134 FERC ¶ 61,082
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Marc Spitzer, Philip D. Moeller,
John R. Norris, and Cheryl A. LaFleur.

Columbia Gulf Transmission Company Docket No. RP11-24-000
RP11-1435-000

ORDER ON TARIFF PROPOSAL AND CONSOLIDATING PROCEEDINGS

(Issued February 2, 2011)

1. On October 1, 2010, Columbia Gulf Transmission Company (Columbia Gulf) filed revised tariff records to implement a new firm daily delivery point scheduling service under Rate Schedule SVS (Scheduling Variance Service or SVS). On October 28, 2010, the Commission accepted and suspended those revised tariff records subject to refund and conditions and further review to be effective April 1, 2010.[1] In this order, the Commission approves the proposed SVS service and the terms and conditions under which Columbia Gulf proposes to provide that service. The Commission consolidates this proceeding with Columbia Gulf's general section 4 rate filing in Docket No. RP11-1435-000 for purposes of considering the justness and reasonableness of the rate proposed by Columbia Gulf for this service and the extent to which costs should be allocated to this service in designing Columbia Gulf's other rates.

Background

2. In Docket No. RP07-174-000, the Commission authorized Columbia Gulf to implement a daily Delivery Point Scheduling Penalty that applies to the difference between a shipper's scheduled deliveries at a delivery point and gas quantities the shipper takes at the point each day.[2] Shippers are subject to a penalty if their actual delivered volumes vary from their scheduled volumes by the greater of (1) 1,000 Dth or (2) three percent on Critical Days or five percent on Non-Critical Days. On February 11, 2010, the Commission approved Columbia Gulf's request for an indefinite waiver of the Delivery

[1] *Columbia Gulf Transmission Co.*, 133 FERC ¶ 61,095 (2010) (*Columbia Gulf*).

[2] *Columbia Gulf Transmission Co.*, 119 FERC ¶ 61,268 (2007), *order on reh'g*, 124 FERC ¶ 61,121 (2008).

Point Scheduling Penalty for all shippers. The Commission required Columbia Gulf to notify its shippers through a filing with the Commission at least 30 days prior to implementing the Delivery Point Scheduling Penalty.[3] Columbia Gulf has stated that it intends to implement its scheduling penalties on April 1, 2011.

3. In its October 1, 2010 filing in this proceeding, Columbia Gulf stated that its shippers have requested service options that would give them flexibility to vary their gas deliveries from scheduled amounts without incurring a scheduling penalty. Columbia Gulf stated that its proposed SVS service will allow firm shippers to minimize their incurrence of scheduling penalties by purchasing the right to incur scheduling variances in excess of those which would incur the scheduling penalty. Columbia Gulf stated that it does not have any other service that will allow shippers to increase the applicable tolerance for scheduling variances.

4. The proposed SVS service is available to firm shippers under Rate Schedules FTS-1 and FTS-2 or to the operator of a delivery point. When the SVS customer is a shipper, the service is only available at the single delivery point designated in the service agreement. An SVS customer taking the service would negotiate a Maximum Daily Variance Quantity (MDVQ) with Columbia Gulf. That MDVQ is added to the scheduling penalty tolerance levels provided under General Terms and Conditions (GT&C) sections 19.4(a) and (b) for purposes of determining whether an SVS customer incurs a scheduling penalty. Thus, the SVS customer will only be assessed a scheduling penalty on scheduling variances that exceed the tolerance level plus the customer's MDVQ.[4]

5. Columbia Gulf stated that requests for service under Rate Schedule SVS will be evaluated on a case-by-case basis to determine whether it has the facilities available to provide the requested service and only for delivery points since the scheduling penalty is not applicable to receipt points. Columbia Gulf asserted that it intends to manage the additional variance flexibility using its existing facilities, such as line pack and other transportation facilities. Columbia Gulf further asserted that because SVS shippers will not be permitted to use their MDVQ to exceed their transportation demand, Rate Schedule SVS cannot be used to increase a shipper's firm entitlements and existing firm shippers will not be adversely affected. Columbia Gulf contended that, by knowing in advance the variance levels that a shipper has subscribed to, it will be better able to anticipate, manage and operate its system to accommodate these additional scheduling variances. Columbia Gulf asserted that it will review all requests for service under Rate

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[3] *Columbia Gulf Transmission Co.*, 130 FERC ¶ 61,098 (2010).

[4] If the SVS customer is a delivery point operator, the scheduling variance incurring a penalty will be allocated back to the applicable service agreement based on the predetermined allocation methodology for the designated point of delivery.

Schedule SVS to ensure that the service will not affect the level or quality of service it provides to existing firm transportation and storage customers on its system.

6. Columbia Gulf is proposing to charge a maximum demand rate of $1.831 per Dth per Month for the MDVQ in a customer's Rate Schedule SVS service agreement. Columbia Gulf stated that the rates proposed for Rate Schedule SVS are based on one half the current Non-Critical Day scheduling penalty rate of 12.04 cents per MMBtu, converted to a monthly demand charge.[5] Columbia Gulf's Non-Critical day scheduling penalty rate is equal to its maximum recourse interruptible transportation rate. Columbia Gulf further stated that usage charges, as well as other applicable surcharges, such as retainage, will be assessed on the underlying transportation service agreement. Columbia Gulf contended that the Commission has held that pipelines may use rates for existing services as a basis for deriving rates for new services.[6] Columbia Gulf asserted that the proposed Rate Schedule SVS rate equal to one-half both its Non-Critical day scheduling penalty and its maximum interruptible rate is appropriate for a service that is designed to help shippers avoid their scheduling penalties. Columbia Gulf further asserted that Rate Schedule SVS will require it to manage its entire system to accommodate the contractual delivery variances, and that the costs of providing that service implicate the entire transportation system and warrant a share of Columbia Gulf's transportation costs.

7. Columbia Gulf asserted that Rate Schedule SVS is a new and optional firm service and it is difficult for Columbia Gulf to predict the level at which the service will be subscribed. Columbia Gulf anticipated that shippers will contract and pay for an additional 7 to 10 percent of scheduling flexibility above the built-in tolerance levels, which would amount to approximately 14,000 to 30,000 Dth per day of Rate Schedule SVS service. Columbia Gulf estimated that the incremental annual revenues for Rate Schedule SVS service will be, at most, between $300,000 to $700,000.

8. Columbia Gulf contended that its proposed Rate Schedule SVS is consistent with similar scheduling variance services proposed by Panhandle Eastern Pipeline Company, LP (Panhandle) and the Trunkline Gas Company, LLC (Trunkline) systems and approved

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[5] A workpaper detailing the calculation of this rate is included in Appendix A to the filing.

[6] *Citing CMS Trunkline Gas Co., LLC*, 100 FERC ¶ 61,048, at P 66 (2002) (*Trunkline*); *Panhandle Eastern Pipe Line Co.*, 90 FERC ¶ 61,119, at 61,360, *reh'g denied*, 91 FERC ¶ 61,174 (2000); *Mojave Pipeline Co.*, 79 FERC ¶ 61,347, at 62,480 (1997).

by the Commission.[7] Columbia Gulf further contended that the proposed optional SVS service is consistent with the Commission's policy, adopted in Order No. 637,[8] of encouraging pipelines to provide new services that will allow customers to avoid the incurrence of penalties.

9. In response to Columbia Gulf's proposal, several intervenors filed comments and protests. In general, the protests and comments argued that Columbia Gulf had not sufficiently supported its proposal and requested that it be suspended for the maximum period and consolidated with Columbia Gulf's then anticipated new general section 4 rate proceeding. These intervenors contended that: Columbia Gulf should be required to provide other service alternatives, rather than a service which they state discriminates in favor of Columbia Gulf's storage to the exclusion of third party storage providers; Columbia Gulf has not demonstrated that service to existing shippers will not be degraded; the new service may be subsidized by the existing firm shippers and, if so, Columbia Gulf should not be entitled to retain the revenues from the proposed service; the proposal may be an indication that the current tolerances before scheduling penalties are imposed are overly restrictive; and a technical conference should be convened.

10. Columbia Gulf filed an answer to the protests and comments. Columbia Gulf argued that the proposed service is consistent with Commission policy. Columbia Gulf asserted that the Commission has approved services similar to Rate Schedule SVS in *Panhandle* and *Trunkline*.[9] Columbia Gulf asserted that none of the protests to Columbia Gulf's filing have pointed to any specific provision of the proposed rate schedule that is either unjust or unreasonable. Columbia Gulf contended that the Commission rejected similar arguments concerning the pipeline's retention of revenues in *Panhandle*[10] and the

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[7] *Citing Panhandle Eastern Pipe Line Co.*, 97 FERC ¶ 61,046 at 61,268 (2001) (*Panhandle*); and Panhandle Eastern Pipeline Co. FERC Gas Tariff, Third Rev. Vol. No. 1, Original Sheet No. 124 to Original Sheet No. 127; *Trunkline*, 100 FERC ¶ 61,048; and Trunkline Gas Company, LLC, FERC Gas Tariff, Third Revised Vol. No. 1, Original Sheet No. 134 to Original Sheet No. 147.

[8] *Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services*, Order No. 637, FERC Stats. & Regs. ¶ 31,091, *clarified*, Order No. 637-A, FERC Stats. & Regs. ¶ 31,099, *reh'g denied*, Order No. 637-B, 92 FERC ¶ 61,062 (2000), *aff'd in part and remanded in part sub nom. Interstate Natural Gas Ass'n of America v. FERC*, 350 U.S. App. D.C. 366, 285 F. 3d 18 (D.C. Cir. 2002), *order on remand*, 101 FERC ¶ 61,127 (2002), *order on reh'g*, 106 FERC ¶ 61,088 (2004), *aff'd sub nom. American Gas Ass'n v. FERC*, 368 U.S. App. D.C. 176, 428 F.3d 255 (D.C. Cir. 2005).

[9] *Citing Panhandle*, 97 FERC at 61,268; *Trunkline*, 100 FERC ¶ 61,048 at P 61.

[10] *Citing Panhandle*, 97 FERC at 61,268.

Commission rejected similar arguments concerning the impact of the service on existing shippers in *Trunkline*.[11] Columbia Gulf further contended that the proposed rate schedule will not degrade service to existing shippers because the service cannot be used to increase a shipper's deliveries above its transportation demand. Columbia Gulf asserted that Sequent has not provided any basis for its concern that existing service will be degraded. Columbia Gulf contended that the arguments raised by Sequent and TVA are, in essence, an attempt to relitigate the Commission's approval of scheduling penalties on Columbia Gulf's system and Rate Schedule SVS will help shippers manage their exposure to penalties, consistent with Commission policy as set forth in Order No. 637. Columbia Gulf argued that a technical conference or consolidation with Columbia Gulf's section 4 rate filing is not warranted.

11. On October 28, 2010, the Commission accepted and suspended the revised tariff records subject to refund and conditions and further review to be effective April 1, 2011.[12] The Commission provided the parties twenty days to respond to Columbia Gulf's Answer. The requests that the Commission initiate a technical conference were denied as unnecessary at that time.

12. Tennessee Valley Authority (TVA), Piedmont Natural Gas Company, Inc. (Piedmont), and Sequent Energy Management Company, L.P. (Sequent) filed responses to Columbia Gulf's an answer. Columbia Gulf filed a supplemental answer to the responses (Supplemental Answer).[13] The responses and Supplemental Answer are discussed below.

13. On October 28, 2010, Columbia Gulf filed pursuant to Natural Gas Act (NGA) section 4 to implement a general rate increase. On November 30, 2010, the Commission accepted and suspended the Primary Case tariff records effective on May 1, 2011, subject to refund and conditions and the outcome of a hearing on the rate issues and a technical conference on the non-rate issues.[14] In that order, the Commission denied requests by TVA and Piedmont to consolidate this proceeding with Docket No. RP11-1435-000 rate case at that time. The Commission stated that it had already issued an order in the SVS proceeding, requiring Columbia Gulf to respond to the issues raised in the protests, and therefore the Commission would not disrupt the existing schedule in this proceeding.

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[11] *Citing Trunkline*, 100 FERC ¶ 61,048 at P 63.

[12] *Columbia Gulf*, 133 FERC ¶ 61,095.

[13] Pursuant to 18 C.F.R. § 385.213 (2010), answers to protests are not permitted. In the instant circumstance, the Commission finds that the Supplemental Answer provides information useful in the examination of Columbia Gulf's filing and, therefore, the Commission accepts Columbia Gulf's Supplemental Answer.

[14] *Columbia Gulf Transmission Co*., 133 FERC ¶ 61,182 (2010).

Discussion

14. The Commission approves Columbia Gulf's proposed SVS service to become effective April 1, 2011, subject to further consideration of the proposed rate for the service in Columbia Gulf's general section 4 rate case in Docket No. RP11-1435-000. As discussed below, Columbia Gulf's proposal is consistent with the Commission's policy, adopted in Order No. 637,[15] that pipelines with imbalance penalties in their tariffs provide imbalance management services that facilitate the ability of its shippers to manage imbalances to the extent operationally practicable.[16] In Order No. 637-A, the Commission clarified that throughout Order No. 637 "the term 'imbalance' was intended to apply to both physical and scheduling imbalances."[17] Therefore, the references to "imbalances" in section 284.12(b)(2)(iii) includes scheduling imbalances or variances. In addition, the proposed SVS service is optional, and shippers who do not desire the service need not purchase it.

Consistency of SVS Service with Commission Precedent

15. In proposing its SVS service, Columbia Gulf stated that the service is consistent with similar scheduling variance services the Commission approved in *Panhandle* and *Trunkline*. Sequent and Piedmont argue that Columbia Gulf has not shown that its proposed SVS service is similar to the services approved in *Panhandle* and *Trunkline*. Sequent asserts that Columbia Gulf did not provide any detailed comparisons that would demonstrate the similarity with the two referenced pipelines' services. Sequent further asserts that Columbia Gulf has admitted that the SVS service is not an "imbalance service," of the type which Sequent states the Commission approved in those cases.[18] Sequent also argues that *Panhandle* and *Trunkline* involved settlements which may not be appropriate to show consistency with Commission policy. Piedmont contends that Columbia Gulf's proposed SVS service contains material differences from the services approved in *Trunkline* and *Panhandle*. Piedmont contends that those services did not use facilities that would otherwise serve firm customers and thus did not raise concerns about degrading service for existing customers. Piedmont asserts that the service approved in

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[15] Order No. 637, FERC Stats. & Regs. ¶ 31,091, *clarified*, Order No. 637-A, FERC Stats. & Regs. ¶ 31,099, *reh'g denied*, Order No. 637-B, 92 FERC ¶ 61,062, *aff'd in part and remanded in part sub nom. Interstate Natural Gas Ass'n of America v. FERC*, 285 F.3d 18 (D.C. Cir. 2002), *order on remand*, 101 FERC ¶ 61,127, *order on reh'g*, 106 FERC ¶ 61,088, *aff'd sub nom. American Gas Ass'n v. FERC*, 428 F.3d 255 (D.C. Cir. 2005).

[16] That requirement is set forth in 18 C.F.R. § 284.12(b)(2)(iii)(2010).

[17] Order No. 637-A FERC Stats. & Regs. at 31,603.

[18] Sequent cites Columbia Gulf's October 19, 2010 Answer at 5, n.18.

Panhandle utilizes field area storage facilities, and only when there is available storage capacity that is not fully used for service under Panhandle's various storage rate schedules. Piedmont further asserts that the service approved in *Trunkline* does not utilize storage that is used to manage transportation loads.

16. Columbia Gulf responds that SVS service is similar in every material respect to the services approved in *Panhandle* and *Trunkline*. Columbia Gulf asserts that its answer provided a detailed explanation of the Panhandle and Trunkline services. Columbia Gulf, in Attachment A to its Supplemental Answer, provides a chart comparing Rate Schedule SVS to the *Panhandle* and *Trunkline* effective rate schedules, which it asserts verifies that they are consistent in every material respect.

