

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gas Transmission Corporation

Docket No. CP06-430-001

ORDER DENYING REQUESTS FOR REHEARING

(Issued February 6, 2007)

1. On September 27, 2006, in Docket No. CP06-430-000, the Commission issued Columbia Gas Transmission Corporation (Columbia) certificate authorization under section 7 of the Natural Gas Act (NGA) and Part 157 of the Commission's regulations to temporarily increase its maximum volumes of gas in certain storage facilities above the certificated levels for those facilities.¹ Baltimore Gas and Electric Company (BG&E) and Stand Energy Corporation (Stand) filed timely requests for rehearing of the September 27, 2006 Order. For the reasons discussed below, the Commission denies the requests for rehearing.

I. Background

2. Columbia operates over 580 Bcf of total 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 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. Columbia, for the first time in its operating history, waived its Rate Schedule FSS requirement that firm storage customers draw down their storage inventory to no greater than 25 percent of their contract quantity by April 1. As a result of this action and a milder than expected winter, Columbia began the 2006 injection season with more gas in storage than normal.

¹ *Columbia Gas Transmission Corp. (Columbia)*, 116 FERC ¶ 61,294 (2006).

Due to this high beginning inventory, customers' rates of injection during the summer were slower than normal. The slow injection rate combined with tariff guidelines, which set the percentage of contract quantity that can be in storage on June 30, caused certain storage fields to not experience their historically normal operating pressure increases during the 2006 injection season.

4. Columbia identified a number of storage fields that were expected to reach their maximum storage volumes prior to reaching their maximum certificated operating pressures. Columbia concluded that if the storage reservoirs were not able to meet their maximum certificated operating pressures, Columbia would not be able to maintain peak withdrawal rates for as long as normal. Therefore, on August 15, 2006, Columbia filed an application for certificate authorization to temporarily increase its maximum volumes of gas in certain storage fields to levels above certificated levels in order to bring the fields up to their maximum certificated operating pressures by the beginning of the withdrawal season.² Columbia emphasized that any potential for increased service was limited to interruptible service, since further injection volumes for 2006 were only projections and deliverability from the fields would not increase.

5. Columbia acknowledged that its proposal was not necessary to meet its firm storage service commitments and maintain efficient storage operations. However, Columbia stated that the temporary increase in storage volumes would allow more operational flexibility in the 2006/2007 withdrawal season by extending the number of days for injection of gas into the fields, increasing the overall amount of gas available for withdrawal, and maximizing operating pressures. As a result, Columbia would be able to optimize potential withdrawal rates.

6. In the September 27, 2006 Order at issue in this proceeding, the Commission found that Columbia's proposed temporary increase in maximum storage volumes involved 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. Therefore, the Commission approved Columbia's proposal.

² These fields are Artemas A, Artemas B, Coco A, Coco C, Donegal, Glady, Lanham, Laurel, Lorain, Terra Alta, and Terra Alta South.

II. Requests For Rehearing

BG&E's Rehearing Request

7. The September 27, 2006 Order denied BG&E's request to condition Columbia's temporary certificate authority to insulate BG&E from any adverse cost consequences of Columbia's temporarily exceeding the normal certificated storage levels at eleven of its gas storage fields. On rehearing, BG&E reiterates its argument that increasing storage levels at the subject fields could result in harm to one or more of the storage fields and that such damage could adversely affect all of Columbia's storage service customers. Therefore, BG&E renews its request for a condition to preclude Columbia's filing under section 4 of the NGA in the future to recover any costs that result from temporarily exceeding normal certificated storage levels.

8. Notwithstanding Columbia's explanation of the unusual and undisputed circumstances that led to its proposal in this proceeding to attain its storage reservoirs' maximum certificated operating pressures and thereby maintain peak withdrawal rates, BG&E speculates that Columbia's proposal was market-driven since increased storage volumes will make it possible for Columbia to provide additional interruptible service. Further, BG&E acknowledges, as explained by the Commission in its September 27, 2006 Order, that any potential additional costs would be variable costs, most of which would be reflected in Columbia's annual Retainage Adjustment Mechanism (RAM) and Electric Power Cost Adjustment (EPCA) tariff filings under section 4 of the NGA. In view of these considerations, BG&E believes an appropriate condition on Columbia's temporary certificate authority would be to require that Columbia apply a sufficient amount of any incremental interruptible service revenues against any increase in the annual RAM and EPCA costs that will be otherwise incurred by the customers.

9. BG&E argues that its requested condition on Columbia's section 7 certificate authority in this proceeding is needed because, absent such a condition, there will be a presumption of prudence supporting Columbia's recovery in a future section 4 rate filing of any costs resulting from its action to increase storage levels.

Commission Response

10. The Commission is affirming its decision not to impose a specific certificate condition on its September 27, 2006 Order's grant of temporary certificate authority to Columbia in order to insulate existing customers from any resulting additional costs. Under the terms of Columbia's temporary certificate, Columbia's authority to make increased injections of gas was limited to the remainder of the injection period ending October 31, 2006, so that storage levels would exceed normal maximum levels at the

beginning of the current withdrawal period. There is no evidence at this time that Columbia's actions have compromised the storage fields or customers' services, as BG&E has speculated.

