

126 FERC ¶ 61,318
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

Columbia Gas Transmission, LLC

Docket Nos. RP09-393-000
RP09-393-001

ORDER ACCEPTING AND SUSPENDING TARIFF SHEET
SUBJECT TO REFUND AND CONDITIONS AND FURTHER REVIEW

(Issued March 31, 2009)

1. On February 25, 2009, Columbia Gas Transmission, LLC (Columbia Gas), filed a revised tariff sheet¹ in Docket No. RP09-393-000 to establish its annual filing pursuant to the provisions of section 35, Retainage Adjustment Mechanism (RAM), of its General Terms and Conditions (GT&C) of its tariff. The tariff sheet sets forth the proposed retainage factors applicable to Columbia Gas's transportation, storage, and gathering services to become effective April 1, 2009. On March 9, 2009, Columbia Gas filed a revised tariff sheet² in Docket No. RP09-393-001 to incorporate the proposed revisions into its new Third Revised Volume No. 1. Columbia Gas requests waiver of the 30-day notice period to permit an effective date for the revised tariff sheet of April 1, 2009. The Commission accepts and suspends the revised tariff sheet filed in Docket No. RP09-393-001, permitting it to become effective April 1, 2009, subject to refund and to further review as discussed below. The tariff sheet filed in Docket No. RP09-393-000 is rejected as moot.

Background

2. Section 35.2 of Columbia Gas's tariff requires it to adjust the retainage factors annually. These retainage factors consist of a current component and a surcharge

¹ Nineteenth Revised Sheet No. 44 to Columbia Gas's FERC Gas Tariff, Second Revised Volume No. 1.

² First Revised Sheet No. 37 to Columbia Gas's FERC Gas Tariff, Third Revised Volume No. 1.

component. Pursuant to GT&C section 35.4(a), the current component reflects the estimate of total company use and lost and unaccounted-for gas quantities (LAUF) for the 12-month period commencing on April 1. GT&C section 35.4(b), provides that the surcharge component reflect the reconciliation of "actual" company use and LAUF gas quantities with gas quantities actually retained by Columbia Gas for the preceding calendar year, i.e., the deferral period.

Summary of the Instant Filings

3. Columbia Gas states that, in the instant filing, the company use and LAUF gas portions of the current component for each of the retainage factors are based on the calculated estimate for the 12-month period commencing April 1, 2009, based on projected throughput for each factor. Columbia Gas states that projections are based on calendar year 2008 actual experience adjusted for any known and measurable changes. For example, it states, the projected quantities for 2009 reflect the use of new electric compression at the Lanham compressor Station, which reduces Columbia Gas's fuel needs by 1,233,637 Dth. Columbia Gas further states that it has used a LAUF projection of 7.2 MMDth consistent with its actual LAUF experience in 2008. Columbia Gas proposes to increase its gathering retainage percentage by 51 percent from the current level of 0.694 percent to 1.051 percent, an increase of 0.357. Columbia Gas also proposes to increase its storage gas loss retainage percentage by 7 percent from 0.150 percent to 0.160 percent, an increase of 0.010. Finally, Columbia Gas proposes to decrease its transportation retainage percentage by 1.2 percent from 2.154 percent to 2.128 percent, a decrease of 0.0260. Columbia Gas proposes no change in its Processing Retainage percentage (currently, 0 percent), but proposes to add a footnote to its rate tariff sheet to provide that Processing Retainage shall be assessed separately from the processing retainage applicable to third party processing plants set forth in section 25.3(f) of the GT&C. Columbia Gas has included workpapers that set forth its actual experience for company use and LAUF during the deferral period. Columbia Gas asserts that it experienced a net under-recovery of 2,436,784 Dth under its gathering, storage, and transportation rate schedules during the twelve-month deferral period. Accordingly, Columbia Gas states that it is implementing an under-recovered surcharge component.

Notice of Filings, Interventions, Protests, and Answer

4. Public notice of Columbia Gas's filings in Docket Nos. RP09-393-000 and RP09-393-001 was issued on February 27, 2009 and March 12, 2009, respectively, with interventions and protests due on March 9, 2009 and March 18, 2009, respectively, as provided in section 154.210 of the Commission's regulations.³ Pursuant to Rule 214,⁴ all

³ 18 C.F.R. § 154.210 (2008).

