

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

October 31, 2006

In Reply Refer To:  
Dominion Transmission, Inc.  
Docket No. RP06-635-000  
Docket Nos. RP03-623-005,  
RP04-618-001, and RP05-685-  
001 (not consolidated)

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

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

Reference: Annual Transportation Cost Rate Adjustment Filing

Dear Ms. Grim:

1. On September 29, 2006, Dominion Transmission, Inc. (Dominion) filed revised tariff sheets<sup>1</sup> in Docket No. RP06-635-000 to update its effective Transportation Cost Rate Adjustment (TCRA) pursuant to section 15 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, Third Revised Volume No. 1, to be effective November 1, 2006. The Commission accepts and suspends the filed tariff sheets, permitting them to become effective November 1, 2006, subject to refund, and subject to the outcome of a technical conference as established by this order.

2. Dominion states in the instant filing that it proposes to adjust its Account No. 858 base rates to collect its current transportation costs, in accordance with GT&C section 15.3, and to update its TCRA surcharge rates pursuant to GT&C sections 15.4 and 15.5. Dominion has summarized the effect of the proposed TCRA on each element of its rates in the following chart, which compares the proposed rates (per Dth) to Dominion's rates that are presently in effect:

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<sup>1</sup> See Appendix.

<u>Rate Component</u>	<u>Proposed Rate</u>	<u>Current Rate</u>	<u>Difference</u>
FT/FTNN Reservation	\$4.3690	\$4.4230	(\$0.0540)
FT/FTNN Usage	\$0.0266	\$0.0245	\$0.0021
IT	\$0.1465	\$0.1447	\$0.0018
GSS Demand Rate	\$1.8750	\$1.8825	(\$0.0075)
GSS Injection Rate	\$0.0217	\$0.0202	\$0.0015
GSS Withdrawal Rate	\$0.0172	\$0.0169	\$0.0003

3. Dominion states that generally, the current TCRA base rates will decrease for the annual period beginning November 1, 2006 as a result of increases in billing determinants. Dominion notes that on July 28, 2006, it submitted a compliance filing (the July 28, 2006 filing) in Docket Nos. RP03-623-005, RP04-618-001, and RP05-685-001 of revised workpapers for the 2003, 2004, and 2005 TCRA's to comply with the Commission's July 7, 2006 Order on Compliance Filing and Rehearing in those dockets.<sup>2</sup> Dominion notes that in such filing it requested Commission approval to reflect the cumulative adjustments in the July 28, 2006 filing, with interest, as part of this instant filing. Because the Commission has not yet acted on the July 28, 2006 filing, Dominion requests such authority in the instant filing. Dominion states that it has applied the methodologies approved by the Commission in its July 7, 2006 Order, including the imputation of billing determinants for volumetric and lump sum negotiated rates, the calculation of recoveries associated with the imputed billing determinants, and the treatment of unpaid accruals.

4. Dominion states that it also updated its Unrecovered Transportation Cost Account balance, pursuant to GT&C section 15.4.A. Also, Dominion states that its filing reconciles its actual costs, pursuant to GT&C section 15.5.C, with its Current Transportation Costs, as defined in GT&C section 15.3A, with a credit to reflect that it is required to share one-half of its savings with its customers and, further, a credit pursuant to GT&C section 35.3.D, to reflect the value of confiscated gas and the value of the penalty assessed for failure to meet Minimum Turnover Obligations under Rate Schedule GSS.

5. Finally, Dominion states that it is providing the valuation of Tennessee-related fuel for informational purposes only.

6. Notice of the filing in Docket No. RP06-635-000 was issued on October 5, 2006. Interventions and protests were due as provided in section 154.210 of the Commission's

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<sup>2</sup> *Dominion Transmission, Inc.*, 116 FERC ¶ 61,023 (2006) (July 7, 2006 Order).

regulations, 18 C.F.R. § 154.210 (2006). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2006), all timely 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 this proceeding or place additional burdens on existing parties. Michael J. Wilhelm<sup>3</sup> filed a pleading which he styled as a motion to intervene, but which actually contained comments in the nature of a protest to the instant filing. Dominion filed an answer to Mr. Wilhelm's comments.<sup>4</sup> The details of Mr. Wilhelm's comments and Dominion's answer are discussed below.

