

107 FERC ¶ 61,213
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 28, 2004

In Reply Refer To:
Northern Natural Gas Company
Docket No. RP04-284-000

Northern Natural Gas Company
1111 South 103rd Street
Omaha, NE 68124-1000

Attention: Mary Kay Miller, Vice President
Regulatory and Customer Service

Reference: Revised Fuel-Use and Unaccounted For Percentages

Dear Ms. Miller:

1. On April 30, 2004, Northern Natural Gas Company (Northern) filed revised tariff sheets,¹ in accordance with sections 53A and 53B of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, Fifth Revised Volume No. 1, to establish new annual fuel-use (fuel) and unaccounted for (UAF) percentages. Northern requests the Commission grant waiver of section 53A of Northern's GT&C to permit the use of throughput from the prior 12-month period for the Permian Area only. The Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (NMDG/MRGTF) protested Northern's proposal. For the reasons given below, we deny the protest, grant the waiver request, and accept the tariff sheets listed in the Appendix, subject to condition, to become effective June 1, 2004, as proposed. This order benefits the public because it will ensure that the proposed fuel reimbursement rates accurately reflect costs incurred by Northern.

2. Northern states it based the revised percentages on actual data for the 12 months ending March 31, 2004. Due to extraordinary circumstances related to pipeline maintenance and repair in the Permian Area in the 12-month period ended March 31, 2004, Northern states its Permian Area throughput decreased by more than 60 Bcf. Therefore, Northern requests waiver of section 53A of its GT&C to allow the use of Permian Area throughput for the 12-month period ended March 31, 2003. Northern

¹ See the Appendix.

proposes the following revised percentages: The new percentages proposed by Northern reflect the following revisions: (1) section 1 Mainline (Permian Area) increases from 1.22 percent to 1.28 percent; (2) section 2 Mainline (Mid-Continent Area) decreases from 2.33 percent to 2.05 percent; (3) section 3 Mainline (Market Area) decreases from 1.53 percent to 1.34 percent; (4) Storage fuel decreases from 1.11 percent to 0.95 percent; and (5) UAF decrease from 0.41 percent to 0.38 percent. In addition to the proposed annual changes to the fuel and UAF percentages in its 2004 periodic rate adjustment (PRA) filing, Northern's revised tariff sheets include the applicable true-up adjustments for the PRA annual period for Field Fuel, Mainline Fuel, Storage Fuel and UAF.

3. Also, Northern proposes the following tariff revisions: (1) in footnote 3 on Sheet No. 54,² Northern proposes to expand its "to and through" concept currently applicable to pooling (that the fuel charge would be no greater than the fuel collected on the total path between the original receipt point and the ultimate delivery point) to clarify that this concept also applies to transactions that go in and out of processing plants; (2) pursuant to section 53B of its GT&C, Northern establishes a Market Area Electric Compression charge of \$0.0001/Dth on Sheet No. 54 that results from the installation of a new compressor station as part of Northern's Project MAX in Docket No. CP02-436;³ (3) on Sheet No. 54B,⁴ Northern proposes to add a new category of fuel exemptions from its section 3 Mainline (Market Area) fuel for certain receipt points with Northern Border Pipeline Company and delivery point combinations where the receipt point pressure is adequate to deliver the gas without compression; and, finally, (4) Northern proposes to add a new interconnect in Kansas with Cheyenne Plains Gas Pipeline Company scheduled to begin operational service in January 2005 for deliveries to MIDs 1 through 7. On Sheet No. 54B, Northern proposes to add this interconnect to its list of section 2 Mainline (Mid-Continent Area) fuel exemption points from the fuel rate for certain transactions that do not require compression.

4. The Commission noticed Northern's 2004 PRA filing on May 5, 2004, permitting comments, protests, or interventions as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2003)), all timely filed motions to intervene and any motions to intervene out-of-time filed before the date this order issues are granted. In addition to the interventions received, the Indicated Shippers filed comments on May 12, 2004, in partial support of the instant filing and NMDG/MRGTF filed a protest. Northern filed an answer to NMDG/MRGTF's protest on May 19, 2004.

² Eighteenth Revised Sheet No. 54 states the fuel percentages and electric compression rates for Rate Schedules TF, TFX, LFT, VFT, GS-T, TI, and FDD.

³ Northern Natural Gas Co., 103 FERC ¶ 62,028, (2003).

⁴ Original Sheet No. 54B lists the fuel and unaccounted for exemption points applicable to Rate Schedules TF, TFX, LFT, VFT, GS-T, TI, and FDD.

