

124 FERC ¶ 61,123
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. RP08-295-000

ORDER ACCEPTING TARIFF SHEET SUBJECT TO CONDITIONS

(Issued July 31, 2008)

1. On March 31, 2008, Columbia Gas Transmission Corporation (Columbia Gas) filed a revised tariff sheet,¹ in Docket No. RP08-295-000, to implement revisions to its SIT (Storage in Transit) Rate Schedule. Columbia Gas requests a September 1, 2008 effective date. For the reasons discussed below, the Commission accepts the revised tariff sheet to be effective on September 1, 2008, subject to conditions, as discussed below.

Background

2. Columbia Gas originally implemented its Rate Schedule SIT service in its Order No. 636 restructuring proceeding.² The service was designed as an interruptible balancing service for shippers with wide swings in daily demand, such as electric power plants. An SIT shipper uses this service in conjunction with transportation service agreements under Columbia's Rate Schedule FTS (Firm Transportation Service), OPT (Off-Peak Transportation Service), NTS (No-Notice Transportation Service), SST (Storage Service Transportation), or ITS (Interruptible Transportation Service) Rate Schedules which it designates as subject to SIT balancing. Under section 2(a) of Rate Schedule SIT, when a SIT shipper's actual daily receipts under its transportation service agreements exceed its actual daily deliveries, the pipeline will, on an interruptible basis, inject the difference (Overtendered Balance Quantity or OBQ) into storage. Similarly, when a SIT shipper's actual daily deliveries exceed its actual daily receipts, the pipeline

¹ Seventh Revised Sheet No. 197 to its FERC Gas Tariff, Second Revised Volume No. 1.

² *Columbia Gas Transmission Corp.*, 64 FERC ¶ 61,060, at 61,510, *order on reh'g*, 64 FERC ¶ 61,365, at 63,534 (1993) (*Columbia Gas*).

shall, on an interruptible basis, withdraw the difference (Undertendered Balance Quantity or UBQ) from storage. The net of such injections or withdrawals may not on any day exceed the Maximum Balancing Quantity set forth in the shipper's SIT service agreement. Columbia Gas bills the SIT shipper a usage charge based on the daily change, if any, in the shipper's undertendered or overtendered balances. The maximum daily rate is \$0.0412 per Dth of such changes.

3. Pursuant to section 3(b) of Rate Schedule SIT, Columbia Gas also maintains a running net balance of each SIT shipper's undertendered and overtendered balances. Such net balance is referred to as the shipper's Imbalance Quantity. That section provides that, twice during any 30-day period, SIT shippers are required to eliminate any existing Imbalance Quantity, convert any outstanding UBO to an OBO, or convert any outstanding OBO balance to an UBO (cross-zero-twice). The shipper is required to pay an imbalance penalty of \$0.25 per Dth for each day at the end of a 30-day period in which the shipper does not comply with the cross-zero-twice requirement.

4. Section 4 of Rate Schedule SIT provides that scheduling of SIT service "shall be deemed to occur when Shipper schedules service under any Transportation Service Agreements that it has designated as subject to this SIT Rate Schedule, and the Scheduled Daily Delivery Quantities do not equal the Scheduled Daily Receipt Quantities . . . and such difference has not been specified by Shipper to be for the purpose of correcting imbalances."

Summary of Instant Filing

5. Columbia Gas states that the existing provisions of Rate Schedule SIT do not give shippers an express right to submit nominations to reduce their Imbalance Quantity. Accordingly, Columbia Gas proposes to add a new subsection (b) to section 4 of Rate Schedule SIT, providing that shippers may nominate service under that rate schedule so long as the nominations will reduce the total Imbalance Quantity under the shipper's Rate Schedule SIT contract. Specifically, proposed section 4(b) would state:

Shipper will be permitted to nominate service under this Rate Schedule if the nomination would have the effect of reducing Shipper's Imbalance Quantity. Nominations that would result in converting (i) an OBQ to a UBQ; or (ii) a UBQ to an OBQ will be permitted if the total resulting Imbalance Quantity does not exceed 15,000 Dth.

6. Columbia Gas contends that its proposal will increase shipper flexibility under Rate Schedule SIT. Columbia Gas states that currently Rate Schedule SIT does not authorize shippers to submit nominations, because existing section 4 provides only that scheduling of service "shall be deemed to occur" when a shipper has an imbalance between actual receipts and deliveries on its underlying contract. Columbia Gas asserts

that existing tariff language limits shipper flexibility by providing fewer options for them to reduce their SIT Imbalance Quantity or satisfy the cross-zero-twice requirement in Rate Schedule SIT. Columbia Gas concludes that allowing shippers to nominate SIT service pursuant to new section 4(b) will provide shippers with enhanced flexibility.

7. Columbia Gas also contends that its proposed revisions to Rate Schedule SIT will ensure that Rate Schedule SIT is properly used by shippers as a balancing service. Columbia Gas states that, under its proposal, it will only schedule nominations that reduce the shipper's immediate Imbalance Quantity. Columbia Gas also states that its proposed absolute 15,000 Dth tolerance level will help shippers avoid SIT penalties. Columbia Gas asserts that the Commission has held that penalty tolerances increase shipper flexibility and help minimize penalties. Columbia Gas explains that, while it has previously allowed nominations under Rate Schedule SIT unrelated to imbalances, it is no longer prudent to accommodate such requests because it has resulted in shippers using Rate Schedule SIT not as a balancing service, but rather as an inexpensive swing storage service. Columbia Gas submits that its previous filing to revise Rate Schedule SIT in Docket No. RP08-59-000³ demonstrated how nominations could be made under Rate Schedule SIT that are unrelated to the underlying contract imbalances. Columbia Gas asserts that, if more and more shippers were to begin using Rate Schedule SIT improperly, its system simply could not handle the increasingly large SIT Imbalance Quantities. Columbia Gas further asserts that limiting nominations under Rate Schedule SIT is necessary to protect the reliability of other firm services on its system, specifically, the new summer hourly no-notice firm transportation service under Rate Schedule NTS-S, which will largely rely upon the same facilities and storage that are currently used to provide service under Rate Schedule SIT and other anticipated firm services that will rely on its retained storage.

