

109 FERC ¶ 61,112
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

October 29, 2004

In Reply Refer To:
Dominion Transmission, Inc.
Docket No. RP04-617-000

Dominion Transmission, Inc.
120 Tredegar Street
Richmond, VA 23219

Attention: Machel F. Grim, Manager, Regulatory & Pricing

Reference: Annual Electric Power Cost Adjustment Filing

Dear Mrs. Grim:

1. On September 30, 2004, Dominion Transmission, Inc. (Dominion) filed revised tariff sheets¹ to update its effective Electric Power Cost Adjustment (EPCA) pursuant to section 17 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff. Dominion requests an effective date of November 1, 2004, for the revised tariff sheets. The Commission accepts and suspends the filed tariff sheets, and permits them to become effective November 1, 2004, subject to refund, and subject to the conditions discussed below.

2. Dominion states in the instant filing that it proposes to update its effective EPCA, through the mechanism described in section 17 of the GT&C of its Tariff. Dominion states that its EPCA Base Rates and Surcharges are updated pursuant to sections 17.4 and 17.5 of the GT&C. Dominion has summarized the effect of the proposed EPCA on each element of its rates in Workpaper 1 of the instant filing. Dominion states that the EPCA tariff sheets do not reflect Dominion's annual Transportation Cost Rate Adjustment (TCRA) filing in Docket No. RP04-618-000 which was filed simultaneously with the instant filing.

¹ Twenty-First Revised Sheet No. 31, Twenty-Fifth Revised Sheet No. 32, Thirteenth Revised Sheet No. 34, Seventeenth Revised Sheet No. 35 to FERC Gas Tariff, Third Revised Volume No.1.

3. Dominion states that, in the instant filing, electric power costs have been projected for the twelve-month period beginning November 1, 2004, based on its anticipated usage of electric-powered compression. Dominion states that this filing reflects a decrease in the EPCA base rates for the annual period beginning November 1, 2004. It states that the decrease is due primarily to a reduction in estimated costs from \$3.8 million in the previous year's filing in Docket No. RP03-624-000, to \$3.1 million in the instant filing.

4. Dominion asserts it has updated its Unrecovered Electric Power Cost Surcharges as required by section 17.5 of its GT&C. Dominion states that the proposed EPCA Surcharge would amortize the June 30, 2004 balance in its Unrecovered EPC Reimbursement Subaccount as specified in GT&C section 17.6. Dominion states that consistent with GT&C section 17.5, it allocated EPCA costs to both transportation and storage customers, using the allocation factors underlying its base rates.² These allocation factors have been applied to the cost of electricity utilized at transmission function stations and storage function stations.

5. Dominion states that it seeks to recover costs associated with 63.5 million kWh of electric power for the annual period ending June 30, 2004, which is an annual quantity less than the threshold of 90.5 million kWh provided for in GT&C section 17.7, and therefore, the additional data that would be required to be filed pursuant to that section is not necessary, and no adjustment to the unrecovered balance or surcharge is required.

6. Dominion states that as required by GT&C section 17.3, it has included detailed supporting workpapers to explain and justify the prior year's actual costs and usage, projected costs and usage, and any proposed adjustments to the rates, including the following information by month and by function, as applicable: (1) projected electric power utilization; (2) projected electric powers costs; and (3) the source(s) from which it expects to purchase electric power or incur EPCs.

² Dominion states that its base rates were established by Stipulation and Agreement filed August 31, 1998, in Docket No. RP97-406, which was approved by the Commission at *CNG Transmission Corp.*, 85 FERC ¶ 61,261 (1998), as amended by the "Docket No. RP00-15 Settlement." *Citing CNG Transmission Corp.*, 89 FERC ¶ 61,304 (1999).

7. Dominion finally states that in regard to Sheet No. 39,³ (which was filed concurrently in Dominion's TCRA filing in Docket No. RP04-618-000) it proposed in Docket No. RP04-618-000 to wait until the Commission acts on Docket No. RP02-551-003 before submitting another version to Sheet No. 39, and at such time Dominion indicated that it would supplement its current TCRA filing to reflect the Commission's decision in Docket No. RP02-551-003. The supplemental filing will also address the impact of this filing on Sheet No. 39. Thus, no changes to Sheet No. 39 are being proposed as part of this instant filing.

