

138 FERC ¶ 61,218
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
and Cheryl A. LaFleur.

Columbia Gas Transmission, LLC

Docket No. RP12-429-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORD SUBJECT TO
REFUND AND CONDITIONS AND FURTHER REVIEW

(Issued March 27, 2012)

1. On February 29, 2012, Columbia Gas Transmission, LLC (Columbia Gas) filed a revised tariff record¹ in accordance with section 35, Retainage Adjustment Mechanism (RAM), of the General Terms and Conditions (GT&C) of its tariff to adjust its retainage percentages to take into account prospective changes in retainage requirements and unrecovered retainage quantities from the period of January 1, 2011 through December 31, 2011, as well as to recover certain prior period adjustments (RAM Adjustment filing). The tariff record sets forth the proposed retainage factors applicable to Columbia Gas' transportation, storage, and gathering services to become effective April 1, 2012. The Commission accepts and suspends the revised tariff record, permitting it to become effective April 1, 2012, subject to refund and conditions and further review as discussed below.

Background

2. Section 35.2 of Columbia Gas's tariff requires it to adjust the retainage factors annually. These retainage factors consist of a current component and a surcharge component. Pursuant to GT&C section 35.4(a), the current component reflects the estimate of total company use gas (CUG) and lost and unaccounted-for gas quantities (LAUF) for the 12-month period commencing on April 1 of each year. GT&C section 35.4(b) provides that the surcharge component reflect the reconciliation of "actual" CUG and LAUF gas quantities with gas quantities actually retained by Columbia Gas for the preceding calendar year, i.e., the deferral period.

¹ Columbia Gas Transmission, LLC, FERC NGA Gas Tariff, Baseline Tariffs, Currently Effective Rates, Retainage Rates, 2.0.0.

Summary of the Instant Filing

3. Columbia Gas states that, in this annual RAM Adjustment filing, it is adjusting the retainage percentages to take into account both prospective changes in retainage requirements for CUG and LAUF and unrecovered retainage quantities from the period January 1, 2011 through December 31, 2011. Columbia Gas proposes a transportation retainage percentage of 1.963 percent, a decrease from the current level of 2.229 percent; a gathering retainage percentage of 0.524 percent, a decrease from the current level of 0.601 percent; a storage gas loss retainage of 0.230 percent, an increase from the current level of 0.030 percent; and an Ohio Storage gas loss retainage of 0.180 percent, an increase from 0.060 percent.

4. Columbia Gas states that, with respect to the current retainage percentage, the CUG and LAUF gas portions of the current component for each of the retainage factors are based on estimated retainage requirements for the 12-month period commencing April 1, 2012, divided by projected throughput and adjusted for any known and measurable changes. Columbia Gas further states that it calculates the Unrecovered Retainage Percentage by: (i) determining the CUG and LAUF quantities for the preceding calendar year; (ii) subtracting the retainage quantities actually retained during that period; and (iii) dividing by the projected billing determinants under the applicable rate schedules. Columbia Gas states that it has continued its historical practice of including prior period adjustments in the calculation of its Unrecovered Retainage Percentage Component.

Notice, Comments and Answer

5. Public notice of Columbia Gas's filing was issued on March 1, 2012 with interventions and protests due as provided in section 154.210 of the Commission's regulations.² Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,³ all timely filed motions to intervene and any unopposed motions to intervene out-of-time before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Washington Gas Light Company (Washington Gas) filed comments.

6. On March 19, 2012, Columbia Gas filed an answer (Columbia Gas Answer) to Washington Gas' comments. Rule 213 (a)(2) of the Commission's Rules of Practice and Procedure prohibits answers to protests without leave of the decisional authority.

² 18 C.F.R. § 154.210 (2011).

³ 18 C.F.R. § 385.214 (2011).

(18 C.F.R. § 385.213(a)(2) (2011)). The Commission will grant Columbia Gas' request because the answer has aided us in our decision making process.

