128 FERC ¶ 61,226
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Suedeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

Northern Natural Gas Company Docket No. RP09-318-000

ORDER ON TECHNICAL CONFERENCE

(Issued September 4, 2009)

1. On January 30, 2009, Northern Natural Gas Company (Northern) filed revised tariff sheets[1] and supporting working papers to reflect periodic adjustments for fuel and establish the unaccounted for percentage (UAF), as required by sections 53A and 53B of the General Terms and Conditions (GT&C) of its tariff, to be effective April 1, 2009. A number of parties filed protests. On March 31, 2009, the Commission issued an order[2] accepting and suspending the tariff sheets to be effective April 1, 2009, subject to refund, and establishing a technical conference to address the issues raised in the proceeding. The technical conference was held on April 21, 2009, and comments and reply comments were filed. In this order the Commission addresses the comments and accepts the filing as proposed, and rejects the surcharges proposed by certain protestors.

I. Background

2. Section 53A of the GT&C requires Northern to establish the Field Area and Storage fuel percentages to be in effect for the April 1, 2009 through March 31, 2010 annual period, based on actual data for the twelve-month period January 1, 2008 through December 31, 2008, and the Market Area fuel percentage to be in effect for the Summer Season of April 1, 2009 through October 31, 2009, based on actual data for the seven-month period of April 1, 2008 through October 31, 2008. In addition, the instant filing established the UAF percentage to be in effect for both the Market Area and Field Area for the annual period April 1, 2009 through March 31, 2010, based on actual data for the

[1] 81 Revised Sheet No. 53, 30 Revised Sheet No. 54, 24 Revised Sheet No. 61, and 25 Revised Sheet No. 62 to its FERC Gas Tariff, Fifth Revised Volume No. 1.

[2] *Northern Natural Gas Co.*, 126 FERC ¶ 61,302 (2009) (March 31 Order).

twelve-month period January 1, 2008 through December 31, 2008. Pursuant to section 53B, the filing established the Market Area Electric Compression charge to be in effect for the April 1, 2009 through March 31, 2010 annual period, based on actual data for the twelve-month period January 1, 2008 through December 31, 2008.

3. Northern's proposed periodic adjustments for fuel were as follows:

	April 1, 2008	April 1, 2009
Section 1 (Permian Area)	1.37%	1.01%
Section 2 (Mid-Continent Area)	1.07%	0.90%
Storage	1.07%	0.91%
UAF	0.33%	0.32%
	Summer 2008	Summer 2009
Section 3 (Market Area)	1.21%	2.68%

4. On February 11, 2009, Northern States Power Company (Minnesota), Northern States Power Company (Wisconsin) and CenterPoint Energy Resources Corp., dba CenterPoint Energy Minnesota Gas (collectively, Joint Movants) filed a protest and request for technical conference. Minnesota Energy Resources Corporation (MERC) and Integrys Energy Services, Inc. (Integrys Energy) also filed protests and requests for a technical conference. Anadarko Energy Services Company, BP Canada Energy Marketing Corporation, Occidental Energy Marketing, Inc., and Shell Energy North America (US), L.P. (collectively, Indicated Shippers) filed a conditional protest. On February 23, 2009, Indicated Shippers filed a motion for leave to answer and answer in opposition to Joint Movant's protest. On February 25, 2009, Northern filed an answer to the protests. On March 2, 2009, Integrys Energy filed a motion to answer and answer to Northern's answer.

5. The protests were primarily directed at the percentage increase in the Market area for Summer 2009. The March 31 Order stated that it was not possible to determine whether Northern's proposed periodic adjustments for fuel are just and reasonable. The Commission established a technical conference in order to address the issues raised by the January 30, 2009 filing and the protests. The order directed Northern to explain the reason for the increase in the Market Area Summer Season 2009 rate and required any party proposing any alternative to be prepared to support its proposal. The technical conference was held on April 21, 2009. At the technical conference Northern explained the basis of its filing, and Joint Movants proposed an alternative to Northern's proposal and explained the basis of their proposal.

6. Northern, Joint Movants, Indicated Shippers and Integrys Energy filed initial and reply comments, and the Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (collectively NMDG/MRGTF) filed initial comments.

