

136 FERC ¶ 61,062
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Columbia Gas Transmission, LLC

Docket No. RP11-2253-000

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

(Issued July 28, 2011)

1. On July 1, 2011, Columbia Gas Transmission, LLC (Columbia) filed revised tariff records¹ to update its Transportation Cost Rate Adjustment (TCRA) surcharge, pursuant to section 36.4 of the General Terms and Conditions (GT&C) of its tariff. Columbia states that it is filing adjustments to its TCRA outside the usual annual filing schedule and that it requires waiver of GT&C section 36.4(a)(1) with respect to the calculation of the revised TCRA rates. As discussed below, the Commission finds that Columbia has not shown that the instant out-of-cycle TCRA filing is just and reasonable, and accordingly we suspend the tariff sheets listed in the Appendix, effective August 1, 2011, subject to refund, and to the outcome of a technical conference to address the issues raised in this proceeding.

I. Background and Description of Columbia's Filing

2. Columbia states that section 36 of its GT&C authorizes Columbia to recover, through its TCRA, costs incurred for the transmission and compression of gas by others (Account No. 858 costs). Columbia states that while it generally makes its annual filing to adjust its TCRA rates on or before March 1 of each year, pursuant to GT&C section 36.2, Columbia is authorized to adjust its TCRA rates "at such other times as Transporter in its reasonable discretion determines necessary." Columbia submits that, as a result of unanticipated increases in third-party transportation costs, a Periodic TCRA filing is now necessary.

3. Columbia states that it submitted its 2011 TCRA filing on February 28, 2011 in Docket No. RP11-1822-000. In that filing, Columbia asserts that it projected that it would incur a total of \$37,872,006 in Account No. 858 costs during the period of

¹ See Appendix.

April 1, 2011 through March 31, 2012. Columbia now projects that its Account No. 858 costs will be \$47,754,338 for that period. Columbia submits that under the currently effective rates it faces a significant risk of under-recovery of its Account No. 858 costs, and requests that the TCRA rates be revised, effective August 1, 2011, so that it may recover the incremental \$9,882,332 in Account No. 858 costs. Columbia explains that there are two primary reasons for the increase in Account No. 858 costs: (1) reduced receipts in northern Ohio hindering Columbia's ability to fill its northern Ohio storage fields; and (2) scheduled construction on Columbia's Line 1278 and Line P.

4. Columbia alleges that since the commencement of the storage injection season on April 1, 2011, Columbia has had reduced receipts into northern Ohio, which has adversely affected Columbia's ability to fill its northern Ohio storage fields. Columbia explains that this is because increased supply from both Marcellus and other sources of production are displacing supply historically received from ANR Pipeline Company (ANR) for Columbia's northeastern markets. Columbia argues that this reduction in receipts is hindering its ability to fill the northern Ohio storage fields and serve northern Ohio markets. Columbia states that if it continues to be unable to fill its northern Ohio storage fields it may have trouble meeting its firm storage withdrawal obligations in the upcoming winter season.

5. Columbia states it had two options to remedy the operational shortfall: either impose stringent operating restrictions or contract for third-party transportation service. Columbia states that it opted to contract for third-party transportation services rather than imposing stringent operating restrictions because it anticipates that the reduction in receipts will be an ongoing issue.

6. Columbia states that it evaluated a number of alternatives to contract for transportation service that provided the highest value. Because Columbia's system configuration does not have a direct path to move gas from other pipelines into northern Ohio, Columbia must rely on multiple pipelines to move gas from Kentucky (where Columbia has most of its receipts) to Ohio, where the supply is needed. Columbia plans to deliver gas into Columbia Gulf Transmission Company (Columbia Gulf) at Leach, KY, which will transport that gas as a firm backhaul from Leach to its interconnection with Regency Intrastate Gas (Regency). Columbia states that Regency will transport that gas on an interruptible basis to its interconnection with ANR, and ANR will transport that gas on a firm basis to its interconnection with Columbia at Monclova, Ohio. Columbia states that contracting for firm backhaul service on Columbia Gulf represented the best value out of the available options, because it would be reliable and available throughout the summer and discounts on other pipelines are generally higher for shippers willing to contract for firm service.

