

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

February 27, 2006

In Reply Refer To:  
Northern Natural Gas Company  
Docket No. RP06-183-000

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

Attention: Dari R. Dornan, Senior Counsel

Reference: Waiver of Cash-Out Requirement Due to Measurement Error

Ladies and Gentlemen:

1. On January 24, 2006, Northern Natural Gas Company (Northern) filed a petition for limited waiver of its tariff pursuant to Rule 207 of the Commission's regulations. Specifically, Northern requests a limited waiver of section 32(H) of the General Terms and Conditions (GT&C) of its tariff. That section requires Northern to cash out prior period adjustments at 100 percent of the applicable average weekly index price for the month that the relevant throughput occurred. Northern proposes to reconcile a prior period adjustment resulting from significant measurement error based on the low monthly index price instead of the average weekly index price. As discussed below, the Commission finds that Northern provided sufficient justification to grant the requested waiver.
2. Notice of Northern's filing issued on February 9, 2006, with interventions and protests due as provided in Rule 210 of the Commission's regulations, 18 C.F.R. § 384.210 (2004). Pursuant to Rule 214, 18 C.F.R. § 385.214 (2004), 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. CenterPoint Energy Resources Corp., dba CenterPoint Energy Minnesota Gas (CenterPoint) filed comments in support of the petition.
3. The circumstances giving rise to the instant request for waiver are as follows. In December 2005, CenterPoint took less gas volumes from Northern than it delivered to Northern. This under-take of gas was initially measured as equaling 243,065 Dth. Consistent with Northern's cash-out mechanism, it "cashed out" this net under-take of

gas at the low monthly index price for December of \$8.1893 per Dth. Put another way, Northern paid CenterPoint \$8.1893 per Dth for the 243,065 Dth the parties believed CenterPoint left on Northern's system during December.

4. However, on January 13, 2006, after Northern issued imbalance statements for December, it discovered that two meters serving CenterPoint erroneously measured the December deliveries to CenterPoint, because of an incorrect measurement factor in one meter and the failure of the electronics in another. As a result, CenterPoint actually took 75,012 Dth (net of fuel) more from Northern in December than shown by the initial measurement.

5. Northern's tariff requires Northern to treat measurement errors discovered after the fifth production day following the production month, such as the instant measurement error, as prior period adjustments. As a result, section 32(H) of the GT&C requires Northern to "cash in" the 75,012 Dth (plus 1,221 Dth in fuel) correction at the average weekly index price for December of \$10.7916 per Dth. In other words, the tariff requires that Northern treat the 75,012 Dth correction as an over-take of gas by CenterPoint from Northern, and therefore CenterPoint must pay Northern a "cash-in" price of \$10.7916 per Dth, even though the "cash-out" price Northern paid to CenterPoint for the same gas was only \$8.1893. This price differential of \$2.6023 per Dth, results in a loss to CenterPoint due to the measurement error of \$198,381.14.

6. Northern requests waiver of section 32(H) so that it can "cash in" CenterPoint's prior period adjustment at the same \$8.1893 low monthly index price as used to "cash out" the related December imbalance. Northern states that this is equitable, since the error occurred outside CenterPoint's control, the adjustment amount exceeds normal prior period adjustments, and the difference to the customer between the original cash-out and the proposed prior period adjustment is not justified.

7. Because Northern's measurement error prevented CenterPoint from revising its allocations during the appropriate imbalance resolution period, CenterPoint missed the opportunity provided in the tariff to resolve its imbalances. No party protests Northern's petition. Accordingly, the Commission finds Northern's request for a limited waiver of GT&C section 32(H) reasonable and non-discriminatory. This action is consistent with the Commission's finding regarding a prior Northern petition seeking the same mitigation for a similar metering error affecting another customer. *See Northern Natural Gas Company*, 111 FERC ¶ 61,233 (2005).

By direction of the Commission.

Magalie R. Salas,  
Secretary.

cc: All Parties