II. Initial Comments

7. Northern asserts that its fuel calculations are consistent with its previous periodic rate adjustment filings (PRA) approved by the Commission and the calculations were done in accordance with its tariff. Northern contends that actual fuel usage depends upon the points of receipt and delivery its shippers choose and that changes in shipper behavior from one annual periodic rate adjustment period to the next will result in fuel use changes.

8. Northern contends that the increase in the proposed Market Area fuel rate is primarily the result of shippers' elections to receive more gas at the Demarc,[3] REX[4] and Trailblazer receipt points, and less gas from Northern Border than in previous years.[5] Northern states that shipper receipts of gas at Demarc increased to 364 Bcf during the summer of 2008 compared to 246 Bcf during the summer of 2007, representing a 118 Bcf (or 48 percent) increase.[6] In contrast, physical receipts associated with shipper's elections from Northern Border, primarily at the Ventura, Iowa interconnect, decreased by 53 percent. As a result of shipper's elections to receive significantly more gas at the Demarc, Trailblazer and REX receipt points, and much less gas from Northern Border, the amount of fuel used at the five compressor stations serving the Demarc receipt points increased from 2,333,134 Dth in 2007 to 5,060,842 Dth in 2008. The increase at Demarc, according to Northern, was due to the positive price differential of gas supplies that existed at the Demarc point versus supply at Northern Border.

9. Northern asserts that there is no merit to the claim that the increase in the Market Area fuel percentage was caused by actions of a few shippers using alternate receipt points. Northern states that of the increase in volumes through Demarc from 2007 to 2008, 82 percent of the increase was scheduled by shippers using their primary receipt points. Northern asserts that nearly 40 percent of the increase in volumes at Demarc from 2007 to 2008 was due to Northern's LDC Market Area customers increasing their use of

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[3] Demarc, located at Clifton, Kansas, is the demarcation point between Northern's Market Area and Northern's Field Area facilities.

[4] REX refers to Northern's interconnect with the Rockies Express Pipeline.

[5] Sometimes "Demarc" refers to the two other receipt points as well as Demarc. However, the overwhelming majority of the volumes are at Demarc.

[6] Northern states that due to the grid-like nature of Northern's Market Area, shipper scheduled volumes at receipt points do not exactly match physical volumes received.

Demarc, which includes a number of the protestors.[7] Northern also refers to the fact that there was only a 6 Bcf increase from 2007 to 2008 in alternate (secondary) firm receipts at the Demarc point, a small fraction of the 118 Bcf increase.

10. Northern states that the increase in volumes received at the Demarc, REX and Trailblazer receipt points and the resulting increase in fuel use is simply a result of the lower prices for gas at these points compared to the price of gas at the Northern Border interconnect. Northern states that price differentials are volatile and change from year to year. Northern indicates that the projected price differential between Demarc and the interconnection point at Ventura for the summer 2009 is much lower than the price differential experienced in the 2008 summer, with the 2009 differential projected to be $0.108 compared to the actual $0.77 differential in 2008.[8]

11. Northern asserts that the proposal of Joint Movants to impose a surcharge on firm shippers utilizing the Demarc, REX and Trailblazer receipt points on an alternate firm basis is contrary to Northern's tariff and Commission policy. Moreover, Northern contends that Joint Movants' proposed surcharge would unduly discriminate against one group of firm shippers – those using the Demarc, REX and Trailblazer receipt points on an alternate basis – and grant an unlawful preference to another group of firm shippers – those using Demarc, REX and Trailblazer receipt points on a primary firm basis. Northern argues that since both groups of firm shippers contribute to fuel costs in the exact same way by utilizing the exact same compressor stations, Joint Movants' surcharge proposal discriminates because it imposes a charge or penalty against one group of firm shippers and provides the unlawful preference of a lower fuel charge to another group of firm shippers. Accordingly, Northern asserts the Commission should approve its filed proposal and reject Joint Movants' proposal to impose a surcharge on the non-primary shippers.[9]

[7] Northern states these include Centerpoint and the Northern States Power Companies.

[8] The figures are based on Gas Daily posted prices. Inside FERC posted prices indicate a projected differential of $0.155 for 2009 in comparison to a $0.54 differential in 2008.

[9] Although MERC's protest asserted that negotiated rate transactions at Demarc are causing the rate increase, MERC did not file initial comments. Accordingly, while Northern answered this contention in its initial comments, there is no need to address this contention.

