

168 FERC ¶ 61,069
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Cheryl A. LaFleur and Richard Glick.

Northern Natural Gas Company

Docket Nos. RP19-1353-000
RP19-59-000

ORDER ACCEPTING AND SUSPENDING TARIFF RECORDS, SUBJECT TO
REFUND, REJECTING TARIFF REVISIONS, AND ESTABLISHING HEARING
PROCEDURES AND TECHNICAL CONFERENCE

(Issued July 31, 2019)

1. On July 1, 2019, in Docket No. RP19-1353-000, Northern Natural Gas Company (Northern) filed revised tariff records¹ pursuant to section 4 of the Natural Gas Act (NGA). Northern proposes significant rate increases, modifications to certain rate schedules, and various other changes to the General Terms and Conditions (GT&C) of its tariff, effective August 1, 2019. As discussed below, the Commission accepts and suspends certain tariff records to be effective January 1, 2020, subject to refund, the outcome of a hearing and technical conference established herein and rejects one tariff proposal. In addition, the Commission makes determinations related to procedural issues in Northern's motion to terminate the NGA section 5 proceeding established by the Commission in Docket No. RP19-59-000.²

Background

2. Northern states that it operates a 14,794-mile interstate natural gas pipeline system, extending from West Texas to the Upper Peninsula of Michigan. Northern states that it provides firm and interruptible transportation and storage service under a variety of rate schedules and has two rate zones. The Field Area stretches from Texas

¹ See Appendix A.

² *Northern Natural Gas Co.*, 166 FERC ¶ 61,033 (2019) (Investigation Order).

to the Demarcation Zone in Northern Kansas and the Market Zone stretches from the Demarcation Zone to the Upper Peninsula of Michigan.

3. Northern's current rates were established in a settlement of its Docket No. RP03-398-000 general section 4 rate case.³ On January 16, 2019, the Commission issued an Investigation Order that instituted a formal inquiry of Northern's rates pursuant to NGA section 5 and set the matter for hearing before an Administrative Law Judge (ALJ).⁴

Proposal

4. Northern is proposing two sets of tariff records, constituting its Base Case and its *pro forma* Prospective Case, which are designed on different rate design principles but use the same overall cost of service. Northern proposes the Base Case to become effective August 1, 2019 and the Prospective Case to become effective prospectively upon Commission review and approval.

5. The Base Case supports a general rate increase to Northern's rates and proposes certain changes to rate schedules and Northern's GT&C. The rates reflect an overall cost of service of \$1,005 million, as compared to the approximately \$480 million cost of service established in the 2005 Settlement. Northern states that its proposed rates are based on a cost of service for a 12-month base period ending March 31, 2019, adjusted for known and measurable changes that would become effective within the nine months ending December 31, 2019. Northern mainly attributes its increased cost of service to capital costs associated with modernization and maintenance. Northern states that it has incurred approximately \$328 million of capital costs during the base period and anticipates incurring an additional \$504 million during the test period from April 1, 2019 through December 31, 2019. This equates to approximately \$830 million of capital costs during the combined base and test period. Northern states that the increase in its cost of service is partially offset by the lower federal corporate income tax rate, including amortization of excess deferred income taxes. Northern proposes to update its depreciation rates from those included in the 2005 Settlement and, for the first time, proposes negative salvage rates for onshore transmission and liquefied natural gas (LNG) storage plant. Northern also proposes a 14.2 percent return on equity (ROE) applied to an expected capital structure of 59.4 percent equity and 40.6 percent debt. Northern states that it has provided discounted rates to a number of shippers and that its proposed rates reflect an iterative revenue crediting discount adjustment. Northern states that it proposes to roll in six facility expansions related to its Northern Lights Expansion Project and the West Leg 2014 project.

³ *Northern Natural Gas Co.*, 111 FERC ¶ 61,444 (2005) (2005 Settlement).

⁴ Investigation Order, 166 FERC ¶ 61,033.

6. Northern states that the proposed cost allocation and rate design in its Base Case is based on the same modified straight fixed-variable rate design principles used to establish the rates contained in the 2005 Settlement whereby an agreed-upon amount of fixed costs is assigned to usage charges.

