

169 FERC ¶ 61,268
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;
Richard Glick and Bernard L. McNamee.

Northern Natural Gas Company

Docket No. RP19-1353-000

ORDER ON TECHNICAL CONFERENCE

(Issued December 31, 2019)

1. On July 1, 2019, Northern Natural Gas Company (Northern) filed a Natural Gas Act (NGA) section 4 rate case (July 2019 Filing) and revisions to the General Terms and Conditions (GT&C) of its FERC Gas Tariff and its transportation and storage service rate schedules. In the July 2019 Filing, Northern proposed two sets of tariff records, a Base Case and a *pro forma* Prospective Case, that are designed on different rate design principles but use the same overall cost of service. Northern proposed the Base Case to be effective on August 1, 2019 and the Prospective Case to become effective prospectively upon Commission review and approval. On July 31, 2019, the Commission issued an order accepting and suspending the tariff records to be effective January 1, 2020, subject to refund and the outcome of a hearing and a technical conference.¹ The instant order addresses the Base Case non-rate tariff proposals from the September 24, 2019 technical conference. As discussed more fully below, we accept certain of Northern's proposals set for technical conference as just and reasonable, reject one proposal as unjust and unreasonable, and accept certain proposals subject to a further compliance filing.

I. Background

2. On January 16, 2019, pursuant to section 5 of the NGA, the Commission initiated an investigation, in Docket No. RP19-59-000 (Section 5 Proceeding), to determine whether Northern's rates are just and reasonable based on Northern's FERC Form

¹ *Northern Natural Gas Co.*, 168 FERC ¶ 61,069 (2019) (July 2019 Suspension Order).

No. 501-G filing.² On January 28, 2019, and as renewed on June 10, 2019, Northern filed motions to terminate the Section 5 Proceeding. Northern subsequently filed the July 2019 Filing. In the July 2019 Suspension Order, the Commission accepted and suspended Northern's proposed Base Case tariff records to be effective January 1, 2020, subject to refund and the outcome of a hearing on all rate issues as well as the non-rate tariff issues in the Prospective Case.³ In addition, the July 2019 Suspension Order directed the Commission to convene a technical conference on the remaining non-rate tariff issues from the Base Case.

3. A technical conference was held on September 24, 2019. Initial comments were submitted on October 8, 2019, and reply comments were submitted on October 18, 2019.

4. Northern States Power Company, a Minnesota Corporation, Northern States Power Company, a Wisconsin Corporation, and Southwestern Public Service Company (collectively, Xcel Companies); 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 (collectively, Upper Midwest Shippers); Black Hills Service Company, LLC and MidAmerican Energy Company (collectively, Joint Commenters); CenterPoint Energy Resources Corporation (CenterPoint); the Northern Natural Shipper Alliance (Shipper Alliance); and Northern filed initial comments. Northern and Xcel Companies filed reply comments.

II. Discussion

5. In the July 2019 Filing, Northern's non-rate related proposals from the Base Case and the corresponding comments on technical conference address: (1) Rate Schedule FDD; (2) Resolution of Prior Period Adjustments; (3) Open Season Posting Requirements; (4) System Balancing Agreements; (5) Operational Balancing Agreements; and (6) Non-Rate Base Case Periodic Rate Adjustment Changes. Northern also proposed miscellaneous changes, addressed certain housekeeping matters, and removed obsolete provisions from the tariff.

² See 18 C.F.R. § 260.402 (2019).

³ The Commission deemed various tariff proposals in Northern's Base Case rate related and, as such, set those issues for hearing. These issues included revisions to the periodic rate adjustment, scheduling practices, billing procedures, Carlton Commodity Surcharge, and the *force majeure* net reservation charge credit percentage for the No-Profit Method.

6. As discussed in more detail below, we make the following determinations: (1) accept the removal of the FDD storage points list from Northern's tariff; (2) accept the revision to the Account Balance Transfer provision in Rate Schedule FDD subject to a compliance filing; (3) accept an additional option to use monthly Imbalance-to-Storage to resolve Prior Period Adjustments (PPA); (4) reject the proposal to modify Northern's open season posting requirements; (5) accept the removal of minimum quantities in Northern's System Balancing Agreements (SBA) and direct Northern to file an annual report; (6) accept Northern's Operational Balancing Agreement (OBA) proposal as revised in Attachment A of Northern's reply comments subject to a compliance filing; (7) accept non-Base case Periodic Rate Adjustment (PRA) changes; and (8) accept Northern's miscellaneous tariff changes.

A. Rate Schedule FDD

1. Proposed Tariff Provisions in the July 1, 2019 Filing

7. Northern offers firm storage service under Rate Schedule FDD (firm deferred delivery). Interruptible deferred delivery service under Rate Schedules PDD and IDD is available based on unutilized FDD capacity and operational storage volume plus any remaining available non-firm physical storage field volume.⁴ In its July 2019 Filing, Northern proposed two changes to Rate Schedule FDD. First, Northern proposed to eliminate the list of Rate Schedule FDD storage points in Tariff Sheet No. 135E and associated references to the list of storage points in Tariff Sheet Nos. 135D, 142C, and 144 for Rate Schedules FDD, PDD, and IDD, respectively. Instead, Northern proposed to make future updates to the list of storage points solely on its website, where the list currently is posted. Second, Northern proposed to add language to Rate Schedule FDD, Section F in Tariff Sheet No. 136 stating that account balance transfers are not permitted while Northern is allocating capacity due to a system constraint.

8. Northern stated that the removal of the list of storage points from the tariff will provide Northern with administrative ease in the form of reduced tariff filings. Northern stated that maintaining the list of storage points solely on Northern's website will allow for greater efficiency and that the change does not affect the manner in which points are available for storage service as the proposal is merely administrative in nature.⁵

9. Regarding the Account Balance Transfer provision, Northern stated that transferring account balances between storage points is an accepted practice on its system but that a shipper should not be able to circumvent a pipeline allocation by scheduling an account balance transfer during a constraint. Northern stated that the

⁴ Northern Exhibit No. NNG-00001 at 39.

⁵ Northern Exhibit No. NNG-00008 at 88.

proposed language in Tariff Sheet No. 136 is for clarification purposes and affirms Northern's existing practice that although account balance transfers are effectuated without scheduling quantities, if Northern is allocating transportation service due to a pipeline constraint, a shipper should not be able to avoid the allocation process by requesting an account balance transfer.⁶

2. Initial Comments

a. Storage Points

10. Regarding the removal of the list of Rate Schedule FDD storage points from the tariff, Northern asserts that the elimination of the list in the tariff and the maintenance of the list on Northern's website will bring administrative ease and eliminate the need to make a filing every time a change occurs. Northern asserts that the change is merely administrative in nature and will not impact the shippers' access to, and availability of, storage services.⁷

11. Parties argue that Northern has failed to adequately support or present a compelling need for the removal of the list of storage points from its tariff. Xcel Companies, Upper Midwest Shippers, and Joint Commenters all argue that although Northern's intent is to bring administrative ease, the elimination of tariff filings will provide Northern with unilateral authority to make changes to the list of storage points on its website without adequately notifying the customers ahead of time or providing customers the ability to protest any potential issues.⁸ Xcel Companies and Joint Commenters state that in Northern's three recent filings of storage point changes, customers intervened and/or filed comments in all three of the proceedings.⁹ Xcel Companies and Joint Commenters contend that Northern's suggestion to engage in commercial discussions as an alternative to tariff filings with the Commission is insufficient in providing customer transparency nor an adequate mechanism for resolving disagreements related to storage point changes.

