124 FERC ¶ 61,311
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.

Colorado Interstate Gas Company Docket No. RP08-600-000

ORDER ACCEPTING AND SUSPENDING PRIMARY CASE TARIFF SHEET, REJECTING ALTERNATE CASE TARIFF SHEET, AND ESTABLISHING TECHNICAL CONFERENCE

(Issued September 30, 2008)

1. On August 29, 2008, Colorado Interstate Gas Company (CIG) filed a "primary case" tariff sheet[1] reflecting revised reimbursement percentages applicable to: (1) transportation fuel gas; (2) storage fuel gas; (3) Rate Schedule CS-1 Cheyenne Firm Compression Service (CS-1) fuel gas and lost and unaccounted-for gas (L&U); and (4) lost, unaccounted for and other fuel gas (LUF). CIG seeks an effective date of October 1, 2008. CIG also submitted a report of operational purchases and sales for the period ending June 30, 2008. Additionally, CIG submitted an "alternate case," which includes workpapers and an alternate revised tariff sheet.[2] This is the first annual fuel filing pursuant to a recently accepted tariff mechanism monetizing and combining fuel-related and operation-related activities. In this order, we accept and suspend CIG's primary case tariff sheet, to be effective October 1, 2008, subject to refund and to the outcome of a technical conference to address the issues raised in this proceeding, and we reject CIG's alternate case tariff sheet.

[1] Second Revised Sheet No. 11A to its FERC Gas Tariff, First Revised Volume No. 1.

[2] Alternate Second Revised Sheet No. 11A to its FERC Gas Tariff, First Revised Volume No. 1.

I. **Background**

2. Article 42 of the General Terms and Conditions (GT&C) of CIG's tariff requires CIG to reflect annual changes in its fuel reimbursement percentages applicable to transportation, storage, and CS-1 compression fuel/L&U and quarterly changes to its LUF reimbursement percentages. Section 42.5 of the GT&C requires CIG to volumetrically true-up prior period over- or under-collections of transportation fuel, CS-1 compression fuel/L&U, and LUF for the data collection period ending June 30. It requires CIG to true-up over- and under-collections of storage fuel for the data collection period ending December 31. Additionally, for the first time, the LUF cost/revenue true-up reimbursement percentage reflects over- or under-recovery of costs and revenues related to fuel and system balancing pursuant to CIG's new cost/revenue true-up mechanism.[3]

3. The reimbursement percentages have two components—a base reimbursement percentage and a true-up reimbursement percentage attributable to the over- or under-recovery of gas quantities and related costs and revenues attributable to specific data collection periods. The base reimbursement percentages are determined by actual fuel usage and L&U or LUF experienced. The true-up reimbursement percentages account for the difference between the reimbursement percentages in effect at the time and the actual fuel, L&U and LUF experienced over the course of the collection period. Furthermore, the LUF cost/revenue true-up reimbursement percentage is the dekatherm-equivalent of the costs and revenues attributable to fuel, shrinkage, linepack adjustments, system balancing activities, and other credit/debit activity. CIG states that these true-up percentages (collectively, the true-up mechanism) are designed to keep CIG and its shippers volumetrically and economically neutral with respect to fuel, L&U, LUF and related system balancing activities.

II. **Details of Filing**

4. CIG states that the reimbursement percentages submitted in this filing include the following: (1) a base reimbursement percentage composed of CIG's recent 12-month actual reimbursements; (2) a true-up component reflecting the over- or under-collection of gas quantities for storage fuel gas (for the period January 1, 2007 through December 31, 2007) and transportation and CS-1 fuel gas/L&U and LUF gas (for the period July 1, 2007 through June 30, 2008); (3) a true-up of the over- and under-collection of costs and revenues related to fuel, L&U, LUF and system balancing activities (for the period October 1, 2007 through June 30, 2008). CIG requests that the Commission accept either its primary case or alternate case tariff sheet, to be effective

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[3] *See Colorado Interstate Gas Co.*, 122 FERC ¶ 61,191 (2008) (approving CIG's cost/revenue true-up mechanism).

