

146 FERC ¶ 61,241  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 31, 2014

In Reply Refer To:  
Columbia Gas Transmission, LLC  
Docket Nos. RP14-551-000  
RP13-646-000

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

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

Dear Mr. Downs:

1. On March 1, 2013, in Docket No. RP13-646-000, Columbia Gas Transmission, LLC (Columbia Gas) filed a revised tariff record in accordance with the Retainage Adjustment Mechanism (RAM) provisions of its tariff to adjust its retainage percentages to take into account prospective changes in retainage requirements and unrecovered retainage quantities for 2012 (March 1, 2013 RAM filing). The Commission accepted and suspended the revised tariff record, to become effective April 1, 2013, subject to refund and conditions and further review.<sup>1</sup>

2. On February 28, 2014, in Docket No. RP14-551-000, Columbia Gas filed a revised tariff record<sup>2</sup> in accordance with the RAM provisions of its tariff to adjust its retainage percentages to take into account prospective changes in retainage requirements and unrecovered retainage quantities for 2013 (February 28, 2014 RAM filing).

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<sup>1</sup> *Columbia Gas Transmission, LLC*, 142 FERC ¶ 61,238 (2013) (2013 Order).

<sup>2</sup> *Columbia Gas Transmission, LLC*, FERC NGA Gas Tariff, Baseline Tariffs, [Currently Effective Rates, Retainage Rates, 4.0.0.](#)

3. As discussed below, the Commission removes the refund condition and lifts the suspension on the revised tariff record in the March 1, 2013 RAM filing and accepts and suspends the revised tariff record filed in the February 28, 2014 RAM filing, to become effective April 1, 2014, subject to refund and conditions and further review.

4. Section 35.2 of Columbia Gas' tariff requires it to make an annual RAM filing to adjust its retainage factors. These retainage factors consist of a current component and a surcharge component. Pursuant to the General Terms and Conditions (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.

5. On March 1, 2013, Columbia Gas filed revised tariff records proposing to adjust its retainage percentages to take into account both prospective changes in retainage requirements for CUG and LAUF and unrecovered retainage quantities for the period of January 1, 2012 through December 31, 2012. Two parties filed comments and one party filed a protest addressing the LAUF component of Columbia Gas' proposed retainage rates, which they asserted was 65 percent higher as compared to the previous year.<sup>3</sup> On March 28, 2013, the Commission accepted and suspended the tariff record, to be effective April 1, 2013, subject to refund and conditions and further review.<sup>4</sup> The Commission found that Columbia Gas' method for calculating its March 1, 2013 RAM filing was generally consistent with the methodology set forth in GT&C section 35.<sup>5</sup> However, the Commission directed Columbia Gas to: (1) meet with its customers to explain its initial findings regarding its LAUF losses; and (2) file a report with the Commission detailing the results of its investigation thus far and its plans for further investigation and or resolution of the issue.<sup>6</sup> On July 26, 2013, Columbia Gas filed its report.

6. In its July 26, 2013 report in Docket No. RP13-646-000, Columbia Gas describes the specific actions it has undertaken to determine the causes of the increases in LAUF in 2012. Columbia Gas states that it initially undertook four broad areas of review:

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<sup>3</sup> Columbia Gas states in its July 26, 2013 report that it experienced 12.3 Bcf of LAUF on its system during the 2012 calendar year, as compared to calendar 2011 during which it experienced 7.4 Bcf of LAUF.

<sup>4</sup> 2013 Order, 142 FERC ¶ 61,238.

<sup>5</sup> *Id.* P 9.

<sup>6</sup> *Id.* P 10.

(1) volume review; (2) field inspections; (3) measurement, data, and accounting system verification; and (4) analysis of prior measurement adjustments. Columbia Gas states that it has investigated all of its measurement and accounting systems and functions and that the results of its investigations thus far validate that its volume quantification, measurement processes, systems and measurement facilities are all reliable and working within acceptable tolerances. Moreover, Columbia Gas states, no substantive changes to measurement or other data affecting LAUF have resulted from the investigation. In addition, Columbia Gas states that it plans to continue research into new hypothesized causes of LAUF and the efficacy of potential mitigation measures, including:

(1) measurement of higher Btu values from Marcellus Shale volumes; (2) potential effects of measurement equipment performance; (3) developing new reporting activities for dead metering and gas chromatograph outages; and (4) improving deployment of resources to address LAUF when it is outside of an expected range. Further, Columbia Gas states that it met with its customers to explain its initial findings. No comments were received in response to the public notice of Columbia Gas' report.

7. On February 28, 2014, in Docket No. RP14-551-000, Columbia Gas filed a revised tariff record proposing to adjust its retainage percentages to take into account prospective changes in retainage requirements and unrecovered retainage quantities for the period of January 1, 2013 through December 31, 2013. The tariff record sets forth the proposed retainage factors applicable to Columbia Gas' transportation, storage, and gathering services to become effective April 1, 2014. Columbia Gas states that, with respect to the current retainage percentage, the CUG and LAUF 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, 2014, divided by projected throughput and adjusted for any known and measurable changes. Columbia Gas further states that it calculates the unrecovered retainage percentage by: (1) determining the CUG and LAUF quantities for the preceding calendar year; (2) subtracting the retainage quantities actually retained during that period; and (3) 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. Based upon these calculations, Columbia Gas proposes a transportation retainage percentage of 1.917 percent, which represents an decrease from the current level of 1.957 percent; a gathering retainage percentage of 0.534 percent, which represents a decrease from the current level of 1.234 percent; a storage gas loss retainage of 0.120 percent, which is the same as the current level; and an Ohio Storage gas loss retainage of 0.150 percent, which is an increase from the current level of 0.110 percent.