8. Columbia Gas contends that it needs to ensure the proper use of Rate Schedule SIT as a balancing service in order to better forecast, plan and reserve firm no-notice capacity for Rate Schedule NTS-S, as well as to ensure that shippers can continue to use Rate Schedule SIT to manage their transportation imbalances. Columbia Gas further contends that this control is required because once quantities under Rate Schedule SIT are in Columbia Gas's storage facilities, it cannot force the removal of those quantities without issuing an Operation Flow Order (OFO) and even then, the OFO would only

³ See *Columbia Gas Transmission Corp.*, 121 FERC ¶ 61,232 (2007); 123 FERC ¶ 61,028 (2008) (letter order accepting withdrawal). A technical conference was held on January 31, 2008, and a settlement conference was held on February 21, 2008, in that proceeding.

have limited effect, as it is difficult to clear SIT Imbalance Quantities quickly. Columbia Gas asserts that it cannot risk the potential impairment to firm service and must take preventative action now.

9. Columbia Gas, in its answer to the protests discussed below, proposes to revise existing section 4, to be redesignated as section 4(a). Columbia Gas states that, with the proposed addition of section 4(b), allowing a shipper to nominate quantities of natural gas in order to reduce an Imbalance Quantity, there is a need to clarify the requirement of section 4 that the scheduling of certain quantities be deemed to occur. Therefore, Columbia Gas requests, in its answer, to make the following edit to proposed section 4(a) to clarify the SIT Rate Schedule:

Scheduling of service under this Rate Schedule shall be deemed to occur when Shipper schedules service under any Transportation Service Agreements that it has designated as subject to this SIT Rate Schedule, and the actual receipt quantities do not equal the actual delivery quantities, less Retainage assessed under the applicable Transportation Service Agreement(s).

10. Columbia Gas asserts that this clarification will ensure that shippers scheduling service under transportation service agreements will receive the same balancing service shippers are accustomed to.

Notice of Filings, Interventions, Comments, Requests for Clarification, Protests, and Answers

11. Public notice of Columbia Gas's instant filing was issued on April 2, 2008, with interventions and protests due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2008)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), 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. Delta Energy, LLC (Delta) and Honeywell International Inc. (Honeywell) filed protests, Indicated Shippers⁴ filed comments and a request for clarification, and United States Gypsum Company (USGC) filed a request for clarification and comments in support of the proposal. Allegheny Energy Supply Company, LLC (Allegheny) filed comments in support of the instant proposal. Columbia

⁴ Indicated Shippers consist of BP Energy Company, BP America Production Company, Hess Corporation, and Interstate Gas Supply Inc.

Gas filed an answer to the protests and comments, and Honeywell filed an answer to Delta's protest opposing Delta's proposed condition.⁵ The comments, requests for clarification, protests, and Columbia Gas's answer, will be discussed in detail below.

Discussion

12. The Commission finds that Columbia Gas's proposed revisions to Rate Schedule SIT are just and reasonable, subject to the conditions discussed below. SIT service is a balancing service, whose purpose is to allow shippers with wide swings in demand to manage imbalances incurred under other transportation rate schedules. Columbia Gas's proposed tariff changes clarify the scheduling provisions of the SIT Rate Schedule in a manner that is consistent with the intended purpose of the service. Under the proposal, a shipper will be deemed to have nominated whatever amount of SIT service is necessary to avoid the incurrence of an imbalance under another transportation rate schedule on the day in question, up to its Maximum Balancing Quantity. In addition, Columbia Gas's proposal expressly permits a shipper to nominate SIT service in order to reduce the running net balance of its under tendered and over tendered quantities. Accordingly, the Commission accepts the proposed tariff sheet, to become effective on September 1, 2008, subject to conditions.

13. Columbia Gas states that the September 1, 2008 requested effective date will provide shippers sufficient time to become familiar with the new nominating procedures under Rate Schedule SIT, while also allowing Columbia Gas sufficient time to make the necessary programming changes to its Navigates Electronic Bulletin Board (EBB) system to accommodate permissible nominations. For good cause shown, the Commission grants waiver of the 60-day time limit in section 154.207 of the Commission's regulations⁶ for the effective date of the tariff sheet.

⁵ The Commission's Rules of Practice and Procedure do not permit answers to protests or answers to answers (18 C.F.R. § 385.213(a)(2) (2008)). However, the Commission finds good cause to accept Columbia Gas and Honeywell's answers since it will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record. Therefore, Columbia Gas and Honeywell's answers are accepted.

⁶ 18 C.F.R. § 154.207 (2008).

Protests

Delta

14. Delta opposes Columbia Gas's proposal, arguing that the proposed restrictions on the ability of shippers to schedule SIT service improperly change the nature of the SIT service. Delta contends, in essence, that the purpose of the SIT service has been to provide a short-term storage service to shippers who have wide swings in daily demand for gas but do not have a regular storage service. Thus, Delta asserts Columbia Gas is incorrect in arguing that the sole purpose of the SIT service is to allow shippers to manage imbalances incurred under their transportation service agreements with Columbia Gas. Given its view of the SIT service as a short-term storage service, Delta contends that, contrary to Columbia Gas's proposal, an SIT shipper should be permitted to schedule SIT service, regardless of whether the scheduled SIT service reduces that shipper's running net Imbalance Quantity.

15. In arguing that the existing SIT service is a short-term storage service that may be used for purposes other than managing imbalances under the SIT shipper's other transportation service agreements, Delta makes numerous arguments, citing various provisions in the General Terms and Conditions (GT&C) of Columbia Gas's tariff, statements in various Commission orders, and Columbia Gas's current practice of accepting nominations for SIT service which do increase a shipper's net Imbalance Quantity. For the reasons discussed below, we find that: (1) since its inception, the SIT Rate Schedule has consistently been limited to providing shippers a method to manage imbalances under their other transportation service agreements; (2) the Commission's orders similarly describe the SIT service; and (3) Columbia Gas's practice of nevertheless accepting nominations for SIT service that increase an SIT shipper's net Imbalance Quantity does not require rejection of Columbia Gas's proposal to return its SIT service to its original purpose.

