126 FERC ¶ 61,311
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Dominion Cove Point LNG, LP   Docket No. RP09-408-000

ORDER ACCEPTING TARIFF SHEETS

(Issued March 31, 2009)

1. On February 27, 2009, Dominion Cove Point LNG, LP (Cove Point), filed revised tariff sheets[1] to adjust its Transmission Electric Power Costs (TEPC) surcharges pursuant to the provisions of section 27 of the General Terms and Conditions (GT&C) of its tariff. The Commission accepts the revised tariff sheets to become effective April 1, 2009.

Background

2. Section 27 of Cove Point's GT&C sets forth the procedures to collect the TEPC incurred at the Pleasant Valley, Virginia, electric compressor station through a tracker and true-up mechanism. Cove Point constructed that compressor station as part of its Cove Point East Project, which the Commission certificated in 2003.[2] That project allowed Cove Point to receive gas at interconnections with Transcontinental Gas Pipe Line Corporation (Transco), Dominion Transmission, Inc., and Columbia Gas Transmission Corp. in Virginia for delivery on Cove Point's pipeline, which extends eastward towards Cove Point's liquefied natural gas (LNG) terminal in Maryland. In the certificate proceeding, the Commission approved Cove Point's proposal to establish a tracking mechanism in section 27 of its GT&C to recover the electric power costs associated with the new Pleasant Valley compressor station from only the Cove Point East Buyers.[3] Section 27.3(a) defines Cove Point East Buyers as shippers taking service

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[1] Twelfth Revised Sheet No. 11 and Eleventh Revised Sheet No. 12 to Cove Point's FERC Gas Tariff, Original Volume No. 1.

[2] *Dominion Cove Point LNG, LP*, 105 FERC ¶ 61,234 (2003) (*Cove Point*).

[3] *Id.* P 22-24.

under a firm service agreement executed in connection with the Cove Point East Project. However, in the settlement of Cove Point's last general rate case (settlement), as approved by the Commission, Cove Point agreed to revise its tariff to provide that it would also collect these electric surcharges from shippers other than the Cove Point East Buyers who have secondary or interruptible receipts at Cove Point's interconnection with Transco (Transco interconnect) in specified circumstances.[4]

3. Section 27 requires Cove Point to file to modify the rates through which it recovers its TPEC at least thirty days prior to each April 1. Section 27 provides for assessment of a Reservation Electric Surcharge and a Commodity Electric Surcharge (Electric Surcharges). Those surcharges include Estimated Transmission Electric Power Costs for the following year and Transmission Electric Power Deferred Accounts Costs consisting of any over- or under-recovery during the past Deferral Period.

The Instant Filing

4. Cove Point currently has a Reservation Electric Surcharge of $0.0599/Dth and a Commodity Electric Surcharge of $0.0090/Dth. Cove Point proposes to increase the Reservation Electric Surcharge to $0.0714/Dth and to increase the Commodity Electric Surcharge to $0.0424/Dth. Cove Point also proposes to revise the TEPC component of its maximum volumetric capacity release rate for Cove Point East from $0.0654 to $0.0658. Cove Point states that the volumetric maximum capacity release rate is the 100% load factor derivative of the reservation charges.

5. The calculations supporting the proposed Electric Surcharges are detailed in the attached workpapers. Workpaper 1 details the derivation of the proposed rates. Workpapers 2 through 4 detail the recovery of electric power costs, including interest, attributable to the Reservation Electric Surcharge. Workpapers 5 through 7 detail the recovery of electric power costs, including interest, attributable to the Commodity Electric Surcharge. Workpaper 8 provides monthly detail regarding the 2008 electric power costs and quantities.

6. Cove Point asserts that the increase in the Reservation Electric Surcharge is the result of minor changes in the proposed deferred rate component and the estimated electric power rate component. The current deferred rate component is ($0.0027)/Dth and the proposed deferred rate component is $0.0044/Dth. The current estimated electric power rate component is $0.0626/Dth and the proposed estimated electric power rate component is $0.0670/Dth.

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[4] *Dominion Cove Point LNG, LP*, 120 FERC ¶ 61,012 (2007).

7. Cove Point contends that the increase in the Commodity Electric Surcharge is the result of increases in both the deferred account rate component and the estimated electric power rate component. The current deferred rate component is $0.0068/Dth and the proposed deferred rate component is $0.0207/Dth. The current estimated electric power rate component is $0.0022/Dth and the proposed estimated electric power rate component is $0.0217/Dth. Cove Point asserts that, as detailed on Workpaper 8, Cove Point experienced higher electric commodity costs during 2008 than had been estimated. Cove Point further asserts that it estimated $48,038 of electric commodity costs for 2008, and the actual 2008 electric commodity costs were $409,877.

