

138 FERC ¶ 61,243  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gulf Transmission Company

Docket No. RP12-418-000

ORDER ON ANNUAL TRANSPORTATION RETAINAGE ADJUSTMENT FILING

(Issued March 30, 2012)

1. On February 29, 2012, Columbia Gulf Transmission Company (Columbia Gulf) filed a revised tariff record<sup>1</sup> for the annual Transportation Retainage Adjustment (TRA) required under section 32 of its General Terms and Conditions (GT&C). The filing includes calculations underlying the proposed system retainage rates, and also Columbia Gulf's explanation and separate accounting for volumes retained pursuant to a fixed retention rate in a negotiated rate contract with CenterPoint Energy Gas Transmission Company (CenterPoint). Washington Gas Light Company (Washington Gas) protested Columbia Gulf's proposed treatment of the retainage associated with the CenterPoint contract in the TRA filing. As discussed further below, we accept the tariff record identified in footnote no. 1, effective April 1, 2012.

**Filing**

2. Columbia Gulf recovers its system's company-use gas (CUG) and lost and unaccounted for (LAUF) volumes by retaining in-kind a percentage of gas tendered by customers. Pursuant to GT&C section 32, Columbia Gulf must file a TRA annually, on or before March 1, to be effective April 1 of that year. Columbia Gulf's fuel retainage percentages include two components. The first component, known as the current retainage percentage, recovers the zone's projected CUG and LAUF during the twelve-month period commencing with the effective date of Columbia Gulf's TRA filing. The second component, known as the unrecovered retainage surcharge or true-up component, reflects the reconciliation of the zone's actual CUG and LAUF quantities during the prior

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<sup>1</sup> Columbia Gulf Transmission Company, FERC NGA Gas Tariff, Columbia Gulf Tariffs, [Currently Effective Rates, Retainage Rates, 7.0.0](#).

calendar year with quantities retained by Columbia Gulf during the same period. Columbia Gulf provides for fuel retainage percentages for three zones<sup>2</sup> on its system.

3. Columbia Gulf proposes to reduce its Market Mainline Zone retainage rate from 1.673 percent to 1.603 percent, and increase its Market Onshore Zone retainage rate from zero to 0.062 percent. Columbia Gulf proposes to continue to have a zero rate for its Offshore Zone and Backhaul transactions. Columbia Gulf states that with respect to the proposed Offshore Zone and Backhaul rates, a retainage rate of zero rather than a negative retainage rate is consistent with previous Commission orders.<sup>3</sup>

4. Columbia Gulf also states that it has protected its shippers from any risk of subsidization by separately accounting for all fuel actually consumed under a negotiated rate agreement with CenterPoint and by removing those volumes from its TRA calculation. Columbia Gulf's contract with CenterPoint is a back haul agreement from Perryville, Mississippi, to an interconnection with CenterPoint's Line CP in Mississippi. As a backhaul agreement, Columbia Gulf notes, no fuel would have been charged for the service absent the negotiated fuel retention percentage. However, Columbia Gulf states that its modeling showed that in order to perform the backhaul service for CenterPoint, it would need to use incremental fuel at three compressor stations on a segment of its mainline to guarantee a contractual pressure limitation allowing CenterPoint to access its system. Therefore, Columbia Gulf and CenterPoint agreed to include a fixed 4.67 percent negotiated fuel retention rate. Columbia Gulf filed the negotiated rate agreement with CenterPoint in Docket No. RP11-12-000. The Commission accepted the agreement in an October 2010 Order, but noted that the order did not "prejudge[] any issue regarding the accounting of fuel use or facilities built for CenterPoint in Columbia Gulf's annual TRA filings. . . ." <sup>4</sup>

5. Columbia Gulf commenced service to CenterPoint on April 1, 2011. The true-up component of Columbia Gulf's proposed recourse rate retainage percentages in the instant filing trues up Columbia Gulf's under and overcollections of recourse fuel rates during calendar year 2011. Columbia Gulf states that it has removed from its true-up calculations both the fuel collected from CenterPoint and the fuel used to serve

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<sup>2</sup> Columbia Gulf's zones for fuel retainage are the Market Mainline Zone, Market Onshore Zone, and Offshore Zone. Backhaul transactions are assessed only LAUF retainage.

<sup>3</sup> *Columbia Gulf Transmission Co.*, 132 FERC ¶ 61,134, at P 43 (2010); *Columbia Gulf Transmission Co.*, 134 FERC ¶ 61,254, at P 11 (2011).