⁶ Northern Exhibit No. NNG-00008 at 88-89.

⁷ Northern Initial Comments at 2-3.

⁸ Xcel Companies Initial Comments at 2-3, Upper Midwest Shippers Initial Comments at 5, and Joint Commenters Initial Comments at 3.

⁹ Xcel Companies Initial Comments at 3 and Joint Commenters Initial Comments at 3.

b. Account Balance Transfer

12. Regarding Northern's proposed language on Account Balance Transfers in Rate Schedule FDD, Northern asserts that it is simply clarifying that when a capacity constraint exists, requests for storage account balance transfers between storage points are not allowed because a shipper should not be able to avoid the allocation process by requesting an account balance transfer. Northern adds that its existing practice does not allow account balance transfers during an allocation, and the proposed tariff revision simply memorializes such intent.

13. Xcel Companies oppose Northern's proposal to modify the Account Balance Transfer provision and argue that Northern's proposal is directly tied to its failure to provide within-the-path scheduling priority.¹⁰ Xcel Companies argue that if Northern used within-the-path scheduling, the within-the-path primary contract rights would allow service to flow through the capacity constraints affecting alternate service, thus mitigating the problem Northern is trying to solve with its proposed tariff provision. Xcel Companies state that Southwestern Public Service Company (Southwestern) currently holds primary firm capacity on its TFX contract on both sides of the Brownfield compressor station constraint, as well as other constraint locations in the Field Area, and holds account balances at storage points on its FDD contract on both sides of these constraint locations. Xcel Companies argue that when capacity is allocated due to a system constraint, such as at the Brownfield compressor station, Southwestern is at risk of reduced capacity when using alternate points that lie within its path of firm capacity. Xcel Companies further argue that Northern shippers use of alternate receipt and delivery points within-the-path of primary contract rights are recognized as alternate service and are subsequently cut in the scheduling process. Xcel Companies contend that Northern's proposal will negatively impact Southwestern's ability to use its transportation capacity because it removes needed flexibility to respond to Northern's within-the-path scheduling priority policies. Xcel Companies contend that if Northern properly implemented within-the-path scheduling rules, customers with within-the-path primary contract rights would not be affected by capacity constraints.

3. Reply Comments

a. Storage Points

14. Northern contests the Joint Commenters and Xcel Companies claim that each of the three recent storage point tariff filings had interventions and/or comments from customers.¹¹ Northern argues that, in fact, no customers commented on the referenced

¹⁰ Xcel Companies Initial Comments at 4.

¹¹ Northern Reply Comments at 3.

filings. Northern argues that the storage point tariff filings were approved by delegated letter orders because they were unopposed. Northern contests commenters' argument that removing the requirement to file storage point changes with the Commission will render the process less transparent. Northern argues that by administering the storage points list on its website, Northern is providing transparency to its customers and any other interested entity. Northern notes that no customer has claimed that the existing practice of posting storage points on Northern's website is not transparent or easily accessible nor does any customer express doubt that it could reach a commercial resolution with Northern concerning any storage point change. Northern argues that while its existing tariff is just and reasonable, Northern's proposal to solely post storage points on its website is also just and reasonable. Northern argues that the Commission may not reject Northern's storage point proposal simply because another just and reasonable proposal exists.

15. In its reply, Xcel Companies contend that the removal of the list of storage points from Northern's tariff is a substantive change and that the proposed change would give Northern the ability to make unilateral service changes without tariff filings.

b. Account Balance Transfer

16. Regarding its Account Balance Transfer proposal, Northern reiterates that it is simply memorializing its longstanding practice that when a capacity constraint exists, requests for storage account balance transfers between storage points are not allowed because a shipper should not be able to avoid the allocation process by requesting an account balance transfer. Northern states that a shipper is allowed to move gas from one storage account to another during a capacity allocation only if transportation is scheduled from one point to the other to ensure the proper allocation of transportation capacity is made. Northern contends that Xcel Companies is the only party to take issue with this proposal and that Xcel Companies' argument relies solely on its claim that Northern's existing tariff and proposal are directly tied to its failure to provide within-the-path scheduling priority and that Northern's proposal is trying to solve this problem.¹² Northern contends it is fully compliant with its use of inside-the-path and outside-the-path scheduling procedures based on a Commission Letter Order issued on November 20, 2007 in Docket No. RP00-404.¹³ Northern contends that although its scheduling process resulted in all available operating capacity being scheduled for Xcel Companies, Xcel Companies still put the blame on Northern's approved scheduling practice due to the

¹² Northern Reply Comments at 13.

¹³ Northern Reply Comments at 14 (citing *Northern Natural Gas Co.*, Docket No. RP04-404-020, et al., Nov. 20, 2007 (delegated order). See also *Northern Natural Gas Co.*, 112 FERC ¶ 61,316 (2005); *Northern Natural Gas Co.*, 113 FERC ¶ 61,223 (2005)).

fact that it failed to optimize its nominations to receive all of its requested transportation service.¹⁴ Northern contends that its proposed clarification to its Account Balance Transfer provision is not related to Xcel Companies' within-the-path scheduling complaint. In addition, Northern notes that during the technical conference, Commission Staff clarified that within-the-path issues were part of the case that was set for hearing and that Xcel Companies agree with this in its initial comments.¹⁵ Northern concludes that, at the technical conference, it already refuted Xcel Companies' allegations and demonstrated that its allocation of capacity methodology is compliant with its tariff and Commission policy. Northern asserts that Xcel Companies have not met their NGA section 5 burden and failed to demonstrate how Northern's existing capacity allocation provisions are unjust and unreasonable. As such, Northern asserts Xcel Companies should allow this issue to be litigated in the hearing and continue this discussion with Northern as part of the hearing process.

17. Xcel Companies argue that Northern's proposed revision to the Account Balance Transfer provision creates uncertainty and is likely to create new restrictions on existing services. Xcel Companies assert, as an example, that the proposed tariff language is unclear as to whether the capacity constraint at issue must be located between two transfer locations.¹⁶

4. Commission Determination

a. Storage Points

18. We find that Northern's proposal to remove the list of Rate Schedule FDD storage points from Northern's tariff, and references to the list of storage points in Rate Schedules FDD, PDD, and IDD, is just and reasonable. Parties argue that changes made to the storage point list outside of tariff filings lack transparency and do not provide customers with an avenue to intervene and comment on Northern's proposal. Xcel Companies argue that the proposal could give Northern the ability to make a unilateral service change without an NGA section 4 tariff filing and that the removal of a storage service location is considered substantive in nature. On the contrary, we find that the listing of storage points in a tariff is not the same as defining or providing a service. As explained in *Florida Gas*, "a list of receipt points merely identifies all of the physical

¹⁴ *Id.*

¹⁵ Xcel Companies Reply Comments at 14-15 (citing Xcel Companies Initial Comments at 8).

