

125 FERC ¶ 61,290
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. CP07-367-004

ORDER AMENDING CERTIFICATE

(Issued December 15, 2008)

1. On November 14, 2008, Columbia Gas Transmission Corporation (Columbia) filed an application pursuant to section 7(c) of the Natural Gas Act (NGA) to amend the certificate of public convenience and necessity issued by the Commission on January 14, 2008, authorizing Columbia to construct and operate the Eastern Market Expansion Project (EME Project).¹ Specifically, Columbia proposes to offer interim firm transportation service at an incremental rate under Rate Schedule FTS using the capacity of certain EME project facilities that have been or will be placed in service before the originally proposed in-service date of April 1, 2009. Columbia also proposes to provide interruptible transportation service with this capacity under its currently-effective Rate Schedule ITS. For the reasons discussed below, we will grant the requested certificate amendment, subject to conditions.

Background

2. The January 14 Order granted Columbia authority to abandon, construct, and operate certain natural gas storage, compression, and pipeline facilities in Ohio, West Virginia, and Virginia, in order to provide storage and storage related transportation services under Rate Schedules SST (Storage Service Transportation) and FSS (Firm Storage Service) for its EME Project customers. Columbia was also granted authority to accelerate certain replacement and reliability work at certain compressor stations in connection with the EME Project. The in-service date for these facilities was expected to be April 1, 2009. The Commission approved initial incremental demand rates for the

¹ *Columbia Gas Transmission Corp.*, 122 FERC ¶ 61,021 (2008) (January 14 Order).

project² and directed Columbia to file actual tariff sheets identical to the pro forma sheets in its application within 30 to 60 days prior to commencing service on the project facilities.

3. On September 17, 2008, Columbia filed a request with the Commission to place part of the EME Project facilities in service. Among the facilities Columbia sought to place in service was Line VB-Loop A, a 7.24 mile section of 26-inch pipeline loop located in Warren, Clarke, and Fauquier Counties, Virginia. Its request was granted on October 15, 2008, by unreported letter order in Docket No. CP07-367-000.

4. On September 29, 2008, in Docket No. CP07-367-003, Columbia filed a tariff sheet under section 4 of the NGA to place into effect incremental transportation rates derived from the initial Rate Schedule SST rates approved by the January 14 Order for firm service to be provided under Rate Schedule FT on a portion of the EME Project facilities, including Line VB-Loop A, until April 1, 2009. In an order issued on October 29, 2008, the Commission rejected the tariff sheet finding that Columbia's proposal should have been submitted as part of an NGA section 7 application to amend Columbia's certificate granted by the January 14 Order.³

Columbia's Proposal

5. In the instant application, Columbia requests that the Commission amend the previously granted certificate for its EME Project to permit Columbia to commence up to 34,000 dekatherms a day (Dth/d) of new firm transportation service from certain EME Project facilities it has or intends to place in service prior to the original expected in-service date of April 1, 2009. Columbia requests approval to charge incremental rates under Rate Schedule FTS for this transportation service as set forth in Exhibit P of the application. Columbia also proposes to provide interruptible transportation service on these facilities under its currently-effective Rate Schedule ITS. As proposed, the transportation service and rates will be in effect only during the period prior to April 1, 2009. Thereafter, the capacity made available to customers prior to April 1, 2009, will be

² The Commission also approved Columbia's proposal to charge expansion shippers its existing Rate Schedule FSS and SST commodity rates for service on the facilities.

³ *Columbia Gas Transmission Corp.*, 125 FERC ¶ 61,112 (2008) (October 29 Order).

used to provide transportation service to Columbia's EME Project customers under Rate Schedule SST. Columbia requests expedited action by the Commission no later than December 15, 2008.

6. In support of its proposal, Columbia states that the EME Project is primarily a storage expansion project and the modifications to Columbia's transmission system are intended to provide capacity between storage and a shipper's city gate. Thus, Columbia explains that the firm transportation service from receipt points other than storage were not proposed in its original application. However, since the commencement of construction, Columbia states that it has determined that the early completion of certain facilities will enable Columbia to provide a traditional firm transportation service that is not dependent upon the receipt of gas from storage. Because the construction of the incremental storage capacity will not be completed until after April 1, 2009, Columbia states it cannot offer the interim capacity to customers under Rate Schedule SST. Accordingly, Columbia is proposing to amend its certificate to provide a new interim transportation service under Rate Schedule FTS.

7. Columbia states that the Line VB-Loop A facilities that have been placed in service will make available an additional firm transportation capacity of 12,000 Dth/d immediately upon Commission authorization of its proposal here. In addition, Columbia states it expects to complete the Line WB-Loop B pipeline expansion, a 5.17 mile section of 36-inch pipeline loop located in Randolph County, West Virginia with an anticipated capacity of 21,900 Dth/d, in January 2009. Finally, Columbia states that the Lanham Compressor Station will be completed in early February and provide shippers the ability to utilize Leach as a primary receipt point.

