

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

September 10, 2003

In Reply Refer To:  
Columbia Gas Transmission Corporation  
Docket No. RP02-393-000

Columbia Gas Transmission Corporation  
12801 Fair Lakes Parkway  
P.O. Box 10146  
Fairfax, Virginia 22030-0146

Attention: Carl W. Levander, Vice President

Reference: Refund Report

Dear Mr. Levander:

1. On July 19, 2002, Columbia Gas Transmission Corporation (Columbia) filed a refund report to flow-back to customers a refund received from Panhandle Eastern Pipe Line Company (Panhandle) on December 28, 2001, under the provisions of Panhandle's settlement in Docket No. RP98-40, et al. Columbia states that pursuant to a Stipulation and Agreement in Columbia's Docket No. TA82-1-21, et al. (PGA Settlement),<sup>1</sup> it is obligated to flow-through to its customers approximately \$9,000.00 of the refund received from Panhandle. The Commission finds that the refund report complies with the PGA Settlement and is accepted for filing.

2. Columbia states that Panhandle's settlement in Docket No. RP98-40, et al. concerned Kansas Ad Valorem taxes that were improperly added to Maximum Lawful Prices under the Natural Gas Policy Act. Columbia states that the refund received from Panhandle is applicable to the period October 1983 through June 1988, and is based on Columbia's purchased gas commodity volumes under Panhandle's Rate Schedules SG-1 and LS-1 for that period. Additionally, Columbia states that the refund is to be flowed-through to its former Rate Schedule CDS/WS and SGS (former wholesale customers) based on the allocation methodology approved pursuant to Columbia's Account 191 Close-Out filing in Docket No. RP94-158, et al.<sup>2</sup>

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<sup>1</sup>Citing, Columbia Gas Transmission Corp., 31 FERC & 61,307 (1985).

<sup>2</sup>Citing, Columbia Gas Transmission Corp., 68 FERC & 61,350 (1994).

3. Public notice of this filing was issued on July 26, 2002 with interventions and protests due on or before August 2, 2002. On August 1, 2002, ProLiance Energy, LLC (ProLiance) filed comments. On November 12, 2002, Columbia filed an answer to the comments.<sup>3</sup> The comments filed by ProLiance and Columbia's answer are summarized below.

4. ProLiance states that under the PGA Settlement Columbia is obligated to flow-through to its customers refunds received from Panhandle. ProLiance states that the refund amount of \$9,000.00 indicated in Columbia's refund report is not consistent with the January 25, 2002 report by Panhandle in Docket No. RP98-40. According to ProLiance, the January 25, 2002 report of Panhandle shows that Columbia should have recovered \$587,717.51 in refunds.

5. Columbia's answer states that the refund received from Panhandle on December 28, 2001, under the provisions of Panhandle's settlement in Docket No. RP98-40 et al., totaled \$590,641.53.<sup>4</sup> According to Columbia, the exhibits attached to its answer reflect that Columbia's proposed refund includes \$5,800.59 applicable to purchases under both Rate Schedules SG-1 and LS-1 for the period April 1, 1987 through June 30, 1988. Columbia asserts that it included in the amount to be refunded one-half of the refund amount of \$5,977.48 applicable to purchases under both Rate Schedules SG-1 and LS-1 for the period March 1, 1986 through March 31, 1987. Columbia states that the combined Panhandle principal refund equals \$8,789.33, and, with the inclusion of interest, the total refund amount is \$9,013. According to Columbia, it retained the commodity refund of \$578,863.46 associated with purchases under both Rate Schedules SG-1 and LS-1 for the period prior to March 1, 1986 and the remaining one-half of the refund amount of \$5,977.48 for the period March 1, 1986 through March 31, 1987.

6. Columbia contends that retention of the \$581,852.20 commodity refund from the Panhandle refund is entirely appropriate. According to Columbia, the PGA Settlement contains provisions that govern the disposition of commodity refunds associated with purchased gas commodity costs for historic periods. Columbia asserts that Article II of the PGA Settlement provides, in pertinent part, as follows:

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<sup>3</sup>The Commission grants waiver of Rule 213(a), 18 C.F.R. ' 385.213(a) (2003), to permit the answer of Columbia as it provides information that will aid the Commission in resolving issues raised by the filing.

<sup>4</sup>Refunds of \$2,924.02 and \$587,717.51 for purchases under Panhandle's Rate Schedules SG-1 and LS-1, respectively.

Any commodity refunds received by Columbia applicable to periods prior to April 1, 1985, shall be retained by Columbia but shall be used to offset any amount which otherwise would be eligible for collection under Article IV hereof (see p. 15, fn. 11, *infra*).... In addition, any commodity refunds received by Columbia applicable to the Settlement Period [that is the period from April 1, 1985 through March 31, 1987] shall be retained by Columbia.

Columbia further asserts that the Commission explicitly recognized Columbia's right to retain commodity refunds in its order approving the PGA Settlement by stating that:

Columbia will also retain any commodity refunds applicable to periods prior to and during the [S]ettlement [P]eriod and producer Btu refunds applicable to purchases prior to April 1, 1985.<sup>5</sup>

7. Columbia further contends that while it is clear that Columbia is entitled to retain commodity refunds applicable to the Settlement Period of April 1, 1985 through March 31, 1987, Columbia returned one-half of the refund amount of \$5,977.48 applicable to the period March 1, 1986 through March 31, 1987. According to Columbia, it based this decision on additional provisions of the PGA Settlement requiring a 50-50 sharing of decreased gas costs in certain circumstances.<sup>6</sup>

8. Based upon Columbia's refund report, as explained in its November 12, 2002 answer, the Commission finds that, contrary to ProLiance's comments, the refund amount is appropriate and consistent with the PGA Settlement. Exhibit 3 of Columbia's answer indicates that \$578,863.46 of the Panhandle refund is associated with purchases for periods prior to March 1, 1986. Consistent with the PGA Settlement, Columbia may retain these refunds. Further, as discussed above, Columbia retained one-half of \$5,977.48, or \$2,988.74, of the Panhandle refund applicable for the period March 1, 1986

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<sup>5</sup>31 FERC & 61,307 at 61,675. Columbia states that under the terms of the PGA Settlement, Article IV, all commodity refunds applicable to the period prior to April 1, 1985, were required to be offset against \$600 million in un-recovered costs that Columbia was permitted to recover under the provisions of Article IV. Columbia further states that it did not meet the test for recovery of the un-recovered costs up to \$600 million and thus there is no portion of the \$600 million of un-recovered costs that Columbia previously collected from its shippers via annual commodity surcharges against which an offset of refunds received by Columbia can be applied.

<sup>6</sup>Citing, Article II of the PGA Settlement and 31 FERC & 61,307 at 61,675.

through March 31, 1987. Exhibit 3 also reflects that Columbia included in the amount to be refunded to its customers all of the \$5,800.59 Panhandle refund applicable to purchases for the period April 1, 1987 through June 30, 1988. Columbia's total refund of \$8,789.33, or \$9,013 when interest is included, is consistent with the PGA settlement. Accordingly, Columbia's refund report is accepted as proposed.

By direction of the Commission.

Linda Mitry,  
Acting Secretary.

cc: All Parties