16. An analysis of the provisions of Rate Schedule SIT shows that its only purpose is to provide shippers a method of managing imbalances resulting from differences in actual receipts and deliveries under other transportation agreements with Columbia Gas. There is nothing in the rate schedule to suggest that SIT service includes a right for shippers to nominate gas into or out of storage without the purpose of resolving such an imbalance.

17. Section 1 of Rate Schedule SIT requires a shipper to have executed one or more transportation service agreements with Columbia Gas under other specified transportation rate schedules. Section 2(b), in turn, states:

service under this Rate Schedule provides for interruptible storage of gas to balance the differences between actual receipts and actual deliveries under Shipper's Transportation Service Agreements. Shipper under this Rate Schedule may balance excess receipts and deliveries under multiple

Transportation Service Agreements, provided that Shipper designates in advance each Service Agreement subject to SIT balancing. [Emphasis added.]

In addition, section 2(a) provides that Columbia Gas, not the shipper, will inject quantities into or withdraw quantities from storage under Rate Schedule SIT when a shipper's actual daily receipt quantity does not equal the shipper's actual daily delivery quantities "under Shipper's designated Transportation Service Agreements with [Columbia Gas]." Similarly, section 3(a) of Rate Schedule SIT, Calculating Balancing Quantities and Related Penalties, only provides for a calculation of imbalances resulting from a shipper's transportation service agreements with Columbia Gas.

18. Moreover, there is no provision in either Rate Schedule SIT or the GT&C permitting shippers to schedule SIT service. Existing section 4 of Rate Schedule SIT states, in part, that:

Scheduling of service under this Rate Schedule shall be deemed to occur when Shipper schedules service under any Transportation Service Agreements that it has designated as subject to this SIT Rate Schedule.

19. Delta argues that section 6.2(b) of the GT&C, permits nominations under all of Columbia Gas's rate schedules and that this would include the SIT Rate Schedule. However, section 6.5 of Columbia Gas's GT&C specifically provides that:

To the extent that individual Rate Schedules set forth nomination scheduling requirements [are] inconsistent with the requirements set forth in this Section, the applicable Rate Schedules are controlling and Shipper shall satisfy the requirements set forth in those Rate Schedules.

Because section 4 of Rate Schedule SIT is inconsistent with the scheduling provisions in GT&C section 6.2(b), section 4 is controlling.

20. Delta cites a number of Commission orders in which it claims the Commission described SIT service as a short-term storage service not limited to the management of imbalances. For example, Delta argues that, when the service was initiated in Columbia Gas's Order No. 636 restructuring proceeding, the Commission referred to SIT service as

“a storage service, based on storage costs.”⁷ However, the Commission’s first order on Columbia Gas’s Order No. 636 compliance filing described Columbia Gas’s proposal as follows:

SIT is a balancing service. ... A buyer may use SIT to balance excess receipts and deliveries under multiple transportation agreements, if they are designated in advance. SIT is available in conjunction with one or more FTS, OPT, or ITS transportation agreements. [⁸]

21. The language relied on by Delta is from the Commission’s second order on Columbia Gas’s Order No. 636 compliance filing. That language simply refers to the fact that Columbia Gas would use storage in order to accomplish the purpose of SIT service of allowing shippers to manage imbalances under their other transportation service agreements. Moreover, in the same order relied on by Delta the Commission explained the purpose of the SIT Rate Schedule as a balancing service stating, “SIT is not a penalty but a service intended to cover short term imbalances arising on a daily basis.”⁹

22. Delta also asserts that the Commission’s statement in several orders that the SIT service was “originally designed ... for customers for wide swings in daily demand for gas”¹⁰ indicates that the service is not limited to managing imbalances under other transportation service agreements. However, Delta has failed to quote the entire sentence from which the language it relies upon is drawn. The Commission actually stated:

Rate Schedule SIT service, available on an interruptible basis to any qualifying shipper, was originally designed as a *balancing service* for customers with wide swings in daily demand, such as electric power plants. [Emphasis added.]¹¹

⁷ *Citing Columbia Gas, order on reh’g*, 64 FERC ¶ 61,365 at 63,534.

⁸ *Columbia Gas*, 64 FERC ¶ 61,060 at 61,510.

⁹ *Columbia Gas, order on reh’g*, 64 FERC ¶ 61,365 at 63,504.

¹⁰ *Columbia Gas Transmission Corp.*, 117 FERC ¶ 61,045, at P 2 (2006).
Columbia Gas Transmission Corp., 118 FERC ¶ 61,210, at P 2 (2007).

¹¹ 117 FERC ¶ 61,045 at P 2. At 118 FERC ¶ 61,210 at P 2, the Commission similarly stated:

The SIT service was originally designed as a *balancing service* for customers with wide swings in daily demand, such as electric power plants. [Emphasis added.]

Thus, the full statement makes clear that the Commission was referring to the role of SIT service as a balancing service. Furthermore, in both orders relied upon by Delta the Commission went on to describe how the shipper's imbalances under its transportation rate schedule would be either injected into or withdrawn from storage. There can thus be no doubt that the SIT service, both as set forth in Columbia Gas's existing tariff, and as described by the Commission in prior orders, is a balancing service whose purpose is solely to permit shippers to manage imbalances incurred under other transportation service agreements.

23. Delta also points out that, regardless of whether the SIT service was originally intended solely as a balancing service and regardless of the fact the SIT Rate Schedule contains no express provision permitting shippers to schedule SIT service, Columbia Gas has in fact permitted shippers to nominate and schedule SIT service and it has accepted nominations which increase the shipper's running net Imbalance Quantity under the SIT Rate Schedule. Columbia Gas admits that it has permitted shippers to nominate and schedule the service in the manner asserted by Delta. However, Columbia Gas states that the purpose of its instant filing is to return the SIT service to its original purpose, which was only to allow shippers to manage imbalances incurred under other transportation service agreements. Delta asserts that this proposal is unjust and unreasonable, because it will degrade the service that Columbia Gas has been providing under the rate schedule and Columbia Gas has not shown any operational need to prohibit a shipper from scheduling SIT service which will increase its running net Imbalance Quantity. Delta also contends that Columbia Gas has not shown that its existing practice of permitting shippers to nominate and schedule SIT service increasing the shipper's Imbalance Quantity is unjust and unreasonable.