11. Further, if Columbia has incurred additional variable costs in order to temporarily increase maximum storage levels, the Commission reiterates that most of any such variable costs will be reflected in Columbia's annual RAM and EPCA tariff filings under section 4 of the NGA. To the extent these section 4 filings include any costs arising from Columbia's decision to temporarily increase maximum storage levels, Columbia will have to propose rate changes to seek recovery of the costs, and its customers will have the opportunity to present their arguments in opposition to Columbia's recovery of the costs.

12. BG&E is incorrect that its requested condition is needed because, absent such a condition, there will be a presumption of prudence supporting Columbia's recovery in a future section 4 proceeding of any costs resulting from its action to increase storage levels. Columbia did not identify any costs associated with its proposal and did not seek any assurance that it will be allowed to recover any costs that it may incur. Further, notwithstanding Columbia's assurance that the temporary increase in storage levels would have no adverse effects on its storage facilities or its customers' services, the Commission imposed conditions to ensure adequate monitoring to identify, and to require that Columbia take appropriate actions to prevent or minimize, gas loss or migration.³ It was under these circumstances that the Commission found that the public convenience and necessity required approval of Columbia's proposal. Thus, the Commission emphasizes that it has made no finding that would serve to create a presumption that Columbia's decision to temporarily increase storage levels was prudent or that it will be allowed to recover any costs it may incur, and the burden of proof therefore will remain with Columbia if it files under section 4 to recover any costs.

13. Since Columbia's annual RAM and EPCA filings are tracker filings that reflect the past period's actual throughput, revenue (in the form of retained gas or power costs) and expenses (in the form of gas or power used), any incremental interruptible storage service revenues derived from the temporary certificate authority will be reflected in the past-period data. Further, as explained in the September 27, 2006 Order, when Columbia makes its annual RAM and EPCA filings, the filing will reflect any RAM and EPCA costs associated with interruptible services using the additional storage capacity resulting from the temporary increase in Columbia's maximum storage levels. In view of these

³ *Columbia*, 116 FERC ¶ 61,294 at Ordering Paragraph (D).

considerations, customers will have information they can use to identify any RAM and EPCA costs and any revenues resulting from additional interruptible services and seek appropriate allocation of such costs and revenues.

14. The Commission disagrees with BG&E's argument that a revenue crediting condition should be imposed because market considerations may have motivated Columbia to file its proposal. While Columbia acknowledged that increasing storage levels would present the opportunity for it to provide additional interruptible service, Columbia did not seek to support its proposal by proffering evidence of need for additional interruptible storage service, and the Commission did not rely on a finding of market need for additional service in approving Columbia's proposal. As explained in the September 27, 2006 Order, the Commission approved Columbia's proposal because there was no evidence to contradict Columbia's assurances that the temporary increase in maximum storage volumes would involve 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. The Commission also recognized that approval of the incremental storage service could avoid increased variable costs to existing customers by obviating the need for Columbia to begin running its compressors earlier than normal in the withdrawal season.⁴

15. In view of the above considerations, the Commission continues to believe that it is appropriate to adhere in this case to the Commission's usual policy of rejecting arguments for revenue crediting between rate cases.⁵ For the same reasons, the Commission is denying BG&E's renewed request for a condition on Columbia's temporary certificate authority to preclude it from filing under section 4 of the NGA to seek recovery of any costs resulting from its action to exceed its normal maximum storage levels on November 1, 2006.

⁴ *Id.*, 116 FERC 61,294 at P 17.

⁵ *Id.* at P 26. Since the Commission has determined that a revenue crediting requirement condition would not be appropriate in this case, the Commission does not need to reach BG&E's arguments supporting its position that under the circumstances in this proceeding the Commission would have the authority to impose such a condition if convinced it would be appropriate, notwithstanding that that it would change the rates for services not at issue in this proceeding, a result which would generally be contrary to the holding in *Panhandle Eastern Pipe Line Company v. FERC*, 613 F.2d 1120, 1133 (D.C. Cir. 1979), *cert. denied*, 449 U.S. 889 (1980).

Stand's Rehearing Request

16. The Commission's September 27, 2006 Order approving Columbia's proposal to temporarily exceed maximum storage levels also required Columbia to report additional storage information for both operational and cost reasons. As set forth in Ordering Paragraph (D) of the September 27, 2006 Order, Columbia is required to 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 or minimize gas loss or migration. Ordering Paragraph (D) requires Columbia to report extensive data to ensure that information is adequate to monitor safety and the operation of the storage fields that will temporarily exceed their normal maximum storage levels. It further requires Columbia to determine the volumes injected into and withdrawn from these facilities and to identify any adverse effects increasing storage levels might have on these facilities.

17. Although the information Columbia is required to report pursuant to the September 27, 2006 Order includes the daily volumes of additional gas injected into and withdrawn from each storage reservoir as the result of the temporary increase in certificated storage levels, Stand asserts that this information will be inadequate because the Commission did not require Columbia to identify the rate schedules under which injections and withdrawals are made and the daily injection and withdrawal volumes under each rate schedule. Stand also asks that the Commission require Columbia to identify the customers for whom injections and withdrawals are made and the quantities of each customer's daily injections and withdrawals.

