122 FERC ¶ 61,229
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 14, 2008

In Reply Refer To:
Northern Natural Gas Company
Docket Nos. RP08-187-000 and
RP08-187-001

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

Attention: Mary Kay Miller, Vice President
Regulatory and Government Affairs

Reference: 2008 Periodic Rate Adjustments for Fuel

Ladies and Gentlemen:

1. On February 1, 2008, in Docket No. RP08-187-000, Northern Natural Gas Company (Northern) filed revised tariff sheets, listed in the Appendix, in accordance with sections 53A and 53B of the General Terms and Conditions of its tariff (GT&C), reflecting the 2008 Periodic Rate Adjustments for Fuel (2008 PRA). On February 19, 2008, in Docket No. RP08-187-001, Northern amended that filing to correct an inadvertent error in its fuel use calculations. The filings revise the Market Area fuel percentage for the summer season, the Field Area fuel percentages, Storage fuel percentage, and unaccounted for (UAF) retention percentages, with appropriate true-ups, along with the Market Area Electric Compression charge. For the reasons discussed below, we reject 22 Revised Sheet Nos. 61 and 62, 26 Revised Sheet No. 63, and 25 Revised Sheet No. 64 as moot, and accept the remaining tariff sheets, as listed in the Appendix, to become effective April 1, 2008, as proposed.

2. Northern's filing establishes the Field Area and Storage fuel and UAF percentages that become effective April 1, 2008 through March 31, 2009, based on actual data for the twelve-month period ending December 31, 2007. Northern also proposes a revised Market Area fuel percentage that becomes effective for the summer season of April 1, 2008 through October 31, 2008, based on actual data for the seven-month period of

April 1, 2007 through October 31, 2007. The filing further establishes the Market Area Electric Compression charge to become effective April 1, 2008 through March 31, 2009, based on actual data for the twelve-month period ending December 31, 2007.

3. Northern proposes the following revisions to its fuel and UAF percentages: (1) section 1 Mainline (Permian Area) fuel increases from 0.37 to 1.37 percent; (2) section 2 Mainline (Mid-Continent Area) fuel decreases from 1.87 to 1.07 percent; (3) Storage fuel increases from 0.87 to 1.07 percent; (4) UAF percentage is unchanged at 0.33 percent; and (5) section 3 Mainline (Market Area) summer fuel increases from 1.15 to 1.21 percent. Northern further proposes the following changes to the Field fuel percentages: (1) Mileage Indicator District (MID) 10 increases from 0.48 to 0.69 percent; (2) MID 11 increases from 2.32 to 2.57 percent; (3) MID 12 increases from 1.38 to 1.85 percent; (4) MID 13 decreases from 4.56 to 3.23 percent; (5) MID 14 decreases from 3.26 to 0.00 percent; and (6) MID 15 decreases from 5.90 to 0.00 percent. Finally, Northern's filing establishes the Market Area Electric Compression Charge as $0.0003. The $0.0002 increase in the electric compression commodity surcharge resulted from the addition of two electric compressors since the previous rate adjustment.

4. Northern states that the increases in the section 1 (Permian), Storage and section 3 (Market Area) summer fuel percentages were because of increases in throughput and fuel use, while the decrease in the section 2 (Mid-Continent) fuel percentage resulted primarily from the abandonment by sale of its West Hugoton facilities.

5. Notice of Northern's filing issued February 7, 2008. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2007), 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 this proceeding or place additional burdens on existing parties. On February 13, 2008, the Indicated Shippers[1] filed a protest.

6. The Indicated Shippers raise three concerns in their protest. First, they question anomalies in the data Northern provided in its 2008 PRA filing. The Indicated Shippers contend that these anomalies—such as negative monthly fuel use, wide variance among monthly calculations, and excessive fuel usage for one or two months that accounts for

[1] The Indicated Shippers are: BP Canada Energy Marketing Corporation, Chevron Natural Gas, A Division of Chevron U.S.A. Inc., Occidental Energy Marketing Inc., and Occidental Permian Ltd.

nearly all of an individual fuel station's annual use—neither justify nor fully support Northern's proposal as being just and reasonable. Accordingly, the Indicated Shippers argue that these anomalies require further explanation.

