132 FERC ¶ 61,009
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 No. RP10-823-000

ORDER ACCEPTING AND SUSPENDING PROPOSED TARIFF SHEETS

(Issued July 2, 2010)

1. On May 20, 2010, the Commission found that the incentive fixed fuel (IFF) mechanism proposed by Columbia Gulf Transmission Company (Columbia Gulf) was just and reasonable, subject to conditions.[1] On June 3, 2010, Columbia Gulf submitted tariff sheets[2] proposing a revised IFF proposal in compliance with the May 2010 Order. For the reasons discussed below, the Commission accepts and suspends Columbia Gulf's proposed tariff sheets for a nominal period, to be effective July 1, 2010, subject to refund and conditions.

I. Background

2. The background of this proceeding is described in detail in the May 2010 Order and will not be repeated here. Briefly, Columbia Gulf currently recovers its system's fuel requirements (Company Use Gas or CUG) and lost and unaccounted for gas (LAUF) by retaining in-kind a percentage of gas tendered by customers. Section 33 of the General Terms and Conditions (GT&C) of Columbia Gulf's tariff requires it to make an annual Transportation Retainage Adjustment (TRA) filing on or before March 1 to be effective on April 1 to update its fuel retainage percentages. Columbia Gulf's fuel retainage percentages for each zone[3] include two components: (a) the first component, the current retainage percentage, recovers the zone's projected CUG and LAUF for the upcoming April to March twelve-month period, and (b) the second component, the true-up

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[1] *Columbia Gulf Transmission Co.*, 131 FERC ¶ 61,156 (2010) (May 2010 Order).

[2] See Appendix A.

[3] Columbia Gulf has separate fuel retainage percentages for three zones. They are the mainline, onshore lateral, and offshore lateral zones.

component, reflects the reconciliation of the zone's actual CUG and LAUF quantities in prior periods with quantities retained by Columbia Gulf for the preceding calendar year.

3. On November 9, 2009, in Docket No. RP10-134-000, Columbia Gulf filed *pro forma* tariff sheets proposing, as an alternative to its fuel tracker and true-up mechanism, an incentive fuel savings sharing program utilizing fixed fuel retention percentages (IFF filing). Under the IFF mechanism, Columbia Gulf proposed to establish fixed fuel retention percentages to recover both CUG and LAUF that would remain in effect for a seven-year period, except under certain circumstances described below. Columbia Gulf calculated these IFF rates by reducing the then-current 2009 TRA rates by an amount equal to the customers' share of the savings Columbia Gulf projected would result from capital investments made under the mechanism. Columbia Gulf projected CUG and LAUF savings totaling 5.95 MMDth based on approximately $85 million worth of capital investments. These savings included: (a) 2.60 MMDth of LAUF savings resulting from the replacement of Columbia Gulf's Leach and Means meters;[4] (b) 1.00 MMDth of LAUF savings resulting from meter upgrades; and (c) 2.35 MMDth of CUG savings resulting from turbine and compressor replacement and repiping and regulation improvements. Columbia Gulf allocated 64 percent of the projected savings to customers and the remaining 36 percent to Columbia Gulf.[5]

4. Columbia Gulf asserted that the proposed IFF rates were lower than the fuel rates that customers would otherwise pay under its current fuel tracker mechanism and that the

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[4] Columbia Gulf orifice meters at its Leach A and Means E delivery stations, which record deliveries into Columbia Gas Transmission, LLC (Columbia Gas), were under-measuring Columbia Gulf's deliveries into Columbia Gas, resulting in an increase in LAUF on Columbia Gulf's system. *See Columbia Gulf Transmission Co.*, 130 FERC ¶ 61,136 (2010). Based on flow tests, Columbia Gulf determined that the under-measurement could be remedied by way of a mathematical adjustment to the fuel retainage percentages. Columbia Gulf included the mathematical adjustment in the true-up component of its 2009 TRA rates and the Commission accepted it and the corresponding rates proposed by Columbia Gulf. *Id.* P 14.

[5] For example, the customers' share of the LAUF savings, 2.304 MMDth (64 percent of 3.6 MMDth), was allocated to each zone and subtracted from the projected LAUF amounts used in the 2009 TRA rate calculations for each zone. The resulting percentage for each zone reflected the LAUF component of that zone's fixed fuel rate. Additionally, the customers' share of the CUG savings, 1.504 MMDth (64 percent of 2.35 MMDth), was allocated to the mainline zone and subtracted from the projected CUG used in the 2009 TRA rate calculations for that zone. The result reflects the CUG component of the proposed mainline zone fixed fuel rate.

upfront rate reduction before it made the investments was the primary benefit of the mechanism for its customers.

5. Other features of the program included an annual excess revenue sharing formula and a credit to rate base. Under the annual excess revenue sharing formula, Columbia Gulf would calculate the difference between the retainage provided by shippers under the IFF rates and the actual CUG and LAUF for the same period. Customers would receive 40 percent of any sale revenues in excess of 50 percent of Columbia Gulf's cumulative qualified capital investments. Under the rate base crediting mechanism, if Columbia Gulf sought to include the qualified capital investments in a future rate case, it would credit 80 percent of the dollar fuel savings it had achieved in excess of an annual 24.2 percent overall return on the cumulative investments against the net book value of the cumulative capital investments.

6. No later than seven years after the program's effective date, Columbia Gulf agreed to make a limited section 4 filing to replace, modify or retain the IFF mechanism. In addition, at any time during the seven-year period, Columbia Gulf or its shippers could seek to terminate or modify the IFF mechanism or the fixed fuel rates pursuant to a Natural Gas Act (NGA) limited section 4 or general section 5 filing, respectively. Columbia Gulf was also required to file a report within 60 days of the end of each annual period to enable shippers and the Commission to evaluate Columbia Gulf's sharing mechanism calculations and monitor Columbia Gulf's capital investments, CUG and LAUF.

7. Subsequent to its IFF filing, on March 1, 2010, in Docket No. RP10-450-000, Columbia Gulf filed its annual TRA filing for 2010. Columbia Gulf proposed to increase the fuel rates under its current fuel tracker and true-up mechanism, but Columbia Gulf proposed to keep its existing fuel rates (2009 TRA rates) in place until the Commission approved the IFF mechanism in a manner satisfactory to Columbia Gulf or November 1, 2010, whichever occurred first. Columbia Gulf did not include in the calculation of the 2010 TRA rates any mathematical adjustments for the under-measuring Leach and Means meters.

8. On May 20, 2010, the Commission clarified its policy concerning pipeline recovery of fuel costs and found that Columbia Gulf's incentive fixed fuel mechanism was just and reasonable, subject to conditions.[6] The new policy adopted by the Commission in the May 2010 Order permits a pipeline to establish, in a limited section 4 filing, fixed fuel rates that are significantly below the cost-based level that it could otherwise justify.[7] The Commissioned explained that for this purpose, only the

[6] May 2010 Order, 131 FERC ¶ 61,156.

