

121 FERC ¶ 61,254
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Northern Natural Gas Company

Docket No. CP06-461-002

ORDER GRANTING REHEARING

(December 11, 2007)

1. On July 10, 2007, the Commission issued a certificate pursuant to section 7(c) of the Natural Gas Act (NGA) authorizing Northern Natural Gas Company (Northern) to increase the certificated storage capacity of its Redfield Storage Field located in Dallas County, Iowa, by two billion cubic feet (Bcf)(the 2007 expansion).¹ On August 9, 2007, Northern filed a request for clarification or, in the alternative, rehearing of the July 10 Order. For the reasons discussed below, we will grant Northern's request for rehearing and dismiss its alternative request for clarification.

The July 10 Order

2. The July 10 Order authorized Northern to expand the capacity of its Redfield Storage field by two Bcf and to provide interruptible service under its interruptible Rate Schedules IDD and PDD using the additional capacity. The order noted that Northern has a pending application in Docket No. CP07-108-000 (2008 Expansion) requesting authorization to expand the Redfield Storage Field by eight Bcf and provide storage service at market-based rates. The order also noted that Northern plans to include and account for the incremental capital costs associated with the two Bcf expansion capacity authorized in this proceeding as part of the eight Bcf firm expansion proposal and to seek recovery of all the costs associated with this expansion from the market-based rate customers. The order stated that, should the 2008 expansion not go forward, Northern

¹ See *Northern Natural Gas Co.*, 120 FERC ¶ 61,031 (2007) (July 10 Order). On July 27, 2007, Northern filed a request to amend several of the technical conditions in the July 10 Order. The Director approved the amendment on August 31, 2007. See *Northern Natural Gas Co.*, 120 FERC ¶ 62,158 (2007).

would not be allowed to recover the costs associated with the two Bcf expansion approved in this proceeding from existing customers.

Request for Rehearing

3. Northern maintains that the statement in the July 10 Order that it would not be allowed to recover the costs associated with the two Bcf expansion from existing customers if the 2008 expansion does not move forward is inconsistent with the Policy Statement² in which, Northern contends, the Commission indicated that issues related to whether the cost of a project should be rolled in should be determined in a general rate case rather than in a certificate proceeding. Northern requests the Commission to clarify, or grant rehearing of, the July 10 order by finding that Northern will have an opportunity to request in a future NGA section 4 rate case that rolled-in rates are appropriate for the costs of the 2007 expansion project if it does not proceed with the eight Bcf market-based rate expansion.

Discussion

4. We will grant Northern's request for rehearing since the July 10 Order misstated the Commission's policy. Northern may request rolled-in rate treatment for the costs of the 2007 expansion in a future rate case should it decide not to go ahead with the 2008 expansion. However, we note that in order for such a request to be granted, Northern will have to demonstrate that rolling in the costs of the 2007 expansion project will not result in existing customers subsidizing the project. To do so, Northern must show that there is a specific benefit from the project for existing customers rather than generalized benefits resulting from the project being integrated into the system.³

² *Certification of New Interstate Natural Gas Pipeline Facilities*, 88 FERC ¶ 61,227 (1999), *order on clarification*, 90 FERC ¶ 61,128, *order on clarification*, 92 FERC ¶ 61,094 (2000) (Certificate Policy Statement).

³ *See, e.g., Transcontinental Gas Pipe Line Corp.*, 106 FERC ¶ 61,299 at P 75 (2004).

The Commission orders:

Northern's request for rehearing is granted and its request for clarification is dismissed.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.