

INSIGHTS

FERC Fines Columbia Gas \$350,000 for Violating Auction Rules

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On July 30, 2015, the Federal Energy Regulatory Commission (FERC) approved a stipulation and consent agreement between the FERC Office of Enforcement and Columbia Gas Transmission LLC (Columbia Gas) for violations of Section 4 of Columbia Gas's tariff governing auctions for firm capacity. Columbia Gas admitted the violations and agreed to a \$350,000 civil penalty along with compliance improvements. The facts in this matter are not in dispute. Columbia Gas is a natural gas company engaged primarily in interstate transportation and storage services subject to the jurisdiction of the Commission. Columbia Gas operates facilities located in twelve eastern states. During the course of an audit by the FERC Division of Audits, audit staff noticed that Columbia Gas's auctions of firm capacity were not transparent and not on the publicly available section of the Columbia Gas' Electronic Bulletin Board (EBB). In an unusual move, the Audits staff referred the matter to the Division of Investigations (DOI) on September 23, 2014. Audit staff generally resolves matters within the context of the audit and referrals to DOI are rare. In this case, Audit staff and the Office of Enforcement believed the violations were serious and merited a significant penalty. DOI opened a preliminary investigation covering the period January 1, 2010 through May 1, 2013. Since 1993, Columbia Gas had posted notices of auctions on the public section of its EBB. In 2008 Columbia Gas started a new EBB with both a publicly available section and another that was password protected. Beginning in 2009, Columbia Gas began posting notices of firm capacity auctions on the password protected portion of the EBB instead of the publicly available section. Audit staff found that change made it onerous and confusing for many shippers and potential shippers to locate Columbia Gas' capacity auctions. In the settlement agreement, Columbia admitted that posting the firm capacity auctions on the password protected section of its EBB violated section 4 of its tariff by failing to properly post notice of the actions. The Commission did not make any findings of harm from the violations noting that no bidders affiliated with Columbia Gas participated in auctions that included capacity awarded at a discount. In fact, only 11 out of the 1,121 auctions during the investigative period resulted in capacity awarded at a discount. In 2014, Columbia Gas changed its tariff such that available firm capacity was no longer awarded at auction and instead was on a first come, first served basis or through an open season.