¹⁶ Xcel Companies Reply Comments at 3.

receipt points on FGT's system."¹⁷ Here, as in *Florida Gas*, we find Northern's list of storage points merely identifies all the physical storage points on its system. The terms for Northern's storage service are fully defined in its relevant rate schedules and remain unaltered by the proposal as do the storage points in existing service agreements. As such, we find that there is no change in service being proposed here under NGA section 4, as claimed by Xcel Companies, and agree with Northern that the proposal is simply administrative in nature. We also find that posting the list on Northern's website enhances Northern's ability to accurately and expediently assess the availability of storage points by giving customers real-time knowledge of their availability.¹⁸ Commission policy does not require pipelines to maintain a list of points in its tariff or make a tariff filing pursuant to NGA section 4 for each revision.¹⁹ Therefore, we will not require Northern to maintain its list in the tariff or make a tariff filing for each revision, provided that the list is maintained on its website.

b. Account Balance Transfer

19. As described below, we also find the proposed revision to the Account Balance Transfer provision in Tariff Sheet No. 136 provides reasonable clarification for Northern to meet its operational needs; therefore, we accept the proposed revision, subject to further clarification. The Commission has in the past accepted a similar clarifying proposal from Northern dealing with the allocation of shipper transportation rights during a capacity constraint.²⁰

20. While Xcel Companies argue that Northern fails to provide within-the-path scheduling priority, Xcel Companies also acknowledge that its proposal to modify Northern's scheduling priority practice was set for hearing and settlement judge

¹⁷ *Florida Gas Transmission Co.*, 115 FERC ¶ 61,240, at P 8 (2006) (*Florida Gas*) (the Commission determined Florida Gas Transmission was not required to maintain a list of receipt points in its tariff and explained that shippers are fully protected from changes to receipt points under Commission policy).

¹⁸ It is common practice for pipelines to post a "Catalogue of Points" on their websites and use this method as the exclusive manner in which the existence of points is communicated to customers. *See Id.* at P 7.

¹⁹ *Florida Gas* noted that there are a number of pipelines that currently do not maintain a listing of receipt points in their tariffs. *See, e.g.*, Dominion Transmission, Inc., ANR Pipeline Company, Columbia Gas Transmission Company, and East Tennessee Natural Gas Company tariffs.

²⁰ *See Northern Natural Gas Co.*, 132 FERC ¶ 61,131, at P 5 (2010).

proceedings and should be addressed through that process. In its comments, Xcel Companies explains:

Although Northern's current scheduling priority practices are directly tied to Northern's proposed Account Balance Transfer provision in Rate Schedule FDD, Section F (Tariff Sheet No. 136) as discussed above in section I.B., the practices are also inextricably tied to, or affect, a number of proposals in Northern's Base and Prospective Cases which have been set for hearing and settlement judge proceedings. The NSP Companies and SPS [otherwise known as Xcel Companies] understand from statements made by Commission Advisory Staff at the Technical Conference that Northern's scheduling practices should be considered set for hearing in this docket.²¹

21. We agree with Xcel Companies' assertion that scheduling priority practices may affect other proposals in Northern's Base and Prospective Cases. As such, we find that these arguments should, as acknowledged above, be litigated in the hearing. Notwithstanding, we also note that Northern has met its Order No. 637-A compliance obligation in a filing submitted in Docket No. RP00-404-018, which was accepted by the Commission.²² In that order, the Commission accepted Northern's revised tariff sheets implementing its segmentation plan, specifically noting that Northern modified its systems to recognize and schedule the alternate nominations as within or outside the path.

22. Xcel Companies also argue that the proposed Account Balance Transfer language is unclear and could impose additional restrictions on shippers' services. Specifically, Xcel Companies contend that the proposed tariff language could be interpreted to mean that Northern (1) would not allow shippers to transfer account balances between storage receipt and delivery points in the Field Area because of a constraint in the Market Area, or vice-versa; (2) would not permit account balance transfers in the event of a storage capacity allocation constraint; and (3) would not permit account balance transfers in situations in which a customer requests an account balance transfer from one storage point to another, and the requested transfer is in the opposite direction of a constraint. We direct Northern to make a filing to clarify issue (1) and disagree with the concerns raised in issues (2) and (3), as discussed below.

²¹ Xcel Companies Initial Comments at 8.

²² See *Northern Natural Gas Co.*, 113 FERC ¶ 61,223 (2005).

23. Rate Schedule FDD, Section F in Tariff Sheet No. 136, provides that (emphasis added to reflect Northern's proposed language):

To the extent allowed by the parameters of Shipper's FDD account(s), Shipper may, upon advising Northern, transfer its Account Balances (1) among different Shippers' FDD accounts, and/or, (2) between its own FDD accounts with no additional injection or withdrawal fees, and no transportation fees provided that the Shipper's accounts are held at the same storage point. *Provided Northern is not allocating due to capacity constraint(s)*, transfer of Account Balances between storage points, either on one account or among multiple accounts, shall not be charged injection or withdrawal fees but will be charged the applicable transportation fees. However, account balance transfers between accounts are limited to account balances where the Shippers have selected the same service type as provided in Section 2.B. of this Rate Schedule, i.e., GIP, 3-Step, 4-Step or EG. Further, the Account Balance transfer shall not be allowed to create a negative account balance for any party involved in the transaction.²³

Northern's tariff defines Account Balance in Rate Schedule FDD as the storage inventory balance at any time held for the shipper, not to exceed the shipper's firm storage quantity.²⁴

24. As Northern explained in its testimony, account balance transfers are effectuated without scheduling the quantities. Northern explained that the nature of this proposal is to clarify that transportation allocations caused by a capacity constraint may affect storage account balance transfers and that a shipper should not be able to *avoid the allocation process* by requesting an account balance transfer. As such, we find Northern's proposal and existing tariff provisions to provide sufficient clarification to Xcel Companies' concerns, with the exception of whether or not Northern would allow shippers to transfer account balances between storage points in the Field Area because of a constraint in the Market Area, or vice-versa. While Northern states that its proposal is intended to respond to situations where a capacity constraint impacts an account balance transfer, the proposed language does not limit the clause to specific situations where such a capacity constraint directly disrupts the scheduling of an account balance transfer between storage points. Without additional clarification of the scope and limitations of the proposal, the clause could reasonably prohibit account balance transfers in situations outside the explicit intent laid out in Northern's testimony. Therefore, we direct Northern to make a compliance filing to clarify the language defining the extent to which shippers are permitted to transfer account balances between storage points in the Field Area when there is a capacity constraint in the Market Area and the extent to which shippers are

²³ See Northern Rate Schedule FDD, Section F.

²⁴ See Northern Tariff Sheet No. 134.

permitted to transfer account balances between storage points in the Market Area when there is a capacity constraint in the Field Area.

