FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 15, 2007

In Reply Refer To:
Columbia Gulf Transmission Company
Docket No. RP07-172-000

Columbia Gulf Transmission Company
2603 Augusta, Suite 300
Houston, Texas 77057-5637

Attention: James R. Downs, Director of Regulatory Affairs

Reference: Seventh Revised Sheet No. 144, Fifth Revised Sheet No. 146, First Revised Sheet No. 148, Original Sheet No. 149 and Seventh Revised Sheet No. 318 to FERC Gas Tariff, Second Revised Volume No. 1

Dear Mr. Downs:

1. On February 15, 2007, Columbia Gulf Transmission Company (Columbia Gulf) filed the referenced tariff sheets to implement the procedures to be followed for the sale of capacity with a future service commencement date. As discussed below, the Commission conditionally accepts the referenced tariff sheets to be effective March 17, 2007.

2. Columbia Gulf proposes to revise section 4 of the General Terms and Conditions (GT&C) of its tariff to make available, for future sale, capacity that is (1) currently unsubscribed, (2) under expiring or terminating service agreements which do not have a right of first refusal (ROFR) or for which a shipper does not exercise its ROFR; or (3) available due to modification, construction and/or acquisition of facilities.

3. Columbia Gulf states that the tariff change will benefit its shippers if it has the discretion to sell capacity with a future service commencement date. Columbia Gulf proposes to revise its tariff to implement an open season capacity bidding process that will permit Columbia Gulf to conduct open seasons and accept bids for capacity with a service commencement date at any time in the future. Under its proposal, Columbia Gulf states that it will award capacity to the shipper making the highest net present value

(NPV) bid taking into account the price, term offered, and the proposed service commencement date. Columbia Gulf asserts that when an open season is conducted, all applicable requests for capacity that is the subject of the open season will be treated and awarded under this open season process. Columbia Gulf states that its proposed open season capacity bidding process is consistent with prior Commission rulings.[1]

4. Columbia Gulf states that, if it sells capacity with a future service commencement date under these provisions, capacity will be made available to other shippers on an interim basis up to the commencement date of the prospective firm transportation service agreement. In addition, if the future service commencement date is more than one year into the future and the interim capacity would otherwise be eligible for a ROFR because it is being acquired at a maximum applicable tariff rate, Columbia Gulf will limit the ROFR rights of such interim capacity commensurate with the future service commencement date. Columbia Gulf asserts that if ROFR rights are limited, the transportation service agreement will note the limitation.

5. Public notice of the filing was issued on February 20, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. 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. The Easton Utilities Commission and the City of Charlottesville, Virginia (collectively "the Cities") and Indicated Shippers[2] filed comments, which are discussed below. On March 2, 2007, Columbia Gulf filed an answer responding to the comments filed in this proceeding.[3]

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[1] Columbia Gulf Transmittal Letter at 2, *citing, Gas Transmission Northwest Corp.*, 109 FERC ¶ 61,141 (2004); *Northern Natural Gas Co.*, 109 FERC ¶ 61,388 (2004), *order on compliance*, 110 FERC ¶ 61,361 (2005); *East Tennessee Natural Gas, LLC*, 113 FERC ¶ 61,177 (2005); *Wyoming Interstate Co., Ltd.*, 110 FERC ¶ 61,238 (2005); *Great Lakes Gas Transmission Co.*, 112 FERC ¶ 61,341 (2005).

[2] Indicated Shippers joining in these comments are: BP Energy Company and BP America Production Company; ConocoPhillips Company; ExxonMobil Gas & Power Marketing Company, A Division of Exxon Mobil Corporation; and Hess Corporation.

[3] Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2) (2006), answers to protests are not accepted unless otherwise ordered by the decisional authority. The Commission will accept Columbia Gulf's answer because it provided information that assisted in our decision making process.

6. The Cities argue that if Columbia Gulf sells capacity with a future commencement date and such sale results in capacity being unsubscribed in the short-term (because shippers do not want short-term capacity for which a ROFR is not available) the Commission should place Columbia Gulf at risk for any resulting unsubscribed capacity.[4] The Cities assert that in the context of a rate proceeding, they would be free to raise the argument noted above and request that if the Commission does not grant its request, that it refrain from deciding the issue so that parties may raise it in a future rate case.

7. In its Answer, Columbia Gulf responds that the Commission has found that claims such as those raised by Cities are premature and should be raised in future rate cases only if the circumstances being alleged actually transpire at that time.[5] Columbia Gulf states that when it files a future rate case, the question of unsubscribed capacity (if any) may be debated.

8. Indicated Shippers contends that Columbia Gulf's proposal could affect incumbent shippers without ROFR rights because they could find that Columbia Gulf has entered into a prearranged deal to sell that very capacity to another entity, to commence in the future. Indicated Shipper argues that this will not lead to a more efficient allocation of capacity, but merely a preferential reshuffling of capacity. Moreover, Indicated Shippers argues that a shipper with a future service commencement date may cancel its service agreement prior to that future commencement date at no cost and thereby deprive an existing shipper of its ability to retain its capacity.

