155 FERC ¶ 61,015
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

April 7, 2016

In Reply Refer To:
Viking Gas Transmission
Company
Docket No. RP16-705-000

Viking Gas Transmission Company
C/o ONEOK Partners GP, L.L.C.
100 West 5th Street
Tulsa, OK 74103

Attention: Ron M. Mucci
Vice President, Rates and
Regulatory Affairs

Dear Mr. Mucci:

1. On March 1, 2016, Viking Gas Transmission Company (Viking) filed, pursuant to section 26 of the General Terms and Conditions (GT&C) of its FERC Gas Tariff, its semi-annual Fuel and Loss Retention Percentages (FLRP) reconciliation and adjustment report. Viking states that it is submitting a report in lieu of its semi-annual tariff filing because it proposes to maintain the current FLRP at 0.00 percent for the next semi-annual (summer) period. Viking requests a temporary and limited waiver of Part 8, section 26 of its tariff to allow Viking to perform a one-time lump sum cash out to shippers to resolve a cumulative over-recovery position of its Deferred Gas Required for Operations Account (Deferred Account) balance. Viking also requests a waiver of section 27 of its tariff to apply a corresponding adjustment of its Deferred Account balance to its Load Management Cost Reconciliation Account (LMCRA) tracker through adjustment of the Load Management Cost Reconciliation Deferred Account (Load Management Deferred Account). As discussed below, the Commission accepts Viking's FLRP report, approves the continuation of the current 0.00 percent FLRP, and grants waiver of Part 8, section 26 of Viking's tariff to expedite prompt cash-out refunds of the over-recovered FLRP account position to its transportation shippers, within thirty days of this order. However, waiver of Part 8, section 27 of Viking's tariff, to include a corresponding adjustment of its Deferred Account

balance to implement that refund through Load Management Deferred Account adjustments is denied.

2. In response to the Commission's direction in Docket No. RP16-15-000, Viking states that it has thoroughly reviewed its pipeline system for any systemic causes for Deferred Account gains.[1] Viking also states that the over-recovered Deferred Account balance is not due to on-system operational or accounting issues. Viking notes that once the FLRP rates were reduced to 0.00 percent beginning November 2013, its Deferred Account decreased from 810,861 dekatherms (Dth) to 156,817 Dth despite some non-recurring events in 2014.[2] However, Viking states that its Deferred Account balance increased to 242,468 Dth due to several factors, such as (1) a project in November 2014 to make its system bi-directional and enhance efficiencies; (2) throughput below projections; and (3) a significant one-time prior adjustment to the measured volumes in June and July 2015. Viking contends that it plans to resolve this issue by working with interconnecting pipelines to investigate the source of the unexpected gains. During second quarter 2016, Viking plans to conduct on-site visits and investigations of interconnecting measurement equipment and appurtenant facilities on these pipelines. Pending the results of the inspections, Viking and its interconnecting pipelines will take remedial actions as mutually deemed appropriate.

3. Viking states that until the cause of the over recovery is resolved, Viking remains in a net over-recovered position of 242,468 Dth through December 31, 2015. Viking therefore proposes to cash out the over-recovered Deferred Account balance as of December 31, 2015 through refunds to shippers. Viking contends that the refunds will return the entire value of the net over-recovered amount to

[1] On December 30, 2015, the Commission accepted Viking's FLRP report on the condition that Viking provide a detailed explanation regarding its continued over-recovered Deferred Account balance. The Commission directed Viking to (1) provide a detailed explanation of the causes of the prolonged Deferred Account balance; (2) explain why the over-recovery has persisted for such a prolonged period, including any operational or accounting issues affecting the Deferred Account balance; and (3) identify the steps Viking has taken, or plans to take, to resolve any such issues. *Viking Gas Transmission Co.*, 153 FERC ¶ 61,373 (2015).

[2] Viking states that several non-recurring events occurred from May 2014 through January 2015, including the reduction of Viking's Maximum Operating Pressure due to a pipeline rupture and PHMSA-requested pressure restrictions which reduced throughput.

shippers. Viking requests a temporary and limited waiver of section 26 of its GT&C, which requires a volumetric true-up, as well as any other related provisions for this semi-annual filing to allow Viking to make a one-time cash out of the over-recovered Deferred Account balance as of December 31, 2015. While Viking's tariff does not provide for a lump sum cash out of the over-recovered balance, Viking contends that good cause exists to grant the requested waiver and allow the cash out.