12. Joint Movants state that Northern's Market Area fuel percentage is calculated on an area-wide basis, with the same fuel percentage imposed on all Market Area shippers. Joint Movants argue that Northern's method is no longer just and reasonable because the increase in fuel consumption is caused by the use of alternate receipt points. Joint Movants contend that they and other shippers that continue to rely almost exclusively on their mix of primary receipt and delivery points are now subsidizing the fuel costs incurred as a result of certain shippers largely abandoning their primary receipt points and switching to the Demarc, Trailblazer and REX receipt points on an alternate point basis to take advantage of the pricing differentials that exists at those receipt points. Joint Movants recommend that the current method for calculating the Market Area fuel retention percentage be modified to include a surcharge for alternate point receipts at the three points on Northern's system that have caused the increase in fuel consumption.

13. Joint Movants state that Northern's method for deriving the Market Area fuel percentage is no longer just and reasonable due to the increasing use of certain secondary receipt points, primarily Demarc, that require the use of more compression to transport gas to market than would be required had the primary receipt points been used. Joint Movants request that the Commission reject Northern's filing and instead adopt a surcharge that would account for the increased volumes at Demarc and would be limited to the incremental fuel in the Market Area that is required due to shippers using the Demarc, Trailblazer and REX receipt points on a secondary basis.

14. Joint Movants explain that their proposed 2009 surcharge, based on 2008 period actuals, would be calculated as follows. First, the actual fuel used at the five compressor stations located between Demarc and Ventura during the period is totaled, yielding 5,049,728 Dth. Next, the total market area throughput of 450,190,571 Dth is broken down on a percentage basis between the Upstream Receipt Point Affected Volumes of 38,482,554 Dth, [10] or 8.55 percent [38,482,554 / 450,190,571], and the remaining Market Area Volumes of 91.45 percent. Therefore, Joint Movants state that 8.55 percent of the 5,049,728 Dth of fuel consumed at the five compressor stations, or 431,654 Dth, is the volume of incremental fuel that was required to deliver the Upstream Receipt Point Affected Volume from an alternate or secondary receipt point. The 431,654 Dth is then divided by the Upstream Receipt Point Affected Volumes of 38,482,554 Dth, which results in the surcharge of 1.12 percent. Having developed the surcharge percentage, Joint Movants recalculate the base Market Area fuel rate in order to avoid Northern's double recovering a portion of its fuel costs. The remaining Market Area fuel of 8,368,257 Dth is divided by total Market Area throughput of 450,190,571 Dth, resulting in a base fuel rate of 1.86 percent, to which is added Northern's proposed .73 percent

[10] The alternate receipt point volumes and interruptible volumes at Demarc, Trailblazer and REX totaled 38,482,554 Dth, of which 38,404,434 Dth were at Demarc.

true-up, resulting in a fuel rate of 2.59 percent for the non-surcharge customers or .09 percent less than Northern's proposed summer fuel rate of 2.68 percent. Customers paying the surcharge would pay Northern's new fuel rate of 2.59 percent plus the 1.12 percent surcharge, for a total rate of 3.71 percent.

15. Joint Movants also contend that Northern's Market Area fuel percentage appears to include gas that does not qualify as fuel under Northern's tariff. According to Joint Movants, under Northern's tariff "Fuel" is limited to seven enumerated uses, all of which involve the direct operation of the compressor units. Joint Movants question whether items, such as office fuel, warehouse fuel and boiler fuel that do not appear in the tariff definition of Fuel should be included in the calculation of the Market Area fuel percentage. In addition, Joint Movants assert that much of the "loss" gas should be recovered, if at all, as "Unaccounted For" gas. Joint Movants contend that removing the questionable items and the "loss" gas Northern included in its calculation would reduce the Market Area Fuel by 1,454,078 Dth, a reduction of 9 percent.

16. Integrys Energy submits that the information shared during the technical conference demonstrates that the disproportionately large increase in the Market Area fuel rates is due to the increase in arbitrage by selecting the Demarc, Trailblazer and REX points for receipt into Northern's system. Integrys Energy submits that the Commission should reject Northern's filing, and direct Northern to revise its tariff to establish a fuel surcharge to collect the increased fuel charges from the shippers receiving gas at the Demarc receipt points.

