

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Columbia Gas Transmission
Corporation

Docket No. RP05-210-001

Order Granting Clarification

(Issued June 27, 2005)

1. Columbia Gas Transmission Corp. (Columbia) filed a request for clarification, or, in the alternative, rehearing of the Commission's March 31, 2005 Order in Docket No. RP05-210-000 (March 31, 2005 Order).¹ That order addressed Columbia's annual revision of the transportation and LNG Electric Power Cost Adjustment (EPCA) rates and surcharges pursuant to section 45 of the General Terms and Conditions (GT&C) of its tariff. The Commission accepted and suspended the proposed tariff sheets,² to be effective April 1, 2005, subject to refund, and to the outcome of a hearing established therein. The Commission will grant Columbia's request for clarification of the March 31, 2005 Order. This order benefits customers by clarifying what is to be addressed in the hearing established in Docket No. RP05-210-000.

¹ *Columbia Gas Transmission Corp.*, 110 FERC ¶ 61, 397 (2005).

² Seventy-fifth Revised Sheet Nos. 25, 26, and 27, Sixty-third Revised Sheet No. 28, and Twentieth Revised Sheet No. 31 to FERC Gas Tariff, Second Revised Volume No. 1.

Background

2. In an order issued December 20, 2002,³ the Commission authorized Columbia to abandon two 1250 hp gas compressors at Downingtown and replace those compressors with two 6000 hp electric-powered compressors in order to provide new transportation service for two shippers to the new Rock Springs electric generation facility via a new tap on Columbia's system at the Rock Springs point. The precedent agreements with the two shippers (Rock Springs shippers)⁴ were for service under Columbia's Rate Schedule FTS for a total of 270,000 Dth/d from receipt points in Pennsylvania, to the Rock Springs delivery point at a discounted base rate plus applicable surcharges. In the December 20, 2002 Certificate Order, the Commission, *inter alia*,: (1) found that Columbia could roll in the facility costs for the new compression in its next general Natural Gas Act (NGA) section 4 rate case, absent any material change in circumstances; (2) rejected a proposal by the Cities of Charlottesville and Richmond, Virginia (the Cities) for incremental electric power rates; and (3) allowed Columbia's customers to examine the cost impact of the project's usage of electric power in the next EPCA filing.

3. On March 1, 2005, Columbia filed, in Docket No. RP05-210-000, tariff sheets reflecting proposed EPCA rates consisting of a then-current EPCA component reflecting a projection of costs for a prospective twelve-month period, and an EPCA surcharge rate component, which is a true up for actual activity within the deferral period. Columbia adjusted the EPCA rates in order to collect \$7,058,847 in projected annual electricity costs to be incurred for compression and LNG service and to flow-back (\$214,561) in electricity costs over-collected for the deferral period January 1, 2004 through December 31, 2004. The projected level of electric costs is an increase of \$1,524,731 over Columbia's previous annual filing of \$5,534,116 in Docket No. RP04-195-000.

4. As part of that filing, Columbia proposed to roll-in the electric power costs in the amount of \$1,741,606 associated with Columbia's installation of new electric compression at the Downingtown Compressor Station (Downingtown). Columbia originally sought the roll-in of Downingtown electric power costs on a system-wide basis in its 2003 Annual EPCA filing in Docket No. RP03-281-000, but that proposal was filed prior to the actual in service date of the Downingtown facilities. Columbia claimed that system-wide benefits exist to support the roll-in of the Downingtown electric power costs.

³ *Columbia Gas Transmission Corp.*, 101 FERC ¶ 61,337 (2002).

⁴ Rock Springs Generation and CED Rock Springs, Inc., owners respectively of four and two of the six Rock Springs power plant gas turbines.

5. In the March 31, 2005 Order, the Commission accepted and suspended the tariff sheets, subject to refund and to the hearing established therein. The Commission stated that although Columbia had complied with the Commission's December 22, 2004 Order⁵ by setting forth both rolled-in and illustrative incremental rates, the information provided was insufficient to aid the Commission and the parties in the evaluation of Columbia's filing. It directed Columbia to fully explain, justify and support its latest allocation methodology and the deviation from its prior horsepower allocation methodology in Docket No. RP03-281.

