FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 13, 2007

In Reply Refer To:
Columbia Gas Transmission
 Corporation
Docket No. RP07-351-000

Columbia Gas Transmission Corporation
2603 Augusta, Suite 300
Houston, Texas 77057-5637

Attention: James R. Downs
Director of Regulatory Affairs

Reference: Tariff Revisions – Creditworthiness Provisions

Dear Mr. Downs:

1. On March 14, 2007, Columbia Gas Transmission Corporation (Columbia) filed revised tariff sheets (see Appendix) to implement changes to the creditworthiness provisions of its FERC Gas Tariff. The Commission accepts the tariff sheets effective April 13, 2007.

2. Columbia states that its proposed changes implement the Commission's policies on creditworthiness as articulated in its *Policy Statement on Creditworthiness for Interstate Natural Gas Pipelines and Order Withdrawing Rulemaking Proceeding* in Docket Nos. PL05-8-000 and RM04-4-000 (Policy Statement).[1] Columbia proposes to require requestors for service to provide financial reports for the past two fiscal years certified by the Chief Accounting Officer or the Chief Financial Officer. Columbia also specifies the criteria it will apply to determine if a requestor is deemed to be creditworthy. Among other things, the requestor is deemed creditworthy if its long-term unsecured debt securities are rated at least BBB by Standard & Poor's Corporation (S&P) or Baa2 by Moody's Investor Service (Moody's), the requestor's short-term and long-term outlook opinion is Stable or Positive from S&P or Moody's, and if the net present

[1] 111 FERC ¶ 61,412 (2005).

value of the sum of reservation fees, utilization fees, and any other associated fees for the contract term is less that three percent of the requestor's net worth. If a requestor fails to meet these criteria the requestor may have Columbia evaluate its creditworthiness using several other proposed specified criteria.

3. Columbia also incorporates provisions which specify: (1) the methods by which a shipper who has failed to satisfy the creditworthiness criteria may still obtain service by providing credit assurance; (2) a shipper's right to and the procedure to initiate a reevaluation of its creditworthiness; (3) an elaboration on the procedures that apply if there is a loss of creditworthiness; (4) Columbia's ability to require additional credit assurance for new expansion projects; (5) additional detail on a shipper's payment obligations and billing procedures; (6) Columbia's ability to protect its financial interests in the event of a permanent release in proposed §14.1(e) of the General Terms and Conditions (GT&C) of its tariff; and (7) the creditworthiness requirements for non-firm shippers.

4. In addition, Columbia proposes provisions which will permit it to impose collateral requirements on any shipper which is insolvent or uncreditworthy. For firm services the collateral required equals three months of demand charges, and for interruptible services the collateral required equals three months of the highest usage charge payments. In the case of new shippers the level of usage will be estimated.

5. The Commission noticed Columbia's filing on March 19, 2007, with interventions and protests due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2006). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2006)), 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 the proceeding or place additional burdens on existing parties. Penn Virginia Corporation filed comments stating that it had preliminary concerns with the proposal and reserved its right to file supplemental comments. Penn Virginia Corporation filed supplemental comments in which it stated that it had been assured by Columbia that its creditworthiness status would not change under Columbia's proposed tariff revisions. Washington Gas Light Company (Washington Gas) and Independent Oil & Gas Association of West Virginia (IOGA) filed adverse comments. Tenaska Marketing Ventures (Tenaska) protested the filing. Columbia filed two answers to the protests and comments. Generally, the Commission does not permit answers to protests (18 C.F.R. § 385.213 (2006)). However, the Commission will accept Columbia's answers because the answers will assist in the Commission's analysis and facilitate the decision-making process.

6. Tenaska protests the section of Columbia's proposal which provides that if a shipper is not rated by S&P or Moody's then the rating of the parent is acceptable to Columbia for determining creditworthiness of the shipper. Tenaska argues that this is too

narrow, and the provision should include the rating of a shipper's partner or other affiliated entity.

7. Tenaska also protests the requirement that in order to be deemed creditworthy under proposed GT&C § 9.6(b)(3)(iii), the net present value of the sum of a requestor's reservation fees and any other associated fees for the term of the contract must be less than three percent of the shipper's tangible net worth. Tenaska argues that this level has not been shown to be just and reasonable, and that it is far more restrictive than the levels established by other pipelines and approved by the Commission.

8. Columbia answers that limiting credit ratings to those of a shipper or its parent is just and reasonable. Columbia argues that relying on parent ratings is less risky than relying on partners or other affiliated entities because partnerships often dissolve and affiliates can be sold, or merged, leaving the pipeline with a worthless guarantee. Columbia further argues that there is better access to information on relationships between a parent and its affiliates without Columbia constantly having to monitor whether an affiliate remains an affiliate or partner in a project.

9. Columbia additionally answers that the Commission has approved the three percent net present value criteria in other pipeline proposals and has left discretion to individual pipelines to develop the criteria by which to determine if their shippers are deemed creditworthy.