17. The Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (collectively, NMDG/MRGTF) filed initial comments opposing Joint Movants' surcharge proposal. NMDG/MRGTF states that the fundamental problem with the proposal is that it seeks to revise a long-standing tariff governing the determination of fuel charges for Northern's entire Market Area by modifying the methodology selectively for a few receipt points based on data from a single previous summer period. If, as Joint Movants allege, conditions on the Northern system have changed such that the current fuel tariff is no longer appropriate, they should propose tariff provisions for all points on the system, and as required by NGA section 5 demonstrate that the existing tariff is no longer just and reasonable, and that their new proposal is both justified and legally defensible for all points on the system. Accordingly, NMDG/MRGTF opposes the Joint Movants surcharge proposal as vague, unsupported and discriminatory.

18. Indicated Shippers oppose Joint Movants' proposal and state that Joint Movants failed to establish that the existing Market Area rate adjustment fuel methodology Northern used to calculate the Summer 2009 rate adjustments is unjust and unreasonable. Indicated Shippers state that the Joint Movants' are wrong in claiming that shippers using Demarc, Trailblazer and REX receipt points on an alternate point basis caused more fuel to be used, and therefore, increased the fuel rates for all. Indicated Shippers, in

agreement with Northern, contend that the increase in fuel was due to firm shippers increasing their use of their primary point rights at Demarc, rather than shippers using alternate Demarc as a point. Indicated Shippers state that shippers scheduling volumes at Demarc as an alternative point accounted for only 6.5 Bcf or approximately 8.8 percent of the increase of scheduled volumes at Demarc. Moreover, Indicated Shippers argue that the proposed surcharge would adversely impact the secondary point rights of firm shippers in the Market Area by requiring firm shippers, exercising their alternate point rights, to face higher charges for the same service. This would be a patent violation of Order No. 636, which grants firm shippers, who pay one demand charge and one fuel charge, access to any point in the Market Area at no additional expense. Accordingly, Indicated Shippers state that the proposed surcharge would adversely impact the secondary point rights of firm shippers in the Market Area.

19. Finally, Indicated Shippers note that Trailblazer receipt volumes decreased as compared to the previous PRA reporting period, and that REX volumes in Summer 2008 were *de minimus*. Indicated Shippers assert that the Joint Movants have not proven that it would be just and reasonable to assess a surcharge on shippers using these two receipt points on an alternate point basis. Therefore, Indicated Shippers request the Commission reject the Joint Movants' surcharge proposal.

III. <u>Reply Comments</u>

20. Northern argues that Joint Movants and Integrys Energy have failed to carry their burden under NGA section 5 to show that Northern's existing methodology is unjust and unreasonable. Northern states that the postage stamp methodology for calculating fuel in the Market Area is a long-standing methodology that was approved by the Commission as part of the settlement in Northern's rate case in Docket No. RP98-203-000 and subsequently accepted by the Commission when Northern made its PRA filings.[11] Thus, Northern claims that Joint Movants and Integrys Energy bear the burden of submitting evidence to support their claims that the existing postage stamp methodology is unjust and unreasonable which they have not shown.

21. Northern responds to Joint Movants' allegation that the Market Area fuel percentage appears to include gas that does not qualify as fuel under Northern's tariff. Northern asserts that its PRA methodology was included as part of Northern's uncontested rate case settlement in Docket No. RP98-203 that was filed on April 16, 1999, which the Commission approved on June 18, 1999. Northern asserts that Appendix C, Schedule No. 1 of that settlement included a detailed description, by station number and name, of the various types of fuel that the parties agreed would be recovered by

[11] *See Northern Natural Gas Co.*, 85 FERC ¶ 61,154 (1998).

Northern in its PRA filings and that the fuel descriptions included compressor, engine fuel, blow & purge, warehouse fuel, boiler fuel, domestic gas, office fuel, and unmetered gas usage, the categories whose inclusion Joint Movants object to.[12] Since those categories were specified, Northern argues there is no merit to Joint Movants' contention.

22. With respect to Joint Movants' claim that Northern's filing includes many examples of loss gas that appear more appropriately recovered, if at all, as UAF gas, Northern asserts that the Commission rejected that contention last year in Northern's PRA filing in Docket No. RP08-187-000.[13] Northern states that in that proceeding the Indicated Shippers questioned whether items labeled "gas loss" should be accounted for as "fuel" eligible for recovery in the fuel use mechanism or as "loss gas" eligible for recovery as UAF. The Commission accepted Northern's response that gas loss that can be quantified and attributed to a particular location is recovered through the fuel rate applicable to that location.[14] Further, Northern noted that its tariff provides that unmetered gas loss is a component of fuel, not UAF.