8. Columbia states that the interim capacity will be offered sequentially, as it becomes available. Columbia states it will post the interim capacity on its electronic bulletin board in accordance with the General Terms & Conditions of its tariff, and offer firm transportation service consistent with the terms and conditions of its current Rate Schedule FTS. If Columbia receives requests to use the interim capacity on an interruptible basis, Columbia proposes to offer such service at its existing recourse rates for service under its currently effective Rate Schedule ITS.

9. Columbia proposes an incremental monthly demand rate for Rate Schedule FTS service based upon the costs associated with the EME Project facilities. Columbia states it developed the rates for the interim capacity solely from the estimated costs of the facilities that will be used to provide the service. Columbia states that the rates are based on the estimated costs for these facilities approved by the Commission in the January 14 Order, as the actual costs of the facilities will not be known until well after April 1, 2009. Columbia also states that the billing determinants for calculating the rate are based on the amount of interim capacity that will be available prior to April 1, 2009.

10. Columbia has calculated its interim FTS reservation charge of \$13.175 per Dth based on a cost of service of \$5,359,651 and total billing determinants of 33,900 Dth. Columbia has also filed Pro Forma Sheet No. 25C setting forth the incremental rates per Dth for this interim firm transportation service.

11. Columbia states that no additional compressor station variable operation and maintenance expenses will be incurred for the EME Project. Therefore, Columbia contends that it is appropriate for it to charge customers purchasing the interim capacity its currently effective commodity rates for Rate Schedule FTS transportation. Columbia also proposes rolled-in treatment with respect to the recovery through its Retainage Adjustment Mechanism (RAM) of company use, lost and unaccounted for quantities, as well as the recovery through its Electric Power Cost Adjustment (EPCA) of electric costs and Transportation Cost Recovery Adjustment (TCRA) surcharges consistent with the treatment approved in the January 14 Order. Given the relatively small amount of interim capacity (33,900 Dth/d versus 8.2 MMDth of firm transportation capacity on Columbia) and the fact that the interim capacity will only be available for three-and-a-half months, Columbia claims any impact on the RAM, EPCA and TCRA surcharges will be immaterial.⁴

12. Columbia states that, in the October 29 Order, the Commission directed Columbia to revise the rates approved in the January 14 Order to “reflect the rate consequences of placing any EME Project facilities in service prior to April 1, 2009, including recovery of costs, termination of the Allowance for Funds Used During Construction (AFUDC), and the effect of commencing depreciation of the facilities placed in service.”⁵ Columbia states it will file the tariff sheets approved in the January 14 Order, revised to reflect the rate consequences of the sale of the interim capacity, on or before March 1, 2009. Columbia also states that any such rate consequences will be limited to the rates charged for service under Rate Schedule SST, since Columbia does not propose to use storage facilities authorized by the Commission in this proceeding for service to the EME customers prior to April 1, 2009.

13. Columbia further notes that paragraph 24 of the October 29 Order reminded Columbia that it must comply with sections 154.309 and 157.20(c)(3) of the Commission’s regulations for any facilities placed in service prior to the projected

⁴ Columbia states it will provide a workpaper in its upcoming RAM, EPCA and TCRA surcharge proceedings that will delineate the impact of selling any of the interim capacity.

⁵ *Citing* October 29 Order at P 24.

April 1, 2009 in-service date of the EME Project. In the instant application, Columbia states that it will segregate the costs and revenues associated with the EME Project, including any EME expansion facilities placed in-service prior to April 1, 2009 until the Commission authorizes the facilities to be rolled-in to Columbia's system-wide rates. Moreover, Columbia states it will file a statement of final costs for all EME Project facilities that have been constructed within 6 months of completing all authorized facilities. The final cost statement will include the costs of constructing all EME expansion facilities placed in-service prior to April 1, 2009.

Notice, Interventions, and Protests

14. Public notice of Columbia's filing was published in the *Federal Register* on November 26, 2008 (73 Fed. Reg. 72,038). Atmos Energy Corporation filed a timely, unopposed motion to intervene. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, all timely filed motions to intervene are granted.⁶ Washington Gas Light Company (Washington Gas) filed a protest to which Columbia filed an answer. Since Columbia has not established any need for an exception to Rule 213 of the Commission's Rules of Practice and Procedure which prohibits answers to protests,⁷ Columbia's answer will not be accepted.

15. Washington Gas states that it has no objection to Columbia's proposal to develop a firm demand rate using the facility costs and billing determinants that will be used to provide the proposed interim transportation service. However, Washington Gas complains that Columbia has not presented any revised cost estimates to the Commission, despite rampant inflation experienced in this sector of the economy and despite similar large construction projects being managed by Columbia experiencing significant project cost overruns. It also maintains that the Commission's regulations require the use of the most recent cost estimate for the project's costs.⁸ By not updating the cost of the facilities used to develop the interim transportation rates, Washington Gas claims that the rates will be artificially low and give Columbia an unfair competitive advantage in marketing its interim transportation service.