7. Mr. Wilhelm asserts that Dominion understates the credit for the Dominion East Ohio (DEO) reduction. Mr. Wilhelm recounts a detailed history of the DEO reduction, which the Commission is still currently addressing in Docket No. RP03-623-005. Mr. Wilhelm notes that on September 20, 2005, the Commission issued an Order on Rehearing on Dominion's TCRA filing in Docket No. RP03-623-002 that addressed this issue.<sup>5</sup> Mr. Wilhelm further states that, in Paragraph 54 of the September 20, 2005 Order, the Commission directed Dominion to "(1) list the monthly firm entitlement reductions DEO has exercised since April 2001, (2) value these reductions by the then-effective monthly TCRA rate, (3) calculate interest on these amounts, and (4) credit this total amount to the TCRA."<sup>6</sup>

8. Mr. Wilhelm states that the Commission reaffirmed this decision, and denied rehearing on the matter in its July 7, 2006 Order. Mr. Wilhelm offers his analysis of the tariff sheets and workpapers Dominion has submitted in the instant filing, and concludes that the cumulative effect of the understated credit is 400,000 Dth of FTNN, 1,289,585 Dth of FTNN-GSS, and 204,000 Dth of GSS Demand,<sup>7</sup> which Mr. Wilhelm

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<sup>3</sup> Mr. Wilhelm is a residential customer of the local distribution company, Dominion Hope. He is currently a party to the proceedings that are the subject of Dominion's July 28, 2006 filing.

<sup>4</sup> The Commission will accept Dominion's Answer as it may aid in the disposition of the issues in this proceeding.

<sup>5</sup> *Dominion Transmission, Inc.*, 112 FERC ¶ 61,321 (2005) (September 20, 2005 Order).

<sup>6</sup> *Id.* at P 54.

<sup>7</sup> FTNN – Firm Transportation, No-Notice Service; GSS – General Storage Service.

asserts is in excess of \$900,000. Mr. Wilhelm states that the Commission should require Dominion to comply with the July 7, 2006 Order and eliminate over \$900,000 of excess charges in the instant filing.

9. Mr. Wilhelm also asserts that Dominion has understated the amount of unpaid accruals for interest calculations. Mr. Wilhelm states that, in purported compliance with the July 7, 2006 Order and the GT&C of its Tariff, Dominion has reflected a level of unpaid accruals in its interest calculations on various workpapers that suffer from two infirmities: nowhere does Dominion explain the basis for the amount and the amount reflects the erroneous elimination of cumulative unpaid accruals, a position Dominion espoused in its August 28, 2006 comments in the compliance proceeding in Docket RP03-623.

10. Finally, Mr. Wilhelm states that Dominion has failed to support various calculations. He offers the following examples: Workpapers 7 and 8 refer to “Reservation - Volumetric Negotiated Rates,” “Usage - Volumetric Negotiated Rates,” and “Lump Sum Negotiated Rates.” Mr. Wilhelm states that the Commission should require Dominion to provide the Dth associated with each of these categories in detail, *i.e.*, Dominion should provide the list of customers with associated Dth for each month.

11. In its answer, Dominion objects to Mr. Wilhelm’s assertions that Dominion has incorrectly calculated adjustments for Dominion East Ohio capacity reductions and unpaid accruals. Dominion asserts that Mr. Wilhelm is simply mistaken with respect to both allegations. Dominion further objects to Mr. Wilhelm’s unsupported request for additional information regarding the so-called lump sum negotiated rate quantities.

12. Dominion notes that Mr. Wilhelm alleges that in the instant filing, Dominion understated the amount to be credited to the TCRA to reflect the value Dominion receives from the monthly firm entitlement reductions Dominion East Ohio exercised in the relevant 2006 TCRA period. Dominion contends that Mr. Wilhelm’s allegation is misplaced, and the fact is that Dominion must adjust the entitlement reduction credit to account for the volumes that Dominion successfully remarketed. Moreover, Dominion asserts that Mr. Wilhelm’s calculations at paragraphs 5, 9 and 10 of his Comments are erroneous, grossly inflated and misleading.

13. Dominion states that the Commission addressed the TCRA credit for Dominion East Ohio’s capacity reductions in its September 20, 2005 Order, and briefly in its July 7, 2006 Order in Docket No. RP03-623. Dominion contends that the manner in which it credited for Dominion East Ohio’s capacity reductions in its 2006 TCRA filing complies with these orders.

