130 FERC ¶ 61,136
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
and John R. Norris.

Columbia Gulf Transmission Company — Docket Nos. RP09-423-000, RP09-423-002

ORDER ON TECHNICAL CONFERENCE

(Issued February 25, 2010)

1. On July 1, 2009, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff sheets[1] to recover its cost for Company Use Gas (CUG) and Lost and unaccounted-for gas (LAUF) under section 33 of its General Terms and Conditions (GT&C). The July 1, 2009 filing replaced Columbia Gulf's February 27, 2009 TRA filing providing lower retainage percentages and Columbia Gulf requested waiver to make the revised tariffs effective August 1, 2009, moving to withdraw the tariff sheets in the February 27, 2009 filing. Both TRA filings were protested. The Commission by order issued July 30, 2009, [2] accepted and suspended the revised tariff sheets to be effective August 1, 2009, subject to refund, the outcome of a technical conference, and waived Columbia Gulf's tariff provision requiring an April 1, 2009 effective date. The Commission Staff convened the technical conference and the parties filed initial and reply comments after the conference.

2. In this order, the Commission addresses the technical conference comments and finds that Columbia Gulf's supporting data for the proposed TRA filing, including its explanations and its efforts to investigate and remediate the increase in retainage support the proposed TRA adjustment. Accordingly, for the reasons discussed below, the Commission accepts the revised tariff sheets as conditioned below.

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[1] Forty-Ninth Revised Sheet No. 18, Thirty-Sixth Revised Sheet No. 18A, fiftieth Revised Sheet No. 19 to its FERC Gas Tariff, Second Revised Volume No.1.

[2] *Columbia Gulf Transmission Company*, 128 FERC ¶ 61,105 (2009). The Commission rejected the tariff sheets in the February 27, 2009 TRA filing as moot.

Background

3. On February 27, 2009, pursuant to section 33 of the GT&C of its tariff, Columbia Gulf submitted its annual 2009 TRA filing, requesting a July 1, 2009 effective date, in order to revise the retainage percentages through which it recovers its CUG and lost and unaccounted for LAUF gas.[3] Columbia Gulf proposed to increase its retainage percentages, which reflected the results of Columbia Gulf's investigation into the causes of the increased LAUF gas on its system.[4] Further, Columbia Gulf proposed to recover its entire under-recovered amount over a one-year period, as opposed to the 3-year period permitted in Columbia Gulf's 2008 TRA proceeding. Although Columbia Gulf's tariff requires it to make the annual filing to be effective on April 1 of each year, Columbia Gulf requested waiver to permit a three-month delay, to July 1, 2009, before the revised tariff sheets in the February 27, 2009 TRA filing took effect. Columbia Gulf informed the Commission that it was in discussions with some of its customers regarding an alternative retainage recovery mechanism[5] and, in order to permit these discussions to continue, it needed the three-month delay.

4. In addition, as directed by the Commission, Columbia Gulf included in the February 27, 2009 TRA filing, as Appendix B, a report on the scope and outcome of its LAUF investigation and its responses to that investigation. Columbia Gulf stated that it

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[3] The retainage percentages include two components. The first component recovers the CUG and LAUF which Columbia Gulf projects it will incur during the twelve month period that the retainage percentages will be in effect. The second component, known as the over/under component, reflects the reconciliation of actual CUG and LAUF quantities with quantities retained for the preceding calendar year, i.e., the deferral period.

[4] Columbia Gulf also included, *inter alia*, a report (attached as Appendix B to the February 27, 2009 filing) explaining the results of its investigation into the increased LAUF on its system and the steps it took as a result of the investigation as required by the Commission's order in Docket No. RP08-347-002, which addressed Columbia Gulf's Annual 2008 TRA filing. *See Columbia Gulf Transmission Co.*, 126 FERC ¶ 61,158 (2009).

[5] These discussions ultimately led to Columbia Gulf proposing an incentive fuel savings sharing program utilizing fixed fuel retention percentages (Incentive Fixed Fuel or IFF) on November 9, 2009 in Docket No. RP10-134-000. Columbia Gulf conditioned its IFF proposal on the Commission's accepting, without modification or condition, the July 1, 2009 TRA filing. The IFF filing was protested. By order issued December 10, 2009, the Commission directed its Staff to convene a technical conference (129 FERC ¶ 61,214 (2009)), which was held on January 19, 2010.

undertook an extensive review of the possible causes for the increase in LAUF. According to Columbia Gulf, one of the most significant contributors to the increase in LAUF on its system was caused by a shift in the location of receipt meters as a result of three new interconnections in late 2006 through early 2008 and the impact of evolving metering technology. The difference in technology between the orifice and ultrasonic meters caused an under measurement of approximately 5 MMDth for 2007 and 2008 based on volumes through two of its major delivery stations at Leach A and Means E.[6] According to Columbia Gulf, the other significant contributor to the LAUF problem was caused because receipts of LNG from Excelerate Energy LLC into Columbia Gulf's and Tennessee Gas Pipeline Company's jointly owned offshore Blue Water system were over-measured by a total of 372,247 Dth in 2005, 2006, and 2007(of which 339,731 Dth occurred in 2007) causing some of the increased LAUF.[7]

