123 FERC ¶ 61,313
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 30, 2008

In Reply Refer To:
Columbia Gulf Transmission Company
Docket No. RP08-347-001

Columbia Gulf Transmission Company
5151 San Felipe, Suite 2500
Houston, TX 77056-3639

Attention: James R. Downs, Director of Regulatory Affairs

Reference: Compliance Filing

Dear Mr. Downs:

1. On June 2, 2008, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets[1] to comply with the Commission's May 29, 2008 Order in Docket No. RP08-347-000 (May 29 Order).[2] The revised tariff sheets reflect the transportation retainage factors calculated based upon the currently effective tariff methodology set forth in section 33.4(b) of the General Terms and Conditions (GT&C) of its tariff. Columbia Gulf requests that the rates reflected on the referenced tariff sheets be effective June 1, 2008. The Commission conditionally accepts the referenced tariff sheets effective June 1, 2008, subject to refund and to the outcome of the technical conference to be convened in the underlying proceeding, as discussed below.

2. On April 30, 2008, Columbia Gulf filed revised tariff sheets to reflect its annual Transportation Retainage Adjustment (TRA) pursuant to section 33 of the GT&C of its tariff. As part of its TRA filing, Columbia Gulf proposed to: (1) increase its company

[1] Sub Forty-Fifth Revised Sheet No. 18, Sub Thirty-Second Revised Sheet No. 18A and Sub Forty-Sixth Revised Sheet No. 19 to FERC Gas Tariff, Second Revised Volume No. 1.

[2] *Columbia Gulf Transmission Company*, 123 FERC ¶ 61,216 (2008) (May 29 Order).

use gas (CUG) and lost and unaccounted-for gas (LAUF) percentages, effective June 1, 2008; (2) 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) of the GT&C of its tariff; and (3) modify its methodology for assigning the CUG component of the surcharge calculation. Columbia proposed to allocate the CUG under/over-collection of gas quantities directly to the zones in which it was incurred.

3. The Commission, on May 29, 2008, accepted and suspended Columbia Gulf's April 30, 2008 TRA filing effective June 1, 2008, subject to refund and conditions, and the outcome of a technical conference, which is scheduled for July 16, 2008. The subject filing is in response to the May 29 Order requirement that Columbia Gulf file revised retainage percentages within 15 days of the date of the order to reflect the allocation methodology in section 33.4(b) of the GT&C of its tariff.

4. In the instant filing, Columbia Gulf submitted tariff sheets that reflect the transportation retainage factors based upon the currently effective tariff methodology set forth in section 33.4(b) of the GT&C of its tariff. Columbia Gulf is adjusting its CUG and LAUF forward haul retainage percentages compared to those in the April 30, 2008 filing, as follows: (1) 0.079 percent increase for onshore from 0.599 percent to 0.678 percent; (2) 0.043 percent increase for offshore from 0.449 percent to 0.492 percent; and (3) 0.031 percent decrease for mainline from 2.826 percent to 2.795 percent.

5. Columbia Gulf proposed that the compliance rates in this filing will be applied July 1, 2008 forward so as not to disrupt its shipper bid week gas nominations previously submitted for June 2008 business. Columbia Gulf explains that the rates the Commission approved in the May 29 Order were used for customer nominations for its June 2008 business, which means that Columbia Gulf's customers already submitted many nominations for the month of June. Columbia Gulf is proposing to use the just approved April 30 rates for June business, rather than require customers to re-nominate for the month of June, and flow through any over/under retained quantities to/from its customers for the month of June, via a periodic TRA filing that will be made after a final order from the Commission has been issued in this proceeding.

6. Public notice of Columbia Gulf's filing was issued on June 5, 2008, allowing for protests to be filed on or before June 16, 2008. A protest was filed by the City of Charlottesville, Virginia (Charlottesville) regarding Columbia Gulf's use of backhaul deliveries in the projection of transportation quantities by zone which were used to derive the ratios that allocate the LAUF quantities among rate zones in the TRA filing.

Columbia Gulf filed an answer to the protest. While the Commission's regulations do not permit the filing of answers to protests,[3] the Commission will accept the answer because it provides additional information which aids in our decision making process.

7. Charlottesville argues that, in Columbia Gulf's compliance filing, it uses projected transportation quantities including backhaul quantities to derive the allocation ratios that it used to recompute its CUG surcharge. Charlottesville asserts that in both the calculation of the LAUF surcharge, and its recalculation of the CUG surcharge, Columbia Gulf applies a new method that is inconsistent with its past practice and application of its tariff. Charlottesville argues that Columbia Gulf used backhaul quantities in prior TRA filings only to derive the prospectively applied LAUF percentages. In its April 30 TRA filing and the instant compliance filing, Charlottesville states that Columbia Gulf uses projected transportation quantities including backhaul quantities to derive its allocation ratios. Therefore, Charlottesville argues that the Commission should require Columbia Gulf to adhere to its pre-existing method of deriving the allocation ratios used in the surcharge calculation.