23. Joint Movants state that when the current method was adopted by settlement, all parties were fully aware of the amount of firm receipt point capacity at Demarc as well as at other established receipt points on the system. Joint Movants state, the parties accepted the single Market Area fuel rate knowing full well how the use of Demarc as a primary receipt point would affect the amount of gas consumed as fuel. However, Joint Movants contend, non-LDC shippers have now become more active in the Market Area since the existing method was adopted, and these shippers' frequent use of secondary receipt points has increased the fuel rate. Joint Movants assert that the settling parties' acceptance of that impact with respect to primary point users cannot reasonably be interpreted as extending to the impacts associated with newer shippers using Demarc as a secondary point. As a result, Joint Movants contend that Northern's current method for developing the Market Area fuel percentage has become unjust and unreasonable. Joint Movants assert that under NGA section 5 the Commission may modify existing tariff provisions, including fuel trackers, which while they were lawful when implemented have become faulty over time.

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[12] *Northern Natural Gas Co.*, 87 FERC ¶ 61,321, at 62,251-52 (1999).

[13] *Northern Natural Gas Co.*, 122 FERC ¶ 61,229 (2008).

[14] *Id.* P 11, 13.

24. Joint Movants request that the Commission, as a cure for the defect in Northern's current exiting Market Area fuel methodology, adopt its surcharge proposal. According to Joint Movants, shippers with Demarc as a primary receipt point reduced system fuel costs when they used secondary receipt points, such as the interconnect with Northern Border. According to Joint Movants' surcharge proposal, shippers that use secondary points in a manner that increases system fuel costs would suffer no undue discrimination as that proposal merely calls upon those shippers to pay the incremental costs incurred as a result of their election to use secondary receipt points.

25. Joint Movants argue that Commission policy, concerning the use of secondary receipt points as set forth in *Gulf South Pipeline, L.P.,*[15] does not support Northern and Indicated Shippers' position, a position that Joint Movants contend requires secondary users to be subsidized by other shippers with respect to variable costs such as fuel. The statement in that case that Northern and Indicated Shippers rely on was as follows:

> [I]f a Part 284 shipper pays a share of the costs of facilities in a zone, it should have secondary point access in that zone at no additional expense.[16]

Joint Movants state that this statement, which is limited to fixed facility costs, has no relevance to variable costs such as fuel. Joint Movants claim that if a shipper's use of secondary points causes the pipeline to incur incremental variable costs there is nothing in the Commission's secondary point policy set forth above that would preclude the pipeline from recovering the increased costs from the shipper that caused the additional costs to be incurred.

26. Joint Movants, NMDG/MRGTF, and Indicated Shippers all object to Integrys Energy's surcharge proposal to calculate and collect the increased fuel costs from all Demarc shippers. They argue that Integrys Energy offered no formal written proposal at the technical conference, and therefore, Integrys Energy's belated request in its initial comments is contrary to the procedures established by the Commission's technical conference order which required a party to support at the technical conference any alternative it proposes. Nor they assert, did Integrys Energy meet its NGA section 5 burden to change Northern's existing methodology.

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[15] *Gulf South Pipeline, L.P.,* 125 FERC ¶ 61,199 (2008).

[16] *Id.* P 19.

27. NMDG/MRGTF oppose Joint Movants' proposal and state that Joint Movants continue to ignore the fact that the proposed surcharge would be applied in the summer of 2009, despite the fact that it is based on the actual fuel data for the summer of 2008. NMDG/MRGTF assert that this results in a mismatch between the proposed surcharge, which is based on past prices and behavior, and the future behavior that the proposed surcharge is allegedly designed to modify. Accordingly, the Commission should reject Joint Movants' proposal.

28. Indicated Shippers argue that both Joint Movants and Integrys Energy have failed to meet their NGA section 5 burden to demonstrate that a pipeline's existing tariff provision is unjust and unreasonable. Indicated Shippers claim that Joint Movants continues to ignore the fact that the greatest increase in volume at the Demarc point was not shippers using the receipt point on an alternate basis, but rather it was shippers, such as Joint Movants, increasing their primary point volumes at Demarc.