5. Next, Columbia Gulf reported, *inter alia*, that compressor station leaks totaling 400,000 Dth annually also contributed to the increased LAUF. Columbia Gulf made an adjustment which reduced the LAUF but in turn increased CUG by the equivalent amount. Columbia Gulf stated that, although the smaller contributors do not account for the large increase over historic LAUF levels, the results confirmed that no single event other than the new interconnections and the shift in metering technology account for the increased LAUF.[8]

6. Subsequently, Columbia Gulf filed two status reports concerning the discussions with its customers on the alternative retainage recovery mechanism. However, in a May 22, 2009 letter, Columbia Gulf notified the Commission that the process of developing a well-defined alternative proposal was taking longer than anticipated and that, consequently, it did not expect to file an alternative recovery mechanism proposal but instead would be filing a revised retainage rate proposal by July 1, 2009, and would not be placing the February 27, 2009 TRA tariff sheets into effect as originally proposed.[9]

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[6] *See* February 27, 2009 TRA filing, Appendix B at 2.

[7] Columbia Gulf states that it adjusted the receipt volumes for the full 372,247 Dth thereby reducing LAUF and the accumulated under recovered balance. *See* February 27, 2009 TRA filing, Appendix B at 3.

[8] *See* February 27, 2009 TRA filing, Appendix B at 3. Of the five compressor stations inspected, Columbia Gulf reported that 91% of these leaks have been repaired and the six remaining compressor stations were scheduled to be surveyed in 2009.

[9] In an unpublished Director's Letter Order issued on June 10, 2009, in Docket No. RP09-423-001, the effective date for the February 27, 2009 TRA tariff sheets was deferred until no earlier than August 1, 2009.

Therefore, on July 1, 2009, Columbia Gulf filed revised tariff sheets, to be effective August 1, 2009, proposing retainage percentages that were higher than the 2008 TRA rates in effect, but lower than the retainage percentages proposed in the February 27, 2009 TRA filing.

7. In the July 1, 2009 TRA filing, Columbia Gulf proposed to place into effect the retainage rates proposed in the February 27, 2009 TRA filing *less* the unrecovered surcharge retainage rate component of those rates.[10] Columbia Gulf did not propose to waive but rather reserved its right to recover the unrecovered CUG and LAUF quantities for the 2008 calendar year deferral period, or any other unrecovered quantities, in a future annual or periodic TRA filing.[11] Protests and comments were filed in which the parties asked the Commission to either reject the filings, require Columbia Gulf to take certain correction actions, suspend the July 1, 2009 TRA filing for the maximum period, and/or establish a technical conference.

8. After reviewing Columbia Gulf's July 1, 2009 TRA filing and the protests and comments of the parties, the Commission waived Columbia Gulf's tariff provision requiring an April 1 effective date and accepted and suspended the July 1, 2009 TRA filing to be effective August 1, 2009, subject to refund. The Commission found that Columbia Gulf's proposed CUG and LAUF retainage percentages raised numerous issues which would be best addressed at a technical conference. The Commission stated that a technical conference would provide an opportunity for its Staff and the parties to discuss with Columbia Gulf *all* of the issues raised by the July 1, 2009 TRA filing.[12]

9. The technical conference was held on September 24, 2009. Initial comments were filed by Columbia Gulf, Baltimore Gas and Electric Company (BG&E), Indicated

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[10] According to Columbia Gulf, the revised retainage rates it proposed to place into effect in the July 1, 2009 filing are exactly as those filed on February 27, 2009, with the only exception being that the calculated unrecovered surcharge component for each zone was removed.

[11] Although Columbia Gulf deferred implementing the higher February 27, 2009 TRA retainage rates for the months of April through July 2009, Columbia Gulf asserted that, during that time, it was continuing to incur a significant under-recovery of its CUG and LAUF and stated that the continued deferral of the base retainage rate increases will only continue to increase the existing under-recovery thereby creating a cumulative under-recovery that may have a negative impact for customers in the future, if an alternative retainage mechanism cannot be achieved with its customers.

[12] *See* 128 FERC ¶ 61,105, at P 24-25 (2009) for a delineation of the specific issues the Commission directed the parties to address at the Technical Conference.

Shippers, Piedmont Natural Gas Company, Inc. (Piedmont), Sequent Energy Management, L.P. (Sequent), Washington Gas Light Company (WGL), and the City of Charlottesville, Virginia and the City of Richmond, Virginia (Cities). Reply comments were filed by Cities, BG&E, WGL, Indicated Shippers and Columbia Gulf. The comments of the parties are set forth and discussed below.