7. Northern, as part of its Base Case, also proposes several changes to its GT&C, as follows.

- Reduction of the Carlton Resolution Surcharge to \$0.00 per Dth, and changes to the penalty for failure to source Carlton supply;
- Changes to firm transmission rates to permit an average rate to be charged where a customer contracts for service in different seasons with different seasonal rates, without exceeding Northern's maximum tariff rates;
- Revisions to Rate Schedule FDD to (1) remove the list of storage points from the tariff, because those points are posted on the website, and (2) clarify that account balance transfers will not be allowed during capacity allocations;
- Modification of open season posting procedures to require posting of only the winning bid rather than all bids;
- Changes to allow Northern to permit customers to use the imbalance to-storage imbalance resolution method to resolve imbalances for prior period adjustments;
- Changes regarding operational balancing agreements;
- Removal of the required levels for System Balancing Agreements and adding alternative agreements;
- Revisions to Northern's Periodic Rate Adjustment for tracking and recovery of fuel and unaccounted for gas loss;
- Removal of obsolete gas processing provisions;
- Update to the net reservation charge credit percent for the No-Profit method;
- Various housekeeping changes to facilitate the above changes, eliminate obsolete provisions, and correct grammar.

8. Northern states that “[t]he 2005 Settlement provided that in ‘Northern’s next general section 4 rate case proceeding, Northern will propose a cost allocation methodology different from the current Market Area/Field Area cost allocation methodology.’”⁵ Consistent with that provision, Northern proposes, as part of its *pro forma* Prospective Case, to change the fixed cost allocation associated with its Market Area and Field Area reservation charges, from the current zone methodology to a system-wide methodology. In addition, Northern proposes (i) consolidating Rate Schedule TF from four services into two services: TF12 (firm transportation for annual service with winter and summer rates) and TF5 (firm transportation for the five winter months from November through March); (ii) eliminating small customer

⁵ Northern's, July 1, 2019 Filing in Docket No. RP19-1353-000 at 9.

Rate Schedule GS-T, and permitting Small Customers to convert to other rate schedules; (iii) changes to rate design for Field Area usage rates; and (iv) adoption of a Straight Fixed-Variable (SFV) rate design. In addition, Northern proposes implementation of a contract restructuring opportunity and supporting software changes.

9. Northern, as part of its Prospective Case, also proposes several revisions to its GT&C, as follows.

- Revision of the imbalance resolution provisions to resolve imbalances in the Market Area or Field Area and revise the Field Area monthly index price calculations;
- Changes to Rate Schedule FDD to ensure that storage is not over-filled or depleted;
- Provision of more pooling opportunities for shippers by adding more interconnect pools and regional pools, and elimination of the “MID 17” pool;
- Modification and simplification of the Daily Delivery Variance Charges and related changes to the System Management Service rate schedule;
- Changes to the Periodic Rate Adjustment mechanism related to cycle gas and retained storage gas at the Redfield and Lyons storage facilities as well as coverage for all transmission related compressors’ electric power costs;
- Relocation of the Demarcation point (Demarc point); and
- Various housekeeping changes.

10. Northern states that on January 28, 2019, as renewed on June 10, 2019, Northern filed a motion to terminate the NGA section 5 proceeding established by the Commission in Docket No. RP19-59-000. Northern states that the Commission has not ruled on Northern’s motion to terminate. Northern states that to the extent the NGA section 5 proceeding is not terminated prior to the Commission setting this NGA section 4 rate filing for hearing, Northern would not oppose the consolidation of the investigation of the NGA section 4 rate filing with the pending NGA section 5 proceeding in Docket No. RP19-59-000.

Notice and Comments

11. Public notice of Northern’s filing was issued on July 8, 2019. Interventions and protests were due as provided in section 154.210 of the Commission’s regulations.⁶ Pursuant to Rule 214,⁷ all timely filed unopposed motions to intervene and any unopposed motions to intervene filed out-of-time before the issuance date of this order

⁶ 18 C.F.R. § 154.210 (2018).

⁷ 18 C.F.R. § 385.214 (2018).

are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. The entities that submitted protests and comments in response to Northern's filing are listed in Appendix B. On July 19, 2019, Northern filed a motion to answer protests.

12. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213 (a)(2) (2018), prohibits answers to protests or answers unless otherwise permitted by the decisional authority. We accept Northern's answer because it has provided information that assisted us in our decision-making process.

13. All of the protesters raise general rate case issues and assert that Northern has not shown its proposed rates to be just and reasonable. The protesters request that the Commission establish a hearing to consider the lawfulness of Northern's proposed Base and Prospective Case rates and services, and suspend the Base Case tariff records for the maximum statutory period, subject to refund.