8. Cove Point contends that the higher electric commodity costs are due to the different activity patterns experienced by Cove Point during 2008. Cove Point further contends that, unlike prior years, receipts at Pleasant Valley exceeded deliveries to Pleasant Valley. Cove Point asserts that this increase in receipts and reduction in deliveries at Pleasant Valley significantly reduced Cove Point's ability to offset compression requirements through displacement,[5] which led to a substantial increase in electric usage and resulting costs in 2008. Cove Point further asserts that this change in activity patterns is also the basis for the increase in the estimated electric power rate component, since Cove Point's estimate is based on the prior year's experience.

Notice of Filing, Interventions, Comments, and Answer

9. Public notice of Cove Point’s filing was issued on March 4, 2009. Interventions and protests were due March 11, 2009, as provided in section 154.210 of the Commission’s regulations.[6] Pursuant to Rule 214,[7] all timely filed motions to intervene and any motions to intervene out-of-time 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. Washington Gas Light Company (Washington Gas) filed comments. On March 17, 2009, Cove Point filed a response to the comments.[8] The comments and answer are discussed in detail below.

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[5] Cove Point states that the ratio of receipts to deliveries was 9 percent in 2006, 11 percent in 2007, and 13 percent in 2008.

[6] 18 C.F.R. § 154.210 (2008).

[7] 18 C.F.R. § 385.214 (2008).

[8] The Commission’s Rules of Practice and Procedure do not permit answers to protests unless otherwise ordered by the decisional authority. 18 C.F.R. § 385.213(a)(2) (2008). The Commission finds good cause to accept Cove Point’s response since it will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record. Therefore, Cove Point’s response is accepted.

Discussion

10. Cove Point has sufficiently supported the increase in the surcharges through which it recovers the electric power costs incurred in running its compressor at Pleasant Valley, VA. In addition, Cove Point has adequately responded to the issues raised by Washington Gas's comments, as discussed below. Therefore, the Commission accepts the proposed tariff sheets listed in footnote number 1 of this order to become effective April 1, 2009.

Further Information

11. Washington Gas is concerned that the filing does not provide the detail necessary to evaluate the continued justness and reasonableness of the tracker mechanism or Cove Point's application of that mechanism in this time of reduced LNG deliveries to the Cove Point terminal. Washington Gas states that it understands that Cove Point interprets the tracker to require that only the Cove Point East shippers[9] are charged for the electricity use at the Pleasant Valley compressor station and that such requirement is not clear from GT&C section 27. Accordingly, Washington Gas asserts that other shippers who use secondary point rights or interruptible transportation to transport gas from west to east may not be charged these costs. It asserts that this method of tracking costs may have been acceptable when it was anticipated that gas flows would predominately be from the Cove Point terminal to the west. However, Washington Gas asserts that changes have been made in the gas fuel retention tracker in Docket No. RP05-528 to recover gas fuel at the Loudoun compressor from non-Cove Point East shippers,[10] and more comprehensive changes may be required here.

12. Washington Gas requests that the Commission direct Cove Point to supplement the information contained on Workpaper 6 by providing, for each month shown on that workpaper, the shipper name associated with the quantities shown since presumably these quantities represent west to east shipments by the Cove Point East shippers and a listing, by shipper, of the other quantities of gas that were transported from west to east on its system. Washington Gas is concerned that Cove Point may be only charging the Cove Point East shippers for electric commodity costs, even though the tariff does not limit recovery in that way. Washington Gas asserts that, currently, only it and one other shipper which is an affiliate of the pipeline are clearly being asked to pay the entire cost of powering the Pleasant Valley compressor, but all shippers moving gas from west to east on the Cove Point pipeline are benefiting from the availability of that compression.

[9] As noted above, section 27.3(a) defines Cove Point East Buyers as shippers taking service under a firm service agreement executed in connection with the Cove Point East Project.

[10] *See Dominion Cove Point LNG, LP*, 112 FERC ¶ 61, 241 (2005).

Washington Gas further asserts that what is of most concern is that other loads on the Cove Point pipeline may have caused increased use of the Pleasant Valley compression and the shippers that supply such loads may be able to escape paying a fair share of the Pleasant Valley electric costs.