Discussion

A. Corrective Action

1. Replacing Orifice Meters

a. Arguments of the Parties

10. Columbia Gulf states that it investigated its metering equipment, dedicating five employees to the investigation and retained independent consultants to, *inter alia*, inspect its measuring stations and survey compressor stations.[13] Columbia Gulf asserts that it determined that there were leaks at some compressor stations on its system, it repaired the leaks and is continuing to investigate and repair any leaks on its system. Columbia Gulf states that it inspected 40 measuring stations[14] and inspected the valves to assure that no gas was bypassing the measuring equipment. Columbia Gulf asserts that no significant inaccuracies were identified. Columbia Gulf explains that it had flow tests performed on its orifice meters on the Leach A and Means E measuring stations by Southwest, an expert in measurement and testing, which revealed that the meters were under-measuring. According to Columbia Gulf, the difference in technology between its orifice and ultrasonic meters caused an under-measurement of volumes at these two major delivery stations.[15] After determining that its orifice meters at the Leach A and Means E measuring stations were under-measuring and based on historic average operating conditions, Columbia Gulf states that it made an adjustment of 1.08% at Leach

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[13] Columbia Gulf retained Feldman & Associates (Feldman) to inspect forty measuring stations, Southwest Research Institute (Southwest) to test the Leach A and Means E measuring station orifices, and Health Consultants surveyed five of Columbia Gulf's compressor stations for natural gas leaks. *See* Columbia Gulf Initial Comments at 6-7 and September 24, 2009 FERC Technical Conference presentation at P 8.

[14] Twenty-two (22) receipt stations accounting for approximately 94% of receipt volumes and eighteen (18) delivery stations accounting for approximately 96% of delivery volumes.

[15] *See* February 27, 2009 TRA filing, Appendix B at 2.

A and 0.5 % at Means E.[16] Columbia Gulf also explains that it discovered a historical contamination of the Leach A measuring station, leading to a 346,304 Dth adjustment for the period of January 2008 to April 2008. Columbia Gulf states that it also made an adjustment for an over-measurement of the Excelerate LNG receipts of 372,247 Dth.[17] Finally, Columbia Gulf states that it verified the accuracy of its turbine meters, determining that the meters were within the tolerance levels outlined in its tariff.[18]

11. Some of the parties acknowledge that Columbia Gulf has made progress in discovering the sources of its LAUF and has put remedies in place for the compressor station leakage. However, the parties are concerned about the increase in LAUF caused by the difference between the two metering technologies and specifically request the Commission to require Columbia Gulf to replace the orifice meters and install ultrasonic meters at the Leach A and Means E measuring stations.

12. Alternatively, Cities request the Commission to find that Columbia Gulf has not satisfied its burden of proving that the LAUF component of its fuel retainage rates is just and reasonable because any fuel rates premised upon known inaccuracies are per se unjust and unreasonable. WGL requests the Commission to clarify the consequences if Columbia Gulf fails to properly address the recent increase of LAUF. WGL states that, although there is no basis to disallow the claimed LAUF, Columbia Gulf has an obligation to provide accurate measurements.[19] BG&E argues that replacing the orifice meters should reduce LAUF by 2.6 Bcf or that the Commission should impute LAUF to be 2.6 Bcf less than reported thereby reducing the LAUF underlying the TRA rates.

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[16] Flow tests of the Leach A and Means E measuring station orifice meters were performed by Southwest. The results of those test resulted in Columbia Gulf's adjustments to the Leach A and Means E measuring station orifice meters. *See* Columbia Gulf's initial comments at 7.

[17] Columbia Gulf states that it treated the under-measurement from Leach A and Means E stations as additional receipts by Columbia Gas. Also, to facilitate the resolution of this proceeding, Columbia Gulf states that it provided additional information, including: (a) a comparison of projected and actual throughput, CUG and LAUF on its system for the period between April 2009 and July 2009 and (b) a cross reference of the adjustments it made (included on page 7 of Appendix A to the Annual 2009 TRA filing). *See* Columbia Gulf Initial Comments at 7-10.

[18] *See* Columbia Gulf Initial Comments at 5-6.

[19] WGL argues that the approximately 3.0 Bcf per year discrepancy is not precise and that accounting adjustments and OBA adjustments are not acceptable long-term solutions. WGL Reply Comments at 1-2.