[7] *Id*. P 36, 40.

pipeline's projected future fuel costs should be considered, not the true-up component of a pipeline's fuel tracker mechanism.[8] The pipeline, in exchange, may keep a share of the fuel usage savings that result from the capital improvements it makes in order to reduce its fuel usage.[9] The Commission believed that this new policy would assure customers an immediate, real rate reduction, as well as encourage pipelines to make investments to improve the fuel efficiency of their systems.[10]

9. Regarding the specifics of Columbia Gulf's IFF proposal, the Commission found that Columbia Gulf had not shown that its proposed IFF rates were below the cost-based fuel rates that would otherwise be in effect under its existing fuel tracker. The Commission also found that the level of the cost-based rates proposed in Columbia Gulf's TRA filing for 2010 were unreasonably high, in part because Columbia Gulf failed to include any mathematical adjustments for the under-measuring Leach and Means meters, as it did in its previous 2009 TRA filing.[11] Therefore, the Commission required Columbia Gulf to recalculate its current retainage percentages by removing from its projected LAUF costs an amount equal to the under-measured deliveries at Leach and Means based upon the same mathematical adjustment it used in the 2009 TRA filing, as well as 1,083,336 Dth of prior period adjustments. Columbia Gulf was also directed to increase the forward haul delivery determinants used in its rate calculations to be consistent with the mathematically adjusted deliveries at Leach and Means. Similarly, with respect to the true-up component, the Commission found that Columbia Gulf failed to include any mathematical adjustments to correct under-measurements occurring at the Leach and Means meters. Therefore, Columbia Gulf was ordered to recalculate the true-up component based on the same mathematical adjustments it used in the 2009 TRA filing.

10. The Commission required Columbia Gulf, should it elect to implement the IFF mechanism, to recalculate the IFF rates such that customers receive a significant upfront savings below the recalculated current retainage rates consistent with the new Commission policy.[12] The Commission stated that it would be amenable to Columbia Gulf recalculating the IFF rates based on projected savings that do not include savings attributable to replacement of the Leach and Means meters given that those same savings

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[8] *Id.* P 42.

[9] *Id.* P 36.

[10] *Id.* P 40.

[11] Discussed supra at n.4.

[12] *Id.* P 36, 40.

are achieved by the mathematical adjustments discussed above without replacing the meters. The Commission also stated that, given the other adjustments, it would consider other modifications to the IFF proposal, including modification of the relative allocation of savings as between Columbia Gulf and its customers reflected in the fixed fuel rates, provided that shippers receive significant upfront savings consistent with the new policy.[13]

11. On June 3, 2010, Columbia Gulf filed a revised IFF proposal in compliance with the Commission's May 2010 Order. Below is a summary of its revised proposal.

II. Details of Revised IFF Proposal

12. Columbia Gulf states that the purpose of its June 3, 2010 filing is to implement an IFF mechanism consistent with the May 2010 Order. Accordingly, it recalculated the current retainage and true-up percentages consistent with the adjustments ordered in the May 2010 Order and then, recalculated the IFF percentage rates based on the revised current retainage percentages.

13. Columbia Gulf states that it derived the revised current retainage percentages for each zone by: (a) removing from its projected LAUF costs (i) an amount reflecting the under-measured deliveries at Leach and Means, and (ii) 1,083,336 Dth of prior period adjustments; and (b) increasing the forward haul delivery determinants used in its rate calculations. Similarly, Columbia Gulf states that it derived the revised true-up component for each zone by removing an amount reflecting the under-measured deliveries at Leach and Means. Accordingly, Columbia Gulf's revised current retainage and true-up percentages for each zone are as follows:

	Mainline Fuel	Mainline Backhaul	Onshore Fuel	Offshore Fuel
Revised Current Retainage Rates	2.503%	0.115%	0.384%	0.117%
Revised True-up Component	-0.158%	-0.187%	-0.161%	-0.161%

14. Next, Columbia Gulf recalculated the IFF rates based on the revised current retainage rates. The revised IFF rates are as follows:

[13] *Id.* P 61.

	Mainline Fuel	Mainline Backhaul	Onshore Fuel	Offshore Fuel
Revised IFF Rates	2.45%	0.10%	0.37%	0.11%

In order to arrive at these revised IFF rates, Columbia Gulf made two changes to its original IFF proposal. First, Columbia Gulf reduced the amount of projected savings to be shared with customers from 5.95 MMDth to 3.35 MMDth to reflect the removal of 2.6 MMDth of projected savings attributable to replacement of the Leach and Means meters. Second, Columbia Gulf modified the customers' allocation of the remaining projected savings reflected in the IFF rates from 64 percent to 10 percent.

15. Though the projected savings do not include any savings attributable to replacement of the Leach and Means meters, Columbia Gulf still intends to include the Leach and Means meter replacements among the investments that would be considered in calculations affecting the annual excess revenue sharing formula and also calculations to determine whether the credit to rate base has been triggered. This has the effect of increasing the threshold that must be met before the customers share in excess revenues or receive credits against rate base. Columbia Gulf contends that this is appropriate given that customers are receiving 100 percent of the fuel savings projected from these investments as a result of the mathematical adjustments ordered by the Commission in the May 2010 Order.

16. Columbia Gulf contends that three factors "do not allow for what some may consider a material reduction when compared to the revised 2010 TRA rates."[14] First, Columbia Gulf contends that there is a smaller quantity of projected fuel savings to fund the same level of invested capital. Columbia Gulf contends that the reduced amount of projected savings after eliminating the meter replacement savings must provide an adequate incentive when Columbia Gulf considers the same capital investments. Second, Columbia Gulf contends that, because gas prices are currently in the $4.00-$5.00 range, as opposed to the $7.00 range when it started IFF discussions with its customers, the ultimate revenue and return on investment under the mechanism is significantly lower. Third, Columbia Gulf contends that the IFF rates are predicated on lower-end throughput levels.[15] Columbia Gulf contends that if deliveries in the mainline zone were

[14] Columbia Gulf June 3, 2010 IFF Filing at 5.

[15] Columbia Gulf states that 2009 represents the lowest level of annual throughput from the last three years.

to suddenly increase to levels experienced in 2008, thus causing the fuel rate to increase also, Columbia Gulf would experience a severe financial loss.

17. Columbia Gulf also contends that the revised IFF rate of 2.45 percent for the mainline is substantially below the three-year average retainage rate of 2.805 for the mainline.[16] In light of these savings, Columbia Gulf believes that the IFF rates strike a fair balance between the reduction in rates prescribed by the May 2010 Order and the level of financial risk Columbia Gulf can bear.

18. In addition to the two foregoing changes, Columbia Gulf also proposes to reduce the percentage of excess revenue to be shared with customers under the annual excess revenue sharing mechanism from 40 percent to 10 percent. Columbia Gulf contends that this is appropriate given the three factors identified above which result in increased risk to Columbia Gulf and decreased risk to customers. Lastly, Columbia Gulf states that it will apply the true-up component as reductions from the proposed IFF rates until the true-up component is zeroed out. However, in order to avoid a negative overall retainage rate for the offshore and backhaul rates, Columbia Gulf proposes to hold the offshore and backhaul rates at zero, rather than allowing the overall retainage rates to go negative, until all of the over-recovery associated with the offshore and backhaul has been returned to those shippers. Columbia Gulf states that the negative surcharge will simply be in place longer for offshore and backhaul than it would have been if the overall retainage rate had been allowed to go negative.[17]

19. Columbia Gulf is requesting a waiver of the thirty-day notice period to allow the revised tariff sections to become effective July 1, 2010.[18] Should the Commission later amend Columbia Gulf's proposal in a manner that renders it unacceptable, Columbia

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[16] Columbia Gulf states that this average is for the years 2008 through 2010 and includes the true-up component. Columbia Gulf June 3, 2010 IFF Filing at 5.