B. Resolution of Prior Period Adjustments

1. Proposed Tariff Provisions in the July 1, 2019 Filing

25. Section 32 of Northern's GT&C contains provisions dealing with balancing, including imbalances related to PPAs. Currently, Northern's tariff only allows for a PPA imbalance to be resolved by cashing-out/in the imbalance using the average market index prices (MIP) for the period during which the imbalance was created.²⁵ Specifically, section 32H of the GT&C provides that any transportation imbalance in a given month created by throughput occurring in a previous month will have a dollar valuation based on the applicable Market Area or Field Area Average Weekly Index Price without tiering for the month in which the throughput occurred for purposes of using the monthly cash-out/in mechanism. In the July 2019 Filing, Northern proposed to give shippers the option, on a mutually agreeable basis, to resolve PPA imbalances using the monthly Imbalance-to-Storage option in addition to the current cash-out/in mechanism²⁶

26. Northern stated that its proposal provides shippers with PPA imbalances with options as similar as possible to the methods that shippers use to resolve ongoing, monthly imbalances.²⁷ Northern stated many shippers elect the Imbalance-to-Storage option each month to resolve ongoing monthly imbalances and this change will allow shippers to resolve PPA imbalances using the same method. Northern stated it has requested several limited waivers to allow the use of the Imbalance-to-Storage option for PPAs and received Commission approval for such waivers and that the proposed change

²⁵ Northern Exhibit No. NNG-00008 at 99.

²⁶ Northern's tariff, GT&C section 32, defines the Monthly Imbalance-to-Storage option as:

a Shipper's monthly imbalance may be resolved as an injection to, or withdrawal from, the Shipper's deferred delivery account(s), or the deferred delivery account of another shipper, subject to capacity availability and the terms of the Shipper's deferred delivery account. If the Shipper is utilizing an account of another Shipper an executed agreement between the transfer parties must be provided to Northern identifying the transfer parties and the transfer quantity at the time of the election.

²⁷ Northern Exhibit No. NNG-00008 at 99.

would eliminate the need for Northern to request such limited waivers.²⁸ Additionally, Northern asserted the proposed change may help shippers avoid sizable financial impacts associated with PPAs because PPAs are currently cashed out at the average MIP, instead of at the high or low MIP that is used to value the imbalance.²⁹

2. Initial Comments

27. Northern reiterates that the proposed PPA imbalance resolution procedure provides additional flexibility but must be based on mutual agreement between Northern and the shipper. Northern states that it cannot be in the position of being forced to agree to an imbalance resolution method that results in economic harm to the pipeline. Under those circumstances, the resolution should default to the existing mechanism (cash-out/in at the average MIP).³⁰

28. Shipper Alliance states that it appreciates Northern's proposal for alternatives to the cash-out/in mechanism to resolve PPAs. However, Shipper Alliance argues that Northern's proposed tariff changes do not address Shipper Alliance's underlying problem of the inconsistent calculation of dollar imbalance amounts in section 32 of the GT&C.³¹ Shipper Alliance argues that the inconsistent calculation of dollar imbalances results in shippers paying more for imbalances than they are credited to resolve PPAs using the cash-out/in mechanism. Shipper Alliance asserts that according to section 32.E(i)(a) of the GT&C, when a shipper's monthly deliveries exceed the shipper's monthly receipts, the dollar valuation is calculated using the high MIP for the Market or Field Areas. However, Shipper Alliance argues that according to section 32H of the GT&C, PPAs using the cash-out/in mechanism are given a dollar value calculated using the average MIP for the Market or Field Areas.³²

29. Shipper Alliance states that the Commission should direct Northern to start a dialogue with stakeholders to resolve the issue and attach a specific time frame by which Northern must propose amendments that resolve the inconsistent use of MIPs in calculating imbalance dollar values in section 32 of Northern's GT&C.³³

²⁸ *Id.*

²⁹ *Id.*

³⁰ Northern Initial Comments at 4.

³¹ Shipper Alliance Initial Comments at 3.

³² *Id.* at 4.

³³ *Id.* at 4.

30. Joint Commenters state they do not necessarily oppose Northern's proposal. However, Joint Commenters ask the Commission to ensure that the revised tariff language makes clear that the shipper would have the right to choose whether to resolve a PPA imbalance using either the cash-out/in at the average MIP or the monthly Imbalance-to-Storage resolution method, and that Northern could not compel a shipper to choose one method or the other.³⁴

3. Reply Comments

31. Northern states that the filed comments do not appear to object to the specific tariff changes but raise questions regarding its implementation. In response to Joint Commenters' request for clarification, Northern states that the proposed language is clear and should not be modified. Northern explains that the purpose of its proposal is to provide, subject to mutual agreement, an additional option for resolving PPAs, without the need for Northern to request a waiver. Northern states that the tariff change is appropriate because there may be a difference in value caused by the passage of time between when the imbalance is incurred and when it is revolved.³⁵

32. Northern states that Shipper Alliance does not appear to oppose the tariff change but takes issue with Northern's existing cash-out/in methodology because volumetric imbalances are calculated using *high* MIP for the Market or Field Areas, while the dollar valuation of a PPA imbalance for the purposes of using the monthly cash-out/in mechanism is calculated using the *average* MIP.³⁶ Northern states that because it did not propose changes to its cash-out/in mechanism, Shipper Alliance must meet its burden under NGA section 5 if it wishes to propose such revisions. Northern argues that Shipper Alliance is requesting that the Commission exercise its NGA section 5 authority to order Northern to discuss its existing cash-out/in mechanism with its shippers. Northern states it is always open to discuss tariff issues with shippers, but it cannot be required to change its existing cash-out/in mechanism unless the NGA section 5 burden is met. Northern states that existing tariff language that provides PPAs imbalances to be resolved at the average MIP was specifically negotiated in Northern's last rate case in Docket Nos. RP03-398 and RP04-155.³⁷ Northern states the PPA tariff proposal is intended to expand the options available to shippers while retaining the existing negotiated benefits.

³⁴ Joint Commenters Initial Comments at 5.

³⁵ *Id.* at 6.

³⁶ *Id.* at 6-7.

³⁷ *Id.* at 6-7.

4. Commission Determination

33. We accept Northern's proposal to allow shippers to resolve PPA imbalances, on a mutually agreeable basis, using the monthly Imbalance-to-Storage option. Northern's proposal provides an additional option that shippers may elect to use to resolve their PPA imbalances and eliminates the need for Northern to file for limited waivers to use the Imbalance-to-Storage option for PPA imbalances. As an example, the Commission has previously granted a limited waiver to Northern to resolve account PPA imbalances using its Imbalance-to-Storage option.³⁸ Accepting Northern's proposal will provide greater flexibility by adding another option for shippers to resolve their PPA imbalances by using the Imbalance-to-Storage option, which Northern has used in the past.