October 1, 2008. CIG's proposed reimbursement percentages, discussed in greater detail below, are summarized in the following table:

CIG's Proposed Reimbursement Percentages

	Base Percentage	True-up Percentage	Total Percentage
Transportation Fuel	1.42%	(0.05)%	1.37%
Storage Fuel	0.73%	0	0.73%
Rate Schedule CS-1 Fuel	0.31%	0.05%	0.36%
Rate Schedule CS-1 L&U	0.06%	(0.07)%	0
LUF – Primary Case	0	0.28%	0.28%
LUF – Alternate Case	0	0.36%	0.36%

A. <u>Fuel</u>

5. With respect to fuel gas, CIG states that prior to this filing it has reviewed its actual fuel usage on a monthly basis and has made a number of filings with the Commission requesting waivers to update its base reimbursement percentages to more closely align these percentages with the actual use of fuel on its system.[4]

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[4] *See Colorado Interstate Gas Co.*, 122 FERC ¶ 61,304 (2008) (granting CIG's request to account for over-collections of transportation fuel gas between July 1, 2007 and December 31, 2007 by making an out-of-time adjustment to its transportation fuel reimbursement percentage from 1.55 percent to 1.46 percent, effective April 1, 2008, and making a cash-out payment of $2,482,253 to shippers); *Colorado Interstate Gas Co.*, Docket No. RP08-264-000 (April 23, 2008) (unpublished letter order) (granting CIG's request to account for over-collections of storage fuel gas between January 1, 2007 and December 31, 2007 by making an out-of-time adjustment to its storage fuel reimbursement percentage from 0.86 percent to 0.73 percent, effective May 1, 2008, and making a cash-out payment of $1,059,840 to shippers); *Colorado Interstate Gas Co.*, 124 FERC ¶ 61,192 (2008) (rejecting CIG's request to make an out-of-time adjustment to the true-up component of its transportation fuel and storage fuel reimbursement percentages by decreasing them to zero).

6. In the instant filing, CIG proposes a transportation fuel reimbursement percentage of 1.37 percent—a decrease of 0.13 percent from the October 2007 percentage of 1.55 percent. CIG calculated this figure by reducing the base percentage of 1.42 percent (the result of CIG's out-of-cycle filings) by the true-up percentage of negative 0.05 percent. CIG states that its proposed transportation fuel reimbursement percentage is the result of a decrease in compressor fuel used compared to increased throughput. CIG supports its proposed true-up percentage by noting that the over-collected amount of transportation fuel for the year ending June 30, 2008 of 823,960 Dth was reduced in an out-of-cycle filing by 549,332 Dth,[5] leaving a net over-collection of 274,628 Dth, or a true-up percentage of negative 0.05 percent.

7. CIG proposes a storage fuel reimbursement percentage of 0.73 percent—reflecting no change from its current percentage. CIG states that it is required to calculate its storage fuel reimbursement percentage based on the most recent three years of data. However, because its most recent out-of-cycle adjustment reduced the base percentage, which reflects actual reimbursements during the three years ending December 31, 2007 (the same period applicable to this filing), no change is necessary at this time.

8. CIG proposes a CS-1 fuel reimbursement percentage of 0.36 percent—an increase of 0.13 percent from the October 2007 percentage of 0.23 percent. CIG calculated this figure by increasing the base percentage of 0.31 percent by the true-up percentage of 0.05 percent. CIG states that its proposed CS-1 fuel reimbursement percentage increased from October 1, 2007 to October 1, 2008 due to consistent fuel use compared to a decrease in throughput. CIG supports its proposed true-up percentage by noting that the under-collected amount of CS-1 transportation fuel for the year ending June 30, 2008 was 26,193 Dth, or a true-up percentage of 0.05 percent.

