

121 FERC ¶ 61,232  
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. RP08-59-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS, SUBJECT TO  
REFUND, AND ESTABLISHING TECHNICAL CONFERENCE

(Issued December 5, 2007)

1. On November 7, 2007, Columbia Gas Transmission Corporation (Columbia Gas) filed revised tariff sheets<sup>1</sup> to modify the provisions of Rate Schedule SIT (Storage in Transit). Columbia contends that its proposal is necessary to prevent customers from obtaining longer term interruptible storage service, in contravention of the intended use of the Rate Schedule as a short term balancing service. As discussed below, the Commission accepts and suspends Columbia Gas' proposed tariff sheets to be effective May 7, 2008, or an earlier date set by subsequent Commission order, subject to the outcome of a technical conference to address the issues raised in this proceeding.

**I. Background**

2. Rate Schedule SIT was originally implemented as part of Columbia Gas' Order No. 636 restructuring process providing for interruptible storage of gas to balance differences between actual receipts and actual deliveries under a shipper's transportation service agreements under other rate schedules. Under Rate Schedule SIT, SIT shippers may create positive or negative inventory imbalances within a 30-day period, provided that the net inventory imbalance be zeroed out at least twice during the month ("cross-zero-twice requirement"). For each day after a 30-day period during which a SIT shipper does not comply with the cross-zero-twice requirement, the SIT shipper is required to pay an inventory imbalance penalty of \$0.25 per dekatherm (Dth).

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<sup>1</sup> Twenty-third Revised Sheet No. 29, Third Revised Sheet No. 195, Seventh Revised Sheet No. 196, Sixth Revised Sheet No. 197, and Eighth Revised Sheet No. 385 to FERC Gas Tariff, Second Revised Volume No. 1.

3. Since the implementation of the SIT Rate Schedule, Columbia Gas has filed for and received authority to revise Rate Schedule SIT<sup>2</sup> to prevent, from Columbia Gas' perspective, the use of SIT service as a fairly long-term interruptible storage service. Columbia Gas' most recent Commission-approved tariff filing revising Rate Schedule SIT prohibited SIT shippers from: (1) transferring its SIT inventory to the SIT account of another shipper (or shippers) unless both accounts move closer to zero (and without causing either to also cross zero) as a result of that inventory transfer and (2) creating an SIT imbalance where one did not already exist pursuant to a paper inventory transfer.<sup>3</sup> Columbia Gas' most recent tariff filing also: (1) prohibited shippers with service agreements under Rate Schedules FSS (Firm Storage Service), FBS (Firm Balancing Service), or ISS (Interruptible Storage Service) from transferring inventory under these rate schedules to the account of a SIT shipper unless the SIT shipper's account moves closer to zero as a result; and (2) revised GT&C section 18.5 to authorize Columbia Gas to reject any proposed inventory transfers that fail to conform to the revised language in sections 18.2(e) and 18.3(a).

## **II. Proposal**

4. Columbia Gas states that further revisions to the SIT Rate Schedule are required to prevent some shippers from continuing to cause large quantities of natural gas to "swing" into their SIT account balances through tariff loopholes, rather than balancing inventory through the incidental balancing activities that SIT service is intended to provide. Columbia Gas proposes five revisions to its SIT Rate Schedule which it asserts are necessary to more closely align SIT service to the original objective of the rate schedule – to act as a viable short-term balancing service for customers.

5. First, Columbia Gas proposes to revise Rate Schedule SIT to remove from eligibility those shippers that already obtain automatic balancing service via their firm no-notice storage service under Rate Schedules FSS/SST (Storage Service Transportation). Columbia Gas explains that this eligibility adjustment will apply to SIT shippers that currently have Rate Schedules FSS/SST service or will acquire such service in the future. Columbia Gas contends that this revision benefits existing SIT shippers who do not hold FSS/SST service, as they will be able to continue to use the SIT service for the incidental balancing needs they have that would not otherwise be accommodated by any other service.

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<sup>2</sup> *Columbia Gas Transmission Corp.*, 75 FERC ¶ 61,199 at 61,647 (1996); 114 FERC ¶ 61,188 (2006), *order denying reh'g*, 116 FERC ¶ 61,097 (2006); 117 FERC ¶ 61,045 (2006).

<sup>3</sup> *Columbia Gas Transmission Corp.*, 118 FERC ¶ 61,210 (2007), *order on compliance filing*, 121 FERC ¶ 61,100 (2007).

