

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

May 18, 2006

In Reply Refer To:  
Northern Natural Gas Company  
Docket Nos. RP06-315-000 and  
RP06-161-000

Northern Natural Gas Company  
1111 South 103rd Street  
Omaha, NE 68124-1000

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

Reference: Revision of Rate Schedule MPS Ventura Pooling Point

Ladies and Gentlemen:

1. On April 20, 2006, Northern Natural Gas Company (Northern) filed Sixth Revised Sheet No. 154 and Seventh Revised Sheet No. 154 to its FERC Gas Tariff, Fifth Revised Volume No. 1 to enhance the operational effectiveness of Northern's pooling service. Northern requests the Commission approve proposed Sixth Revised Sheet No. 154 effective May 22, 2006. It requests that the Commission approve proposed Seventh Revised Sheet No. 154, to become effective on the date that Northern notifies the Commission it is prepared to implement these provisions. Northern also requests waiver of the requirements of section 154.207 of the Commission's Regulations<sup>1</sup> and the North American Energy Standards Board (NAESB) standard 1.2.3, that requires it to serve each pool by permitting shippers access to multiple receipt points. The Commission accepts Sixth Revised Sheet No. 154 to become effective May 22, 2006, and accepts Seventh Revised Sheet No. 154 to become effective five days after the date that Northern notifies the Commission that it will implement the tariff provisions subject to conditions, as discussed below. The Commission also grants waiver of the NAESB standard 1.2.3 and section 154.207 of the Commission's Regulations. In addition, Northern requests that

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<sup>1</sup> 18 C.F.R. §154.207 (2005).

based on its proposed tariff revisions in Docket No. RP06-315-000, the tariff sheets in Docket No. RP06-161-000 that were accepted subject to refund and further action in the January 31, 2006 letter order in Docket No. RP06-161-000 (January 31 Order)<sup>2</sup> be accepted without such conditions. The Commission accepts the revised tariff sheets accepted in the January 31 Order subject to refund and further action, effective February 1, 2006, as discussed below.

2. On December 29, 2005, Northern filed in Docket No. RP06-161-000, to add a new pooling point to its Mileage Indication District (MID) Pooling Service (MPS) Rate Schedule. Prior to that filing, there was only one pooling point in Northern's MID 17, which comprises its Market Area, designated as the "MID17" pooling point. The December 29, 2005 filing added a new pooling point in the Market Area, comprised of the Northern Border Pipeline Company (Northern Border)/Northern Ventura receipt point (POI 192) and the deferred delivery<sup>3</sup> point at Ventura (POI 71460) at the interconnect point between Northern and Northern Border at Ventura, Iowa. The new pooling point, designated as the MID 17-192 pooling point, allows shippers to segregate supplies from those entering Northern at the Trailblazer Pipeline interconnect near Beatrice, Nebraska, Northern's Demarcation (Demarc) receipt point, or other Market Area receipt points that are eligible receipt points to Northern's existing MID 17 pool. Gas scheduled from the new MID 17-192 Ventura pool and the Ventura receipt point avoids scheduling allocations due to constraints at the Oakland and Ogden, Iowa compressor stations in the Market Area upstream of Ventura. On January 11, 2006, Constellation NewEnergy-Gas Division, LLC (CNE-Gas) filed a motion to intervene out-of-time, protest and comments. CNE-Gas' protest opposed the fee Northern proposed to charge for transfers between the MID-17 and Ventura pools. CNE-Gas also pointed out that Northern stated it had proposed the new Ventura pool in response to shipper requests and argued that Northern's failure to include in the Ventura pool other Market Area receipt points that are downstream of the constraints may be unduly discriminatory.

3. In the January 31 Order, the Commission accepted and suspended Northern's December 29, 2005 filing, effective February 1, 2006, subject to refund and further Commission action. The Commission determined it was clear in Northern's answer to CNE-Gas' protest<sup>4</sup> that Northern did consider all shipper requests for a new pooling point and that the creation of the Ventura pooling point is reasonable and indicated that Northern created the pool in an open, transparent, and nondiscriminatory manner. However, the Commission required more information concerning the fees Northern

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<sup>2</sup> 114 FERC ¶ 61,083 (2006).

<sup>3</sup> The phrase "deferred delivery" is the term used in Northern's tariff for storage.

<sup>4</sup> On January 24, 2006, Northern filed an answer to CNE-Gas' protest which the Commission accepted in the January 31 Order.

proposed to charge for pool-to-pool transfers. On February 21, 2006, Northern submitted responses to the information requested in the January 31 Order. On March 9, 2006, CNE-Gas filed reply comments concerning the fees and retainage on the movement of gas from the Ventura pool to the MID 17 pool. CNE-Gas requested the Commission reject Northern's proposal, asserting that the charges for pool-to-pool transfers between the Ventura and MID 17 pools are unsupported and contrary to its filed tariff and Commission policy and the Commission should direct Northern to permit no-fee transfers.