7. Washington Gas states that Columbia Gas' filing identifies large prior period adjustments (PPA), but does not provide detailed explanations of the causes of those adjustments. Those adjustments are: (1) past compressor and auxiliary fuel (418,141 Dth), (2) an adjustment to remove receipts from Millennium Pipeline Company (Millennium) at the Wagoner meter 640203 (728,597 Dth), (3) third party fuel on Millennium (154,735 Dth), and (4) an adjustment of 1,124,387 Dth for Sequent Energy Management (Sequent). Washington Gas observes that in its order on Columbia Gas' 2011 annual retainage filing, the Commission re-affirmed that Columbia must adequately support its filing.⁴ Washington Gas questions whether Columbia Gas has met this directive.

8. Washington Gas states that, as part of the 2011 retainage filing proceeding, Columbia Gas agreed to include a schedule showing OBA adjustments with affiliates, including supplemental data which includes an explanation for adjustments exceeding 200,000 Dth.⁵ Washington Gas observes that the 728,597 Dth Wagoner adjustment exceeds that threshold, and Columbia Gas' only explanation is a footnote stating that it "was operationally impossible for volumes to flow through Wagoner during that time." Washington Gas does not find this statement to be a complete explanation. Additionally, Washington Gas asserts that the Wagoner adjustment is for 2008 activity, and, as Washington Gas notes, section 35.2 of the GT&C states that the retainage will include unrecovered quantities from the preceding period, which in section 35.4(b) is defined as the preceding calendar year. Washington Gas asserts that activity from 2008 would be stale and outside a time period for which recovery is appropriate. Washington Gas states that adjustments of this magnitude may have measurable cost consequences to Columbia Gas' customers and the pipeline should not be permitted to recover these substantial items without more specific information as to why and how they were incurred.

9. In reply to Washington Gas, Columbia Gas provides the following additional information on: (1) past compressor and auxiliary fuel, (2) the Wagoner adjustment, (3) third party fuel on Millennium, and (4) an adjustment with Sequent Energy Management (Sequent).

⁴ Washington Gas Comments at 2 (citing *Columbia Gas Transmission, LLC*, 134 FERC ¶ 61,256, at P 13 (2011)).

⁵ *Id.* 3 (citing *Columbia Gas Transmission, LLC*, 136 FERC ¶ 61,159, at P 3 (2011) (September 2011 Order)).

10. Regarding the past compressor and auxiliary fuel adjustment, Columbia Gas states that this PPA reflects a reclassification between LAUF and CUG and thus, has no impact on the overall retainage rate. Columbia Gas asserts the adjustments result from the fact that updated measurement data, often from chart-read measurement, is not received until after the accounting close for the measurement period. Accordingly, Columbia Gas argues that the Commission should find that these adjustments are reasonable, as they result in the more accurate allocation of Columbia's retainage rate between LAUF and CUG.

11. Regarding the Wagoner adjustment, Columbia Gas argues that this PPA is related to an outage at the Wagoner meter during the summer of 2011 as part of the replacement of Columbia's Line 1278. Columbia Gas asserts that during that time, although it was operationally impossible for anything to flow through the Wagoner meter, 728,597 Dth were recorded as flowing during that period. Columbia Gas states that a PPA was required to correct that error. Without this adjustment, Columbia Gas contends the customer retainage rate would increase from the proposed 1.963 percent to 2.015 percent, due to the 728,597 Dth increase in LAUF. Accordingly, Columbia Gas avers that the Commission should find that this PPA is just and reasonable.

12. Columbia Gas states that Washington Gas also requests that it provide additional information regarding a fuel adjustment on Millennium in the amount of 154,735 Dth, arising under Millennium's lease of capacity from Columbia Gas. Columbia Gas points out that Exhibit E of the lease agreement between Columbia and Millennium, which has been approved by the Commission,⁶ provides:

Millennium shall estimate the actual Fuel used to support the Leased Capacity. On March 1 of each year, Millennium will provide to Columbia a schedule reconciling the differences between the quantity of Fuel furnished by Columbia and the actual Fuel used to support the Leased Capacity. Differences between the quantity of Fuel furnished by Columbia and the actual Fuel used to support the Leased Capacity shall be provided to the Party to whom gas is owed, regardless of whether that Party is Millennium or Columbia, in a manner to be mutually agreed to by Columbia and Millennium.⁷

⁶ Columbia Gas Answer at 3 (citing *Millennium Pipeline Co., LLC, et al.*, 117 FERC ¶ 61,319 (2006)).