[17] For example, Columbia Gulf proposes an IFF rate of 0.11 percent for the offshore zone. The revised true-up component for the offshore zone is -0.161 percent. Instead of allowing the overall retainage rate to go negative (0.11 – (-0.161)), Columbia Gulf proposes to reduce the true-up component to -0.11 in order to zero out the overall retainage rate. *See* proposed FTS-2 Rates, Version 1.0.0, to Columbia Gulf's FERC Gas Tariff, Third Revised Volume No. 1.

[18] Columbia Gulf originally filed its revised IFF proposal on May 28, 2010 in Docket Nos. RP10-134-000 and RP10-450-000, but due to an administrative oversight it states that it had to resubmit the filing in a new docket (RP10-823-000) using the new, Commission-approved electronic methodology. Notice of the original filing was issued on June 2, 2010, with comments due by June 9, 2010.

Gulf states that it will implement the higher 2010 TRA rates effective immediately and any under-collection that would be incurred since July 1, 2010 would be recovered through the under/over surcharge as if the TRA had been in place beginning July 1, 2010.

III. Public Notice, Intervention and Comments

20. Notice of Columbia Gulf's filing was issued on June 7, 2010. Interventions and protests were due June 9, 2010.[19] Pursuant to Rule 214, 18 C.F.R. § 385.214 (2010), 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. The following parties submitted protests or adverse comments: Duke Utilities,[20] Constellation,[21] New Jersey Natural Gas Company, PSEG Energy Resources & Trade LLC (PSEG), North Carolina Utilities Commission (NCUC), NiSource Distribution Companies (NiSource),[22] Baltimore Gas and Electric Company (Baltimore Gas), the Virginia Cities,[23] Piedmont Natural Gas Company, Inc. (Piedmont), Sequent Energy Management, L.P. (Sequent), and Washington Gas Light Company (Washington Gas). Sempra Energy Trading LLC (Sempra), J.P. Morgan Ventures Energy Corporation (J.P. Morgan), and Tennessee Valley Authority (TVA) filed comments in support. On June 16, 2010, Columbia Gulf filed an answer to the protests and on June 18, 2010, NiSource filed an answer to Columbia Gulf's answer. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2010), answers to protests and answers are prohibited unless otherwise ordered by the decisional authority. We will accept Columbia Gulf's and NiSource's answers because each has provided information that will assist us in our decision-making process.

21. Of the fourteen parties that filed comments on Columbia Gulf's June 3, 2010 filing, three support the revised IFF proposal and eleven protest it or have adverse

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[19] See supra n.18.

[20] Duke Utilities include Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

[21] Constellation includes Constellation Energy Commodities Group, Inc. and Constellation NewEnergy – Gas Division, LLC.

[22] NiSource Distribution Companies include Columbia Gas of Kentucky, Inc., Columbia Gas of Maryland, Inc., Columbia Gas of Ohio, Inc., Columbia Gas of Pennsylvania, Inc., and Columbia Gas of Virginia, Inc.

[23] The Virginia Cities include Easton Utilities Commission, City of Charlottesville, Virginia and City of Richmond, Virginia.

comments. The majority of the protesters contend that, contrary to the Commission's directives in the May 2010 Order: (a) the proposed fixed fuel rates do not reflect "significant upfront savings" to shippers, as required by the May 2010 Order; and (b) Columbia Gulf has improperly included the Leach and Means meter replacements in the mechanism. Duke Utilities propose a 25-75 sharing allocation instead of Columbia Gulf's 10-90 proposal.[24] Duke Utilities contends that, based on the current price of gas,[25] Columbia Gulf's annual savings under a 25-75 savings allocation would be more in keeping with the proposed annual savings under Columbia Gulf's original IFF proposal. Several parties also oppose Columbia Gulf's proposal to reduce the percentage of excess revenue to be shared with customers from 40 percent to 10 percent.

22. Washington Gas believes that Columbia Gulf's CUG projections used to derive the current retainage percentages are too high given the recent decline in throughput on Columbia Gulf's system. Along the same lines, Washington Gas and Baltimore Gas argue that Columbia Gulf's justification for reducing the customers' sharing allocation to 10 percent based on the fact the fixed fuel rates are at the relative low end of Columbia Gulf's past operating experience is a red herring. Baltimore Gas and Washington Gas argue that, contrary to Columbia Gulf's projections, throughput on Columbia Gulf is expected to continue its downward momentum as a result of cheaper Rocky Mountain area supply from the Rockies Express Pipeline, LLC and the advent of Marcellus shale as an increasingly lower cost supply of gas in the northeast market. They argue that as volumes decrease on the system over the foreseeable future, the percentage of fuel retention should also decrease. Washington Gas also argues that Columbia Gulf should be ordered to remove from the CUG reported for calendar year 2009 on Exhibit B, page 6, line 5, a prior period adjustment of 341,543 MMBtu.

23. Washington Gas states that Columbia Gulf appears to reflect the negative net retainage calculations for the backhaul and offshore rates inconsistently on its tariff sheets with the offshore lateral receiving a zero retainage rate and the backhaul rate being set equal to the positive "Unaccounted for" gas percentage shown on column 6 of the revised tariff sheets. Washington Gas argues that the Commission should require Columbia Gulf to clarify its intention with respect to these negative net retainage numbers and, based on that response, give customers another opportunity to comment on the procedure that Columbia Gulf plans to follow. NiSource submits that, in order to

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[24] Originally, two parties proposed a 25-75 sharing allocation. However, subsequent to Columbia Gulf's answer (discussed infra), NiSource, an affiliate of Columbia Gulf, withdrew its proposal.

[25] Duke Utilities at 7 (citing the NYMEX 84-month strip price of $6.14 as of May 28, 2010, the date Columbia Gulf's initially filed its revised IFF proposal).

avoid a net negative retainage rate for backhauls service, all of the LAUF over-collection should be allocated to the Mainline forward haul service.

24. Constellation points out that Columbia Gulf did not include language in its proposed tariff sheets reflecting the Commission's requirement that Columbia Gulf establish fuel retention percentages no higher than a cost-based percentage at the end of the term of the mechanism thereby guaranteeing that shippers will receive 100 percent of the benefit of actual fuel reductions achieved by the capital improvements after the IFF mechanism has ended.

25. Columbia Gulf states in its answer that further adjustments to the IFF will only serve to create an IFF mechanism that Columbia Gulf must walk away from. Columbia Gulf states that the proposed IFF rates are significant reductions from the levels that would likely be in place over the next seven years under its current fuel tracker and true-up mechanism. Columbia Gulf points out that, given the reporting tools as well as the Commission's own section 5 powers, parties will have the ability to mitigate any risk of significant over-collections Columbia Gulf may incur.

26. Regarding its inclusion of the Leach and Means meter replacements, Columbia Gulf contends that it cannot continue indefinitely to make adjustments to the measurements as an alternative to replacing the equipment. Moreover, it contends that that nothing in the May 2010 Order states or implies that the meter replacements can not be considered qualified capital investments under the IFF mechanism. Columbia Gulf contends that to exclude the meter investments from the mechanism would leave Columbia Gulf no incentive to actually replace the meters.