8. Charlottesville argues that including backhaul quantities in the projected transportation quantities increases the mainline zone allocation ratio that was used in the LAUF surcharge calculation in the TRA filing, and now that method has been expanded in the instant compliance filing to increase both the LAUF surcharge and the CUG surcharge applicable to the mainline zone. Charlottesville argues that the change to include backhaul quantities in the projected deliveries by zone in the TRA filing uniquely disadvantages Columbia Gulf's mainline zone shippers. Therefore, Charlottesville argues that the Commission should require Columbia Gulf to apply its tariff consistent with the historical interpretation and past application of that tariff language to calculate the allocation percentages used in the surcharge calculations using forward haul transportation quantities.

9. In its answer, Columbia Gulf states that section 33.4(a) of the GT&C of its tariff provides that the current retainage percentage will be calculated by dividing the total company use, lost, and unaccounted-for quantities by "<u>the total quantities</u> (excluding off-system quantities) estimated by Transporter to flow under the Applicable Rate Schedules… (Current Transportation Quantities)." (emphasis added). Similarly, Columbia Gulf states that section 33.4(b) of the GT&C of its tariff provides that the Unrecovered Retainage percentage will be determined by dividing the Unrecovered quantities by "the <u>Current Transportation Quantities</u> (excluding off-system quantities) attributable to each zone." (emphasis added).

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[3] 18 C.F.R. § 385.213 (2008).

10. Further, in its answer, Columbia Gulf asserts that nothing in these provisions addresses the inclusion or exclusion of backhaul quantities from these calculations. However, Columbia Gulf states that it is the Commission's policy that all shippers (both forward haul and backhaul) should pay for the LAUF portion of the retainage rate.[4] Consequently, Columbia Gulf avers that its practice of including backhaul quantities in the calculation of the LAUF retainage percentage is appropriate. Further, Columbia Gulf states that because fuel in the form of compression (CUG) is not currently used to make backhauls on Columbia Gulf's system, CUG is not charged for backhauls and backhauls are not included in the calculation of the CUG rate.[5]

11. Columbia Gulf asserts that on sheets 18 and 19 of its tariff, retainage is broken down and labeled "Unaccounted For" (i.e. LAUF) and the cumulative "Company Use and Unaccounted For" for the FTS-1 and ITS-1 services – the only two services on which backhaul transactions occur without the use of fuel. Thus, Columbia Gulf asserts that the tariff separately sets forth the backhaul retainage rates and the services to which they apply.

12. In its answer, Columbia Gulf states that in the course of reviewing Charlottesville's protest, Columbia Gulf noticed that it had inadvertently included backhaul quantities in developing the allocation factors used in the allocation of the CUG over/under surcharge portion of its retainage rate to zone. Columbia Gulf states that, consistent with the Commission's policy as stated in *East Tennessee*, and because backhauls on Columbia Gulf's mainline system have not historically used fuel, it was inappropriate to include backhaul quantities in the calculation of the allocation factor for the CUG over/under surcharge component of the retainage rate. Columbia Gulf has recalculated the CUG over/under surcharge component portion of the retainage rate using the zone allocation method as described in section 33.4(b) of its tariff, but does not include backhaul quantities in the calculation. Columbia Gulf provided the following table that compares the total retainage rate by zone as provided in the June 2 compliance filing with the total retainage rate calculated using the properly adjusted CUG retainage rates.

	Offshore	Onshore	Mainline
June 2 Compliance Filing	0.492%	0.678%	2.795%
Revised Calculation	0.499%	0.685%	2.792%
Difference	0.007%	0.007%	-0.003%

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[4] *See, e.g., East Tennessee Gas Pipeline*, 108 FERC ¶ 61,135 (2004) *(East Tennessee)*.

[5] *See* section 3(e) of Rate Schedule FTS-1 on Sixth Revised Sheet No. 40 to FERC Gas Tariff, Second Revised Volume No. 1.

13. Columbia Gulf states that the difference, as shown above, between the rates filed in the instant compliance filing and the revised rates is small. Columbia Gulf asserts that for this reason and because this and other issues can be more fully vetted at the technical conference to be held on July 16, 2008, Columbia Gulf does not propose at this time to file revised retainage rates. Rather, Columbia Gulf proposes that this and any other adjustment that may arise from the technical conference can be appropriately made at a later date after the technical conference.

14. The Commission has reviewed Columbia Gulf's instant filing and finds that it is in satisfactory compliance with the Commission's May 29, 2008 Order and is hereby conditionally accepted June 1, 2008, subject to refund and to the outcome of the technical conference to be convened July 16, 2008.

15. Our review finds that Columbia Gulf has inappropriately included backhaul quantities in developing the allocation factors used in the allocation of the CUG over/under surcharge portion of its retainage rate to zone. Columbia Gulf states in its answer that, consistent with the Commission's policy as stated in *East Tennessee*, and because backhauls on Columbia Gulf's mainline system have not historically used fuel, it was inappropriate to include backhaul quantities in the calculation of the allocation factor for the CUG over/under surcharge component of the retainage rate. However, as shown above, the difference between the rates filed in the instant filing and the revised rate is small. Accordingly, we will not require Columbia Gulf to file revised retainage rates at this time. Waiver is hereby granted to defer application of the revised retainage rates filed herein until July 1, 2008, and Columbia Gulf is allowed deferral of refunds until further order of any other adjustments that may arise from the technical conference.

By direction of the Commission.

Kimberly D. Bose,
Secretary.