146 FERC ¶ 61,232
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 28, 2014

In Reply Refer To:
Columbia Gas Transmission, LLC
Docket No. RP14-567-000

Columbia Gas Transmission, LLC
5151 San Felipe
Suite 2400
Houston, TX 77056

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

Dear Mr. Downs:

1. On February 28, 2014, Columbia Gas Transmission, LLC (Columbia) filed a tariff record[1] to reflect tariff modifications related to its Operational Transaction Rate Adjustment (OTRA) mechanism. Columbia also requested limited waiver of section 284.286 of the Commission's regulations as it relates to OTRA purchases and sales. The Commission accepts Columbia's tariff record, to be effective April 1, 2014, subject to condition, as described below.

2. Columbia states that on June 1, 2012, it implemented the OTRA surcharge to recover the costs of certain operational purchases and sales required to ensure a sufficient amount of flowing supply into Columbia's system in northern Ohio.[2] According to Columbia, the OTRA was implemented as a method that would result in lower costs for its customers instead of rerouting natural gas supplies from the southwest part of Columbia's system to northern Ohio on other pipelines or requiring customers to deliver natural gas to northern Ohio receipt points through the use of Operational Flow Orders (OFOs). The OTRA mechanism in section 49.4 of the General Terms and Conditions (GT&C) of Columbia's tariff provides for Columbia to make filings to adjust its OTRA

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[1] Columbia Gas Transmission, LLC, FERC NGA Gas Tariff, Baseline Tariffs,Gen. Terms & Conditions, Operational Transactions, 3.0.0.

[2] *Columbia Gas Transmission, LLC*, 139 FERC ¶ 61,141 (2012) (May 22, 2012 Order).

rates twice annually resulting in a summer season (April 1 to October 31) adjustment and a winter season (November 1 to March 1) adjustment. These biannual adjustment filings address both prospective changes in the OTRA rate and resolve prior period over or under recoveries.

3. Columbia proposed the OTRA as a mechanism to alleviate a problem caused by an influx of Marcellus shale gas on its system. The availability of this natural gas resulted in a price discrepancy between the price of gas at the main pooling point on Columbia's system and at Columbia's northern Ohio receipt points, where Columbia interconnects with ANR Pipeline Company and Panhandle Pipeline Company. Columbia alleged that this pricing discrepancy caused receipts into its system in northern Ohio to drop, which hampered Columbia's ability to both serve its markets in that area and fill its Ohio storage fields.

4. Columbia determined that to address this problem it would purchase gas at receipt points in northern Ohio to fill its operational needs, and sell equivalent volumes at other areas of its system to maintain system balance.[3] Columbia proposed the subject OTRA as a way to recover the costs of operational transactions to ensure sufficient flowing supply into northern Ohio storage fields. Columbia maintained that this new mechanism would be an interim solution and that it would only be in existence through March 31, 2014. Columbia also pledged that it would only enter into operational purchases to the extent necessary to maintain sufficient flowing supply in northern Ohio, and only if such purchases and sales would result in a lower cost per Dth than other operational solutions.

5. The Commission accepted the OTRA finding that it was a reasonable and cost-effective mechanism for addressing Columbia's reduced receipts into Columbia's system in northern Ohio.[4] The Commission also relied on the fact that the OTRA was an interim mechanism designed to be in effect only through March 31, 2014.

6. In addition, the Commission granted Columbia a limited waiver of the independent functioning requirement of section 284.286 of our regulations to allow Columbia's transmission function employees to make the purchases and sales associated with the OTRA mechanism until March 31, 2014. We found that the unique problem faced by Columbia, the limited time period the waiver was to be in effect and Columbia's

[3] In its initial proposal to address the drop in receipts, Columbia wanted to arrange for third parties to transport gas from the southern part of Columbia's system to where it was needed in northern Ohio. Columbia, with Commission approval, recovered the costs for these transactions through its Transportation Costs Rate Adjustment (TCRA) mechanism. *See Columbia Gas Transmission, LLC*, 138 FERC ¶ 61,044 (2012).

