123 FERC ¶ 61,214
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Columbia Gas Transmission Corporation Docket No. RP08-317-000

ORDER ACCEPTING TARIFF SHEET SUBJECT TO CONDITIONS

(Issued May 29, 2008)

1. On April 16, 2008, Columbia Gas Transmission Corporation (Columbia Gas) filed a revised tariff sheet,[1] in Docket No. RP08-317-000, to implement revisions to section 50 (Operational Sales and Purchases) of its General Terms and Conditions (GT&C) to permit it to borrow from or tender gas to a third party for system and other operational needs. Protests and requests for clarification were filed, and Columbia Gas filed an answer. The details of these protests, requests for clarification, and Columbia Gas' answer, are discussed below. The Commission accepts the revised tariff sheet to be effective on June 1, 2008, subject to conditions, as discussed in this order.

Summary of Instant Filing

2. Section 50 of Columbia Gas's GT&C currently provides it with the ability to make operational purchases and sales of gas where needed to: (i) maintain system pressure and line pack; (ii) manage system imbalances; (iii) perform other operational functions in connection with transportation, storage, and other similar services; and (iv) as otherwise necessary to protect the operational integrity of the system. Columbia Gas asserts that permitting it to borrow and/or tender gas for these same operational reasons, in addition to the ability to purchase or sell the gas outright, will benefit both Columbia Gas and its shippers by offering it additional flexibility to handle operational issues and/or functions, manage system imbalances, or otherwise protect the operational integrity of the system.

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[1] Second Revised Sheet No. 489 to Columbia Gas's FERC Gas Tariff, Second Revised Volume No. 1.

3. Columbia Gas asserts that, for the past several years, natural gas has exhibited a significant degree of price volatility, and Columbia Gas's operational requirements often coincide with periods of high demand when gas prices are at their peak. Columbia Gas further asserts that it bears full financial and economic risk for any operational sales and purchases it makes and the volatility in natural gas prices means that operational sales and purchases carry significant price risk for the pipeline. Columbia Gas states that, as an alternative to purchasing or selling natural gas at high spot prices that occur during periods of peak demand, it requests the option to borrow from and/or tender to parties in the market under the same authority as currently set out in current section 50 of its GT&C. Columbia Gas contends that its proposal to borrow from or tender gas to another party will benefit shippers in the same fashion that an operational sale or purchase does and that the only difference is that Columbia Gas will be able to mitigate its price risk since it will not be responsible for a full purchase or sale of the gas. Columbia Gas further contends that this allows the commodity price risk to be managed by parties in the market with better ability, while allowing Columbia Gas and its customers to benefit from the operational and system benefits from the physical gas position.

4. Columbia Gas presents an example in which it supposes that it needs 500,000 Dth to assist in or enhance operations during a peak winter month. Columbia Gas states that, under the current tariff, if it buys the gas at a price of $9.50/Dth, it will cost approximately $4.75 million and, three months later, when Columbia Gas sells the gas back to the market, the price may have dropped by a significant amount. Columbia Gas further states that, if it resells the gas for $8.50 after the operational need passes, it has a real cash loss $500,000 and, in addition to the pure price risk, will have tied up $4.75 million in capital. Columbia Gas contends that, if it were permitted to borrow this gas from a third party instead and then return it when it is no longer needed, its market risk will be significantly reduced, and the market would price this transaction efficiently and competitively at a lower price than it would cost Columbia Gas on its own. Columbia Gas asserts that it would be willing to pay for the transaction in the market instead of assuming the price risk and having the capital tied up during that period.

5. Columbia Gas contends that its shippers are indifferent because, as with operational purchases and sales, any amounts paid by it associated with the borrowing or tendering of natural gas to a willing third party in the market under section 50 will be assumed by Columbia Gas. Columbia Gas further contends that the same bidding and reporting procedures set forth in currently-effective section 50 will apply to operational borrows and tenders as they apply to operational purchases and sales. Columbia Gas asserts that permitting it to make temporary transfers of gas for operational purposes rather than only purchases and sales, will reduce vulnerability to natural gas price volatility, while still providing the flexibility envisioned in section 50.

