

144 FERC ¶ 61,081
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 31, 2013

In Reply Refer To:
Columbia Gas Transmission, LLC
Docket No. RP13-1033-000

Columbia Gas Transmission, LLC
5151 San Felipe, Suite 2500
Houston, Texas 77056

Attention: James R. Downs, Vice President
Rates and Regulatory Affairs

Ladies and Gentlemen:

1. On July 1, 2013, Columbia Gas Transmission, LLC (Columbia) filed revised tariff records¹ to revise section 3 of its *pro forma* service agreements to specify that Columbia and its shippers may agree to a discount based on a formula including, but not limited to, published index prices for specific receipt and/or delivery points or other agreed-upon pricing points.
2. Columbia states that its proposed formula-based discounts will be based on the same rate design as Columbia's tariff and will be subject to the requirement that the resulting rate may be no lower than the minimum rate or higher than the maximum rate set forth in the applicable rate schedule. Columbia also asserts that its proposal is consistent with this Commission policy and will allow Columbia to remain competitive by offering discounts that recognizes that the value of capacity may change over time, without having to renegotiate rates as market conditions change.
3. Columbia states the Commission has recognized that "[f]ormula-based discounts provide the pipeline an additional tool to meet competition, consistent with the

¹ Columbia Gas Transmission, LLC, FERC NGA Gas Tariff, Baseline Tariffs, [Service Agreement Forms, FTS, NTS, NTS-S, TPS, SST, OPT, ITS and GTS, 6.0.0](#), [Service Agreement Forms, FSS, 6.0.0](#), [Service Agreement Forms, ISS, 5.0.0](#), [Service Agreement Forms, SIT, 4.0.0](#), [Service Agreement Forms, FBS, 4.0.0](#), [Service Agreement Forms, PAL, 4.0.0](#) and [Service Agreement Forms, AutoPAL, 4.0.0](#).

underlying purpose of the Commission's discount policy.”² Columbia also asserts that the Commission has authorized pipelines to “enter into discounted rate agreements that use formulas which produce fluctuating transportation rates during the term of the agreement, so long as the rates must remain within the range established by the maximum and minimum rates set forth in the pipeline's tariff. Also, because discounted rates are constrained by the pipeline's maximum tariff rates, the Commission will permit discounted rate formulas to be based upon gas commodity price differentials between different points...”³

4. Public notice of the filing was issued on July 2, 2013. Interventions and protests were due as provided in section 154.210 of the Commission’s regulations.⁴ Pursuant to Rule 214,⁵ all timely filed motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No party filed a protest. Atmos Energy Marketing LLC (Atmos) filed comments.

5. Atmos states that it does not oppose Columbia’s proposal but suggests that it needs more information to determine whether Columbia’s proposal is just and reasonable. Specifically, Atmos seeks answers to the following questions:

(1) How will Columbia determine economic indifference in the event of a permanent capacity release of a discounted rate agreement that uses a formula?

(2) How will Columbia determine the allocation or interruption of service rights based upon price for a discounted rate agreement that uses a formula to produce transportation rates, when the specific formula rate may not be certain when allocating or interrupting service?

(3) What methodology will Columbia use for apportioning formula discounts in connection with the Transportation Costs Rate Adjustment (TCRA) Rate, TCRA Surcharge and the Capitol Cost Recovery Mechanism Rate?

(4) What methodology will Columbia use for calculating Reservation Charge Credits for discounted rates based upon a formula?

² (Citing *Southern Star Central Gas Pipeline, Inc.*, 114 FERC ¶ 61,269, at P 12 (2006).)

³ (Citing *Northern Natural Gas Co.*, 105 FERC ¶ 61,299, at P 12 (2003).)

⁴ 18 C.F.R. § 154.210 (2013).

⁵ 18 C.F.R. § 385.214 (2013).

6. On July 18, 2013, Columbia filed an answer to the concerns raised by Atmos.⁶ Columbia asserts that its proposal falls within the Commission's policy allowing formula-based discounts;⁷ and that responses to the questions raised by Atmos are not necessary for the Commission to make a determination on this matter.