24. When a pipeline makes a section 4 filing under the NGA, its only burden is to show that its proposed change is just and reasonable. It does not bear a section 5 burden of showing that its existing tariff or practices are unjust and unreasonable. Therefore, the Commission finds that Columbia Gas need not show that its existing practice of permitting the scheduling of SIT transactions which increases a shipper's Imbalance Quantity is unjust and unreasonable. For the reasons discussed below, Columbia Gas has shown that its proposal to return SIT service is just and reasonable.

25. As described above, the Commission has reviewed the provisions of Rate Schedule SIT on a number of occasions, beginning in Columbia Gas's Order No. 636 restructuring proceeding. The Commission has consistently understood the provisions of that rate schedule as only providing a method for SIT shippers to reduce their transportation imbalances under other transportation service agreements, rather than as providing a broader short-term storage service of the type requested by Delta. The Commission has nevertheless approved the provisions of the existing SIT Rate Schedule as just and reasonable. In this proceeding, Columbia Gas is only proposing to add a tariff provision which expressly permits shippers to nominate service under Rate Schedule SIT

when the nominations will reduce the shipper's net imbalances under that rate schedule consistent with the imbalance management purpose of the service, whereas previously there was no tariff provision expressly permitting any shipper nominations of the service.¹² The Commission sees no reason to change its prior holdings that an SIT service limited to imbalance management is just and reasonable. Section 284.12(b)(2)(iii) of the Commission's regulations requires a pipeline with imbalance penalty provisions to offer "parking and lending or other services that facilitate the ability of its shippers to manage transportation imbalances." The SIT service, as currently set forth in Columbia Gas's tariff and as proposed to be modified in the instant section 4 filing, is one of several services Columbia Gas offers which comply with that requirement.

26. Nothing in the Commission's regulations or policy requires Columbia Gas to offer shippers with wide swings in daily demand a special low-cost, short-term interruptible storage service, of the type desired by Delta. Columbia Gas already offers a regular interruptible storage service under Rate Schedule ISS, and Delta has not shown why Columbia Gas should be required to offer a different type of interruptible storage service to a particular subset of its customers.¹³

27. Delta argues that, since SIT service is interruptible, Columbia Gas can interrupt such service to protect the reliability of firm services and when OFO conditions occur.¹⁴

¹² Delta asserts that, as a general matter, the Commission does not distinguish between physical and scheduled imbalances and quotes the Commission's statement in, *Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Services, Order No. 637-A*, FERC Stats & Regs., ¶ 31,099, at 31,603 (2000) (*Order No. 637-A*), that "the term 'imbalance' was intended to apply to both physical and scheduling imbalances." However, the Commission's clarification was limited to the use of that term in the preamble to Order No. 636. In contrast, the Commission has distinguished an imbalance or the difference between receipts and deliveries and a scheduling variance which reflects the difference between amounts scheduled and delivered and may create no imbalance. *Columbia Gas Transmission Corp.*, 119 FERC ¶ 61,267, at P 37 (2007).

¹³ See *Texas Eastern Transmission, LP*, 103 FERC ¶ 61,278, at P 16-27 (2003), permitting a pipeline to withdraw a tariff proposal not required by Commission policy.

¹⁴ Delta argues that, in any event, Columbia Gas has contended that SIT service was designed as "a short-term storage service provided out of retained storage," citing 118 FERC ¶ 61,210 at P 5. However, that quotation from Columbia Gas's argument in its February 15, 2007 Transmittal Letter in Docket No. RP07-171-000 (at 2), was made in the context of supporting a proposal to eliminate a loophole through which shippers could
(continued...)

However, as Columbia Gas explains, section 284.12(b)(2)(iv) of the Commission's regulations provides that a "pipeline must take all reasonable actions to minimize the issuance and adverse impacts of [OFOs] or other measures taken to respond to adverse operational events on its system."¹⁵ Therefore, issuing an OFO is a severe action which should only be taken after all other reasonable options have been exercised. Columbia Gas's proposal to permit nominations under Rate Schedule SIT to reduce Imbalance Quantities is a reasonable method to prevent OFOs and make Rate Schedule SIT available as an interruptible service. In addition, Columbia Gas asserts that once SIT volumes are injected into storage, it must issue an OFO to force removal of such SIT volumes from storage, and SIT Imbalance Quantities are difficult to clear quickly.

28. Delta contends that the Commission should find here, as it did in a prior case, that Columbia Gas has provided:

insufficient information to determine whether the shipper actually arbitrated or cause[d] operational harm to the integrity of Columbia[Gas]'s system. Thus, the Commission found that Columbia[Gas]'s proposal fails because it has not shown how the proposed increased SIT penalty would be limited or narrowly designed to apply only to those shippers that harmed its system. [¹⁶]

transfer an inventory balance to meet the twice-cross-zero requirement without physically zeroing out SIT inventory. Therefore, Columbia Gas's statement is consistent with the purpose of the SIT Rate Schedule as a balancing service to correct imbalances through the intended use of retained storage. Further, the Commission expressly stated in that order (at P 2) that SIT service provided for interruptible storage to balance differences between actual receipts and actual deliveries under a shipper's transportation service agreements, as discussed above.

¹⁵ 18 C.F.R. § 284.12(b)(2)(iv) (2008); *Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services*, Order No. 637, FERC Stats. & Regs. ¶ 31,091, at 31,212-213, *clarified*, Order No. 637-A, FERC Stats. & Regs. ¶ 31,099, *reh'g denied*, Order No. 637-B, 92 FERC ¶ 61,062 (2000), *aff'd in part and remanded in part sub nom. Interstate Natural Gas Ass'n of America v. FERC*, 285 F.3d 18 (D.C. Cir. 2002), *order on remand*, 101 FERC ¶ 61,127 (2002), *order on reh'g*, 106 FERC ¶ 61,088 (2004), *aff'd sub nom. American Gas Ass'n v. FERC*, 428 F.3d 255 (D.C. Cir. 2005).

