

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, Joseph T. Kelliher,
and Suedeem G. Kelly.

Northern Natural Gas Company

Docket No. RP03-460-000

ORDER ACCEPTING TARIFF SHEETS

(Issued April 20, 2004)

1. On May 30, 2003 (May 30 Order),¹ the Commission accepted and suspended revised tariff sheets,² subject to refund and conditions to become effective June 1, 2003, filed by Northern Natural Gas Company (Northern) to reflect the rate impact of the return and tax components associated with its System Levelized Account (SLA) balance as of March 31, 2003. The May 30 Order directed the parties to file supplemental comments on Northern's May 23, 2003, answer which contained additional support for its filing (May 23 answer). Upon further review of the record in this proceeding, including Northern's May 23 and July 14, 2003, answers, the Commission finds that Northern has sufficiently supported its filing, as discussed below. Therefore, we accept the revised tariff sheets listed in the Appendix to the May 30 Order, effective June 1, 2003. This order benefits customers because it ensures that Northern's rates are just and reasonable.

Background

2. Northern submitted the subject filing on May 1, 2003, pursuant to section 32(K) of the General Terms and Conditions (GT&C) of its tariff and the Stipulation and Agreement of Settlement (Settlement) resolving, among other things, all issues in the SLA proceedings in Docket Nos. RP01-76-000 and RP01-396-000. The Commission approved the Settlement with clarification on February 1, 2002.³ The

¹ Northern Natural Gas Co., 103 FERC ¶ 61,251 (2003).

² See Appendix to the May 30 Order.

³ Northern Natural Gas Co., 98 FERC ¶ 61,120 (2002).

rate base used to determine the return on equity and associated taxes reflected in Northern's base rates includes a component for its investment in gas used for operational purposes, including keeping its system in balance. As a general matter, Northern determined this component based on the average of the balances recorded in its "System Levelized Account" in each of 13 consecutive months. Section 32(K) of the GT&C provides for Northern to record, on an ongoing basis in the SLA account, the effects of imbalance resolution. Section 32(K) also requires Northern to file annually each May 1, a recalculation of the rate effect of the cash portion of the SLA account. If the rate impact of the return and tax components associated with the SLA balance is greater than \$0.0001, Northern must adjust its base rates accordingly.

3. Article I, section A, paragraph 6 of the Settlement provides that Northern shall file future rate adjustments pursuant to section 32(K) and use the "SLA Settlement Rate Method" agreed to in the Settlement. That Article further provides that the rates filed using the SLA Settlement Rate Method shall reflect an adjustment in an amount equal to a 15% fixed rate times the Adjusted 13-Month Average Cash Balance in the SLA. The Adjusted 13-Month Average Cash Balance is defined as a negotiated settlement number that, solely for purposes of calculating the annual rate adjustment, under section 32(K), shall equal 80% of the actual 13-Month Average Cash Balance for the period ended March 31 of each year. Article I, section A further provides that Northern will recompute annually, using the SLA Settlement Rate Method.

4. Northern asserted that the May 1, 2003 filing reflected a \$5.1 million adjustment to the return and tax portion of Northern's base rates. Northern contended that this is a \$0.3 million reduction from the level reflected in the currently effective rates. Northern's filing included a schedule showing the Adjusted 13-Month Average Cash Balance used to calculate the SLA rate component for the June 1, 2003 SLA rates. Northern stated that it based the SLA rates, proposed to be effective June 1, 2003, upon an amount equal to 15% times the Adjusted 13-Month Average Cash Balance. Northern also provided workpapers supporting the June 1, 2003, SLA rates.

5. Northern Municipal Distribution Group/Midwest Region Gas Task Force Association (NMDG/MRGTF), the Large Local Distribution Company Coalition (Coalition), and Madison Gas and Electric Company protested the May 1 filing. The protestors argued that Northern's filing did not contain adequate detail and information for the parties to determine the sufficiency of the filing. Specifically, they contended that Northern's filing contained insufficient information to establish whether Northern properly included the costs in the SLA account and whether Northern prudently incurred such costs.

