum tariff rate, for service under a capacity release with a term greater than one year. There is no rate limitation for a release of capacity with a term of one year or less. However, Federal Energy Regulatory Commission (FERC) policy prohibits parties from sequentially releasing a series of short-term releases to obtain greater than the maximum tariff rate for periods greater than one year. The commodity rate is the maximum tariff rate for the service unless Kern River and the replacement shipper agree to a discount. For non-prearranged releases with a term greater than one year, bidders may bid up to the maximum tariff rate. For non-prearranged releases with a term of one year or less, bidders may bid above the maximum tariff rate.

### **What is an Asset Management Arrangement (AMA)?**

An AMA is a contractual relationship where a party agrees to manage gas supply and delivery arrangements for the releasing shipper. The benefit of an AMA is that the parties to such an arrangement are exempt from the capacity release posting and bidding requirements of FERC's regulations.

### **Are there any requirements associated with an AMA?**

Yes. FERC requires AMAs to obligate the replacement shipper to stand ready to deliver gas to, or purchase gas from, the releasing shipper for at least five months out of each 12-month period of a release. Short-term AMAs may be rolled over without bidding and the price ceiling does not apply to any consideration provided by an asset manager to the releasing shipper as part of an AMA. Kern River's capacity release system includes an indicator for the releasing shipper to check a box if the release is an AMA or state-approved retail program. If the release is related to an AMA, the releasing shipper is required to input the conditions of the release that qualify the release as an AMA transaction. For more information on the qualifications of an AMA, see Section 284.8(h) (3) of FERC's regulations.

### **Does Kern River review the conditions of the AMA transactions?**

No. Releasing shippers are responsible for ensuring that the conditions input in the condition box qualify the release as an AMA transaction. In Order No. 712<sup>1</sup> FERC clarified that, "It is incumbent upon the releasing shipper to include the details discussed above to qualify the release as an AMA. The Commission further clarifies that the pipeline has no obligation to act on any information other than is provided to it by its customers."<sup>2</sup>

### **If I'm looking to purchase capacity, will Kern River post a notice on its website for me?**

Yes. Kern River will post notices for capacity for prospective shippers. The [Request to Purchase Releasable Capacity](#) link can be used to request a notice.

### **Where are the rules, timelines and restrictions that apply to capacity release found in the Tariff?**

Section 15 of the General Terms and Conditions of Kern River's Tariff sets forth Kern River's capacity release provisions (Sheets 191 through 210).

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<sup>1</sup> 123 FERC ¶ 61,286

<sup>2</sup> Refer to paragraph nos. 172 - 177 of the Order for more information on posting and reporting requirements.

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### Capacity Release Term Requirements

The following includes references to the Final Rule under Order No. 712 in Docket No. RM08-1-000.

#### Releases for 31 days or less

- No maximum tariff rate limitation (§30 & §134 of Final Rule, & revised §284.8(b))
- Can include prearranged non-biddable capacity releases (revised §284.8(h)(1))
- Can rollover AMA capacity releases without competitive bidding (§27, §109, §134, §135)
- Can rollover state-approved retail choice capacity releases without competitive bidding (§199)

#### Releases for 32 days up to and including 1 year

- No maximum tariff rate limitation (§30, §134, revised §284.8(b))
- Non-biddable for AMA capacity releases (§109, §134, revised §284.8(h)(1))
- Non-biddable for retail choice capacity releases (§199, revised §284.8(h)(1))
- Biddable for all other capacity releases (§73, §195)
- Can rollover AMA capacity releases without competitive bidding (§27, §109, §134, §135)
- Can rollover retail choice capacity releases without competitive bidding (§199)
- Cannot rollover other biddable capacity releases (§80, §134) except a rollover or extension into a long-term release (>12 months) at maximum rates would not require bidding

#### Releases more than 1 year

- Cannot exceed the maximum tariff rate (§78, §134, revised §284.8(b))
- Can include prearranged, non-biddable capacity releases at maximum rate (revised §284.8(h)(1))
- Non-biddable for AMA capacity releases at any rate (not to exceed maximum) (§134, revised §284.8(h)(1))
- Non-biddable for retail choice capacity releases at any rate (not to exceed maximum) (§199, revised §284.8(h)(1))
- Biddable if less than maximum rate for other capacity releases
- Can rollover AMA capacity releases at any rate (not to exceed maximum) (§134, §135)
- Can rollover retail choice capacity releases at any rate (not to exceed maximum) (§199)
- Can rollover other capacity releases if at maximum rate and the rollover period is greater than 1 year
- Cannot rollover other biddable capacity releases if less than maximum rate