[4] *Columbia Gas Transmission, LLC*, 139 FERC ¶ 61,141 (2012).

commitment to an open and transparent process justified granting the waiver. The Commission specified that the waiver applied only to those transmission employees engaged in activities directly related to purchases and sales for northern Ohio under the OTRA mechanism, and that such employees may not perform any other marketing function activities.[5] On December 13, 2013, Columbia filed to extend the OTRA mechanism to March 31, 2016, which was granted in a letter order issued on March 11, 2014.[6]

7. In the instant filing, Columbia seeks to modify the existing OTRA mechanism to authorize Columbia to purchase off-system supply at locations not on its system, and to transport this supply on third party pipelines to its receipt points in northern Ohio. Additionally, Columbia proposes to sell natural gas at locations on other third party pipeline systems. Columbia asserts that its proposal will benefit shippers by allowing greater flexibility while providing a lower cost solution by utilizing third party transport when economically feasible to alleviate the operational issues in northern Ohio. According to Columbia, third party transportation costs associated with its OTRA will be included and recovered via the OTRA mechanism, not through Columbia's TCRA provisions. In the event third party transportation capacity is acquired that exceeds Columbia's operational needs, Columbia states that it will release such excess capacity back into the market and credit any revenues against the OTRA costs.

8. Columbia also states that, to the extent its on-going efforts to develop an improved long-term solution to the northern Ohio problem are successful within the two-year extension period, Columbia and its shippers may agree to terminate the OTRA mechanism prior to March 31, 2016.

9. Columbia requests, consistent with the Commission's May 22, 2012 Order accepting the OTRA provision, that the Commission grant limited waiver of the Standards of Conduct with regard to the independent functioning requirement in Rule 284.286 as it relates to purchases and sales associated with maintaining sufficient supply in northern Ohio.

10. Public notice of the filing was issued on March 4, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[7] Pursuant to Rule 214,[8] all timely-filed motions to intervene and any unopposed motion to intervene

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[5] *Id.* P 20.

[6] *Columbia Gas Transmission, LLC,* Docket No. RP14-287-000 (Mar. 11, 2014) (delegated letter order).

[7] 18 C.F.R. § 154.210 (2013).

[8] 18 C.F.R. § 385.214 (2013).

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. Exelon Corporation filed a comment supporting the filing and Indicated Shippers[9] filed comments not opposing Columbia's proposed expansion of the temporary OTRA mechanism but requesting the Commission accept the filing subject to certain conditions. On March 20, 2014, Columbia filed an answer to Indicated Shippers' comments. While the Commission's Rules of Practice and Procedure generally prohibit answers to protests or answers, pursuant to Rule 213 of the Commission's regulations,[10] the Commission will accept Columbia's answer to aid in the disposition of the issues.

11. In its comments, Indicated Shippers request that the Commission condition its acceptance of Columbia's proposal premised on the following understandings:
(1) recovery of third-party transportation costs under the OTRA, would be permitted on a temporary, short-term basis; (2) the OTRA, including these transportation costs, is the lowest-cost option available to Columbia, and thus to its shippers; (3) Columbia will recover all OTRA-related transportation costs through the OTRA mechanism, not through Columbia's TCRA tariff mechanism; (4) that Columbia's OTRA filings will show the OTRA-related transportation separately, with adequate supporting information; and (5) the pass-through by Columbia of OTRA-related third-party transportation costs will be subject to challenge in individual OTRA proceedings.

12. In addition, Indicated Shippers request that OTRA third-party transportation and off-system activity be limited to natural gas acquisition and not be permitted for natural gas sales. Indicated Shippers state the authority to sell OTRA natural gas off-system could result in Columbia making bundled merchant sales in off-system markets, potentially in competition with other sellers. Moreover, Indicated Shippers are concerned that Columbia could seek to recover any losses on those off-system sales through the OTRA. Indicated Shippers state that allowing Columbia to engage in such transactions is contrary to the unbundling and pro-competitive intent of the Commission's part 284 regulations.

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[9] The Indicated Shippers joining in these comments are: Anadarko Energy Services Company, Chevron U.S.A. Inc., ConocoPhillips Company, Cross-Timbers Energy Services Company, Hess Corporation and Noble Energy, Inc. Each of the Indicated Shippers has filed a separate motion to intervene in this proceeding.