7. Second, the Indicated Shippers are concerned that Schedule 1 of Northern's 2008 PRA contains many items labeled "Gas Loss," for which it is unclear whether the fuel use for these items is accounted for as "Fuel" (for recovery in the fuel use mechanism), as "Lost Gas" (for recovery in the UAF), or as both (which would be inappropriate). The Indicated Shippers believe that an explanation of where Northern recovers such fuel use in its rates is crucial in determining the justness and reasonableness of those rates.

8. Third, the Indicated Shippers point out that Northern, despite providing detailed explanations of the various changes in all its other fuel components, provides no explanation for the proposed changes in its Field fuel percentages. The Indicated Shippers believe the Commission should require Northern to provide a complete explanation of these changes.

9. On February 20, 2008, Northern filed an answer to Indicated Shippers' protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2007), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Northern's answer because it provided information that assisted us in our decision-making process.

10. In its response, Northern defends its fuel calculations as being consistent with prior PRA filings approved by the Commission and in accordance with its tariff, which permits Northern to recover actual fuel and UAF costs. Northern contends that its shippers dictate a vast majority of such actual fuel usage by the points of receipt and delivery they choose and that changes in shipper behavior from one annual PRA period to the next can also result in fuel use changes.

11. Northern addresses Indicated Shippers' concerns of anomalies in its data by stating that individual fuel recorded at various meters reflected actual activity and as such are not anomalies, and Northern furnished a detailed explanation for each fuel station cited by the Indicated Shippers in their pleading. For items in Schedule 1 labeled "Gas Loss," Northern explains that it can quantify and attribute all the pipeline's gas losses to a particular location because it recovers these losses through the Field or Mainline fuel rate applicable to that particular location, using a standard software package based on relevant parameters including measured flow, pressure, temperature, and line size. In addition, Northern states that its tariff provides that unmetered gas loss is a component of fuel, not a part of the unaccounted-for rate.

12. Northern explains that it calculates the Field fuel percentages in accordance with its tariff and that these percentages reflect actual activity in the respective MIDs. Northern claims that it cannot provide specific reasons why its shippers choose to schedule gas differently from one year to the next, nor is it uncommon for fuel consumption to increase even where throughput decreases, resulting in an increased fuel percentage, because fuel usage volumes and throughput volumes are not directly proportional. Northern further states that fuel rates vary depending on both the actual fuel usage during the previous year and the amount of the true-up adjustment applicable to its fuel rates.

13. We find that, with the additional facts and explanations provided in its answer, Northern sufficiently supported its 2008 PRA filing and adequately responded to Indicated Shippers' concerns. Accordingly, we accept the revised tariff sheets, as listed in the Appendix, effective April 1, 2008, as proposed. We reject as moot certain of the February 1, 2008 tariff sheets that were replaced by tariff sheets filed on February 19, 2008, as further listed in the Appendix.

By direction of the Commission.

Nathaniel J. Davis, Sr.,
Deputy Secretary.

cc: All Parties
Public File

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Appendix

Northern Natural Gas Company
FERC Gas Tariff, Fifth Revised Volume No. 1

Tariff Sheets Accepted Effective April 1, 2008:

76 Revised Sheet No. 50
77 Revised Sheet No. 51
40 Revised Sheet No. 52
77 Revised Sheet No. 53
28 Revised Sheet No. 54
35 Revised Sheet No. 60
15 Revised Sheet No. 60A
Substitute 22 Revised Sheet No. 61
Substitute 22 Revised Sheet No. 62
Substitute 26 Revised Sheet No. 63
Substitute 25 Revised Sheet No. 64

Tariff Sheets Rejected

22 Revised Sheet No. 61
22 Revised Sheet No. 62
26 Revised Sheet No. 63
25 Revised Sheet No. 64