106 FERC ¶ 61,334
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

March 31, 2004

In Reply Refer To:
Columbia Gas Transmission Corporation
Docket Nos. RP04-202-000
RP03-222-001

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

Attention: Carl W. Levander
Vice President

Reference: Annual Fuel Retainage Adjustment Mechanism Filing

Dear Mr. Levander

1. On March 1, 2004, Columbia Gas Transmission Corporation (Columbia) filed primary[1] and alternate tariff sheets[2] reflecting revised annual fuel retainage percentages for transportation, gathering, and storage services, to be effective April 1, 2004. The Commission will accept and suspend Fourteenth Revised Sheet No. 44 to become effective April 1, 2004, subject to refund and to further review as discussed below. Further, on March 22, 2004, Columbia filed to withdraw its alternate tariff sheet. The Commission will accept Columbia's withdrawal of Alternative Fourteenth Revised Sheet No. 44. This order is in the public interest because it ensures that Columbia's retainage adjustment mechanism conforms to its tariff and is adequately supported.

Background

2. Pursuant to section 35, Retainage Adjustment Mechanism (RAM), of its General Terms and Conditions (GT&C), Columbia is required to file to adjust its RAM on an

---

[1] Fourteenth Revised Sheet No. 44 to FERC Gas Tariff, Second Revised Volume No. 1.

[2] Alternate Fourteenth Revised Sheet No. 44 to FERC Gas Tariff, Second Revised Volume No. 1.

annual basis, to take into account both prospective changes in retainage requirements and unrecovered retainage quantities from the preceding period related to fuel used to perform transportation, storage, and gathering services.

3. On February 13, 2004, the Commission approved a Joint Stipulation and Agreement (Settlement) that Columbia filed on June 2, 2003, to resolve all issues in Docket No. RP03-222-000.[3] The Settlement allows Columbia to collect 165,000 Dth of natural gas associated with MarkWest Hydrocarbon, Inc. (MarkWest) from its transportation customers through its RAM filing for the period July 1, 2003 through March 31, 2007. No party filed for rehearing of the Commission's February 13 Order accepting the Settlement which became effective March 16, 2004.

Details of the Instant Filing

4. Pursuant to section 35 of its GT&C, Columbia is increasing its transportation retainage percentage from the current 2.554 percent level to 2.565 percent, an increase of less than one percent. In addition to the increase in the transportation retainage percentage, Columbia proposes a decrease in the gathering retainage percentage from 1.035 percent to 0.837 percent and a decrease in the storage gas loss retainage from 0.150 percent to 0.140 percent. With respect to the lost and unaccounted-for gas (LAUF) portions of the transportation retainage percentage, Columbia states that it has included an estimated level of 10 MMDth, which is the same level included in last year's filing. Columbia adds that its actual LAUF level in the year 2003 was 10.2 MMDth which is consistent with Columbia's projection for this period.

5. In addition, consistent with the provisions of the Settlement filed in Docket No. RP03-222-000, Columbia has included in the instant RAM filing, 56,250 Dth of MarkWest volumes in the deferral period to be collected as part of Columbia's calculation of the Surcharge Component, and has included this 56,250 Dth as part of its calculation of the Current Component.

6. Columbia also describes other items of interest to the Commission and parties concerning the status of Thermal Conversion Measurement Equipment Devices, Custody Transfer Measurements, and the Accounting Process as the items relate to the LAUF quantities on its system.

Notice

7. Public notice of the filing was issued on March 5, 2004. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to

[3] Columbia Gas Transmission Corp., 106 FERC ¶ 61,135 (2004).

Rule 214 of the Commission's rules of Practice and Procedure, 18 C.F.R. § 385.214, any timely filed motion to intervene and 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 the proceeding or place additional burdens on existing parties'. Orange and Rockland Utilities, Inc. (Orange and Rockland) filed comments and Virginia Power Energy Marketing, Inc. (VPEM) protested Columbia's RAM filing. Mountaineer Gas Company (Mountaineer) also filed comments out of time. The parties concerns are discussed below. On March 24, 2004, Columbia filed an answer in the instant proceeding. Although generally not permitted the Commission will accept Columbia's answer to the extent it aids the evaluation of Columbia's filing. 18 C.F.R. §385.213 (2004).