8. Notice of the filing was issued on October 7, 2004, with comments due on October 12, 2004. Notices of intervention and unopposed timely filed motions to intervene are granted under the Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2004)). On October 12, 2004, National Fuel Gas Distribution Corporation, New York State Electric & Gas Corporation, Rochester Gas and Electric Corporation, and Niagara Mohawk Corporation, a National Grid company (collectively Distributor Group) filed a motion to intervene and a protest. Any untimely motion to intervene filed as of the date of this order is granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On October 22, 2004, Dominion filed an answer to the Distributor Group's protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.213(a)(2) (2004)) prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Dominion's answer because it has provided information that may assist us in our decision-making process. The details of the Distributor Group's protest and Dominion's answer are discussed below.

9. The Distributor Group requests that the Commission: (1) order Dominion to provide further explanatory information regarding the billing determinants used to calculate the EPCA Surcharge and indicate whether it engaged in discounting of its EPCA rates; (2) require Dominion to file detailed workpapers supporting its actual electric power costs; (3) allow interested parties to submit supplemental comments or protests in this proceeding within 15 days following Dominion's filing of requisite explanations and information; and (4) accept Dominion's proposed tariff sheets effective November 1, 2004, subject to refund.

10. The Distributor Group asserts in its protest that Dominion has failed to demonstrate that its proposed EPCA rates submitted in its September 30, 2004 filing are just and reasonable. The Distributor Group states, however, that since the rates represent

³ Dominion states that Sheet No. 39 shows Dominion's Unauthorized Overrun Charges and the portions retained by Dominion and is typically revised as part of Dominion's annual EPCA filings.

a reduction from Dominion's currently effective rates (with the exception of the EPCA Surcharge components applicable to GSS Storage Demand and GSS Demand Charge Adjustment), the Commission should allow the rates to go into effect as proposed, subject to refund. The Distributor Group also requests that interested parties should be given the opportunity to file supplemental comments and/or protests, as necessary.

11. The Distributor Group requests that the Commission order Dominion to provide explanatory information regarding the billing determinants used to calculate the EPCA Surcharge, indicate whether it discounted its EPCA rates, and file detailed workpapers supporting its actual electric power costs. The Distributor Group also requests that, thereafter, interested parties should be given the opportunity to file supplemental comments and/or protests, as necessary.

12. The Distributor Group alleges that the billing determinants Dominion used in its September 30 filing do not reflect the total quantities reported by Dominion in its quarterly FERC Form 11 reports filed with FERC. Instead, it asserts that the billing determinants in many instances vary widely from the volumes reflected in Dominion's Form 11 reports for the quarters covering the EPCA true-up period of July 2003 through June 2004.

13. The Distributor Group alleges that in some months the billing determinants in the September 30 filing are higher than the FERC Form 11 quantities for certain of Dominion's services, and in other instances the billing determinants are significantly less than the FERC Form 11 quantities. The Distributor Group requests that the Commission order Dominion to justify the billing determinants used in its September 30 filing and to explain the basis for the monthly variances between the billing determinants used to calculate the EPCA Surcharge and the quantities Dominion reported to FERC in the Form 11 filings.

14. The Distributor Group alleges that the variance in billing determinants calls into question whether Dominion is inappropriately discounting its EPCA rates, and Dominion's filing does not adequately explain the variation in billing determinants between the September 30 filing and its FERC Form 11 filings. The Distributor Group states that this could be inferred that the difference in EPCA billing determinants may, in some instances, be the result of Dominion's having discounted the EPCA rate to some of its customers.

15. The Distributor Group states that Dominion's tariff does not include the EPCA in its discount tariff provisions, and the Commission previously has ordered that a pipeline cannot attribute a discount to a rate component if that rate component is not included in

the pipeline's order of discounts tariff language.⁴ The Distributor Group states that the Commission also found that discounts of Columbia Gas Transmission Corporation's EPCA would be permissible if the contract with the shipper expressly provided for the discount and such contracts were filed with the Commission.

16. The Distributor Group states that clear Commission policy requires that a pipeline be required to discount entirely through its base rate prior to discounting rate components, such as surcharges, that are tracked.⁵ The Distributor Group requests that the Commission order Dominion to explain and provide supporting workpapers demonstrating what discounts, if any, were made to the EPCA rates for the period July 2003 through June 2004. It states that Dominion should also be ordered to explain the sequence of discounting it performed.