4. Northern states that, subsequent to the filing to create the new pool at Ventura, it determined that revisions are needed to: (1) remove the Ventura deferred delivery point as a receipt point for the Ventura pool because of the capacity allocation issue when Northern allocates the Ogden group; (2) provide an exception from transportation and fuel charges for certain transactions delivered to a pool; and, (3) provide shippers further protection in certain allocation scenarios.

5. First, Northern states that the December 29, 2005 filing was in response to customer concerns regarding allocations and provided that, in the event of an allocation due to constraints at Oakland or Ogden, volumes nominated from the new Ventura pool would not be affected. However, Northern states that, since the filing, it has recognized that, during an Ogden allocation, it must include gas volumes nominated from the Ventura deferred delivery point in the allocation. Northern asserts that during an Ogden allocation, it would be required to physically move gas nominated from the Ventura deferred delivery receipt point through the constraint at the Ogden group. Northern maintains that since the physical sources of the gas nominated at the Ventura deferred delivery point are Northern's underground storage fields, which are physically located upstream of the Ogden group, it must include such nominations in the allocation. Northern further maintains that, thus, nominations from the Ventura deferred delivery point must be included with the aggregate nominations through the Ogden group to ensure that all primary firm service has the highest scheduling priority. Northern proposes, therefore, to remove the Ventura deferred delivery point from the Ventura pool, to protect system integrity and primary firm shippers.

6. Second, Northern proposes to exempt certain transactions involving the Ventura Pool from transportation and fuel charges. In order to continue accommodating shippers bringing Ventura deferred delivery supplies into the new Ventura pool, it proposes a tariff provision allowing shippers to nominate volumes from the Ventura deferred delivery point to the Ventura pool on a transportation agreement, without assessing transportation, fuel, or unaccounted-for (UAF) charges. Northern claims that this allows it to allocate under its current system while allowing shippers to pool their Ventura deferred delivery point supplies at the new Ventura pool, but not on an MPS agreement. Northern also proposes an additional tariff provision for shippers using a transportation agreement to nominate from the new Ventura pool to the existing MID 17 pool. Northern states that it

also would not assess a transportation, fuel, or UAF charge on this transaction. Northern states that this change addresses the concerns about fees raised by CNE-Gas in its comments filed on March 9, 2006 in Docket No. RP06-161-000. Similarly, Northern also proposes not to assess a transportation, fuel, or UAF charge for nominations from the new Ventura pool to the Northern Border/Northern Ventura receipt point, on a transportation contract.

7. In addition, Northern states that, since these changes to the Ventura pool will result in a pool comprised of only one receipt point, it requests waiver of the NAESB standard 1.2.3 requiring it to serve each pool by multiple receipt points.<sup>5</sup> Northern asserts that, due to the unique situation associated with the Ventura pool and the customer benefit of establishing the pool, it is in the customer's interest to continue to make the Ventura pool an eligible pooling point.

8. Northern states that it proposes the Commission approve all the above described tariff revisions concerning the Ventura deferred delivery point, as contained on Seventh Revised Sheet No. 154, no later than May 22, 2006, but also stipulates that the actual effective date of the tariff sheet will depend on Northern completing the computer system changes to accomplish this revision. Northern anticipates completing the computer system changes in July 2006. Therefore, Northern does not propose an effective date for Seventh Revised Sheet No. 154, but proposes the Commission effectuate the tariff sheet when the computer systems changes required for implementation are complete. Northern requests that the Commission accept the tariff sheet to become effective on the date that Northern notifies the Commission that it is prepared to implement these provisions. Northern asserts that this request is similar to the process approved by the Commission for Iroquois Gas Transmission System, L.P. in Docket No. RP06-177-000 on March 20, 2006.<sup>6</sup>

9. Third, and separate from the above proposals, Northern proposes to allow a shipper using the new Ventura pool, as well as the MID 16A-1707 MPS pool (Bushton pool), to receive primary receipt point scheduling status if the shipper's firm transportation contract has unused contract entitlement at the physical receipt point that is associated with each of these pools during the nomination and scheduling cycle.

10. Pursuant to Northern's current tariff, when Northern allocates capacity, gas that is nominated on an interruptible basis has the lowest priority and is allocated first, followed

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<sup>5</sup> NAESB standard 1.2.3, Wholesale Gas Quadrant, Version 1.7 (2003) that is incorporated by reference into Northern's tariff (Sheet No. 205).