9. CIG proposes a CS-1 L&U reimbursement percentage of zero—a decrease of 0.08 percent from the October 2007 percentage of 0.08 percent. CIG calculated this figure by decreasing the base percentage of 0.06 percent by the true-up percentage of negative 0.07 percent. CIG states that this zero percentage results from a decrease in experienced L&U quantities coincident with a decrease in throughput. CIG supports its true-up percentage noting that the over-collected amount of CS-1 L&U gas for the year ending June 30, 2008 was 33,318 Dth, or a true-up percentage of negative 0.07 percent. This true-up percentage would reduce the base percentage of 0.06 percent to a total CS-1 L&U reimbursement percentage of negative 0.01 percent. CIG states that because Article 42 of its GT&C prohibits it from having a reimbursement percentage less than zero, it will remit the value of L&U quantities above the base percentage of 0.06 percent to shippers

[5] *Colorado Interstate Gas Co.*, 122 FERC ¶ 61,304.

within 45 days of the Commission's acceptance of this filing and reduce the total CS-1 L&U reimbursement percentage to zero.[6]

B. <u>LUF</u>

10. CIG states that since its last annual filing, it has submitted the three quarterly LUF filings required by section 42.2 of its GT&C, which supported the continued use of a zero LUF reimbursement percentage.[7] In this filing, CIG proposes an LUF reimbursement percentage, which is based on two components—a base LUF reimbursement percentage and a true-up reimbursement percentage. CIG explains that the true-up percentage also is composed of two components—a volumetric true-up reimbursement percentage and a cost/revenue true-up reimbursement percentage. CIG states that the volumetric true-up is based on the difference between LUF quantities experienced and collected for the period between July 2007 and June 2008, while the cost/revenue true-up is based on the difference between the costs and revenues related to LUF quantities experienced and collected for the period between October 2007 and June 2008.

11. In this filing, CIG proposes a base reimbursement percentage of zero, a volumetric true-up reimbursement percentage of zero, and a cost/revenue true-up reimbursement percentage of 0.28 percent for a total reimbursement percentage of 0.28 percent, to be effective October 1, 2008.

i. <u>Base Reimbursement Percentage</u>

12. CIG proposes to retain the base LUF reimbursement percentage of zero. CIG states that it experienced negative, or excess, LUF quantities during the past year, due to the effects of liquid processing shrinkage and related revenues. CIG explains that its net

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[6] CIG calculates this excess quantity as 4,526, which it values by multiplying it by a weighted average rate of $7.324/Dth for a total remittance of $33,130, which it will prorate to shippers based on each shippers total CS-1 L&U receipt quantity for the period between July 2007 and June 2008.

[7] *See Colorado Interstate Gas Co.*, 124 FERC ¶ 61,177 (2008) (approving CIG's proposal to retain an LUF percentage of zero and defer 164,687 Dth of excess LUF to be used to offset future LUF quantities); *Colorado Interstate Gas Co.*, 124 FERC ¶ 61,190 (2008) (approving CIG's proposal in Docket No. RP08-233-000 to retain an LUF percentage of zero and cash-out 1,001,141 Dth of over-collected LUF for the period between July 2007 and December 2007 by remitting to shippers $4.226 million); *id.* (approving CIG's proposal in Docket No. RP08-394-000 to retain an LUF percentage of zero and to cash-out 156,954 Dth of over-collected LUF for the first quarter of 2008 by remitting to shippers $1.2 million).

system fuel and L&U quantities for the past year amounted to 5,071,398 Dth, which were more than offset by the Dth-equivalent processing revenues (offset by electric commodity costs) of 6,271,579 Dth. Because this results in a negative LUF reimbursement percentage, which is prohibited by CIG's tariff, CIG proposes a base reimbursement percentage of zero.

ii. Volumetric True-up Reimbursement Percentage

13. CIG proposes an LUF volumetric true-up reimbursement percentage of zero. CIG states that the total over-collected LUF quantity for the year ending June 30, 2008, is 282,877 Dth. CIG further states that it is required to remit the value of any excess LUF quantities that remain outstanding at the time of the annual fuel and LUF filing. Therefore, CIG proposes to remit $2,363,321 to shippers to account for the excess LUF quantity, which would then result in a volumetric true-up percentage of zero.

iii. Cost/Revenue True-up Reimbursement Percentage

a. Primary Case

14. CIG proposes a LUF cost/revenue true-up reimbursement percentage of 0.28 percent to account for what CIG claims is a balance due CIG of $18,540,965. Because this is the first annual filing with the cost/revenue true-up, CIG describes the cost/revenue true-up at length as well as the Commission's order approving its use.[8]