16. Washington Gas also asserts that Columbia has not complied with the Commission's directive in the October 29 Order to revise the initial rates for the EME

⁶ 18 C.F.R. § 385.214 (2008).

⁷ 18 C.F.R. § 385.213(a)(2)(2008).

⁸ *Citing* 18 C.F.R. § 157.14(a)(13) Exhibit K.

project authorized by the January 14 Order to reflect the rate consequences of placing certain EME Project facilities in service prior to April 1, 2009.

Discussion

17. Since Columbia's application pertains to facilities for natural gas services in interstate commerce subject to the jurisdiction of the Commission, the proposal is subject to the requirements of subsections (c) and (e) of section 7 of the NGA.

18. The Commission's September 15, 1999 Certificate Policy Statement provides guidance as to how it will evaluate proposals for certificating new construction.⁹ The January 14 Order analyzed Columbia's original proposal in light of the Commission's Certificate Policy Statement and found that it was in the public convenience and necessity. In its request to amend its certificate authorization, Columbia does not propose any changes to the facilities authorized to be constructed in the January 14 Order. Rather it request authority to perform interim transportation services on certain of those facilities that it has or will place in service prior to the original April 1, 2009 in-service date. Thus, we find that Columbia's proposal here does not impact any of the Commission's findings in the January 14 Order.

19. We find that Columbia's proposal here is in the public convenience and necessity because it will provide additional transportation service to the market during the 2008-2009 winter heating season. We also find that Columbia's proposal to derive the firm rate for the interim capacity solely from the estimated costs of the facilities that will be used to provide the service that we approved in the January 14 Order is reasonable. We do not agree with Washington Gas' assertion that there is a need to update the estimated cost data used to derive the interim firm rate in these circumstances. As Columbia has pointed out, actual cost data is not available at this time. Moreover, Washington Gas has not shown that any of the cost estimates used to derive the incremental rates for the EME Project approved in the January 14 Order are unreasonable.¹⁰

⁹ *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128 (2000); *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

¹⁰ We do not agree with Washington Gas' assertion that the use of the estimated cost data approved in the January 14 Order to derive the interim firm rate proposed here is inconsistent with the Commission's requirements in 157.14(a)(13) Exhibit K that requires "[a] detailed estimate of the total capital cost of the proposed facilities for which the application is made"

20. For these reasons, we amend the certificate issued by the January 14 Order and approve Columbia's proposed interim firm transportation service and interim initial firm rates as proposed for the period prior to April 1, 2009. Columbia is directed to file an actual tariff sheet based on Pro Forma Sheet No. 25C as revised to reflect the interim authorized period ending April 1, 2009, and to refer to the instant order, within ten days of the date of this order. We also grant Columbia's request for a predetermination that it can roll in the costs of its TCRA surcharge, EPCA charge, and RAM charge consistent with our determination in the January 14 Order. Finally, we approve Columbia's proposal to charge its existing Rate Schedule ITS rate for interruptible service provided on the subject capacity prior to April 1, 2009.

21. Consistent with the Commission's directive in the October 29 Order, the amendment of the certificate and acceptance of the proposed interim services and initial rates is conditioned upon Columbia filing within thirty to sixty days of April 1, 2009, to revise the initial rates authorized by the January 14 Order to reflect the rate consequences of placing any EME Project facilities in service prior to April 1, 2009, including recovery of costs, termination of the AFUDC, and the effects of commencing depreciation of the facilities placed in service. Columbia shall include full support for such amended initial rates. Washington Gas and other parties will have an opportunity to file comments on or protests to Columbia's compliance filing.

22. The Commission on its own motion, received and made a part of the record all evidence, including the application, as supplemented, and exhibits thereto, submitted in this proceeding and upon consideration of the record,

The Commission orders:

(A) Columbia's certificate of public convenience and necessity to construct and operate facilities issued in Docket Nos. CP07-367-000 and CP07-367-001 is amended, as described more fully in the application and in the body of this order, subject to the conditions in the body of this order and Ordering Paragraphs below.

(B) Columbia's proposed interim transportation services and initial rates for transportation service on the EME Project facilities for the period prior to April 1, 2009, are approved, subject to the conditions in the body of this order and Ordering Paragraphs below.

(C) Columbia is directed to file an actual tariff sheet based on Pro Forma Sheet No. 25C as revised to reflect the interim authorized period ending April 1, 2009, and to refer to the instant order, within ten days of the date of this order.

(D) Columbia's amended certificate authority is conditioned upon Columbia filing within thirty to sixty days of April 1, 2009, to revise the initial rates authorized by the January 14 Order to reflect the rate consequences of placing any EME Project facilities in service prior to April 1, 2009, including recovery of costs, termination of the AFUDC, and the effects of commencing depreciation of the facilities placed in service. Columbia shall include full support for such amended initial rates.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.