

110 FERC ¶ 61,404  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 31, 2005

In Reply Refer To:  
Columbia Gulf Transmission Company  
Docket No. RP05-221-000

Columbia Gulf Transmission Company  
12801 Fair Lakes Parkway  
P.O. Box 10146  
Fairfax, VA 22030-0146

Attention: Carl W. Levander, Vice President  
Regulatory & Strategic Affairs

Reference: Thirty-seventh Revised Sheet No. 18, Twenty-sixth Revised Sheet No. 18A, and Thirty-eighth Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1

Dear Mr. Levander:

1. On March 1, 2005, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets reflecting its annual Transportation Retainage Adjustments pursuant to section 33 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff. The revised tariff sheets set forth the transportation retainage factors for each of the three zones applicable to Columbia Gulf's FTS and ITS Rate Schedules. The revised tariff sheets are accepted to be effective April 1, 2005, subject to condition.
2. Columbia Gulf states in the instant filing that its company-use, lost, and unaccounted-for portions of the current component of each of the retainage factors are based upon the calculated estimate for the 12-month period beginning April 1, 2005 based on projected throughput in each zone.
3. Columbia Gulf also states in the instant filing that the deferral period for this annual filing is the preceding calendar year (January 1, 2004 through December 31, 2004), and that it was in a net over-recovery position as of December 31, 2004.

Columbia states that as a result of this over-recovery it is implementing an over-recovered surcharge component for each of the retainage factors to decrease future quantities to be retained.

4. Public notice of Columbia Gulf's filing was issued on March 8, 2005, with comments due on or before March 14, 2005. Notice of Interventions and unopposed timely filed motions to intervene are granted under the Rule 214 of the Commission's Rules and Practice and Procedure (18 C.F.R. § 385.214 (2004)). Any untimely motion to intervene filed as of this date of this order is granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Orange and Rockland Utilities, Inc.'s (O&R) filed a protest on March 14, 2005. On March 22, 2005, Columbia Gulf filed an answer to the protest.<sup>1</sup>

5. O&R states that Columbia Gulf has not justified its proposed allocation of fuel over-recovery between its Offshore, Onshore, and Mainline zones, and requests that the Commission require a recalculation of the fuel surcharge percentages premised on the over-and under-recoveries of each zone.

6. Specifically, O&R states that while the largest share of Columbia Gulf's fuel over-recovery was experienced on the Mainline (2,950,494 Dth out of a total of 3,078,403 Dth), Columbia Gulf allocated the net over-recovery to reflect the percentages of system deliveries by zone instead of allocating the actual over-recovery volumes to the actual zones where the over-recovery occurred. O&R argues that this approach is contrary to sections 33.4(b) and (d) of Columbia Gulf's GT&C, and is demonstrably unfair to Mainline Customers.

7. Additionally, O&R argues that because the Mainline is at the northern end of the Columbia Gulf system, customers of Mainline service are unfairly burdened by the results of upstream zones under Columbia Gulf's approach. Further, O&R notes that rather than proposing a fuel retention percentage premised on the approximately 3 million Dth of over-recovery shown in Columbia Gulf's filing for the Mainline zone, Columbia Gulf's methodology credited the Mainline customers with only 1.2 million Dth of fuel

---

<sup>1</sup> We will waive 18 C.F.R. § 385.213(a)(2) (2004) to permit the answer as it aids us in resolving the issues raised by the filing.

over-recovery. O&R asserts that Columbia Gulf has in no way justified its proposal, which unduly discriminates against Mainline customers in violation of section 4 of the Natural Gas Act (NGA).<sup>2</sup>

8. Finally, O&R states that, as recognized by Columbia Gulf in its recent submissions in Docket No. RP05-125-000,<sup>3</sup> the large Mainline over-recovery resulted from unusual circumstances in the past year. O&R notes that Columbia Gulf's proposed reduction of Mainline fuel percentage in Docket No. RP05-125-000 was premised on the requirements of the Mainline zone, and not the requirements of upstream zones. O&R contends that if it was appropriate to treat the Mainline zone as a stand-alone entity in Docket No. RP05-125-000, there is no reason that it cannot be treated as a stand-alone entity in this proceeding.

9. Columbia Gulf states in its answer that its filing and allocation methodology for over- and under-recoveries of fuel is a long-standing historical practice approved by the Commission as consistent with its tariff. Columbia Gulf also asserts that its use of this methodology is not inherently unfair, and that it is not applying the methodology unfairly. Columbia Gulf notes that it has used this methodology since the inception of the transportation retainage adjustment mechanism as part of its Order No. 636 compliance filing.