34. Joint Commenters urge the Commission to ensure that the revised tariff language makes clear that the shipper would have the right to choose whether to resolve a PPA imbalance using either the cash-out/in mechanism at the average MIP or the monthly Imbalance-to-Storage resolution method, and that Northern could not compel a shipper to choose one method or the other. We find that no revision is necessary as the proposal provides, subject to mutual agreement with Northern, the option for shippers to resolve PPA imbalances through the Imbalance-to-Storage option. Northern cannot compel a shipper to choose this option, and if the parties do not come to an agreement, they may resolve PPA imbalances through the existing cash-out/in mechanism.

35. Shipper Alliance argues that Northern's proposed revision to its PPA provision does not address the underlying problem of the inconsistent calculation methodology Northern uses to resolve imbalances. Shipper Alliance requests that the Commission direct Northern to propose amendments that resolve the inconsistent use of MIPs in calculating imbalance dollar values. Because Northern did not propose changes to its cash-out/in mechanism, Shipper Alliance must meet its burden under NGA section 5 to demonstrate that Northern's existing cash-out/in mechanism is unjust and unreasonable and that any alternate provision proposed by Shipper Alliance is just and reasonable.³⁹ We find that Shipper Alliance has not provided sufficient evidence to demonstrate that Northern's current calculation of dollar imbalance amounts is unjust and unreasonable nor has it proposed a new method of calculating the dollar imbalance amount. Because Shipper Alliance has not met the NGA section 5 burden of proof criteria, we decline to take any further action regarding Northern's cash-out/in mechanism. However, Northern

³⁸ *Northern Natural Gas Co.*, 126 FERC ¶ 61,067 (2009).

³⁹ Generally, the Commission recognizes that a company under NGA section 5 have the burden of persuasion to demonstrate both that those existing tariff provisions are unjust and unreasonable and that any required replacement tariff provisions are just and reasonable. (*Algonquin Gas Transmission, LLC*, 143 FERC ¶ 61,082, at P 23 (2013)).

has stated it is open to discuss tariff issues with shippers. Therefore, we encourage Shipper Alliance to discuss with Northern its concerns with the cash-out/in mechanism.

C. Open Season Posting Requirements

1. Proposed Tariff Provisions in the July 1, 2019 Filing

36. Section 26B of the GT&C provides for the posting and awarding of capacity on Northern's system. Under Northern's current tariff provision, Northern shall have the right to post notices for solicitation of bids for particular segments of capacity for service to start immediately or in the future or conduct open seasons for expansion projects including requests for incremental service. Northern's tariff provides that such notice may include a bid evaluation methodology, and/or if the open season includes service to start at some time in the future, the bid methodology will include a net present value (NPV) analysis. Northern's tariff also provides that Northern will post whether bids have been received and show the full NPV analysis for the highest bid received, the shipper's bids, and provide the actual calculation of the NPV with sufficient clarity to permit bidders to duplicate the results.

37. In its July 2019 Filing, Northern stated that the current provision in Tariff Sheet No. 252 requires Northern to post all bids received in an open season, whether a bid was awarded capacity or not. Northern stated it is not just and reasonable that it be required to post unsuccessful bids because, according to Northern, this is irrelevant information that is not required by Commission policy. Northern stated that posting the winning bid(s) and the NPV of the winning bid(s) is the only relevant information after the close of an open season and that the posting of unsuccessful bids only serves to create a distorted perception regarding the value of the capacity posted. Northern stated that the true value of the capacity is based on who values the capacity most and posting the winning bid will provide the necessary information to the marketplace.⁴⁰

2. Initial Comments

38. Parties argue that posting only the winning bid, rather than all bids, at the close of an open season will eliminate both transparency in the bidding process and market data regarding the level of interest in capacity at various points on Northern's system.⁴¹ Xcel Companies, Upper Midwest Shippers, and Joint Commenters argue that posting all bids will assure customers that Northern is evaluating open season bids in accordance with its tariff and that Northern has correctly awarded any capacity subject to an open season.

⁴⁰ Northern Exhibit No. NNG-00008 at 89-90.

⁴¹ Upper Midwest Shippers Initial Comments at 4, Xcel Companies Initial Comments at 5, Joint Commenters at 4, and Shipper Alliance Initial Comments at 2.

Upper Midwest Shippers assert that, at the technical conference, Northern clarified that if an open season produced no winning bids, it would not post any of the bids that were submitted. Upper Midwest Shippers further assert that, in this scenario, customers would have no way of ensuring that Northern complied with the open season procedures set forth in its tariff. Xcel Companies assert that posting the losing bids can provide relevant market data regarding the level of interest in capacity at a given point. Xcel Companies further assert that not posting this information would result in Northern being the sole party with such market intelligence.

3. Reply Comments

39. Northern reiterates its argument that posting non-winning, below-market bids may distort the market's perception of price and value. Northern argues that posting these non-winning bids – bids that undervalue Northern's capacity – would undercut the Commission's goal of ensuring that capacity is awarded based on the highest economic value. Northern further argues that the unsuccessful bids could depress the perceived value of Northern's capacity and that Northern's proposal reflects the Commission's policy that capacity be awarded to the shipper who values it the most. Northern notes that in Docket No. RP12-808-000 (Northern 2012 Filing),⁴² the Commission rejected a similar proposal by Northern to post only winning bids. However, Northern claims it now supports its proposal with substantial evidence. Northern states that the Commission has recently approved similar tariff proposals for other pipelines recognizing that the posting of the winning bidder provides the necessary information and transparency.⁴³ Finally, Northern states it will modify its proposed tariff language to require it to post a notice that no winning bid was received following the close of an open season where there was no winning bid.

40. Xcel Companies argue that Northern's proposal would prevent interested parties from even seeing what rate was used for the winning bid because Northern proposed to only show the NPV calculation, and not the full NPV analysis, of a winning bid. Xcel Companies argue that in each of the cases cited by Northern to support its proposal, the Commission required more than what Northern proposed in the instant filing. As examples, Xcel Companies argue that in *Rockies Express*, the Commission required the pipeline to post the NPV, term, and quantity of the winning bid; in *Northern Border*, the Commission required the pipeline to provide full disclosure of the bid requirements and evaluation criteria at the time of posting and after-the-fact disclosure of winning bids and

⁴² Northern Reply Comments at 9 (citing *Northern Natural Gas Co.*, 140 FERC ¶ 61,047 (2012) (Northern 2012 Order)).

⁴³ *Id.* (citing *inter alia*, *Rockies Express Pipeline, LLC*, 165 FERC ¶ 61,017, at P 15 (2018) (*Rockies Express*); *Northern Border Pipeline Co.*, 164 FERC ¶ 61,150 (2018) (*Northern Border*)).

analysis.⁴⁴ Therefore, Xcel Companies argue that Northern's proposal to change its open season posting procedures does not meet the levels of transparency set by the orders cited by Northern, and should be rejected.

