

125 FERC ¶ 61,255  
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 ON TECHNICAL CONFERENCE

(Issued December 2, 2008)

1. On April 30, 2008, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets<sup>1</sup> to reflect its 2008 annual Transportation Retainage Adjustment (TRA), to track changes in its fuel requirements, to be effective June 1, 2008. By order issued May 29, 2008 (May 29 Order),<sup>2</sup> the Commission accepted and suspended the tariff sheets, to be effective June 1, 2008, subject to refund and conditions and the outcome of a technical conference. Staff convened the technical conference and the parties filed initial and reply comments after the conference. Below, the Commission addresses these comments; and, for the reasons discussed below, the Commission directs Columbia Gulf to file, within 15 days of the date of this order, revised tariff sheets to modify its company use gas (CUG) and lost and unaccounted for (LAUF) forward haul retainage percentages effective June 1, 2008, and to make refunds and submit a refund report. In addition, the Commission directs Columbia Gulf to provide a report with its next annual TRA filing that includes details on the scope and outcome of its LAUF investigation.

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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> *Columbia Gulf Transmission Co.*, 123 FERC ¶ 61,216 (2008).

## **Background**

2. Columbia Gulf made its April 30, 2008 annual fuel tracker filing pursuant to the provisions of section 33 of the General Terms and Conditions (GT&C) of its tariff,<sup>3</sup> to be effective June 1, 2008. Columbia Gulf stated that the filing 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 which was caused by tornadoes.<sup>4</sup> As part of its filing, Columbia Gulf proposed to: (1) increase its CUG and 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 its tariff; and (3) request waiver of its methodology for allocating the CUG component among zones. Columbia Gulf proposed to allocate the CUG under/over-collection of gas quantities directly to the zones in which it was incurred. The filing was protested.

3. In its response to a Commission data request,<sup>5</sup> Columbia Gulf stated that its April 30, 2008 filing did not include any gas losses or gas use attributable to the damage at the Hartsville Compressor Station. Columbia Gulf also stated 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. Finally, Columbia Gulf stated that, if any Hartsville-related 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.

4. The May 29 Order, accepted and suspended Columbia Gulf's annual fuel tracker filing, permitting it to become effective June 1, 2008, subject to refund and conditions, and the outcome of a technical conference. The Commission granted Columbia Gulf's

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<sup>3</sup> Section 33 of Columbia Gulf's tariff provides a tracker mechanism to recover CUG and LAUF gas. These costs are recovered through retainage factors, which factors consist of current (projected) and an over/under recovered (deferral) component.

<sup>4</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 file by May 1, 2008 to be effective June 1, 2008. *Columbia Gulf Transmission Co.*, 122 FERC ¶ 61,184 (2008).

<sup>5</sup> 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.

waiver request for a three-year amortization period, but denied Columbia Gulf's request for waiver to modify its methodology for the over/under-recovery surcharge associated with assigning CUG to the zones in which it was incurred. In regard to Columbia Gulf's claimed losses due to tornado damage, the Commission stated that 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. The Commission stated that when a pipeline suffers an extraordinary, one-time loss that could not reasonably 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>6</sup> Finally, the Commission stated that Columbia Gulf's proposed CUG and LAUF retainage percentages raised numerous issues, which are best addressed at a technical conference.

5. On June 2, 2008, in compliance with the May 29 Order, Columbia Gulf submitted tariff sheets that reflected transportation retainage factors based upon the currently effective methodology set forth in section 33.4(b) of its tariff. However, Columbia Gulf proposed that the compliance rates in the June 2, 2008 filing be applied from July 1, 2008, forward so as not to disrupt its shipper bid week gas nominations previously submitted for June 2008 business.<sup>7</sup> Columbia Gulf proposed to use the April 30, 2008 filed 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 on the June 2, 2008 filing. The June 2, 2008 filing was protested.