9. Indicated Shippers proposes that for capacity that is currently subscribed but not subject to a ROFR, the Commission should impose certain limits on its future sale. First, they argue that Columbia Gulf should not be permitted to sell such capacity to another shipper through a prearranged deal without notice to the current shipper. Indicated Shippers avers that even if the current shipper has no ROFR, it should receive some notice and opportunity to bid on the capacity it has currently contracted for and is using. In addition, Indicated Shippers argues that a time limit should be established for the future sale of capacity that is no greater than the three year time limit approved in *GTN*.[6]

[4] The Cities also note that there is a typographical error on Sheet No. 148. In section 4.2(j)(i)(3) the word "wit" should read "with."

[5] Columbia Gulf Answer at 4-5, *citing, Maritimes & Northeast Pipeline, L.L.C.*, 89 FERC ¶ 61,123 (1999), order on reh'g, 93 FERC ¶ 61,117 (2000) and *Entrega Gas Pipeline Inc.*, 112 FERC ¶ 61,177 (2005).

[6] *Citing, Gas Transmission Northwest Corp.*, (*GTN*) 109 FERC ¶ 61,141 at P 5 (2004).

10. In its Answer, Columbia Gulf states that, proposed section 4.2(j)(i) provides that the future sales of capacity will be accomplished only through an open season methodology that will provide all shippers, including existing shippers, the opportunity to obtain the capacity. Columbia Gulf also points out if, in the future, it chooses to sell capacity with a future service commencement date through pre-arranged deals, it will revise its tariff to provide for that ability in accordance with the Commission's precedent and policies. However, Columbia Gulf states that under the instant proposal, an open season, not a pre-arranged deal methodology, will be used for the sale of capacity to be available in the future.

11. Columbia Gulf states that a shipper with a future service commencement date will not be able to cancel its service agreement. It states that any shipper acquiring capacity with a future service commencement date will be required to execute a firm transportation service agreement which will bind that shipper. However, if such shipper chooses not to use the capacity, then it can release the capacity through Columbia Gulf's capacity release procedures.

12. Columbia Gulf also argues that it should not be required to place a limit on how far in the future capacity may be sold. Columbia Gulf states that there is no basis for such a limitation. For example, Columbia Gulf states that it is quite possible that a new gas production field being developed, in the Gulf of Mexico might take 3 or 4 years to come on-line and that an arbitrary cut-off date of three years would preclude the owners of such a development project from ensuring their right to transportation capacity to move that new production to market. It argues that the Commission should not adopt an arbitrary cut-off that will be a disincentive for the development of new gas sources.

13. The Commission finds that Columbia Gulf's tariff sheets are just and reasonable and accepts them to be effective March 17, 2007. The Commission finds that the parties' comments do not require any change in Columbia Gulf's proposal. First, the Cities argue that to the extent that Columbia Gulf sells capacity with a future commencement date and such sale results in capacity being unsubscribed in the short-term, the Commission should place Columbia Gulf at risk for any unsubscribed interim capacity. The Commission finds that this is a rate matter that can be addressed in a subsequent rate case where all parties will be free to raise this issue.

14. Second, Indicated Shippers contends that certain current shippers without ROFR rights will not have an opportunity to continue service under this proposal because such shippers would not have notice of a prearranged deal entered into by the pipeline.

15. In its proposal, Columbia Gulf states that it is proposing to revise its tariff to implement an open season capacity bidding process that will permit Columbia Gulf to conduct open seasons and accept bids for capacity with a service commencement at any

time in the future. In its Answer, Columbia Gulf clarifies that the future sales of capacity will be accomplished only through an open season methodology and that under its proposal, an open season, not a pre-arranged deal methodology, will be used for the sale of capacity to be available in the future. Therefore, the Commission finds that existing shippers without a ROFR will have an opportunity through the required open season to retain their capacity.

16. Lastly, Indicated Shippers request that the Commission place a time limit for the future sale of capacity. The Commission declines to so limit Columbia Gulf's proposal. Because all capacity will be bid on an NPV basis, the Commission finds that Indicated Shippers' concern regarding service commencement dates far in the future is ameliorated. This is because any delay in the service commencement date is reflected in the NPV calculation. The further in the future service is to commence, the lower the NPV of the bid by the shipper proposing to acquire the future service. Therefore, the very nature of the NPV bidding process devalues bids for capacity to be obtained far into the future. Further, because the policy regarding the sale of future capacity is predicated upon the ability of the pipeline to satisfy the "long lead" period of certain customers, the Commission will not require pipelines to place an arbitrary time limit on the ability to sell future capacity.

17. Accordingly, the Commission will accept Columbia Gulf's tariff sheets to be effective March 17, 2007, subject to Columbia Gulf filing a revised tariff sheet to address the Cities' typographical concern as noted in Footnote No. 4.

By direction of the Commission.

Philis J. Posey,
Acting Secretary.