<sup>4</sup> *Columbia Gulf Transmission Co.*, 133 FERC ¶ 61,097, at P 15 (2010) (October 2010 Order).

CenterPoint during the period April 1, 2011 through December 31 2011. In order to derive the amount of fuel used as a result of service to CenterPoint, Columbia Gulf first determined “pre-CenterPoint” actual, historic daily fuel usage at three compressor stations that would be employed in meeting the pressure levels required by the CenterPoint agreement. Columbia Gulf then determined the deliveries downstream of these compressor stations for each comparable day of the same period. This data yielded a “pre-CenterPoint” baseline for expected fuel use at various throughput levels. Finally, Columbia Gulf compared actual daily levels of fuel usage at the compressor stations from the start of service to CenterPoint on April 1, 2011, through the end of 2011 to the baseline levels. Columbia Gulf attributed actual fuel consumption above the baseline levels to CenterPoint’s service. Using this methodology, Columbia Gulf determined that additional fuel required as a result of the CenterPoint agreement totaled 77,860 Dth from April 1, 2011 through December 31, 2011. Columbia Gulf states that it retained 553,575 Dth from CenterPoint during this time in accordance with the negotiated fixed fuel percentage. Columbia Gulf states that the service to CenterPoint during the last nine months of 2011 did not require as much fuel as anticipated because of decreased flows and lower operating pressure on its system during 2011.

6. Columbia Gulf did not include either the estimated fuel used to serve CenterPoint or the fuel collected from CenterPoint in its true-up calculations. As a result, Columbia argues that there is no improper subsidization of the CenterPoint agreement by existing customers.

### **Public Notice, Interventions, and Protest**

7. Public notice of Columbia Gulf’s filing issued on March 1, 2012. Interventions and protests were due March 12, 2012, as provided in section 154.210 of the Commission’s regulations.<sup>5</sup> Pursuant to Rule 214,<sup>6</sup> 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. On March 12, 2012, Washington Gas Light Company (Washington Gas) filed a Motion to Intervene and Protest.

8. Washington Gas protests that Columbia Gulf accounted for the CenterPoint agreement incorrectly. According to Washington Gas, Appendix A, page 5, of the filing shows that Columbia Gulf retained 553,575 Dth from CenterPoint but only applied

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<sup>5</sup> 18 C.F.R. § 154.210 (2011).

<sup>6</sup> 18 C.F.R. § 385.214 (2011).

77,860 Dth as a credit to the tracker mechanism while retaining 475,715 Dth to be valued as income.

9. Washington Gas argues that the surplus retained from CenterPoint should be credited back to recourse shippers, for two reasons. First, Washington Gas argues that GT&C section 32.4(b) requires that all fuel retained be considered when calculating the true-up component of its retainage percentages, citing the following language (emphasis added):

- (b) In each Annual TRA Filing, Transporter shall calculate the unrecovered Retainage percentage by:
  - i. determining the total system company-use, lost, and unaccounted-for quantities for the preceding calendar year (Preceding Annual Period);
  - ii. subtracting the **total** system Retainage quantities retained by Transporter during that Preceding Annual Period;

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10. Second, Washington Gas argues that when Columbia Gulf obtained Commission approval of CenterPoint's contract, Columbia Gulf represented that all of the fuel retained would be handled as part of the fuel tracker mechanism. Washington Gas argues that the October 2010 Order acknowledged this representation: "Columbia Gulf asserts that the negotiated fuel retention rate provision will prevent its other shippers from bearing any additional fuel costs. Columbia Gulf states it will include all fuel received associated with the agreement in its annual [TRA] filing."<sup>7</sup> Therefore, Washington Gas argues that Columbia Gulf should not be allowed to go back on its previous representations.

### **Discussion**

11. We find that Columbia Gulf's proposed recourse fuel retention percentages have been calculated consistent with its tariff and there is no improper subsidization by existing shippers of the negotiated agreement between Columbia Gulf and CenterPoint. Therefore, we find the proposed recourse fuel rates to be just and reasonable, and will accept the tariff record identified in footnote no. 1, effective April 1, 2012, as requested.

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<sup>7</sup> October 2010 Order, 133 FERC ¶ 61,097 at P 5.

