UNITED STATES OF AMERICA 110 FERC ¶ 61, 397
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeen G. Kelly.

Columbia Gas Transmission Corp. Docket No. RP05-210-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS
AND ESTABLISHING HEARING PROCEDURES

(Issued March 31, 2005)

1. On March 1, 2005, Columbia Gas Transmission Corporation (Columbia) filed tariff sheets[1] reflecting its annual revision of the transportation and LNG Electric Power Cost Adjustment (EPCA) rates and surcharges pursuant to section 45 of the General Terms and Conditions (GT&C) of its tariff. The referenced tariff sheets are accepted and suspended, to be effective April 1, 2005, subject to refund and the establishment of hearing procedures, as discussed below. This order benefits customers by ensuring against the improper subsidization of electric power costs.

**Columbia's Filing**

2. Columbia's proposed EPCA rates consist of a current EPCA component reflecting a projection of costs for a prospective twelve-month period, and an EPCA surcharge rate component, which is a true up for actual activity within the deferral period. Columbia adjusted the EPCA rates in order to collect $7,058,847 in projected annual electricity costs to be incurred for compression and LNG service and to flow-back ($214,561) in electricity costs over-collected for the deferral period January 1, 2004 through December 31, 2004. The projected level of electric costs is an increase of $1,524,731 over Columbia's previous annual filing of $5,534,116 in Docket No. RP04-195-000.

3. As part of this filing, Columbia proposes to roll-in the electric power costs in the amount of $1,741,606 associated with Columbia's installation of new electric compression at the Downingtown Compressor Station (Downingtown). Columbia

[1] Seventy-fifth Revised Sheet Nos. 25, 26, and 27, Sixty-third Revised Sheet No. 28, and Twentieth Revised Sheet No. 31 to FERC Gas Tariff, Second Revised Volume No. 1.

originally sought the roll-in of Downingtown electric power costs on a system-wide basis in its 2003 Annual EPCA filing in Docket No. RP03-281-000, as discussed below, but that proposal was filed prior to the actual in service date of the Downingtown facilities. Columbia states that the projected costs for Downingtown are based on its actual experience with the compressors since they were placed in service. Based upon that experience Columbia claims that system-wide benefits exist to support the roll-in of the Downingtown electric power costs.

4. Columbia states that the instant filing complies with the Commission's December 22, 2004 Order on Rehearing in Docket No. RP03-281-004 by providing rate calculations for both rolled-in and incremental rates.[2] Columbia asserts that the calculations and the system-wide benefits detailed in its filing clearly support the roll-in of the Downingtown electric power costs.

5. Columbia asserts in the instant filing that the installation of electric compression at Downingtown has been a boon to the Columbia system. Columbia claims that because of the new compression at Downingtown, which has been operational for approximately one year, shippers are enjoying, among other things, increased reliability and system flexibility, protections from service interruptions associated with compressor maintenance, and increased capacity to receive Texas Eastern Transmission supplies at Eagle and Transcontinental Gas Pipe Line Corporation supplies at Downingtown.[3]

6. Further, Columbia claims that actual operating experience supports the enhanced reliability associated with the Downingtown electric compression. For instance, Columbia asserts that fewer critical days have been declared during the 2004-2005 winter on the Columbia system, as compared to previous winter seasons. In addition, Columbia asserts that electric compression at Downingtown also has acted as a back-up to Columbia's Eagle and Rutledge Compression Stations, and it has also had the effect of providing additional capacity upstream of Downingtown.[4]

7. Columbia states that in developing the illustrative incremental rate for the Downingtown electric power costs, Columbia has assigned responsibility for the actual utilization of the Downingtown facilities between Rock Springs shippers and all other system shippers by measuring the total deliveries received by the Rock Springs shippers

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[2] *Columbia Gas Transmission Corp.*, 109 FERC ¶ 61,355 (2004).

[3] Columbia March 1, 2005 Transmittal Letter at 4.

[4] *Id.* at 5.

at their primary delivery points, and compared that quantity with the total throughput moving through the Downingtown station. Based on this methodology, Columbia asserts that an incremental rate design would allocate 12.5 percent of total Downingtown electric costs to Rock Springs shippers, and 87.5 percent to system shippers.[5] Columbia also states that in developing this methodology, it is important to recognize the fact that deliveries were made to the Rock Springs shippers at their primary delivery points does not mean that the gas moved through the Downingtown facilities. Columbia asserts that, in fact, the extensive use of secondary receipt points by the Rock Springs shippers would suggest that the above 12.5 percent figure is overstated. However, it asserts, due to the reticulated nature of Columbia's system, it is not possible to refine these figures any further.