27. In its answer, NiSource, one of the two parties that initially proposed a 25-75 sharing allocation, stated that as between a traditional, cost-based tracker and Columbia Gulf's proposed IFF mechanism, it preferred the latter, even assuming a 10-90 savings allocation in favor of Columbia Gulf.

IV. Discussion

28. The Commission accepts and suspends Columbia Gulf's IFF proposal to be effective July 1, 2010, subject to the conditions that it: (1) provide additional information to support its projection of the CUG it would incur absent the investments it intends to make as part of the IFF mechanism; and (2) revise the allocation of savings as between itself and its customers in the IFF mechanism to increase the customer share to 33 percent.

A. Cost-Based Rate

29. In the May 2010 Order, the Commission held that Columbia Gulf must show that its fixed fuel rate is set at a level below the cost-based level it could otherwise justify.

The Commission stated that, for this purpose, the appropriate comparison would be a comparison of (1) the proposed incentive fixed fuel rate to (2) the prospective component of the pipeline's existing fuel tracker mechanism, excluding the true-up component.[26] The Commission explained that the prospective component of a pipeline's existing fuel tracker provides an appropriate base line against which to compare the fixed fuel rate because it represents the fully cost-based rate the pipeline could justify for the prospective period when the fixed fuel rate will be in effect. Therefore, the Commission concluded that, in order to determine whether Columbia Gulf's proposed fixed incentive fuel rates are below cost-based levels, they must be compared to the current retainage percentages that Columbia Gulf could justify in its 2010 TRA filing.[27]

30. In its June 3, 2010 filing, Columbia Gulf contends that it could justify a cost-based current retainage percentage for its mainline of 2.503 percent. Of the total 2.503 percent figure, 2.388 percent is attributable to CUG and 0.115 percent is attributable to LAUF. These percentages reflect the modifications which the Commission required in the May 2010 Order, including the removal from its projected LAUF costs of: (a) an amount reflecting the under-measured deliveries at Leach and Means, and (b) 1,083,336 Dth of prior period adjustments. The percentages also reflect an increase in the forward haul delivery determinants consistent with the mathematically adjusted deliveries at Leach and Means.

31. In arguing that the 2.503 percent cost-based mainline fuel retention percentage is unreasonably high, the protesters focus on the 2.388 percent CUG component. They contend that Columbia Gulf has not supported the projection of fuel use underlying the proposed 2.388 percent retention percentage. Columbia Gulf has projected that its total CUG for the period April 2010 through March 2011 will be 15,309,984 Dth, with 14,761,732 Dth attributable to the mainline and 548,252 Dth attributable to onshore facilities.[28] However, Washington Gas points out that Columbia Gulf's projected CUG for the mainline is more than its actual mainline fuel use for the year 2009 of 13,995,350 Dth.[29] Similarly, Columbia Gulf's total projected CUG for both the mainline and onshore facilities exceeds the total actual 2009 CUG of 14,539,216 Dth.[30] Washington

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[26] May 2010 Order, 131 FERC ¶ 61,156 at P 42.

[27] *Id.* P 52.

[28] Columbia Gulf June 3, 2010 IFF Filing at Exhibit B, page 3 of 6.

[29] *Id*. at Exhibit B, page 6, line 5, columns 2-13. The 13,995,350 Dth figure excludes a prior period adjustment of 341,543 Dth.

[30] *Id*. at line 17, also excluding the prior period adjustment.

Gas states that Columbia Gulf has not explained why its projected CUG for 2010 is higher than its actual CUG in 2009.

32. In both its June 3, 2010 filing and its answer to the protests, Columbia Gulf contends that in determining a reasonable projection of a fully cost-based fuel retention percentage for its system, its experience over the last three years should be taken into account. It contends that its fuel usage is significantly affected by the level of its throughput, and that the lower its throughput the lower its per unit fuel usage. Columbia Gulf states that its throughput and fuel usage fluctuated by wide margins in 2007 through 2009, with 2009 throughput and fuel usage being the lowest of the last three years. Columbia Gulf contends that its approved mainline fuel retention percentages over the last three years have averaged 2.805 percent (including both the current retainage percentage and the true-up percentage). Columbia Gulf asserts that this shows that its proposed 2.503 percent cost-based fuel retention percentage and its proposed 2.45 percent fixed fuel retention percentage are below its average fuel usage over the past three years. Columbia Gulf argues that it is reasonable to take into account its average fuel usage over the last three years because the fixed fuel rate will be in effect for the next seven years and it cannot be assumed that its throughput will remain at their current unusually low levels.

33. The protesters respond that it is inappropriate to rely on Columbia Gulf's experience over the last three years in determining an appropriate cost-based fuel retention percentage for Columbia Gulf. They assert that changes in throughput and fuel usage before 2009 are not pertinent because they reflect stale and outdated operational experience. Washington Gas and Baltimore Gas also assert that various factors will cause Columbia Gulf's throughput to continue to decline from its 2009 level. Among other things, they state that Columbia Gulf's transportation of natural gas produced in the Gulf of Mexico area will be supplanted by cheaper Rocky Mountain area supplies now being transported on Rockies Express Pipeline, and further erosion of Columbia Gulf's deliveries could be caused by competition from Gulf Crossing Pipeline Co., as well as the advent of the Marcellus Shale gas as an increasingly available lower cost supply of natural gas in the northeast market. Washington Gas asserts that the continuing decline in Columbia Gulf's throughput is shown by the fact that its throughput in January 2010 was 16 percent lower than in January 2009 and 21 percent lower in February 2010 than in February 2009. Finally, the protesters also assert that the three-year average retention percentage calculated by Columbia Gulf improperly includes not only the current retention percentage, but also the true-up percentage and that this is contrary to the May 2010 Order's holding that fixed incentive fuel rates must be compared to the current fuel retainage percentages that Columbia Gulf could justify in its 2010 TRA filing.

34. The Commission finds that Columbia Gulf has not justified its projection that total CUG for the period April 2010 through March 2011 will be 15,309,984 Dth, along with the amounts allocated to the mainline and onshore facilities. Columbia Gulf projected its

LAUF costs based on its actual LAUF costs during 2009, with the adjustments required by the May 2010 Order. However, Columbia Gulf has provided no similar explanation of its projection that total CUG will be 15,309,984 Dth. Unlike the LAUF projection, the CUG projection does not appear to be tied in any way to Columbia Gulf's actual CUG in 2009. The CUG projection for 2010 exceeds Columbia Gulf's actual 2009 CUG of 14,539,216 Dth by 770,768 Dth.

35. As described above, Columbia Gulf asserts generally that its 2009 CUG was unusually low because its throughput was lower in 2009 than in either of the preceding two years and its per unit fuel usage decreases with decreased throughput. However, in its current filing, Columbia Gulf has not provided any actual CUG figures for 2007 or 2008; nor has it given any indication in its various filings that its projected 2010 CUG is based on any average of actual CUG data for some several-year past period to account for the possibility that a future increase in throughput could lead to increased CUG. Instead, Columbia Gulf has attempted to support its asserted correlation between changes in throughput and changes in per unit fuel usage based on an exhibit comparing its approved mainline fuel retention percentages (including both the current retainage percentage for CUG and LAUF and the true-up component) for 2007-2009 to its annual mainline throughput in those years. This exhibit purportedly shows that in 2007 Columbia Gulf's throughput was 655,367,190 Dth and its fuel retention percentage was 2.791 percent, in 2008 its throughput rose to 657,810,368 Dth and its fuel retention percentage similarly increased to 3.28 percent, and in 2009 its throughput fell to 651,914,940 Dth and its fuel retention percentage similarly fell to 2.294 percent.