Notice of Filing, Interventions, Protests, Requests for Clarification, and Answer

6. Public notice of Columbia Gas's filing was issued on April 18, 2008, with interventions and protests due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2007)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2007)), all timely filed 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 the proceeding or place additional burdens on existing parties. BP Energy Company, BP America Production Company, and Interstate Gas Supply, Inc. (BP and IGS) filed a protest, and Hess Corporation (Hess) filed a limited protest. Conectiv Energy Supply, Inc. and Delmarva Power & Light Company (Companies) and United States Gypsum Company (USGC) filed requests clarification. Columbia Gas filed an answer to the protests and requests for clarification.[2]

Discussion

7. The Commission accepts the proposed tariff sheet, to become effective on June 1, 2008, subject to conditions, as discussed below.

Proposal to Borrow and Tender

8. BP and IGS argue that the proposed authority to borrow or tender will expand Columbia Gas's ability to act as a market participant on its own system. BP and IGS further argue it is likely to be difficult or impossible for shippers or the Commission to determine the validity of the operational need for these transactions. USGC argues that the Commission should impose mechanisms to ensure against abuse and undue discrimination. BP and IGS and Companies argue that the proposal mirrors Columbia Gas's existing park and loan service. Companies and USGC assert that Columbia Gas has not addressed the proposal's impact on other services and the priority and points for such services.

9. In its answer, Columbia Gas responds that it already has the right to obtain and dispose of gas for operational reasons. Columbia Gas asserts that it has made only one substantive change to GT&C section 50.1 by adding the option of borrows and tenders of natural gas to the already permissible methods of obtaining (i.e. purchase) or disposing (i.e. sale) of gas on its system for operational purposes. Columbia Gas further asserts that it has not proposed any change that would alter or diminish provisions governing the

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[2] The Commission's Rules of Practice and Procedure do not permit answers to protests or answers to answers (18 C.F.R. § 385.213(a)(2)(2007)). However, the Commission finds good cause to admit Columbia Gas's answer since it will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record. Therefore, Columbia Gas's answer is accepted.

circumstances under which it would engage in an operational transaction, its obligation to unbundle operational transactions from transportation, its obligation to ensure that operational transactions would have a lower transportation priority than firm service, the posting and bidding procedures that will apply to operational purchases and sales, or the requirement to file an annual report. Columbia Gas contends that the protestor's concerns are related to tariff provisions set forth in section 50 which have been approved by the Commission and which it has not proposed to revise in the instant filing.

10. Columbia Gas further contends that it is required to abide by its tariff, and proposed GT&C section 50.1 provides that Columbia Gas can only purchase, sell, borrow or tender gas where needed to: (i) maintain system pressure and line pack; (ii) manage system imbalances; (iii) perform other operational functions in connection with transportation, storage, and other similar services; and (iv) as otherwise necessary to protect the operational integrity of the system. Columbia Gas argues that nothing in the proposed revisions would negate its obligation to ensure that all operational transactions, including the proposed borrows and tenders, are made for operational reasons. Columbia Gas asserts that the concerns raised by the protesting parties are not specifically related to the proposed borrows and tenders of gas, but rather are related to Columbia Gas violating its tariff. Columbia Gas further asserts that it is obligated to comply with that provision, and the proposed additional option to borrow gas from or tender gas to a third party does not alter section 50.1 in any fashion.

11. The Commission rejects the protests and finds that Columbia Gas's proposal to add borrows and tenders of gas for operational purposes to the purchases and sales provisions in its current section 50 in order to reduce its vulnerability to natural gas price volatility, is just and reasonable, as conditioned herein. As Columbia Gas explains, its proposal is subject to and limited by the current tariff provisions concerning the circumstances under which it would engage in operational transactions including its obligations to unbundle operational transactions from transportation, and comply with posting and bidding procedures. In addition, Columbia Gas will revise its annual report to reflect borrows and tenders of gas as discussed below. Finally, Columbia Gas does state, in its answer, that it will ensure that operational transactions have a lower priority than firm service. Accordingly, Columbia Gas is directed to file revised tariff sheets expressly providing in section 50 that operational transactions have a lower priority than firm service.

Requests for Clarification

12. Companies and USGC argue that Columbia Gas should be required to clarify how operational borrows and tenders will be structured, the terms of any contract, the time frame and specific dates for the transactions, the points utilized, the priority of service for the gas tendered, and the impact on other services. USGC requests clarification that

Columbia Gas's proposal clearly limits Columbia Gas's ability to borrow and tender gas to only those operational circumstances listed in section 50.1.