¹⁶ *Quoting Columbia Gas Transmission Corp.*, 116 FERC ¶ 61,097, at P 7 (2006).

Delta asserts that, in this case, Columbia Gas has shown no operational problems or harm to its system and or that its proposal only targets shippers that cause harm.

29. However, that statement concerned a proposal to increase the SIT penalty. In contrast, this case concerns tariff revisions related to the purpose and use of SIT service, and a penalty is not proposed here. Further, that statement is in the background section of the order on rehearing in that proceeding summarizing the order for which rehearing was requested. The statement in the portion of the order referred to was made in the context of determining whether, in that penalty case, the conduct of the shipper in an example presented by Columbia Gulf actually arbitrated or caused harm to the system.¹⁷

30. Delta argues that, as an aggregator behind the Columbia Gas system serving industrial accounts to almost a dozen utilities, it uses the SIT service as intended to balance its transportation accounts in an efficient and cost saving manner. In its answer, Columbia Gas contends that Delta has not been using Rate Schedule SIT as a balancing service because the imbalances (or, on most days, the lack of imbalances) on its transportation service agreements with Columbia Gas are not aligned with the amount of gas being injected or withdrawn from SIT. Columbia Gas asserts that this discrepancy is shown in Delta's SIT nominations in relation to both its SIT Imbalance Quantities and underlying transportation imbalances for the month of October 2007 reflected in Attachment A to its answer. Columbia Gas further asserts that this attachment shows that all of Delta's nominations into Rate Schedule SIT, except one, increased Delta's SIT Imbalance Quantities and demonstrates that Delta used Rate Schedule SIT to inject gas into storage that is unrelated to any transportation imbalance associated with Delta's transportation service agreements with Columbia Gas. Columbia Gas asserts that it is important to note that, under its proposal, some of Delta's SIT nominations would have been allowed.

31. Columbia Gas further argues in its answer, that, while Delta states that it uses Rate Schedule SIT in meeting its responsibility to control short-term differences in usage, Delta fails to mention that any such imbalances do not arise under its transportation agreements with Columbia Gas. Columbia Gas explains that, as an aggregator, Delta handles the purchase and sale of gas for its industrial customers, and these customers are not shippers on Columbia Gas, but rather are shippers on third party systems, such as those of a local distribution company (LDC) or utility. Columbia Gas argues that Delta's explanation that most utilities hold FSS, or other balancing services, and a "physical imbalance" is reflected by the utility rather than the aggregator delivering gas¹⁸ is an

¹⁷ *Columbia Gas Transmission Corp.*, 114 FERC ¶ 61,188, at P 18 (2006).

¹⁸ *Citing* Delta's December 4, 2007 answer in Docket No. RP08-59-000, Affidavit of Keith Mathias, at 2.

admission that it does not generally have any imbalances under its transportation service agreements with Columbia Gas because the LDC or utility picks up the imbalance at the delivery point under Rate Schedule FSS or NTS.

32. Columbia Gas also contends, in its answer, that Delta's suggestion that the proposed revision will negatively impact the industrial customers that it serves behind LDC city gates is mistaken.¹⁹ Columbia Gas asserts that Delta's industrial customers contract for service on the LDC, not from Columbia Gas, and, as part of their service arrangements with the LDC, these customers can contract for no-notice or other balancing services to the extent they deem it necessary. Columbia Gas further asserts that, as Delta has recognized,²⁰ these industrial customers can also contract directly with Columbia Gas for SIT and transportation services and let Delta act as their agent for nomination purposes.

33. As explained by Columbia Gas, Delta's use of Rate Schedule SIT is inconsistent with the purpose of that rate schedule as a balancing service. Delta's use of SIT service in its role as an aggregator does not fulfill the purpose of Rate Schedule SIT to manage imbalances resulting from the shipper's underlying transportation agreements with Columbia Gas.

34. Delta argues the degradation of service to Delta from Columbia Gas's proposal is significant. Delta asserts that Columbia Gas's instant filing would restrict Delta's use of

¹⁹Delta mistakenly asserts (at 14-15) that it provides swing service and serves customers without storage and industrial customers as intended under Rate Schedule SIT. Delta quotes portions of Columbia Gas's November 27, 2007 answer in Docket No. RP08-59-000 that "the original intent of the SIT service was to provide for 'wide' swings in imbalance account inventory" (at 18), and the November 7, 2007 Transmittal Letter in Docket No. RP08-59-000 that SIT service is intended to provide "balancing activities associated with transportation contracts that do not have storage available" (at 3) and was originally implemented for transportation customers with "large load swings" and designed to meet the "expressed needs of customers without storage, *i.e.*, industrial customers" (at 5). However, those quotes are taken out of context and, as Columbia Gas explains in this proceeding, SIT service must be used to manage load swings and imbalances under its applicable transportation agreements consistent with the purpose of Rate Schedule SIT as a balancing service to decrease, not increase, the Imbalance Quantity and not pursuant to Delta's role as an aggregator for load swings and imbalances under other transportation agreements or for Delta's industrial customers.

²⁰ *Citing* Delta's December 4, 2007 answer in Docket No. RP08-59-000, Affidavit of Keith Mathias, at P 9.

SIT service to an average cumulative monthly imbalance of 15,000 Dth/month, which is only about 7 percent of the 12/06-10/07 amount. However, as Columbia Gas asserts, the proposed revision will provide SIT customers express rights in its tariff to nominate gas deliveries directly into and out of their SIT accounts which are not currently contained in the SIT Rate Schedule. Further, Columbia Gas's proposed revision to Rate Schedule SIT will not affect the use of Rate Schedule SIT to manage imbalances resulting from transportation service agreements with Columbia Gas since it will still inject gas into or withdraw gas from storage when the shipper's actual receipts and actual deliveries under such transportation agreements are not equal. Therefore, SIT service will not be degraded.

35. Delta contends that Columbia Gas's proposal is intended to force shippers to contract for service under Rate Schedule PAL (Parking and Lending Service).²¹ Delta further contends that PAL service and interruptible storage service does not meet Delta's requirements and firm storage service is unavailable. However, the issue under consideration here concerns proposed tariff revisions to expressly authorize the use of SIT service to accomplish its purpose as a balancing service. Therefore, Delta's arguments concerning PAL service are outside the scope of this proceeding and are rejected.

