UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Columbia Gas Transmission Corporation   Docket No. CP06-430-000

ORDER ISSUING LIMITED TERM CERTIFICATE

(Issued September 27, 2006)

1. On August 15, 2006, Columbia Gas Transmission Corporation (Columbia) filed an application under section 7 of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations to temporarily increase the maximum volumes of natural gas in storage in certain storage facilities to levels above the certificated levels for those facilities. This order grants the requested authorization as required by public convenience and necessity, subject to the conditions imposed below.

I. Background and Proposal

2. Columbia operates over 580 Bcf of total storage capacity in 36 storage fields, offering customers both firm and interruptible storage services. Columbia manages its storage fields on an integrated basis and does not assign to customers capacity in any particular storage field. Columbia's storage fields operate on the traditional injection (April – October) and withdrawal (November – March) cycles.

3. In 2005, supply interruptions related to weather events, including Hurricanes Rita and Katrina, caused storage customers to retain greater volumes of gas in storage than normal to ensure supply reliability throughout the 2005/2006 winter season. For the first time in its operating history, Columbia waived its Rate Schedule FSS requirement that customers draw down their storage inventory to no greater than 25 percent of their contracted quantity by April 1. As a result of this action and a milder than expected winter, Columbia began the 2006 injection season with customers having 15 percent more gas in storage than normally permitted under Rate Schedule FSS. Due to this higher beginning inventory, customers' rates of injection this summer were slower than normal. The slow injection rate combined with tariff guidelines setting the percentage of contract quantity that can be in storage on June 30 resulted in certain fields not experiencing their typical operating pressure increases.

4. Consequently, Columbia has identified a number of storage fields that are expected to reach their respective maximum certificated storage volumes prior to reaching their maximum certificated operating pressures. If these storage reservoirs do not reach their maximum certificate operating pressures, Columbia will not be able to maintain peak withdrawal rates for as long. Thus, Columbia requests authority to temporarily exceed its maximum certificated storage levels in order to inject enough additional gas to bring these fields up to their maximum certificated operating pressures by the beginning of the withdrawal season.

5. Specifically, Columbia proposes to store up to an additional 6.5 Bcf of gas across eleven of its storage fields, as needed for each storage field to reach its maximum certificated operating pressure.[1] These fields were selected based on pressure and volume data, operating history, and absence of operating anomalies, and have a total storage inventory of 201.8 Bcf. The proposed increase of up to 6.5 Bcf in storage inventory via additional injections will be available on a temporary basis until the end of the current injection period.

6. Columbia does not propose to expand the boundaries of the storage fields, expand the permanent certificated capacities, increase the maximum pressures, modify any other operational parameters, or offer additional firm storage services. Columbia cannot offer additional firm service since further injection volumes this year are only projections and the deliverability from the fields will not increase. The potential for increased service is limited to interruptible service.

7. While Columbia can meet all of its FSS commitments and maintain efficient storage operations absent this proposal, Columbia expects the proposal to allow more operational flexibility during the coming 2006/2007 withdrawal season. The proposal will allow Columbia to extend the number of days remaining for injection into these fields, increase the overall amount of gas available for withdrawal, and maximize operating pressures, thereby optimizing potential withdrawal rates.

II. <u>Interventions and Other Pleadings</u>

8. Public notice of Columbia's application was published in the *Federal Register* on August 24, 2006, with comments, protests, and interventions due on or before August 24, 2006.[2] Fifteen companies filed timely, unopposed motions to intervene.[3] Timely,

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[1] These fields are the Artemas A, Artemas B, Coco A, Coco C, Donegal, Glady, Lanham, Laurel, Lorain, Terra Alta, and Terra Alta South.

[2] Notice of Application, 71 Fed. Reg. 50,054 (Aug. 24, 2006).

unopposed motions to intervene are automatically granted by operation of Rule 214 of the Commission's regulations.[4]

9. Washington Gas Light Company (Washington Gas) and Piedmont Natural Gas Company, Inc. (Piedmont) filed motions to intervene out of time. These parties have demonstrated that they have an interest in this proceeding and that their participation will not unduly delay the proceeding or prejudice the rights of any other party. Accordingly, for good cause shown, we will grant the motions to intervene out of time.[5]

10. Stand Energy Corporation (Stand), BP Energy Company and BP America Production Company (BP), Public Service Company of North Carolina, Inc. (PSNC), Baltimore Gas and Electric Company (BG&E), Washington Gas, and Piedmont filed comments. None of the pleadings were styled as protests.