⁴ 18 C.F.R. § 385.214 (2008).

timely filed motions to intervene and any 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, the City of Richmond, Virginia (Charlottesville and Richmond) and Chesapeake Appalachia, L.L.C. (Chesapeake) filed protests. On March 20, 2009, Columbia Gas filed an answer to the protests.⁵

5. Charlottesville and Richmond state that in Appendix C of the filing, which details the Prior Period RAM Adjustments, Columbia Gas identifies each of the prior period adjustments by customer, rate schedule, year, month, and quantity. Charlottesville and Richmond note that among the prior period adjustments, are twelve monthly adjustments (January-December 2007) for the Operational Balancing Agreement (OBA) between Columbia Gas and its affiliate, Columbia Gulf Transmission Company (Columbia Gulf) in the aggregate amount of 3,296,166 Dth or 95 percent of the prior period adjustment quantity. Charlottesville and Richmond contend that Columbia Gas has not explained the source or nature of these OBA adjustments or provided any details regarding the reasons that the numerous and large prior period adjustments were made. Charlottesville and Richmond further note that the level of LAUF in Columbia Gulf's last Transportation Rate Adjustment filing in Docket No. RP08-347-000 was the subject of technical conference proceedings and several Commission orders. Charlottesville and Richmond are concerned that the shift of fuel quantities from Columbia Gulf to Columbia Gas under the OBA may result in an inappropriate double recovery of fuel to the extent the quantities were included in past Columbia Gulf fuel rates and now would be shifted to Columbia Gas. Charlottesville and Richmond request that the Commission require Columbia Gas to provide additional details regarding these prior period adjustments.

6. Chesapeake asserts that Columbia Gas has not supported its proposed increase (by greater than 50 percent) to its gathering retainage factor. Chesapeake asserts that, based on a review of Appendix A to the filing, which details the RAM, the disproportionate increase in the gathering retainage factor is almost entirely attributable to the retainage surcharge component. Chesapeake contends that the retainage surcharge for gathering is proposed to be 0.504 percent, almost 50 percent of the proposed total retainage percentage factor for gathering. Chesapeake asserts that this figure consists of an extremely large amount resulting from prior period adjustments of LAUF gas.

7. Chesapeake asserts that, based on a review of Appendix B to the filing, which details the surcharge adjustment, there were multiple months when gathering customers

⁵ The Commission's Rules of Practice and Procedure do not permit answers to protests unless otherwise ordered by the decisional authority. 18 C.F.R. § 385.213(a)(2) (2008). However, the Commission finds good cause and will accept Columbia Gas's answer since it will not delay the proceeding, may assist the Commission in understanding the issues raised, and will ensure a complete record.

incurred unaccounted-for gas volumes, but Columbia Gas did not collect any unaccounted-for retainage from gathering customers. Chesapeake argues that this does not, on its face, seem to be consistent since if Columbia Gas had no gathering customers during those months, then gathering services should not have incurred any charge for unaccounted-for gas. Chesapeake further argues that if, on the other hand, Columbia Gas did provide gathering services during those months, then it should have booked recoveries of unaccounted-for gas for those services. Chesapeake contends that, if Columbia Gas allocates retainage to gathering, rather than setting a retainage rate, and then keeps carrying that retainage forward because its gathering volumes drop below projections, it could create a situation in which the retainage charge for gathering spirals upward, year after year.

8. Chesapeake asserts that the prior period adjustments raise the following significant issues for gathering customers: (1) the prior period adjustments for gathering are effectively the same size as the claimed undercollections of unaccounted-for gas volumes, contributing 50 percent of the amount that Columbia Gas seeks to recover through the retainage surcharge;⁶ (2) while the filing arguably reflects past practices, it appears, based on a review of the prior period adjustments that gathering customers are being allocated significant prior period adjustments incurred under OBAs with other interstate pipelines, even though such pipeline-to-pipeline arrangements do not support service to gathering systems; and (3) Columbia Gas has included significant prior period adjustments, including a large balance that accrued over time under its OBA with an affiliated pipeline, without any explanation other than the schedules to the filing. Chesapeake requests that the Commission either reject the filing as lacking required supporting materials or suspend it pending the submission of additional supporting information and an opportunity for interested parties to respond to Columbia Gas's supplemental filing.