6. Second, Columbia Gas proposes to impose an Account Balance Charge (ABC) on those SIT shippers' daily Imbalance Quantity amounts, per Dth, that exceed plus or minus 100,000 Dth. Columbia Gas proposes to set the ABC equal to the maximum ITS rate for the Winter Season of 19.51 cents per Dth and will apply the ABC for each day where the SIT shipper's Imbalance Quantity exceeds the safe harbor level. Columbia Gas contends that the use of this rate is appropriate because the Commission has previously approved the 100 percent load factor, maximum ITS rate as the appropriate rate for interruptible balancing service account balance charges. The charge would be in addition to the existing SIT injection and withdrawal charges.<sup>4</sup> Additionally, Columbia Gas states that the so-called "Imbalance Quantity safe harbor" level of plus or minus 100,000 Dth should be sufficient to cover the interruptible balancing needs of Columbia Gas' Rate Schedule SIT shippers who are using SIT service in the manner it was originally intended to be used.

7. Third, Columbia Gas is proposing to limit a shipper to one Rate Schedule SIT service agreement to avoid the situation where a shipper requests multiple SIT service agreements to obtain more than the 100,000 Dth Imbalance Quantity safe harbor. Columbia Gas states that this one SIT service agreement will be available to balance the transportation service agreements of all affiliate shippers, assuming they satisfy the shipper must have title requirements. Columbia Gas states that if a shipper requests a separate SIT service agreement on the ground that it is not affiliated with a shipper that already possesses an SIT service agreement, and Columbia Gas declines the request, Columbia Gas will provide that shipper with a written notification of its decision and the underlying reasons within 30 days of the date of denial.

8. Finally, Columbia Gas proposes to modify its cross-zero-twice requirement to require that SIT shippers cross zero once during any 10 day period. Columbia Gas contends that the existing 30 day cross-zero-twice requirement has provided the unintended consequence of incentivizing certain customers to treat SIT service as a cheaper form of storage service. Columbia Gas alleges that this proposal is more consistent with the intended purpose of the SIT service as a short term operational balancing service, as opposed to a longer term interruptible storage service. Columbia Gas asserts that if an existing SIT shipper has concerns about meeting the new crossing requirement, Columbia Gas will be able to provide interruptible storage service under Rate Schedule ISS to that shipper.

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<sup>4</sup> The current Rate Schedule SIT rate is: maximum commodity rate of 4.12 cents per Dth and a minimum commodity rate of 1.53 cents per Dth. *See* Twenty-third Revised Sheet No. 29 to Columbia Gas' FERC Gas Tariff, Second Revised Volume No. 1.

### **III. Public Notice, Interventions, Protests, and Answer**

9. The Commission issued notice of Columbia Gas' filing on November 9, 2007. Interventions, comments, and protests were due on or before November 19, 2007. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedures (18 C.F.R. § 385.214(2007)), 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. Allegheny Energy Supply Company, LLC (AE Supply), Conectiv Energy Supply, Inc. (CESI), Delta Energy, LLC (Delta), Honeywell International, Inc. (Honeywell), Interstate Gas Supply, Inc. (IGS), Integrys Energy Services, Inc. (Integrys), National Energy Marketers Association (NEM), Sequent Energy Management, LP (Sequent), Stand Energy Corporation (Stand Energy), Suez Energy Marketing NA, Inc. (SEMNA), UGI Utilities, Inc. and UGI Penn Natural Gas, Inc. (collectively, the UGI Distribution Companies), UGI Energy Services, Inc. (UGI Energy), United States Gypsum Company (Gypsum), and Virginia Power Energy Marketing, Inc. (VPEM) filed protests or adverse comments to the filing. Columbia Gas filed an answer on November 27, 2007. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2007), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept Columbia Gas' answer because it has provided us with information that has assisted us in our decision-making process.

### **IV. Protests**

10. Several shippers protest Columbia Gas' proposal to disqualify FSS/SST shippers from taking SIT service as being unjustified, unjust and unreasonable, anticompetitive, unduly discriminatory, and inconsistent with Commission precedent. Protesters argue that Columbia Gas makes no connection between FSS or SST shippers and abusive conduct and fails to explain why completely barring FSS and SST shippers is necessary. Several protesters argue that FSS and SST services and SIT service are not substitutes. Moreover, protesters assert that customers with FSS and SST rights will still need additional balancing rights because of restrictions placed on FSS services and because interruptible storage is not widely available. Protesters point out that without SIT service, they will need to purchase other balancing services such as Park and Lending (PAL) service, and likely at higher prices than SIT. Honeywell asserts that the ban fails to consider that SIT service does not assist shippers with managing imbalances in light of the new scheduling penalties to be implemented on Columbia Gas' system next year.<sup>5</sup> Honeywell states that shippers will accordingly need to obtain no-notice or firm storage