15. CIG also provides information on operational purchases and sales of gas. CIG acknowledges that the Commission, in accepting CIG's new tracking mechanism, required CIG to distinguish between purchases and sales for system balancing and those for shipper imbalances and service flexibility, and it does so in its "primary case," as described here.[9] CIG states that the "Fuel Related Imbalance" workpapers outline the fuel and related system balancing LUF costs and revenues, while the "Shipper Related Imbalance" workpapers delineate the assignment of LUF costs and revenues to shipper imbalance activity. CIG states that netting total shipper credit imbalance cash-outs against total shipper debit imbalance cash-outs yields a total of 1,884,352 Dth taken from the pipeline (credit cash-out imbalance), with an associated value of $9,131,480. CIG

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[8] CIG, August 29, 2008 Filing at 11-12 (citing *Colorado Interstate Gas Co.*, 122 FERC ¶ 61,191).

[9] CIG asserts, however, that it is more appropriate to assign the costs of all purchases and sales to the LUF charge, and accordingly, it has included an "alternate case" (and tariff sheets) in which it does not distinguish between the types of imbalances, as required by the Commission.

further states that it provides a summary of net shipper imbalance activity by adding net shipper transmission imbalances with shipper imbalance cash-outs, yielding a total quantity taken from the pipeline of 2,280,713 Dth. CIG explains that due to timing differences in the value of such quantities, the amount shippers should remit to CIG was reduced from $9,131,480 to $8,636,654.

16. CIG states that it next assigned operational purchases that it made during that period to shipper imbalances. CIG asserts that its premise for the assignment of costs is that CIG buys gas quantities to offset the quantities taken by shippers as a result of imbalance-related activities before buying any gas to offset fuel under-recoveries, linepack and system balancing needs. CIG explains that if a shipper imbalance was not zero after the application of the operational purchases, further offsets would be made using system storage, linepack, and if required, operational sales. CIG discusses which months operational purchases accounted for all of shipper imbalance activity and which months the purchases did not. CIG asserts that the overall effect of the assignment of costs and revenues to shipper imbalance activities is to require CIG to bear a cost of $4,169,924.

17. CIG states that during this period, CIG experienced the cost related to fuel and other gas balance items due to higher cash-out prices in an environment when CIG over-recovered fuel. CIG then provides a number of inputs into its cost/revenue true-up: (1) net fuel and LUF over- and under-collections reflecting a disposition of 690,031 Dth, or $10,300,368; (2) operational sales, including Dth-equivalent of liquid processing revenues, of 4,524,750 Dth, or $31,936,711; (3) operational purchases, including electric compression Dth-equivalent, of 3,846,912 Dth, or $29,213,839; (4) imbalance cash-outs and operational sales related to processing revenues of 4,524,750 Dth, or $31,936,711; (5) shipper/operator imbalance cash-outs and operational purchases of 1,227,779 Dth, or $5,554,051; and (6) capitalized linepack and other gas activities resulting in a disposition of 87,855 Dth, or $460,061. Importantly, CIG notes that total gas balance dispositions amounted to 5,459,986, with a value of $22,798,110 and total gas balance sources amounted to 5,459,986, with a value of $41,339,075. CIG concludes that the timing difference between these sources and dispositions of gas result in $18,540,965 due to CIG.

18. CIG proposes to partially offset the $18,540,965 balance due it under the cost/revenue true-up by the $2,363,321 balance due shippers under the volumetric true-up. CIG states that to determine the cost/revenue true-up percentage, the net amount due CIG of $16,177,644 would be divided by the average system cash-out rate of $7.2842/Dth to yield a Dth-equivalent of 2,220,922. CIG further states that when divided by normalized 12-month total system throughput of 780,133,540 Dth, the cost/revenue true-up percentage is 0.28 percent.

19. CIG explains that one of the key drivers of gas balance variability is the over- and under-collections of fuel and LUF and shipper and operator imbalance activities.