Rule 213 of the Commission's Rules of Practice and Procedure, 18 C.F.R. 385.213 (2003), prohibits the filing of answers to a protest unless permitted by the decisional authority. We find that good cause exists to allow Northern's answer because it provides a more complete record in this proceeding.

5. NMDG/MRGTF protests two aspects of this filing. First, regarding the increase in the section 1 Mainline (Permian Area) fuel percentage from 1.22 percent to 1.28 percent, NMDG/MRGTF states it understands the need for the adjustment due to the extended outage in the Permian Area, but does not agree with Northern's use of 2003 throughput data as a substitute. NMDG/MRGTF states that the 2003 PRA filing reflected a significant increase in section 1 Mainline (Permian Area) fuel from 0.96 percent to the currently effective PRA of 1.22 percent, and one of the reasons given by Northern for the increase was a 25 Bcf drop in Permian Area volumes. According to NMDG/MRGTF, Northern has not demonstrated in its 2004 PRA filing that this reduction will continue during the period when rates from the 2004 PRA filing are in effect, and therefore, if Permian Area volumes increase, the PRA using 2003 throughput will be overstated. As such, NMDG/MRGTF submits that the Commission should direct Northern to retain the currently effective PRA of 1.22 percent for the Permian Area or, in the alternative, direct Northern to provide a detailed explanation of why the use of 2003 throughput better reflects conditions expected during the next PRA period.

6. The Indicated Shippers support using 2003 PRA filing volumes for the section 1 Mainline (Permian Area) fuel rate, stating that because actual volumes were unrepresentatively low during the past year due to the maintenance outage, using prior period volumes results in a benefit for shippers and will prevent Northern from significantly overrecovering its fuel during the next PRA period and minimize volatility in the fuel rate. In its answer, Northern maintains that the 2003 PRA filing volumes provide a more reasonable basis for estimating the fuel Northern expects it will use during normal conditions. Further, Northern states that using volumes from abnormal operating circumstances or any other volume level would be conjecture and subject to less certainty.

7. Northern's PRA mechanism tracks actual fuel consumed and includes a true-up adjustment. Northern recovers increased actual fuel consumed or higher true-up adjustments pursuant to that tariff mechanism and the Commission's regulations. The Commission finds that, since all parties agree that Permian Area throughput during the year ending March 31, 2004 was unusually low due to extraordinary events, using the actual throughput during the previous year to calculate Northern's section 1 Mainline (Permian Area) fuel rate is more reasonable than using estimated volumes not based on any prior period figures and provides as reasonable as possible a throughput projection in the circumstances. We also find that retention of the currently effective PRA

rate of 1.22 percent for the Permian Area to be inappropriate because Northern calculated this rate using now outdated prior period PRA fuel-use figures. Therefore, we deny NMDG/MRGTF's protest regarding the section 1 Mainline (Permian Area) fuel percentage.

8. NMDG/MRGTF also protests Northern's proposed decrease in UAF fuel percentage to 0.38 percent from the current rate of 0.41 percent because of an unresolved 1.3 Bcf UAF issue. In its 2002 PRA filing⁵, Northern stated it included a "one-time adjustment in the amount of 1.3 Bcf related to a manufacturer's calibration error on Northern's ultrasonic measurement equipment which resulted in an overstatement of deliveries." In their comments, both NMDG/MRGTF and the Indicated Shippers remind the Commission of their request for rehearing with respect to this issue. Commission action remains pending and therefore the Commission accepted Northern's 2003 PRA filing subject to the outcome of the 2002 PRA case.⁶ Because we will not resolve this issue here, the Commission grants the protestants' requests and accepts the tariff sheets listed in the Appendix, subject to the outcome of the proceedings in Docket No. RP02-334-000, et al., effective June 1, 2004.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

⁵ Docket No. RP02-334-000.

⁶ Northern Natural Gas Co., 104 FERC ¶ 61,316 (2003).

Appendix

**Northern Natural Gas Company
Docket No. RP04-284-000**

FERC Gas Tariff, Fifth Revised Volume No. 1

Conditionally Accepted Tariff Sheets Effective June 1, 2004

Second Revised 66 Revised Sheet No. 50
Second Revised 67 Revised Sheet No. 51
Second Revised 31 Revised Sheet No. 52
Second Revised 65 Revised Sheet No. 53
Eighteenth Revised Sheet No. 54
Fifth Revised Sheet No. 54A
Original Sheet No. 54B
Second Revised 15 Revised Sheet No. 56
Second Revised 25 Revised Sheet No. 60
Second Revised Sixth Revised Sheet No. 60A
Sixteenth Revised Sheet No. 61
Sixteenth Revised Sheet No. 62
Sixteenth Revised Sheet No. 63
Sixteenth Revised Sheet No. 64