10. Washington Gas states that a portion of the definition of when a shipper is deemed creditworthy is too restrictive because it is a three-pronged test which requires that a shipper meet all of the following requirements: (1) certain S&P or Moody's ratings standards, (2) the short-term and long-term outlook opinion is Stable or Positive from S&P or Moody's, and (3) the net present value of the sum of the shipper's reservation fees cannot exceed three percent of the shipper's tangible net worth. Washington Gas argues that a shipper which meets either the S&P/Moody's criteria <u>or</u> the three percent of tangible net worth criteria should be considered creditworthy. Washington Gas states that even though it has a historically significant business relationship with Columbia and has an "A" rating, there is a possibility that Washington Gas could be considered uncreditworthy because of the extent and scope of its contracts for firm service with Columbia.

11. Columbia answers that the criteria it proposes are those under which a shipper would automatically be deemed creditworthy. Columbia argues that if a shipper does not meet these standards the shipper is not prevented from demonstrating its creditworthiness in other ways as specified in proposed section 9.6(b)(4) of the GT&C.

12. IOGA protests the provision that would require collateral for interruptible shippers. IOGA states that the Commission's Policy Statement applies only to firm

service and does not include interruptible services. IOGA argues that because collateral is tied to the pipeline's risk at having its capacity reserved but not paid for, it should not apply to interruptible service because capacity is not reserved for those services. IOGA further states that burdensome collateral requirements could force small producers and marketers to terminate interruptible contracts with Columbia and to sell gas at the wellhead or from a gathering line to a third party. IOGA requests that the Commission require Columbia to modify or eliminate its collateral proposal for interruptible shippers.

13. Columbia answers that even though there is no reserved capacity associated with interruptible transportation, there is a service provided to a shipper and the pipeline incurs costs to provide that service. Without a collateral guarantee in the case of a shipper that has been found to be uncreditworthy, Columbia states that it could face up to 90 days of unreimbursed costs for services it has provided. Columbia also states that the Commission has previously approved similar provisions for non-firm services in *Texas Eastern Transmission, LP,* 112 FERC ¶ 61,235 (2005) and in *Algonquin Gas Transmission, LLC,* 112 FERC ¶ 61,262 (2005).

14. The Commission rejects the adverse comments, denies the protest, and accepts Columbia's tariff revisions as discussed below. In the Policy Statement, the Commission declined to issue a final rule establishing specific criteria for evaluating and establishing creditworthiness and instead issued general guidance on the Commission's creditworthiness policies. The Commission stated that pipelines must establish and use objective criteria for determining credit-worthiness, but allowed individual pipelines to establish those criteria. While Washington Gas and Tenaska argue that the requirements for a determination of creditworthiness contained in proposed section 9.6(b)(3) are too stringent, the Commission has accepted similar provisions in other proceedings.[2] Individual pipelines are free to propose the criteria which they feel are most appropriate in their particular circumstances. Columbia's proposal is not inconsistent with those of other pipelines. We therefore accept Columbia's proposed section 9.6(b)(3).

15. Tenaska also argues that in determining creditworthiness for a shipper that is not rated by S&P or Moody's Columbia should consider the rating of a parent, partner, or other affiliated entity. Columbia proposes to only consider the rating of a parent. While a parent company has an ownership interest in the shipper and thus a financial incentive to ensure that the shipper remains solvent and creditworthy, no such incentive may exist for a partner or other affiliated entity. The Commission declines to direct Columbia to modify its proposal in that regard.

---

[2] *North Baja Pipeline, LLC,* 100 FERC ¶ 61,183 (2002); *Columbia Gulf Transmission Company,* 117 FERC ¶ 61,073 (2006).

16. Similarly, the Commission declines to require Columbia to modify or eliminate its proposal with regard to collateral requirements for non-firm services. Although capacity is not reserved in a non-firm service agreement there nonetheless exists a business relationship between Columbia and the shipper in which Columbia is compensated for services performed. Requiring a collateral payment assurance for non-firm shippers ensures that Columbia will be compensated for three months of services which it may have provided but for which it has not been paid by the shipper. Columbia's tariff (section 10.4 of the GT&C) specifies the procedures for suspension or termination of service if a shipper fails to pay for services rendered. If the shipper has not paid within ten days Columbia may give written notice that it will suspend or terminate service in thirty days if payment is not made. Because bills are sent after the service is performed, Columbia could conceivably be at risk for up to three months of billings. The collateral requirement helps to ensure that Columbia will be compensated for the services it performs.

17. For the reasons stated above the Commission accepts the tariff sheets listed in the Appendix effective April 13, 2007.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

Appendix

Tariff Sheets Accepted Effective April 13, 2007

FERC Gas Tariff, Second Revised Volume No. 1

Fourth Revised Sheet No. 275
Third Revised Sheet No. 276
Third Revised Sheet No. 277
Fourth Revised Sheet No. 321
Original Sheet No. 321A
Original Sheet No. 321B
Original Sheet No. 321C
Fifth Revised Sheet No. 322
Original Sheet No. 322A
Second Revised Sheet No. 323
Fourth Revised Sheet No. 330
Second Revised Sheet No. 331
Original Sheet No. 331A
Seventh Revised Sheet No. 352
First Revised Sheet No. 356A