FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 31, 2007

In Reply Refer To:
Columbia Gulf Transmission Company
Docket No. RP07-125-000

Columbia Gulf Transmission Company
12801 Fair Lakes Parkway
P.O. Box 10146
Fairfax, Virginia 22033-3874

Attention: Thomas D. Stone
Manager, Rates and Tariffs

Reference: Tariff Provision – Operational Purchases and Sales

Ladies and Gentlemen:

1. On December 29, 2006, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets[1] to add a provision governing operational purchases and sales of gas to the General Terms and Conditions (GT&C) of its tariff. Columbia Gulf also requested waiver of section 284.286 of the Commission's regulations which requires that a pipeline must organize its unbundled sales and transportation operating employees so that they function independently of each other. The tariff sheets are accepted effective February 1, 2007, as requested, subject to the conditions of this order.

2. Section 41.1 of the new provision specifies circumstances under which Columbia Gulf may buy or sell gas for operational purposes. Section 41.2 provides that Columbia Gulf will post its operational sales quantities for bidding on its electronic bulletin board, and section 41.3 requires that Columbia Gulf file an annual report of the details of each

[1] Ninth Revised Sheet No. 125, First Revised Sheet No. 289, and Original Sheet No. 290 to FERC Gas Tariff, Second Revised Volume No.1.

operational purchase and sale, including the disposition of costs and revenues associated with those transactions.

3. Public notice of the filing was issued on January 4, 2007. Motions to intervene 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 (2006)), all timely filed motions to intervene and any motion 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 the proceeding or place additional burdens on existing parties. Indicated Shippers filed a protest to the filing, and Columbia Gulf filed an answer to the protest. While the Commission's regulations do not permit the filing of answers to protests,[2] the Commission will accept the answer because it provides additional information which aids in our decision making process.

4. In its protest, Indicated Shippers states that Columbia Gulf's proposed Section 41.1 specifies that operational sales will be made at Receipt Points. Indicated Shippers argues that Columbia Gulf should also include a specification that purchases will be made at receipt points or explain in which circumstances it would purchase gas at a location other than a receipt point. Further, Indicated Shippers is concerned that Columbia Gulf's proposed section 41.1, stating that Receipt Points "may include pools or other aggregation points representative of receipt points" may be confusing. Indicated Shippers explains that when Columbia Gulf's tariff defines "Pooling Points" in Rate Schedule IPP, section 3 and "Aggregation Points" in Rate Schedule AS-Gulf, section 2(c), it capitalizes the first letter of those words. Indicated Shippers is concerned that Columbia Gulf's use of the lower case for these terms in section 41.1 suggests that Columbia Gulf may mean something different in this context. Indicated Shippers requests that the Commission direct Columbia Gulf to clarify its proposal to specify that operational sales or purchases will take place as far upstream as possible.

5. In its answer, Columbia Gulf clarifies that the reference to "pools or other aggregation points representative of receipt points" in its proposal refers only to the defined terms (Pooling Points and Aggregation Points) in its tariff. Columbia Gulf responds that operational purchases of gas need not be made only at the furthest upstream receipt points, but rather at locations where the gas may be most operationally needed from time to time. Columbia Gulf argues that this is consistent with the Commission's unbundling goals because any gas purchased at a downstream location on its system will

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[2] 18 C.F.R. § 385.213 (2002).

have been transported by a shipper on its system, not by Columbia Gulf itself, and there will therefore be no rebundling of transportation and sales on its system.

6. The Commission finds that Columbia has satisfactorily clarified the intended meaning of the terms “pools” and “aggregation points” used in it proposal. Further, we agree with Columbia Gulf that the Commission’s unbundling goals will not be hindered by Columbia Gulf’s ability to make operational purchases of gas from independent shippers at downstream locations on its system where the gas is needed.

7. Next, Indicated Shippers argues that while Columbia Gulf’s proposal specifies that Columbia Gulf will post sales quantities for bidding on its electronic bulletin board, it does not list the specific bidding procedures that will be used. Indicated Shippers requests that the Commission direct Columbia Gulf to specify its posting and bidding procedures in its tariff to ensure that all parties have an opportunity to bid, and that the posting and bidding process is conducted in an open and non-discriminatory fashion.

