FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D. C. 20426

February 28, 2006

In Reply Refer To:
Midwestern Gas Transmission Company
Docket No. RP06-182-000

Midwestern Gas Transmission Company
P. O. Box 542500
Omaha, Nebraska 68154-8500

Attention: Raymond D. Neppl, Vice President
Regulatory Affairs & Market Services

Reference: Tariff Sheets Implementing Third Party Balancing Service

Ladies and Gentlemen:

1. On January 24, 2006, Midwestern Gas Transmission Company (Midwestern) filed the tariff sheets listed in the Appendix, pursuant to Part 154.202 of the regulations, to implement a Third Party Balancing Service (Rate Schedule TPB) and related rates. Midwestern intends for the new service to assist shippers serving variable intra-day load markets (*e.g.*, electric generation plants, industrial end-users, and major manufacturers), while avoiding adversely affecting other shippers. The TPB service will allow shippers to obtain balancing service from third parties to manage imbalances while meeting the variable load requirements of their customers located along Midwestern's system. The Commission accepts the proposed tariff sheets to become effective March 1, 2006, as proposed, subject to the reporting condition discussed below.

2. Public notice of Midwestern's filing issued January 31, 2006, with comments, protests or interventions due as provided in section 154.210 (18 C.F.R. § 154.210 (2005)) 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 date this order issues are granted. Northern Illinois Gas Company (Nicor) filed a request for clarification. ProLiance Energy, LLC (ProLiance) filed adverse comments. Midwestern filed an answer addressing Nicor's concerns. Although the Commission's Rules prohibit answers to comments or protests, *see* 18 C.F.R. § 385.213(a)(2) (2005),

the Commission may, for good cause, waive this provision. The Commission finds good cause exists here because the answer provides information that clarifies the issues and aids in our decision-making. Accordingly, we accept Midwestern's answer.

3. In the instant filing, Midwestern explains that there are third parties who are physically interconnected with its system who can project their storage and balancing services onto Midwestern's system. Midwestern states that these third party "Balancing Providers" have the ability to execute contracts with shippers on Midwestern to provide them balancing services. Midwestern states that such arrangements would allow a shipper on Midwestern's system to better manage its gas requirements at a physical delivery point of interconnection with Midwestern designated by the Balancing Provider. Midwestern refers to such points as Variable Load Points, and contemplates that such points would directly supply an end-use market whose load requirements are expected to fluctuate widely during the day, month, or year.

4. Midwestern accordingly proposes a new Rate Schedule TPB under which Midwestern would help Balancing Providers administer the balancing services they are providing to shippers on Midwestern's system. Balancing Providers desiring this service would enter into a service agreement with Midwestern pursuant to the TPB Form of Service Agreement included in Midwestern's proposed tariff changes. Midwestern proposes a \$0.02 per Dth maximum rate and \$0.00 minimum rate for the TPB service.

5. Essentially, under the new TPB service, a shipper to whom the Balancing Provider is providing balancing services at the physical Variable Load Point would schedule deliveries to a non-physical "Balanced Point." In its General Terms and Conditions (GT&C) section 1, Midwestern adds the definition of a "Balanced Point" as a nominatable non-physical point on Midwestern that facilitates the aggregation of scheduled quantities of gas delivered at a Variable Load Point with quantities of gas delivered at certain agreed upon physical interconnections. The Balancing Provider and Midwestern must agree on the physical interconnections where the Balancing Provider takes swing quantities of gas. This arrangement permits Midwestern to effectuate real time gas flow adjustments to maintain any daily operational imbalance at the Balanced Point at or near zero. For example, to the extent the shipper delivered less gas to its end-use customer at the Variable Load Point than the shipper scheduled at the Balanced Point, Midwestern would deliver the difference to the Balancing Provider at the physical interconnection where the third party agreed to take swing quantities. Midwestern may elect to provide TPB service at a rate less than the \$0.02 per Dth maximum rate, but not less than the zero minimum rate. Midwestern cites a similar proceeding where the Commission approved a comparable rate proposal. *See*, *Northern Border Pipeline Company*, 106 FERC ¶ 61,333 (2004).