36. The Commission finds that Delta mistakenly contends that Columbia Gas, rather than proposing a prohibition on SIT service for all Rate Schedule FSS and SST customers, is discriminating against a smaller group of customers, such as Delta, by proposing to revise section 4 of Rate Schedule SIT. As Columbia Gas explains, the proposed revision applies to all shippers that use Rate Schedule SIT. However, Columbia Gas states that it is willing to add tariff language stating that all shippers will be treated in a non-discriminatory fashion. Therefore, the Commission directs Columbia Gas, within thirty days of the date this order issues, to file revised tariff sheets stating that all shippers will be treated in a non-discriminatory fashion.

²¹ Delta cites the Commission's statement in *Columbia Gas Transmission Corp.*, 116 FERC ¶ 61,097, at P 21 (2006) that another Columbia Gas proposal appeared to only "serve the purpose of discouraging the use of one profitable service (SIT) so that shippers are effectively coerced into use of the more profitable service." However, that statement was made in the context of a case where Columbia Gas had failed to show a sufficient underrecovery of costs to support an increased SIT penalty. The Commission noted, in the context of that case, that, due to the lack of a showing of Columbia Gas's loss of revenue, the only purpose of that proposal appeared to be discouraging SIT service to coerce shippers to use more profitable services. In contrast, in this case, Columbia Gas's proposal concerns a proposed addition of tariff language to comply with the intended purpose of the rate schedule.

37. Delta proposes a condition which would impose a daily cap on nominated SIT volumes of the greater of 15,000 Dth or 25 percent of a shipper's combined Maximum Daily Quantities (MDQ) of the total firm transportation owned on Columbia Gas, regardless of whether the nomination moves the total imbalance quantities toward zero. Delta asserts that the proposed condition would enable a shipper to continue to utilize the SIT service to manage aggregated transportation imbalances and tie the allowable daily nomination percentage to the firm transportation owned on Columbia Gas with a direct relationship to transportation imbalances. In its answer, Columbia Gas responds that this condition should be rejected because it is inconsistent with the purpose of Rate Schedule SIT and would compromise its ability to manage its system for its firm shippers. Columbia Gas asserts that, while Delta may only hold 100,000 Dth/day of firm transportation on Columbia Gas, in total Columbia Gas's other shippers hold over 2.8 MMDth/day of Rate Schedule FTS and 4.4 MMDth of Rate Schedule SST. Columbia Gas further asserts that, under Delta's proposed condition, Columbia Gas would have to stand ready to provide up to 2.1 MMDth/day for daily injection for Rate Schedule SIT. Columbia Gas concludes that Delta's proposal should be rejected because it would unjustly and unreasonably cause harm to other shippers.

38. Honeywell argues that Delta's proposal would restrict Honeywell's ability to use the SIT intraday nomination to avoid a scheduling penalty. Honeywell asserts that, if an outage occurs at Honeywell's plant, given its large firm natural gas load, Honeywell could be faced with a situation where it needed to put excess scheduled gas into its SIT account far exceeding the Delta's proposed limit of 15,000 Dth which is arbitrary, unfair, and unreasonable. Honeywell further asserts that Delta has provided no basis to justify its proposal, and, in fact, is more restrictive than Columbia Gas's proposal which could allow nominations to far exceed 15,000 Dth, if the nomination would reduce an existing imbalance.

39. The Commission agrees with Columbia Gas and Honeywell that Delta has failed to support acceptance of its proposed condition. Columbia Gas has supported its proposal as just and reasonable and consistent with the purpose of Rate Schedule SIT. Therefore, Delta's proposed condition is rejected.

40. Finally, Delta requests summary rejection of the instant filing, or that a technical conference be convened in this proceeding. Delta asserts that Columbia Gas has not demonstrated the impact of its proposal on firm and interruptible customers. However, Columbia Gas has explained, among other things, that its proposal will give shippers an express tariff right to nominate SIT service to reduce their Imbalance Quantity and this will ensure shippers use SIT service as a balancing service. Further, there is no requirement, as asserted by Delta, that Columbia Gas's proposal be supported by substantial evidence. As discussed herein, Columbia Gas has adequately supported the instant filing as just and reasonable. Accordingly, the Commission denies the request for summary rejection, and the request for a technical conference is denied as unnecessary.

Honeywell

41. Honeywell asserts that the Commission should reject Columbia Gas's proposed revision to Rate Schedule SIT unless Columbia Gas proposes new related imbalance services because Honeywell needs the ability to nominate in order to reduce scheduling variances which reflect differences between scheduled deliveries and actual delivery volumes. Honeywell asserts that, by severely restricting the ability of existing shippers to nominate SIT service, Columbia Gas is reducing the flexibility of shippers to react to unseen events and outages and avoid Columbia Gas's new scheduling penalty in Docket No. RP07-340,²² particularly for an industrial shipper of Honeywell's size and limited imbalance options. Honeywell further asserts that, although Columbia Gas claims that it is providing additional flexibility to its SIT customers by way of the proposed revision, in actuality, it is restricting service, since it has previously allowed nominations to SIT service and Columbia Gas has not provided any evidence that it needs to limit SIT service in order to provide new and unknown services.

42. Honeywell argues that while Columbia Gas, in proposing its scheduling penalty, stated that it wanted to instill discipline in the nomination process by encouraging shippers to self-correct imbalances through the intraday nomination process,²³ in many instances this no longer will be available if the Commission approves this proposed revision. Honeywell asserts that its ability to use the intraday nomination process is already limited, because the last opportunity to make a nomination change is at 5:00 p.m., and for the remainder of the gas day there is no opportunity to make a change in nominations.

43. Honeywell contends that it has almost no alternatives to avoid the new scheduling penalty regime because of the lack of available no-notice services or other imbalance management services from Columbia Gas in Honeywell's area. Honeywell asserts that using an intraday nomination under Rate Schedule SIT was one of the only mechanisms available to avoid a scheduling penalty in many cases, where an outage, maintenance problem or production reduction would cause its gas consumption at its Hopewell Plant to change during the gas day. Honeywell further asserts that Columbia Gas is proposing to restrict that option.