BG&E asserts that Columbia Gulf failed to inform the Commission that within a year's time it can reduce LAUF by 2.6 Bcf by installing ultrasonic meters for a total approximate cost of $10 million. BG&E argues that the $10 million is fully recoverable in rates as a prudent investment.[20]

13. Columbia Gulf responds that it undertook a comprehensive review of its system and that, as a result of this investigation, it made facility modifications, process changes and adjustments in excess of 5 Bcf that benefitted its customers.[21] Columbia Gulf disagrees with the arguments of the parties that it should be required to replace its orifice meters because the use of orifice meters is consistent with industry standards and this use conforms to its tariff measurement requirements.[22] Responding to the arguments of the parties that, if Columbia Gulf is not directed to replace the orifice meters, the Commission should direct prospective adjustments to the volumes measured at these points, Columbia Gulf states that these arguments should be rejected because this proceeding relates only to the retainage rates proposed in Columbia Gulf's filing in this proceeding and that questions as to whether further adjustments are required should be addressed in Columbia Gulf's next annual TRA filing or Columbia Gulf's alternative fuel recovery filing.[23]

b. <u>Commission Decision</u>

14. Columbia Gulf has undertaken reasonable and prudent efforts to investigate and remediate the increase in retainage, especially with respect to the increases in LAUF. As Columbia Gulf points out, although there were smaller contributors to the large increase in LAUF, the record reflects that no single event other than the new interconnections and the shift in metering technology that accounts for the increased LAUF over historic LAUF levels on Columbia Gulf's system. However, there is no evidence on the record showing that the orifice meters are inconsistent with industry standards. Further, as we have recognized, "pipelines need reasonable discretion to manage the operations of their

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[20] BG&E states that, if Columbia Gulf fails to pledge to install new delivery meters in order to avoid unwarranted increases in LAUF, the Commission should (a) find that Columbia Gulf has imprudently, unjustly and unreasonably disregarded the full LAUF mitigation measures readily at its disposal and (b) disallow in future TRA filings by 2.6 Bcf, unless Columbia Gulf fully acts on its LAUF investigation by installing ultrasonic meters. BG&E Reply Comments at 1-2.

[21] Columbia Gulf Initial Comments 1 and Appendix A at 4.

[22] Columbia Gulf Reply Comments at 6-9.

[23] Columbia Gulf Reply Comments at 9-10.

system,"[24] particularly with respect to decisions to construct, upgrade or replace facilities.[25] Moreover, there is nothing in the record to show that Columbia Gulf's adjustments for the orifice meter under-measurement are unsupported or inaccurate. Therefore, the Commission will not direct Columbia Gulf to replace the orifice meters. We find that the adjustments Columbia Gulf has made in the July 1, 2009 TRA filing are reasonable and consistent with the tolerance levels set forth in its tariff.[26] Consequently, we find that the retainage rates proposed in the July 1, 2009 TRA filing are just and reasonable.

2. Monitoring, Inspecting and Maintaining Facilities

a. Arguments of the Parties

15. Indicated Shippers state that it is unclear whether Columbia Gulf has prudently evaluated and addressed the underlying causes of the LAUF increases and that Columbia Gulf has not established by substantial evidence that it has corrected the underlying problems that caused the increases. Indicated Shippers and WGL contend that Columbia Gulf did not or was reluctant to adopt practices to properly monitor, inspect and maintain its facilities on an ongoing basis.[27]

16. Indicated Shippers also argue that, because Columbia Gulf's errors are based on spot testing, the actual error could be higher.[28] Indicated Shippers further argue that the

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[24] *Northwest Pipeline Company*, 72 FERC ¶ 61,271, at 62,191 (1995) (holding that pipeline has discretion to determine when establishing system-wide entitlements is required to manage operations).

[25] *Paiute Pipeline Company*, 109 FERC ¶ 61,139, at P 29 (2004) (recognizing that pipeline construction is discretionary, so long as the pipeline does not use its discretion in an unduly discriminatory basis) (*citing CNG Transmission Corp*., 90 FERC ¶ 61,005, at 61,008 (2000); *United Gas Pipe Line Co*., 64 FERC ¶ 61,015, at 61,140, *reh'g granted, in part, on other grounds*, 65 FERC ¶ 61,006 (1993)).

[26] *See* section 26.10 (c) on Second Revised Sheet No. 241 to FERC Gas Tariff, Second Revised Volume No. 1.

[27] Indicated Shippers Initial Comments at 6-7. WGL Initial Comments at 4-5.