Furthermore, CIG states that it must purchase and sell gas at market rates and that delays in the creation of a fuel imbalance and the fuel true-up will lead to cost and revenue variability. CIG notes that during this true-up period, published market prices for CIG's north system gas increased from a low of $2.794/Dth in October 2007 to a high of $8.438/Dth in May 2008 and that prices on CIG's south system increased from a low of $5.394/Dth in November 2007 to a high of $10.550 in June 2008. CIG states that such price escalations are a direct contributing factor of the net system cost due to fuel imbalances and related gas balance changes resulting in its proposed cost/revenue true-up percentage. CIG acknowledges the intricacy of its filing and supporting workpapers, and therefore, states that it will not oppose a technical conference if the Commission or shippers believe it would be helpful in understanding the instant filing.

b. Alternate Case

20. CIG next presents an alternate case for the calculation of its cost/revenue true-up. CIG notes that in the order accepting the cost/revenue true-up, the Commission required CIG to distinguish operational purchases and sales for shipper imbalance activities from fuel gas imbalance activities. The effect of this requirement, according to CIG, is that CIG must bear $4,169,924 in unreimbursed costs, for which it currently has no appreciable rate, surcharge or tracking mechanism. CIG's states that its "alternate case" fully assigns revenues and costs for fuel, other fuel, shrinkage, linepack adjustments, system balancing activities and other such credit/debit activity, including cash-outs.

21. CIG argues that its operational purchases and sales are made to account for overall operational considerations, not to address individual or specific activities. CIG further argues that decisions to purchase or sell operational gas are not solely within CIG's control and are made viewing operations in total to assure pipeline integrity in the face of fuel and other imbalances. CIG provides simplified examples that it argues illustrate that one imbalance on its system could be offset by other imbalances or adjustments to linepack and storage. Because CIG can offset imbalances without making purchases and sales in some instances, CIG asserts that it would likely incur additional unnecessary costs if it were required to undertake individual purchases and sales based on each and every fuel and balancing activity. CIG states that fuel and LUF recovery and shipper imbalance activities cannot be easily segregated, nor does the assignment of such costs ensure that the pipeline is made economically neutral.

22. Furthermore, CIG contends that intertwined with the volumetric gas balance activities are their financial costs. CIG states that there is almost always a difference in the cost of gas at the time it is put into the system, e.g., a shipper's fuel reimbursement, and when it is taken off the system, e.g., fuel actually burned. CIG states that the value difference based on the timing of sources and dispositions is a normal cost of doing business and the basis for which the Commission approved the cost/revenue true-up mechanism. Therefore, CIG states that its actual experience with respect to system operations and related timing differences is reflected in the alternate case workpapers,

which include operational purchases and sales activities that result from various factors, including shipper imbalances, operator imbalances, linepack and system balancing requirements, and fuel and L&U gas quantities. CIG believes this method is consistent with CIG's characterization of the proposal throughout the proceedings in Docket No. RP07-666-000 and the tariff language approved by the Commission in section 42.5 of its GT&C.

23. Under the alternate case scenario, CIG proposes an LUF cost/revenue true-up reimbursement percentage of 0.36 percent to account for what CIG claims is a balance due CIG of $22,710,891. CIG states that it supports this figure in its alternate case workpapers, operational purchases and sales annual report, and cash-out penalty crediting reported, submitted herein.

III. Public Notice, Interventions, and Comments

24. Notice of CIG's filing was issued on September 4, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2008), 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 this proceeding or place additional burdens on existing parties. Indicated Shippers[10] and Williams Gas Marketing, Inc. (Williams) filed protests.

25. On September 22, 2008, CIG filed an answer. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2008), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept CIG's answer and therefore reject it.

26. In its protest, Indicated Shippers argue that the Commission should reject CIG's alternative case, suspend its primary case for the full five-month period, and establish a technical conference with procedures that would allow parties to get data from CIG in advance of the conference.

27. Indicated Shippers argue that the Commission should suspend CIG's proposal for the maximum five-month period, noting that CIG is seeking to flow-through $73.9 million of gas purchase costs. Indicated Shippers also express concerns with the methods CIG uses to allocate gas purchase costs, such as CIG's decision to rely on storage gas, rather than linepack, to offset imbalances when operational gas purchases do not completely offset that month's shipper imbalances. They express further concerns related

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[10] The Indicated Shippers are BP Energy Company, BP America Production Company, and Marathon Oil Company.

to CIG's allocation of linepack reductions and increases, storage and net system balancing, storage L&U, and operational balancing agreement (OBA) costs. Indicated Shippers also contend that CIG fails to allocate extra costs to no-notice shippers, despite the fact that CIG must devote substantial resources to supporting such service. Indicated Shippers argue that all of these concerns, the fact that this is CIG's first filing utilizing the recently monetized cost/revenue true-up, and the fact that shippers have an interest in ensuring that appropriate corrections are made to CIG's allocation methods here and in future filings, compel the need for a technical conference and a maximum suspension period.