36. However, there are several problems with this exhibit. First, changes from year to year in the approved overall fuel retention percentage for CUG and LAUF are not necessarily indicative of similar changes in Columbia Gulf's actual fuel usage from year to year. That is because the overall fuel retention percentage is affected by changes in LAUF and in the true-up component which are unrelated to changes in actual fuel usage. Rather than attempting to infer changes in annual fuel usage from changes in the overall fuel retention percentage, the best evidence of such changes would be direct evidence of the actual amount of fuel Columbia Gulf used each year. Columbia Gulf failed to include such data for 2007 and 2008 in its filings in this proceeding.

37. We therefore sought to obtain such data by reviewing Columbia Gulf's filings in its 2008 and 2009 TRA proceedings. Exhibits Columbia Gulf filed in those proceedings indicated that its total CUG in 2007 was 15,954,721 Dth[31] and in 2008 was 15,407,579

[31] Columbia Gulf, Docket No. RP08-347-004, at Appendix A, page 6 of 6, line 17, column 13 (Dec. 15, 2008 filing).

Dth,[32] as compared to total CUG for 2009 of 14,539,216 Dth. For the mainline, total CUG was 14,904,333 Dth in 2007 and 14,772,057 in 2008, as compared to 13,995,350 Dth in 2009. These figures indicate that Columbia Gulf's CUG was indeed higher in 2007 and 2008 than in 2009. However, these figures also raise several questions. First, the figures suggest that Columbia Gulf's CUG was highest in 2007 and then fell in both 2008 and 2009. That conflicts with Columbia Gulf's theory that changes in CUG follow changes in throughput because assuming the throughput figures provided by Columbia Gulf are correct, its throughput increased in 2008 while its CUG decreased. A possible explanation would be that the 2007 CUG data in Columbia Gulf's 2008 TRA filing include unidentified prior period adjustments that should be removed. Another possibility is that Columbia Gulf's throughput data may be distorted by the inclusion of backhaul volumes. In its exhibit containing the throughput figures for 2007 through 2009, Columbia Gulf cites its FERC Form 2 filings for those years as the source of those figures, at page 305. However, we have been unable to determine whether the throughput figures set forth in the exhibit at that page of Columbia Gulf's Form 2 filings include or exclude backhaul volumes.

38. In these circumstances, the Commission has concluded that the current record in this proceeding is not sufficient to decide whether Columbia Gulf's projection of its CUG for purposes of both its 2010 TRA and as a base line for its IFF is reasonable. The Commission therefore requires that, within 20 days of the date of this order, Columbia Gulf file the following information:

(1) Its actual CUG for the mainline, onshore, and offshore zones for each month from January 2007 through the most recent month for which data is available. All prior period adjustments and the month to which they relate should be separately identified.

(2) Forward haul and backhaul deliveries stated separately for the mainline, onshore, and offshore zones for each month from January 2007 through the most recent month for which data is available.

(3) An explanation of the causes of significant changes in CUG and system throughput during the period January 2007 to the present and the likelihood of future changes in CUG (unrelated to IFF investments) and throughput. (4) An explanation of how this information supports Columbia Gulf's projection of its CUG.

Other parties may file comments on Columbia Gulf's filing within 35 days of this order.

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[32] Columbia Gulf, Docket No. RP09-423-000, at Appendix A, page 6 of 11, line 17, column 18 (Feb. 27, 2009 filing).

B. Sharing of Projected Cost Savings

39. In the May 2010 Order, the Commission found that the fixed fuel rate in an incentive proposal established in a limited section 4 filing must be below a cost-based level so that the shippers can share the benefits of anticipated future cost savings immediately. In its original IFF proposal, Columbia Gulf proposed to allocate 64 percent of its projected savings from its qualified capital investments to its customers. However, given the removal of the savings from the replacement of the Leach and Means meters from the IFF proposal, the Commission stated in the May 2010 Order that it would be willing to consider a proposal to modify the relative allocation of savings as between Columbia Gulf and its customers, "so long as the shippers receive a significant upfront savings below the level of a cost-based fuel retention rate consistent with the policy discussed above."[33]

40. In its June 3, 2010 filing, Columbia Gulf proposes to allocate only 10 percent of its projected savings to its customers while allocating 90 percent to itself. The proposed IFF rates under the revised allocation of savings in comparison to Columbia Gulf's proposed cost-based fuel rates are as follows:

	Mainline Fuel	Mainline Backhaul	Onshore Fuel	Offshore Fuel
Revised Current Retainage Rates	2.503%	0.115%	0.384%	0.117%
Revised IFF Rates	2.45%	0.10%	0.37%	0.11%
Difference	0.053%	0.015%	0.014%	0.007%

41. The Commission finds that Columbia Gulf's proposed IFF rates do not currently reflect "significant upfront savings" below Columbia Gulf's proposed cost-based rates. The proposed 2.45 percent mainline IFF rate is only 0.053 percent below the base line 2.503 cost-based mainline rate. As pointed out by the protesters, the revised IFF rate represents a rate reduction of only two percent from the revised TRA rate. Such a small rate reduction cannot be considered to provide customers "significant upfront savings."

42. We do, however, agree with Columbia Gulf that the IFF rate should be set at a level that provides Columbia Gulf an adequate incentive to make capital investments under the program, taking into account the reduced quantities of projected savings reflected in the mechanism after eliminating the savings from the Leach and Means meter

[33] May 2010 Order, 131 FERC ¶ 61,156 at P 61.

replacements. For the reasons discussed below, we find that a revised allocation of the projected savings that allocates 67 percent of the savings to Columbia Gulf and 33 percent to the customers would provide Columbia Gulf a similar incentive to make the investments still in the program as under its original proposal, while providing "significant upfront savings" to customers.

43. In order to evaluate Columbia Gulf's incentive to proceed with the investments in the program under different options for allocating savings as between Columbia Gulf and its customers, the Commission has estimated Columbia Gulf's average annual return on investment, without any allowance for taxes, under its original IFF proposal including the meter replacement savings and allocating Columbia Gulf 36 percent of the savings.[34] The Commission then compared that return to Columbia Gulf's average annual return on investment, excluding taxes, under its current proposal allocating 90 percent of the projected savings excluding the meter savings to Columbia Gulf and based on a reduced allocation of 67 percent. In making these calculations, the Commission relied on the same assumptions concerning the timing of investments that Washington Gas relied on in its February 19, 2010 Reply Post-Technical Conference Comments, including the three-year lead time that Columbia Gulf would need to replace its compressor units. Washington Gas based these assumptions on representations made by Columbia Gulf earlier in these proceedings.[35] The Commission also used Columbia Gulf's own estimates of the volumetric level of the savings from each investment, together with the two gas price scenarios described below.

44. Based upon our calculations, it appears that under Columbia Gulf's original IFF proposal its average annual return on investment, excluding taxes, would be 12.20 percent based on a $5.00 price of gas for the seven-year period and 16.46 percent based on the U.S. Energy Information Administration (EIA) projected gas prices for the same

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[34] *See* Appendix B.