6. On May 23, 2003, Northern filed an answer to the protests. Northern's answer contained additional data in support of its filing. Specifically, Northern provided data reflecting the impact of monthly activity on the SLA cash balance and cumulative data from March 31, 2002, through March 31, 2003. In addition, Northern provided accounting journal entries that affect the calculation of the SLA cash balance.

7. In the May 30 Order, the Commission accepted and suspended the proposed tariff sheets, to become effective June 1, 2003, subject to refund and further Commission review. The Commission allowed the parties additional time to review the late-filed information provided in Northern's answer to determine whether additional data and support are needed and directed the parties to file supplemental comments on Northern's May 23 answer within twenty days of the date the order issued.

8. On June 19, 2003, the Coalition filed comments and NMDG/MRGTF filed comments and a further protest. On July 14, 2003, Northern filed an answer (July 14 answer) addressing the comments.⁴

Discussion

9. For the reasons discussed below, the Commission finds that Northern's May 23 and July 14 answers adequately address the concerns raised by NMDG/MRGTF and the Coalition. Accordingly, the Commission approves Northern's May 1, 2003 SLA filing, effective June 1, 2003, as proposed.

NMDG/MRGTF Comments and Further Protest

10. In their comments, NMDG/MRGTF request that the Commission direct Northern to provide a narrative explanation of the decisions which have affected the SLA, any projections of shipper activity by Northern and how Northern used these projections to manage of the SLA, and further data as required to support these explanations. NMDG/MRGTF also request the Commission permit the parties to file data requests concerning this material and establish such further proceedings, as appropriate.

⁴ The Commission's Rules of Practice and Procedure do not permit answers to either protests or answers (18 C.F.R. § 385.213(a)(2)(2003). However, the Commission finds good cause to admit Northern's answer since it will not delay the proceeding, will assist the Commission in understanding the issues raised, and will ensure a complete record upon which the Commission may act.

11. NMDG/MRGTF argue that Northern has the burden of proof to demonstrate that its proposed rates are just and reasonable. NMDG/MRGTF assert that the Commission and Northern's customers are entitled to review such support to determine whether, among other things, Northern managed its SLA operations, including its purchases of gas, in a prudent fashion so as to minimize any increases or maximize any decreases to rates resulting from the operation of the SLA mechanism.

12. NMDG/MRGTF point out that Article I, section A, paragraph 10 of the SLA Settlement permits customers to challenge the prudence of the monthly changes to the SLA balance during the year covered by each annual filing. NMDG/MRGTF assert that Northern's May 23 answer contains insufficient information to support the prudence of its actions. NMDG/MRGTF state that the data in the May 23 answer contains entirely accounting or numbers data which does not in any way explain why Northern took a particular action, such as purchasing a large amount of gas. NMDG/MRGTF contend that by simply stating that it provided those Exhibits, Northern sidesteps the real issue, which is that those Exhibits do not provide the information necessary to address the issues raised by the filing because they contain no explanation of why certain actions were taken, only that the actions were taken. NMDG/MRGTF also assert that the fact that Northern posts information on its website concerning plans to buy and sell gas and its actual purchases and sales in no way absolves Northern of its duty to support a requested change under NGA section 4.

13. NMDG/MRGTF contend that, while the additional information in Northern's May 23 answer does not contain a narrative explaining why Northern took the actions that it did, that information does raise a number of issues concerning the actions that were taken. NMDG/MRGTF assert that, as shown on Exhibit 5, operational storage gas in place as of March 31, 2003, was 15,610,106 Dth. NMDG/MRGTF further assert that this amount is almost 2.5 million Dth greater than the balance as of February 28, 2003, and is in excess of both the "normal" operating storage balance of 14 Bcf, the costs of which are included in base rates, and the upper level of the operational storage band of 13 Bcf referenced on Northern's website. NMDG/MRGTF contend that Exhibit 1 shows that Northern made gas purchases during August 2002, to February 2003, some of which were very large, and that Northern has not explained why each of these purchases was deemed necessary at the time of purchase. NMDG/MRGTF further contend that the operational storage balance is a combination of shipper activity, storage operations, and, perhaps, other activities, but Northern does not explain how those activities within its control were utilized to effectively manage the operational storage balance within acceptable levels, nor how it projects how shipper activity will affect that balance. NMDG/MRGTF assert that the Commission should require Northern to fully explain its management of the operational storage volumes for each month, including a

narrative description of why each gas purchase or sale was deemed necessary, and what projections it made concerning shipper activity.