28. Additionally, Indicated Shippers argue that CIG's shippers require additional information in advance of the technical conference regarding CIG's method of allocating gas purchase costs between fuel-related imbalances and shipper-related imbalances. Indicated Shippers contend that such allocation is supported by the notion that cost incurrence must match cost responsibility; however, they note that there are still a number of unanswered questions regarding CIG's proposed allocation methodology. For example, Indicated Shippers question the following: whether it is appropriate to first allocate gas purchase costs to OBAs; whether CIG could more accurately identify fuel-related imbalances to specific portions of its system; and whether shipper-related imbalances may be even more readily identified to shipper monthly imbalance cash-out quantities.

29. In its protest, Williams argues that among other issues with CIG's filing, the cost/revenue true-up component (both the primary and alternate cases) are inadequately supported and are likely unjust and unreasonable. Williams states that the Commission should either reject the cost/revenue true-up component entirely, or, at a minimum, establish further procedures to enable review of CIG's proposal such as a technical conference. Additionally, Williams offers a number of observations that it contends merit further review.

30. Williams states that although CIG over-collected volumes of both fuel and LUF during this period, CIG seeks to assign roughly $18 million to its shippers for the purported impact of CIG's own over-statement of the required reimbursement rates. Williams next states that CIG bases a large portion of the cost/revenue true-up on the unprecedented run-up in gas prices during the relevant period. Williams notes, however, that CIG failed to account for the equally significant run-down in gas prices in recent months, and argues that without accounting for this run-down, CIG's proposed reimbursement percentage will result in significant over-collections.

31. Williams next states that the Commission's approval of the cost/revenue true-up was to become effective March 1, 2008,[11] which is also consistent with the

[11] *Colorado Interstate Gas Co.*, 122 FERC ¶ 61,191 at P 1.

Commission's acceptance of the mechanism pending the outcome of a technical conference.[12] Williams argues that despite this effective date, CIG has gone back to October 1, 2007 to capture and economically value monthly activity. Moreover, Williams notes that CIG used as a starting point for economic valuation the September 30, 2007 beginning balance for net fuel and L&U under- or over-recovery. Williams contends that such starting points for the cost/revenue true-up effectively nullify the Commission's suspension to March 1, 2008 at great cost to shippers. Williams illustrates that by beginning the valuation period when it did, CIG valued its 2,692,998 Dth over-recovery at $3.158/Dth, rather than $7.685, with the effect of driving up the cost/revenue true-up figure by roughly $12.2 million.

32. Williams next takes issue with CIG's decision to set its base LUF percentage at zero, due to the fact that it yielded a negative amount of roughly 1.2 million Dth. Williams argues that because the total LUF reimbursement percentage is a positive 0.28 percent, CIG should offset this amount by its 1.2 million Dth over-recovery, i.e., its actual experience during the current period. Williams asserts that not requiring CIG to offset these amounts is unreasonable because it purposely sets up another LUF over-collection for the upcoming period.

33. Williams states that CIG's filing is complicated by CIG's numerous filings during the year, in which CIG requested to make early cash-outs of certain over-collections, and argues that these top-side adjustments may have affected CIG's current filing in ways that make it unjust and unreasonable. Williams cites CIG's valuation of 2,002,967 Dth of cumulative over-collections of fuel and L&U at the June 30, 2008 price of $9.3885/Dth in light of its prior cash-out of 1,158,095 Dth of the same at an average cost of $4.75 and argues that CIG may have inadvertently over-valued the latter portion of its cumulative over-collections of fuel and L&U, thereby over-stating its cost/revenue true-up component by $5.37 million.