10. Columbia Gulf also asserts that its use of this methodology has already been approved by the Commission. It states that, in Docket No. RP95-195-000, the Commission directed Columbia Gulf to provide additional information and documentation to determine whether the revised unrecovered components of the transportation retainage adjustment percentages were based on a system methodology, instead of on a zone by zone basis, as required by Columbia Gulf's GT&C.<sup>4</sup> Columbia Gulf states that in a subsequent order on its filing made in compliance with the Commission's direction, the Commission accepted Columbia Gulf's workpapers and

---

<sup>2</sup> 15 U.S.C. § 717c (2000).

<sup>3</sup> On December 17, 2004, in Docket No. RP05-125-000, Columbia Gulf filed revised tariff sheets reflecting a periodic transportation retainage adjustment pursuant to section 33.2 of its GT&C, setting forth a reduced retainage factor for the Mainline zone. The Commission accepted the revised tariff sheets for filing, effective January 1, 2005. *Columbia Gulf Transmission Co.*, 110 FERC ¶ 61,021 (2005).

<sup>4</sup> *Citing Columbia Gulf Transmission Co.*, 70 FERC ¶ 61,375 at 62,103 (1995).

explanations as being in satisfactory compliance.<sup>5</sup> Specifically, Columbia Gulf states that the Commission was approving the following statement on page two of its April 13, 1995 compliance filing in Docket No. RP95-195-000:

With regard to unrecovered company-use, Columbia Gulf allocated the total system over-recovery to zone using the same percentages utilized to assign unrecovered unaccounted-for to zones. While fuel is tracked by zone, as demonstrated in Appendix 2, section 33.3(d), quoted above, does not differentiate between company-use and unaccounted-for, and thus contemplates this method allocation.<sup>6</sup>

Columbia Gulf states that the Commission should render the same holding with respect to its instant filing, and not require a recalculation of its retainage percentages.

11. The Commission will conditionally accept Columbia Gulf's transportation retainage adjustment filing in this proceeding, effective April 1, 2005, subject to Columbia Gulf filing revised tariff sheets as required below. In accepting the instant filing, we reject O&R's protest. As Columbia Gulf correctly notes in its answer, the Commission has previously approved the allocation methodology used in the instant filing.<sup>7</sup> The Commission's review of Columbia Gulf's annual transportation retainage adjustment filings for the past several years in Docket Nos. RP04-196-000, RP03-283-000, RP02-178-000, RP01-266-000, and RP00-197-000 shows that Columbia Gulf has consistently applied this methodology without protest.

12. The Commission finds that Columbia Gulf's allocation methodology is not "demonstrably unfair" to Mainline customers, as O&R contends. Under the approved methodology, customers of all zones are allocated a percentage of fuel over- or under-recoveries based on each zone's percentage of total system deliveries. This approach does not favor any class of customer over another, and as noted above, has previously been found by the Commission to be just and reasonable.

13. We note, however, that section 33 of Columbia Gulf's GT&C is somewhat unclear regarding its methodology for allocating system fuel over- and under-recoveries. Section 33.4(b) of Columbia Gulf's GT&C states:

---

<sup>5</sup> *Citing Columbia Gulf Transmission Co.*, 72 FERC ¶ 61,161 at 61,793 (1995).

<sup>6</sup> See Columbia Gulf Answer at 3.

<sup>7</sup> *See Columbia Gulf Transmission Co.*, 72 FERC ¶ 61,161 at 61,793.

In each Annual [transportation retainage adjustment] filing, Transporter shall calculate the unrecovered Retainage percentage by: (i) determining the company-use, lost, and unaccounted-for quantities for the preceeding calendar year (Preceeding Annual Period); (ii) subtracting the Retainage quantities retained by Transporter during the Preceeding Annual Period; and (iii) dividing the result (the Unrecovered Retainage Quantities), whether positive or negative, by the Current Transportation Quantities (excluding off-system quantities, for the 12-month period commencing on the effective date of that Annual [transportation retainage adjustment] filing.)

Section 33.4(d) of Columbia Gulf's GT&C states that "[t]he methodology of this section 33.4 specified on paragraphs (a), (b), and (c) shall be separately applicable to the onshore lateral and offshore lateral zones of the FTS-2 and ITS-2 Rate Schedules and the mainline zone of the FTS-1 and ITS-1 Rate Schedule using their respective transportation quantities, excluding off-system quantities, as applicable, associated with each zone."

14. Section 33.4(b) does not set forth clearly whether total system over- and under-recoveries of fuel are allocated to each zone based on each zone's percentage of total system deliveries, as reflected in the instant filing, or whether individual fuel over- and under-recoveries for each zone are determined based on the over- and under-recoveries actually incurred in each zone, as claimed by O&R. Since section 33.4(d) requires the section 34.4(b) methodology to be used, which is unclear, section 33.4(d), likewise, is unclear. Therefore, the Commission directs that Columbia Gulf revise section 33 of its tariff to clearly state its historic, Commission-approved allocation methodology, as discussed above. Columbia Gulf is directed to file revised tariff sheets within 30 days of the date of this order.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.