4. Commission Determination

41. As discussed below, we reject Northern's proposed revisions in section 26B of the GT&C in Tariff Sheet No. 252. We find that, similar to its open season proposal in the Northern 2012 Filing, Northern provided inadequate justification here to support its proposal to alter section 26B of its GT&C and why reducing the amount of bid information to the capacity market is just and reasonable. In the instant petition, as it did in its Northern 2012 Filing, Northern uses the same basic argument that the posting of unsuccessful bids is not relevant and only serves to create a distorted perception regarding the value of the capacity posted.⁴⁵ In the Northern 2012 Order, the Commission found that providing additional information regarding below-market bids may well provide meaningful value to shippers and the absence of such information may distort the market's perception of price and value. The Commission further found that if Northern alone can view all the market information from each of the bids, it gains a competitive advantage over participants in the secondary market. The Commission stated that it required greater justification before it would allow Northern to reduce its current tariff obligation to post complete bidding information.⁴⁶

42. In its reply comments, Northern cites cases where the Commission required pipelines to post only the winning bid.⁴⁷ These are the same cases Northern cited in the Northern 2012 Filing. In each of these cases, the proposal to post only winning bids was either unopposed or opposed only on the bid validation grounds (i.e., more information was needed to determine whether the bid that the pipeline chose to characterize as the winning bid actually was the best bid under the pipeline's bidding procedure). In those cases, the Commission did not address the issue of whether all bids should be revealed for competitive reasons. None of the three pipelines in the cases cited by Northern proposed *eliminating* bid information that those pipelines had been required to provide by their tariffs. We believe that additional transparency to the marketplace will ensure that pipelines are awarding capacity in compliance with their tariffs. In *Tennessee*, the

⁴⁴ Xcel Companies Reply Comments at 4-5.

⁴⁵ Northern 2012 Order, 140 FERC ¶ 61,047.

⁴⁶ *Id.* at P 22.

⁴⁷ See *Tennessee Gas Pipeline Co.*, 82 FERC ¶ 61,008 (1998) (*Tennessee*); *Texas Gas Transmission, LLC*, 125 FERC ¶ 61,189 (2008) (*Texas Gas*); and *Southern Natural Gas Co.*, 100 FERC ¶ 61,089 (2002) (*Southern*).

Commission originally found that at the close of a capacity auction, the pipeline must post the winning bid and its associated NPV analysis. On rehearing, shippers argued that the pipeline had at times announced that there were no winning bids without disclosing whether it received any bids or exercised its right to reject bids at less than the maximum rate. On rehearing, the Commission clarified that “to ensure that a realistic check of the NPV process can be performed by the affected shippers...[t]he Commission will require Tennessee to declare, for all capacity posted for bidding, whether bids have been received and to show the full NPV analysis for the highest bid received regardless of whether that bid is accepted. The NPV analysis must be shown in a manner that would allow any other bidder to readily duplicate that analysis for their own bid.”⁴⁸ In *Texas Gas*, the Commission approved the pipeline’s auction process for selling its storage capacity only after finding that its tariff contained customer protections that prohibited it from exercising market power or engaging in undue discrimination.⁴⁹ In *Southern*, when approving tariff provisions relating to pre-arranged sales for capacity, the Commission required the pipeline to post the original asking price, the rate agreed upon in the pre-arranged deal, and the winning bid.⁵⁰

43. In its proposed revisions, Northern will only post the winning bid and the NPV analysis for the winning bid, but it will not post whether bids have been received, as required in *Tennessee*. Although Northern agreed to make a compliance filing to modify its proposal so that it must post a notice that no winning bid was received following the close of an open season where there was no such winning bid,⁵¹ Commission policy requires that Northern show the full NPV analysis for the highest bid received regardless of whether that bid is accepted. As Northern’s current proposal is similar to the proposal in its Northern 2012 Filing, and additional support has not been provided, we find no compelling reason to provide a different ruling.

⁴⁸ *Tennessee*, 82 FERC ¶ 61,008 at 61,030.

⁴⁹ *Texas Gas*, 125 FERC ¶ 61,189 at 62,014 (“we also find that the proposed auction process will prevent Texas Gas from exercising market power by withholding capacity from the market [. . .] since an auction can be initiated by a customer as well as by Texas Gas [and] Texas Gas’ proposed reserve prices are reasonable and will prevent economic withholding.”).

⁵⁰ *Southern*, 100 FERC ¶ 61,089.

⁵¹ Northern Reply Comments at 10.

D. System Balancing Agreements

1. Proposed Tariff Provisions in the July 1, 2019 Filing

44. Northern's currently effective tariff requires Northern to purchase SBAs of at least 1.35 Bcf of peaking and 2.94 Bcf of pack and draft agreements each year. Northern explained that an SBA is an agreement between Northern and a third party (SBA Provider) that requires the SBA Provider, at Northern's discretion, to move gas to and from Northern's pipeline system by creating a positive or negative balance on the SBA agreement.⁵² In the July 2019 Filing, Northern proposed to remove references to specific minimum quantity references in the SBA requirements and to provide flexibility to enter alternative agreements that accomplish the same results.

45. Northern stated that it anticipates the continued need to enter into agreements annually with qualified parties to help Northern with peaking and balancing services on the pipeline system. Northern stated that it merely seeks relief from the rigid quantity obligation to use the peaking SBA and the pack and draft SBA to fulfill its obligations under section 50 of its GT&C.⁵³ Northern explained that the elimination of these volumetric requirements provides increased operational flexibility in acquiring the necessary services. Northern asserted that the predetermined quantities requirement in the tariff forces it to purchase the stated minimums even though it may be more efficient or operationally preferable to utilize resources other than the SBA. Northern stated that it can, in many cases, enter into more effective agreement structures to provide peaking and pack and draft services to help balance the pipeline system. These alternative agreements are industry standard North American Energy Standard Board (NAESB) gas purchase and/or sales agreements. Northern stated that SBAs remain a needed resource, but the rigidity of specific quantity thresholds limits its ability to optimize the use of all available resources.⁵⁴

2. Initial Comments

46. Northern states that, at the technical conference, several parties asked clarifying questions about Northern's SBA proposal. Northern assured parties that it does not purchase more or less peaking and pack and draft quantities than it needs. Northern affirmed that its proposal would not affect the use of NAESB agreements, nor does the

⁵² Northern Exhibit No. NNG-00008 at 100.