8. Columbia states that using the 12.5 percent allocation factor to assign a portion of the Downingtown electric power costs to Rock Springs shippers does not create a reduction in the proposed system-wide EPCA rates. Further, Columbia states that the difference in the cost responsibility of Rock Springs for electric costs between the system-wide and incremental rate scenarios is approximately $80,000 per year, making it unlikely that an incremental rate is warranted.[6]

**Background**

9. In an order issued December 20, 2002, in Docket No. CP02-142-000, *et al.* (Certificate Order),[7] the Commission authorized Columbia to abandon two 1250 hp gas compressors at Downingtown and replace those compressors with two 6000 hp electric-powered compressors in order to provide new transportation service for two shippers to the new Rock Springs electric generation facility via a new tap on Columbia's system at the Rock Springs point. The precedent agreements with the two shippers (Rock Springs

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[5] In Docket No. RP03-281, Columbia had estimated the usage of the Downingtown facilities to be 60 percent for Rock Springs shippers and 40 percent for system shippers. Columbia states that these figures were based purely on an estimate of Rock Springs projected run-time with zero actual historical experience. In the instant filing, Columbia states that it has utilized actual data for the Rock Springs and system shippers. Consequently, Columbia states that the 60 percent estimate and the basis for calculating it, is no longer valid or supportable.

[6] Columbia March 1, 2005 Transmittal Letter at 6.

[7] *Columbia Gas Transmission Corp.*, 101 FERC ¶ 61,337 (2002).

shippers)[8] were for service under Columbia's Rate Schedule FTS for a total of 270,000 Dth/d from receipt points in Pennsylvania, to the Rock Springs delivery point at a discounted base rate plus applicable surcharges. In the Certificate Order, the Commission, *inter alia*,: (1) found that Columbia could roll in the facility costs for the new compression in its next general Natural Gas Act (NGA)section 4 rate case, absent any material change in circumstances; (2) rejected a proposal by the Cities of Charlottesville and Richmond, Virginia (the Cities) for incremental electric power rates; and (3) allowed Columbia's customers to examine the cost impact of the project's usage of electric power in the next EPCA filing.

10. On February 28, 2003, Columbia filed tariff sheets in Docket No. RP03-281-000 to revise its EPCA surcharges pursuant to section 45 of its tariff. Columbia sought, *inter alia*, to recover $6,596,051 in annual electric costs, including $1,035,600 of new projected electric costs associated with Downingtown. The projected electric costs of $1,035,600 related to the five-month period November 1, 2003, through March 31, 2004. Columbia's February 28, 2003 EPCA filing projected Downingtown to be in service on November 1, 2003.

11. In its March 31, 2003 Order in Docket No. RP03-281-000,[9] the Commission found that Columbia had not sufficiently supported the inclusion of the new projected electric power costs at Downingtown in its proposed system-wide EPCA rates. That order accepted and suspended the tariff sheets in Columbia's EPCA filing to be effective April 1, 2003, subject to refund and conditions. The Commission directed Columbia to file additional information to support its EPCA filing.[10]

12. On February 12, 2004, the Commission issued an order addressing Columbia's April 21, 2003 compliance filing it made to comply with the March 31, 2003 Order.[11] In the February 12, 2004 Order, the Commission directed Columbia to eliminate the electric

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[8] Rock Springs Generation and CED Rock Springs, Inc., owners respectively of four and two of the six Rock Springs power plant gas turbines.

[9] *Columbia Gas Transmission Corp.*, 102 FERC ¶ 61,348 (2003) (March 31, 2003 Order).

[10] On April 21, 2003, Columbia filed information to comply with the directives of the March 31, 2003 Order.

[11] *Columbia Gas Transmission Corp.*, 106 FERC ¶ 61,128 (2003) (February 12, 2004 Order).

power costs for Downingtown from the proposed EPCA rates since these facilities had not been placed in service. Accordingly, Columbia was required to file revised tariff sheets with revised EPCA rates effective April 1, 2003, to reflect the removal of the electric costs attributable to Downingtown and make refunds of the overcharges.

