

128 FERC ¶ 61,078  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

July 23, 2009

In Reply Refer To:  
Northern Natural Gas Company  
Docket No. RP09-786-000

Northern Natural Gas Company  
1111 South 103<sup>rd</sup> Street  
Omaha, NE 68124-1000

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

Reference: Interim Periodic Rate Adjustment for Unaccounted For Gas Percentage

Ladies and Gentlemen:

1. On June 26, 2009, Northern Natural Gas Company (Northern) filed revised tariff sheets<sup>1</sup> pursuant to sections 53A and 53B of its General Terms and Conditions (GT&C) to lower its unaccounted for (UAF) retention percentage. Northern includes supporting schedules and a true-up adjustment for its proposed rate. Northern requests waiver of section 53A in anticipation of continued lower UAF volumes for the remainder of the 2009 periodic rate adjustment (PRA) period. As discussed below, the Commission grants waiver of section 53A and accepts the revised tariff sheets to become effective August 1, 2009, subject to conditions.

2. Public notice of the filing was issued on June 29, 2009. Interventions and protests were due as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2008)). Pursuant to Rule 214 (18 C.F.R. § 385.214 (2008)), all timely filed motions to intervene and any 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. On July 6, 2009, Metropolitan Utilities District of Omaha filed a motion to intervene and

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<sup>1</sup> 1 Revised 30 Revised Sheet No. 54, 25 Revised Sheet No. 61, and 1 Revised Sheet No. 62 to its FERC Gas Tariff, Fifth Revised Volume No. 1.

initial comments in support of Northern's instant filing. On July 8, 2009, OXY USA Inc. (OXY) filed a protest. On July 10, 2009, Northern filed a request for waiver of the Commission's regulations and an answer to the protest. Generally, the Commission does not permit answers to protests; however, the Commission will accept Northern's answer as it aids in the Commission's review of the instant proposal.<sup>2</sup>

3. Northern states that the revised tariff sheets are being filed as an interim PRA to lower the UAF retention percentage from 0.32 percent to (-0.12) percent<sup>3</sup> effective August 1, 2009 through March 31, 2010, based on the fact that the actual UAF data for the period January 1, 2009 through May 31, 2009, shows a significant over-collected balance. Northern states the over-collected balance results from a significant drop in actual UAF volumes for the January through May 2009 period, compared to the similar period in 2008, upon which the currently effective percentages are based, and a large prior period adjustment at a major pipeline interconnect.<sup>4</sup> Northern is requesting waiver of section 53A in anticipation of continued lower UAF volumes for the remainder of the 2009 PRA period. Northern asserts that this will avoid a significant over-recovered position at the end of the normal period and give shippers the benefit of the reduced UAF on a more real time basis.

4. However, Northern proposes not to implement the negative UAF charge for transactions using certain Mileage Indicator District (MID) combinations in the Field Area and the Gulf Coast.<sup>5</sup> Instead, Northern proposes to charge a UAF retention percentage of 0.00 percent for those transactions. Northern states that since these transactions do not use its mainline, its mainline fuel percentages are not applicable to these MID combinations and the Gulf Coast. As a result, if Northern implemented the negative UAF percentage for those transactions, the net fuel use and UAF percentages for these MIDs and the Gulf Coast would result in an overall negative retention number.

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<sup>2</sup> 18 C.F.R. § 385.213(a)(2) (2008).

<sup>3</sup> The proposed lower UAF percentage of (-0.12) percent consist of a revised base percentage of 0.09 and a revised true-up percentage of (-0.21).

<sup>4</sup> Northern states that the significant change in UAF in 2009 occurred subsequent to the abandonment of the Beaver mainline compression facilities by sale to Cimarron River Pipeline, which was approved in Docket No. CP08-18-000, and a prior period adjustment of 519,163 Dth for a correction in measured volumes at a large interconnect with Colorado Interstate Pipeline near Dumas, Texas.

<sup>5</sup> Northern lists the following MID combinations: from MID receipt district 2 to MID delivery districts 1, 2, 5 and 6; from MID receipt districts 4 and 5 to MID delivery district 5; from MID receipt districts 12 and 13 to MID delivery districts 12 and 14; and from MID receipt districts 16A, 16B and 17 to MID delivery district 12 through 16A.

Northern also explains that its computer systems are not capable of accepting nominations where Northern would deliver more volume than it received and would require substantial modifications to accommodate this situation at some expense. In addition, Northern adds that such nominations could require shippers using the Electronic Data Interchange nomination process to modify their computer systems to accommodate this situation at some expense. Finally, Northern states that it analyzed the impact of collecting a 0.00 percent UAF rate vs. a (-0.12) percent rate on the transactions that would have been affected had the exception not been applied to actual volumes during the calendar year. Northern asserts that the combined impact that results from applying 0.00 percent instead of (-0.12) percent amounts to only 39,000 Dth from 27 different shippers.

5. Contrary to Northern's assertions, OXY states that it could be affected by Northern's proposed exception to the UAF percentage true-up by up to 16,790 Dth. OXY, a shipper during the period from January 1, 2009 through May 31, 2009, states that it has been subject to Northern's UAF percentage under which Northern significantly over-collected UAF volumes from its shippers. OXY contends that just like those shippers who pay mainline fuel, OXY is entitled to receive back the UAF volumes that it overpaid to Northern as a result of the inflated UAF percentage. OXY states that Northern's proposal to penalize shippers because Northern's computer systems are unable to accept nominations for receipts that result in an increased amount for deliveries results in undue discrimination for OXY and the other 26 shippers who do not pay mainline fuel. Accordingly, OXY requests the Commission to require Northern to modify its nomination system so that Northern's shippers are not faced with similar problems in the future. OXY states that to the extent the Commission does not require Northern to modify its nomination system, OXY requests the Commission to require Northern to implement an accounting mechanism, which would not only allow Northern its proposed exception, but also give the affected 27 shippers their share of the over-collected UAF amounts.

6. In its answer, Northern reiterates that it cannot change its nomination system to allow for the negative UAF retention percentage. However, Northern is agreeable to implementing an accounting mechanism to credit the UAF difference to shippers affected by the proposed exception in a manner similar to that requested by OXY. Northern proposes to account for the negative UAF retention volumes as imbalance volumes and to resolve such imbalance volumes in accordance with the provisions for resolution of imbalances found in section 32 of the GT&C of Northern's FERC Gas Tariff. Northern states that this approach will allow the affected shippers to resolve the imbalance by trading, cash-out, use of storage, or in-kind resolution, thereby providing shippers more flexibility than the single cash-out proposal made by OXY.

7. We accept Northern's proposal to set the UAF charge at 0.00 percent as modified by Northern's answer. The Commission is aware that there are operational limitations regarding the scheduling of gas volumes, and subjecting Northern and certain of its shippers to the expense of modifying their computer systems may place undue burdens on all the affected parties. Accordingly, we grant waiver of Northern's tariff and shall allow it to set the UAF charge at 0.00 percent. As discussed above, we accept the revised tariff sheets to become effective August 1, 2009, subject to Northern's filing revised tariff sheets within 15 days of the date this order issues that include tariff language detailing Northern's proposed accounting mechanism to address situations when the UAF is negative.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.