11. On August 28, 2006 and September 5, 2006, Columbia filed answers to the parties' comments. On September 11, 2006, BG&E filed an answer to Columbia's September 5, 2006 answer. On September 11, 2006, Stand filed an answer stating that it supported BG&E's positions in its answer filed on the same date.[6]

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[3] These companies are Orange and Rockland Utilities, Inc.; Delmarva Power & Light Company; New York State Electric & Gas Corporation; NJR Energy Services Company; New Jersey Natural Gas Company; the Cities of Charlottesville and Richmond, Virginia; Easton Utilities Commission; ProLiance Energy, LLC; Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc. (collectively NiSource Distribution Companies); UGI Utilities, Inc.; the East Ohio Gas Company d/b/a Dominion East Ohio and Hope Gas, Inc. d/b/a Dominion Hope; Stand; BP; and Public Service Company of North Carolina.

[4] 18 C.F.R. § 385.214 (2006).

[5] 18 C.F.R. § 385.214(d) (2006).

[6] Although Commission rules prohibit answers to answers, we may for good cause waive this provision. We find good cause to do so in this instance as BG&E's and Stand's answers have assisted in our decision-making. *See* 18 C.F.R. § 385.213(a)(2) (2006).

12. The parties' positions are described and addressed below.

III. Discussion

13. Columbia's proposal to temporarily increase maximum storage inventory by up to a total 6.5 Bcf across eleven storage fields involves no additional facilities, no increases in the storage fields' boundaries, maximum pressures or operational parameters, and no additional firm storage service. Further, the temporary increase in maximum storage volumes involves no increase in capital costs, no degradation of service to its existing customers, no adverse physical impact on the storage assets, and should facilitate more optimal withdrawal rates than otherwise predicted for the upcoming withdrawal season by utilizing the maximum storage pressures. As such, Columbia's proposal is an operational enhancement involving no facilities, costs, or subsidies by existing customers. Further, none of the commenters opposes Columbia's proposal. However, the commenters have raised issues, which are addressed below.

A. Need

14. BG&E, Washington Gas, and Piedmont question the need for Columbia's proposed temporary increase in maximum certificated storage volumes. In view of Columbia's proposal, BG&E and Washington Gas further question whether Columbia can satisfy its firm commitments absent this increase in allowable storage injections.

15. As presented above, a set of extraordinary occurrences in 2005 and early 2006 permitted Columbia to put forth this proposal requesting authority to temporarily increase maximum certificated storage volumes. These circumstances, which are not likely to occur in conjunction again, include Hurricanes Katrina and Rita, Columbia's unprecedented waiver of its April 1 storage draw-down requirements, and a milder than expected winter.

16. As the result of these circumstances, more gas than normal was left in a number of Columbia's storage fields at the end of the last withdrawal season. Consequently, the gas in these fields could be expected to expand slightly through normal equilibrium processes, resulting in lower reservoir pressures than would normally be associated with the volumes in the fields. Because pressure in these reservoirs was lower than normal when the current injection season began, the reservoirs will not reach their normal maximum pressures when maximum certificated levels are reached and Columbia will not be able to maintain peak withdrawal rates for as long. Thus, Columbia requests authority to temporarily exceed its maximum certificated storage levels to inject up to an additional 6.5 Bcf of gas across eleven storage fields, as needed to bring these fields up to normal pressures by the beginning of the withdrawal season.

17. If Columbia does not inject volumes above its maximum certificated storage volumes, it would still be able to meet all of its firm service commitments, but only by beginning to run its compressors earlier than normal in the withdrawal season, which would result in additional expense. Columbia's proposal to temporarily exceed maximum certificated storage volumes may avoid this expense and, at the same time, enable Columbia to offer additional interruptible service. For these reasons, the Commission believes that Columbia's proposal is reasonable and will provide benefits to its customers.