13. The February 12, 2004 Order also found that, based on Columbia's own five-month cost and volume estimates, the system-wide rate increase resulting from the inclusion of the new electric power costs attributable to the Rock Springs Project would exceed the benefit of the only reasonably quantifiable cost savings of reduced gas fuel rates provided by this project to existing shippers. The Commission further found that by including the projected electric power costs for Downingtown along with the billing determinants for the Rock Springs project, existing customers would be paying increased electric EPCA rates above what they would be expected to pay in the absence of the new electric-powered compressors, but will not be receiving any increased service. The Commission concluded that to recover Downingtown electric power costs when the facilities go into service, Columbia must file, in its next annual EPCA tracker filing, to implement an incremental EPCA surcharge to be charged shippers using the Rock Springs delivery point to be effective April 1, 2004, the same effective date as the next annual system-wide EPCA charge in its next annual EPCA tracker filing.

14. Columbia sought rehearing of, among other things, the Commission’s February 12, 2004 Order’s requirement for the establishment of an incremental EPCA surcharge for recovery of the Downingtown electric power costs. Columbia contended on rehearing that the Commission had failed to consider the benefits provided to existing shippers via the new compressors.

15. On December 22, 2004, the Commission issued an order granting in part and denying in part Columbia’s request for rehearing.[12] The December 22, 2004 Order removed the requirement that Columbia file an incremental rate for Downingtown in Columbia’s annual EPCA filing in Docket No. RP04-195-000 since Columbia did not include any Downingtown electric power costs in its EPCA rates in that filing due to the pendency of its Downingtown construction project.[13] Regarding subsequent proposals for rolled-in treatment of Downingtown electric power costs, the Commission held that:

[12] *Columbia Gas Transmission Corp.*, 109 FERC ¶ 61,355 (2004).

[13] *Id.* at P 19.

> Although we grant rehearing in part and remove the requirement to file an incremental rate in its next EPCA filing, any such filing should include information and rate calculations for both rolled-in and incremental rates to aid the Commission and the parties in the evaluation of such filing…. The Commission will examine the incremental EPCA surcharge related issues raised in the requests for rehearing in reviewing Columbia's subsequent EPCA filing that proposes to recover Downingtown Compressor Station electric power costs.[14]

**Notice, Interventions and Protests**

16. Notice of Columbia's filing was issued on March 4, 2005. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Protests were filed by the Cities and the East Ohio Gas Company d/b/a Dominion East Ohio and Hope Gas, Inc. d/b/a Dominion Hope (Dominion). Virginia Natural Gas, Inc. (VNG); Elizabethtown Gas Co. (Elizabethtown); and Elkton Gas (Elkton) jointly filed comments opposing the filing. CED Rock Springs, LLC, and Old Dominion Electric Cooperative (Old Dominion) filed comments in support of Columbia's filing. On March 23, 2005, Columbia and Old Dominion filed answers to the protests. Rule 213(a)(2) of the Commission's Rules of Practice and Procedures, 18 C.F.R. § 385.213(a)(2) (2004), prohibits an answer to a protest, unless otherwise ordered by the decisional authority. We will accept Columbia's and Old Dominion's answers because they provide information that assisted us in our decision-making process.

17. The Cities and Dominion oppose Columbia's proposal. They argue that it will result in improper subsidization of the incremental costs incurred for the Rock Springs shippers. They claim that Columbia has not adequately supported rolling in incremental costs that have been incurred for facilities certificated for the benefit of the Rock Springs incremental customers. The Cities argue that Columbia's contention that the Rock Springs shippers have actually only accounted for 12.5 percent of the Downingtown electric compressor usage shows, at most, that these incremental compressor facilities were sized far too large for the purpose for which they were certificated. Dominion states that by Columbia's own admission, the throughput anticipated from the Rock Springs

[14] *Id.*

project has not materialized.[15] The Cities claim that the risk of unnecessary costs related to incremental facilities must fall squarely on the shoulders of Columbia's shareholders and/or its incremental customers, but may not properly be allocated to Columbia's system-wide customers, whose service did not form the basis for the certification of the incremental facilities.

18. Dominion asserts that because Columbia had proposed a substantially discounted reservation charge for the Rock Springs shippers, the lower than anticipated throughput results in lower than anticipated project revenues, and leads one to question whether the project is still expected to produce revenues in excess of costs.[16] Dominion argues that Columbia is now attempting to mitigate one of the adverse effects of lower than expected throughput by allocating all of the Downingtown electric power costs on a commodity basis, even though 64 percent of those costs are incurred on a demand basis. Dominion also argues that, given that the new electric compression was installed primarily for the benefit of the Rock Springs shippers, it is reasonable that they pick up the demand costs related to the use of those compressors. Dominion argues that an allocation based solely on throughput when anticipated throughput has not materialized would permit Columbia to shift the risk of lower than anticipated usage to its existing customers.