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<sup>5</sup> See *Columbia Gas Transmission Corporation*, 119 FERC ¶ 61,267 (2007). On August 17, 2007, Columbia Gas filed in Docket No. RP07-340-004 to change the effective date of the new scheduling penalty provisions to May 1, 2008, which will be addressed in a subsequent Commission order in that docket.

service to avoid a scheduling penalty situation. In addition, Gypsum and the UGI Distribution Companies contend that the Commission has already visited this topic, explaining that access to SIT service should not be restricted simply because a shipper may have also contracted for additional storage service under another rate schedule.<sup>6</sup> Delta and SEMNA, however, support the proposal to exclude FSS/SST shippers from using SIT service.

11. Several parties protest Columbia Gas' cross-zero-once every 10 days requirement. Protesters assert that this requirement is unsupported, inconsistent with how the service is intended to be used by shippers with wide swings in daily demand, would cause SIT service to lose virtually all value, and would force them to purchase more expensive services such as PAL service. The parties generally contend that operational and administrative constraints make this requirement excessively burdensome and may lead to incurring more frequent, or even unavoidable, penalties. Honeywell argues that this requirement essentially amounts to a request that SIT shippers cross zero once a week. Honeywell further argues that this requirement will be especially burdensome during extended critical day periods, during which shippers may be unable to manage their SIT accounts. Honeywell requests that the Commission require Columbia Gas to reset the ten-day clock to zero at the end of every critical day period. SEMNA requests that the period requirement be set at no less than 15 days or 10 business days. In addition, Delta claims that Columbia Gas' suggestion that shippers unable to meet the new requirement purchase Rate Schedule ISS service, fails to point out that ISS is extremely limited – only 125,000 Dth per month of ISS service is available in total to all of Columbia Gas' customers.

12. Several parties oppose Columbia Gas' proposal to include the ABC for SIT balances in excess of 100,000 Dth. Protesters contend that the ABC charge is a penalty for which Columbia Gas has not demonstrated any operational need and which contravenes the principles of Order No. 637. Protesters also contend that, should the ABC be considered a transportation charge, the fee is for a new service that has not been justified. Honeywell requests that if an ABC is implemented, SIT shippers be given the ability to work off any overages above the 100,000 Dth threshold for a full SIT cycle, or alternatively, a 15-day period. NEM and Integrys note that ABC coincides with Columbia Gas' PAL rate and that Columbia Gas may be intending to do away with SIT completely as it migrates to a universal PAL rate. Gypsum asserts that it is not opposed to Columbia Gas imposing the ABC, so long as a safe harbor of plus or minus 100,000 Dth is also imposed.

13. Several shippers protest Columbia Gas' proposed "safe harbor" limit as "a one size fits all" proposal that is unjustified, does not consider the relative transportation quantities of SIT shippers, and fails to be reconciled with the original intent of SIT

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<sup>6</sup> *Columbia Gas Transmission Corporation*, 74 FERC ¶ 61,160 at 61,565 (1996).

service, which was in part to provide for “wide” swings. IGS points out that Columbia Gas’ proposed “safe harbor” limit is far lower than the contract quantity levels Columbia Gas agreed to when it entered into SIT service agreements. NEM and Integrys question the propriety of putting a cap on an interruptible service and state that any cap imposed should correspond to the shipper’s creditworthiness. SEMNA agrees with accepting this proposal.

14. The UGI Distribution Companies and UGI Energy protest Columbia Gas’ proposal to restrict SIT service among shippers and affiliates to one agreement, in order to enforce the 100,000 Dth safe harbor. UGI Energy claims that this proposal is discriminatory, unsupported, and would result in potential hardship for affiliated shippers. Further, the UGI Distribution Companies and UGI Energy point out that the proposal violates Commission and states regulations. For example, UGI Utilities, a UGI Energy affiliate and transmission owner, is prohibited, under section 358.5(b)(1) of the Commission’s regulations, from disclosing any SIT balance information with its affiliates.