[28] Addressing Columbia Gulf's assertion that it spent $816,000 on its investigation in 2007 and expects to spend additional sums by the end of 2009 (*citing* Columbia Gulf Initial Comments at 4) and, at the same time acknowledging that the investigation required corrections of 5,067,744 Dth based on errors found at 2 delivery points (*citing*

(continued…)

TRA mechanism provides Columbia Gulf with no incentive to make expenditures on facility upgrades that measure gas more accurately to reduce LAUF; and that pipelines with automatic pass-through potentially benefit when they overstate their LAUF. Therefore, Indicated Shippers argue that the Commission must require Columbia Gulf to account accurately for fuel and LAUF and that level of accuracy must be clearly defined and aggressive by requiring Columbia Gulf to spend necessary capital on upgrades or risk recovery of CUG and LAUF quantities it cannot prove by substantial evidence.[29]

17. Columbia Gulf reiterates that it reduced the 2009 fuel retainage rates by making in excess of 5 Bcf in delivery and receipt adjustments after its investigation of its measurement system. According to Columbia Gulf, as a result of the investigation, it modified its facilities and processes to reduce retainage on its system. Columbia Gulf argues that no party provided an alternative to its proposed retainage rates.[30] Columbia Gulf responds that its investigation into the increases in LAUF was reasonable and prudent and that it has undertaken significant and productive steps to analyze and remediate the causes of the LAUF on its system. Specifically, Columbia Gulf states that it: (a) devoted five full time employees to the investigation; (b) retained three outside consultants for independent tests and reviews; (c) completed multiple reconciliations between the accounting system and physical measurement system; (d) conducted an internal corporate audit of the measurement information process; (e) physically inspected seven of its eleven compressor stations, with plans to survey the remaining compressor stations; (f) physically inspected forty meter stations; (g) physically inspected and exchanged 45 of 48 turbine meters, with the others to be completed in 2009 and established a test/verification frequency of two to three years; (h) installed additional gas chromatographs, relocated a multiple stream chromatograph, and reassigned delivery and company use measuring stations to ensure heating value assignments accurate; (i) conducted flow tests on Leach A and Means E orifice meters; (j) cleaned Leach A and Means E meter stations; and (k) chemically cleaned approximately 495 miles of pipeline to eliminate further contamination. Columbia Gulf argues that these efforts benefited shippers by reducing the under-recovered balance by over 5 Bcf.[31]

Columbia Gulf Initial Comments at 7), Indicated Shippers argue that, at $4.87 per Dth, the quantity would equate to $24,679,913 of LAUF errors. Indicated Shippers Reply Comments at 2.

[29] Indicated Shippers Reply Comments at 3.

[30] Columbia Gulf Initial Comments at 10.

[31] Columbia Gulf Reply Comments at 2-3.

18. Responding to Indicated Shippers' argument that it only spot checked its system and only investigated one receipt meter, Columbia Gulf states that it prudently prioritized its investigation to maximize the results and minimize the impact on its customers. Columbia Gulf explains that it inspected a total of 40 receipt and delivery point measuring stations which represents approximately 95% of its total receipts and deliveries. Columbia Gulf states that, moreover, each station generally contains multiple meters and that it inspected over 100 meter runs during its investigation. Columbia Gulf also states that it undertook a considerable review of the measured receipts from the ultrasonic meters at the interconnections between Columbia Gulf and CenterPoint Energy Gas Transmission (CEGT) and, jointly with CEGT and the meter manufacturer, performed field inspections of these meters and sent the diagnostics results to Southwest for further review. As a result of this investigation, Columbia Gulf states that it has also undertaken a number of remediation efforts. Thus, Columbia Gulf argues there is no basis for Indicated Shippers' assertion that Columbia Gulf's investigation was inadequate.[32]

b. <u>Commission Decision</u>

19. As a general matter, the Commission's standard for reviewing the prudence of a pipeline's conduct of its business under its tariff is well established:

> . . . [M]anagers of a utility have broad discretion in conducting their business affairs and in incurring costs necessary to provide services to their customers. In performing our duty to determine the prudence of specific costs, the appropriate test to be used is whether they are costs which a reasonable utility management (or that of another jurisdictional entity) would have made, in good faith, under the same circumstances, and at the relevant point in time. We note that, while in hindsight it may be clear that a management decision was wrong, our task is to review the prudence of the utility's actions and costs resulting there from based on the particular circumstances existing either at the time the challenged costs were actually incurred, or the time the utility became committed to incur those expenses.[33]

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[32] *See* Columbia Gulf Reply Comments at 2-6.

[33] *New England Power Co.*, 31 FERC ¶ 61,047, at 61,084 (1985); *aff'd sub nom. Violet v. FERC*, 800 F.2d 280 (1st Cir. 1986), *quoted in, e.g., Dakota Gasification Co.*, Opinion No. 410, 77 FERC ¶ 61,271, at 61,271 (1996), and *Entergy Services, Inc.*, 124 FERC ¶ 63,026, at P 278 (2008).