[35] Washington Gas, Docket No. RP10-134-000, *et al*., Reply Post-Technical Conference Comments at 6 (Feb. 19, 2010) (citing Columbia Gulf's answer filed on December 4, 2009 in Docket No. RP10-134 at 12-13 where the pipeline stated that "[t]here are long lead-times associated with the purchase of major facility upgrades contemplated by Columbia Gulf. For example, for upgrades such as compressor turbine replacements, it can take up to eighteen months to receive the equipment from the date of order. If one adds the certificating process and the construction schedule, it could take several years before Columbia Gulf would even begin to reap any of the benefits associated with fuel savings from such a major project….[T]he effort to artificially reduce the IFF Mechanism by two years, would likely require several, if not all, of the major turbine replacements to fall outside the program if the IFF mechanism could be halted after five years. [Footnote omitted.]")

seven-year period.[36] Under its current proposal, we calculated that Columbia Gulf's average annual return on investment, excluding taxes, would be 17.64 percent based on $5.00 gas prices and 24.13 percent based on the EIA gas price projections for the seven-year period. It thus appears that under either price scenario Columbia Gulf's proposal to increase its share of the projected savings from 34 percent to 90 percent could provide it a significantly greater return excluding taxes on its IFF investments than its original proposal did.

45. By contrast, an allocation of 67 percent of the savings to Columbia Gulf and 33 percent to its customers would give Columbia Gulf approximately the same return on investment, excluding taxes as under its original proposal. Under our calculations, such an allocation of savings would result in an annual average return on investment, excluding taxes, of 13.14 percent based on a $5.00 gas prices and 17.96 percent based on EIA gas price projections for the seven-year period. These returns are marginally higher than those provided by Columbia Gulf's original IFF proposal, and therefore the Commission concludes that a revised allocation providing Columbia Gulf 67 percent of the projected savings provides Columbia Gulf, relative to its investments, an incentive similar to that it was originally proposing and would provide customers significant upfront savings. As discussed further below, we do not believe that Columbia Gulf has shown any change in circumstance that would require permitting Columbia Gulf a greater return on investment than the estimated return provided by its original proposal in order to provide it an adequate incentive to make the investments included in its revised IFF proposal. Therefore, Columbia Gulf is directed to revise its sharing allocation based on 33 percent of the projected savings being allocated to customers and the remaining 67 percent being allocated to Columbia Gulf.

46. Columbia Gulf contends that three factors in particular do not allow for a greater reduction below the level of Columbia Gulf's proposed cost-based fuel rate than under its proposed 90-10 cost savings allocation proposal.[37] First, Columbia Gulf contends that there is a smaller quantity of projected fuel savings to fund the same level of invested capital. Second, Columbia Gulf contends that gas prices are significantly lower than when it started IFF discussions with its customers resulting in lower revenues and return on investment. Third, Columbia Gulf contends that the IFF rates are predicated on lower-end throughput levels. We do not find these justifications persuasive. Regarding the first factor, we disagree that there is a smaller quantity of projected fuel savings to fund the same level of capital investment. As the Commission found in the May 2010 Order, the investment in replacing the Leach and Means meters is not appropriately included in the

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[36] *See* EIA Annual Energy Outlook 2010, Projection Table 13, Henry Hub Spot Prices.

[37] Columbia Gulf June 3, 2010 IFF Filing at 5.

IFF mechanism. While removing the Leach and Means meter replacements reduces the projected fuel savings, there is also a smaller level of capital investment to be funded by the projected savings. The Commission recognizes that the Leach and Means meter replacements provided proportionately greater projected savings compared to the investment required to replace them than the remaining investments provide. However, our approval of an increase on the Columbia Gulf's share of the savings remaining in the program from 34 percent to 67 percent should address this concern.

47. Columbia Gulf's second contention, that gas prices are significantly lower now than when it began IFF discussions, is belied by Columbia Gulf's original filing in these proceedings. In its original IFF filing on November 9, 2009, Columbia Gulf indicated that its projected savings for itself and its customers were based on an average gas price of $5.00 over the seven-year term of the mechanism, which is approximately what it alleges is the current price of gas.[38] Based on a $5.00 price of gas, we estimate that Columbia Gulf's original proposal would provide a return on investment excluding taxes of approximately 12.20 percent, while under the revised IFF mechanism an allocation of 67 percent of the savings to Columbia Gulf would provide it a slightly higher return on investment of 13.14 percent.

48. Lastly, the May 2010 Order requires that the IFF rates reflect significant upfront savings from the level of the cost-based rate the pipeline could justify for the prospective period, based on the most recent available cost and throughput data. In the preceding section we have required Columbia Gulf to submit additional information to permit us to determine a reasonable cost-based baseline rate from which to calculate the level of the IFF rate. Based on that data, the Commission will determine a reasonable projection of Columbia Gulf's CUG costs, taking into account all relevant factors.

49. Finally, there are several additional factors which help minimize Columbia Gulf's downside risks in implementing a revised IFF mechanism. As Columbia Gulf points out in its June 3, 2010 filing and subsequent answer, the IFF mechanism provides a failsafe to customers and Columbia Gulf alike. In the event Columbia Gulf is significantly under-recovering its CUG and LAUF costs, Columbia Gulf may seek to terminate or modify the IFF mechanism at any time during the seven-year period, pursuant to a NGA limited section 4 filing. In addition, the Commission believes that Columbia Gulf's risk is ultimately mitigated by the fact that at the end of the period, Columbia Gulf may include the net depreciated amount[39] of any qualified capital investments in rate base in a

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[38] *See* Columbia Gulf, IFF Transmittal, Docket No. RP10-134-000, at 2, n.1 (filed Nov. 9, 2009).

[39] Columbia Gulf's current rates reflect a depreciation rate of 1.7 percent.

future general section 4 filing and both recover the depreciated amount of the investments and earn a return on them.

50. Accordingly, Columbia Gulf is directed to revise the allocation of savings as between itself and its customers to increase the customer's share to at least 33 percent of the projected savings.

C. Miscellaneous Matters

1. Inclusion of Leach and Means Meter Replacements

51. In the May 2010 Order, the Commission recognized that under the IFF mechanism Columbia Gulf intended to replace the Leach A and Means E meters and include LAUF savings attributable to that correction in its calculation of its proposed IFF rates. However, the Commission found that the alleged savings attributable to any replacement of the Leach A and Means E meters were not appropriately treated as a benefit provided to customers by the IFF mechanism because those same savings were achieved by the mathematical adjustments required by the Commission in the May 2010 Order without replacing the meters. The Commission stated that Columbia Gulf's customers would receive the benefit of the resulting reduction in LAUF costs, even if the existing tracking mechanism continued in effect. The Commission also recognized that it would be unreasonable to expect Columbia Gulf, in recalculating the IFF rates, to reduce the corrected LAUF projection in the 2010 TRA filing by the amount of those savings, given that corrected LAUF projection would already reflect a similar adjustment. The Commission, therefore, indicated that it would be amenable to Columbia Gulf recalculating the IFF rates based on projected savings that do not include savings attributable to replacement of the Leach and Means meters.[40]

52. While Columbia Gulf has removed the savings attributable to the Leach and Means meters from its calculation of the IFF rates, it proposes to include the Leach and Means meter replacements in the IFF mechanism for purposes of calculations affecting the annual excess revenue sharing formula and also for calculations to determine whether the credit to rate base has been triggered. This proposal has the effect of increasing the investment threshold that must be met before the customers share in excess revenues or