Discussion

8. The Commission will accept and suspend the referenced tariff sheet to become effective April 1, 2004, subject to refund and Columbia filing additional information within 15 days of the date of this order. The Commission remains concerned that Columbia's LAUF has been essentially static for the last several years despite assurances from Columbia that increased meterage and accounting improvements would ameliorate its level of LAUF. As discussed below, the Commission finds that further information is necessary to fully support Columbia's filing.

Increase in Company-Use Fuel

9. VPEM contends that Columbia makes no attempt to reconcile its projected 1.3 percent increase in company-use fuel requirements with its projection that overall throughput will decrease by approximately 2 percent. VPEM states that this is the second consecutive year that Columbia proposes to recover increased fuel while simultaneously projecting diminished throughput. VPEM requests that the Commission require Columbia to explain this apparent inconsistency.

10. In its Answer Columbia states that the decrease in throughput may not result in a one for one decrease in company use fuel. While the Commission agrees, it is nonetheless, expected that a decrease in throughput will normally result in some level of decrease in fuel usage. Thus, the Commission finds that Columbia's response does not adequately explain why its projected company-use fuel quantities are not lower. Therefore, within 15 days of the date of this order, Columbia must provide further explanations to support its increase in company-use fuel requirements in light of its proposed decrease in system throughput. Specifically, Columbia must include a detailed explanation of its statement that "throughput projections are adjusted to remove certain non-representative market conditions in 2003 which are not projected to occur in 2004,"[4]

[4] Transmittal Letter at 3.

including an explanation of the amounts removed and the reasons the amounts were determined to be nonrepresenative of market conditions. In addition, in its answer, Columbia states that company fuel use patterns are based on Columbia's actual experience in the preceding annual period together with its expectations with respect to shipper usage patterns it will experience in the next period. Columbia is directed to explain and justify its "expectations," including an explanation of how they affected the level of its estimated fuel usage for the upcoming period.

LAUF Quantities

11. VPEM states that Columbia's filing shows an increase in its LAUF quantities for the third year in a row. VPEM requests that the Commission suspend Columbia's proposal for the full period allowed and establish a technical conference to explore methods by which Columbia shippers may be protected from continuing unreasonable levels of LAUF on Columbia's system. VPEM contends that the seriousness of the problem may be illustrated by showing that the price of Columbia's Appalachian pool gas was $5.56 Dth on March 11, 2004. According to VPEM, at that level, a shipper moving 20,000 Dth per day on the system would absorb costs of over $250,000 annually due to LAUF.

12. In the instant filing for the calendar year 2003, Columbia reported that it utilized 32,134,426 Dth of fuel in operations and that its actual LAUF was 10,182,308 Dth.[5] Based on these figures, Columbia's LAUF was approximately 32 percent of fuel used in operations in 2003.[6] Using comparable figures for the calendar years 2002 and 2001, Columbia's LAUF was 33 percent and 30 percent respectively, of fuel utilized in operations.

13. In its answer Columbia compares its LAUF with its total throughput and states that its LAUF is only 0.781 percent of its total throughput quantity. According to Columbia, the 0.781 percent is not out of line with LAUF percentages approved on other pipelines in the past. In addition, in its March 1 filing, Columbia states that its has taken certain actions to mitigate LAUF quantities, such as installing meters at Appalachian receipt interconnections that have resulted in over 90 percent of gas receipts being measured (Columbia states that it will complete the installation of the meters at the remaining interconnections by the end of the year).[7] Columbia also states that its monthly gas reconciliation process ensures that the appropriate steps are taken to properly account for gas on Columbia's system. Accordingly, Columbia asserts that it has made

---

[5] See Appendix B Sheet No. 3.

[6] Stated another way, for every 300 Dth of fuel burned, 100 Dth is lost and unaccounted for.

[7] Transmittal Letter at 5.

significant progress since 2000 in reducing its actual LAUF levels and that it remains fully committed to pursuing all potential LAUF mitigation measures into the future.[8]

14. The Commission does not believe that a technical conference is necessary in the instant proceeding to address the level of LAUF on Columbia's system and therefore rejects VEPM's request. However, the Commission is concerned that the LAUF levels on Columbia's system remain high in relation to fuel burned and at a static level despite its claim that it has taken action to reduce its LAUF - - even if Columbia's percentage of LAUF in relation to total throughput is consistent with the experience of several other pipelines. Therefore, the Commission directs Columbia to file additional information to support its assertion that it has made significant progress since 2000 in reducing its actual LAUF levels and that it remains fully committed to pursuing all potential LAUF mitigation measures into the future.[9] Specifically, within 15 days of the date of this order, Columbia must provide a detailed explanation to support its assertions concerning the benefits of its efforts to reduce LAUF levels in light of its RAM filings which reflect that its LAUF level has remained essentially static. In addition, Columbia is directed to provide the Commission with a narrative of what additional steps it will take to lower its LAUF on its system.