13. In its answer, Columbia Gas argues that section 50.2 already governs the posting and bidding of operational sales and purchases. Columbia Gas contends that the instant proposal includes the same electronic posting provisions when soliciting offers for the borrowing or tendering of gas to third parties that it currently uses for operational purchases and sales. Columbia Gas further contends that similar to a sale or a purchase for operational reasons, the details of the posting of terms and conditions should not be governed by its tariff, since such terms and conditions may change from transaction to transaction for a number of reasons. Columbia Gas asserts that it will post the terms of each operational transaction (including borrows and tenders of gas) pursuant to section 50.2, and that, if a third party has concerns with the posting of Columbia Gas's Operational Transactions, it may avail itself of the Commission's complaint procedures. Columbia Gas argues that these concerns do not provide a sufficient basis to reject its proposal or to add such micro-detail governing the terms of each operational transaction in Columbia Gas's tariff. Columbia Gas further argues that it has not proposed any substantive change to the existing section 50.2. Columbia Gas contends that, similar to an operational sale or purchase, posting the terms and conditions of a borrow or tender of natural gas to a third party when the transaction is offered should be considered sufficient.[3] Columbia Gas asserts that it will specify all applicable terms for operational borrows and tenders when it posts these transactions on its electronic bulletin board (EBB).

14. The requests for clarification are denied. The existing requirements in section 50 requiring the posting and bidding of operational sales and purchases of gas will govern the proposed borrows and tenders of gas. Columbia Gas states that it will specify all applicable terms for operational borrows and tenders when it posts these transactions on its EBB. The posting and bidding procedures provide a sufficient opportunity for review of the borrows and tenders of gas similar to that provided for operational sales and purchases. Columbia Gas also states that it will ensure that operational transactions have a lower priority than firm service and, as stated above, Columbia Gas is required to provide in section 50 that operational transactions have a lower priority than firm service. Further, there is no need to clarify that Columbia Gas's proposal is limited to transactions for maintaining operational integrity since the current limitations in section 50 would apply to all operational transactions, including those proposed here, as discussed above.

15. Finally, Companies' request that Columbia Gas be required to provide operational purchase and sale data for calendar years 2005 and 2006. However, Companies have not provided sufficient support for their requested data related to prior operational purchases

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[3] *Citing Columbia Gulf Transmission Co.*, 118 FERC ¶ 61,066, at P 9 (2007).

and sales, and the requested data is not necessary for the Commission to determine whether Columbia Gas's proposed tariff revisions are just and reasonable. Accordingly, Companies' request is denied.

Additional Information in the Annual Report

16. Hess, BP and IGS, and Companies request that the Commission require Columbia Gas to provide additional information in the annual report required under GTC Section 50.3 regarding operational borrows and tenders.[4] However, Columbia Gas expressly states in its answer, it does not object to Hess, BP and IGS, and Companies' request to provide additional information in the annual report, and agrees to revise section 50.3 to clarify that: (1) operational borrows/tenders will be differentiated from purchases/sales; and (2) Columbia will report both the beginning and termination date of each operational borrow or tender. Columbia Gas also agrees to revise proposed section 50.3(iv) to require Columbia Gas to report the price for operational borrows and tenders as a rate per Dth for each transaction. Accordingly, Columbia Gas is directed to file revised tariff sheets, within thirty days of the date this order issues, consistent with the requested revisions to section 50.3 described above to which it has agreed.

17. However, Columbia Gas has not agreed to provide additional information regarding the name of the counterparty in each borrow/tender transaction[5] and the specific points that Columbia Gas borrows/tenders gas under each transaction. Companies have not supported the need to identify the counterparty and points utilized for each transaction in the annual report. The Commission does not find this information to be necessary in view of the posting and bidding and revised annual report required for these transactions. With respect to Companies' request that the annual report include the quantity and costs and revenues related to each transaction, section 50.3 already requires the annual report to indicate the volumes and costs and revenues related to the operational transactions, and Columbia Gas has agreed to differentiate the borrows/tenders from purchases/sales.

The Commission orders:

(A) Columbia Gas's Second Revised Sheet No. 489 is accepted to become effective June 1, 2008, subject to conditions, as discussed in this order.

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[4] USGC requests that the Commission require Columbia Gas to abide by all of the reporting requirements in section 50.

[5] Section 50.3(i) will require identification of the source of the gas, i.e., the counterparty, in borrows.

(B) Columbia Gas is directed, within thirty days of the date this order issues, to file revised tariff sheets (1) to provide that operational transactions have a lower priority than firm service and (2) consistent with the requested revisions to section 50.3 to which it has agreed, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.