7. Columbia explains that the second reason for the increase in Account No. 858 costs is because of third-party transportation service it will contract for in order to meet Columbia's firm service obligations during planned construction it has scheduled on its

Line 1278 and Line P. Columbia states it will be replacing a portion of Line 1278 through October, reducing primary firm service by 70,000 Dth/day, and requiring Columbia to rely on third-party transportation service on Algonquin Gas Transmission, LLC and Millennium Pipeline Company, LP to meet its firm service obligations. Columbia states that it is also replacing a portion of Line P in eastern Kentucky, continuing for approximately three months, and that the use of third-party transportation service will allow Columbia to maintain an additional 40,000 Dth/day of firm service during construction. Columbia states that the third-party transportation service costs as a result of Line P construction were not projected in Columbia's 2011 Annual TCRA filing because at the time Columbia was unaware to what extent third party transportation would be available to mitigate any impacts of construction on firm service.

8. Columbia requests that the Commission grant two waivers of GT&C section 36.4(a)(1) regarding the calculation of TCRA rates so that it may recover the incremental \$9,882,332 in Account No. 858 costs. First, Columbia proposes to recover the incremental \$9,882,332 in Account No. 858 Costs over the period August 1, 2011 through March 31, 2012, rather than over a twelve-month period ending July 31, 2012 as directed by section 36.4(a)(1). Columbia explains that this waiver will help prevent any issues with overlapping TCRA rates when it makes its next Annual TCRA Filing on or before March 1, 2012. Second, Columbia proposes to include increases in Account No. 858 Costs that were incurred on or after April 1, 2011, rather than only including costs that will be incurred on or after the effective date of this filing (August 1, 2011), as directed by section 36.4(a)(1). Columbia explains that this waiver will more closely align the recovery of these costs with their incurrence, as well as prevent a more significant increase in TCRA rates in Columbia's next annual TCRA filing.

II. Public Notice, Interventions, and Protests

9. Notice of Columbia's filing was issued on July 5, 2011. Interventions and protests were due July 13, 2011, as provided in section 154.210 of the Commission's regulations.² Pursuant to Rule 214,³ all timely filed motions to intervene and any unopposed 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.

² 18 C.F.R. § 154.210 (2011).

³ 18 C.F.R. § 385.214 (2011).

10. Indicated Shippers,⁴ the Independent Oil and Gas Association of West Virginia, Inc. (IOGA), and United States Gypsum Company (Gypsum) all argue that Columbia is inappropriately seeking to recover costs that should not be eligible under the TCRA mechanism. Protesters note that Columbia's tariff only allows TCRA recovery for costs that result from Columbia's Order No. 636 restructuring or post-restructuring operations. Protesters argue that Columbia's attempt to expand the scope of TCRA raises anew the need for a thorough review of the TCRA mechanism.

11. Several parties argue that Columbia has not demonstrated that using third-party transportation to solve the northern Ohio storage problem is prudent or a reasonably low-cost solution. Indicated Shippers state Columbia has not attempted to show that its use of third-party transportation capacity is the most economically efficient approach to address the circumstances cited in the filing. The Cities of Charlottesville and Richmond, Virginia (Cities) and Gypsum state it is not clear what other alternatives were considered but not implemented that might have avoided the instant claimed costs. Cities states that consideration of alternatives is needed to determine whether the proposed revised TCRA rates are just and reasonable. ProLiance Energy LLC (ProLiance) states it is too speculative to conclude that decreased receipts into northern Ohio will have a significant impact on winter storage withdrawal and it is potentially unjust and unreasonable to ask Columbia's customers to subsidize the additional costs when it is unclear the capacity is truly needed. Indicated Shippers, IOGA, and Cities also argue that Columbia's own actions or inaction may have contributed to the northern Ohio storage problem.

12. Old Dominion Electric Cooperative (Old Dominion) and ProLiance also argue that Columbia has not explained its reasons for making a TCRA filing outside of the usual cycle and calculation methods, and has not supported the request for waivers in this filing. The parties argue that it is unclear why an out of cycle TCRA filing is the appropriate place to recover the additional costs and not Columbia's next annual TCRA filing.