²² See *Columbia Gas Transmission Corp.*, 119 FERC ¶ 61,267 (2007), order on reh'g, 124 FERC ¶ 61,122 (2008).

²³ Citing Columbia Gas's March 6, 2007 transmittal letter in Docket No. RP07-340-000, at 3.

44. Honeywell, in its protest (at 4-5), presents the following example:

Assume that Honeywell's Hopewell plant is consuming an hourly rate equivalent to 50,000 Dth per day and total volume scheduled for the day is also 50,000 Dth under its firm transportation contract. At 3:00 or 4:00 pm, the plant has an outage, maintenance problem or other production reduction, which will result in gas usage of only 45,000 Dth for that gas day. This means that Honeywell will incur a scheduling penalty unless it is able to reduce deliveries by more than 2,500 Dth on a normal day. On a critical day it would be much larger. If Honeywell were able to identify a supplier who would take the gas on short notice, it could make a nomination prior to the 5:00 p.m. deadline and avoid a penalty. Lacking a buyer on short notice or on a weekend day, and unable to reduce volumes from its gas supplier, under the current situation, Honeywell could nominate the shortfall into the SIT Rate Schedule, and avoid the scheduling penalty, plus have volumes available for use on the next or a later day. However, under the current proposal, this option will be available only if the balance in the SIT account is negative, thereby causing a reduction. If the balance is positive, then the transaction would not be allowed.

Honeywell argues that this is an unfair restriction to a shipper who has few, if any, alternatives to avoiding Columbia's new scheduling penalty regime, which is about to be implemented.

45. Honeywell argues, in its protest, that Rate Schedule NTS-S service is a summer only service. Honeywell further argues that, if Columbia Gas is contemplating a new imbalance service that would assist Honeywell and others to manage their scheduling variances, then it should make a timely tariff filing to institute such imbalance service at the same time that the instant proposal is pending at the Commission. Honeywell contends that since proposals that rely upon each other should be considered by the Commission at the same time, it is premature for Columbia Gas to restrict SIT service in order to provide service for other future unknown endeavors.

46. Columbia Gas answers that Rate Schedule SIT was designed to manage imbalances between actual receipts and actual deliveries, not scheduling variances (the difference between the shipper's daily scheduled volumes and actual takes at a delivery point). Columbia Gas contends that the Commission, in approving scheduling penalties, has already determined that Rate Schedule SIT cannot be used to avoid scheduling penalties,²⁴ and, therefore, Honeywell's protest is an impermissible collateral attack. Columbia Gas further contends that Honeywell's example does not support its assertion

²⁴ *Citing* 119 FERC ¶ 61,267 at P 42.

that Rate Schedule SIT can or should be used to manage scheduling variances. Columbia Gas asserts that, in Honeywell's example, if at around 3:00 p.m. or 4:00 p.m., Honeywell becomes aware that an outage has occurred that will reduce deliveries to 45,000 Dth, under GT&C section 6.2(e)(4), Honeywell can alter its scheduled delivery nomination during the Intraday 2 Nomination Cycle, which provides for nominations until 5:00 p.m. Columbia Gas concludes that, therefore, Honeywell can use this nomination cycle to reduce its scheduled delivery nomination from 50,000 to 45,000 Dth and, therefore, avoid the scheduling penalty. Finally, Columbia Gas asserts that, in this example, the shipper could avoid Columbia Gas's imbalance penalty under Rate Schedule SIT during the intraday nominations process which would work exactly as intended to manage Honeywell's physical imbalance.

47. As discussed above, Columbia Gas has adequately supported its proposed revision of Rate Schedule SIT. With respect to Honeywell's concern about its ability to use SIT service to avoid scheduling penalties, we find that Columbia Gas's clarification of the method by which this service is scheduled should help minimize the incurrence of scheduling penalties by SIT shippers, and certainly the instant filing in no way reduces a shipper's ability to use the SIT service to minimize scheduling penalties.

48. The Commission recognizes that it stated, in its order conditionally accepting the scheduling penalties, that:

The Commission agrees with Columbia Gas that SIT service is not a no-notice service which may be used to avoid scheduling penalties. SIT service is an interruptible balancing service for imbalance management. [²⁵]

49. However, since the Commission made that statement, the Commission has further reviewed the scheduling provisions of Rate Schedule SIT in response to Columbia Gas's instant filing, as well as its now withdrawn November 1, 2007 filing in Docket No. RP08-59-000. Based on that review, we find that, while the purpose of SIT service is to avoid imbalances between a shipper's actual receipts and deliveries, the service should also, at least in some circumstances, serve to minimize variances between scheduled deliveries and actual deliveries and thereby minimize the SIT shippers' incurrence of scheduling penalties. That is because of the section 4(a) provision of Rate Schedule SIT which deems scheduling of the SIT storage injections or withdrawals to occur as necessary to equalize actual receipts and deliveries.

²⁵ 119 FERC ¶ 61,267 at P 42.

50. As clarified by Columbia Gas in its answer, section 4(a) of Rate Schedule SIT will provide, in pertinent part:

Scheduling of service under this Rate Schedule shall be deemed to occur when Shipper schedules service under any Transportation Service Agreements that it has designated as subject to this SIT Rate Schedule, and the actual receipt quantities do not equal the actual delivery quantities, less Retainage assessed under the applicable Transportation Service Agreement(s). [Emphasis added.]

Therefore, when quantifying the difference between scheduled and actual deliveries in order to determine whether scheduling penalties should be imposed, it appears that those amounts should reflect the storage injection and withdrawal quantities deemed to be scheduled pursuant to section 4(a) so that actual deliveries will equal actual receipts. Using Honeywell's example, where it scheduled 50,000 Dth both at its receipt and delivery point and tendered 5,000 Dth at the receipt point but only took delivery of 45,000 Dth, section 4(a) would deem 5,000 Dth to have been scheduled for injection into storage. This would allow Honeywell to be treated as having taken delivery under the relevant transportation service agreement of the same amount as it put onto Columbia Gas's system, i.e., 50,000 Dth, and then injected 5,000 Dth into storage, thus enabling it to avoid any imbalance penalty. In these circumstances, there would appear to be equally no reason to impose a scheduling penalty on Honeywell, since the "deemed scheduled" provision would also result in actual and scheduled deliveries being the same. Moreover, the Commission has held that the purpose of scheduling penalties is to minimize the pipeline's lost opportunity costs and prevent operational harm during periods the system is under stress. Since the quantities deemed to be scheduled under section 4(a) are injected into or withdrawn from storage pursuant to Rate Schedule SIT during periods when Columbia Gas has determined it is operationally able to provide that service and the service is paid for by the shipper, the need to prevent potential operational harm²⁶ and lost opportunity costs²⁷ through scheduling penalties is not present for such quantities.