8. In its February 28, 2014 RAM filing, Columbia Gas also provides an update to the report it filed on July 26, 2013. Among other things, Columbia Gas states that it undertook an investigation into the changing gas quality on its system resulting from the introduction of high Btu Marcellus Shale gas production and the investigation revealed

that Columbia's existing storage accounting and line pack estimation methodologies did not fully reflect the changing gas supplies and flows on its system. Columbia Gas states that, over the last several months, it reevaluated the impacts of storage activity and line pack on its LAUF calculations and adopted revised methods to accommodate the fact that Btu content of flowing supplies is changing rapidly on the Columbia system. Columbia Gas states that the impact of these changes resulted in 3.0 MMDth and 0.2 MMDth reductions to LAUF during 2013 for storage activity and line pack changes, respectively. Columbia Gas also states that it reduced LAUF by 1.4 MMDth in adjustments from 2008 – 2012, which generally covers the period when Marcellus gas began flowing on Columbia's system. Additionally, Columbia Gas states that through its active LAUF management approach and ongoing studies, it continues to develop a better understanding of facility-related drivers of LAUF. Columbia Gas believes that the LAUF resulting from the measurement differences between ultrasonic measurement devices and older, less accurate measurement such as rotary and orifice measurement, has contributed approximately 2 to 3 MMDth annually to LAUF. Columbia Gas states that it is beginning work on the replacement of key orifice and turbine meters with more accurate ultrasonic measurement equipment in order to address this issue. Finally, because it has thousands of miles of older, low pressure systems, with pipeline several decades old, Columbia Gas states that it experiences LAUF on these systems that are higher than new pipeline systems operating at higher pressures. Columbia Gas states that it has begun the review and investigation of these systems to better understand and determine the impact they have on Columbia's LAUF. Columbia Gas states that it will update its customers on the results of its LAUF area studies, as well as additional findings, no later than September 15, 2014. It also commits to filing another report with the Commission on these findings no later than October 15, 2014.

9. Public notice of Columbia Gas' February 28, 2014 RAM filing in Docket No. RP14-551-000 was issued on March 4, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.<sup>7</sup> Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>8</sup> 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. The City of Charlottesville, Virginia and the City of Richmond, Virginia (Cities) filed comments. On March 18, 2014, Columbia Gas filed an answer to the Cities comments. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure,<sup>9</sup> answers to protests are prohibited

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<sup>7</sup> 18 C.F.R. § 154.210 (2013).

<sup>8</sup> 18 C.F.R. § 385.214 (2013).

<sup>9</sup> 18 C.F.R. § 385.213(a)(2) (2013)

unless otherwise ordered by the decisional authority. We will accept Columbia Gas' answer because it provides information that will assist us in our decision-making process.

10. Cities note that LAUF remains at a level that prompted the Commission to require Columbia Gas to investigate and address LAUF issues following its the March 1, 2013 RAM filing. Cities states that Columbia Gas projects LAUF volumes of 11.4 million Dth and reports 12.8 million Dth of LAUF in 2013, compared to Columbia Gas' projected LAUF volumes of 12.3 million Dth in its March 1, 2013 RAM filing and reported 12.6 million Dth of actual LAUF for 2012. Cities request that the Commission require Columbia Gas to submit another report detailing its efforts to address and investigate LAUF issues, including any measures implemented to address and reduce LAUF, and any quantification of the reduction in overall LAUF. Cities further request that the Commission establish the same type of comment procedures after the report is filed as it did for the March 1, 2013 RAM filing, so that customers and interested parties may present their views with respect to the LAUF report.

11. In its answer, Columbia Gas states that it is devoting considerable resources to improving system LAUF. It further states that it is committed to work prudently and strategically with its shippers in order to minimize LAUF to the lowest amount practically possible. In addition, it reiterates its commitment to meet with shippers to update them on the progress of its LAUF investigations no later than September 15, 2014 and to file a report with the Commission detailing its efforts to reduce LAUF no later than October 15, 2014.

12. With respect to the July 26, 2013 report, we find that Columbia Gas satisfactorily complied with the requirements of the 2013 Order. Further, no party filed comments on the report. Accordingly, we will lift the suspension and remove the refund condition on the tariff record in the March 1, 2013 RAM filing.

13. With respect to its February 28, 2014 RAM filing, Columbia Gas' method for calculating its retainage rates is generally consistent with the methodology set forth in GT&C section 35. However, as Cities point out, Columbia Gas continues to experience of high level of LAUF on its system. Despite Columbia Gas' investigations and efforts to reduce the level of LAUF on its system, Columbia Gas' LAUF for 2013 was 11.4 MMDth. As Columbia Gas notes, this level is higher than in some years, but it is slightly lower than the 2012 level. Because we have not seen significant improvement in LAUF, we will once again require Columbia Gas to meet with its customers to update them on the progress of Columbia Gas' LAUF investigation no later than September 15, 2014 and to file a report with the Commission detailing Columbia Gas' efforts to reduce LAUF no later than October 15, 2014, as proposed. The Commission will notice this report and permit parties to comment on it before further action. Accordingly, the Commission accepts and suspends the proposed tariff record in Docket No. RP14-551-000 to be effective April 1, 2014, subject to refund, conditions, and further review.

14. 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.

15. 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.<sup>10</sup> 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.<sup>11</sup> The Commission finds that such circumstances exist here. Therefore, the Commission will accept and suspend the proposed tariff record to be effective April 1, 2014, subject to refund, conditions of this order, and further review.

By direction of the Commission.

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>10</sup> See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

<sup>11</sup> See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension).