FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

January 31, 2006

In Reply Refer To:
Northern Natural Gas Company
Docket No. 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: Addition of New Pooling Point to Rate Schedule MPS

Ladies and Gentlemen:

1. On December 29, 2005, Northern Natural Gas Company (Northern) filed Fifth Revised Sheet No. 154 to its FERC Gas Tariff, Fifth Revised Volume No. 1 to add a pooling point at an interconnection with Northern Border Pipeline Company. (Northern Border) to its Mileage Indication District (MID) Pooling Service (MPS) Rate Schedule. Northern requests the proposed tariff sheet become effective February 1, 2006. Northern's revised tariff sheet is conditionally accepted and suspended, subject to refund and further Commission action, to become effective February 1, 2006, as proposed.

2. Northern proposes to add a new pooling point to Rate Schedule MPS in response to shipper requests. Currently, there is only one pooling point in Northern's MID 17, which comprises its Market Area, designated as the "MID 17" pooling point. Northern's proposed new pooling point will also be in Northern's Market Area and will be comprised of the Northern Border Pipeline Company/Northern Natural Gas (NBPL/NNG) Ventura receipt point (POI 192) and the deferred delivery point at Ventura (POI 71460). This is the interconnect point between Northern and Northern Border at Ventura, Iowa. Northern plans to designate the pooling point as "MID 17-192". Northern states that all terms and conditions of Rate Schedule MPS will apply to the new point, and that the proposed change will not affect any other MID pooling point and will allow shippers to aggregate supply packages sourced from Northern Border at Ventura. Northern explains that the new pool will allow shippers to segregate such supplies from

those entering Northern's system at the interconnection with Trailblazer Pipeline Company near Beatrice, Nebraska (POI 1318) and Northern's Demarcation (Demarc) receipt point (POI 37654). As a result, according to Northern, gas scheduled from the new MID 17-192 Ventura pool (as well as gas scheduled from the Ventura receipt point) will avoid scheduling allocations on Northern due to constraints at the Oakland and Ogden, Iowa compressor stations, which are also in MID-17 and the Market Area but upstream of Ventura.

3. Notice of Northern's filing was issued January 5, 2006. Interventions and protests were due January 10, 2006, as provided in section 154.210 of the Commission's Regulations (18 C.F.R. § 154.210 (2005)). On January 11, 2006, Constellation NewEnergy-Gas Division, LLC (CNE-Gas) filed a motion to intervene out-of-time, protest and comments. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2005), all timely 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 the proceeding or place additional burdens on existing parties. Northern filed an answer on January 24, 2006. Under Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 213(a)(2) (2005), answers to protests are not accepted unless otherwise ordered by the decisional authority. The Commission will accept Northern's answer because it further clarifies the issues.

4. Although CNE-Gas supports Northern's efforts to rationalize Northern's existing allocation procedures and, to that extent, supports the creation of the new pooling point at Ventura, CNE-Gas expresses reservations regarding Northern's filing. CNE-Gas' specific protests to Northern's proposal are described below.

5. CNE-Gas asserts that Northern has indicated during an off-the-record phone call that once the new pooling point at Ventura was implemented, Northern would implement fees and retain fuel for transportation between the new pool and the existing MID 17 pooling point and/or Demarcation. CNE-Gas opposes such fees and retainage as contrary to the terms of Northern's existing tariff. CNE-Gas further claims that Northern has not complied with sections 4(c) and 4(d) of the Natural Gas Act (NGA) because Northern has not indicated what fees it intends to charge for pool-to-pool transfers. CNE-Gas requests that the Commission reject Northern's attempt to change its rates.

6. CNE-Gas also states that Northern's filing may be unduly discriminatory and preferential. CNE-Gas submits that, as noted above, Northern's filing is made "in response to shipper requests" and these requests by "unnamed shippers" have resulted in Northern's creation of a new pooling point at Ventura which ostensibly alleviates allocation issues for gas sourced at the Ventura receipt point. CNE-Gas expresses an understanding that this allocation issue arises due to some shippers' desire to move

Ventura gas through the existing MID 17 pool for administrative convenience.[1] However, according to CNE-Gas, once the gas is in the MID 17 pool, it is subject to allocation for the reasons described by Northern in its transmittal letter. CNE-Gas argues that the new Ventura pool would allow the "segregation" of supplies received at Ventura, and thus provide a means for that gas to avoid the aforementioned allocations. CNE-Gas characterizes this outcome as potentially discriminatory on the grounds that there are at least a half dozen other receipt points in Northern's Market Area that are similarly situated to Ventura with regard to Ogden allocations.[2] CNE-Gas contends that Northern's filing fails to address why it is necessary and appropriate to create a pool at Ventura but not to create pools at all other similarly situated receipt points.

7. CNE-Gas asks the Commission to (1) direct Northern to explain the reasons for not introducing pools at all similarly situated Market Area receipt points and (2) require that Northern file tariff language to the effect that it will consider shipper requests for new pooling points only on an open, transparent and nondiscriminatory basis.[3]

8. In Northern's answer to CNE-Gas' protest, it asserts that sections 2(b) and (f) of its Rate Schedule MPS provide that shippers must pay applicable transportation and fuel charges when transferring gas supplies from one pooling point to another pooling point,

---

[1] CNE-Gas claims that "[o]nce at the MID 17 pool, such gas becomes commingled with other MID 17 pool gas (some of which is physically sourced upstream of Ogden and Demarc), and subject to the 'allocations' described in [Northern's] Transmittal Letter." CNE-Gas Protest at 6.

