

123 FERC ¶ 61,216  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Columbia Gulf Transmission Company

Docket No. RP08-347-000

ORDER ACCEPTING AND SUSPENDING TARIFF SHEETS, SUBJECT TO  
REFUND AND CONDITIONS AND ESTABLISHING TECHNICAL CONFERENCE

(Issued May 29, 2008)

1. On April 30, 2008, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets<sup>1</sup> to reflect its annual Transportation Retainage Adjustment (TRA), pursuant to the provisions of section 33 of the General Terms and Conditions (GT&C) of its tariff, with a proposed effective date of June 1, 2008. As discussed below, the Commission accepts and suspends the referenced tariff sheets effective June 1, 2008, subject to refund and conditions and the outcome of a technical conference to address the issues raised in this proceeding. In addition, the Commission grants Columbia Gulf's request for waiver of its tariff to amortize its under-recovered fuel over a three-year period in order to minimize the rate increase, but denies its request for waiver to modify its methodology for assigning company use gas (CUG), as discussed below.

**Details of the Filing**

2. In this filing, Columbia Gulf is submitting its annual TRA filing, which was delayed in order to ensure sufficient time for Columbia Gulf to quantify the impact on the retainage rates of the Hartsville Compressor Station outage.<sup>2</sup> Section 33 of the GT&C of

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<sup>1</sup> Forty-Fifth Revised Sheet No. 18, Thirty-Second Revised Sheet No. 18A and Forty-Sixth Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1.

<sup>2</sup> On February 11, 2008, Columbia Gulf requested a two month extension to assess the damage to the Hartsville Compressor Station caused by tornadoes. The Commission approved that request on February 29, 2008, permitting Columbia Gulf to make this filing by May 1, 2008 to be effective June 1, 2008. *Columbia Gulf Transmission Co.*, 122 FERC ¶ 61,184 (2008).

Columbia Gulf's tariff provides a tracker mechanism to recover CUG and lost and unaccounted-for gas (LAUF). These costs are recovered through retainage factors, which factors consist of current and an over/under recovered component. The current CUG retainage component is calculated by dividing projected CUG by forward haul quantities. Further, Columbia Gulf states that it divided projected LAUF quantities by projected forward and backhaul quantities to develop the appropriate percentages.<sup>3</sup> The over/under component reflects the reconciliation of actual CUG and LAUF quantities with quantities retained by Columbia Gulf for the preceding calendar year; i.e., the deferral period. Due to the size of the net under-recovery, Columbia Gulf is seeking a waiver of section 33.4(b) of the General terms and Conditions (GT&C) of its tariff to amortize the actual CUG and LAUF quantities incurred in the deferral period over a three-year period instead of one year as required by section 33.4(b). In this filing, Columbia Gulf is proposing an over/under recovered surcharge component for each of the zone retainage factors. Columbia Gulf is also requesting waiver of section 33.4(b) of the GT&C of its tariff to implement a new methodology for assigning the CUG portion of the over/under surcharge calculation directly to the zone in which it was incurred rather than allocating by zone based on estimated transportation quantities, as required by its tariff.

3. Columbia Gulf is proposing to adjust its CUG and LAUF forward haul retainage percentages as follows: (1) 0.211 percent increase for onshore from 0.388 percent to 0.599 percent; (2) 0.155 percent increase for offshore from 0.294 percent to 0.449 percent; and (3) 0.327 percent increase for mainline from 2.499 percent to 2.826 percent.

4. On May 7, 2008, the Commission issued a data request seeking additional information to be filed by Columbia Gulf to support its current proposal. On May 12, 2008, Columbia Gulf filed its response to the Commission's data request.

### **Notice, Protests and Answer**

5. Public notice of the filing was issued on May 1, 2008. Interventions and protests were due on or before May 12, 2008. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any motion 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. Protests were filed by Coral Energy Resources, L.P. (Coral), Piedmont Natural Gas Company, Inc. (Piedmont), Orange and Rockland Utilities, Inc. (O&R), Indicated Shippers,<sup>4</sup> United States Gypsum Company (USGC), and Bear Energy LP (Bear Energy).

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<sup>3</sup> We note Columbia Gulf's filing does not acknowledge that the use of backhaul quantities in developing the current component is a departure from its prior methodology.

<sup>4</sup> Indicated Shippers is comprised of the following parties: BP Energy Company and BP America Production Company; ConocoPhillips Company; and ExxonMobil Gas & Power Marketing Company, a Division of Exxon Mobil Corporation.