4. Viking calculates the total refund by valuing the over-recovered Deferred Account Balance by multiplying the balance by Platt's *Gas Daily* "Weekly Price Survey" December 2015 monthly average index price at the higher price of either the Emerson, Viking GL or the ANR, ML 7 receipt point, which equals $1.9803/Dth (Cash Out Price). This yields a total amount to be refunded to customers of $480,159.38. Viking determines each shipper's share of the refund based upon their delivered volumes each month grossed-up for the actual FLRP rate in effect for each month from January 2012 through December 2015 relative to the grossed-up deliveries. Viking outlines its methodology for calculating the refunds in the instant filing and states that it wants to ensure that Viking does not profit from fuel used and lost and unaccounted for gas through the use of a volumetric tracker (the FLRP mechanism) and a valuation tracker (LMCRA) mechanism). Therefore, Viking also asks that the Commission determine whether a waiver of section 27 of Viking's GT&C is necessary for an adjustment to its Load Management Deferred Account, which would correspond to the one-time cash out of its Deferred Account balance.

5. Public notice of the filing was issued on March 2, 2016. Interventions and protests were due on or before March 14, 2016, as provided in section 154.210 of the Commission's regulations.[3] Pursuant to Rule 214,[4] all timely motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late interventions at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. On March 14, 2016, Northern States Power Company - Minnesota and Northern States Power Company - Wisconsin (jointly NSP Companies) filed a protest.

6. NSP Companies state that Viking's cumulative Deferred Account balance has been in an over-recovery position since January 2012, and that Viking's efforts to diminish the Deferred Account balance by reducing FLRP to zero

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[3] 18 C.F.R. § 154.210 (2015).

[4] *Id*. § 385.214.

percent (and keeping that percentage in place for several years) have been unsuccessful. While NSP Companies acknowledge that a one-time cash out would eliminate the current over-recovered balance temporarily, they argue that tariff modifications are needed to prevent future over-recovery and to ensure that Viking's fuel reimbursement provisions are just, reasonable, and in line with Commission policy. In particular, NSP Companies suggest that Viking adopt tariff provisions requiring Viking to pay shippers (or credit their invoices) when FLR imbalances exceed 250,000 Dth in any single fuel filing, or where Viking has experienced an over-recovery for two consecutive semi-annual filings.[5]

7. In response to Viking's request to implement the FLRP over-recovery cash out through an adjustment to its Load Management Deferred Account, NSP Companies contend that the Commission should deny this request for waiver. NSP Companies allege that Viking's proposed adjustment to its Load Management Deferred Account to offset the cash out of the Deferred FLRP Account balance causes improper cross-subsidization between Viking's customers that is contrary to Commission policy. NSP Companies explain that per its tariff, Viking cannot credit or debit in Account 806.1 (Load Management Deferred Account) the difference between a valuation of gas and the actual sale price of the gas because Viking's tariff provides that the "Company shall debit to Account 806.1 the actual purchase cost of line pack gas and credit to Account 806.1 cash receipts from the sale of such gas."[6] NSP Companies explain that FLRP gas is used to operate the system by providing fuel for compressors and to compensate for lost or unaccounted for gas, and such volumes are *not* for use as line pack gas, which is part of Load Management. Therefore, NSP Companies contend that the cash out of over-recovered FLRP gas should not be accounted for through an adjustment to the Load Management Deferred Account and any cash out mechanism to true up Viking's fuel reimbursement should properly be reflected in the Deferred Account balance mechanism under the FLRP. NSP Companies emphasize that the cash out of over-recovered fuel is not equivalent to a purchase of operational line pack as Viking suggests; rather, it is instead a refund of fuel already paid by certain shippers which should be accounted for in the Deferred FLRP Account.

8. According the NSP Companies, Viking's proposed adjustment to its Load Management Deferred Account in order to offset the cash out as part of the

[5] NSP Companies Protest at 7. NSP Companies note that the Commission has approved similar tariff provisions. Citing *see, e.g.*, Colorado Interstate Gas Company tariff, General Terms and Conditions, section 13.2(d)(ii).