6. ProLiance questions Midwestern's compliance with section 154.202 of the Commission's regulations with regard to its lack of support for its TPB rate proposal. Specifically, ProLiance questions Midwestern's proposed zero minimum rate and submits that Midwestern should allocate some variable costs to this service which should serve as the minimum rate. ProLiance also observes that section 3 under the new rate schedule permits Midwestern to discount the $0.02 per Dth administrative fee, and states that the Commission does not permit pipelines to discount variable costs, *citing East Tennessee Natural Gas Company*, 108 FERC ¶ 61,135 at P 10 (2004). In conclusion, ProLiance requests that Midwestern provide additional support or provide future support for its computations.

7. Section 154.202 requires pipelines to include workpapers detailing the computations underlying the proposed rate under the new rate schedule, and provide justification why the proposed rate design and allocation of costs are just and reasonable. However, because Midwestern is proposing a new service, there is no experience upon which Midwestern could base a reliable projection of the possible revenues from, or costs of, providing the TPB service. In *Northern Border*, which involved a similar new TPB service, the Commission accepted the pipeline's proposed maximum $0.02 per Dth rate and zero minimum rate (subject to discounting) with the caveat that Northern Border comply with its commitment to file TPB volume, cost, and revenue information for review in its next rate case planned for filing on November 1, 2005. Unlike the Northern Border proposal, Midwestern makes no commitment to file a rate case in the future. For this reason, we will require Midwestern to file an activity report within 45 days after March 1, 2007, the end of the first year of operation. This report must detail (1) the date Midwestern rendered service for each TPB transaction; (2) the name of the TPB customer; (3) whether the customer is an affiliate of Midwestern; (4) the TPB rate charged; (5) the volume for each day by transaction; and, (6) the total monthly TPB-related volumes. This requirement is consistent with Commission orders approving new park and loan services, a similar service used by customers for balancing purposes. *See, e.g., Northwest Pipeline Corporation*, 100 FERC ¶ 61,336 at 62,548 (2002).

8. Nicor requests Midwestern to clarify that: (i) the new TPB service will not abrogate, supersede or affect other shippers' currently effective operational balancing agreements (OBAs) and supply aggregation agreements (SAs) with Midwestern; and, (ii) Midwestern intends to continue to offer OBAs and SAs. Nicor also recommends that Midwestern provide its tariff filings to its customers and host a conference call to address customer concerns prior to its tariff filings with the Commission.

9. We find that Midwestern's filing and answer provide its customers with sufficient assurances that the new TPB service will not affect its other existing services. Midwestern's filing does not propose to remove its operational balancing and supply aggregation services from its tariff. In addition, in its transmittal letter, Midwestern states that certain requirements for the new service "will maintain a stable line pack level on

Midwestern's system and therefore have no impact on existing Shippers" and that the new TPB service "will not impair or diminish the current primary service rights of existing firm Shippers," nor will it "affect the scheduling or curtailment of any service currently provided." *See* Midwestern's filing at page 2-3. Further, Midwestern's response to Nicor's concerns specifically clarifies that the new TPB service "will not abrogate, supersede or affect" other shipper's existing OBAs and SAs. *See* Midwestern's Answer at page 2. Midwestern states that the Commission's regulations require it to provide service under its existing Rate Schedule SA to all parties on a non-discriminatory basis and that it intends to comply with section 36 of the GT&C regarding its OBA Policy.

10. For the reasons set forth above, we accept the tariff sheets implementing Midwestern's new TPB service, as consistent with third-party balancing services for other pipelines. *See e.g.*, *Northern Border*, *supra* and *Vector Pipeline L.P.*, 99 FERC ¶ 61,336 (2002). Further, we accept the related TPB rates, subject to Midwestern filing an activity report after one year of service, detailing its experience with the implementation of the TPB service, as discussed above.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties

APPENDIX

Midwestern Gas Transmission Company
FERC Gas Tariff, Third Revised Volume No. 1

***Tariff Sheets effective March 1, 2006*:**

Fourth Revised Sheet No. 1
Original Sheet No. 5B
Original Sheet No. 112
Original Sheet No. 113
Original Sheet No. 114
Original Sheet No. 115
Sheet Nos. 116-199
Seventh Revised Sheet No. 202
Ninth Revised Sheet No. 204
Third Revised Sheet No. 207
Original Sheet No. 448
Original Sheet No. 449
Original Sheet No. 450
Sheet Nos. 451 – 477