

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

March 30, 2007

In Reply Refer To:  
Dominion Cove Point LNG, LP  
Docket No. RP07-314-000

Dominion Cove Point LNG, LP  
P.O. Box 26532  
Richmond, VA 23261

Attention: Machel F. Grim  
Director, Regulatory & Pricing

Reference: Annual Fuel Retainage Filing

Dear Ms. Grim:

1. On February 28, 2007, Dominion Cove Point LNG, LP (Cove Point) filed revised tariff sheets<sup>1</sup> pursuant to section 1.42 of its General Terms and Conditions (GT&C) of its tariff which requires Cove Point to adjust its retainage percentages annually to be effective each April 1. Cove Point proposes to increase the retainage percentages for Storage Services by 1.1% from 2.0% to 3.1% and to increase the incremental retainage for Cove Point East by 0.5% from 0.0% to 0.5%. The Commission accepts the tariff sheets to be effective April 1, 2007, as proposed.

2. Cove Point currently assesses 2.0% retainage on injection under its storage rate schedules LTD-1, LTD-2, FPS-1, FPS-2, and FPS-3 (Storage Service). Service under the FPS rate schedules is also subject to a retainage assessment for quantities of gas remaining in storage after April 15, as described in section 5(h) of Rate Schedules FPS-1, FPS-2, and FPS-3. The currently effective section 5(h) retainage is also 2.0%. Consistent with the methodology approved in Docket Nos. RP04-197, *et al.*, Cove Point bases the section 5(h) retainage on the proposed injection retainage percentage and modifies the retainage percentage accordingly as is reflected on tariff sheet No. 10. Cove Point also currently assesses a Cove Point East incremental retainage percentage of 0.0%.

---

<sup>1</sup> Eighth Revised Sheet No. 10 and Fourth Revised Sheet No. 12 to FERC Gas Tariff, Original Volume No. 1.

3. On February 27, 2007, Cove Point submitted pursuant to section 1.42 of its GT&C revised tariff sheets to adjust its retainage percentages. Cove Point proposes to increase its injection fuel retainage and section 5(h) fuel retainage from 2.0% to 3.1%. In addition, Cove Point proposes to increase its fuel retainage for Cove Point East from 0.0% to 0.5%.

4. Cove Point states that the proposed increase in its injection fuel retainage is primarily due to two factors. First the over-recovered balance of 1,370,751 Dth reflected in its previous filing in Docket No. RP06-232 was reduced to 34,362 Dth which increases the storage retainage percentage by 0.5%. Second, during 2006, injection quantities received at Cove Point were reduced by 45%. As a result, retainage requirements for ongoing operations of the plant were recovered over a significantly lower injection quantity, thereby increasing the estimated retainage percentage.

5. Cove Point also proposes to increase the incremental retainage for Cove Point East from 0.0% to 0.5%. Cove Point states that during 2006 the actual fuel requirements for Cove Point East were significantly greater than those originally estimated, resulting in an under recovery and thereby increasing the retainage requirement for the prospective period. In addition, Cove Point states that based on its 2006 experience, the Cove Point East gas usage estimate has been increased for 2007.

6. Public notice was issued on March 5, 2007. Interventions and protests were due on or before March 12, 2007. Pursuant to Rule 214, (18 C.F.R. § 385.214 (2006)), all timely filed motions to intervene and any 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. Joint comments were filed by the LTD-1 Shippers.<sup>2</sup>

7. The LTD-1 Shippers state that they do not object to Cove Point's proposal for Rate Schedule LTD-1 retainage in this docket. However, the LTD-1 Shippers state that Cove Point's methodology used to calculate retainage does not represent the only, or the preferred, methodology for Cove Point to use in connection with future tariff filings to establish LTD-1 retainage levels. The LTD-1 Shippers also state that Cove Point's methodology used in this docket should not be considered the "established practice" for future retainage tariff filings. In addition, the LTD-1 Shippers state that the Commission's acceptance of Cove Point's tariff proposal in this docket should not be considered as constituting precedent for the approach that Cove Point takes in any future retainage filing.

---

<sup>2</sup> The LTD-1 Shippers include Shell NA LNG LLC, BP Energy Company and Statoil Natural Gas LLC.

8. The LTD-1 Shippers also note that Cove Point's tariff permits it to make supplemental filings during the year to adjust its retainage percentages.<sup>3</sup> The LTD-1 Shippers request the Commission urge Cove Point to make such a supplemental filing if it appears to Cove Point, in its reasonable discretion, that an adjustment is required to prevent excessive over or under-recovery of retainage for the period from April 1, 2007 through March 31, 2008.

9. Section 1.42 of Cove Point's GT&C states that "[E]ach Retainage filing to become effective on April 1 shall establish revised percentages based upon Operator's estimate of operating requirements for the succeeding twelve (12) month period ending December 31 of the filing year, as adjusted for quantities retained either over or under actual quantities required by Operator during the preceding twelve (12) months ending December 31 of the prior year." In support of its filing of its revised percentages, Cove Point submitted work papers detailing its calculations.

10. Cove Point's work papers show that Cove Point used a three-step method in calculating its retainage percentages. First, Cove Point calculated its total under/over retained storage amount for the calendar year ending December 31, 2006. To that, Cove Point added its estimated storage usage for calendar year 2007 to arrive at its storage gas retainage requirement for 2007. Cove Point then divided its storage gas retainage requirement by its estimated storage activity for 2007 to arrive at its proposed storage retainage percentage. Since Cove Point's methodology in the instant filing follows its tariff language as shown in section 1.42 of its tariff, we will accept its methodology here. Therefore, the Commission will accept Cove Point's tariff sheets to be effective April 1, 2007, as proposed.

11. As indicated by the LTD-1 Shippers' comments, section 1.42 does provide that Cove Point may make a supplemental filing to adjust its retainage percentages at its discretion if operating conditions require and to prevent excessive over or under recovery of retainage. As in all cases, the Commission expects pipeline companies to follow the terms and conditions of its tariff and if in its discretion Cove Point determines that making such a supplemental filing would have an effect of preventing either an over or under collection of retainage it should do so. With regard to the LTD-1 Shippers'

---

<sup>3</sup> Section 1.42 of the General Terms and Conditions of Cove Point's tariff

concerns about the methodology to calculate fuel retainage percentages to be used in future filings, Cove Point must use a method consistent with its current tariff, as it did in the instant filing. Any party desiring Cove Point to use a method not required by the current tariff, would have the burden under NGA section 5 to support a change in the tariff.

By direction of the Commission.

Philis J. Posey,  
Acting Secretary.