6. On June 30, 2008, the Commission issued a letter order (June 30 Order) that conditionally accepted the revised tariff sheets filed June 2, 2008, to be effective June 1, 2008, subject to refund and to the outcome of the technical conference proceeding.<sup>8</sup> The Commission found that Columbia Gulf had inappropriately included backhaul quantities in developing the allocation factors used in the allocation of the CUG over/under

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<sup>6</sup> See *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161 (2007); *reh'g denied*, 123 FERC ¶ 61,183 (2008).

<sup>7</sup> Columbia Gulf explained 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 had already submitted many nominations for the month of June.

<sup>8</sup> *Columbia Gulf Transmission Co.*, 123 FERC ¶ 61,313 (2008).

surcharge portion of its retainage rate to zone.<sup>9</sup> However, the Commission did not require Columbia Gulf to file revised retainage rates at that time because the difference between the rates filed in the June 2, 2008 filing and the revised rates shown in Columbia Gulf's answer to the protest in that filing was small. The June 30 Order also granted waiver for Columbia Gulf to defer application of the revised retainage rates filed in the June 2, 2008 filing until July 1, 2008. The Commission allowed Columbia to defer any refunds until a further order is issued on the technical conference proceeding in this docket.

7. The technical conference was held on July 16, 2008. Thereafter, Columbia Gulf filed initial comments including a copy of its technical conference presentation, answers to questions raised by the parties at the technical conference, and additional support for its LAUF figures. Initial and reply comments were filed by Indicated Shippers<sup>10</sup> and the Cities of Charlottesville and Richmond, Virginia (Cities). In addition, reply comments were filed by United States Gypsum Company (USGC), Washington Gas Light Company (WGL), Baltimore Gas and Electric Company (BG&E) and BG Energy Merchants, LLC (BGEM). In their initial and reply comments, the parties raise issues about: (1) Columbia Gulf's "*force majeure*" incidents at Delhi and Hartsville; (2) requiring Columbia Gulf to modify its tariff to comply with Commission policy regarding reservation charge credits during periods of reduced capacity; (3) Columbia Gulf's need to further investigate its LAUF, submit follow-up reports to the Commission and Shippers, and develop plans to resolve the issue if shippers are to continue to bear these costs; (4) the adequacy of Columbia Gulf's support for the CUG portion of its TRA filing; and (5) requiring Columbia Gulf to track the changes on its system with respect to the increased backhaul volumes.

8. In their comments, the parties request the Commission to: (1) require Columbia Gulf to provide a time table and milestones for its examination of the causes and potential solutions to the high level of LAUF on its system; (2) require Columbia Gulf to submit a report of the scope of work and the actions taken to impact/reduce the level of its LAUF

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<sup>9</sup> *Id.* P 15.

<sup>10</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. Indicated Shippers argue that the LAUF increase underscores the basic problem with current tracker mechanisms and tracker filings, namely, that they do not provide any incentive, positive or negative, to prevent the type of loss in Columbia Gulf's filing. Also, Indicated Shippers state that the allocation of under-recovered fuel is no longer an issue in this proceeding. Indicated Shippers' initial comments at 3 and 5.

prior to the submission of its next annual TRA filing; (3) order Columbia Gulf to exclude the gas quantities lost as a result of the Line 100 rupture in Delhi and the subsequent venting of Line 200 from its CUG surcharge calculation in this docket and in future dockets implementing the amortized recovery of Columbia Gulf's unrecovered gas quantities; and (4) require Columbia Gulf to modify its tariff to comply with Commission policy regarding reservation charge credits during periods of reduced capacity. These matters are discussed below.