7. However, Columbia responds to Atmos' concern regarding the possible effect of Columbia's proposal on Columbia's determination of whether it is economically indifferent when a firm shipper with a formula discount seeks to make a permanent capacity release⁸ by asserting that the hypothetical question is too general to answer because Columbia needs to take into account the specific circumstances of the formula and the release. However, Columbia states that in the event that Columbia, the releasing shipper and/or the replacement shipper are unable to reach a resolution of this matter the parties will have numerous avenues to seek Commission guidance.

8. In regard to Atmos' question regarding how Columbia's proposal would affect the allocation or interruption of service rights, Columbia points out that the priority of firm service agreements are unaffected by the proposed discounts. Price is not used for purposes of either scheduling or curtailing firm services. Columbia states that with regard to interruptible services, where capacity is scheduled and curtailed based on price, the answer would depend on the specific circumstances of the allocation or interruption of service, as well as the nature of the formula-based discount. Columbia states that it is difficult to envision a circumstance where the rate could not be calculated in such a circumstance, but if such an event occurred, the answer to this hypothetical would depend

⁶ Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.312(a)(2) (2012) prohibits an answer to a protest or adverse comments unless otherwise ordered by the decisional authority. In this case the Commission will accept Columbia's answer because it helps us in our decision-making process.

⁷ (Citing *Southern Star Central Gas Pipeline, Inc.*, 114 FERC ¶ 61,269, at P 12 (2006).)

⁸ Commission policy states that a pipeline is permitted pipeline to refuse to permit a permanent release if the pipeline has a reasonable basis to conclude that it will not be financially indifferent to the release. *Texas Eastern Transmission Corp.*, 82 FERC ¶ 61,118 (1998), *order on reh'g*, 83 FERC ¶ 61,092, at 61,446 (1998). The Commission has also stated that while financial indifference of the pipeline in capacity release is a reasonable factor to consider in deciding whether to permit permanent capacity release, the pipeline must have flexibility in this regard and, therefore, the pipeline does not have to set out in its tariff every extenuating circumstance or condition that would lead the pipeline to determine that it will not be financially indifferent to the release transaction. *Northwest Pipeline Corp.*, 111 FERC ¶ 61,231, at PP 23-25 (2005), (citing *Texas Eastern Transmission Corp.*, 83 FERC ¶ 61,092 at 61,449.)

on the specific circumstances of the allocation or interruption of service, as well as the nature of the formula-based discount. Columbia states that its allocation methodology is set forth in section 7 of Columbia's tariff and that once a specific formula-based discount agreement is requested by a party, then Columbia could apply the relevant provisions of its section 7 allocation methodology. Columbia points out that it does not seek to modify this allocation methodology in this proceeding.

9. With regard to the proper apportionment of formula discounts in connection with the TCRA Rate and the Capitol Cost Recovery Mechanism Rate, Columbia states that its methodology for apportioning discounts is set forth in GT&C section 20 of its tariff and that it does not seek to modify these provisions in this proceeding. Columbia asserts that any parties may address its application of that methodology to a specific discount in the appropriate TCRA, CCRM or any other of its surcharge proceedings.

10. Columbia states that its methodology for calculating Reservation Charge Credits for discounted rates based upon a formula is addressed by its GT&C section 38. Columbia states that this section applies to the methodology that is to be used to calculate reservation charge credits and such provision will continue to apply to formula-based discounts. Columbia asserts that because reservation charge credits are calculated and applied using this methodology after a service interruption has taken place, the affected shippers will have the opportunity to address and resolve any questions that may arise over the calculation and/or to challenge the application of the reservation charge credits.

11. The Commission finds that Columbia has adequately responded to the concerns raised by Atmos and further finds that the proposed tariff records are just and reasonable.⁹ Accordingly, the Commission accepts Columbia's the proposed tariff records identified in footnote no. 1 to be effective August 1, 2013.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

⁹ The Commission's regulations require Columbia to post the details of all discounted rate agreements, so that similarly situated shippers will be able to evaluate the discounts and avail themselves of the discounted rates if they so choose 18 C.F.R. § 284.13 (2013).