17. The Distributor Group requests that Dominion be required to provide the actual kWh usage by month and by station. Section 17.3 of the GT&C of Dominion's tariff requires Dominion to file "detailed supporting workpapers to explain and justify the prior year's actual costs and usage..." The Distributor Group asserts that Dominion's filing lacks the level of detail necessary to determine whether its prior year's usage costs are accurate or to justify the proposed EPCA Surcharge rates.

18. The Distributor Group states that Dominion did not provide any specific electricity usage figures, stated in kilowatt-hours, to support the dollar-amount figures identified for each electric compression station in Workpaper 13 of the September 30 filing, and moreover, while Dominion provided actual usage figures in the aggregate by month in Workpaper 6 of the September 30 filing, the information provided does not identify the location of the electricity usage by station.

19. In its answer, Dominion states that it has provided two attachments setting forth in detail the explanation sought by the Distributor Group. Dominion states that the Distributor Group's request for monthly electric usage data is answered in Attachment A, which consists of a single schedule that shows electric kWh usage by month for the period July 2003 through August 2004, broken down by the six stations on Dominion's system that have electric-driven compression.

⁴ *Citing Columbia Gas Transmission Corp.*, 106 FERC ¶ 61,128 (2004).

⁵ *Id.* at 61,449.

20. Dominion states that Attachment B provides a detailed reconciliation of the billing determinants used in the EPCA with Form 11 data. Dominion states that it reconciled differences between its EPCA filing and Form 11 data for firm transportation (FT) volumes, Rate Schedule MCS activity, interruptible transportation (IT) volumes, FT Small Customer volumes, Special Certificated transport volumes, and GSS withdrawal volumes. Dominion states that a number of adjustments were made to each service category. Such adjustments included (1) “Out of Cycle” adjustments to adjust throughput for activity attributed to a period outside of the normal billing cycle; (2) “Other Throughput” volume adjustments that have the EPCA applied to them but that also involve the use of other services so that double counting of the throughput does not occur; (3) “Special Certificated volumes” adjustments to cover transportation for both incremental, individually-certificated projects and historically incremental customers that have subsequently converted under Part 284; and (4) “ACA only” volume adjustments to reflect balancing transactions where the rate is high enough to cover only the ACA charge with no contribution to the EPCA (and no other revenue to Dominion). Dominion states that in performing that reconciliation, it determined that it inappropriately omitted EPCA charges for certain balancing volumes under Rate Schedule MCS. Dominion states that the omitted volumes resulted in an additional over recovery of \$3,330, and correcting this omission would not change the filed surcharge rate. Dominion states that it proposes to include these additional funds, together with applicable interest, in next year’s EPCA filing.

21. Dominion states that other than this minor correction, the variances between the EPCA billing determinants and Form 11 data are unexceptional and require no change to the EPCA filing.

22. Dominion states that the supplemental information filed here fully answers the questions raised by the Distributor Group, and with this additional information, no remaining issues concerning the EPCA filing remain and Dominion’s proposal has been shown to be just and reasonable.

23. The Commission agrees that further information is needed to evaluate the instant filing. Accordingly, the Commission directs Dominion to provide, within 15 days of the date of this order, further explanatory information to respond to the protest regarding discounting of its EPCA rates.

24. The Commission will allow interested parties to submit supplemental comments in this proceeding, regarding Dominion’s answer and the filing Dominion is directed to make, within 15 days following Dominion’s filing of the requisite explanation and information.

25. Based upon a review of the filing, the Commission finds that the proposed tariff sheets have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept the tariff sheets for filing and suspend their effectiveness for the period set forth below, and permit them to become effective, subject to the conditions set forth in this order.

26. It is the Commission's policy generally to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards.⁶ It is recognized, however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results.⁷ Such circumstances exist here where the Commission is reviewing an EPCA filed in accordance with section 17 of the pipeline's tariff. Therefore, the Commission will exercise its discretion to suspend the effectiveness of the proposed tariff sheets and permit them to take effect November 1, 2004, subject to refund and the conditions discussed above and further review.

By direction of the Commission.

Linda Mitry
Acting Secretary

⁶ See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five month suspension).

⁷ See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).