⁷ Columbia Gas attached a copy of the lease agreement to its answer.

13. Columbia Gas asserts that the lease agreement initially provided for a retainage rate of 19 Dth/day. However, in accordance with Exhibit E, Columbia Gas and Millennium mutually agreed to revise the retainage rate to more accurately reflect the actual fuel consumption under the lease. Specifically, Columbia Gas states that it and Millennium agreed to a revised retainage calculation, based on allocating actual flows under the lease to forward haul and back haul transactions and then applying Millennium's Commission-approved retainage rate to those volumes. Columbia Gas asserts that the calculation applies a ratio of 75.3 percent forward haul and 24.7 percent back haul to the actual volumes flown under the lease. Columbia Gas asserts that the ratio is based on firm entitlements under the lease contract and more accurately reflects the physical movement on the pipeline under the lease. Columbia Gas contends that it and Millennium also agreed to make a one-time adjustment in the amount of 157,289 Dth to true up retainage for the period December 22, 2008 through May 31, 2011, using the revised retainage methodology. As this revised calculation more accurately reflects the fuel consumption under the lease and was agreed to consistent to the Commission-approved terms of the lease, Columbia Gas argues that the Commission should find that this PPA is just and reasonable.

14. Finally, Columbia Gas asserts that Sequent adjustment relates to the Chapman Heights meter station, which is a single run station that was rebuilt in September 2008, including the replacement of the meter and chart recorder. Columbia Gas states that, during replacement the index on the recording gauge was incorrectly configured, causing the index to register more gas than was actually delivered. Columbia Gas asserts that this problem was discovered during a joint inspection on November 30, 2011 and the PPA reflects the correction to the measured volumes in accordance with GT&C Section 26.

Discussion

15. Columbia Gas has the burden under NGA section 4 to show that its proposed adjustments to its retainage percentages are just and reasonable. Accordingly, each RAM filing should include detailed information supporting the proposed retainage percentages, including in particular unusual prior period adjustments such as are at issue here. Moreover, in response to concerns raised by Washington Gas with regard to Columbia Gas' previous RAM filing, Columbia Gas has promised to:

include in its future annual RAM filings a schedule showing adjustments under OBAs with affiliates with an explanation to the extent the net imbalance for the year under any such OBA exceeds 200,000 Dth, as requested by Washington Gas. Columbia will agree to include this information in future annual RAM Filings.⁸

⁸ See September 2011 Order, 136 FERC ¶ 61,159 at P 3.

16. While Columbia Gas has now provided an explanation for the requested prior period adjustments in its answer, it would have been more efficient if Columbia Gas had included such an explanation in its filing, so that other parties could determine whether to protest the filing based upon a better understanding of the reasons for Columbia Gas' proposal. However, because Columbia Gas did not include this information with its 2012 RAM Adjustment filing, the other parties have not yet had an opportunity to address Columbia Gas' explanation. Therefore, before the Commission addresses the issues raised by Washington Gas' comments, we will provide the parties with an opportunity to respond to Columbia Gas' Answer within fifteen days of the date of this order.

17. Accordingly, the Commission accepts and suspends the proposed tariff record, to become effective April 1, 2012, subject to refund and conditions and further Commission review.

Suspension

18. Based upon a review of the filing, the Commission finds that the proposed tariff record has not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission accepts the tariff record for filing, subject to refund, and suspends its effectiveness for the period set forth below, subject to the conditions set forth in this order.

19. 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 suspension for the maximum period may lead to harsh and inequitable results. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that such circumstances exist here where Columbia Gas is filing pursuant to its tariff provisions. Therefore, the Commission will accept and suspend the proposed record to be effective April 1, 2012, subject to refund, conditions of this order, and further review.

The Commission orders:

(A) Columbia Gas' revised tariff record is accepted and suspended, to become effective April 1, 2012, subject to refund, conditions, and further review, as discussed in this order.

(B) The parties may file a response to Columbia Gas' answer within 15 days of the date of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.