13. Cities and Gypsum also have additional concerns with the capacity obtained as replacement during the construction Columbia has scheduled on its Line 1278 and Line P. In particular, Cities notes that sometime after Columbia submitted its 2011 TCRA filing in late February 2011, Columbia acquired incremental third-party transportation capacity with Algonquin Gas Transmission Company (Algonquin) and Millennium Pipeline Company (Millennium). Cities states that Columbia did not, however, commit the 24,600 Dth/d of Millennium firm transportation capacity it already held at the time it

⁴ Indicated Shippers, for the purpose of this proceeding, are BP Energy Company, BP America Production Company, Chevron U.S.A. Inc., ConocoPhillips Company, Delta Energy LLC, ExxonMobil Gas & Power Marketing Company, Hess Corporation, and Interstate Gas Supply, Inc.

filed its TCRA to support the Line 1278 service which Columbia ultimately sought to protect by this acquisition. Cities states that Columbia instead resold that Millennium capacity to shippers on its own system under contracts that commenced April 1, 2011, based on Columbia's previous conclusion that it did not need the 24,600 Dth/d of Millennium capacity for operational reasons. Cities asserts this underscores the inappropriateness of recovering the capacity costs of the 24,600 Dth/d through the TCRA. The protesters argue that Columbia should be required to clarify how much of its Millennium capacity it now claims is needed for operational purposes, explain what alternatives there might be to its signing new contracts with Millennium and Algonquin and specify the anticipated duration of the contracts.

14. Finally, all protesters and commenters argue that Columbia has not provided sufficient evidence to support the various assertions that Columbia has made in its filing. Cities, IOGA, and Piedmont request a technical conference, while Gypsum and Indicated Shippers request whatever fact-finding procedures are deemed to be appropriate.

15. On July 20, 2011, Columbia filed an answer stating that Columbia's utilization of off-system capacity is a prudent measure to adapt to its changed operational circumstances. Columbia asserts that the recovery of these costs is within both the spirit and intent of Columbia's Commission-approved TCRA mechanism. The Commission accepts the answer filed by Columbia because it has provided information that assisted our decision-making process.

III. Discussion

16. The Commission has reviewed Columbia's filing and the protests thereto and finds that Columbia's proposed periodic rate adjustment raises significant issues with regard to the purchase of additional third-party transportation capacity which are best addressed at a technical conference.

17. It is not possible to determine, at this juncture, whether Columbia's proposed periodic adjustment is just and reasonable. A technical conference will afford the Commission staff and the parties to the proceeding an opportunity to discuss all of the issues raised by Columbia's filing, including but not limited to: (1) the reduction in receipts in northern Ohio; (2) Columbia's proposed solution as well as other options that it may have considered; and (3) Columbia's contracting for additional Millennium capacity. Columbia must be prepared to respond to the issues raised by the instant filing at the technical conference. Accordingly, for good cause shown the Commission will accept and suspend the TCRA adjustments to be effective August 1, 2011, as proposed by Columbia, subject to refund and examination at the technical conference.

IV. Suspension

18. Based upon review of the filing, the Commission finds that the proposed tariff records set forth in the Appendix have not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept and suspend the effectiveness of such tariff records for the period set forth below, subject to the conditions set forth in this order.

19. The Commission's policy regarding suspensions is that tariff 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 inconsistent with other statutory standards.⁵ It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.⁶ We find a shorter suspension to be warranted for this filing pursuant to Columbia Gas' TCRA, which includes a mechanism to true up any over- and under-recoveries of eligible costs. Therefore, the Commission will accept and suspend Columbia's proposed tariff records, to be effective August 1, 2011, subject to refund and the outcome of the technical conference ordered herein.

The Commission orders:

(A) The tariff records as listed in the attached Appendix are accepted and suspended, to be effective August 1, 2011, subject to refund and the outcome of the technical conference ordered herein.

(B) Commission Staff is directed to convene a technical conference to explore all issues raised by the filing and to report the results of the conference to the Commission within 120 days of the issuance of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁵ See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

⁶ See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

APPENDIX

Columbia Gas Transmission, LLC
Baseline Tariffs
FERC NGA Gas Tariff

Tariff Records Effective, August 1, 2011, Subject to Conditions:

Currently Effective Rates, FTS Rates, 4.0.0
Currently Effective Rates, FTS-APX Rates, 4.0.0
Currently Effective Rates, NTS and NTS-S Rates, 4.0.0
Currently Effective Rates, ITS Rates, 4.0.0
Currently Effective Rates, GTS Rates, 4.0.0
Currently Effective Rates, OPT Rates, 4.0.0
Currently Effective Rates, TPS Rates, 4.0.0
Currently Effective Rates, SST Rates, 4.0.0