## **Discussion**

### **A. Delhi Pipeline Rupture**

9. Columbia Gulf stated 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.<sup>11</sup> However, Columbia Gulf identified that the subject TRA included approximately 16,000 Dth of gas losses attributable to a pipeline rupture that occurred in the vicinity of its Delhi Compressor Station at Line 100.<sup>12</sup> In addition, Columbia Gulf identified approximately 14,000 Dth of gas losses related to Line 200 at Delhi which was blown into the atmosphere to maintain safe operations of its system.<sup>13</sup>

#### **1. Comments of the Parties**

10. Most of the parties argue that the loss of gas as a result of the Delhi rupture is not appropriately recoverable in Columbia Gulf's TRA filing under the Commission's ruling in this docket and earlier cases.<sup>14</sup> Specifically, the parties argue that the loss of gas due to the rupture of Line 100 and from the venting of Line 200, are by definition unusual, non-recurring events that are outside the scope of normal pipeline operations.<sup>15</sup> They contend that the Commission has ruled that such gas is not recoverable in a fuel tracker

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<sup>11</sup> May 29 Order at P 16.

<sup>12</sup> See Columbia Gulf's initial comments at 17.

<sup>13</sup> See Columbia Gulf's initial comments at 18.

<sup>14</sup> Citing the May 29 Order at P 17; *Williams Natural Gas Co.*, 73 FERC ¶ 61,394 (1995), *on reh'g*, 74 FERC ¶ 61,215 (1996); *Colorado Interstate Gas Co.*, 121 FERC ¶ 61,161 (2007), *reh'g denied*, 123 FERC ¶ 61,183 (2008).

<sup>15</sup> See Cities initial comments at 8-10; Cities reply comments at 7-9; WGL reply comments at 5-6; USGC reply comments at 3-5; and BG&E reply comments.

filing.

11. Columbia Gulf acknowledges that the Commission's May 29 Order laid out its policy that gas lost as a result of non-routine events must be excluded from the fuel trackers. However, Columbia Gulf argues first that the Delhi lost quantities are *de minimis* and should be recovered in the instant TRA proceeding and, second, that the approximately 14,000 Dth of gas vented from Line 200 as a precautionary measure after the rupture and explosion of the adjacent Line 100 was to maintain safe operations on its system and, as such, was a normal part of the operation of its system and is properly recoverable in the fuel tracker. Columbia Gulf requests that, because the Delhi amounts are extremely small and which were booked as CUG and not LAUF, the Commission permit their recovery in this TRA proceeding rather than require the additional expenditure of a separate limited section 4 filing.

## 2. Commission Ruling

12. The Commission ruled in the May 29 Order and in several previous orders that only gas lost as a result of normal pipeline operations may be flowed through in a tracking mechanism.<sup>16</sup> The Commission finds that gas lost as a result of extraordinary events, like the Delhi rupture, cannot be recovered through a fuel tracking mechanism. Further, contrary to Columbia Gulf's assertion, the Commission has not established a *de minimis* exception to our fuel tracker policy.

13. Columbia Gulf's assertion that gas lost due to venting of gas from Line 200 is properly recoverable is also incorrect. On the same day that the May 29 Order was issued in this proceeding, the Commission addressed a situation where a pipeline experienced a fire that resulted in lost gas and where the pipeline subsequently blew down gas when it undertook repairs following the fire. The Commission found that the gas lost as a result of the fire and the gas blow down following the fire were not recoverable through the pipeline's fuel tracker.<sup>17</sup>

14. We find that both the lost gas resulting from the rupture of Line 100 and the gas lost as a result of the venting of Line 200 by Columbia Gulf are related actions which are unexpected, non-routine events that the Commission has determined are outside the scope of fuel tracking mechanisms which are designed to recover gas required for normal operations. Accordingly, we direct Columbia Gulf to file revised tariff sheets, within 15

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<sup>16</sup> *Id.*

<sup>17</sup> See *Cheyenne Plains Gas Pipeline Company, L.L.C.*, 123 FERC ¶ 61,220, at P 10 (2008).

days of this order, to remove the quantities resulting from the rupture of Line 100 and the subsequent vent off of Line 200 from the CUG component of the surcharge calculation from the 2007 deferral period.