14. Several parties protest aspects of Northern's proposed revisions to the GT&C. NSP Companies argue that Northern's current scheduling, segmentation and capacity release policies adversely affect the Base Case's billing determinants.⁸ They argue that the cumulative effects of Northern's proposals with regard to the Base Case's Account Balance Transfer and open season capacity award posting, and the Prospective Case's changes to the Demarc point, pooling, operational zones, capacity release and segmented capacity will further adversely affect the results of Northern's scheduling of customers' secondary and segmented nominations. NSP Companies contend that Northern's currently effective scheduling, segmentation and capacity release provisions assign priority to shippers' nominations based on the priority of service associated with the requested receipt and delivery points. NSP Companies argue the process may be contrary to the "within-the-path" mandates of Order No. 637-A.⁹ NSP Companies oppose Northern's proposal to change its open season posting procedures to post only winning bid information.¹⁰ NSP Companies state they find losing bid information relevant and

⁸ NSP Companies Protest at 34-48.

⁹ *Id.* (citing *Regulation of Short-Term Natural Gas Transportation Services, and Regulation of Interstate Natural Gas Transportation Services*, Order No. 637, FERC Stats. and Regs., ¶ 31,091 (cross-referenced at 90 FERC ¶ 61,109), *clarified*, Order No. 637-A, 91 FERC ¶ 61,169, *reh'g denied*, Order No. 637-B, 92 FERC ¶ 61,062 (2000)).

¹⁰ NSP Companies Protest at 30.

valuable and that Northern has not demonstrated its current procedures are insufficient or cause harm.

15. NSP Companies¹¹ protest the elimination of the Carlton Commodity Surcharge. NMDG¹² requests summary rejection of the proposal. NSP Companies and NMDG explain that Northern may call upon them to deliver up to approximately 33,500 Dth per day into Northern's pipeline at the Great Lakes Gas Transmission interconnect. NSP Companies and NMDG contend that other shippers share in the costs associated with the requirement for the Carlton volumes through the assessment of a Carlton Commodity Surcharge, for which the shippers who actually source the volumes at Carlton are reimbursed. They argue that Northern's proposal would continue to impose an obligation for some shippers to source gas at a particular point, with no compensation for that obligation, despite the shippers being exposed to above market pricing for sourcing gas at a point to benefit Northern's system. NMDG also argues that elimination of the Carlton Commodity Surcharge is a rate design issue and therefore must be part of the Prospective, not Base Case as required by the 2005 Settlement.¹³

16. NMDG, whose members are generally small customers, also requests summary rejection of Northern's Prospective Case proposal to eliminate the small customer classification.¹⁴ Golden Spread, with regard to the Prospective Case, is concerned about the proposed firm entitlement open season, and whether shippers will be required to acquire undesired capacity.¹⁵

17. NMDG also requests that the Commission summarily reject the following proposals in Northern's Prospective Case: (i) adoption of a system-wide reservation charge in place of separate Field Area and Market Area reservation charges, (ii) elimination of Annual TF12 Base and Variable redetermination and other changes in TF service, and (iii) modifications to Northern's System Management Service and its Daily Delivery Variance Charges.¹⁶ Tenaska requests summary rejection of Northern's proposal to replace its Periodic Rate Adjustment filings pursuant to NGA

¹¹ *Id.* at 30-31.

¹² NMDG Protest at 10-11.

¹³ *Id.* at 11.

¹⁴ *Id.* at 16-21.

¹⁵ Golden Spread Protest at 3.

¹⁶ NMDG Protest at 13-16.

section 4 with postings of changes in its fuel and lost and unaccounted gas retention percentages on its website.

18. NSP Companies, NMDG, Black Hills, PGC, MUD and Golden Spread request that the Commission suspend the Base Case proposed GT&C changes for the full five months and set both the Base and Prospective Case GT&C changes for hearing. Black Hills further requests that the Commission not establish a technical conference to discuss these tariff matters, as it speculates such procedures will impede the settlement process.

19. In its answer, Northern opposes NMDG and Tenaska's motions for summary disposition. Northern claims that there are material facts in dispute regarding those issues, and therefore, summary disposition is not appropriate.¹⁷ Northern also argues that its capacity segmentation and scheduling priority practices are fully consistent with the Commission's requirements and that the Commission has approved them.¹⁸ Northern states that if the Commission does not dismiss NSP's protest, Northern does not oppose NSP's request to address its arguments in the NGA section 4 rate case. However, Northern states that because NSP is challenging an existing practice that Northern has not proposed to change, NSP has the burden of proof under NGA section 5 to demonstrate its current practices are not just and reasonable. Northern renews its request that the Commission terminate the NGA section 5 proceeding in Docket No. RP19-59-000, or alternatively consolidate it with the instant filing.¹⁹ Finally, Northern states that it would not oppose establishing settlement judge and hearing judge procedures to examine all the issues raised in Northern's filing.²⁰

Discussion

20. The Commission accepts and suspends, subject to refund, the proposed tariff records listed in Appendix A to be effective January 1, 2020, subject to the outcome of the hearing procedures and a technical conference established below. The Commission rejects one tariff revision as discussed below.

¹⁷ Northern Answer at 10-12.

¹⁸ *Id.* at 12-13.

¹⁹ *Id.* at 5-9.

²⁰ *Id.* at 4-5.

Hearing and Technical Conference Procedures

21. Northern's filing raises many issues that warrant further investigation. The Commission finds that there are material issues of fact in dispute concerning, among other things, cost of service, functionalization, cost allocation and rate design. Accordingly, the Commission will establish a hearing before an ALJ to explore the issues arising from the filing, including, but not limited to, those summarized above and set forth in the protests with regard to both the Base and Prospective Cases.

22. Northern must adhere to section 154.303(c)(2) of the Commission's regulations, which provides that at the end of the test period, the pipeline must remove from its rates costs associated with any facility that is not in service or for which certificate authority is required but has not been granted.²¹ In addition, the Commission will specifically address several additional issues and their relationship to the hearing to be established herein.

23. The Commission directs staff to convene a technical conference to address certain non-rate tariff issues related to the proposed services and terms and conditions. The issues to be addressed at the technical conference include, but are not limited to, Northern's proposals concerning current capacity segmentation and scheduling practices and open season posting procedures.

Revisions to Periodic Rate Adjustment

24. Northern's currently effective fuel and unaccounted for gas retention percentages are established through a periodic rate adjustment (PRA) mechanism as provided in Section 53A of Northern's GT&C. Pursuant to GT&C Section 53A.5, Northern makes annual NGA section 4 filings to update its Field Area fuel and Unaccounted-For (UAF) percentages and seasonal NGA section 4 filings to update its Market Area fuel and UAF percentages.²²

25. Northern proposes to revise GT&C Section 53A.5 to eliminate the periodic NGA section 4 filing requirements under Section 53A and requests authority to change fuel and UAF percentages on an as-needed basis to prevent significant over or under recoveries. Northern proposes to post any such changes on its website at least one month before changes become effective. Northern proposes to eliminate the requirement to receive FERC approval for each PRA change and, instead, file an annual report with FERC on or before April 1 each year detailing the fuel used and UAF percentages collected as

²¹ 18 C.F.R. § 154.303(c)(2) (2018).

²² Northern, Ex. NNG-8 at 101:18-22.

compared to the actual incurrences.²³ Northern also proposes various other changes to GT&C Section 53A, for example to conform terminology to its proposed rate zone and other changes.

26. NMDG,²⁴ NSP Companies²⁵ and Tenaska²⁶ argue that Northern's proposal to no longer file a NGA section 4 filing in which it would bear the burden of supporting its rate changes is inconsistent with the NGA. Tenaska²⁷ requests the Commission summarily reject Northern's changes to its PRA reporting requirements, while NMDG²⁸ requests the changes either be summarily rejected or addressed in an evidentiary hearing. The Commission's regulations regarding periodic adjustments require pipelines to file to explain their rate adjustments to allow customers and the Commission the opportunity to review and comment or protest any adjustments that have been charged.²⁹ Northern's proposal to eliminate the annual and seasonal rate change filings and to instead file an annual report supporting, after the fact, its rate changes may compromise a shipper's rights under the NGA to meaningfully protest the adjustments made thereunder. It may also narrow the Commission's ability to address and remedy such objections if necessary.³⁰ For these reasons, the proposed revision to GT&C Section 53A.5 is rejected. This finding is without prejudice to the remaining components of Northern's PRA proposal, which are suspended and set for hearing below. Northern is required to file revised tariff records as necessary to ensure that the remaining components of Northern's PRA proposal are consistent with the currently effective periodic NGA section 4 filing requirements.

²³ *Id.* at 102:1-12.

²⁴ NMDG Protest at 12-13.

²⁵ NSP Companies Protest at 31-32.

²⁶ Tenaska Protest at 5-8.

²⁷ *Id.* at 5-6.

²⁸ NMDG Protest at 12-13.