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[40] Columbia Gulf agreed to make certain other changes to its IFF *pro forma* tariff sheets in response to customers' request, including substituting "including and recovering" with "seeking to recover" in section 33.5, to file tariff language to clarify that Columbia Gulf is not entitled to seek more than the depreciated value of its qualified capital investment, and that any fuel losses should not be added to future retainage rates. *See* Columbia Gulf, Reply Comments, Docket No. RP10-134-000, at 19 (filed Feb. 19, 2010). The Commission finds that these changes are reasonable.

receive credits against rate base. Columbia Gulf contends that inclusion of the Leach and Means meter replacements in the IFF mechanism for this purpose is appropriate and entirely consistent with the May 2010 Order. Further, Columbia Gulf contends that to exclude the meter investments from the program altogether would leave Columbia Gulf with no incentive to actually replace the meters. Columbia Gulf contends that the Commission's only directive regarding this issue was that the customers must gain the benefit of the meter upgrades immediately through the inclusion of the mathematical adjustments in the 2010 TRA rates, but that it did not preclude inclusion of the meters in the IFF mechanism. We disagree.

53. As permitted by the Commission, Columbia Gulf recalculated the IFF rates to exclude projected savings attributable to replacement of the Leach and Means meters. As a result, the IFF rates do not provide Columbia Gulf's customers any benefit on account of Columbia Gulf's replacement of the Leach and Means meters that they would not receive from a continuation of the TRA rates. Therefore, it would be inconsistent with the requirements of the May 2010 Order and the *1996 Incentive Ratemaking Policy Statement*[41] if Columbia Gulf were nevertheless allowed to use its investment in the Leach and Means meter replacements to reduce the amounts to be shared with its customers under the IFF mechanism's annual excess revenue sharing formula and rate base credit mechanism. In justification of its proposal, Columbia Gulf states that customers are receiving 100 percent of the fuel savings attributable to the meter replacements in the IFF rates, but this is a mischaracterization. As stated above, customers are entitled to receive the equivalent of the savings attributable to the Leach and Means meter replacements by way the mathematical adjustments ordered in the May 2010 Order, even if the existing tracking mechanism continued in effect. Accordingly, it is inconsistent with the May 2010 Order for Columbia Gulf to include in the IFF program the Leach and Means meter replacements for which customers will see no additional benefit.

2. <u>Sharing of Excess Savings</u>

54. In the May 2010 Order, the Commission recognized that the conditions it placed on Columbia Gulf's IFF proposal would significantly affect Columbia Gulf's proposal and as a result, Columbia Gulf may desire to modify other aspects of its IFF proposal if it is to continue with the experimental fuel mechanism.[42] In its original proposal, Columbia Gulf proposed an annual excess revenue sharing formula under which Columbia Gulf

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[41] *Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipelines* (*1996 Incentive Ratemaking Policy Statement*), 74 FERC ¶ 61,076, at 61,237-38 (1996).

[42] May 2010 Order, 131 FERC ¶ 61,156 at P 61.

would calculate for each annual period the difference between the retainage provided by shippers under the IFF rates and the actual CUG and LAUF for the same period and shippers would receive 40 percent of any sale revenues in excess of 50 percent of Columbia Gulf's cumulative qualified capital investments. In the instant filing, consistent with its proposed change to the 10-90 projected savings allocation, Columbia Gulf proposes to reduce the customers' share of the excess sales revenues to 10 percent. Columbia Gulf contends that this is appropriate given the three factors identified above which result in increased risk to Columbia Gulf and decreased risk to customers, as well as the fact that customers are now receiving 100 percent of the projected fuel reductions from the meter replacements.

55. Consistent with our finding above, we find that Columbia Gulf has not supported its proposed change to the annual excess revenue sharing formula and therefore, Columbia Gulf is directed to revise the sharing percentages under the annual excess revenue sharing formula consistent with the 33-67 projected savings sharing allocation ordered above.

3. Negative Surcharge

56. In order to avoid a negative overall retainage rate for the offshore and backhaul rates, Columbia Gulf proposes to hold the offshore and backhaul rates at zero, rather than allowing the overall retainage rates to go negative, until all of the over-recovery associated with the offshore and backhaul has been returned to those shippers. While the Commission finds that Columbia Gulf's proposal is reasonable, it is unclear from the proposed tariff sheets that the backhaul rate is being reduced to zero. Therefore, Columbia Gulf is directed to clarify its tariff sheets accordingly.

4. Miscellaneous Tariff Revisions

57. As Constellation points out, Columbia Gulf did not include language in its proposed tariff sheets reflecting the May 2010 Order's requirement that Columbia Gulf establish fuel retention percentages no higher than a cost-based percentage at the end of the term of the mechanism, thereby guaranteeing that shippers will receive 100 percent of the benefit of actual fuel reductions achieved by the capital improvements after the IFF mechanism has ended.[43] Accordingly, Columbia Gulf is directed to include such language in its final tariff sheets.

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[43] *See* May 2010 Order, 131 FERC ¶ 61,156 at P 59.

58. The Commission also accepts Columbia Gulf's proposed modifications to sections 33.3(b) and 33.5[44] and accordingly, Columbia Gulf should include such modifications in its final tariff sheets.

5. Waiver

59. Columbia Gulf is requesting a waiver of the thirty-day notice period to allow the revised tariff sections to become effective July 1, 2010. Should the Commission later amend Columbia Gulf's proposal in a manner that renders it unacceptable, Columbia Gulf states that it will implement the higher 2010 TRA rates effective immediately and any under-collection that would be incurred since July 1, 2010 would be recovered through the under/over surcharge as if the TRA had been in place beginning July 1, 2010.

60. The Commission grants waiver of the thirty-day notice requirement to permit a July 1, 2010 effective date for the tariff sheets implementing its IFF mechanism. If Columbia Gulf subsequently determines to implement the 2010 TRA rates in place of the IFF rates, it must file revised tariff sheets in order to do so. We will permit it to true-up any over- or under-collection incurred since July 1, 2010 through the true-up component of its TRA mechanism as compared to the TRA rates finally approved by the Commission.

D. Suspension

61. Based upon a review of the filing, the Commission finds that Columbia Gulf's proposed tariff sheets set forth in Appendix A have not been shown to be just and reasonable, and may be unjust, unreasonable and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept such tariff sheets listed in Appendix A for filing and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order.

62. 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. Therefore, the Commission shall exercise its discretion to suspend the rates

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[44] *See* Columbia Gulf Answer at 18.

for a nominal period to take effect on July 1, 2010, subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

The Commission orders:

(A) The Commission accepts and suspends Columbia Gulf's proposed tariff sheets for a nominal period, to be effective July 1, 2010, subject to refund and conditions.

(B) Within 20 days of the date of this order, Columbia Gulf must revise its proposed tariff sheets to reduce the IFF rates to reflect a sharing with its customers of at least 33 percent of the projected savings from the investments included in the IFF mechanism, consistent with the discussion above.

(C) Within 20 days of the date of this order, Columbia Gulf is ordered to file the following information:

(1) Its actual CUG for the mainline, onshore, and offshore zones for each month from January 2007 through the most recent month for which data is available. All prior period adjustments and the month to which they relate should be separately identified.

(2) Forward haul and backhaul deliveries stated separately for the mainline, onshore, and offshore zones for each month from January 2007 through the most recent month for which data is available.