19. Dominion further argues that Columbia's proposal is clearly unjust and unreasonable given prior Commission orders. Dominion contends that the Commission's February 12, 2004 Order[17] found that the additional electric costs for Downingtown are not offset by customer savings; that Columbia's proposed treatment of those electric costs – allocating 39 percent to existing customers and 61 percent to Rock Springs customers – will increase system-wide EPCA rates, thereby adversely affecting existing customers;[18] that the only reasonably quantifiable cost savings to the existing customers are reduced gas fuel costs accruing from the abandonment of two compressors

[15] *Citing* footnote 4 in Columbia's March 1, 2005 Transmittal Letter.

[16] *Citing Columbia Gas Transmission Corp.*, 101 FERC ¶ 61,337 (2002).

[17] *Columbia Gas Transmission Corp.*, 106 FERC ¶ 61,128 (2004).

[18] *Id.* at P 30.

replaced by Downingtown electric compressors;[19] and that the system-wide rate increase resulting from the inclusion of the Downingtown electric power costs would exceed the benefit of the reduction in fuel costs to existing customers.[20]

20. VNG, Elizabethtown, and Elkton state that Columbia has not submitted sufficient information to aid the Commission and the parties in the evaluation of Columbia's proposal. They claim that Columbia has not provided any information that the Commission and the parties can use to compare the rolled-in rates versus rates without rolling in the Downingtown electric power costs.

## Discussion

21. Based upon a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets listed in footnote no. 1 for filing and suspend their effectiveness for the period set forth below, and permit them to become effective, subject to refund and subject to the hearing established in this order.

22. Although Columbia has complied with the Commission's December 22, 2004, Order by setting forth both rolled-in and illustrative incremental rates, we find that the information provided is insufficient to aid the Commission and the parties in the evaluation of Columbia's filing. We find that Columbia needs to fully explain, justify and support its latest allocation methodology and the deviation from its prior horsepower allocation methodology in Docket No. RP03-281. Columbia must explain why the allocation for its Rock Springs shippers has decreased from an estimate of approximately 60 percent in Docket No. RP03-281 down to 12.5 percent in the instant filing attributable to those shippers.

23. Further, that Columbia's anticipated throughput from the Rock Springs shippers has not materialized, which results in lower than anticipated project revenues, raises questions as to whether revenues will exceed the operational costs of the facilities, as Columbia asserted in its certificate application in Docket No. CP02-142. Columbia not only must support its claims that the operation of the Downingtown compressors provides significant system-wide benefits to existing shippers, it must demonstrate that existing customers are not being required to subsidize the operation of facilities authorized in

[19] *Id*. at P 35.

[20] *Id*. at P 36.

Docket No. CP02-142, and that existing shippers are only required to pay for electric costs from which they derive a benefit. Accordingly, the Commission will establish a hearing to address these issues and other related issues raised in the protests regarding electric power costs.

24. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.[21] It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.[22] Such circumstances exist here. Accordingly, the Commission will exercise its discretion to suspend the accepted tariff sheets listed in footnote no. 1 for the minimum period and permit the rates to take effect on April 1, 2005, subject to refund and subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

<u>The Commission orders</u>:

(A) The proposed tariff sheets listed in footnote no. 1 are accepted and suspended, to become effective April 1, 2005, subject to refund and to the outcome of the hearing established as described herein.

(B) Pursuant to the authority of the NGA, particularly sections 4, 5, 8 and 15 thereof, a public hearing will be held in Docket No. RP05-210-000 concerning the lawfulness of Columbia’s proposal.

[21] *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

[22] *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

(C) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, must convene a prehearing conference in this proceeding to be held in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426. The Chief Administrative Law Judge may use his discretion in managing the Columbia hearing proceedings. The prehearing conference shall be held for the purpose of establishment of a procedural schedule. The Presiding Administrative Law Judge is authorized to conduct further proceedings in accordance with this order and the Commission's rules of practice and procedure.

By the Commission.

( S E A L )

Linda Mitry,
Deputy Secretary.