²⁹ 18 C.F.R. § 154.403 (2018).

³⁰ See *TransColorado Gas Transmission Co.*, 87 FERC ¶ 61,027, at 61,100-01 (1999). See also *Rockies Express Pipeline LLC*, 163 FERC ¶ 61,011, at P 9 (2018); and *Portland Natural Gas Transmission System*, 166 FERC ¶ 61,134, at P 36 (2019).

Other GT&C Hearing Issues

27. As noted above, Northern proposes several revisions to its terms and conditions of service. With the exception of Northern's proposal to eliminate its NGA section 4 filing obligation for changes to its PRA, the Commission accepts and suspends all of these proposed revisions. The Commission determines that several of Northern's proposed GT&C revisions are related to its rate design proposals and should be addressed at the hearing established above. First, Northern's proposed changes to its PRA that are not rejected above are rate related and are accordingly set for hearing. Second, Northern proposes a revision to its billing procedures that would permit averaged firm transportation rates to be charged where customers contract for months of service over different seasonal rates without exceeding Northern's maximum tariff rates. Parties should address whether such averaging compromises the objectives of seasonally differentiated rate design.³¹ Third, Northern's Prospective Case proposes to convert the Small Customer tariff provisions to the standard provisions applicable to all other shippers. The Commission has found that proposals affecting small customers' use of a small customer transportation service raise issues involving the appropriate cost allocations among the pipeline's different customer classes, and accordingly such proposals must be considered in a general NGA section 4 rate case.³² Fourth, Northern proposes to reduce the Carlton Commodity Surcharge to zero. Northern supports its proposal on the basis that the Carlton Sourcers have received a windfall to the detriment of other shippers on Northern's system.³³ This is a material issue of fact best resolved through a hearing. Fifth, all proposed revisions to the GT&C related to zones, sectors, and Demarc are related to Northern's proposed changes to its rate design, and should be addressed in the hearing. Finally, Northern proposes to update the *force majeure* net reservation charge credit percent for the No-Profit method. Because this reservation charge credit is derived from elements of the cost of service,³⁴ its calculation is best addressed in the hearing proceedings.

³¹ *Policy Statement Providing Guidance with Respect to the Designing of Rates*, 47 FERC ¶ 61,295, at 62,054 (1989).

³² *Enable Mississippi River Transmission, LLC*, 165 FERC ¶ 61,285, at P 150 (2018); *ANR Pipeline Co.*, 146 FERC ¶ 61,087, at P 29 (2014).

³³ Northern, Ex. NNG-8 at 91:6-19.

³⁴ Northern, Ex. NNG-4.

Suspension

28. Based upon review of the filing, the Commission finds that the proposed tariff records set forth in Appendix A have not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly discriminatory or otherwise unlawful. Accordingly, the Commission shall accept and suspend the effectiveness of the tariff records in Appendix A for five months, to be effective January 1, 2020, subject to refund, hearing and technical conference, as set forth in this order.

29. The Commission's policy regarding suspensions is that tariff filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or inconsistent with other statutory standards.³⁵ It is recognized, however, that shorter suspensions may be warranted in circumstances where suspension for the maximum period may lead to harsh and inequitable results.³⁶ Such circumstances do not exist for the tariff records set forth in Appendix A. The Commission will exercise its discretion to suspend them for the maximum period, to be effective January 1, 2020, subject to refund and the outcome of the hearing and technical conference procedures ordered herein.

30. In its Transmittal Letter to the instant filing, Northern states, "Northern files this motion to place the Base Case tariff sheets into effect *at the expiration of any suspension period set by the Commission*, provided the Base Case tariff sheets are approved as filed and without condition." (Emphasis added.) The Commission's regulations at 18 C.F.R. § 154.7(a)(9) (2018) provide two options regarding the filing of a motion to place suspended rates into effect pursuant to NGA section 4(e). In the case of a minimal suspension, the pipeline may include in its filing a motion to: (1) place the proposed rates into effect at the end of the suspension period; or (2) reserve the right to file a later motion. Northern includes with its filing a motion to place the proposed tariff provisions into effect at the end of any suspension period. Pursuant to 18 C.F.R. § 154.7(a)(9), such a motion only applies to minimal suspensions and cannot apply to five-month suspensions. Thus, the motion included in Northern's filing is ineffective for purposes of moving the proposed tariff records into effect at the end of the suspension period. If and when Northern decides to move the suspended tariff record into effect, it must do so consistent with 18 C.F.R. § 154.206(a) (2018) of the Commission's regulations.³⁷

³⁵ See *Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension).