Piedmont, O&R, Indicated Shippers and Bear Energy also request that a technical conference be convened in this proceeding. Columbia Gulf filed an answer to the protests. While the Commission's regulations do not permit the filing of answers to protests,<sup>5</sup> the Commission will accept the answer because it provides additional information which aids in our decision making process.

6. Most of the protesting parties argue that Columbia Gulf did not adequately support and/or justify why its CUG and LAUF retainage percentages have significantly increased in this filing. Coral, Piedmont and USGC also question whether LAUF gas in Columbia Gulf's filing includes losses from two significant incidents<sup>6</sup> and, if so, whether the gas is properly recoverable as LAUF based on the Commission's recent order in a fuel, LAUF tracker filing of Colorado Interstate Gas Co.<sup>7</sup> Specifically, USGC and Piedmont request more information be provided regarding the losses caused by the Line 100 rupture and Hartsville outage, respectively, and whether Columbia Gulf credited its customers with any insurance proceeds that it collected or received for such losses.

7. In addition, the protesting parties argue that Columbia Gulf's requested waiver to revise its methodology for allocating CUG should be denied or at least set for technical conference. The parties argue that Columbia Gulf's waiver is unsupported, contrary to its historical practice and Commission precedent. The parties argue that Columbia Gulf has not explained why its proposed methodology should be permitted in an annual TRA filing, rather than being considered in a general increase proceeding pursuant to NGA section 4(b). Therefore, most of the parties request that the Commission deny the requested waiver and direct Columbia Gulf to re-file to exclude the proposed revision in its methodology.

8. Indicated Shippers argue that Columbia Gulf has not supported its backhaul billing determinants. Specifically, Indicated Shippers state that Columbia Gulf's tariff does not provide for separately stated backhaul services or rates, including retainage rates.<sup>8</sup> Indicated Shippers state that Columbia Gulf's previous TRA filings do not reflect such

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<sup>5</sup> 18 C.F.R. § 385.213 (2007).

<sup>6</sup> The two incidents include the loss of gas caused by the tornadoes that hit the Hartsville Compressor Station in February 2008 and the pipeline rupture in December 2007 of Line 100 in Delhi, Louisiana.

<sup>7</sup> See *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161 (2007); *reh'g denied*, 123 FERC ¶ 61,183 (2008).

<sup>8</sup> The Indicated Shippers cite section 154.403(b) of the regulations which requires that fuel and unaccounted-for percentage rates must be stated in the tariff. 18 C.F.R. § 154.304 (b) (2007).

calculations. Therefore, Indicated Shippers argue that the Commission should direct Columbia Gulf to provide a written explanation of the basis for the following: (1) its calculation of projected backhaul TRA rates; (2) whether it intends to impose these backhaul rates from backhaul shippers; (3) to identify its tariff authority to collect these backhaul rates from backhaul shippers; (4) the impact of these backhaul rates on its proposed forward haul rates; and (5) the basis of its projection of 75,555,000 Dth of backhaul deliveries in the Mainline Zone and 0 Dth deliveries in its other two zones.

9. Accordingly, Indicated Shippers request that the Commission direct Columbia Gulf to provide additional supporting backhaul information, and permit parties to provide further comment and/or discussion at a technical conference regarding these backhaul retainage rates.

10. In its answer, Columbia Gulf asserts that it does not believe a technical conference is required because its answer provides the support and documentation to explain the causes of the increase in fuel or CUG, as well as the causes of the 2007 increase in LAUF. However, Columbia Gulf states in its answer, that it will be prepared to address those steps and its findings to date at a technical conference if the Commission so orders.

11. Further, in its answer, Columbia stated that it does not believe that a proposal to request a waiver of existing tariff methodology of assigning a surcharge component in the TRA process requires a section 4(b) filing. However, Columbia Gulf states it does contemplate making a tariff change to implement the change in allocation methodology for CUG after the conclusion of this proceeding. Columbia Gulf states that when it makes its tariff filing for a permanent change in the methodology, parties will then have the opportunity to review the record and participate fully in an assessment of the justness and reasonableness of the proposed tariff changes.

### **Discussion**

12. The Commission has reviewed Columbia Gulf's filing, including its responses to the May 7, 2008 data request and its answer as well as the protests filed in this proceeding and finds that it is not possible to determine, at this juncture, whether Columbia Gulf's proposed CUG and LAUF retainage percentages are just and reasonable. Columbia Gulf's proposed CUG and LAUF retainage percentages raise numerous issues, which are best addressed at a technical conference. Additional information is needed to review in support of Columbia Gulf's proposed fuel and LAUF percentages. For example, information is needed regarding the losses caused by the Line 100 rupture on Columbia Gulf's system discussed in USGC's protest, as well as regarding allocation of costs and billing determinants. Columbia Gulf should be prepared to discuss these issues at the technical conference.