[6] NSP Companies at 8 (referencing Viking Tariff, sec. 27.3).

reconciliation of Viking's Load Management Account would create unfair cross-subsidization between Viking's Rate FT-A and IT Transportation customers and its Load Management Service (LMS) customers, because under its proposal LMS customers would be affected by a portion of the off-setting fuel balance, even though the fuel imbalance cash out should be credited solely to FT and IT Transportation customers. Essentially, NSP Companies argue that Viking should not be allowed to implement a cash-out mechanism that shifts refunds and costs between its LMS customers who do not pay fuel and its Transportation customers who did. NSP Companies allege that this proposal is Viking's attempt to off-set some of the costs of its persistent fuel over-recovery by improperly shifting the fuel refund into its LMCRA.

9. NSP Companies argue that Viking should be required to make a permanent tariff modification to prevent future over-recovery. NSP Companies request that the Commission: (i) approve Viking's request for waiver of Tariff section 26 to allow a one-time cash out on the condition that Viking develop a permanent, tariff-based solution to the over-recovery problem; (ii) order Viking to adopt a permanent, regularly-occurring fuel imbalance cash-out mechanism as part of its tariff; and (iii) reject Viking's request to flow any fuel cash-out price differential into the its LMCRA mechanism and any request for a waiver of section 27 of its tariff.

10. The Commission accepts Viking's FLRP report in lieu of a semi-annual tariff filing, effective April 1, 2016, the beginning date of the seasonal period, and approves Viking's request to allow FLRP to remain at 0.00 percent until the next FLRP tariff filing is due in October 2016. As Viking states, the 0.00 percent FLRP rate was effective in substantially reducing the over-recovered Deferred Account balance, barring non-recurring events, and therefore, the Commission approves the continuation of the 0.00 percent FLRP rate.

11. Contrary to NSP Companies' argument, Viking is following the Commission's direction in Docket No. RP16-15-000 by providing an explanation and seeking to clear the Deferred Account balance through requesting authorization for a one-time cash out in the instant filing.[7] The Commission finds that Viking's proposed one-time cash out to shippers to refund its Deferred Account balance, as well as its continued investigation into the cause of the over-recovery, support its request for temporary and limited waiver of Part 8, section 26 of its tariff. Therefore, for good cause shown, the Commission grants temporary and limited waiver of Part 8, section 26 of Viking's tariff in order to allow Viking to make a one-time cash out to shippers of its Deferred Account balance. The

[7] *Viking Gas Transmission Co.*, 153 FERC ¶ 61,373 at P 8.

continued examination and remedial action that Viking states it will undertake should prevent the over-recovery of the Deferred Account balance from continuing to be an issue.

12. However, the Commission agrees with the NSP Companies that Viking's proposal to offset this one-time cash out for the Deferred Account balance by adjusting its LMCRA account results in an inappropriate cross-subsidization. Per Viking's tariff, LMS cannot be used as a mechanism to refund the FLRP Deferred Account balance; moreover, LMS serves a different function from FLRP and services different customers (or possibly the same customers on occasion, but to a different degree in each account). The accumulated FLRP Deferred Account balance should be refunded through a lump sum cash out payment to Viking's Transportation customers whose fuel use was over-collected, within thirty days from the date of this order. Therefore, Viking's request to involve its LMS customers in this refund through waiver of section 27 of its tariff GT&C is denied.

13. In sum, the Commission accepts Viking's FLRP report for filing and approves the continued use of the current 0.00 percent FLRP, and directs Viking to make cash refunds directly to the customers and in the amounts shown in Appendix B of Viking's instant filing. With its next FLRP filing, Viking shall again provide detailed information and an explanation of how any over-recovery occurred and the steps Viking has undertaken to remedy this issue. To the extent a large over-recovered balance recurs at the time of Viking's next semi-annual filing after the Deferred Account balance has been cleared through the one-time cash out authorized here, Viking should again explain why it should not be required either to make a prompt refund of such over-collection, or modify its tariff provisions to prevent perennial reoccurrence of a substantial cumulative fuel gas over-recovery status.

By direction of the Commission.

Kimberly D. Bose,
Secretary.