³⁶ See *Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension).

³⁷ *American Midstream (AlaTenn), LLC*, 149 FERC ¶ 61,123, at P 30 (2014).

Motion to Terminate NGA Section 5 Investigation

31. Northern states that on January 28, 2019, as renewed on June 10, 2019, Northern filed a motion to terminate the NGA section 5 proceeding in Docket No. RP19-59-000. In those motions, Northern admits that the Commission has broad discretion to decide whether to issue an order opening an investigation under section 5 of the NGA. However, Northern contends that the calculations upon which the Commission based its conclusion to open the investigation were inaccurate. Specifically, Appendix A to the Commission's Investigation Order adjusted revenues by \$115,386,243 for the changes in all revenue accounts during the first two quarters of 2018. Northern contends that the Commission failed to recognize that more than half of this revenue increase, \$60,774,052, was related to operational gas sales. Pursuant to the FERC Form No. 501-G, Northern contends that these gas sales revenues should have been excluded. The Commission, Northern continues, erroneously deducted from total operating revenue only the \$28,436,340 in operational gas sales from calendar year 2017, instead of the \$89,210,392 in operational gas sales through the second quarter of 2018 (\$28,436,340 plus \$60,774,052). Northern calculates the ROE would have been 14.3 percent, not 17.3 percent, if operational gas sales had been properly removed.³⁸ Northern requests that the Commission terminate the NGA section 5 investigation because the corrected section 5 analysis provides no support for a finding that Northern's existing rates are unjust or unreasonable under the Commission's historical application of NGA section 5.

32. Northern states that the Commission has not ruled on Northern's motion to terminate. Northern states that to the extent the NGA section 5 proceeding is not terminated prior to the Commission setting this NGA section 4 rate filing for hearing, Northern would not oppose the consolidation of the investigation of the NGA section 4 rate filing with the pending NGA section 5 proceeding in Docket No. RP19-59-000. CenterPoint,³⁹ Indicated Shippers,⁴⁰ NNSA,⁴¹ and NSP Companies⁴² state they do not

³⁸ Northern also contends that FERC Form No. 501-G was incomplete in reflecting all costs associated with gas sales. If those costs were to have been included, Northern calculates the indicative ROE of 13.7 percent.

³⁹ CenterPoint Protest at 7-8.

⁴⁰ Indicated Shippers Protest at 2.

⁴¹ NNSA Protest at 6.

⁴² NSP Companies Protest at 2.

oppose consolidating the two cases. The MPSC, however, states consolidation is not appropriate as the test periods of the two proceedings are different.⁴³

33. The Commission denies Northern's motion to terminate the proceeding in Docket No. RP19-59-000. The Commission agrees with Northern that Appendix A of the Investigation Order did not deduct the correct amount of operational gas sales which, if performed, would have led to an indicative ROE of 14.3 percent. Notwithstanding that error, other factors, such as the changes on Northern's system discussed in the Investigation Order, fully supported the Commission's decision to initiate the investigation. Northern's filing of an NGA section 4 rate case does not invalidate the need to explore the issues identified in Investigation Order. Moreover, the rate resulting from the resolution of the NGA section 5 proceeding may go into effect before the rates resulting from the NGA section 4 proceeding and set the refund floor for the NGA section 4 proceeding. Further, because the test periods of the two proceedings partially overlap,⁴⁴ the record in the Docket No. RP19-59-000 proceeding may be applicable to the general rate case proceeding. For these reasons, the Commission denies Northern's motion to terminate and leaves it to the discretion of the Chief Administrative Law Judge whether to consolidate the Docket No. RP19-59-000 proceeding with Northern's NGA section 4 proceeding.⁴⁵

The Commission orders:

(A) The tariff records in Appendix A are accepted and suspended to be effective January 1, 2020, subject to refund and the outcome of the hearing and technical conference established in the body of this order.

(B) Proposed GT&C Section 53A.5 is rejected, as discussed in the body of this order. Northern is required to file within 30 days of the date of this order compliance tariff records as necessary to ensure that the remaining components of Northern's PRA

⁴³ MPSC Protest at 6.

⁴⁴ Northern's Docket No. RP19-59-000 test period is twelve months ending December 2018, with a six-month adjustment period ending June 2019 (Northern's Docket No. RP19-59-000 Transmittal Letter dated April 1, 2019, at 1), whereas FERC Trial Staff's test period for Northern is twelve months actuals ending March 2019 (Ex. S-1 at 2:17-22). In Docket No. RP19-1353-000, Northern's 12-month base period ends March 31, 2019, and adjusted for known and measurable changes ending December 31, 2019.