14. NMDG/MRGTF also contend that, as shown on Exhibit 5, Northern permitted the operational storage gas balance to decline significantly, to 7,351,186 Dth, in July 2002, and then made a large gas purchase of 4,955,000 Dth in November 2002 at \$4.0683/Dth (as shown on Exhibit 1). NMDG/MRGTF argue that the obvious reason for this purchase was to increase the operational storage balance for the upcoming winter heating season. Nevertheless, NMDG/MRGTF ask whether Northern should have purchased some or all of these volumes in previous months when gas costs were lower. NMDG/MRGTF further assert that, for example, as shown on Exhibit 1, Northern's purchase gas price was \$2.8039/Dth in August 2002, \$3.0175/Dth in September 2002, and \$3.7678/Dth in October 2002. NMDG/MRGTF further assert that because Exhibit 5 shows that the operational storage balance was well below the upper end of the range in each of these months, it appears that Northern could have reduced the gas costs associated with refilling operational storage by making at least some purchases prior to November.

15. Finally, NMDG/MRGTF assert that, while the SLA cash balance showed a fairly steep decline from March 2002, through October 2002, from about \$42 million to about \$30 million, there is a large increase in the SLA cash balance of approximately \$12 million during October 2002, through December 2002, followed by another large increase of an additional \$12 million during December 2002, through March 2003. NMDG/MRGTF contend that Northern fails to provide any narrative or explanation describing the reasons for these significant swings in the SLA cash balance.

16. NMDG/MRGTF is correct the SLA settlement permits customers to challenge the prudence of Northern's purchases and sales decisions underlying the 13 monthly balances in its SLA account for the period at issue here. However, as the Commission previously stated, "managers of a utility have broad discretion in conducting their business affairs and in incurring costs necessary to provide services to their customers."⁵ The Commission evaluates the company's actions in light of what a reasonable jurisdictional company would have done in good faith under the same circumstances at the time. In this case, NMDG/MRGTF contend, in essence, that Northern was imprudent in managing its operational storage gas balance because it made insufficient purchases during August-October 2002 when gas prices were relatively lower, with the result that it was forced to make more purchases during November 2002-March 2003 when prices were higher. However, the Commission

⁵ New England Power Co., 31 FERC ¶ 61,047 at 61,084 (1985), aff'd, 42 FERC ¶ 61,016 at 61,070, reh'g denied, 43 FERC ¶ 61,285 (1988), aff'd sub nom., Violet v. FERC, 800 F.2d 280 (1st Cir. 1986).

finds that, in its July 14 answer, Northern provided an adequate narrative explanation of its purchases and sales of gas to show that its decisions were reasonable in light of its knowledge at the time. Northern explains that, as a general matter, it bases its operational storage decisions, including whether to purchase/sell operational storage gas, and if so, when and how much, primarily on the overall level of operational storage at various times in comparison to the targeted levels. In addition, Northern asserts that it considers historical information regarding shipper imbalance activity and other factors that affect shipper imbalance activity, *e.g.*, advantageous pricing of Northern's monthly index price (MIP) versus the cash price and weather. Northern further asserts that it does not have the actual facts on what prices, weather, and shipper imbalances will be for the upcoming month until that month is over. Northern maintains that the primary requirement for it to purchase and sell gas is to make up for imbalances caused by shippers that short/long the system and to obtain an operational storage inventory within established targeted levels.