9. In its answer, Columbia Gas states that, with respect to Chesapeake's protest, it has reexamined the gathering retainage data and has determined that the gathering retainage rate was calculated incorrectly. Columbia Gas contends that its gathering customers were inadvertently assessed a combined retainage rate for their gathering and transportation services with all quantities retained by Columbia Gas from these customers recorded as transportation retainage. Columbia Gas further contends that, as a result, it appeared as if it had undercollected retainage quantities related to gathering. Columbia Gas asserts that it has corrected the problem and has recalculated both its gathering and transportation retainage rates. Columbia Gas asserts that, for the period July 1, 2008

⁶ Chesapeake contends that the prior period adjustments themselves created a larger surcharge for gathering customers than the total retainage surcharge for transportation customers. Chesapeake further contends that, for transportation customers, the entire retainage surcharge seems to be attributable to prior period adjustments, but the resulting surcharge is much smaller.

through December 31, 2008, it has reclassified as gathering retainage quantities 12,327 Dth that were erroneously recorded as transportation retainage which decreases the total retainage percentage applicable to gathering from 1.051 percent to 0.758 percent. This adjustment, however, will increase the transportation retainage percentage 0.001 percent to 2.129 percent. Columbia Gas states that it will submit revised tariff sheets, to be effective April 1, 2009, to correct the gathering and transportation retainage rates as set forth in its answer and accompanying workpapers.

10. With respect to Charlottesville and Richmond's argument that Columbia Gas has not adequately explained the adjustments to the OBA between Columbia Gas and Columbia Gulf, Columbia Gas asserts that these adjustments were made as a result of Columbia Gulf's investigation into the increase in LAUF on its system that began in April, 2007.⁷ Columbia Gas further asserts that, as part of Columbia Gulf's investigation into the increase in LAUF, Columbia Gulf performed numerous tests and inspections on Columbia Gulf's system, including a thorough review of the operations at the Leach A and Means E measuring stations⁸ leading to the discovery of two measurement anomalies requiring adjustments to that OBA. Columbia Gas contends that, in April 2008, as part of Columbia Gulf's investigation, the inspections revealed a high level of dirt in the meter runs at both stations, and inspections during May and June indicated that the Leach A station, in particular, had reoccurring dirt build-up on the face of the orifice plates. Columbia Gas further asserts that Columbia Gulf subsequently retained Southwest Research Institute (SWRI) to perform flow tests in July 2008 on one of the representative orifice plates which indicated that the dirty orifice plates at the Leach station were under-measuring by approximately 0.15 percent.

11. Columbia Gas contends that, after review of the operation of the Leach A measuring station, Columbia Gulf determined that the occurrence of dirt build up on the face of the plates had been occurring for several years and based on the test results and the continued occurrence of dirt on the orifice plates, Columbia Gulf determined that an adjustment to the calculated energy quantities was warranted. Columbia Gas further contends that the adjustment for 2007 was 277,036 Dth, and, for the period January 1, 2008 through April 30, 2008, the adjustment was 69,268 Dth. Columbia Gas asserts that

⁷ *Citing Columbia Gulf Transmission Co.*, 125 FERC ¶ 61,255, at P 23 (2008) which directed Columbia Gulf to submit a report with its annual Transportation Retainage Adjustment filing regarding "the scope and outcome of its LAUF investigation and its responses to that investigation."

⁸ Columbia Gas states that approximately 70 percent of Columbia Gulf's deliveries are made to Columbia Gas at Leach A, Leach C, Means E, and smaller points in Kentucky. Columbia Gas further states that 40 percent of the deliveries are made through Leach A and Means E.

all eight of the orifice meter runs were cleaned and all the plates are now inspected and cleaned monthly.⁹

12. Columbia Gas contends that, based on the results of testing the meter orifice plates, Columbia Gulf determined that full testing of the meter runs at Leach A and Means E was warranted, and Columbia Gulf retained SWRI to conduct flow tests at three orifice meters from Leach A and three orifice meters from Means E at flow rates representative of the flows typically experienced at each station. Columbia Gas asserts that the test results for the Leach A meters ranged from 0.92 percent to 1.15 percent, and based upon the normal flowing differential pressures, a value of 1.08 percent was used to calculate the adjustment quantity. Columbia Gas further asserts that the test results for Means E ranged from 0.25 percent to 0.55 percent, with a resulting adjustment of 0.5 percent. Columbia Gas asserts that using these percentages, the adjustment to the calculated energy quantities was determined for Leach A to be 2,651,014 Dth for 2007 and 1,848,101 Dth for January 1, 2008 through September 30, 2008, and for Means E 368,116 Dth for 2007 and 200,513 Dth for January 1, 2008 through September 30, 2008.