B. Impact on Storage Fields

18. BG&E and Piedmont question whether already occurring gas migration is the impetus for Columbia's proposal to temporarily increase the amount of gas injected into storage. If that is not the case, they express concern that Columbia's request for authorization to temporarily exceed maximum certificated storage levels could cause gas migration to occur. BG&E states it is unconvinced that no damage will result from increasing injections, and is concerned that there could be long-term consequences as a result of the temporary action that is not needed to meet certificated needs of customers. BG&E questions whether Columbia will be able to sufficiently control the excess volume of gas so as to not cause migration or other harmful effects to the storage fields. BG&E requests that liability be imposed against Columbia as a condition to granting Columbia's request in the event that harm is caused to Columbia's customers as a result of any damage done to the fields because of this temporary action.

19. In response to the commenters' first suggestion that gas migration may already be occurring, the Commission's staff has reviewed the information provided by Columbia and the historical operation of these fields and concurs that there is no indication that migration beyond the certificated boundaries of the affected fields is a current problem. Columbia's proposal should not cause gas migration, since the injection of additional gas above a storage field's maximum certificated storage level will not exceed the amount of gas necessary to reach that storage field's maximum certificated operating pressure.[7] Further, as Columbia points out in its response, it is subject to regulatory and environmental requirements, as well as contractual obligations, that provide strong incentives for Columbia to ensure the integrity of its storage fields. In addition, the Commission is requiring that Columbia comply with the reporting requirements in Ordering Paragraph (D) of this order to ensure that Columbia closely monitors the subject

[7] Columbia projects that the increases in maximum storage volumes for the eleven storage fields at issue will be relatively small, ranging between one and seven percent.

storage fields and operates them in such a manner as to minimize any migration.[8] If gas migration were to occur, Columbia would have to make a filing under section 4 of the NGA to seek any cost recovery of lost and unaccounted for gas or for corrective measures. Columbia's customers would have the opportunity in that proceeding to present arguments as to why Columbia should not be allowed to recover such costs from its customers. In view of these considerations, the Commission finds no need for BG&E's suggested specific liability condition.

C. Temporary versus Permanent Increase and Additional Firm Service

20. BG&E and PSNC questioned why Columbia's proposal is for a temporary increase limited to the current injection/withdrawal seasons, rather than a permanent increase in certificated maximum storage volumes, and why additional firm service is not being offered. Columbia responded that temporary authorization is being sought because the additional storage volumes of up to 6.5 Bcf are only a projection based on a set of extraordinary circumstances unlikely to reoccur in the same manner. Columbia cannot guarantee that storage operations will allow injection of the entire 6.5 Bcf, and the injection of additional storage volumes is dependent on how each field responds and how fast each field reaches its certificated pressure limit.

21. Columbia explains that the additional volumes will not enable it to commit to additional firm daily deliverability, since its deliverability rate is effectively limited by the ability of its surface field facilities to accept withdrawn gas and transport it to mainline facilities. Thus, while the injections of additional storage volumes will ensure a longer period of maximum deliverability by increasing reservoir pressures, the additional volumes will not serve to increase the maximum deliverability rate or volume. The Commission finds that Columbia has appropriately limited its proposal to increase storage volumes only for the current injection cycle and 2005/2006 withdrawal cycles.

D. Columbia's Lanham Compressor Station

22. BP is concerned that the temporary increase in storage volumes will cause additional constraints at Columbia's Lanham compressor station in Kanawha County, West Virginia. Columbia acknowledges that all firm transportation capacity through its Lanham compressor station is already under contract, and that its proposal may result in

[8] This order's reporting requirements in Ordering Paragraph (D) duplicate the reporting requirements applicable to a natural gas company's activities under a Part 157 blanket certificate to increase the maximum volume of natural gas authorized to be stored in a storage field. *See* 18 C.F.R. § 157.214(c) (2006).

increased demand for capacity during the injection season. However, Columbia emphasizes that it will not offer any additional firm storage or firm transportation capacity in conjunction with the temporary increase in storage volumes. Thus, Columbia states that the temporary increase will not impair its ability to meet its firm service obligations for transportation across the Lanham compressor station, nor reduce its capacity through the compressor station. In view of Columbia's response, the Commission finds that BP's concerns are unfounded and speculative. In any event, approval of this proposal does not relieve Columbia of any of its contractual obligations.