(3) An explanation of the causes of significant changes in CUG and system throughput during the period January 2007 to the present and the likelihood of future changes in CUG (unrelated to IFF investments) and throughput.

(4) An explanation of how this information supports Columbia Gulf's projection of its CUG.

Other parties may file comments on Columbia Gulf's filing within 35 days of the date of this order.

By the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

APPENDIX A

Columbia Gulf Transmission Company
FERC Gas Tariff
Third Revised Volume No. 1
Docket No. RP10-823-000
Tariff Sheets Accepted, to be Effective July 1, 2010
Subject to Refund and Conditions

Part	Version	Title
V.1.	1.0.0	FTS-1 Rates
V.2.	1.0.0	FTS-2 Rates
V.3	1.0.0	ITS-1 Rates
V.4.	1.0.0	ITS-1 Rates
VI.1.	1.0.0	Rate Schedule FTS-1
VI.2.	1.0.0	Rate Schedule FTS-2
VI.3.	1.0.0	Rate Schedule ITS-1
VI.4.	1.0.0	Rate Schedule ITS-2
VII.	1.0.0	Gen. Terms and Conditions
VII.32.	1.0.0	Incentive Fixed Fuel

APPENDIX B

November 9, 2009 IFF Proposal (36% - 64%) at $5 Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$5.00**				$10,000,000	$10,000,000
Year 2 - 2011	**$5.00**	$13,000,000	$4,680,000	$8,320,000	$5,000,000	$15,000,000
Year 3 - 2012	**$5.00**	$20,500,000	$7,380,000	$13,120,000	$70,000,000	$85,000,000
Year 4 - 2013	**$5.00**	$29,750,000	$10,710,000	$19,040,000		$85,000,000
Year 5 - 2014	**$5.00**	$29,750,000	$10,710,000	$19,040,000		$85,000,000
Year 6 - 2015	**$5.00**	$29,750,000	$10,710,000	$19,040,000		$85,000,000
Year 7 - 2016	**$5.00**	$29,750,000	$10,710,000	$19,040,000		$85,000,000
Total		**$152,500,000**	**$54,900,000**	**$97,600,000**	**$85,000,000**	**$450,000,000**
				Annual Average Return on Investment, Excluding Taxes		**12.20%**

November 9, 2009 IFF Proposal (36% - 64%) at EIA Projected Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$4.64**				$10,000,000	$10,000,000
Year 2 - 2011	**$5.93**	$15,418,000	$5,550,480	$9,867,520	$5,000,000	$15,000,000
Year 3 - 2012	**$6.53**	$26,773,000	$9,638,280	$17,134,720	$70,000,000	$85,000,000
Year 4 - 2013	**$6.60**	$39,270,000	$14,137,200	$25,132,800		$85,000,000
Year 5 - 2014	**$6.67**	$39,686,500	$14,287,140	$25,399,360		$85,000,000
Year 6 - 2015	**$6.99**	$41,590,500	$14,972,580	$26,617,920		$85,000,000
Year 7 - 2016	**$7.23**	$43,018,500	$15,486,660	$27,531,840		$85,000,000
Total		**$205,756,500**	**$74,072,340**	**$131,684,160**	**$85,000,000**	**$450,000,000**
				Annual Average Return on Investment, Excluding Taxes		**16.46%**

June 3, 2010 IFF Proposal (90%-10%) at $5 Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$5.00**				$0	$0
Year 2 - 2011	**$5.00**	$0	$0	$0	$5,000,000	$5,000,000
Year 3 - 2012	**$5.00**	$7,500,000	$6,750,000	$750,000	$70,000,000	$75,000,000
Year 4 - 2013	**$5.00**	$16,750,000	$15,075,000	$1,675,000		$75,000,000
Year 5 - 2014	**$5.00**	$16,750,000	$15,075,000	$1,675,000		$75,000,000
Year 6 - 2015	**$5.00**	$16,750,000	$15,075,000	$1,675,000		$75,000,000
Year 7 - 2016	**$5.00**	$16,750,000	$15,075,000	$1,675,000		$75,000,000
Total		**$74,500,000**	**$67,050,000**	**$7,450,000**	**$75,000,000**	**$380,000,000**
				Annual Average Return on Investment, Excluding Taxes		**17.64%**

June 3, 2010 IFF Proposal (90% - 10%) at EIA Projected Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$4.64**				$0	$0
Year 2 - 2011	**$5.93**	$0	$0	$0	$5,000,000	$5,000,000
Year 3 - 2012	**$6.53**	$9,795,000	$8,815,500	$979,500	$70,000,000	$75,000,000
Year 4 - 2013	**$6.60**	$22,110,000	$19,899,000	$2,211,000		$75,000,000
Year 5 - 2014	**$6.67**	$22,344,500	$20,110,050	$2,234,450		$75,000,000
Year 6 - 2015	**$6.99**	$23,416,500	$21,074,850	$2,341,650		$75,000,000
Year 7 - 2016	**$7.23**	$24,220,500	$21,798,450	$2,422,050		$75,000,000
Total		**$101,886,500**	**$91,697,850**	**$10,188,650**	**$75,000,000**	**$380,000,000**
				Annual Average Return on Investment, Excluding Taxes		**24.13%**

67% - 33% Savings Allocation at $5 Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$5.00**				$0	$0
Year 2 - 2011	**$5.00**	$0	$0	$0	$5,000,000	$5,000,000
Year 3 - 2012	**$5.00**	$7,500,000	$5,025,000	$2,475,000	$70,000,000	$75,000,000
Year 4 - 2013	**$5.00**	$16,750,000	$11,222,500	$5,527,500		$75,000,000
Year 5 - 2014	**$5.00**	$16,750,000	$11,222,500	$5,527,500		$75,000,000
Year 6 - 2015	**$5.00**	$16,750,000	$11,222,500	$5,527,500		$75,000,000
Year 7 - 2016	**$5.00**	$16,750,000	$11,222,500	$5,527,500		$75,000,000
Total		**$74,500,000**	**$49,915,000**	**$24,585,000**	**$75,000,000**	**$380,000,000**
				Annual Average Return on Investment, Excluding Taxes		**13.14%**

67% - 33% Savings Allocation at EIA Projected Gas Prices

	$/Dth	Annual Value of Savings	Annual Value of Columbia Gulf Savings	Annual Value of Customer Savings	Columbia Gulf Investments Annual	Columbia Gulf Investments Cumulative
Year 1 - 2010	**$4.64**				$0	$0
Year 2 - 2011	**$5.93**	$0	$0	$0	$5,000,000	$5,000,000
Year 3 - 2012	**$6.53**	$9,795,000	$6,562,650	$3,232,350	$70,000,000	$75,000,000
Year 4 - 2013	**$6.60**	$22,110,000	$14,813,700	$7,296,300		$75,000,000
Year 5 - 2014	**$6.67**	$22,344,500	$14,970,815	$7,373,685		$75,000,000
Year 6 - 2015	**$6.99**	$23,416,500	$15,689,055	$7,727,445		$75,000,000
Year 7 - 2016	**$7.23**	$24,220,500	$16,227,735	$7,992,765		$75,000,000
Total		**$101,886,500**	**$68,263,955**	**$33,622,545**	**$75,000,000**	**$380,000,000**
				Annual Average Return on Investment, Excluding Taxes		**17.96%**