17. Specifically, Northern contends that its gas purchases during 2002 and the first three months of 2003 were appropriate given the circumstances at the time. Northern asserts that its overall goal is to maintain operational storage levels within its existing targeted storage levels, so that it may effectively provide balancing and delivery services. Northern further asserts that it targets an operational storage level of approximately 12 Bcf by the end of October, in preparation for the 14 Bcf targeted level for the upcoming winter months. Northern maintains that, as shown on Exhibit 5, column f, during the summer months of June through September 2002, imbalances were short by a total of approximately 3.8 Bcf (that is customers took 3.8 Bcf more from the system than they put in the system) and, in order to replenish the short volumes, Northern purchased approximately 3.6 Bcf in August and September. Northern further maintains that the operational storage level as of September 30 was approximately 10 Bcf (citing Exhibit 5, column a), 2 Bcf short of the targeted level and, in an effort to achieve the operational storage target level of 12 Bcf by the end of October, Northern purchased 2.1 Bcf in October (citing Exhibit 5, column g).

18. Northern asserts that it had no way of knowing what the level of shipper imbalances actually would be in October and, in fact, imbalances were short by approximately 4.6 Bcf in October (citing Exhibit 5, column f). Northern further asserts that October's weather was much colder than normal, particularly during the last half of the month, and cash prices were significantly higher than Northern's MIP, which provided a financial incentive for shippers to draft the system. Northern states that the level of operational storage was 7.4 Bcf at the end of October (citing Exhibit 5, column a) and, to make up for this short position, it purchased approximately 5.0 Bcf of gas in November (citing Exhibit 5, column g). Northern contends that its purchases of gas in November were necessary in order to make up for short imbalances in October and to obtain an operational storage inventory within targeted levels. Northern asserts that, in November, additional short imbalances were

experienced totaling 0.76 Bcf (citing Exhibit 5, column f) and, as a result, operational storage levels were 11.1 Bcf at the end of November (Exhibit 5, column a). Northern further asserts that, to achieve targeted operational storage balances, Northern purchased 1.6 Bcf in December (citing Exhibit 5, column g) and December's ending operational storage balance was 12.4 Bcf (citing Exhibit 5, column a).

19. Northern maintains that 2003 began with an operational storage balance of 12.4 Bcf and, to increase the operational storage position to 14 Bcf during the critical delivery months through the rest of the winter, it purchased an additional 0.9 Bcf in January (citing Exhibit 5, column g). Northern further maintains that short imbalances were experienced in January totaling 1.4 Bcf. (citing Exhibit 5, column f) and the operational storage level was 13.1 Bcf at the end of January (citing Exhibit 5, column a), still short of the targeted level of 14 Bcf. Northern asserts that, therefore, purchases of 0.5 Bcf were made in February (citing Exhibit 5, column g). Northern concludes that the purchase and sales activity for 2002 through March of 2003 make clear that short imbalances caused Northern to purchase gas to keep pace with targeted storage levels.

20. Northern's answers provide a satisfactory narrative description of its purchases and sales of gas and the use of projections in managing the SLA, and contain adequate support for these explanations and adequate responses to the issues raised by NMDG/MRGTF including those related to the level of operational storage and the timing and magnitude of certain gas sales and purchases that affect the SLA account. In hindsight, it might have been better if Northern had made more purchases in the period August-October 2002. However, Northern did make purchases during those months to offset the short imbalances incurred by those customers through September 2002. With Northern's overall storage balance as of the end of September 2 Bcf below its targeted level for the end of October, it purchased 2.1 Bcf in October. Had the customers been in balance in October or incurred long imbalances, it would have started the winter period with a storage balance at or above the targeted levels. However, in fact its customers took 4.6 Bcf more from the system in October than they put on due at least in part to unusually cold weather. This created an unexpected need for substantial purchases in November and continued short imbalances required more purchases through March 2003. Based on these facts, we cannot find that Northern acted in a manner different from what a reasonable jurisdictional company would have done in similar circumstances. Therefore, the requests by NMDG/MRGTF for further information and proceedings are denied.