⁵³ *Id.*

⁵⁴ *Id.*

proposal reflect any system change.⁵⁵ Northern states that it would likely use NAESB contracts exclusively for gas purchases to cover peaking and peak and draft requirements. Northern states its proposal improves efficiency in meeting the physical balancing needs of its pipeline system, is just and reasonable, and should be accepted.⁵⁶

47. Xcel Companies state that they do not generally oppose Northern's proposal. However, Xcel Companies claim Northern has provided insufficient information as to how the costs of its more flexible operations will be recovered, nor has it provided a method to provide customers adequate transparency into Northern's ongoing operations in the absence of a tariff-mandated minimum. Xcel Companies assert that at the technical conference Northern stated that the operational purchases and sales data is provided in its annual FERC Form No. 2 (Form 2) filing, and indexed price deals are reflected in its FERC Form No. 552 (Form 552). However, Xcel Companies argue that the Form 2 and Form 552 data are merely provided as yearly totals without providing details of how purchases and sales were conducted over the course of a year. Xcel Companies argue that if Northern is permitted to remove the tariff-mandated minimum, it should be required to file an annual Operational Purchase and Sales Report, detailing on a monthly basis the source of gas, volumes of each purchase and/or sale, price, and total dollar amounts.⁵⁷

48. Additionally, Xcel Companies claim that Northern stated at the technical conference that current costs associated with its SBA agreements are currently reflected in its July 2019 Filing's proposed rates. Xcel Companies argue that if Northern is permitted to make the requested tariff change, Northern should be required to update its proposed rates to reflect the elimination of existing agreements.⁵⁸

3. Reply Comments

49. Northern states that no entity opposed the elimination of tariff mandated minimums for SBA agreements and that the tariff proposal should be accepted without revision. Northern states that volumetric requirements often force Northern to purchase the stated minimum even though it may be more efficient or operationally preferable to utilize resources other than the SBA. Northern claims that Xcel Companies asked the Commission to exercise its NGA section 5 authority to require Northern to file an annual

⁵⁵ Northern Initial Comments at 6.

⁵⁶ *Id.*

⁵⁷ NSP Companies Initial Comments at 5-6.

⁵⁸ *Id.* at 6.

Operational Purchase and Sales Report detailing, on a monthly basis, the source of such gas, volumes of each purchase and/or sale, price, and total dollar amounts.⁵⁹

50. Northern states that Xcel Companies have not met their burden under NGA section 5 by showing that the existing practice of reporting operational purchases and sales data on the Form 2 and indexed deals on Form 552 is unjust and unreasonable. In addition, Northern argues that Xcel Companies have failed to explain why adoption of the proposed provision would warrant cost adjustments in Northern's ongoing NGA section 4 rate case.⁶⁰

51. Xcel Companies reiterate that if the Commission allows Northern to eliminate the current tariff requirement to purchase a minimum amount of peaking and pack and draft agreements each year, the Commission should require Northern to file an annual Operational Purchase and Sales Report. Xcel Companies assert that despite Northern's assurances that it will not over- or under-contract for peaking and pack and draft requirements, it is an insufficient replacement for the current tariff guarantees.⁶¹

52. Xcel Companies state that Northern's plan to exclusively use NAESB contracts may increase the number and variance of transactions Northern uses to meet the physical balance needs of its pipeline. In addition, Xcel Companies state that Northern's explanation at the technical conference of using existing reporting requirements will only provide annual totals without the necessary details to determine how purchases and sales were conducted over the year. Xcel Companies argue that Northern should be required to provide its customers with transparency into the process.⁶²

4. Commission Determination

53. We find Northern's proposal to remove specific minimum quantity references in its SBA requirements to be reasonable and provides Northern the flexibility to enter into alternative agreements to achieve the same results. SBAs were implemented as part of Northern's settlement in Docket No. RS92-8-000, *et al.*⁶³ SBAs are contracts Northern enters into with shippers to provide volumes when necessary to ensure system integrity

⁵⁹ Northern Reply Comments at 11.

⁶⁰ *Id.*

⁶¹ Xcel Companies Reply Comments at 4-5.

⁶² *Id.* at 5.

⁶³ *Northern Natural Gas Co.*, 64 FERC ¶ 61,073 (1993), *order denying reh'g*, 65 FERC ¶ 61,011 (1993).

and are an alternative to the use of operational flow orders.⁶⁴ Commission policy gives pipelines the discretion to operate their systems based on their experience and defers to pipelines' expertise as operators.⁶⁵ Therefore, we defer to Northern's operational expertise when determining the operational physical peaking and balancing needs of its pipeline system and that eliminating minimum quantity references in their SBA requirements will provide flexibility in acquiring the necessary services. However, as discussed in more detail below, in accepting Northern's proposal to remove minimum quantity requirements in its SBAs, we will direct Northern to provide additional information.

54. Xcel Companies have raised concerns that Northern has not provided sufficient information as to how the costs of its more flexible operations will be recovered, nor has Northern provided a method to provide customers adequate transparency. Xcel Companies request that if the Commission accepts Northern's proposal, Northern should be required to file an annual Operational Purchase and Sales Report.⁶⁶ We agree that Northern's existing reporting requirements do not provide adequate transparency. Therefore, we will require Northern to include a greater level of detail in its operational transaction reporting requirements. The Commission has previously ordered that reporting operational purchases and sales of gas on Form 552 does not provide adequate transparency for the Commission and shippers to examine such transactions.⁶⁷ Accordingly, we direct Northern to file revised tariff records setting forth the parameters under which it will engage in operational purchases (or sales) and the reporting requirements for such transactions. The annual report must identify the following: (1) the source of the operational gas purchased or sold; (2) the date of such sale or purchase; (3) the volume; (4) the purchase or sale price; (5) the costs and revenues from such purchase or sale; (6) the disposition of the associated costs and revenues; and (7) an explanation of the purpose of any operational transaction.⁶⁸

55. We find Xcel Companies' request to require Northern to update its proposed rates to reflect the elimination of existing agreements is unwarranted. Xcel Companies have not explained why accepting Northern's proposal would require Northern to adjust its costs in its NGA section 4 rate case. Additionally, Northern is only required to update

⁶⁴ *Northern Natural Gas Co.*, 80 FERC ¶ 61,162, at 61,702 (1997).

⁶⁵ *See Rockies Express Pipeline LLC*, 124 FERC ¶ 61,215, at P 19 (2008).

⁶⁶ Xcel Companies Initial Comments at 5.

⁶⁷ *Northern Border Pipeline Co.*, 128 FERC ¶ 61,230, at P 7 (2009).

⁶⁸ *E.g.*, *Colorado Interstate Gas Co.*, 107 FERC ¶ 61,312, at P 15 (2004), *order on reh'g.*, 111 FERC ¶ 61,216, at P 13 (2005).

costs during the test period in its NGA section 4 rate case pursuant to section 154.303 of the Commission's regulations.⁶⁹ As stated above, the Commission has directed Northern to file an annual Operational Purchase and Sales Report, which Xcel Companies and other customers can review. To the extent Xcel Companies or other customers have any concerns, they may raise them at that time.

E. Operational Balancing Agreements

1. Proposed Tariff Provisions in the July 1, 2019 Filing

56. Tariff Sheet No. 264 provides that Northern will negotiate an OBA with a shipper who requests one and sets forth the condition required to enter into an OBA. In the July 2019 Filing, Northern proposed a change that requires Northern to enter into an OBA at all points of interconnection between its system and the system of another interstate or intrastate pipeline. In addition, Northern proposed a new provision that an OBA between interconnecting pipelines will include a volumetric in-kind imbalance resolution methodology, unless the pipelines agree otherwise. Northern stated that the new provision establishes a standard imbalance resolution methodology.⁷⁰ Northern stated that the proposed addition provides the clarity necessary to agree to an OBA on Northern.⁷¹ Northern proposed to remove language that requires Northern to negotiate an OBA if requested by a shipper.