15. In summary, nearly all protesters request that the Commission reject each of Columbia Gas’ five proposals. Protesters generally contend that Columbia Gas’ filing would fundamentally alter the long-standing SIT service and lacks adequate support or reliable data. Several protesters also contend that Columbia Gas’ filing should be part of a general section 4 filing and that Columbia Gas has not met its section 4 burden of proof. VPEM further claims that the instant filing may violate the *Mobile-Sierra* doctrine,<sup>7</sup> which limits the ability of pipelines to unilaterally revise contracts. Several parties also argue that the proposal is premature or that alternative methods should be sought before the more restrictive proposal is adopted. AE Supply and Honeywell explain that the penalty structure recently introduced for scheduling variances is designed to combat the same abusive scheduling practices Columbia Gas addresses in the instant filing and that this penalty structure should be given an opportunity to work before any imposition of new penalties or restrictions. AE Supply suggests that rather than imposing penalties on customers that use SIT service, Columbia Gas could reduce the maximum balance quantity (MBQ) levels of customers that fail to regularly balance their SIT accounts.

16. Finally, several protesters request that the filing be suspended for the full five-month statutory period, and that a hearing or technical conference be convened to examine the factual issues in this proceeding. Honeywell and Sequent state that suspending the effective date is appropriate because it will be difficult for shippers to adjust during the winter heating season. Additionally, Sequent requests that the proposed changes not become effective until after implementation of Columbia Gas’ new

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<sup>7</sup> *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956); *FPA v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956).

electronic Bulletin Board and gas management system (Navigates), scheduled for May 1, 2008.

## V. Answer

17. In its answer, Columbia Gas argues that it has met its burden to show that its filing reflects just and reasonable changes to Rate Schedule SIT by having clearly explained those changes and the impact of those changes. Columbia Gas points out that the Commission has permitted pipelines to modify rate schedule services to implement new service options and to implement charges for those options.<sup>8</sup> Columbia Gas claims that its evidence demonstrates that certain SIT shippers are using SIT service in a manner that contradicts its intended purpose and provides additional evidence to demonstrate this in Attachment D. Columbia Gas reiterates that Rate Schedule FSS/SST shippers do not need and should not be entitled to also utilize SIT service since these shippers already receive no-notice automatic balancing service for all their transportation service agreements. Columbia Gas clarifies that it had not intended to exclude from SIT service eligibility those replacement shippers holding only released SST capacity and that it will make necessary tariff changes reflecting this. Columbia Gas adds that it had not included tariff language excluding from SIT service those shippers that hold FSS/SST no-notice capacity and that it will make changes to its tariff to reflect that such an exclusion applies. Columbia Gas asserts that its 100,000 Dth safe harbor permits very wide load swings and is just and reasonable. According to Columbia Gas, the ABC is not a penalty, but a just and reasonable new storage charge. Although Columbia Gas reiterates that its cross-zero-once every 10 days requirement is just and reasonable, it states that it is willing to adopt SEMNA's recommendation to change this requirement to cross-zero-once every 15 days. Finally, although Columbia Gas states that its proposal to limit affiliated shippers to one rate schedule SIT service agreement is just and reasonable, it is willing to compromise by permitting affiliates to hold more than one SIT contract, so long as it retains the right to reject such requests at its discretion.

## VI. Discussion

18. The Commission has reviewed Columbia Gas' filing, as well as the protests and comments filed in this docket, and finds that Columbia Gas' proposal to modify its existing SIT Rate Schedule raises a number of issues which are best addressed at a technical conference.

19. Since it is not possible to determine, at this juncture, whether or how Columbia Gas' SIT Rate Schedule should be changed, the conference will afford the Commission Staff and the parties to the proceeding an opportunity to discuss all of the issues raised by Columbia Gas' proposal to modify its SIT Rate Schedule. Specifically, Columbia Gas

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<sup>8</sup> *Northern Border Pipeline Co.*, 106 FERC ¶ 61,327 (2004).

should be prepared to address all the concerns raised in the protests and comments, and if necessary, to provide additional technical and operational support for its proposal. Any party proposing alternatives to Columbia Gas' proposal should also be prepared to similarly support its position.

## **VII. Suspension**

20. 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 such tariff sheets for filing, subject to refund, and suspends their effectiveness for the full statutory period, subject to the conditions set forth in this order.

21. The Commission's policy regarding tariff filing suspensions is that such 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. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). No such circumstances exist here. Therefore, the Commission will exercise its discretion to suspend the rates to take effect on May 7, 2008 (or some earlier date if directed in a subsequent order), subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

### The Commission orders:

(A) The revised tariff sheets listed in Footnote No. 1 are accepted and suspended to be effective May 7, 2008, or an earlier date set by subsequent Commission order, subject to the outcome of the technical conference established by this order.

(B) The Commission's staff is directed to convene a technical conference to address the issues raised by Columbia Gas' filing and report the results of the conference to the Commission within 120 days of the date this order issues.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.