The Coalition's Comments

21. The Coalition contends that the persistent problem for Northern's customers in reviewing Northern's SLA filings is that Northern neither disaggregates nor allocates operational storage for four distinct uses: (1) shipper imbalances, (2) Fuel and UAF

(Unaccounted For), (3) Operational Balancing Agreements (OBAs), and (4) System Balancing Agreements (SBAs) and the costs for purchases and sales of operational storage gas are blended and indiscriminately recovered in the SLA. The Coalition asserts that, although Northern conveniently labels Fuel and UAF, OBA, and SBA volumes as “volume valued” so that they are not included in the cash balance recorded in the SLA account, these volumes do, at least in part, drive the cash transactions which determine the SLA cash balances that Northern must support in this filing. The Coalition further asserts that Fuel and UAF, OBA, and SBA volumes directly affect the required level of operational storage gas which, in turn, determines when and how much gas Northern must purchase or sell to maintain an appropriate level of storage gas needed to balance Northern’s system. The Coalition argues that given the inadequate information made available by Northern, customers cannot assure themselves that there is an equitable allocation of operational storage to the four distinct services, *i.e.*, shipper imbalances, Fuel and UAF, OBAs, and SBAs, nor that Northern properly assesses the parties responsible for the associated costs.

22. The Coalition argues that aggregating the volumes used for multiple system balancing purposes confuses the assignment of responsibility for operational storage costs. The Coalition asserts that Northern’s Exhibit 5 demonstrates the difficulty of analyzing the prudence of the rate adjustments Northern proposes under its SLA true-up filing. The Coalition further asserts that it is concerned that Northern’s method of using the same unallocated operational storage capacity to balance system supplies coming from multiple sources, *i.e.*, Fuel & UAF, OBAs, SBAs, as well as shipper imbalances, makes it impossible for Northern’s customers to determine which parties are responsible for which costs associated with managing operational storage gas. The Coalition contends that Exhibit 1, for example, in Northern’s May 23 answer, shows that, for November 2002, Northern purchased approximately 5 Bcf of gas at a cost of \$20 million to supplement the level of operational storage gas. The Coalition questions whether the cost of that purchase is solely the responsibility of shippers subject to the SLA annual true-up or should Northern allocate some portion or all of the purchase cost to the PRA (Periodic Rate Adjustment) filing or OBAs. The Coalition asserts that there was a Fuel & UAF short position of 1.6 Bcf in November 2002, and questions whether that short position contributed to Northern’s perceived need to purchase the 5 Bcf. The Coalition contends that it simply cannot answer these questions with the information provided by Northern in this filing.

23. Northern responds that the format for presenting information on volume valued volumes in Exhibit 5 was agreed to by the parties to the SLA Settlement. Northern asserts that such format reflects the fact that the volume valued volumes are not revalued each month and thus do not directly affect the SLA balance. By contrast, the dollar valued volumes shown on Exhibit 5 are revalued and do affect the SLA balance. Northern contends that the SLA settlement included continuation of Northern’s existing treatment for volume valued volumes, which do not directly

impact the SLA balance but affect the overall level of operational storage available and the need to replenish the operational storage account. Northern asserts that, during the past winter, volume valued volumes mitigated Northern's need to purchase additional quantities of gas during the winter due to the short imbalances discussed above. The Coalition has not supported its request that Northern disaggregate and allocate operational storage by shipper imbalances, Fuel and UAF, OBAs, and SBAs. Northern treats volume valued volumes and presents the related supporting documentation in Exhibit 5 consistent with the requirements of the Settlement.