13. Concerning Charlottesville and Richmond's concern that the shift of fuel quantities from Columbia Gulf may result in the double recovery of fuel, Columbia Gas contends that, in essence, Charlottesville and Richmond argue that the fact that Columbia Gas and Columbia Gulf are affiliated should affect how prior period adjustments under an OBA are treated. Columbia Gas asserts that there will always be differences in measurement between receipts and deliveries, whether or not the interconnected parties are affiliated, and those differences, when identified, must be corrected. Columbia Gas further asserts that the Commission has never disallowed that recovery, and it must not now in this case make a distinction merely because the interconnecting pipelines are affiliated.

14. In response to Chesapeake's argument that Columbia Gas has disproportionately allocated prior period adjustments to its gathering customers, Columbia Gas asserts that it has not changed its method of allocating prior period adjustments which are allocated pro rata based on throughput. Columbia Gas further asserts that throughput under its gathering rate schedules represents approximately 0.3 percent of its total throughput and thus is allocated 0.3 percent of the prior period adjustments. Columbia Gas argues that Chesapeake has not provided any evidence that this is not a just and reasonable allocation methodology.

⁹ Columbia Gas states that its prior practice had been to clean and inspect two of the plates every month on a rotating basis, and two of the eight orifice plates were cleaned at any one point in time.

Discussion

15. The Commission finds that further information in support of Columbia Gas's filing is needed before the Commission can accept the proposed retainage percentage changes. In particular, Columbia Gas must fully respond to the issues raised by the protest regarding the prior period adjustments under the OBA between itself and Columbia Gulf. The documentation Columbia Gas submits should include workpapers that demonstrate that there is no double recovery of fuel between the two pipelines and that any prior period adjustments included in Columbia Gas's RAM filing have not been collected through Columbia Gulf's tracker mechanism. Columbia Gas's response should be filed within 10 days of the date of this order. We will allow the parties to respond to this additional information as well as to the information contained in Columbia Gas's answer, within twenty (20) days of the date of this order. Further, the Commission finds good cause to waive the 30-day notice requirement. Therefore, the Commission accepts and suspends First Revised Sheet No. 37 to FERC Gas Tariff, Third Revised Volume No. 1, to become effective April 1, 2009, subject to refund and conditions and further Commission review. Nineteenth Revised Sheet No. 44 to FERC Gas Tariff, Second Revised Volume No. 1 is rejected as moot.

Suspension

16. Based upon a review of the filing, the Commission finds that the proposed tariff sheet listed in footnote number 2 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 sheet for filing, subject to refund, and suspends its effectiveness for the period set forth below, subject to the conditions set forth in this order.

17. 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. *See, Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). 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. *See, Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (minimum suspension). The Commission finds that such circumstances exist here where Columbia Gas is filing pursuant to its tariff provisions. Therefore, the Commission will accept and suspend the proposed tariff sheet to be effective April 1, 2009, subject to refund, conditions of this order and further review.

The Commission orders:

(A) First Revised Sheet No. 37 to FERC Gas Tariff, Third Revised Volume No. 1, is accepted and suspended, to become effective April 1, 2009, subject to refund, conditions, and further review, as discussed in this order.

(B) Columbia Gas is directed to file, within ten (10) days of the date of this order, information and explanations with adequate support responding to the issues raised in the protests, as discussed in this order.

(C) The parties are permitted to file a response to Columbia Gas's answer and compliance filing within twenty (20) days of the date this order.

(D) Nineteenth Revised Sheet No. 44 to FERC Gas Tariff, Second Revised Volume No. 1 is rejected as moot.

(E) Waiver of the 30-day notice requirement of the Natural Gas Act is granted.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.