17. The Commission finds that the proposed SVS service, as conditioned herein, is consistent with Commission policy and precedents. As Columbia Gulf asserts, the Commission approved scheduling variance services similar to the proposed SVS service in both *Panhandle* and *Trunkline*.[19] In those proceedings, the pipelines filed to comply with Order No. 637, including the requirement in section 284.12(b)(2)(iii) that pipelines with imbalance penalties offer imbalance management services to the extent operationally practicable. Both pipelines filed contested settlement offers to resolve those proceedings. Each settlement included a proposed "Delivery Variance Service" (DVS) which would permit shippers to minimize their incurrence of the pipelines' delivery point scheduling penalties. Similar to Columbia Gulf's proposed SVS service, a shipper purchasing DVS service on Panhandle or Trunkline would negotiate a MDVQ with the pipeline. That MDVQ would be added to the generally applicable delivery point scheduling penalty tolerance levels in the pipeline's tariff for purposes of determining whether an SVS customer incurs a scheduling penalty. The DVS customer would only be assessed a scheduling penalty on scheduling variances that exceed the tolerance level plus the customer's MDVQ.[20] In short, the terms and conditions of the proposed DVS services in those cases were virtually identical to the terms and conditions of Columbia Gulf's proposed SVS service in this case. In both *Panhandle* and *Trunkline*, the Commission rejected protests to the proposed DVS services and held that those services were consistent with Order No. 637.[21]

18. Sequent's reliance on Columbia Gulf's statement that its proposed SVS service is not an "imbalance" service is misplaced. As the Commission explained in *Northern*

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[19] *Panhandle*, 97 FERC at 61,268; *Trunkline*, 100 FERC ¶ 61,048 at P 61.

[20] If the SVS customer is a delivery point operator, the scheduling variance incurring a penalty will be allocated back to the applicable service agreement based on the predetermined allocation methodology for the designed point of delivery.

[21] *Panhandle*, 97 FERC at 61,268, *Trunkline*, 100 FERC ¶ 61,048 at P 63.

Natural Gas Co.,[22] there are two kinds of imbalances: (1) imbalances between actual volumes received into the system at the receipt point and delivered out of the system at the delivery point and (2) imbalances between scheduled volumes at a point and the actual volumes which flow at the same point. In order to distinguish between the two types of imbalances, the latter type of imbalance is often referred to as a "scheduling variance." When Columbia Gulf stated that its proposed SVS service is not an "imbalance service," it was using the term "imbalance" in the narrow sense of a difference between the volumes received into the system and the volumes delivered out of the system. The SVS service is not intended to permit shippers to minimize that type of imbalance. Rather, the SVS service is intended to permit shippers to minimize the scheduling variances which would otherwise be subject to a scheduling penalty. As described above, the Panhandle and Trunkline DVS services are similarly intended to permit shippers to minimize scheduling variances subject to those pipelines' scheduling penalties. Thus, Columbia Gulf's statement that its SVS service is not an "imbalance service" does not undercut our holding that the SVS service is similar to the DVS services approved in *Panhandle* and *Trunkline*.

19. Moreover, as the Commission recently pointed out in *Columbia Gas Transmission Corp.*, 133 FERC ¶ 61,217, at P 11, (2010), Order No. 637-A granted a request to confirm that throughout Order No. 637 "the term 'imbalance' was intended to apply to both physical and scheduling imbalances."[23] Therefore, Order No. 637's statements encouraging pipelines to "provide as many imbalance services as operationally feasible, and to work to develop new, innovative services to help shippers manage or prevent imbalances"[24] included services to permit shippers to manage scheduling variances. SVS service is such an imbalance management service providing shippers with additional scheduling flexibility to avoid the imposition of scheduling penalties.

20. Sequent's assertion that *Panhandle* and *Trunkline* may not reflect Commission policy because those orders approved settlements is mistaken. The settlements approved in *Panhandle* and *Trunkline* resolved those pipelines' filings to comply with Order No. 637. Some parties protested the settlements, including their provisions for the pipelines to provide DVS service. Therefore, in order to approve the DVS service provisions included in the settlements, the Commission had to find on the merits that the settlements, including their DVS service provisions, are just and reasonable.[25] In both

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[22] 101 FERC ¶ 61,203, at P 58 (2002).

[23] Order No. 637-A FERC Stats. & Regs. at 31,603.

[24] Order No. 637 FERC Stats. & Regs. at 31,310.