57. Additionally, Northern proposed two other minor changes. First, Northern proposed to remove a provision regarding Data Acquisition Systems because Northern claimed it was no longer applicable given the proposed changes. Second, Northern proposed to move the definition of OBAs to section 1 of the GT&C, Definition of Terms.⁷²

2. Initial Comments

58. Upper Midwest Shippers state that although they support Northern's proposed revisions that OBAs are required at all interconnections, the proposed tariff revisions affect customer's existing rights to request OBAs. Upper Midwest Shippers assert that Northern's proposal appears to eliminate the requirement that Northern must always negotiate an OBA if requested by a shipper, and instead provides Northern the option

⁶⁹ 18 C.F.R. § 154.303 (2019).

⁷⁰ Northern Exhibit No. NNG-00008 at 98.

⁷¹ *Id.*

⁷² *Id.*

of negotiating an OBA.⁷³ Upper Midwest Shippers request that the Commission direct Northern to amend its tariff revisions regarding OBAs to clarify that customers are not stripped of their current right to require Northern to negotiate such OBAs.⁷⁴

3. Reply Comments

59. Northern states that its current tariff provisions address the requirement for Northern to enter into OBAs with a shipper that requests an OBA. Northern asserts that its proposal broadens this provision to cover all OBAs.⁷⁵

60. Northern states that the proposed change was not intended to incrementally impede or limit the rights of shippers to request an OBA. Northern states that to alleviate concerns, Northern will modify Tariff Sheet No. 264 to reinstate the language deleted and remove the language added for the purpose of broadening the provision's applicability. Northern does not propose to change its proposal to move the definition of OBAs to the section 1 of the GT&C and to provide a default imbalance resolution method applicable to OBAs required with interstate and intrastate pipelines, as no party opposed or provided initial comments.⁷⁶

61. Northern states that it has included a revised Tariff Sheet No. 264⁷⁷ in its reply comments and will make a compliance filing to reflect these changes upon approval by the Commission.

4. Commission Determination

62. We accept Northern's revised tariff record in Attachment A of Northern's reply comments. Section 284.12(b)(2)(i) of the Commission's regulations requires each interstate pipeline to enter into OBAs at all points of interconnection between its system and the system of another interstate or intrastate pipeline. Northern's proposal requires Northern to enter into an OBA at all points of interconnection between its system and the system of another interstate or intrastate pipeline. We find Northern's proposal consistent with section 284.12(b)(2)(i) of the Commission's regulations.

⁷³ Upper Midwest Shippers Initial Comments at 6.

⁷⁴ *Id.*

⁷⁵ Northern Reply Comments at 12.

⁷⁶ *Id.*

⁷⁷ Northern Reply Comments at Attachment A.

63. We find that Northern's revised tariff records, submitted in its Reply Comments, have sufficiently addressed the concerns of Upper Midwest Shippers regarding clarification that customers are not stripped of their current rights to require Northern to negotiate OBAs. We find that the revised provision is just and reasonable. Therefore, we direct Northern to file the revised tariff record submitted in Attachment A of Northern's reply comments.

F. Non-Rate Base Case Periodic Rate Adjustment Changes

1. Proposed Tariff Provisions in the July 1, 2019 Filing

64. Northern's currently effective Fuel and Unaccounted for Gas (UAF) retention percentages are established through a PRA mechanism as provided in section 53A of Northern's GT&C on Sheet No. 300. In its July 2019 Filing, Northern proposed to eliminate the periodic NGA section 4 filing requirements under section 53A that obligate Northern to submit annual filings with the Commission to change Fuel and UAF percentages. Alternatively, Northern requested permission to exclusively post changes to the Fuel and UAF percentages on an as-needed basis on its website, file an annual report with the Commission, and obviate Commission approval for each PRA change.

65. As part of the Commission's order accepting and suspending the filing, the Commission rejected Northern's proposal to remove the tariff requirements to file annual and seasonal rate change filings with the Commission.⁷⁸ The Commission determined that the proposal was inconsistent with the NGA, which requires that pipelines file with the Commission to support their rate adjustments and allow customers and the Commission the opportunity to review and comment or protest any adjustments to the rates.

66. On August 30, 2019, in Docket No. RP19-1353-002, Northern submitted a filing in compliance with the July 2019 Suspension Order that "ensure[s] that the remaining components of Northern's PRA proposal are consistent with the currently effective periodic NGA section 4 filing requirements."⁷⁹ As revised, Northern's remaining Base Case non-rate PRA changes in section 53A include: (1) moving all definitions into the definition section; (2) removing obsolete provisions regarding Field fuel; (3) changing the description from "M/L Fuel Percentage" to "Transportation Fuel"; (4) replacing references to Mileage Indicator Districts for Field Area fuel to section 1 and 2 and Market Area fuel to section 3; (5) removing obsolete reference in the True-up

⁷⁸ July 2019 Suspension Order, 168 FERC ¶ 61,069 at P 9.

⁷⁹ *Id.*

mechanism; and (6) update the names of the reports and filing applicable to the PRA section.⁸⁰

67. At the technical conference, Northern stated that these changes are necessary because it abandoned all of its Field Area fuel compressors. According to Northern, due to this change in Northern's operations, all references to Field Area fuel are obsolete, prompting the proposal to change from M/L Fuel Percentages to Transportation Fuel.

68. In its initial comments, Northern states that none of the changes to the PRA provision made in the compliance filing were protested during the technical conference and should be accepted without revision. Northern states that no parties filed comments opposing the above remaining PRA changes and reiterates that the Commission should accept the proposed tariff records.

2. Commission Determination

69. Northern's remaining Base Case non-rate PRA changes relate to the abandonment of its Field Area fuel compressors. Therefore, the Field Area fuel provisions in the tariff are obsolete and should be removed. Further, Northern proposes related housekeeping changes to reflect the use of one term for transmission fuel for the Field and Market Area mainline fuel. We find these remaining changes to be administrative in nature and believe that Northern has provided adequate explanation to support these ministerial changes. As such, we accept these changes as just and reasonable.

G. Miscellaneous Tariff Changes

70. Northern also proposed a number of housekeeping changes to its tariff. These changes include (1) removing references to the "Bushton Plant Outlet" that was closed 10 years ago; (2) removing the definition for "Weighted Average Peak Day," which is no longer used by the tariff; (3) removing a reference to "Plant Volume Reduction," which is a term no longer used by the tariff; and (4) revising terms to be consistent throughout the tariff. In addition, Northern proposed the removal of obsolete gas processing provisions from its tariff. Northern states that parties did not file opposing comments to the above housekeeping changes and requests that the Commission accept the proposed tariff records.

71. We accept Northern's proposed tariff provisions reflecting the above housekeeping changes and the removal of obsolete gas processing provisions from the tariff.

⁸⁰ Northern Exhibit No. NNG-00001 at 51.

H. Conclusion

72. Northern is directed to comply with the findings above within 15 days of the date of this order.

The Commission orders:

Northern's Base Case non-rate tariff proposals are disposed of as more fully described above. Within 15 days of the date of this order, Northern is required to make a compliance filing using a type of filing code 580 to reflect these determinations.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.