[10] 18 C.F.R. § 385.213(a)(2) (2013).

13. In its answer, Columbia states that it is committed to transparency and the short term application of the OTRA mechanism and further states that any shipper on the Columbia system may continue to exercise its right to review and challenge filings in future OTRA proceedings. Columbia agrees that the OTRA-related costs will be recovered only through the OTRA mechanism. Lastly, Columbia states that, although it proposed additional flexibility to sell gas off-system in the instant filing, it is amenable to removing the proposed language from its tariff upon order of the Commission.

14. The Commission finds that the OTRA mechanism continues to be a reasonable, cost-effective mechanism for addressing the unique problems faced by Columbia regarding its reduced receipts into its system in northern Ohio. The Commission also finds that the OTRA mechanism is uniquely designed to alleviate, on a cost- effective basis, an interim problem on Columbia's system. The OTRA mechanism is designed to recover costs solely related to Columbia's costs of operational transactions to ensure sufficient flowing supply into northern Ohio storage fields. Accordingly, the Commission accepts the proposed tariff record to be effective April 1, 2014, as conditioned below.

15. The Commission, with one exception, declines to condition our approval of Columbia's proposal as requested by Indicated Shippers because many of the concerns raised by them are alleviated by the design and the interim nature of the mechanism itself. Columbia has stated that recovery of all costs related to operational transactions to ensure sufficient flowing supply into northern Ohio storage fields, including off system supply and transportation costs, will be recovered by the OTRA and not Columbia's TCRA. Further, the OTRA mechanism remains an interim solution and Columbia states that, to the extent it is able to develop a long term solution to the current operational problems in northern Ohio, it and its customers could agree to terminate the mechanism prior to March 31, 2016. Moreover, the OTRA requires Columbia to make bi-annual filings to recover OTRA costs, which provide the Commission and interested parties an opportunity to review the appropriateness of the costs sought to be recovered.

16. Despite our acceptance of Columbia's proposal to purchase off-system supply and to transport that supply on third party pipelines, the Commission agrees with Indicated Shippers that Columbia's proposal to expand the OTRA mechanism to allow for off-system sales raises concerns and has not been supported by Columbia. The Commission is concerned about the effect that such sales may have on the functioning of those off-system markets.

17. As noted, however, Columbia states in its answer that it is amenable to removing the proposed language from its tariff. Accordingly, the Commission accepts Columbia's proposed tariff record subject to the condition that Columbia remove the proposed language authorizing it to sell natural gas on other third party pipeline systems, as agreed to in its answer. Columbia is directed to make a filing that removes this language from the subject tariff within 15 days of the issuance of this order.

18. In addition, as noted above, Columbia requests that the Commission grant limited waiver of the Standards of Conduct with regard to independent functioning requirement in Rule 284.286 as it relates to the purchase and sales associated with maintaining sufficient gas supply in northern Ohio. In the May 22, 2012 Order, the Commission granted Columbia a limited waiver of the independent functioning requirement of section 284.286 of our regulations[11] to allow Columbia's transmission function employees to make the purchases and sales associated with the OTRA mechanism until March 31, 2014. This limited waiver applied only to those transmission employees engaged in activities directly related to purchases and sales for northern Ohio under the OTRA mechanism and such employees were not permitted to perform any other marketing function activities.

19. As stated above, the Commission finds that the OTRA remains a reasonable cost effective, interim solution to address an operational problem on Columbia's system. In order to implement the OTRA, Columbia requires a waiver of the independent functioning rule. Accordingly, the Commission will extend its limited grant of waiver until the earlier of March 31, 2016, or such time as Columbia terminates the OTRA prior to that date. The Commission reminds Columbia that under section 4 of the Natural Gas Act, Columbia is prohibited from engaging in unduly discriminatory or preferential behavior. In addition, Columbia is reminded that all operational sales and purchases must be reported to the Commission annually under section 154.502 of the Commission's regulations and section 49.3 of Columbia's tariff.

20. Accordingly, as discussed above, the instant tariff record is accepted, to be effective April 1, 2014, as proposed, subject to Columbia filing a revised tariff record within 15 days.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

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[11] 18 C.F.R. § 284.286 (2013).