

129 FERC 61,297
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

December 30, 2009

In Reply Refer To:
Columbia Gas Transmission, LLC
Docket No. RP10-198-000

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

Attention: James R. Downs,
Director of Regulatory Affairs

Reference: Second Revised Sheet No. 137 to FERC Gas Tariff, Third Revised Volume
No. 1.

Dear Mr. Downs:

1. On December 1, 2009, Columbia Gas Transmission, LLC (Columbia) filed the revised tariff sheet referenced above to modify section 3(b) of its Rate Schedule SIT (Storage in Transit) to provide that shippers must “cross-zero” twice within a calendar month, as opposed to twice every 30 days. Columbia states this change will simplify the process for determining whether the cross-zero twice requirement has been satisfied. For the reasons discussed below, the Commission will accept and suspend the referenced tariff sheet, to be effective on June 1, 2010, subject to refund and conditions.

2. Columbia’s SIT service is an interruptible balancing service for shippers with wide swings in daily demand (e.g. electric power plants). The shipper uses this service in conjunction with transportation service agreements under Columbia’s Rate Schedule FTS (Firm Transportation Service), OPT (Off-Peak Transportation Service), NTS (No-Notice Transportation Service), SST (Storage Service Transportation), or ITS (Interruptible Transportation Service) Rate Schedules which it designates as subject to SIT service. Pursuant to section 2(a) of Rate Schedule SIT, when a SIT shipper’s actual daily receipts under its transportation service agreements exceed its actual daily deliveries, the pipeline will, on an interruptible basis, inject the difference (Overtendered Balance Quantity or OBQ) into storage. Similarly, when a SIT shipper’s actual daily deliveries exceed its actual daily receipts, the pipeline will, on an interruptible basis, withdraw the difference

(Undertendered Balance Quantity or UBQ) from storage. The net of such injections or withdrawals may not on any day exceed the Maximum Balancing Quantity set forth in the shipper's SIT service agreement. Columbia bills the SIT shipper a usage charge based on the daily change, if any, in the shipper's undertendered or overtendered balances. The maximum daily rate is \$0.0412 per Dth.

3. Pursuant to section 3(b) of Rate Schedule SIT, Columbia also maintains a running net balance of each SIT shipper's undertendered and overtendered balances. Such net balance is referred to as the shipper's Imbalance Quantity. Section 3(b) provides that, twice during any 30-day period, SIT shippers are required to eliminate any existing Imbalance Quantity, convert any outstanding UBQ to an OBQ, or convert any outstanding OBQ balance to an UBQ (cross-zero-twice). An imbalance penalty of \$0.25 per Dth is required for each day at the end of a 30-day period in which the shipper does not comply with the cross-zero-twice requirement.

4. In its instant filing, Columbia proposes to revise section 3(b) of Rate Schedule SIT to provide as follows:

The running net balance of Shipper's UBQs and OBQs shall be Shipper's Imbalance Quantity. Twice during any Month, Shipper shall be required to (i) eliminate any existing Imbalance Quantity, (ii) convert any outstanding UBQ to an OBQ, or (iii) convert any outstanding OBQ to a UBQ. Maintaining an Imbalance Quantity of zero for two or more consecutive days within a month will satisfy this requirement. For each Month during which the Shipper fails to satisfy this requirement, Shipper shall pay Transporter a penalty of \$0.25 per Dth of its existing Imbalance Quantity on each day of such month. If there is an interruption of Shipper's service under this Rate Schedule, Transporter will waive the requirement that the foregoing requirements specified in (i), (ii), or (iii) immediately above be accomplished within a Month.

5. Columbia states that under the current method, it can be difficult for Columbia and for the SIT shippers to determine when the 30-day clock starts running and how much time is left for the shipper to satisfy the cross-zero twice requirement. Columbia states it believes the proposed revision will benefit the shippers by providing greater clarity as to when the requirement must be satisfied, thus making it easier to avoid potential penalties. Columbia further states that in order to implement the transition to the new calendar method, starting January 1, 2010, all SIT shippers will start the year with a "clean slate" regardless of the last time the shipper crossed zero and will have until January 31, 2010 to satisfy the cross-zero requirement.

6. Public notice of the filing was issued on December 2, 2009. Interventions and protests were due on or before December 14, 2009. Pursuant to Rule 214 (18 C.F.R. 385.214 (2009)), all timely filed motions to intervene and any motion 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 this proceeding or place additional burdens on existing parties. BP Energy Company, BP America Production Company and Interstate Gas Supply, Inc. (Collectively "Indicated Shippers"), Virginia Power Energy, Marketing, Inc. (VPEM), Sequent Energy Management, L.P., (Sequent) and United States Gypsum Company (USGC) filed protests in this proceeding. On December 18, 2009, Columbia filed an answer to the protests. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2009), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Columbia's answer because it has provided information that assisted us in our decision-making process.

