149 FERC ¶ 61,162
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 25, 2014

In Reply Refer To:
Columbia Gas Transmission, LLC
Docket No. RP15-110-000

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

Attention: Jim Downs
Vice President of Rates & Regulatory Affairs

Reference: Extension of OTRA Mechanism

Ladies and Gentlemen:

1. On October 31, 2014, Columbia Gas Transmission LLC (Columbia) filed tariff records to extend the operation of its Operational Transaction Rate Adjustment mechanism (OTRA) through March 31, 2019.[1] As discussed below, the Commission rejects the proposed tariff records without prejudice to Columbia filing to amend its mechanism in the future.

2. Columbia originally proposed the OTRA mechanism in April 2012 to recover the costs of certain operational purchases and sales required to ensure a sufficient amount of gas flowing into Columbia's system in northern Ohio. Columbia explained that an influx of Marcellus shale natural gas on its system had resulted in a significant price discrepancy between the price of natural gas at its main pooling point and its northern Ohio receipt points, where it interconnects with two other interstate pipelines. Columbia stated that this pricing discrepancy had caused receipts into its system in northern Ohio to drop to very low levels, jeopardizing its ability to serve its markets in that area and to fill

[1] Columbia Gas Transmission, LLC, FERC NGA Gas Tariff, Baseline Tariffs, Gen. Terms & Conditions, Operational Transactions, 4.0.0.

its Ohio storage fields. Columbia proposed the OTRA mechanism as an interim solution to this problem that would enable it to purchase gas at receipt points in northern Ohio in the quantities necessary to fulfill its operational needs while selling equivalent volumes at other areas of its system in order to maintain system balance. The OTRA permits Columbia to track the costs of its purchases and sales in semi-annual filings effective on April 1 and November 1 each year. Columbia stated that this interim solution would lower costs for its customers as compared to rerouting gas supplies from the southwest part of its system to northern Ohio on other pipelines or requiring customers to deliver gas to northern Ohio receipt points through the use of Operational Flow Orders (OFOs), while it evaluated other alternatives. Columbia proposed that the OTRA terminate on March 31, 2014. The Commission accepted the OTRA to be effective June 1, 2012.[2]

3. On December 16, 2013, Columbia filed a tariff record to continue the collection of costs associated with the applicable purchase and sale of supplies by extending the OTRA mechanism for an additional two years to March 31, 2016, while it continued to work with its customers on a long term solution to replace the OTRA. The Commission accepted that proposal effective on April 1, 2014.[3]

4. In its instant filing, Columbia states that it met with its shippers to discuss the status of the northern Ohio situation and review options to address the lack of traditional customer natural gas receipts in that region. Columbia states that it appears the forecasted basis differential between natural gas supply costs in northern Ohio vis-à-vis Columbia's pool will continue for several years. Columbia also states that it provided its shippers with all existing options to address the northern Ohio situation, including the option of constructing facilities. Columbia states that such options are, at best, years away, and therefore, Columbia and its shippers have concluded that it is prudent to extend the sunset date on the OTRA to March 31, 2019 which will allow the parties to continue to work toward developing the optimum long-term solution for this problem. Columbia states that if a solution is developed sooner, Columbia and its shippers may agree to terminate the OTRA mechanism prior to March 31, 2019.

5. Public notice of the filing was issued on November 3, 2014. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2014)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2014)), all timely filed motions to intervene and any unopposed motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this

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

[3] March 11, 2014, Commission Letter Order in Docket No. RP14-287-000.

stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. Independent Oil & Gas Association of West Virginia, Inc. (IOGA) and Pennsylvania Independent Oil & Gas Association (PIOGA) filed comments supporting the instant filing. Washington Gas Light Company (Washington Gas) and the City of Charlottesville, Virginia and the City of Richmond, Virginia (jointly, Cities) filed protests.

6. IOGA and PIOGA support the OTRA and its extension until 2019 because the mechanism facilitates the purchase of Appalachian natural gas on Columbia's system.

7. Washington Gas states that although Columbia suggests that its shippers agreed to extend the OTRA mechanism until 2019, Washington Gas did not agree that such extension was the prudent course of action at this time. Washington Gas asserts that the instant filing to extend the OTRA until March 31, 2019, some three years beyond the current March 31, 2016 expiration date is premature because no decision on whether to build pipeline facilities to solve the problem or even to continue to make progress in planning for such facilities has been reached.

8. Washington Gas also states that it opposes any extension of this mechanism which would go beyond the date of the current rate case settlement period (January 31, 2018).[4] Washington Gas states that at the end of the rate moratorium, all related cost issues should be open for review without any confusion about whether the OTRA should be insulated from modification or eliminated from consideration as part of the pipeline's next rate case.

9. Washington Gas states that the OTRA mechanism was meant to be a stop-gap measure to preserve system reliability on the Columbia system while waiting for new supply and purchasing patterns to be re-established in the Marcellus and Utica gas production area. Washington Gas states that because the OTRA currently will remain in effect until 2016, no urgency exists in extending the mechanism now. Washington Gas reiterates that it does not take issue with the current use of the OTRA mechanism until 2016; it only objects to making the OTRA a more permanent feature of Columbia's rates before all reasonable alternatives have been fully explored.

10. Cities asserts that the Commission has recognized that the OTRA is an interim solution and that in light of the significant cost increase evident in Columbia's recent OTRA filings, Cities do not agree that an extension of the OTRA until 2019 is appropriate. Cities states that it will support an extension of the mechanism for one year (until March 2017), but not for the time period Columbia proposes. Cities states that the opportunity to submit OTRA filings for the next two years provides sufficient certainty

[4] *Columbia Gas Transmission, LLC*, 142 FERC ¶ 61,062 (2013).

without tying the parties hands to address other options or to propose other tariff mechanisms to address the current problems in northern Ohio.

11. The Commission originally accepted the OTRA for Columbia's system finding that it was a reasonable and cost-effective mechanism for addressing Columbia's reduced receipts into Columbia's system in northern Ohio.[5] The Commission specifically relied on the fact that the OTRA was an interim mechanism designed to be in effect only through March 31, 2014.[6] In the original acceptance, the Commission also noted that, because the OTRA mechanism was to be filed on a semi-annual basis and because Columbia indicated that it would evaluate the costs of other operational solutions on an ongoing basis, shippers and Columbia would have ample opportunity to work with Columbia over the term of the mechanism to determine its effectiveness and analyze other alternatives.

12. In the instant filing, Columbia proposes, over the objection of various shippers, to again extend the OTRA mechanism some three years before the current termination date. In the Commission's view, such an extension of this interim mechanism is premature at this time. The requested extension would make the mechanism a more permanent part of Columbia's tariff in spite of the fact the mechanism was intended to be temporary. Columbia simply has not justified why such action must be taken at this time when the mechanism is still in effect for two more heating seasons and ample time remains to discuss alternative solutions with its customers. Accordingly, the Commission rejects the proposed tariff record and encourages Columbia to continue to work with its customers on a consensus solution.

By direction of the Commission.

Kimberly D. Bose,
Secretary.

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

[6] *Id*. P 16. As noted, on March 11, 2014, the Commission extended OTRA's term to March 31, 2016.