E. Allocating Additional Interruptible Service

23. In response to Columbia's assertion that it its proposal will enable it to provide additional interruptible service, BP, Stand, and PSNC question what types of interruptible service will be available and how Columbia intends to make its customers aware of the availability of this service. BP states the additional interruptible service should be allocated to the ISS rate schedule, the highest-priority interruptible service available, while Stand believes all of Columbia's interruptible services should be made available and specifically identified to customers. These commenters assert that the Commission should monitor the manner in which Columbia provides the additional interruptible service to ensure those services do not serve as a vehicle for earning windfall profits. PSNC emphasizes that the additional capacity should be offered on a non-discriminatory basis, consistent with Order No. 636 and the Commission's policies on posting available capacity.

24. In response, Columbia reiterates that the additional storage volumes that may be injected into particular storage fields will be based on Columbia's monitoring of the volumes and pressure limitations of its storage fields. All additional storage capacity will be allocated with other interruptible services in accordance with Columbia's tariff, which gives a priority for excess injections and excess withdrawals under Rate Schedule FSS above other interruptible services. Columbia will post notices of the availability of additional capacity on its Electronic Bulletin Board. The Commission finds that Columbia has adequately explained how additional storage capacity will be made available.

F. Additional Costs and Revenues

25. BG&E, Washington Gas, PSNC, Stand, and Piedmont are concerned about possible additional costs that will be associated with this temporary increase in storage volumes, who will bear the costs, and who will receive the revenues from any additional interruptible service offered. BG&E and Washington Gas state that the additional interruptible service revenues should be remitted as a credit to firm storage service customers. BG&E notes that firm storage rates were calculated on a basis that did not

envision these additional revenues. BG&E states that Columbia would be in a position to over recover its cost of service. BG&E also requests that the Commission condition the certificate upon a requirement that existing customers be insulated from any additional costs incurred by the proposed changes, and that Columbia be required to pass any such costs directly to the shippers purchasing the additional interruptible services. Piedmont states that firm storage customers should not bear the burden of any additional fuel costs associated with the temporary increase. In supplemental comments, BG&E states it is unclear what effect Columbia's proposed temporary volume increase will have on its Electric Power Cost Adjustment (EPCA) or Retainage Adjustment Mechanism (RAM).

26. Columbia has stated that no additional capital costs will be incurred. Further, Columbia proposes to utilize its existing rates for the incremental interruptible storage service, and it has not proposed any change to the disposition of interruptible revenues as approved in its last rate case. In addition, there is uncertainty as to how much demand there will be for any incremental interruptible service that Columbia is able to provide as the result of this proposal. Indeed, Columbia has not yet determined how much additional gas will need to be injected into any particular storage field. Under these circumstances, there is no reasonable basis for estimating revenue from any additional interruptible service, and the Commission therefore finds that it should adhere to its usual policy, cited by Columbia,[9] which is to reject arguments for revenue crediting between rate cases.[10]

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[9] *Citing Columbia Gulf Transmission Co.*, 100 FERC ¶ 61,344 at P 67 (2002).

[10] If the Commission thought it was appropriate to require that Columbia credit its firm customers with any of the additional interruptible revenues resulting from its proposal, such crediting could not be required as a condition on the certificate authority granted by this order, since this is proceeding is under section 7 of the NGA and the Commission therefore cannot change Columbia's rates for services not at issue in this proceeding. *See Panhandle Eastern Pipe Line Company v. FERC*, 613 F.2d 1120, 1133 (D.C. Cir. 1979), *cert. denied*, 449 U.S. 889 (1980); *Northern Natural Gas Company v. FERC*, 780 F.2d 59 (D.C. Cir. 1985), *aff'd en banc, Northern Natural Gas Company v. FERC*, 827 F.2d 779 (D.C. Cir. 1987). While Columbia's customers have the right to seek initiation of a proceeding under section 5 of the NGA in order to argue that Columbia's existing rates are unjust and unreasonable as the result of its failure to credit revenues from interruptible services using the additional storage capacity temporarily authorized by this order, they would have the burden of providing documentation and details sufficient to support the initiation of such a section 5 proceeding, which they have not done in their pleadings this proceeding. *See* 18 C.F.R. § 385.206(b) (2006) (procedures for initiating complaint proceeding).