7. Indicated Shippers and VPEM argue that Columbia's proposed changes could perpetuate increases in the penalties that apply to Rate Schedule SIT retrospectively. They state that the \$0.25 per Dth penalty currently applies to imbalances on each day from the end of any 30-day period until the shipper crosses zero twice. Indicated Shippers and VPEM aver that under Columbia's proposal, it appears that Columbia could impose the penalty retrospectively on each day's imbalance quantity from the beginning of that month. Further the Indicated Shippers and VPEM state that the filing is ambiguous as to what quantity of imbalance would be subject to penalty. Indicated Shippers and VPEM argue that Columbia could charge an imbalance penalty on the total imbalance rather than the actual imbalance that exists after the 30-day period.

8. Indicated Shippers also assert that Columbia proposes to delete a provision from Rate Schedule SIT that adds a day to the rolling 30-day period for each day Columbia interrupts service. Indicated Shippers state that it appears that Columbia intends to waive SIT penalties for a shipper in any month in which it interrupts that shipper's SIT service and argue that the tariff language as revised is unclear. Indicated Shippers propose to modify the following revisions to section 3(b):

If in any month there is an interruption of Shipper's service under this Rate Schedule, Transporter will waive the requirement that the foregoing requirements specified in (i), (ii), or (iii) immediately above be accomplished within a that Month, and no penalties under this Rate Schedule shall be imposed on Shipper for that Month.

9. Indicated Shippers also state that Columbia describes its proposal as permitting all SIT shippers to begin as of January 1, 2010 with a "clean slate" i.e. no SIT Imbalance Quantity and the SIT shippers would have until January 31, 2010, to satisfy the cross-zero twice requirement. Indicated Shippers aver that the filing itself does not provide for a clean slate as of the effective date.

10. Sequent requests that the Commission either reject the filing, or, in the alternative, suspend the proposed revisions in SIT service for the maximum statutory period and

convene a technical conference in this proceeding. Sequent states that implementing the key changes proposed by Columbia during the winter-heating season would be highly disruptive to shippers who have put in place plans for the winter period that contemplate the use of SIT service as currently structured. Sequent argues that any changes to Rate Schedule SIT should not be implemented until after the 2009/2010 winter-heating season as failure to do so, could negatively impact delivery obligations to the marketplace. Further, Sequent questions the purpose of the proposed SIT revisions, stating it is unaware of any dissatisfaction among shippers regarding the current SIT structure. Sequent states that Columbia has failed to explain why and how a calendar period is a better approach than the current 30-day period structure and argues that the service can hardly be expected to follow a nice, tidy calendar month basis, as suggested by Columbia. Finally, Sequent states that at a minimum Columbia should waive any SIT-related penalties until such time as shippers become accustomed to the new timeframe.

11. USGC states that Columbia has provided no explanation for why the existing SIT structure which has worked for over 15 years suddenly has become too complicated for Columbia or its shippers to implement. USGC asserts that the proposed change would dramatically reduce the flexibility for SIT shippers and would increase the likelihood of unavoidable penalties for failing to cross-zero twice. USGC states that currently SIT Rate Schedule enables shippers to manage imbalances both within and across calendar months. To require shippers to cross zero twice every calendar month is inconsistent with the character of the service that has long been provided under the SIT Rate Schedule and will substantially reduce the flexibility offered by the service.

12. In its answer, Columbia has included clarifications to its proposal concerning prior period adjustments, interruption of service, clean slate, and deferral of the effective date and proposes section 3(b) to read as follows:

The running net balance of Shipper's UBQs and OBQs shall be Shipper's Imbalance Quantity. Twice during any Month, Shipper shall be required to (i) eliminate any existing Imbalance Quantity, (ii) convert any outstanding UBQ to an OBQ, or (iii) convert any outstanding OBQ to a UBQ. Maintaining an Imbalance Quantity of zero for two or more consecutive days within a month will satisfy this requirement. For each Month during which the Shipper fails to satisfy this requirement, Shipper shall pay Transporter a penalty of \$0.25 per Dth of its existing Imbalance Quantity for each day in the subsequent Month in which Shipper fails to satisfy the requirements specified in (i), (ii), or (iii) immediately above ~~on each day of such month~~. If there is an interruption of Shipper's service under this Rate Schedule, Transporter will waive the requirement that the foregoing requirements specified in (i), (ii), or (iii) immediately above be accomplished within a Month and the \$0.25 per Dth penalty will not be imposed on Shipper for that Month. Prior period adjustments will not

affect the calculation of any penalty owed under this provision. Shipper will be permitted to carry over the net Imbalance quantity in effect on the last day of a Month into the next Month.

13. Columbia has also provided examples of how penalties will be assessed on its new monthly proposal versus its current 30 day proposal. Finally, Columbia states that a technical conference is not warranted in light of the clarifications and examples that it has provided.

14. The Commission accepts and suspends Columbia's tariff sheets, subject to refund, as discussed below. Because Columbia in its answer has provided additional explanations and clarifications of its proposal and proposed revised tariff language, we will give Columbia's shippers and any other parties an opportunity to provide comments on Columbia's revised proposal on or before 20 days from the issuance of this order. After receiving the answers, the Commission will consider whether any other procedures are necessary to provide a sufficient record to resolve the issues raised by Columbia's proposal.

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. *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). Such circumstances do not exist here. Therefore, the Commission accepts and suspends Columbia's proposed tariff sheet, subject to refund, to become effective on June 1, 2010, or an earlier date, if specified, in an order issued by the Commission.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.