51. We do not find that these provisions of Rate Schedule SIT will completely insulate a shipper from scheduling penalties. That would only occur in a situation, such as the above example, where actual receipts were equal to scheduled receipts. Where actual receipts differ from scheduled receipts, then the "deemed scheduled" provisions of Rate

²⁶ See 119 FERC ¶ 61,267 at P 30.

²⁷ See 119 FERC ¶ 61,267 at P 26-27.

Schedule SIT might not result in scheduled and actual deliveries being equal, and thus might not eliminate the shipper's scheduling penalty entirely. For instance, still using Honeywell's example, if 50,000 Dth is scheduled at a delivery point, 48,000 Dth is actually received and 45,000 Dth is actually delivered, then 3,000 Dth would be deemed to have been scheduled for injection into storage. Under those circumstances, the extra 3,000 Dth injected into storage under the SIT Rate Schedule should reduce the difference between the scheduled and actual deliveries under the transportation agreement to 2,000 Dth in the calculation of scheduling penalties. Further, if 50,000 Dth is scheduled at a delivery point, 52,000 Dth is actually received and 45,000 Dth is actually delivered, then 7,000 Dth would be deemed to have been scheduled for injection into storage. In that situation, the 7,000 Dth injected into storage under the SIT Rate Schedule should similarly reduce the scheduling variance at the delivery point under the transportation agreement from 5,000 Dth to 2,000 Dth in the calculation of scheduling penalties.

52. Columbia Gas has failed to explain why the quantities which are deemed to be scheduled under section 4(a) of the SIT Rate Schedule should not be included in any calculation of scheduling variances to reduce the difference between scheduled and actual deliveries at a delivery point in order to determine scheduling penalties. Therefore, Columbia Gas, within thirty days of the date this order issues, should file either (1) information and explanations with adequate support explaining why quantities deemed to be scheduled pursuant to section 4 of the SIT Rate Schedule should not be included in the determination of scheduling penalties, as discussed above, or (2) file revised tariff sheets appropriately including such quantities in the determination of scheduling penalties.

53. Honeywell's concern that Columbia Gas's instant filing will reduce its ability to use SIT service to minimize the incurrence of scheduling penalties arises from Columbia Gas's proposal to add section 4(b) limiting a shipper's ability to nominate to SIT service during the intraday nomination cycles. However, as explained above, in the specific situation about which Honeywell is concerned illustrated by the example in its protest, there is no need for Honeywell to schedule service under section 4(b) in order to avoid a penalty in that situation. That is because the section 4(a) "deemed scheduled" provision should allow Honeywell to avoid a penalty in that situation. Moreover, the "deemed scheduled" provision should allow Honeywell to avoid a penalty even if the problem at its plant arose after the last intraday scheduling opportunity.

54. We recognize that, as discussed above, there are circumstances when the section 4(a) "deemed scheduled" provision does not completely insulate a SIT shipper from scheduling penalties. However, the appropriateness of scheduling penalties related to Columbia Gas's nominations process and the asserted lack of no-notice services and imbalance services are addressed in the orders in Docket No. RP07-340 and are outside the scope of this proceeding. Further, Columbia Gas's reference to contemplating other firm services which will rely on its retained storage was made in the context of its need to

protect the reliability of all firm services. Honeywell's request to delay a decision on Columbia Gas's proposal until unspecified future filings are made is speculative and unsupported. The issues concerning the acceptance of the instant revised tariff sheet can be determined on the record in this proceeding. Finally, while NTS-S service is available only in the summer period, NTS-S service is, as Columbia Gas asserts, a firm service whose reliability should be protected.

Requests for Clarification

55. Columbia Gas clarifies, in response to the request by Indicated Shippers,²⁸ that maintaining a zero Imbalance Quantity balance for two or more consecutive days within a thirty-day period will satisfy the cross-zero-twice requirement, and states that it will revise section 3(b) of Rate Schedule SIT consistent with this clarification as requested by Indicated Shippers. In response to USGC's request,²⁹ Columbia Gas clarifies that shippers will continue to be allowed to designate Rate Schedule SIT via Predetermined Allocation Methodology, consistent with section 8 of the GT&C of Columbia Gas's FERC Gas Tariff, regardless of the shipper's SIT balance and regardless of whether the shipper has Rate Schedule FSS [Firm Storage Service]/SST no-notice service available for balancing.

56. The Commission finds that Columbia Gas's clarifications in response to Indicated Shippers and USGC's requests for clarification are sufficient. Further, Columbia Gas's proposed clarification is consistent with the terms of Rate Schedule SIT which concern actual receipt and delivery quantities. Accordingly, Columbia Gas is directed, within thirty days of the date this order issues, to file revised tariff sheets making the tariff revisions it proposes as clarifications, as discussed above.

The Commission orders:

(A) Seventh Revised Sheet No. 197 is accepted to become effective on September 1, 2008, subject to conditions, as discussed in this order.

(B) Columbia Gas is directed, within thirty days of the date this order issues, to file revised tariff sheets and information and explanations with adequate support consistent with the discussion in the body of this order.

²⁸ Indicated Shippers' comments and request for clarification at 5-6. Indicated Shippers comment that they do not necessarily agree with Columbia Gas's assertions regarding improper use of the SIT Rate Schedule, but do not oppose the proposal. The issues concerning improper use of the SIT Rate Schedule are discussed in this order.

²⁹ USGC's comments and request for clarification at 2-3.

(C) Waiver of section 154.207 of the Commission's regulations is granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.