<sup>6</sup> *Citing Iroquois Gas Transmission System, L.P.*, 114 FERC ¶ 61,287 at P 17 (2006).

by firm gas at a secondary delivery point. In a delivery group<sup>7</sup> allocation, such as at Oakland or Ogden, receipts nominated from MPS pooling points are treated as secondary receipt points because for the majority of the MPS pools, the supplies are aggregated from numerous receipt points, and a number of title transfers generally occur. Northern's nomination system is not programmed to systematically track the scheduling status at the physical receipt point, if any, of any particular MPS shipper. Northern states that, however, in the case of the Ventura and Bushton pools, there is essentially a single physical receipt point that comprises the pool<sup>8</sup> and, therefore, it would be a relatively straightforward process to determine if a shipper sourcing gas from the new Ventura pool or the current Bushton pool has primary firm contractual rights or Maximum Daily Quantity (MDQ) at the Ventura interconnect or the Bushton plant outlet. With this proposed modification, if the respective firm transportation contract has unused primary receipt point MDQ at the Ventura point or the Bushton point, Northern will consider the receipt point as primary firm up to the unused MDQ; otherwise, it will consider the nomination as secondary firm. Northern submits that this limited modification further benefits those shippers with primary capacity at the receipt point wishing to aggregate their gas supplies using the Ventura pool. Northern proposes the Commission approve this tariff provision addressing primary point status for the Ventura and Bushton pools, on Sixth Revised Sheet No. 154, effective May 22, 2006.

11. Notice of Northern's filing was issued April 27, 2006. Interventions and protests were due May 2, 2006, as provided in section 154.210 of the Commission's Regulations (18 C.F.R. § 154.210 (2005)). Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214 (2005)). Any opposed or untimely filed motion to intervene is governed by the provisions of Rule 214. No adverse comments or protests were filed.

12. The Commission accepts proposed Sixth Revised Sheet No. 154 to become effective May 22, 2006, and Seventh Revised Sheet No. 154, subject to conditions, to become effective five days after the date that Northern notifies the Commission that it intends to implement the tariff revisions addressing the Ventura deferred delivery point. Northern's tariff provisions benefit shippers by providing further protection in certain

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<sup>7</sup> Northern explains that a delivery group is a point on its system between actual receipt points where gas enters Northern's system and delivery points where gas leaves Northern's system, which is subject to physical pipeline capacity constraints. Shippers provide nominations to Northern at the receipt points and delivery points but not at the delivery group level.

<sup>8</sup> The physical receipt point comprising the Ventura pool is the Ventura interconnect with NBPL (POI 192) and the physical receipt point comprising the Bushton pool is the Bushton processing plant outlet (POI 1707).

allocation scenarios. The tariff provisions accommodate shippers bringing Ventura deferred delivery supplies into the new Ventura pool and shippers bringing Ventura pool supplies into the existing MID 17 pool, using a transportation agreement, by allowing this transaction without transportation, fuel, or UAF charges. These provisions are beneficial to shippers using the new Ventura pool and add flexibility for transportation of gas between pooling points.

13. For good cause shown, the Commission grants Northern's waiver of section 154.207 of the Commission's Regulations, and Northern's requested waiver of NAESB standard 1.2.3. The Commission finds that Northern's request for waiver of NAESB standard 1.2.3, that is incorporated by reference into Northern's tariff, requiring multiple receipt points for pools, benefits shippers by continuing to allow the Ventura pool as an eligible pooling point although it is only served by one receipt point. In addition, Northern justified its request for waiver of the requirement in section 154.207 of the Commission's Regulations that pipelines submit tariff filings no more than 60 days before the proposed effective date. It is reasonable for Northern to seek a determination from the Commission that its provisions be approved prior to embarking on extensive, costly and time-consuming computer system modifications necessary to implement the provisions. Therefore, the Commission accepts Seventh Revised Sheet No. 154 subject to conditions and will allow the effective date of the tariff sheet to be tied to the date that Northern completes such modifications, as requested. However, we direct Northern to file a monthly status report summarizing the progress made on implementing the computer system modifications and indicate in that report when it anticipates placing the tariff provisions into effect.

14. Finally, Northern states that shippers using a transportation agreement to nominate from the new Ventura pool to the existing MID 17 pool would not be assessed transportation, fuel, or UAF charge, and that this revision addresses the comments by CNE-Gas objecting to such charges by eliminating them. No party protested Northern's instant proposal or contested its assertion that the instant filing resolves the outstanding issues in Docket No. RP06-161-000. Therefore, the Commission terminates the proceeding in Docket No. RP06-161-000, and removes the refund condition established in that docket.

By direction of the Commission.

Magalie R. Salas,  
Secretary.