Further, in the narrower context of LAUF, as the Supreme Court has stated, "'unaccounted-for gas' . . . is gas lost as a result of leakage, condensation, expansion or contraction. There is no dispute that a certain loss through these causes is unavoidable, no matter how carefully the business is conducted."[34]

20. The Commission finds that Columbia Gulf has prudently evaluated and addressed the underlying causes of the LAUF increases on its system. Contrary to the parties' argument that Columbia Gulf did not or is reluctant to adopt reasonable system maintenance and upkeep practices, the record reflects that Columbia Gulf has made changes to its system maintenance and upkeep practices. Further, Indicated Shippers failed to support its argument that Columbia Gulf did not properly monitor, inspect and maintain its facilities on an ongoing basis. We disagree with the parties that Columbia Gulf has not established by substantial evidence that it has corrected the underlying problems that caused the increases. The record reflects that the increase in LAUF largely coincided with the in-service date of the ultrasonic meters. Columbia Gulf has made adjustments to its retainage rates as a result of its findings.

3. Adjustments and Reporting Requirements

a. Arguments of the Parties

21. WGL requests that the Commission put Columbia Gulf on notice that the Commission will not accept metering adjustments at Leach and Means for any period after September 2010, unless the orifice meters are replaced with ultrasonic meters.[35] WGL states that it appears to be well within the Commission's authority to disallow accounting or OBA adjustments or accept less than state-of-the-art measurement technology. Piedmont argues that, until Columbia Gulf implements measures that remedy the LAUF problem on its system, the Commission should require Columbia Gulf to: (a) provide its customers with calculations and the underlying work papers related to the LAUF quantities; and (b) prospectively adjust the delivered quantities into Columbia Gas to correct for the measurement inaccuracies.[36]

22. WGL, Sequent and Indicated Shippers want the Commission to require Columbia Gulf to file a written report on the results of its further investigation of compressor station leakage, any further meter testing and other actions taken to reduce LAUF. WGL requests the Commission to require Columbia Gulf to supply more months of actual data

[34] *West Ohio Gas Co. v. Pub. Util. Comm'n of Ohio,* 294 U.S. 63, 67 (1935).

[35] WGL Initial Comments at 4-5.

[36] Piedmont Initial Comments at 2-3.

(in the format used in Appendix B, page 1, of its Initial Comments), to enable the Commission and the parties to determine the appropriate retention rate and to track Columbia Gulf's progress in resolving the CUG and LAUF issues on its system. Indicated Shippers want the report to include all remedial actions, any proposed rate adjustments and the expected impact of those actions on future retainage rates. Sequent wants the reports to be filed every time Columbia Gulf completes its inspection and repair of any of its remaining compression and measurement stations.[37]

23. Columbia Gulf responds that further adjustments to the projected retainage rates are not required to account for repaired leaks because such an adjustment would only result in a decrease of 0.05% on the mainline retainage rates, which argues is more than offset by the fact that it is proposing to defer the assessment of the 0.252% under-collected surcharge for the under-recovered 2008 volumes.[38] Columbia Gulf also argues that ordering future adjustments because of the orifice meters is premature and outside the scope of this proceeding. Columbia Gulf states that it should *not* be required to file and serve copies of a report every time it completes inspecting and/or repairing a compressor or measurement station, since it has already committed to updating the shippers on the completion of its investigative efforts by filing a report at the end of February. Columbia Gulf states that there is no basis for imposing an additional filing burden on it. At a minimum, Columbia Gulf asserts that any such filing requirements should be limited to Columbia Gulf's annual TRA filing.

b. Commission Decision

24. The Commission finds that the adjustments Columbia Gulf has already made are reasonable adjustments and we will not order any further adjustments. We also will not require Columbia Gulf to file a report every time it completes inspecting and/or repairing a compressor or measurement station. Columbia has committed to updating the shippers on the completion of its investigative efforts by filing a report at the end of February 2010. However, we direct Columbia Gulf to submit its report in its 2010 Annual TRA filing docket and to include in the report the results of its further investigation of compressor station leakage, any further meter testing, and any other action taken to reduce LAUF. Further, as WGL requests, the Commission directs Columbia Gulf to also include twelve (12) months of actual data in the format used in Appendix B, page 1, of its Initial Comments. Because the information in the required report is needed in the review

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[37] *See* WGL Reply Comments at 2 and notes 2, 3 and note 4; Indicated Shippers Initial Comments at 21; Sequent Initial Comments at 4.

[38] Columbia Gulf Reply Comments at 5.

and analysis of the 2010 Annual TRA filing, and because Columbia Gulf's 2010 Annual TRA filing is due shortly, by March 1, 2010, we will give Columbia Gulf until March 10, 2010, to file the updated investigative report in that docket.[39]

B. Compliance with the Tariff and Industry Practices

1. Arguments of the Parties

25. Indicated Shippers argue that Columbia Gulf has not taken sufficient action to satisfy the requirement of the regulations to show that it has taken reasonable measures to assure that it accurately measures all receipts and deliveries on its system and reflect changes to gas usage or line loss as required by its tariff and that the metering problem tends to inflate the TRA rates.[40] According to Indicated Shippers, Columbia Gulf's report and its remedial actions show that the American Gas Association (AGA) standards and Columbia Gulf's tariff requirements are insufficient for purposes of the PRA (periodic rate adjustment) filings because PRA regulations require accuracy. Indicated Shippers further argue that Columbia Gulf failed to investigate its receipt meters and that its investigation of leakage at compressor stations leaves unanswered questions.[41]