8. Columbia Gulf responds that its tariff is non-discriminatory by nature and that including specific posting and bidding for operational sales in its tariff is unnecessary. Columbia Gulf states that the Commission permits sales of capacity to be made in open seasons where the terms and conditions for those sales are specified in the posting. Columbia Gulf argues that the act of posting the quantities available for sale together with the terms and conditions under which it will consummate a sale are sufficient to assure that the process will be open and that all interested parties will have the opportunity to bid.

9. The Commission has accepted proposals for the operational sales of gas which specify the posting and bidding terms in the tariff,[3] as well as proposals which merely provide that the pipeline will post the quantities for sale.[4] The Commission finds that posting the terms and conditions of sale when the gas is offered for sale is sufficient to ensure that all interested parties are aware of those terms and conditions and have the opportunity to participate in the sale process. In addition, as Columbia Gulf points out in its answer, it is required to report the outcome of its sales which serves as an additional layer of protection.

10. Next, Indicated Shippers states that Columbia Gulf’s proposal provides that it may withdraw posting, cancel sales or purchases by rejecting all bids, or reject individual bids.

[3] See *Colorado Interstate Gas Company,* 107 FERC ¶ 61,312) (2004).

[4] See *Dominion Transmission, Inc.*, 106 FERC ¶ 61,029 (2004).

Indicated Shippers requests that the Commission require Columbia Gulf to include the details of transactions in which Columbia Gulf exercised this authority in the annual report required by section 41.2 of its proposal. Indicated Shippers argues that while Columbia Gulf proposes to retain revenues associated with operational sales, the Commission should specify that Columbia Gulf must also absorb net annual losses from operational purchases and sales.

11. Columbia Gulf answers that it does not object to reporting any posted sales that are withdrawn or if it rejects all bids due to operational changes. Columbia Gulf does not believe it is necessary to report rejected or losing bids in a completed sale because the results of that sale will be covered in the report required by section 41.3 of its proposal.

12. The Commission directs Columbia Gulf to revise section 41.3 to provide for the reporting of instances where posted sales are withdrawn, or where it rejects all bids due to operational changes. The Commission agrees with Columbia Gulf with respect to reporting bids which are rejected because they do not meet the posted criteria. Those instances should be self-evident to the parties involved, and the Commission's complaint procedures are available to any party which feels that Columbia Gulf has violated its tariff or Commission policy in its operational sales transactions. The Commission further clarifies that Columbia Gulf is required to absorb losses from operational purchases and sales, just as it proposes to retain revenues from those transactions and directs Columbia Gulf to file to revise section 41.3 to reflect this requirement. These amounts must be reported under the requirements of section 41.3(vi) of Columbia Gulf's proposal.

13. Finally, Indicated Shippers argues that because Columbia Gulf resolves monthly imbalances in-kind rather than by cash-out and because Columbia Gulf may make operational sales and purchases to balance its system: (a) the combined economics of the two may be difficult to ascertain and therefore Columbia Gulf should be required to report which operational purchases and sales are undertaken for balancing purposes; and (b) Columbia Gulf should be directed to file its annual report of operational sales and purchases to coincide with its annual tracker for retainage, the Transportation Retainage Adjustment (TRA) filing.

14. Columbia Gulf answers that proposed section 41.3(vii) requires an explanation of the purpose of any operational sale or purchase. The Commission finds that this is dispositive of Indicated Shipper's concern on this issue. Further, Columbia Gulf answers that it does not object to changing the filing date of the annual report required by proposed section 41.3 to coincide with the filing of its annual TRA. The Commission directs Columbia Gulf to revise its proposal accordingly.

15. The Commission accepts Columbia Gulf's proposal subject to Columbia Gulf making the revisions specified in the body of this order. The Commission directs Columbia Gulf to file revised tariff sheets incorporating the specified revisions within thirty days of the date of this order, to be effective February 1, 2007. No waiver of section 284.286 of the Commission's regulations is required.[5] In *CIG* the Commission found that no waiver of section 284.286 of the Commission's regulations is necessary with regard to incidental purchases or sales of gas to operate the pipeline because such purchases or sales are not part of the pipeline's sales or marketing activities *per se*.

By direction of the Commission.

Magalie R. Salas,
Secretary.

[5] See *Colorado Interstate Gas Company*, 107 FERC ¶ 61,312 (2004) (*CIG)*.