Seasonal Variation of Fuel Recovery

15. VPEM also contends that Columbia's RAM filings over the last three annual periods presents a consistent seasonal pattern of over and under recovery of fuel requirements. VPEM contends that during the year 2003, Columbia over recovered its fuel requirements during the winter months, while under recoveries of fuel requirements occurred during the off-peak periods. VPEM argues that winter over-recovery paired with summer under-recovery has been a consistent feature of Columbia's recent fuel tracker filings. Given this, VPEM questions whether it can be just and reasonable to continue permitting Columbia to collect fuel in a manner that effectively subsidizes off-peak transactions. VPEM, therefore, requests that a technical conference be established where parties can explore alternative, seasonally sensitive, fuel recovery mechanisms.

16. The Commission finds that Columbia's filing is consistent with its approved tariff procedures for its RAM filings. VPEM's concern is beyond the scope of this annual RAM filing. Proposals regarding changes in rate design are more appropriately addressed in a general NGA section 4 filing. When Columbia files is next NGA section 4 filing, VPEM may, if it so desires, propose changes to Columbia's existing rate design methodology. Accordingly, the Commission will deny VPEM's request to explore alternative, seasonally sensitive fuel recovery mechanisms in this proceeding.

---

[8] Answer at 7.

[9] Id.

Prior Period Adjustments for MarkWest

17. Columbia has included 1,766,061 Dth as prior period adjustments for quantities of gas associated with MarkWest.[10] VPEM, Orange and Rockland, and Mountaineer point out that Columbia included 650,000 Dth for dry gas fuel for MarkWest's operations in computing the then current RAM transportation adjustments in its 2000 and 2001 RAM filings. They state that as shown in Appendix C, the prior period adjustments for the years 2000 and 2001 are precisely equal to the quantities of fuel Columbia was entitled to recover in its prior RAM filings. VPEM, Orange and Rockland, and Mountaineer question whether Columbia is seeking to double recover these quantities.

18. In its Answer Columbia states that under the 1996 settlement in Docket No. RP95-408-000, et al., it was entitled to collect 650,000 Dth annually from shippers related to MarkWest volumes, and then provide such quantities to MarkWest.[11] Columbia states that although it collected the 650,000 Dth in its RAM filings made in years 2000 through 2003, it incorrectly credited those same quantities to its customers in the calculations of the next annual RAM filing. Columbia states that the accounting entries used to record Columbia's actual collections of company use quantities from shippers failed to include the entries necessary to reduce such quantities by the amount provided to MarkWest. The result, according to Columbia was that the quantities applicable to MarkWest were never collected from customers in calendar years 2000 through 2003. Columbia states that the prior period adjustments reflected in the 2004 RAM filing are to correct for this inadvertent error.

19. Columbia states that the accounting entries used to record its actual collections of company-use quantities from shippers failed to include the entries necessary to reduce such quantities by the amounts provided to MarkWest. The Commission finds that this explanation is insufficient to support these prior period adjustments. It is not clear why the actual collections of company-use quantities from shippers should be reduced by the amounts provided to MarkWest rather than being included in company used gas. Therefore, in order for the Commission to understand the basis of the alleged accounting errors, Columbia must provide the Commission with its accounting for MarkWest gas volumes. Specifically, Columbia must explain how the volumes retained from shippers

---

[10] The total net prior period adjustment of 1,766,061 for MarkWest is comprised of: 22,689 Dth in 1999; 650,000 Dth in 2000 and 2001, and 443,372 Dth in 2002.

[11] Answer at 2, citing, Columbia Gas Transmission Corp., 79 FERC ¶61,044 (1997).

and provided to MarkWest were recorded on its books, and why it was necessary to reduce the actual collections of company-use quantities from shippers by the amounts provided to MarkWest.

By direction of the Commission.

Magalie R. Salas,
Secretary.