V. Discussion

29. Northern asserts that its filing was consistent with its tariff provisions, and the calculations follow the same methodology used in Northern's prior PRA filings, which filings the Commission accepted. In evaluating the reasonableness of proposed reimbursement percentages, we determine whether the pipeline followed the methodology approved in its tariff and whether its percentages are properly supported. Although a significant increase in a fuel or unaccounted-for percentage may indicate the need for additional examination of the proposed reimbursement percentages, such increases, in themselves, do not render reimbursement percentages unjust and unreasonable. While Northern's Market Area fuel percentage represents a significant increase from its previous percentage, this is due to shifting flow patterns on Northern's system, based on a specific set of price differentials that existed in 2008 and may not represent a permanent change. Therefore we find that Northern has adequately supported its percentages under the circumstances.

30. Except for Joint Movants' claim that certain fuel should not have been included, it is not disputed that Northern has followed its tariff provisions in calculating the fuel percentage. Rather the issue raised by protestors is whether there is any basis to change that methodology as discussed below, and we find none. Moreover, we agree with Northern's contention that all the fuel volumes were properly included in the calculations, which issue we will address first.

31. While not explicitly set forth in the tariff, Northern explained that the types of fuel that could be recovered in the PRA were set forth in the settlement the Commission approved in Docket No. RP98-203. Those categories are the ones Joint Movants object to here. We agree with Northern that there is no merit to Joint Movants' contention.

32. Similarly, in a recent Northern PRA filing, the Commission rejected the contention that certain fuel listed as “loss” gas should have more appropriately been included as “Unaccounted For” gas, *supra*, n. 13. Since Joint Movants’ contention here is similar to the one the Commission rejected in that proceeding, we will accept Northern’s filing as to the amount of fuel to be included in the PRA.

33. The other issue is whether there is any reason not to accept Northern’s filing. Joint Movants, and in a similar vein, Integrys Energy argue that Northern’s existing fuel recovery method is no longer just and reasonable and object to the large increase in the Market Area fuel rate. Joint Movants’contention is that the increase in the use of Demarc as an alternate receipt point has increased the amount of fuel consumed, and the shippers who caused the increase in the amount of fuel consumed should be assessed a surcharge. We do not agree. Eighty-two percent of the increase in volumes received at the Demarc, REX and Trailblazer receipt points from the summer of 2007 to the summer of 2008 was by shippers using their primary receipt points, not secondary receipt points.[17] The 6 Bcf increase in secondary firm receipts at these points represented only 5 percent of the overall increase in receipts at these points. Moreover, 40 percent of the increase in volumes received at the Demarc, REX and Trailblazer receipt points during this time period was due to Northern’s LDC customers increasing their use of these points as their receipt point.

34. Joint Movants’ proposal to identify the alternate point volumes received at Demarc and assess a surcharge to those shippers for the extra fuel allegedly consumed to move those volumes is not supported. There is no basis to treat these volumes such that different groups of shippers are created. Joint Movants’ proposal would penalize shippers exercising their alternate point rights contrary to Commission policy which permits shippers to designate alternate points at no additional expense. Joint Movants’ proposal would impose additional expense and would impede shippers from exercising that right. Additionally, if Joint Movants’ approach was adopted, there would be no reason to limit the surcharge to shippers moving to Demarc on an alternate basis; i.e., any shipper that increased their historic receipts at Demarc would appear to be responsible for increased fuel costs.

35. The proposed surcharge mechanism or other changes to Northern’s fuel mechanism are premature at this time. The 2008 summer presents a unique situation because of the unusually large price differential that existed between gas supplies at Demarc and Ventura. The price differential between Demarc and Ventura for the 2008 summer period subject of this PRA filing was $0.771; the price differentials for the

[17] *See* Northern’s Reply Comments at 5.

summer of 2009 are projected to be much lower and average $0.108.[18] Therefore, flow patterns on the pipeline may again change based on the underlying economics obviating the need for any surcharge mechanism.

36. Given these factors, we decline to revise Northern's proposed fuel rates and find that Northern's current reimbursement percentages were developed in accordance with the methodology set forth in its tariff. Accordingly, we find Northern's reimbursement percentages to be just and reasonable and see no reason to modify Northern's fuel recovery method.

The Commission orders:

Northern's January 30, 2009 PRA filing is accepted as proposed, effective April 1, 2009.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

[18] *See* Northern's Initial Comments at 11-12.