[25] *Trailblazer Pipeline Co.*, 87 FERC ¶ 61,110, at 61,438 (1999), *reh'g denied*, 88 FERC ¶ 61,110 (1999).

orders, the Commission expressly held that the DVS services were consistent with Order No. 637. For example, in *Panhandle*, the Commission stated that a protestor had:

> …. shown no reason why the DVS service would not be a legitimate service, nor does the Commission know of any. Shippers are not forced to take DVS service, but receive that service only if they want it and contract for it. Thus, it is up to shippers, not Panhandle, whether to pay for DVS service or to pay scheduling penalties if they have scheduling variances.[26]

21. Piedmont asserts that *Panhandle* and *Trunkline* do not support Columbia Gulf's proposal, because those pipelines provide their DVS service using their storage facilities, whereas Columbia Gulf does not have any storage attached to its system. However, as Columbia Gulf asserts, any pipeline that does not have storage must manage service flexibility through line pack or other existing system facilities, such as compression. While both Trunkline and Panhandle have storage fields attached to their system, the Commission does not find lack of storage to be a meaningful distinction upon which to limit the approval of similar imbalance services to pipelines which use storage to provide the service. Additionally, as Columbia Gulf points out, contrary to Piedmont's suggestion, Panhandle and Trunkline did not propose to construct new facilities, and, therefore, proposed to offer DVS service using existing facilities that would otherwise be used to serve existing customers.[27] Piedmont's contentions concerning a possible degradation of the service provided by Columbia Gulf are addressed in the next section.

<u>The Impact of SVS Service on Existing Firm Service</u>

22. Piedmont asserts that Columbia Gulf's proposed SVS service may harm shippers through the loss or diversion of existing system flexibility meant to accommodate variations in a shipper's usage between its nominated volumes and its maximum demand entitlements. Piedmont further asserts that there is little doubt that such loss will occur because the proposed SVS service is firm and Columbia Gulf intends to rely on its

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[26] *Panhandle*, 97 FERC at 61,268.

[27] Piedmont argues that Columbia Gulf intends to implement the SVS service by utilizing facilities, i.e., line pack and other existing transportation facilities, that Columbia Gulf claims in its new rate case are already restricted citing the transmittal letter filed in Docket No. RP11-1145-000 on October 28, 2010, at 33, 36-37. However, the cited portions of Columbia Gulf's transmittal letter in that proceeding concerned the need to impose proposed new unauthorized overrun penalties and hourly scheduling penalties due to operational threats to its system and are unrelated to the use of facilities to provide the SVS service available at a delivery point within the shipper's Transportation Demand when Columbia Gulf has sufficient capacity to manage the daily delivery point scheduling variances of that shipper.

existing system assets to provide that service. Piedmont asserts that this will divert existing system assets which currently support customer delivery flexibility to the detriment of existing shippers. Piedmont argues that customers should not be compelled to choose a firm scheduling variance service with monthly demand charges just to maintain the same delivery flexibility they currently enjoy through facilities they currently pay.

23. Piedmont and Sequent also argue that Columbia Gulf should be required to further explain how SVS service will be implemented, including the nature of the facilities used to provide the service. Piedmont contends that Columbia Gulf has not explained how it will exercise its discretion in offering SVS service to ensure the maintenance of current service levels and to avoid undue discrimination to shippers competing for the same system delivery flexibility.

24. Piedmont and Sequent have not identified any firm entitlement to service which they currently have which will be adversely affected by Columbia Gulf's offering of the SVS service. The only specific harm to existing firm shippers which they allege is "the loss or diversion of existing system flexibility meant to accommodate variations in usage between nominated volumes and maximum demand entitlements."[28] However, Columbia Gulf's shippers do not have a firm right to rely on Columbia Gulf's system flexibility to incur scheduling variances up to their maximum demand without additional charge. In Docket No. RP07-174-000, the Commission authorized Columbia Gulf to impose a scheduling penalty on volumes taken by a shipper which vary from its nominated deliveries by three percent or more on Critical Days or five percent or more on Non-Critical Days. As the Commission stated in denying rehearing of the approval of those penalties, "Consistent with Commission policy, a shipper does not have a right to scheduling flexibility within its contractual entitlements to create scheduling variances which could threaten the reliability of service to all customers."[29] The SVS service does not modify or tighten the previously approved tolerance levels for a shipper's variances from its nominated deliveries. Thus, following approval of the SVS service, a shipper may continue to incur variances from its scheduled deliveries under the same conditions as before. All that the SVS service does is give a shipper an option to purchase the right to vary from its nominated deliveries by more than the existing tolerance levels. As the held in *Trunkline*,[30]

> Regarding Dynegy's contention that Trunkline's proposal reduces delivery point flexibility in order to sell the new DVS service, we note that shippers

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[28] Piedmont November 17, 2010 Answer at 7.

