

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 23, 2005

In Reply Refer To:
Northern Natural Gas Company
Docket No. RP06-57-000

Northern Natural Gas Company
P.O. Box 3330
Omaha, NE 68103-0330

Attention: Mary Kay Miller, Vice President
Regulatory and Government Affairs

Reference: Contract Extensions

Ladies and Gentlemen:

1. On October 28, 2005, Northern Natural Gas Company (Northern) filed revised tariff sheets¹ to modify the contract term provisions of certain rate schedules. Specifically, Northern adds the following language to Rate Schedules TF (firm transportation), TFX (modified firm transportation), LFT (limited firm transportation), GS-T (small customer firm transportation) and FDD (firm deferred delivery): “Northern and Shipper may agree, on a not unduly discriminatory basis, to contract extensions, including evergreens, rollovers and other extensions.”

2. Northern states it made this filing in response to the Commission’s letter order issued on October 13, 2005, in Docket No. RP05-667-000, *et al.*² In that order, the Commission conditionally accepted a series of transportation and storage agreements between Northern and complainants LSP-Whitewater Limited Partnership and LSP-Cottage Grove, L.P., (LSP) in an uncontested settlement. However, certain of the agreements included a material deviation that would have allowed LSP to roll the contract over for a ten-year period at the maximum rate with one-year’s notice to

¹ Fifth Revised Sheet No. 104, Fifth Revised Sheet No. 119, Third Revised Sheet No. 125C, Second Revised Sheet No. 127, and Eighth Revised Sheet No. 142 to its FERC Gas Tariff, Fifth Revised Volume No. 1.

² 113 FERC ¶ 61,032 (2005).

Northern. The Commission found this provision to be an impermissible term and condition of service that could present a significant potential for undue discrimination among shippers. Accordingly, the Commission directed Northern to either remove the contract extension provision from the agreements, or include the provision as part of its generally applicable tariff so it would offer the provision to all shippers in a non-discriminatory manner. In the subject filing, Northern elects to make the provision part of its generally applicable tariff. Northern requests a November 28, 2005, effective date for the tariff sheets.

3. The Commission noticed Northern's filing on November 2, 2005, allowing for protests as provided by section 154.210 of the Commission's regulations. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2005), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. The Power Generators Group filed comments supporting Northern's proposal. Virginia Power Energy Marketing, Inc., (VPEM) filed a protest.

4. In its protest, VPEM asserts that Northern has not shown its proposal to be just and reasonable. It argues the tariff language is overly broad and ill-defined, and offers no standards requiring reasonableness. It contends the Commission would have to permit virtually any conceivable contract extension. VPEM also expresses concern that the Commission and parties would not receive notice of any such contract extension, and thus would not be able to ensure its reasonableness. VPEM adds the Commission does not permit pipelines such blanket, open-ended authority. VPEM requests the Commission reject Northern's proposal without prejudice to Northern filing a more specific and fully defined proposal.

5. We conditionally accept Northern's proposal. By placing the contract extension provision in its rate schedules, Northern assures that it will offer such provision to similarly situated shippers in a manner that is not unduly discriminatory. This acceptance, however, is subject to one condition. Section 58 of Northern's General Terms and Conditions (GT&C) sets forth tariff provisions that Northern may negotiate with shippers and include in a contract without having the contract be non-conforming. Northern's proposed contract extension provision represents such a negotiable provision. Accordingly, we direct Northern to file revised tariff sheets, within 15 days of the date this order issues, including its contract extension provision in section 58 of its GT&C.

6. VPEM expresses concern over the transparency of allowing extension provisions in certain contracts. It argues that shippers will not be able to ascertain that Northern is implementing contract extensions in a manner that is not unduly discriminatory.

However, consistent with Commission findings in *Columbia Gas*,³ any extension provision that Northern includes in a contract would represent a “special detail” as defined by §284.13(b)(viii)(2005) of the Commission’s regulations. Consistent with that regulation, Northern must post information regarding the special detail on its Internet web site for at least 90 days. This posting will provide the transparency necessary to enable shippers and the Commission to ascertain whether Northern is implementing contract extension provisions in a non-discriminatory manner.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

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³ *Columbia Gas Transmission Corp.*, 97 FERC ¶ 61,221 (2001).