27. The Commission also finds that there is no need for a specific condition in this order to insulate existing customers from additional costs. While PSNC, BG&E, and Stand assert that Columbia failed to provide required cost and revenue information, applicants are only required to submit the documentation to the extent it is applicable. The Commission agrees with Columbia that it has provided information "sufficient to provide a full and complete understanding of Columbia's request."[11] While the Commission agrees with the commenters that existing customers should not be required to pay for costs associated with a project dedicated to incremental interruptible services, there are no additional identified fixed costs. To the extent there additional costs, they will be variable costs. Most of any such variable costs will be reflected in Columbia's annual RAM and EPCA tariff filings under section 4 of the Natural Gas Act.[12] Columbia will have to propose rate changes to seek recovery of any costs in these section 4 filings. Therefore, customers will have the opportunity to present their arguments in opposition to any proposed rate changes. The additional reports that Columbia is required to file pursuant to Ordering Paragraph of this order will provide information on Columbia's storage operations. When Columbia makes its annual RAM and EPCA filings under section 4, this information can be used in the identification and allocation of any costs associated with interruptible services using this storage capacity.

IV. Environmental Analysis

28. Environmental review of this proposal under section 380.4(b) confirms that this action qualifies as a categorical exclusion under section 380.4(a)(27), since the proposal does not involve the construction of any facilities. No environmental assessment is required. However, authorization of Columbia's proposal to increase storage volumes will be subject to the monitoring and reporting requirements set forth below.

29. The Commission, on its own motion, received and made a part of the record in this proceeding all evidence, including the application and exhibits thereto, submitted in support of the authorization sought herein, and upon consideration of the record,

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[11] Columbia's application at 9.

[12] Columbia's FERC Gas Tariff, Second Revised Volume No. 1, General Terms and Conditions, sections 35 and 45.

The Commission orders:

(A) A limited-term certificate of public convenience and necessity is issued to Columbia authorizing it to temporarily increase the maximum inventory above certificated levels of eleven of Columbia's storage fields, as described more fully in the application and in the body of this order.

(B) The total amount of gas injected in excess of the certificated maximum levels across all eleven fields shall be no greater than 6.5 Bcf.

(C) By April 1, 2007, the excess volumes injected pursuant to the authorization granted herein must be withdrawn from the fields, and the level of gas in storage in all eleven fields shall be at or below their certificated maximum levels or the levels indicated by Columbia's tariff guidelines.

(D) Columbia shall monitor the eleven fields for the remaining 2006 injection season and the 2006/2007 withdrawal season to identify possible gas loss or migration and take appropriate actions as to prevent/minimize gas loss or migration. Columbia shall submit for each field semiannual reports (to coincide with the termination of the injection and withdrawal cycles) containing the following information (volumes shall be stated at 14.73 psia and 60 degrees Fahrenheit and pressures shall be stated in psia):

(1) The daily volumes of natural gas injected into and withdrawn from the storage reservoir.

(2) The volume of natural gas in the reservoir at the end of the reporting period.

(3) The maximum daily injection and withdrawal rates experienced during the reporting period. Average working pressure on such maximum days taken at a central measuring point where the total volume injected or withdrawn is measured.

(4) Results of any tracer program by which the leakage of injected gas may be determined. If leakage of gas exists, the report should show the estimated total volume of gas leakage, the volume of recycled gas, and the estimated remaining inventory of gas in the reservoir at the end of the reporting period.

(5) Any surveys of pressures in gas wells, and the results of back-pressure tests conducted during the reporting period.

(6) The latest revised structural and isopach maps showing the locations of the wells and the location of the gas-water contact. These maps need not be filed if there is no material change from the maps previously filed.

(7) Discussion of current operating problems and conclusions.

(8) Such other data or reports which may aid the Commission in the evaluation of the storage project.

(9) Reports shall continue to be filed semiannually until the storage inventory volumes and pressures have returned to or closely approximate the certificated maximum levels permitted in the Commission's Orders. Thereafter, the reports shall continue on a semiannual basis for a period of one year.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.