⁴⁵ 18 C.F.R. § 375.304(b) (2018).

proposal are consistent with the currently effective periodic NGA section 4 filing requirements.

(C) Pursuant to the authority contained in and subject to the jurisdiction conferred upon the Federal Energy Regulatory Commission by section 402(a) of the Department of Energy Organization Act and the NGA, particularly sections 4, 5, 8, 9, and 15 thereof, and pursuant to the Commission's Rules of Practice and Procedure and the regulations under the NGA (18 C.F.R. Chapter I), a public hearing shall be held concerning the justness and reasonableness of Northern's proposed tariff records, as discussed in the body of this order.

(D) A Presiding Administrative Law Judge, to be designated by the Chief Administrative Law Judge for that purpose pursuant to 18 C.F.R. § 375.304, must convene a prehearing conference in this proceeding to be held within 20 days after issuance of this order, in a hearing or conference room of the Federal Energy Regulatory Commission, 888 First Street, NE, Washington, DC 20426. The prehearing conference is for the purpose of clarification of the positions of the participants and establishment by the presiding judge of any procedural dates necessary for the hearing. The presiding administrative law judge is authorized to conduct further proceedings in accordance with this order and the rules of practice and procedure.

(E) The Commission's staff is directed to convene a technical conference to explore the certain issues raised by Northern's filing and report to the Commission within 120 days of the issuance of this order.

(F) Northern's motion to terminate the investigation proceeding in Docket No. RP19-59-000 is denied.

By the Commission. Commissioner McNamee is not participating.

(S E A L)

Kimberly D. Bose,
Secretary.

Appendix A

Northern Natural Gas Company
FERC NGA Gas Tariff
Gas Tariffs

Tariff records accepted and suspended, effective January 1, 2020, subject to refund, condition, hearing, and technical conference:

[Sheet No. 50, Currently Effective Rates TF, 15.0.0](#)
[Sheet No. 51, Currently Effective Rates TFX and LFT, 18.0.0](#)
[Sheet No. 52, Currently Effective Rates TI, 16.0.0](#)
[Sheet No. 53, Currently Effective Rates GS-T and CS-1, 16.0.0](#)
[Sheet No. 54, Effective Rates TF TFX LFT GS-T TI and FDD, 24.0.1](#)
[Sheet No. 54A, Fuel Unaccounted-For Exemptions, 8.0.0](#)
[Sheet No. 54B, Fuel Unaccounted-For Exemptions, 4.0.0](#)
[Sheet No. 55, Effective Rates FDD PDD IDD and SMS, 2.0.0](#)
[Sheet No. 59, MIDS, 3.0.0](#)
[Sheet No. 59A, MIDS, 3.0.0](#)
[Sheet No. 60, MIDS, 12.0.0](#)
[Sheet No. 60A, MIDS, 12.0.0](#)
[Sheet No. 61, Reserved for Future Use, 11.0.0](#)
[Sheet No. 62, Reserved for Future Use, 23.0.0](#)
[Sheet No. 109, Rate Schedule TF, 1.0.0](#)
[Sheet No. 124, Rate Schedule TFX, 2.0.0](#)
[Sheet No. 132, Rate Schedule TI, 2.0.0](#)
[Sheet No. 135D, Rate Schedule FDD, 8.0.0](#)
[Sheet No. 135E, Rate Schedule FDD, 4.0.0](#)
[Sheet No. 136, Rate Schedule FDD, 2.0.0](#)
[Sheet No. 140, Rate Schedule FDD, 3.0.0](#)
[Sheet No. 142C, Rate Schedule PDD, 7.0.0](#)
[Sheet No. 144, Rate Schedule IDD, 8.0.0](#)
[Sheet No. 154, Rate Schedule MPS, 4.0.0](#)
[Sheet No. 155, Rate Schedule MPS, 4.0.0](#)
[Sheet No. 201B, G T and C Table of Contents, 4.0.0](#)
[Sheet No. 205, G T and C Definition of Terms, 7.0.0](#)
[Sheet No. 205A, G T and C Definition of Terms, 4.0.0](#)
[Sheet No. 206, G T and C Definition of Terms, 4.0.0](#)
[Sheet No. 206A, G T and C Definition of Terms, 1.0.0](#)