26. Cities assert that Columbia Gulf does not explain how its metering operations comply with the measurement standards in its tariff and industry practices cited in its comments. Cities contend that the extent and level of the meter inaccuracy identified by Columbia Gulf negates any legitimacy to Columbia Gulf's claim that the Leach and Means meters as currently installed and operated remain acceptable based on compliance

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[39] On February 16, 2010, in Docket No. RP10-381-000, Columbia Gulf petitioned the Commission for a waiver of the requirement of section 33.2 of its GT&C to file its annual TRA filing on March 1 and requested an extension until the Commission issues a decision on: (a) Columbia Gulf's 2009 annual TRA filing in the instant proceeding; (b) Columbia Gulf's pending IFF proposal in Docket No. RP10-134-000; and (c) Columbia Gas' annual Retainage Adjustment Mechanism filing in Docket No. RP09-393-000. Columbia Gulf proposed to keep the retainage rates approved in this proceeding in effect until orders in the above referenced proceedings are issued. By order issued concurrently herewith in Docket No. RP10-381-000, the Commission denied the requested waiver. *Columbia Gulf Transmission Company*, 130 FERC ¶ 61,135 (2010).

[40] Indicated Shippers Initial Comments at 7 and note 18.

[41] Indicated Shippers Initial Comments at 12-16.

with any applicable standards.[42] WGL argues that under GT&C section 26.10 (c), if measurement equipment is found to be in error it must be repaired and adjusted to record correctly.[43]

27. Columbia Gulf maintains that its 2009 fuel retainage rates filed on July 1, 2009, are just and reasonable and that its measurement technology complies with its tariff and industry standards.[44] Columbia Gulf states that its orifice meters were constructed, installed, and are operated per industry and AGA recommended practices.[45] Columbia Gulf argues that orifice meters continue to be acceptable measurement facilities, as illustrated by the fact that the AGA updated its report on orifice metering in 2000, is in the process of preparing another update and pipelines, producers and local distribution companies continue to install orifice meters today. Columbia Gulf maintains that just because new meter technology is being developed does not mean that existing technology should be immediately replaced.[46]

28. Columbia Gulf asserts that the parties' assertion that the orifice meters should be replaced because they measure inaccurately or erroneously is a mischaracterization. According to Columbia Gulf, when you have two different types of meters measuring a particular volume of flows, it is almost impossible to have the measurements match each other exactly. To minimize the delta between measurements at the orifice and ultrasonic meters, Columbia Gulf states that it has fully complied with its tariff requirements. Pursuant to section 26.10(c) of its GT&C, Columbia Gulf states that, when testing of the orifice meters at Leach A and Means E revealed measurement errors, it cleaned the meter runs, chemically cleaned the pipelines from Clementsville to Leach and implemented a schedule for regularly cleaning the orifice plates. Columbia Gulf maintains that it did not find measurement errors in all the runs tested, as Indicated Shippers asserted, nor is there record evidence to support this assertion.

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[42] Cities Reply Comments at 2 and notes 2-3.

[43] WGL Initial Comments at 4.

[44] Columbia Gulf Initial Comments at 1.

[45] Columbia Gulf Reply Comments at 7, note 17 (recommended practices are set forth in the *AGA Report No. 3, Orifice Metering of Natural Gas Part 2: Specification and Installation Requirements*).

[46] *See* Columbia Gulf Reply Comments at 7.

2. Commission Decision

29. There is no evidence on the record to support a finding that Columbia Gulf's use of orifice meters is inconsistent with industry standards or that it has not complied with its tariff requirements if its measurement equipment is found to be in error. Further, Columbia Gulf hired independent third parties, Feldman & Associates to verify the accuracy of the forty measuring stations, Southwest to test the Leach A and Means E measuring station orifice meters, and Health Consultants to survey five of Columbia Gulf's compressor station for natural gas leaks. Based upon those results, Columbia Gulf has made the appropriate adjustments. Consequently, the Commission will not mandate a replacement of these meters.

