

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

Northern Natural Gas Company

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Docket No. RP19-1353-000

**PROCESS GAS CONSUMER GROUP'S AND  
INDUSTRIAL ENERGY CONSUMERS OF AMERICA'S  
MOTION TO INTERVENE, PROTEST, AND REQUEST FOR MAXIMUM  
SUSPENSION AND EVIDENTIARY HEARING**

On July 1, 2019, Northern Natural Gas Company (“Northern”) submitted a rate case filing pursuant to section 4 of the Natural Gas Act (“NGA”) that includes: (i) its “Base Case” which proposes a general rate increase as well as certain changes to Northern’s rates, rate schedules, and General Terms and Conditions to be effective August 1, 2019, and (ii) its “Prospective Case” which proposes changes in Northern’s cost allocation, rate design, and rate schedules and modifications to certain charges, which Northern requests be made effective prospectively upon Commission review and approval and be made subject to hearing in this matter.<sup>1</sup> Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) Rules of Practice and Procedure,<sup>2</sup> and the Commission’s Combined Notice of Filing,<sup>3</sup> Process Gas Consumers Group (“PGC”) and Industrial Energy Consumers of America (“IECA”) (jointly, “PGC/IECA”) file this motion to intervene and protest in the above-captioned proceeding. In support of this motion, PGC/IECA state as follows:

**I. COMMUNICATIONS**

All correspondence, communications, pleadings and other documents relating to this

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<sup>1</sup> *Northern Natural Gas Company*, Docket No. RP19-1353-000 (2019), Transmittal Letter at pp.1-2.

<sup>2</sup> 18 C.F.R. §§ 385.212 and 385.214 (2018).

<sup>3</sup> *See* Combined Notice of Filings (July 8, 2019).

proceeding should be served upon the following:

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## II. MOTION TO INTERVENE

PGC is a trade association that represents energy-intensive large industrial and manufacturing natural gas consumers who have the potential to benefit from the low-cost energy prices brought about by the shale revolution. PGC members own and operate hundreds of manufacturing plants and facilities in virtually every state in the nation and consume natural gas delivered through interstate natural gas pipeline systems throughout the United States. PGC members hold transportation capacity on numerous interstate pipelines. PGC members are firm shippers on Northern.<sup>4</sup>

IECA is a nonpartisan association of leading manufacturing companies with \$1.0 trillion in annual sales, over 3,700 facilities nationwide, and with more than 1.7 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets. IECA membership represents a diverse set of industries including: chemicals, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical,

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<sup>4</sup> For the purposes of this filing, some of the PGC members that are shippers on Northern include: USG Corp., Cargill Inc. and Green Plains Inc. They hereby move to intervene jointly and severally.

building products, automotive, brewing, independent oil refining, and cement. IECA members are firm shippers on Northern.<sup>5</sup>

As set forth above, PGC and IECA members are firm shippers on Northern and are impacted by the proposed rate increases and rate design and cost allocation proposals. Thus, PGC and IECA have interests that may be directly affected by the outcome of the proceeding which cannot be represented by any other party and, therefore, their participation is in the public interest.

### **III. BACKGROUND**

On January 16, 2019, the Commission initiated a section 5 investigation of Northern's existing rates in Docket No. RP19-59-000.<sup>6</sup> Staff and Intervenors filed testimony supporting a rate decrease from Northern's currently effective rates on June 28, 2019. Staff's Witness Tran presented the Trial Staff's recommended cost of service using actuals for the twelve-month period of April 1, 2019 through March 31, 2019, for a total Staff recommended cost of service of approximately \$588 million, which represented an approximate \$210 million reduction from Northern's filed Cost and Revenue Study cost of service of approximately \$798 million.<sup>7</sup>

### **IV. PROTEST**

#### **A. Northern's Proposed Base Case Rate Increases Have Not Been Shown to Be Just and Reasonable and Not Unduly Discriminatory or Preferential.**

In its Base Case, Northern proposes a Test Period annual cost of service of \$1.005 billion based upon a Base Period for its cost of service of the 12-months ended on March 31, 2019 and a

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<sup>5</sup> For the purposes of this filing, the IECA members that are shippers on Northern include: Ag Processing, Inc., CF Industries Nitrogen, LLC, Cleveland-Cliffs, Inc. and WestRock Shared Services, LLC. They hereby move to intervene jointly and severally. CHS Inc. also moves to intervene as a shipper on Northern and as an *ad hoc* member of this intervenor group.

<sup>6</sup> See *Northern Natural Gas Company*, 166 FERC ¶ 61,033 (2019).

<sup>7</sup> See Testimony of LeThuy Tran, Exhibit No. S-0001, Docket No. RP19-59-000.

Test Period including the 9-month period from April 1, 2019 to December 31, 2019, resulting in rate increases of up to 118% for some rate schedules.<sup>8</sup> These extraordinarily high rate increases have not been shown to be just and reasonable, not unduly discriminatory or preferential; and therefore, a hearing must be established to afford intervenors, along with Staff, the opportunity to pursue discovery and investigate the factual basis for the substantial proposed increases.