14. Specifically, Dominion notes that section 15.4 of its GT&C provides, in part, that the Unrecovered Transportation Cost Account shall be debited (increased) by Dominion's current transportation costs and credited (reduced) by revenues it receives attributable to Transportation Costs reflected in its rates. The Commission's September 20, 2005 Order directed Dominion to credit to the TCRA an amount that reflects the value of Dominion East Ohio's reduction of its monthly firm capacity entitlements, and Dominion's instant filing complies with this directive. Dominion states that, as reflected in Workpaper 7, Line Nos. 4, 16, and 28 and in Workpaper 8 on Line Nos. 3, 13, and 23, it has credited back the value of 200,000 Dth of FTNN capacity reductions taken by Dominion East Ohio during the applicable 2006 annual TCRA period (July 2005 – June 2006). Dominion notes that the 200,000 Dth is Dominion East Ohio's capacity reductions after Dominion adjusted the total amount of the firm entitlement reductions to reflect the Dominion East Ohio contractual volumes that Dominion successfully remarketed at maximum rates. In other words, it asserts, only 200,000 Dth of FTNN capacity applicable to Dominion East Ohio's negotiated rate agreement was not remarketed at maximum rates and, therefore, was subject to credit to the TCRA.

15. Dominion states that it objects to Mr. Wilhelm's assertions in this proceeding regarding the method by which Dominion accounts for unpaid accruals. In particular, it asserts, there is no basis for Mr. Wilhelm's claim that Dominion should not eliminate the supposed cumulative unpaid accruals and, thus, that the instant filing "should reflect, as a beginning balance, the cumulative amount [of unpaid accruals] retained by [Dominion] since the TCRA sharing provision was established." Dominion asserts that Mr. Wilhelm's objections are identical to those he raised in Docket No. RP03-623 in response to Dominion's July 28, 2006 compliance filing. Dominion asserts that it fully responded to Mr. Wilhelm's claims in that proceeding. As part of Dominion's July 28, 2006 compliance filing, Dominion states that it revised its interest calculations to adjust for any unpaid accruals as ordered by the Commission in its July 7, 2006 Order. Because the Commission has not yet acted on the July 28, 2006 compliance filing, Dominion states that it applied the same methodology approved in the July 7, 2006 Order and as used in its July 28, 2006 compliance filing in its 2006 TCRA filing for the treatment of unpaid accruals. Therefore, Dominion states it is both procedurally and substantively correct in applying in the instant filing the same accounting method for unpaid accruals as used in its compliance filing and as approved in the July 7, 2006 Order.

16. Finally, in response to Mr. Wilhelm's request that Dominion provide a list of its negotiated rate customers and associated Dth for each month which volumes are reflected, in aggregate in Workpaper 7 and in Workpaper 8, Dominion asserts that such additional information is unnecessary, and is not required by any settlement or tariff provision. Dominion notes that it already lists the billing determinants, in dekatherms, broken out by customer (including its negotiated rate customers) in Workpaper 18.

Dominion's negotiated rate customers are listed in its tariff. As the requested information is readily available, Dominion contends it would be redundant and unreasonable for it to be required to separately provide this information in a new format merely to appease Mr. Wilhelm.

17. In light of the interrelationship between the pending compliance filing in Docket Nos. RP03-623, et al., and the instant filing, and the continued dispute over certain issues common to both proceedings, the Commission finds that the issues raised in both proceedings may be more efficiently resolved by setting both proceedings for joint technical conference. 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. The Commission will accept the tariff sheets for filing, suspend their effectiveness for the period set forth below, and permit them to become effective, subject to refund, and subject to the outcome of a technical conference at which the parties will be able to raise their concerns and obtain further information that may assist the Commission in the disposition of the contested matters in the instant filing. Additionally, since the issues raised in the instant filing are similar to those raised by Mr. Wilhelm in the pending compliance filing in Docket Nos. RP03-623, RP04-618, and RP05-685,<sup>8</sup> the Commission will also direct that the technical conference include the issues raised in the compliance filing. Staff is directed to report the results of the technical conference to the Commission within 120 days of the issuance of this order.

18. 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.<sup>9</sup> 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.<sup>10</sup> Such circumstances exist here where the Commission is reviewing a TCRA filed in accordance with the pipeline's tariff. Therefore, the Commission will exercise its discretion to suspend the effectiveness of the proposed tariff sheets and

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<sup>8</sup> Mr. Wilhelm has protested the pending July 28, 2006 compliance filing in these dockets.

<sup>9</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>10</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

permit them to take effect November 1, 2006, subject to refund, and the outcome of the technical conference established herein. The Commission Staff is directed to report the outcome of the technical conference within 120 days of this order.

By direction of the Commission.

Magalie R. Salas,  
Secretary.