[29] *Columbia Gulf Transmission Co.*, 124 FERC ¶ 61,121, at P 8 (2008).

[30] *Trunkline*, 100 FERC ¶ 61,048 at P 62.

are not forced to take DVS service. It is up to shippers, not Trunkline, whether to pay for DVS service or to pay scheduling penalties if shippers have scheduling variances.

25. In addition, when Columbia Gulf receives requests for service under Rate Schedule SVS, it will evaluate each request on a case-by-case basis to determine whether it has the facilities available to provide the requested service. As Columbia Gulf recognizes, section 284.7(a)(3) of the Commission's regulations provides that service on a firm basis means that the service is not subject to a prior claim by another customer.[31] Therefore, Columbia Gulf cannot sell capacity under Rate Schedule SVS that is subject to a prior claim by any existing firm shipper. Moreover, section 2(b) of Rate Schedule SVS provides that an SVS customer's MDVQ does not entitle it to take gas in excess of its MDQ under its underlying transportation service agreement. Thus, a shipper cannot use the SVS service to increase its firm entitlements to the detriment of other firm shippers. Accordingly, Piedmont's assertions are rejected.

Rate Issues; Requests for Consolidation with Docket No. RP11-1435

26. In its limited section 4 filing proposing the SVS service, Columbia Gulf proposed to base the reservation charge for the service on one half its maximum recourse interruptible transportation rate. Columbia Gulf further stated that usage charges, as well as other applicable surcharges, such as retainage, will be assessed on the underlying transportation service agreement. Columbia Gulf also stated that it anticipated that shippers will contract and pay for an additional 7 to 10 percent of scheduling flexibility above the built-in tolerance levels, which would amount to approximately 14,000 to 30,000 Dth per day of Rate Schedule SVS service. Columbia Gulf estimated that the incremental annual revenues for Rate Schedule SVS service will be, at most, between $300,000 to $700,000.

27. Piedmont, Sequent, and TVA request that the Commission consolidate Columbia Gulf's limited section 4 filing in Docket No. RP11-24-000 with its general section 4 rate case in Docket No. RP11-1435-000 in order to consider the justness and reasonableness of the proposed rates for SVS service, including the allocation of costs to such rates and the treatment of the SVS service revenues. They assert that the Commission should require that Columbia Gulf either allocate costs to the SVS service in its general section 4 rate case or credit its revenues from the service to its firm transportation customers. They argue that, otherwise, the firm shippers will be required pay the costs of the facilities used to provide the SVS service, even it they choose not to contract for the service. They also point out that the Commission requires that pipelines credit penalty revenues to their

[31] 18 C.F.R. § 284.7(a)(3) (2010).

shippers. They state that, without any allocation of costs to the SVS service, the service will allow Columbia Gulf improperly to evade the penalty revenue crediting requirement.

28. Columbia Gulf opposes consolidation, stating that in the November 30, 2010 suspension order in Docket No. RP11-1435-000 the Commission denied requests to consolidate the two proceedings, stating that it would not disrupt the existing schedule of Docket No. RP11-24-000 by consolidating it with this case at this time.[32]

29. In this order, the Commission is approving the terms and conditions under which Columbia Gulf proposes to offer SVS service. However, the Commission will consolidate the issue of the justness and reasonableness of Columbia Gulf's proposed rates for SVS service with the Docket No. RP11-1435-000 rate case. Since we have approved this service to be effective on April 1, 2011, before the May 1, 2011 effective date of the rates proposed in the Docket No RP11-1435-000 rate case, it is appropriate for issues concerning the SVS service rate to be considered in that rate case, including the issue of to what extent a portion of the cost of service approved in that rate case should be allocated to the SVS service. Accordingly, we will condition our acceptance of Columbia Gulf's revised tariff records on the outcome of the hearing in Docket No. RP11-1435-000 with respect to those issues.

Other Issues

30. TVA asserts that, while generally balancing options are positive, the lack of options other than a bundled pipeline service potentially discriminates in favor of the use of the pipeline's facilities and against those customers that utilize third-party storage service. However, as explained in Order No. 637-A, the Commission requires pipelines to include in their tariffs their own imbalance services and not third-party imbalance services.[33] The Commission only requires that the pipeline allow shippers to obtain such third-party services without an undue preference for its own imbalance service.[34] Therefore, TVA's assertion that SVS service is potentially discriminatory is denied as speculative, vague, and unsupported.