24. The Coalition next argues that changes in the OBA balances in the twelve months ending March 31, 2003, warrant further explanation. The Coalition contends that review of the OBA information on Exhibit 5 to Northern's Answer shows OBA activity that appears abnormal. The Coalition asserts that OBA volumes move from a nearly balanced position on May 31, 2002, 1.2 Mcf short, to a long position of 2.1 Bcf just two months later, on July 31, 2002. The Coalition further asserts that, thereafter, the long positions are sustained for nine months, reaching a maximum of 2.7 Bcf long on September 30, 2002, before ending the 12-month period at 1.8 Bcf long on March 31, 2003. The Coalition contends that two questions are raised: Why did the OBA positions jump in the middle of summer to a 2.1 Bcf long position; and why would Northern not clear these positions each month or, at a minimum, over a two month period? The Coalition further contends that if Northern allows OBA parties too much flexibility in the timing of the settlement of imbalances, opportunities arise to profit from the system, and the shippers paying SLA costs, not the parties to the OBAs, bear the resulting costs. The Coalition asserts that it has no confidence that the parties paying the SLA are the same parties benefiting from the OBAs and other services. The Coalition further asserts that, in customer meetings with Northern, Coalition members pointedly asked Northern what impact the OBA and other purportedly "volume valued" volumes have on the SLA account and have been stonewalled. The Coalition contends that Northern repeatedly asserts that these volumes have little or no impact on the SLA balance but offers no factual support. The Coalition states that it considers both the generation of a 2.1 Bcf long position for OBAs in a two-month period between May 2003 and July 2003 and Northern's carrying a range of long positions from 1.7 Bcf to 2.8 Bcf for OBAs over the nine-month period from July 2002 to March 2003 as significant in their impact. The Coalition asks the Commission to direct Northern to provide its shippers, who pay for the SLA and other operational storage costs through their rates, a detailed explanation as to how the OBA agreements work, why the changes in balances occurred as they did during the twelve months ended March 31, 2003 and why shippers not party to the OBAs should bear the costs associated with the use of operational storage to balance the OBAs.

25. The Coalition also contends that shippers need further explanation of the SBA volume activity. The Coalition asserts that Exhibit No. 5 appears to indicate that

fluctuations in SBAs have the same potential to affect the buying and selling of operational storage gas as do changes in Fuel and UAF and OBA volumes. The Coalition further asserts that, to fully understand who is responsible for all SLA costs, Northern's shippers need explanations for all volume valued amounts, including SBAs.

26. Northern responds that some of the Coalition's questions about the effects of the SBA and OBA volumes on the SLA balances arise because certain SBA entries were inadvertently omitted from the SBA column and placed in the OBA column. Northern asserts that, although the total amount of volume valued volumes previously shown on Exhibit 5, column e, is correct, and there is no impact, it included a Revised Exhibit 5 in the July 14 answer which restates the SBA and OBA volume balances for March 31, 2002 through June 30, 2002.

27. With respect to SBA volumes, Northern contends that certain SBA imbalances were incorrectly classified as OBA imbalances in columns c and d in Exhibit 5. Northern asserts that the balances for March 31, 2002 through June 30, 2002 were incorrect, and the balances for July 31, 2002 and subsequent months were correct. Northern further asserts that Revised Exhibit 5 corrects the balances for March 31, 2002 through June 30, 2002 and shows that for the summer months, Northern's SBA activity reflected a nearly balanced position. Northern contends that this position is due to the fact that Northern pays back SBA parties that have previously provided pack and draft and peaking services to the system and, during the winter time frame, the SBA column reflects a long position because that is when Northern typically receives SBA gas.

28. In response to the Coalition's question regarding the increase in OBA volumes from May 31, 2002 to July 31, 2002, Northern asserts that, as explained above, the OBA balances for March 2002 through June 2002 were incorrect. Northern further asserts that, under the original Exhibit No. 5, it appeared that OBA volumes moved from a position on May 31, 2002 of 1.2 Mcf short to a long position of 2.1 Bcf as of July 31, 2002, a change of approximately 2.1 Bcf. Northern maintains that revised Exhibit 5, however, reflects that OBA volumes increased from a long position of 1.1 Bcf as of May 31, 2002 to a long position of 2.1 Bcf as of July 31, 2002, a change of approximately 1.0 Bcf. Northern contends that this is not unusual or abnormal given the number of pipeline interconnects on its system and the amount of the gas flowing through such interconnects. Northern further contends that, for example, at its interconnect with Northern Border at Ventura, Iowa, approximately 1 Bcf of gas flows through the interconnect on each day of the month, i.e., 30 Bcf of gas flows at this single interconnect during any given month.