**B. Revenue Credits**

**1. Comments of the Parties**

15. Cities and USGC argue that the issue of revenue crediting is within the scope of this proceeding and that Columbia Gulf should be required to modify its tariff to provide revenue credits to customers during periods when its firm service is reduced.<sup>18</sup> Cities explain that a rupture and fire occurred on December 14, 2007, near Delhi Louisiana. Following that incident, they assert that the U.S. Department of Transportation issued an order requiring a thorough evaluation of Columbia Gulf's pipeline facilities and a reduction in operating pressures that reduced the amount of gas that could flow through Columbia Gulf's Line 100. According to Cities, the reduction in capacity in Line 100 continued for more than six months and was finally lifted on June 24, 2008. They contend that this had a direct impact on Columbia Gulf's mainline zone customers causing them to experience a loss of capacity and reduction to their firm transportation rights.<sup>19</sup>

16. Despite the fact that customers faced reduced capacity, the parties state that Columbia Gulf did not reduce the charges to its customers during this period of reduced capacity, claiming that it is under no obligation to do so under its tariff. The parties argue the Commission's policy is clear that firm customers should receive revenue credits when the pipeline is unable to provide contracted-for firm service, even when the pipeline had not proposed any modification to its *force majeure* tariff provisions.<sup>20</sup> They request the Commission to require Columbia Gulf to comply with its policy that requires pipelines to credit shippers' reservation charges during curtailments by directing Columbia to revise its tariff to (1) provide that firm shippers are entitled to revenue credits for their

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<sup>18</sup> Cities initial comments at 4; USGC Reply Comments at 6.

<sup>19</sup> See Cities initial comments at 10-14.

<sup>20</sup> USGC reply comments at 7-8; see also Cities initial comments at 13, note 20 (citing, among other cases, *Tuscarora Gas Transmission Co.*, 120 FERC ¶ 61,022, at PP 14-16 (2007) (Section 5 power used to require revenue crediting in a section 4 proceeding "when the Commission is made aware of a tariff provision that is contrary to Commission policy").

reservation charges when capacity is unavailable during non-*force majeure* circumstances, and (2) require Columbia Gulf to provide credits equal to the return and taxes component of the reservation rate when capacity is unavailable as a result of a force majeure event.<sup>21</sup>

## 2. Commission Ruling

17. The Commission finds that the issue of demand charge credits is beyond the scope of this fuel tracker filing. This proceeding is concerned solely with a tracking mechanism that is used to calculate the transportation retainage rates based on the quantities and percentages for CUG and LAUF. The protests on this issue are rejected without prejudice to the parties raising this matter as a complaint.

### C. Refund Treatment of CUG and LAUF Retainage Rates

#### 1. Comments of the Parties

18. In its comments, Columbia Gulf states that given the small size of the differences resulting from the treatment and handling of the refunded/credited gas quantities, Columbia Gulf proposes that for the months the existing rates are in effect, it will flow through any resulting over/under retained quantities to/from its customers, via a periodic TRA filing that will be made after a final order from the Commission has been issued in this proceeding.

19. In their reply comments, Cities ask the Commission to require Columbia Gulf to adjust its fuel retainage rates to correct the misallocation of CUG and to eliminate inappropriately included CUG quantities in the CUG surcharge component of its fuel retainage rates.

#### 2. Commission Ruling

20. The Commission rejects Columbia Gulf's proposal to roll refund amounts into the next annual TRA filing. The rejected allocation calculations and gas losses are specific to this period's customers and services. The Commission directs Columbia Gulf to make

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<sup>21</sup> Cities states that, consistent with other Commission-approved tariff provisions, it would support tariff language that gives the pipeline a reasonable but brief grace period in which to rectify the impacts of a *force majeure* event before revenue crediting would apply in order to avoid the administrative burden of revenue crediting for outages of a limited impact or duration while still giving the pipeline an incentive to rapidly restore service during a *force majeure* event. Cities initial comments at 14, note 22.

refunds and to file a refund report, in accordance with section 154.501 of the Commission's regulations,<sup>22</sup> to account for any difference in the revised retainage rates that are being directed herein and the April 30, 2008 conditionally-accepted rates. Accordingly, Columbia Gulf's proposal to flow through any differences to/from its customers, via a periodic TRA filing, is denied. Further, the Commission finds it appropriate to require the TRA rates reflecting the adjustments required by this order and the prior orders to be made effective June 1, 2008.