12. Columbia Gulf complied with the October 2010 Order by including a separate accounting of fuel retained under the CenterPoint agreement in its annual TRA filing.<sup>8</sup> In the October 2010 Order, the Commission stated that

[i]n the case of variable costs like fuel retainage rates, the Commission protects shippers paying the recourse rate by reviewing the pipeline's annual fuel retainage tracker filings to ensure that the pipeline does not engage in inappropriate cost-shifting. Accordingly, the Commission reminds Columbia Gulf that it must keep separate accounting and fuel use records for agreements with negotiated fuel use clauses, such as the proposed CenterPoint agreement, and provide these in future TRA filings.<sup>9</sup>

13. The instant filing complies with this requirement. Washington Gas' proposal to include CenterPoint retention in the unrecovered Retainage calculation would be at odds with the October 2010 Order's requirement to separately account for negotiated fuel retention in TRA filings in order to prevent cross-subsidies.

14. Columbia Gulf's filing includes detailed work papers reflecting how the CenterPoint agreement affected CUG and LAUF volumes on its system. On any day where actual fuel consumption at the compressor stations affected by the CenterPoint contract exceeded the historical fuel usage, Columbia Gulf attributed the difference to CenterPoint and removed these volumes from its calculation of the over and undercollections reflected in the true-up component of its recourse retainage percentages.

15. We also disagree with Washington Gas' contention that Columbia Gulf's determination of the true-up component was inconsistent with GT&C section 32.4(b). The language relied on by Washington Gas sets forth the general formula for calculating Columbia Gulf's over and under-recoveries of fuel, but does not address the allocation of those over and under-recoveries among Columbia Gulf's services. Appendix A to Columbia Gulf's filing shows that the calculations underlying its proposed retainage percentages reflect a subtraction of "the **total** system Retainage quantities retained by Transporter during that Preceding Annual Period," from "total system company-use, lost, and unaccounted-for quantities for the preceding calendar year," as required by section 32.4(b). However, before performing the subtraction it first allocated "total system company-use, lost, and unaccounted-for quantities" among its various rate zones and made a separate allocation to its negotiated rate transaction. It then allocated the total

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<sup>8</sup> October 2010 Order, 133 FERC ¶ 61,097 at P 16.

<sup>9</sup> October 2010 Order, 133 FERC ¶ 61,097 at P 16.

system retainage quantities it collected during 2011 in the same manner and subtracted those amounts from the corresponding allocations of total usage and lost and unaccounted for quantities. The net amounts so collected were then used to determine retainage percentages for each zone. Because CenterPoint's negotiated fuel retention percentage is fixed, the net overcollection from CenterPoint did not lead to any adjustment in CenterPoint's fuel rate.

16. Further, Washington Gas' reading of section 34.2(b) as prohibiting a separate allocation of fuel usage and collections to CenterPoint's service would go against Commission policy. With regard to variable costs, the Commission has consistently held that "a pipeline can exempt a shipper from any surcharge under a negotiated rate agreement, but the pipeline would be responsible for the cost of any rate exemption."<sup>10</sup> Commingling these accounts would allow Columbia Gulf to include under-recoveries attributable to negotiated rate transactions in the true-up component of its retainage percentages, thereby requiring recourse rate shippers to compensate Columbia Gulf for any losses associated with its negotiated rate agreements. While including the net overcollection related to CenterPoint in the true-up component would have resulted in a reduction to the retainage percentages for recourse shippers, if the fuel costs associated with the CenterPoint agreement had been in excess of CenterPoint's negotiated retainage rate, then including that net under-collection in the true-up component would have improperly required recourse shippers to cross-subsidize Columbia Gulf's negotiated rate contract. The Commission's policy thus helps ensure that "customers electing the recourse rate should be no worse off as a result of the use of negotiated rates than they would be absent the use of negotiated rates."<sup>11</sup> By separately accounting for the volumes associated with the CenterPoint agreement in the TRA filing, Columbia Gulf has prevented other shippers from bearing any additional fuel costs attributable to the CenterPoint agreement. Accordingly, we accept the proposed retainage percentages as just and reasonable.

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<sup>10</sup> *Wyoming Interstate Co., Ltd.*, 117 FERC ¶ 61,150, at P 3 (2006).

<sup>11</sup> *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines Regulation of Negotiated Transportation Services of Natural Gas Pipelines*, 74 FERC ¶ 61,076, at 61,242 (1996).

The Commission orders:

The proposed tariff record identified in footnote no. 1 is accepted effective April 1, 2012, as requested.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.