C. Unrecovered LAUF Balance and the Recovery Period

1. Comments of the Parties

30. Columbia Gulf states that the unamortized portion of the 2007 unrecovered balance was completely offset by the adjustments to Leach A and Means E and the Excelerate adjustments and that the 2008 unrecovered balance was significantly reduced by these adjustments. Columbia Gulf explains that it has deferred recovering 2.24 MMDth in the 2009 fuel retainage rates because of the on-going discussions with customers over an alternative fuel recovery mechanism and that it will file to recover this unrecovered balance no later than the spring of 2010.[47] Columbia Gulf further states that its fuel retainage percentages are comparable to those of other pipelines.[48] Columbia Gulf explains that the under recovered balance as of July 31, 2009 is 3.36 MMDth and that it will provide an update on its compressor station survey by February 28, 2010.[49]

31. WGL states that there is no basis at this time to disallow the LAUF claimed or for any other remedy related to fuel and LAUF incurred in the past. Piedmont wants the Commission to require Columbia Gulf to file to recover the deferred 2008 LAUF under recovered balance no later than March 2010. Sequent also does not want to delay recovery of 2008 LAUF underrecovered balance (to the extent the balance is ultimately ratified). Sequent wants the Commission to require Columbia Gulf to promptly establish

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[47] Columbia Gulf Initial Comments at 8.

[48] Columbia Gulf Initial Comments at 9 *citing* Attachment A.

[49] *Id.* at 9.

a recovery mechanism to specifically deal with the accrued unrecovered LAUF quantity, subject to refund protections. Sequent also wants the Commission to require Columbia Gulf to file a monthly update on the unrecovered LAUF quantity. [50]

32. Indicated Shippers, on the other hand, argue that the 2007 unrecovered balance was "vastly overstated." Indicated Shippers argue that Columbia Gulf's measurement errors are not likely to have begun in 2007 but possibly sooner and that Columbia Gulf should have adjusted the TRA downward to account for compressor leakage. Indicated Shippers request that the Commission reject any claimed 2008 unrecovered retainage quantities or any other past or future period until Columbia Gulf can demonstrate that its measurements are acceptably accurate. At a minimum, Indicated Shippers argue that Columbia Gulf should use its error rate in determining delivery quantities.[51] Indicated Shippers contend that the adjustments should be applied to deliveries at Leach and Means in 2005 and 2006 as the under-measurement was only made evident in 2007. Indicated Shippers further contend that, because the proposed rates have not been shown to be just and reasonable, the Commission should disallow Columbia Gulf's claimed unrecovered retainage quantities of CUG and LAUF attributable to 2008 and 2009 on the grounds that Columbia Gulf's measurement systems are inadequate to support recovery of those quantities. Indicated Shippers state that there is no reason to depart from the one-year recovery period.[52]

33. Columbia Gulf responds that it should be permitted to defer recovery of its 2008 under recovered volumes because it has adequately defended its proposal to defer recovery for a short period of time and therefore the Commission should permit it to continue deferral of the under-recovered quantities.[53] With regard to Indicated Shippers argument that the 2007 unrecovered balance was "vastly overstated" and there is nothing left to recover, Columbia Gulf contends that this is not correct. According to Columbia Gulf, the primary reason for the under recovery in 2007 was an inaccurate projection of compressor fuel and LAUG and that almost half of the unrecovered quantities resulted from increases in CUG because the throughput on its system was much higher than projected during that period, resulting in the under recover of compressor fuel.[54]

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[50] WGL Initial Comments at 3; Piedmont Initial Comments at 1-2; *see* Sequent Initial Comments at 3 and note 2.

[51] Indicated Shippers Initial Comments at 17-19.

[52] Indicated Shippers Initial Comments 19-21.

[53] Columbia Gulf Reply Comments at 10.

[54] Columbia Gulf Reply Comments at 11.

34. Columbia Gulf asserts that Indicated Shippers' assertion that the adjustments should be applied to deliveries at Leach and Means in 2005 and 2006 as the under-measurement was only made evident in 2007 illustrates a fundamental misunderstanding of the cause of increase in LAUF.[55] Columbia Gulf argues that the Commission should reject Indicated Shippers' arguments that the adjustments should stretch backward into 2005 and 2006. Columbia Gulf also argues that the Commission should reject Indicated Shippers argument Columbia Gulf should not be permitted to recover unrecovered balances because it did not make adjustments to account for repaired leaks. Columbia Gulf states that, prior to the repair, the leads in act occurred and the losses were real. Columbia Gulf argues that gas loss from leaks on pipelines is an operational reality and the amount of leakage on its system is not unreasonable.

2. Commission Decision

35. Under the circumstances of this case, the Commission finds that continued deferral of the unrecovered balance is reasonable. Columbia Gulf has made adjustments to its retained volumes to account for known measurement inaccuracies and there is no evidence on the record to demonstrate that further adjustments are warranted. Section 33.4(c) of its GT&C expressly permits it to recover all under-recovered quantities. Further, Columbia Gulf has agreed to address these volumes either in its IFF filing or in its next annual TRA filing.

The Commission orders:

Columbia Gulf's July 1, 2009 TRA filing is accepted conditioned upon Columbia Gulf filing an updated investigation report in its 2010 Annual TRA docket by March 10, 2010, as discussed in the text above.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

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[55] *See* Columbia Gulf Reply Comments at 11 where Columbia Gulf seeks to clarify the issue.