#### **D. Follow-up Report**

##### **1. Comments of the Parties**

21. Several of the parties argue that Columbia Gulf should be required to provide a more specific time table and plan for its continuing investigation of potential causes of the high level of LAUF on its system and to submit a follow-up report on its investigation and the steps it is taking to resolve the LAUF problem before its next TRA filing.<sup>23</sup> Indicated Shippers request the Commission to accept Columbia Gulf's 2007 LAUF quantity subject to the filing of a written report on the outcome of its LAUF investigation.<sup>24</sup> Indicated Shippers argue that Columbia Gulf has failed to carry its burden of proof because it has not substantiated the factual basis for its claimed retainage rates and request the Commission to require Columbia Gulf to file a report of its efforts and activities, including impacts to LAUF resulting from this work, as a part of its next annual TRA filing.<sup>25</sup>

22. Columbia Gulf states that it commits to providing a report at the time of its next annual TRA filing that will include details on the scope and outcome of its LAUF investigation and response. Columbia Gulf argues that the Commission should reject as unnecessary the parties' request that (a) approval of the retainage rates be conditioned on Columbia Gulf filing a written report providing specific details of the results of the

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<sup>22</sup> 18 C.F.R. § 154.501 (2008).

<sup>23</sup> Cities initial comments at 3-6, Cities reply comments at 1-3, and WGL reply comments at 2-4.

<sup>24</sup> Indicated Shippers initial comments at 3.

<sup>25</sup> Indicated Shippers reply comments at 1-5. In response to Columbia Gulf's statement that it received a report from an independent party that reviewed the meter performance data and facility design of the Centerpoint, Indicated Shippers request the Commission to direct Columbia Gulf to file the third-party's report in this proceeding as a necessary supplement to the record. Indicated Shippers reply comments at 5.

LAUF investigation, (b) Columbia Gulf provide a time table for its investigations, (c) the reporting obligation continue until the LAUF problem has been addressed and rectified, and (d) the parties be free to make their own recommendations concerning remedial matters. Columbia Gulf objects to any plan that would make approval of its TRA filing contingent upon meeting artificially set timetables or conditions imposed by third parties on its pipeline operations.<sup>26</sup>

## **2. Commission Ruling**

23. Columbia Gulf has agreed to file a follow-up report in its next annual TRA filing. There is no need to make acceptance of Columbia Gulf's revised retainage rates that are being ordered herein conditioned upon the submission of that report. There is nothing in this record to indicate that the reported LAUF data are incorrect or may be subject to change as the result of the report. The Commission directs Columbia Gulf to file its LAUF report with the filing of its next annual TRA filing. This report must include details on the scope and outcome of its LAUF investigation and its responses to that investigation.

### **E. Backhaul Quantities in the Allocation Factors**

24. Columbia Gulf stated in its Docket No. RP08-347-001 compliance filing 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 stated that it would correct this error in a filing to comply with the order on the technical conference. As noted earlier herein, in the Commission's June 30 Order the Commission agreed with Columbia Gulf's procedural proposal.<sup>27</sup> The Commission requires Columbia Gulf to reflect this correction in the compliance filing ordered below.

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<sup>26</sup> Columbia Gulf's reply comments at 3-4.

<sup>27</sup> 123 FERC ¶ 61,313, at P 15 (2008).

The Commission orders:

(A) Columbia Gulf is directed to file, within 15 days of the date of this order, revised tariff sheets effective June 1, 2008, making the modifications to its CUG and LAUF forward haul retainage percentages, as discussed above.

(B) Columbia Gulf is directed to include a report with its next annual TRA filing that includes details of the scope and outcome of its LAUF investigation and its responses, as discussed above.

(C) Columbia Gulf is directed to make refunds and to file a refund report in accordance with § 154.501 of the Commission's regulations within 15 days of the date of this order, as discussed above.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.