18. In addition, Stand asserts that Columbia should be required to certify that all interruptible services using the temporary increase in capacity is provided using Columbia's Electronic Bulletin Board (EBB) as required by Columbia's FERC Gas Tariff. Stand also requests that Columbia be required to report total revenues (rate and non-rate) it receives from each customer using the additional interruptible storage capacity and any penalties imposed upon such customers. Finally, Stand requests that Columbia be required to report quantities transferred between interruptible rate schedules under which daily injections and withdrawals are made using the additional storage capacity and the specific rate schedules under which gas transfers are made.

19. Because Columbia's proposal to temporarily increase storage levels will enable it to provide interruptible storage services, Stand argues that this proceeding is similar to the 2000 investigation of Columbia's failure to provide equal footing for its shippers to

engage in gas imbalance transactions in order to avoid imbalance penalties.⁶ Stand states that it therefore is requesting more detailed reporting requirements regarding Columbia's interruptible services using capacity resulting from its temporary increase in storage levels in order to prevent a recurrence of abuses that were addressed in the 2000 proceeding.

Commission Response

20. The Commission is denying Stand's request on rehearing for the imposition of additional reporting requirements. Stand requests data that Columbia is already required to report pursuant to section 284.13 of the regulations⁷ and in its NGA section 4 filings.

⁶ See *Columbia Gas Transmission Corp.*, 93 FERC ¶ 61,057 (2000) (Columbia and Columbia Gulf Transmission Company (Columbia Gulf) engaged in gas imbalance transactions; however, they did not place all shippers on notice of the availability of this service and did not provide the service to every shipper that sought to participate. As a result, the non-participating shippers were charged imbalance penalties. In February 1999, Columbia and Columbia Gulf voluntarily informed the Market Oversight & Enforcement Section of the Commission's Office of the General Counsel (Enforcement) about the gas imbalance transactions and thereafter cooperated with Enforcement in its efforts to seek information regarding the transactions. Pursuant to a Stipulation and Consent Agreement entered into by Columbia, Columbia Gulf, and Enforcement), Columbia and Columbia Gulf paid a remedy of \$27,000,000. *Id.* at 61,131.

⁷ Pursuant to section 284.13(b)(2), 18 C.F.R. § 284.13(b)(2)(2006), a pipeline providing an interruptible service under Subpart G of the regulations must post, on a daily basis no later than the first nomination for service under the agreement, information including the name of the customer; the rate charged; the maximum rate; the quantity of service to which the customer is entitled; and whether the customer is affiliated. Pursuant to section 284.13(e), 18 C.F.R. § 284.13(3) (2006), a pipeline must file semi-annual storage reports, within 30 days of the end of each complete storage injection and withdrawal season. Each report must be signed under oath by a senior official and contain a summary of storage injection and withdrawal activities that includes the identity of each customer injecting gas into storage and/or withdrawing gas from storage, identifying any affiliation with the pipeline; the rate schedule under which the storage injection or withdrawal service was performed; the maximum storage quantity and maximum daily withdrawal quantity applicable to each storage customer; the volumes of gas injected and withdrawn for each customer during the period; and the unit charge and total revenues received during the injection/withdrawal period from each storage customer, noting the extent of any discounts permitted during the period.

The September 27, 2006 Order requires Columbia to submit additional reports that identify the specific daily volumes of gas injected into and withdrawn from storage at each storage field, as well as the maximum daily injection and withdrawal rates at each storage field, using the extra capacity resulting from the Commission's approval of Columbia's proposal in this proceeding to temporarily increase maximum storage levels at eleven of its storage fields.⁸

21. Further, section 284.13(d) of the regulations requires that a pipeline provide on its Internet web site equal and timely access to information relevant to the availability of all transportation services and capacity, including the availability of capacity in storage fields.⁹ Columbia has also stated that the additional capacity would be made available by posting notices of the availability of additional capacity on its EBB. There is no evidence that Columbia is not allocating all additional storage capacity for interruptible service in accordance with its tariff, which gives a priority for excess injections and excess withdrawals under Rate Schedule FSS above all other interruptible services.¹⁰

22. Under the circumstances, the Commission disagrees with Stand's assertion that Columbia's opportunity to provide additional interruptible storage service during the 2006/2007 storage season makes its proposal to temporarily increase in storage levels subject to the same potential for discrimination and windfall profits addressed in the 2000 investigation of Columbia's failure to provide notice and opportunity for all of its shippers to engage in gas imbalance transactions in order to avoid imbalance penalties.¹¹

⁸ *Columbia*, 116 FERC ¶ 61,294 at Ordering Paragraph (D)(1) and (D)(3).

⁹ 18 C.F.R. § 284.13(d) (2006).

¹⁰ *Columbia*, 116 FERC ¶ 61,294 at P 24.

¹¹ *Supra* at n. 5.

The Commission orders:

BG&E's and Stand's requests for rehearing are denied.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.