13. Cove Point responds that Washington Gas's assertion, that Cove Point is interpreting its tariff so that only the Cove Point East shippers are charged for the electricity use at the Pleasant Valley compressor station, is incorrect. Cove Point asserts that, as part of the settlement of Cove Point's last general rate case, in which Washington Gas was a party, Cove Point implemented tariff changes to provide for the collection of its commodity electric surcharge on secondary or interruptible receipts at the Transco Interconnect in specified circumstances. Cove Point further asserts that section 4(b)(2) of Rate Schedule FTS (Firm Transportation Service) provides for the collection of the Cove Point East commodity electric surcharge for secondary receipts at the Transco Interconnect, section 5(b)(1) of Rate Schedule ITS (Interruptible Transportation Service) provides for the collection of the Cove Point East commodity electric surcharge for interruptible receipts at the Transco Interconnect, and section 4.2(b) of Rate Schedule OTS (Off-Peak Firm Transportation Service) also covers the applicability of the commodity electric surcharge to secondary receipts at the Transco Interconnect.

14. Cove Point asserts that it has included in its tracker filing all the information required by its tariff, and that compiling the detailed, additional information requested by Washington Gas would be burdensome as well as unnecessary. Cove Point states that it is not providing the requested information here but will confirm that shippers other than the Cove Point East Buyers did contribute significant amounts toward the TEPC. Cove Point asserts that Workpapers 6 and 7 of its filing show that the commodity electric surcharge was assessed on approximately 18.9 million Dth during 2008. Cove Point further asserts of that amount, Cove Point East Buyers were assessed the surcharge on approximately 10.7 million Dth. Cove Point contends that the surcharge assessed on the remaining approximately 8.2 million Dth was paid by other shippers using the Transco Interconnect on a secondary or interruptible basis, pursuant to its tariff.

15. The Commission agrees with Cove Point's interpretation of its tariff, an interpretation with respect to which Washington Gas also apparently agrees (at P 6), and finds that Cove Point's tariff does not limit recovery of the electric surcharge only from the Cove Point East Buyers. Further, as explained by Cove Point, contrary to Washington Gas's assertions, we find that Cove Point has not charged the electric surcharge only to Cove Point East Buyers contrary to its tariff. We find that Cove Point has properly interpreted and applied those tariff provisions by charging the electric surcharge to both the Cove Point East Buyers and other shippers in the circumstances specified in its tariff. In addition, as Cove Point has explained, it has provided all the information required by its tariff and the requested information is unnecessary in any case. Therefore, Washington Gas's request for further information is denied.

Interim Filing

16. Washington Gas requests that, given the significance of the cost increases, Cove Point closely monitor electric consumption and receipts and deliveries at Pleasant Valley during the effectiveness of these rates to determine whether an interim change in rates would be appropriate. Washington Gas asserts that Cove Point has made interim fuel retention filings in the past to reflect changes in costs and asks that the same practice be followed in this instance. Specifically, Washington Gas is concerned that during the upcoming annual period, the LNG shippers on Cove Point's system may begin importing significant quantities of LNG at the Cove Point terminal and move greater volumes of regasified LNG west on the Cove Point pipeline.[11] Washington Gas asserts that, if these LNG volumes begin to flow again, there will be a reduced need for compression at Pleasant Valley, and, if the tracker is not re-filed on an interim basis, large cost over-collections will result. Washington Gas requests that, if Cove Point does not volunteer to monitor this situation and make the appropriate interim filing, the Commission order Cove Point to do so.

17. With respect to Washington Gas's request regarding interim adjustments, Cove Point asserts that, while its tariff provisions governing fuel retainage expressly contemplate interim adjustments outside the standard annual tracker cycle, the electric fuel tracker provisions of section 27 do not contain comparable provisions. However, Cove Point states that, if events warrant, Cove Point could submit an interim filing to adjust the electric surcharges while seeking a waiver of its tariff provisions. Cove Point further states that it will monitor the factors on its system that affect the calculation of its electric surcharges over the coming year and will consider on an on-going basis whether such a filing accompanied by a waiver request is appropriate.

18. Cove Point has satisfactorily responded to Washington Gas's request for an interim filing by stating that it will monitor the situation and make an interim filing if appropriate. Therefore, Washington Gas's request for an alternative interim filing condition is denied.

[11] Cove Point, in its response (at 5), states that this assertion is consistent with its initial filing (at 2).

<u>The Commission orders:</u>

The tariff sheets listed in footnote number 1 of this order are accepted to become effective April 1, 2009, as discussed in this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.