[Sheet No. 207, G T and C Definition of Terms, 1.0.0](#)
[Sheet No. 236, G T and C Reservation Charge Credits, 1.0.0](#)
[Sheet No. 252, G T and C Requests For Service, 2.0.0](#)
[Sheet No. 263A, G T and C Allocation of Capacity, 3.0.0](#)
[Sheet No. 263B, G T and C Allocation of Capacity, 2.0.0](#)
[Sheet No. 263C, G T and C Allocation of Capacity, 2.0.0](#)
[Sheet No. 263D, G T and C Allocation of Capacity, 2.0.0](#)
[Sheet No. 264, G T and C Billing Throughput Quantity, 3.0.0](#)
[Sheet No. 267, G T and C Balancing, 3.0.0](#)
[Sheet No. 269A, G T and C Balancing, 2.0.0](#)
[Sheet No. 281, G T and C Quality, 1.0.0](#)
[Sheet No. 282, G T and C Processing, 1.0.0](#)
[Sheet No. 283, G T and C Processing, 1.0.0](#)
[Sheet No. 292A, G T and C No-Notice Obligation, 2.0.0](#)
[Sheet No. 300, G T and C Periodic Rate Adjustment, 2.0.0](#)
[Sheet No. 300A, G T and C Periodic Rate Adjustment, 2.0.0](#)
[Sheet No. 301, G T and C Periodic Rate Adjustment, 1.0.0](#)
[Sheet No. 301A, G T and C Periodic Rate Adjustment, 1.0.0](#)
[Sheet No. 301B, G T and C Periodic Rate Adjustment, 1.0.0](#)
[Sheet No. 301C, G T and C Periodic Rate Adjustment, 1.0.0](#)

Appendix B
List of Commenters and Protestors, and Abbreviations

Atmos Energy Corporation (Atmos Energy)
Black Hills Service Company, LLC (Black Hills)
BP Canada Energy Marketing Corp. and XTO Energy Inc. (Indicated Shippers)
CenterPoint Energy Resources Corporation d/b/a CenterPoint Energy Minnesota Gas
(CenterPoint)
Encore Energy Services, Inc. (Encore)
Golden Spread Electric Cooperative, Inc. (Golden Spread)
Metropolitan Utilities District of Omaha (MUD)
Michigan Public Service Commission (MPSC)
Minnesota Public Utilities Commission (MPUC) and the Minnesota Department of
Commerce, Division of Energy Resources (MDC)
Northern Municipal Distributors Group⁴⁶ and the Midwest Region Gas Task Force
Association (jointly, NMDG)⁴⁷
Northern Natural Shipper Alliance (NNSA)
Northern States Power Companies⁴⁸ and Southwestern Public Service Company (jointly,
NSP Companies)
Process Gas Consumers Group and Industrial Energy Consumers of America (jointly,
PGC)
Tenaska Marketing Ventures (Tenaska)
Upper Midwest Shipper Group⁴⁹

⁴⁶ Alton, Cascade, Cedar Falls, Circle Pine, Coon Rapids, Emmetsburg, Everly, Gilmore, Graettinger, Guthrie Center, Harlan, Hartley, Hawarden, Lake Park, Manilla, Manning, Orange City, Osage, Preston, Remsen, Rock Rapids, Rolfe, Sabula, Sac City, Sanborn, Sioux Center, Tipton, Waukee, West Bend, Whittemore, and Woodbine.

⁴⁷ Austin Utilities, Circle Pines, Community Utility Company, Dooley's Natural Gas, Great Plains Natural Gas Company, Greater Minnesota Gas, Hibbing, Hutchinson, New Ulm, Northwest Natural Gas Company, Owatonna, Round Lake, Sheehan's Gas Company, Inc., Two Harbors, Virginia, and Westbrook, Minnesota; Midwest Natural Gas, Inc., and St. Croix Valley Natural Gas, Wisconsin; Watertown, South Dakota; and the Cities of Fremont, Lyons, and Stromsburg, and the Village of Pender, Nebraska.

⁴⁸ Northern States Power Company, a Minnesota Corporation and Northern States Power Company, a Wisconsin Corporation.

⁴⁹ Interstate Power & Light Company; Wisconsin Power & Light Company; Madison Gas and Electric Company; Minnesota Energy Resources Corporation; Wisconsin Electric Power Company; Wisconsin Gas LLC; and Upper Michigan Energy Resources Corporation.

Valero Renewable Fuels Company, LLC (Valero Renewable)