29. Concerning the Coalition's question regarding OBA long imbalances through the winter months, Northern responds that since the volume valued OBA volumes

were long during the winter months, this mitigated Northern's need to purchase additional gas to cover short imbalances. Northern further contends that, while the Coalition argues that non-OBA parties should not bear any cost impact that OBA volume valued volumes may have on the SLA, to the extent that Northern has use of OBA parties' volumes for operational purposes, the OBA volume valued volumes actually provide benefits to the system.

30. The Commission finds that Northern adequately explained that the OBA and SBA volume activity have not adversely affected the SLA. The SBAs were approximately in balance during the relevant summer period. The OBA and SBA long imbalances during winter period reduced the need to make additional purchases at relatively high winter prices for system balancing purposes.

31. The Coalition contends that the Fuel and UAF positions on Exhibit 5 do not reconcile with Northern's annual PRA filing, in Docket RP03-393-000, to revise its Fuel & UAF rates, which was based on actual use for the same 12-month period ending March 31, 2003, at issue here. The Coalition asserts that Northern's PRA data show an underrecovery (short position) of 1.9 Bcf as of March 31, 2003, purportedly reflecting the annual change in these volumes, while Exhibit 5 in the May 23 answer shows a March 31, 2002, short position for Fuel & UAF of 2.4 Bcf. The Coalition further asserts that Exhibit 5 also shows a short position on March 31, 2003 of 2.6 Bcf, meaning that, during the 12-month period, Northern's system had a net change of 0.2 Bcf short for Fuel & UAF. The Coalition argues that that the March 31, 2003 annual change in the PRA filing of 1.9 Bcf is significantly different from the 0.2 Bcf annual change shown for Fuel and UAF in Exhibit 5 of Northern's SLA filing and that it finds this discrepancy troublesome. The Coalition requests the Commission to direct Northern to reconcile the data from these two filings.

32. Northern responds that the Coalition compares apples to oranges because the 1.9 Bcf number includes only the Mainline and Storage Fuel volumes, and does not include the Field Fuel and UAF volumes, which are included in the Exhibit 5 numbers. Northern asserts that the Fuel and UAF numbers under column (b) of Revised Exhibit 5 in the July 14 answer are the same as those set forth under column (b) of the original Exhibit 5. Northern further asserts that, with all the Fuel and UAF components properly included, the amount from the PRA for comparison purposes is approximately 0.8 Bcf, not 1.9 Bcf, and it is the 0.8 Bcf number on the PRA schedules that one should compare and reconcile with the 0.2 Bcf number on Exhibit 5. Northern contends that the difference of approximately 0.6 Bcf results from the fact that Exhibit 5 is based on accounting months, whereas the schedules contained in the PRA filing are based on production months. Northern further contends that Exhibit 5 does not include fuel and storage volumes for March 2003 which are included in the PRA filing for 2003. Northern asserts that Exhibit 5 includes volumes from the last month of the prior PRA filing for 2002 which are not included in the

PRA filing for 2003. Northern argues that, therefore, the Fuel and UAF numbers contained in Northern's PRA filing and those contained in Exhibit 5 of the SLA filing are, in fact, reconcilable.

33. We find that Northern sufficiently addressed the concerns of the Coalition regarding the reconciliation of Fuel and UAF with Northern's annual PRA filing in Docket No. RP03-393-000. Accordingly, the Commission finds that Northern provided the necessary information to support its proposed rates calculated pursuant to the SLA Settlement Rate Method set forth in the Settlement. Therefore, the Coalition's request for further information is denied.

The Commission orders:

The tariff sheets listed in the Appendix to the May 30, 2003 Order in this proceeding are accepted effective June 1, 2003.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.