



## Natural Gas Terms and Definitions

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

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- **Balancing:** The method or service that an agent or LDC uses to match the customer's daily usage with the customer's contracted delivery from the pipeline.
- **Btu:** One British thermal unit, the amount of heat required to raise the temperature of one pound of water one degree Fahrenheit from 60 degrees Fahrenheit to 61 degrees Fahrenheit at standard barometric pressure.
- **City gate:** The point of connection to the supplier's pipeline and the LDC.
- **Cu ft:** One cubic foot of natural gas (that equals approximately 1,025 Btus, theoretically). Natural gas varies somewhat in heat content depending on origin.
- **Dekatherm:** The quantity of heat energy that is equivalent to 1 million British thermal units or 10 therms.
- **FERC:** Federal Energy Regulatory Commission.
- **Firm transport contract:** A pipeline transportation contract by which a specific amount of natural gas is delivered.
- **Fixed cost:** The cost per unit is fixed (set) at the time of purchase by the seller and purchaser. The amount of gas to be purchased and the timeframe for the contract are finalized.
- **Gas day:** A 24-hour period usually starting at 9 a.m. Central Time.
- **Imbalance:** When a customer uses either less or more gas than was contracted.
- **Interruptible transport contract:** A transportation contract in which a specific amount of natural gas may be delivered but is not guaranteed. This type of contract has a lower priority than a firm or no-notice contract.
- **Interstate pipeline:** A natural gas pipeline that operates in multiple states.
- **Intrastate pipeline:** A natural gas pipeline that operates within only one state. It does not cross any state lines.
- **Market index:** The purchaser and seller agree upon a specific market index for the cost of gas for a specific month and, possibly, at a specified geographical location such as Henry, Louisiana (i.e., "Henry Hub").
- **Market index with discount:** The purchaser and seller agree upon a specific market index for the cost of gas for a specific month with an agreed-upon percentage discount for the index price. This usually is tied to long-term purchase agreements between the two parties.
- **Mcf:** 1,000 cubic feet of gas that equals approximately 1,025,000 Btus or 1.025 MMBtu (This conversion will vary from roughly 1.02 to 1.04 depending upon the natural gas heat content).
- **MMBtu:** One million British thermal units.
- **Nomination:** An electronic or written request for a physical amount of natural gas purchased under a specific contract and transported under a specific type of transportation contract to a specific city gate. This will be for a specific time period. Before the gas is delivered it must be confirmed by the pipeline that all the contracts under the nomination are valid and correct.
- **No notice:** A transportation contract with storage capabilities included.
- **NYMEX:** New York Mercantile Exchange, a commodity futures exchange.
- **Scheduling:** Occurs when natural gas volume nominations are combined at a point on the pipeline and the contracts are verified. If the volume nominated matches verified capacity, the gas is scheduled to be delivered.

- **Third-party transport customer:** This usually is an industrial facility that purchases natural gas and transportation without using the LDC. The LDC then charges this customer a transportation fee to deliver the gas from the city gate through the LDC pipeline to the customer's meter. The agent or LDC must maintain records of the amount of gas the customer nominated for delivery to the city gate versus what the customer actually used. The difference must be balanced at the end of every month.
  - **Therm:** The quantity of heat energy equivalent to 100,000 Btus.
  - **Weighted average cost of gas (WACOG):** The average cost of the natural gas during a given time period.
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