While intervenors have not had an adequate opportunity to fully study the filing and conduct discovery, it appears that Northern's filing of a rate increase is simply designed to avoid a rate decrease in the ongoing Section 5 proceeding. Staff's proposed recommended annual cost of service in the Section 5 proceeding based upon actuals for the 12 months ended March 31, 2019 is \$586 million.<sup>9</sup> Northern's Section 4 filing indicates that its current rates are expected to generate revenues of nearly \$700 million,<sup>10</sup> or approximately \$114 million more than Staff's proposed cost of service in the Section 5 filing, which would support a decrease in rates. Northern's Section 4 filing represents a claimed \$400 million annual cost of service increase projected for the Test Period April 1, 2019 to December 21, 2019 over its actuals for the Base Period ended March 31, 2019.

Most of the alleged increase in its annual cost of service in its Section 4 rate filing is attributed to increased capital costs. Northern anticipates \$697 million in projected capital additions in the Test Period, which may or may not be placed into service by the end of the Test Period.<sup>11</sup> Northern's witness Marquardt testifies that Northern placed General Plant and

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<sup>8</sup> See Testimony of Bambi Heckerman (Exhibit No. NNG-0001) at Statement A.

<sup>9</sup> See Testimony of LeThuy Tran, Exhibit No. S-0001, Docket No. RP19-59-000.

<sup>10</sup> See Testimony of Bambi Heckerman, Exhibit No. NNG-00001 at pg. 6, lines 17-18.

<sup>11</sup> See Schedule C-1, NNG-00066.

Maintenance (“GPMC”) projects totaling \$327.9 million in service during the Base Period, but it anticipates placing an additional \$504.3 million of GPMC projects in service during the Test Period from April 1, 2019 through December 31, 2019.<sup>12</sup> He also testifies that during the Base Period, Northern placed Asset Modernization projects totaling \$71.1 million in service, but that it anticipates placing another \$166.2 million of additional Asset Modernization projects in service during the Test Period.<sup>13</sup> PGC/IECA submit that these projected increased capital costs must be scrutinized carefully in this proceeding, and that the Commission should retain the Section 5 investigation so as to ensure the ability to decrease existing rates on a prospective basis.

PGC/IECA have not had a full opportunity to analyze the filing, which comprises well over a thousand pages, but PGC/IECA note that a high-level review of the filing raises several areas of concern. For example, Northern’s proposed depreciation and negative salvage rates and Northern’s proposed rate of return on equity have not been shown to be just and reasonable and raise material issues of fact.<sup>14</sup> Furthermore, PGC/IECA submit that Northern’s amortization of Excess Accumulated Deferred Income Taxes (“EDIT”) as shown on Exhibit NNG-00064, Schedule B-1, is contrary to Commission Policy requiring the amortization to begin when rates go into effect reflecting the EDIT.<sup>15</sup> Given the limited time within which to file protests, any order establishing hearing procedures should allow parties the opportunity to raise additional issues in this proceeding.

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<sup>12</sup> See Testimony of Nicholas Marquart, Exhibit No. NNG-00035 at pg. 5, lines 22-23 and NNG-00034, line (17).

<sup>13</sup> *Id.* at NNG-00035 at pg. 6 and NNG-00034 at line (8).

<sup>14</sup> Northern proposes depreciation rates of 2.79% for onshore transmission plant, 3.11% for underground storage plant, and 2.95% for LNG storage plant, and negative salvage rates of 0.96% for onshore transmission plant and 0.92% for LNG storage plant. See Testimony of Dr. Jonathan Lesser, Exhibit No. NNG-00042 at Section IV and Exhibit NNG-00109, Schedules H-2(1). Northern is also proposing a return on equity of 14.2%. See Testimony of Dr. Bente Villadsen, Exhibit No. NNG-00053 at Section IV and Statement F-2, Exhibit No. NNG-00079.

<sup>15</sup> See, e.g., *Public Utility Transmission Rate Changes to Address Deferred Income Taxes*, 165 FERC ¶61,117 (2018) at P. 39.

**B. Northern's Prospective Case Rate Design, Cost Allocation, Rate Schedule and Other Proposed Changes Have Not Been Shown to Be Just and Reasonable and Not Unduly Discriminatory or Preferential.**

As noted above, Northern proposes that these changes be set for hearing and made effective prospectively after a Commission order on a settlement or hearing in this proceeding. PGC/IECA submit that Northern's Prospective Case has not been shown to be just and reasonable and may be unjust and unreasonable, unduly discriminatory and/or preferential, and agree that the Prospective Case should be set for hearing and not made effective until after a final order accepting or rejecting such changes.

**V. REQUEST FOR EVIDENTIARY HEARING AND MAXIMUM RATE SUSPENSION**

Northern's filing raises a number of factual issues regarding the justness and reasonableness of its proposed rates that require examination in the context of an evidentiary hearing. Therefore, PGC/IECA request that the Commission suspend the effectiveness of the Base Case rate increase for the full five-month period.

**VI. CONCLUSION**

For the foregoing reasons, PGC/IECA respectfully request that the Commission grant the motions to intervene and set this proceeding for hearing and suspend the effectiveness of the Base Case rates for the maximum suspension period, subject to refund and the hearing, and make any changes from the Prospective Case subject to hearing and effective prospectively from the date of a final order in this proceeding as requested by Northern.

Respectfully submitted,

/s/ Andrea J. Chambers

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Dated: July 12, 2019

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day caused a copy of the foregoing document to be served upon each person designated on the Service List for this docket compiled by the Secretary in accordance with the Commission's Rules of Practice and Procedure.

Dated at Washington, DC, this 12th day of July 2019.

/s/ Andrea J. Chambers  
Andrea J. Chambers

*Attorney for Process Gas Consumers Group  
and Industrial Energy Consumers of  
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