31. Sequent contends that the current scheduling penalty thresholds may be inappropriate. Sequent questions whether, if there is ample slack in the Columbia Gulf system to provide SVS service, why the scheduling penalty tolerances are not less restrictive. Sequent asserts that Columbia Gulf should be required to demonstrate that the SVS proposal is not an indication that the current tolerances for scheduling penalties are overly restrictive. However, the Commission approved the existing tolerance levels

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[32] *Columbia Gulf Transmission Co.*, 133 FERC ¶ 61,182 at P 60.

[33] Order No. 637-A FERC Stats. & Regs. at 31,603.

[34] *Id.*

reflected in its current tariff as just and reasonable to prevent potential harm to Columbia Gulf's system, and Sequent has not shown that those tolerance levels are unjust and unreasonable. In any case, Sequent has not established any relationship between the reasonableness of the level of penalty tolerance levels to prevent potential harm to Columbia Gulf's entire system and the provision of firm SVS service under Rate Schedule SVS which is applicable at a specific shipper's individual delivery point for quantities above the applicable tolerance level only when Columbia Gulf has sufficient capacity to manage the daily delivery point scheduling variances of that shipper. Therefore, Sequent's request is denied as unsupported.

32. Finally, based on our actions in this order, a technical conference in this docket is unnecessary. Therefore, the request for a technical conference is denied.

33. The proposed tariff record, Rate Schedules, Rate Schedule SVS, 0.0.0, makes frequent numerical references to various sections of the GT&C. The section numbers are not a part of the tariff record titles and therefore not identifiable to the public on the eTariff Viewer.[35] In Columbia Gulf's case, when a GT&C section is referenced numerically, there needs to be a parenthetic enclosed section title such that the GT&C section is readily identifiable on the eTariff Viewer. Columbia Gulf must make these revisions.

34. Additionally, with respect to tariff record, Rate Schedules, Rate Schedule SVS, 0.0.0, Columbia Gulf by reference makes Rate Schedule SVS subject to the GT&C with the exception of six of the sections, including Section 36 (Compliance with 18 C.F.R., section 284.12) of its GT&C. That section incorporates the North American Energy Standards Board Wholesale Gas Quadrant Standards. Columbia Gulf does not provide any support or basis for this exclusion; therefore it must either support the exclusion or revise the tariff record to make the SVS Rate Schedule subject to that GT&C section.

The Commission orders:

(A) Columbia Gulf's tariff records as listed in the Appendix are accepted to become effective April 1, 2011. Tariff record, Currently Effective Rates, SVS Rates, 0.0.0, is accepted to become effective April 1, 2011, subject to refund and conditions and the outcome of the proceedings in Docket No. RP11-1435-000. Tariff record, Rate Schedules, Rate Schedule SVS, 0.0.0, is accepted to become effective April 1, 2011, subject to conditions discussed in body of this order.

[35] The Commission's eTariff Viewer is located on the Commission's web site: www.ferc.gov.

(B) Docket Nos. RP11-24-000 and RP11-1435-000 are consolidated for purposes of considering the justness and reasonableness of the rate proposed by Columbia Gulf for this service and the extent to which costs should be allocated to this service in designing Columbia Gulf's other rates.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

APPENDIX

COLUMBIA GULF TRANSMISSION COMPANY
Columbia Gulf Tariffs
FERC NGA Gas Tariff

Tariff Records Accepted to become effective April 1, 2011.

Tariff Records
Table of Contents Vol. 1, 1.0.0
Gen. Terms and Conditions, Penalties, 1.0.0
Service Agreement Forms, SVS, 0.0.0
Service Agreement Forms, SVS Appendix, 0.0.0
Miscellaneous Forms, Bid for Capacity Release, 1.0.0
Miscellaneous Forms, Request for Service, New Agreement, 1.0.0
Miscellaneous Forms, Request for Service, Increase in Quantity, 1.0.0
Miscellaneous Forms, Form of Release Notice, 1.0.0
Miscellaneous Forms, Info Posting Form for Prearranged Assignments, 1.0.0