34. Williams next argues that CIG's attempt to allocate LUF costs and revenues to daily operations related to shipper imbalances and service flexibility has produced unusual results. Specifically, Williams notes that quantities for fuel-related and shipper-related activity are both in the range of 5 million Dth; however, the cost allocated to shipper-related activity (roughly $4.2 million) is less than a quarter of the cost assigned to fuel-related activity (roughly $18.5 million). Moreover, Williams notes that CIG's allocations of operational purchases to shipper-related activity averaged $5.99/Dth whereas allocations to fuel-related activity averaged $7.59/Dth. Williams questions how it is that CIG's purchases to cover for shipper-related imbalances are less expensive than those purchases that cover for random fuel variances and therefore argues that CIG's proposed allocation method is likely unjust and unreasonable.

[12] *Colorado Interstate Gas Co.*, 120 FERC ¶ 61,287, at P 1 (2007)

35. Williams asserts that CIG's alternate case shares similar infirmities to those it describes above with respect to CIG's primary case. In addition, Williams argues that the alternate case violates the Commission's order approving the cost/revenue true-up by not allocating costs to operational purchases for shipper-imbalance activity. Therefore, Williams opposes the alternate case.

IV. Discussion

36. The Commission has reviewed CIG's filing as well as the protests filed by Indicated Shippers and Williams in this proceeding and finds that the manner in which CIG's proposed fuel and LUF reimbursement percentages were calculated raise complex and significant issues, which are best addressed at a technical conference.

37. It is not possible to determine, at this juncture, whether CIG's proposed reimbursement percentages are just and reasonable. A technical conference will afford the Commission Staff and the parties to the proceeding an opportunity to discuss all of the issues raised by CIG's filing, including but not limited to the issues raised in the protests of both Indicated Shippers and Williams and the general allocation methods relied on by CIG. The technical conference will also afford the parties an opportunity to re-evaluate the fundamental underpinnings of the cost/revenue true-up and determine whether its execution has indeed brought greater accuracy to CIG's LUF calculation. At the technical conference, CIG should be prepared to fully explain its methodology for determining the reimbursement percentages, specifically the cost/revenue true-up aspect thereof. Any party proposing alternatives to CIG'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 CIG or other parties at the conference.

38. The proposed tariff sheet accompanying CIG's alternate case does not follow the Commission's requirements for implementation of a monetized true-up mechanism.[13] The Commission conditioned its approval of CIG's cost/revenue true-up on CIG's filing "annual updates that fully document purchases and sales of fuel gas volumes, and that distinguish purchases and sales for system balancing purposes and, if any, for providing flexibility under its various services."[14] Shortly thereafter, in approving an almost identical mechanism for CIG's affiliate pipeline, Wyoming Interstate Company, Ltd., the Commission clarified that "[p]urchases and sales for system balancing are to be kept

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[13] *Colorado Interstate Gas Co.*, 122 FERC ¶ 61,191; *see also Wyoming Interstate Co., Ltd.*, 122 FERC ¶ 61,303, at P 37 (2008).

[14] *Colorado Interstate Gas Co.*, 122 FERC ¶ 61,191 at P 35.

separate and must be recovered through the cash-out provisions and not through the fuel mechanism."[15] CIG acknowledges that its alternative case tariff sheet combines its fuel-related imbalance costs and revenues and its shipper-related imbalance costs and revenues. Accordingly, the Commission rejects the alternate case tariff sheet as not in compliance with our requirements for implementing monetized true-up mechanisms.

39. Furthermore, the Commission finds that the proposed tariff sheet accompanying CIG's primary case has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Therefore, the Commission will accept the primary case tariff sheet for filing and suspend its effectiveness for the full statutory period, subject to the conditions set forth in this order.

40. The Commission's policy regarding rate suspensions is that rate 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 that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspensions for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here where CIG's filing establishes new reimbursement percentages for the upcoming annual period. Therefore, the Commission shall exercise its discretion to suspend the rates to take effect on October 1, 2008, subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

The Commission orders:

(A) The proposed tariff sheet listed in footnote no. 1 is conditionally accepted and suspended, effective October 1, 2008, subject to refund and to the outcome of the technical conference established by this order.

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

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[15] *Wyoming Interstate Co., Ltd.*, 122 FERC ¶ 61,303 at n.23.

(C) The alternate tariff sheet listed in footnote no. 2 is rejected as inconsistent with the Commission's requirements governing the subject cost/revenue true-up.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.