[2] CNE-Gas states that, specifically, Northern considers Viking Chisago, NBPL Marshall, Great Lakes Carlton, Viking Pierz, Viking Polk, and NBPL Welcome, like NBPL Ventura, "downstream" of the bottleneck at the Ogden compressor station and generally not subject to Ogden allocations.

[3] CNE-Gas claims that, from a trader's perspective, the introduction of pools at certain points, and the impact of those pools on the exposure of certain gas supplies to possible allocations, will have the effect of changing the geographic basis between and among Market Area receipt points. Thus, CNE-Gas continues, the acceptance of Northern's filing will have the effect of creating winners and losers, depending upon the impact of the new pool on price spreads and traders' existing positions. CNE-Gas claims that under these circumstances, the fact that Northern has chosen to respond to the "requests" of unnamed shippers is potentially discriminatory and unduly preferential. CNE-Gas also claims that while the new pool may help shippers as a class, there remains the possibility that some members of this class (which presumably includes the unnamed "requesters") may receive a windfall at the expense of the other members' trading portfolios.

unless the transfer is from the Demarc Pool in MID 16B to the MID-17 pool. Northern states that the exception for transfers from the Demarc Pool to the MID-17 pool was agreed to in the settlement of its rate case in Docket No. RP98-203, and does not apply to transfers between the two pooling points that currently exist within its MID 16A. Therefore, Northern states that its proposal to charge applicable transportation and fuel charges for transfers between its new Ventura pooling point at MID 17-192 and its MID 17 pooling point is consistent with its existing tariff and its treatment of transfers between the two pools in MID 16A. Northern also states that it did not propose an exception from transportation and fuel charges for transfers between the Ventura pool and the MID 17 pool similar to that for transfers between the Demarc pool and the MID 17 pool, "because such an exception would require significant modifications to its existing back room systems."[4] Northern indicates a willingness to consider such an exception after further experience is gained and it can evaluate whether transfers between the Ventura pool and other pools "could detrimentally impact its other infrastructure scheduling processes for shippers."[5]

9. Northern also disputes CNE-Gas' discrimination argument, and states that its proposal is not unduly discriminatory for the reasons described below. Northern further states that it will continue to evaluate the effectiveness of the Ventura pooling point and whether establishing additional pooling points at other Market Area receipt points is appropriate.

10. The Commission lacks sufficient information at this time to resolve the issue raised by CNE-Gas' protest regarding the rates that may be charged for transfers between the Ventura pool and the MID 17 pool. Accordingly, within 21 days of the date this order issues, Northern must:

(A) Explain the need for pool to pool transfer charges in the market area, where Northern charges a postage stamp rate;

(B) Explain why Northern believes it is appropriate to charge for transportation and fuel use for transfers between market area pools, given that such a pool to pool transfer within the market area would appear to be a virtual or paper transaction that does not involve the physical movement of gas; and,

(C) Specify the costs Northern plans to recover through these charges.

Reply comments may be filed 15 days following the date that Northern's compliance filing is made.

---

[4] Northern Answer at 6.

[5] *Id*.

11. With regard to CNE-Gas' protest that Northern did not introduce pools at all similarly situated Market Area receipt points in the instant filing, the Commission does not agree with CNE-Gas' assertion that Northern's filing may be unduly discriminatory. In its Answer, Northern justifies the Ventura pooling point by explaining that "Northern's shippers only requested a new pooling point at Ventura in order to address an allocation issue; and second, Ventura is the only pricing point in Northern's Market Area referenced in industry publications, *i.e.*, Gas Daily."[6] Northern also asserts that its process in developing the instant filing was transparent, explaining that it posted notice of customer discussions on its proposal on its website, held a pre-filing conference call on the proposed filing with its customers, and posted a draft of its proposed filing on its website. Northern further claims that "[i]n both its discussions with customers, including CNE-Gas, and in its filing, Northern plainly described its proposal as providing shippers that aggregated supplies at the NBPL/NNG interconnect at Ventura with an option to aggregate such gas into the proposed Ventura pool."[7] Northern points to supportive interventions as evidence of its efforts to be inclusive. Northern also states that "it has committed to its customers that it will continue to evaluate the effectiveness of the Ventura pooling point and whether establishing additional pooling points at other Market Area receipt points is appropriate.[8]

12. The Commission finds reasonable Northern's proposal at this time only to establish a new pooling point at Ventura. Ventura appears to be the most beneficial place at which to establish another Market Area pooling point, since that is the only point in Northern's Market Area for which industry publications report prices. Therefore, it is reasonable to establish that pooling point now, and then consider establishing other pooling points in the Market Area based on its experience with the new Ventura pooling point, which Northern has committed to do. Moreover, it is clear from Northern's answer that it did consider shipper requests for the new pooling point in an open, transparent, and nondiscriminatory manner.

13. The Commission accepts and suspends Northern's filing effective February 1, 2006, subject to refund as described below.

14. The Commission's general policy is to suspend rate filings for the maximum period permitted by statute if preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory

---

[6] Northern Answer at 8. According to Northern, none of the receipt points referenced in CNE-Gas' protest are pricing points recognized by industry publications. *Id.*

[7] *Id.*

[8] *Id*. at 3.

standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is also recognized however, that shorter suspensions may be warranted under circumstances in which suspension for the maximum period may lead to harsh and inequitable results. *See Valley Gas Transmission, Inc.*, 12 FERC ¶ 61,197 (1980) (one-day suspension). Such circumstances exist here. Accordingly, the Commission will exercise its discretion to suspend the rates for a shorter period and permit the rates to take effect on February 1, 2006, subject to refund and further Commission action.

By direction of the Commission.

Magalie R. Salas,
Secretary.