13. A technical conference will afford the Commission Staff and the parties to the proceeding an opportunity to discuss all of the issues raised by Columbia Gulf's proposal,

including but not limited to amounts included in Columbia Gulf's CUG and LAUF retainage percentages and its proposed allocation methodology. Specifically, Columbia Gulf should be prepared to address all the concerns raised in the protests, and if necessary, to provide additional technical, engineering and operational support for its proposals. Any party proposing alternatives to Columbia Gulf's proposals should also be prepared to similarly support its position. Finally, based upon its analysis of the information provided in this proceeding, the Commission Staff may issue data requests prior to the technical conference, or a notice of the technical conference may contain questions that need to be addressed by Columbia Gulf or other parties at the conference.

14. The Commission denies Columbia Gulf's request for waiver of the methodology for allocating under-recovered CUG quantities between zones. Columbia Gulf's waiver request is unsupported and violates the Commission's regulations governing periodic rate adjustment filings. Section 154.403(c) (10) requires the GT&C of the pipeline's tariff to include a step-by-step explanation of the methodology used to reflect changes in the fuel reimbursement percentage, including the allocation and classification of the CUG and LAUF. Further, it is inconsistent with Commission policy to grant a permanent waiver of a tariff provision.<sup>9</sup> Columbia Gulf's request for waiver is denied without prejudice to Columbia Gulf submitting to the Commission a fully-supported tariff filing pursuant to Part 154, subpart D, to modify section 33 of the GT&C of its tariff to incorporate such a change in its tariff methodology on a prospective basis.<sup>10</sup> Columbia Gulf is directed to file revised retainage percentages within 15 days of this order to reflect the allocation methodology of its current tariff.

15. Because of the size of the net under-recovery in the instant filing, Columbia Gulf requests waiver to amortize the under-recovery over a three-year period. The Commission finds that since this waiver request was unopposed and good cause exists, the requested waiver is hereby granted.

16. Columbia Gulf states in its response to the Commission's data request that its instant filing does not include any gas losses or gas use attributable to the damage at the Hartsville Compressor Station. Columbia Gulf also states that if it is unable to obtain insurance reimbursement, Columbia Gulf anticipates that any Hartsville related gas losses or gas use will be included in its March 1, 2009 Annual TRA filing as a component of the deferral period surcharge. Further, Columbia Gulf states that, if any Hartsville-related

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<sup>9</sup> In its response to the Commission's data request and its answer, Columbia Gulf clarifies that it is requesting a permanent change in its allocation methodology.

<sup>10</sup> Columbia Gulf states in its response to the Commission's data request, that it is prepared to make the tariff filing to modify section 33 of the GT&C of its tariff if directed by the Commission. The Commission cannot require pipelines to make NGA section 4 filings and has no basis here to direct such a filing pursuant to NGA section 5.

gas losses or gas use quantities are included in the March 1, 2009 annual TRA filing and Columbia Gulf subsequently receives insurance reimbursement, it will then credit the amount reimbursed in its next TRA filing.

17. The Commission's policy is that gas lost as a result of catastrophic, one-time events is not recoverable in a fuel tracker, which is intended to recover (1) fuel used in normal operations, and (2) losses that cannot be accounted for. When a pipeline suffers an extraordinary, one-time loss that could not reasonable have been predicted when it filed its last section 4 rate case, the pipeline may be able to recover that cost in a separate limited section 4 proceeding.<sup>11</sup>

### **Suspension**

18. Based on a review of the instant 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 shall accept such tariff sheets for filing and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order.

19. The Commission's policy regarding suspensions is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.<sup>12</sup> It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.<sup>13</sup> The Commission finds that circumstances exist here where Columbia Gulf is filing its annual update pursuant to an approved gas tracker mechanism. Therefore, the Commission will accept and suspend the proposed tariff sheets to be effective June 1, 2008, subject to refund, the conditions of this order and the outcome of the technical conference established herein and further orders of the Commission in this proceeding.

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<sup>11</sup> See *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161 (2007); *reh'g denied*, 123 FERC ¶ 61,183 (2008).

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

<sup>13</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

The Commission orders:

(A) Columbia Gulf's proposed revised tariff sheets listed in footnote no. 1 are accepted and suspended to be effective June 1, 2008, subject to refund, the conditions of this order, and the outcome of the technical conference established by this order and further orders of the Commission in this proceeding.

(B) The Commission's staff is directed to convene a technical conference to address the issues raised by Columbia Gulf's filing and report the results of the conference to the Commission within 120 days of the date this order issues.

(C) The requested waivers are granted and denied as set forth above.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.