6. Further, the March 31, 2005 Order stated that the fact that Columbia's anticipated throughput from the Rock Springs shippers had not materialized, which has resulted in lower than anticipated project revenues, raised questions as to whether revenues will exceed the operational costs of the facilities, as Columbia asserted in its certificate application in Docket No. CP02-142. The Commission required Columbia not only to support its claims that the operation of the Downingtown compressors provides significant system-wide benefits to existing shippers, but also to demonstrate that existing customers are not being required to subsidize the operation of facilities authorized in Docket No. CP02-142, and that existing shippers are only required to pay for electric costs from which they derive a benefit.

Request for Clarification

7. Columbia requests clarification that the Commission did not intend, in the March 31, 2005 Order, to set for hearing issues other than the single issue of Downingtown electric power cost recovery. Specifically, Columbia requests that the Commission clarify that it is not setting for hearing the issue of Downingtown facility cost recovery, which it claims will be subject to review when Columbia files its next general NGA section 4 rate case. To the extent the Commission denies the clarification of the March 31, 2005 Order, Columbia requests rehearing of the March 31, 2005 Order.

8. Columbia states that throughout the March 31, 2005 Order, the Commission focuses on Columbia's proposed recovery of electric power cost.⁶ Columbia states that, yet, paragraph 23 of that order, refers to "the operational costs of the facilities" as follows:

⁵ *Columbia Gas Transmission Corp.*, 109 FERC ¶ 61,355 (2004).

⁶ Request for Clarification at 3, citing March 31, 2005 Order at P 22.

Further, that Columbia's anticipated throughput from the Rock Springs shippers has not materialized which results in lower than anticipated project revenues, raises questions as to whether revenues will exceed the operational costs of the facilities, as Columbia asserted in its certificate application in Docket No. CP02-142. Columbia not only must support its claims that the operation of the Downingtown compressors provides significant system-wide benefits to existing shippers, it must demonstrate that existing customers are not being required to subsidize the operation of the facilities authorized in Docket No. CP02-142, and that existing shippers are only required to pay for electric costs from which they derive a benefit.^{7]}

9. Columbia states that it does not believe that the Commission's use of the phrase "the operational costs of the facilities" reflects a directive that the hearing established in Docket No. RP05-210-000 covers costs other than Downingtown electric power costs. Columbia states that electric power costs are the only Downingtown costs reflected in Columbia's March 1, 2005 filing. Therefore, it argues that the hearing established in Docket No. RP05-210-000 is appropriately limited to the recovery of Downingtown electric power costs. It argues that to come to a different conclusion would be at odds with the lawful reach of section 4 of the NGA.

10. Moreover, Columbia states that in certificating the new electric compressors at Downingtown and granting abandonment of the old compressors in Docket No. CP02-142-000, the Commission found that Columbia could roll-in the facility costs for the new compression in its next general NGA section 4 rate case, absent any material change in circumstances.⁸

Discussion

11. The Commission grants Columbia's request for clarification. The hearing in Docket No. RP05-210-000 should include only the issues involved with EPCA rates and tariff sheets filed in this proceeding, namely the proper electric power cost recovery.

⁷ March 31, 2005 Order at P 23.

⁸ Request for Clarification at 5, citing *Columbia Gas Transmission Corp.* 101 FERC ¶ 61,337 (2002).

12. The only matter before the Commission in Docket No. RP05-210-000 involved the EPCA Rates and tariff sheets filed in Columbia's EPCA filing. The Commission stated that the referenced tariff sheets were accepted and suspended, subject to the hearing.⁹

13. In the March 31, 2005 Order, the Commission set for hearing any issues which would aid the Commission and the parties in evaluating whether Columbia's proposed EPCA allocation would cause existing customers to be required to subsidize the operation of the facilities by subsidizing the electric power costs. These existing shippers should only be required to pay for electric power costs from which they derive a benefit. Thus, in requiring Columbia to demonstrate that existing customers are not being required to subsidize the operation of the facilities authorized in Docket No. CP02-142, the Commission intended to set for hearing only the issue of whether the EPCA costs were being subsidized in this proceeding. The proper rate treatment for the facility costs for the new compression will be evaluated in Columbia's next general NGA section 4 rate case, as stated in the December 20, 2002 Certificate Order.¹⁰

The Commission orders:

Columbia's request for clarification is granted, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

⁹ March 31, 2005 Order at P 1 and 21.

¹⁰ *Columbia Gas Transmission Corp.*, 101 FERC ¶ 61,337 at P 32 (2002).