122 FERC ¶ 61,003
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Northern Natural Gas Company Docket Nos. RP08-109-000

ORDER ACCEPTING AND SUPENDING TARIFF SHEETS SUBJECT TO CONDITION

(Issued January 3, 2008)

1. On December 7, 2007, Northern Natural Gas Company (Northern) filed revised tariff sheets[1] to be effective January 7, 2008, that: (1) increase Firm Deferred Delivery (FDD) storage flexibility by allowing FDD shippers to reduce their scheduled firm withdrawal and injection quantities during the last nomination cycle of the gas day by an amount up to the quantity equal to the aggregate, counter-cyclical Daily Maximum Injection Quantity or Daily Maximum Withdrawal Quantity (FDQs), as provided on Sheet No. 135B;[2] (2) remove the requirement that an FDD shipper maintain a storage point as a primary receipt point on its firm throughput service agreement; and (3) remove redundant language. The Commission accepts and suspends the revised tariff sheets to be effective on the earlier of June 7, 2008, or further order of the Commission, subject to the condition set forth below.

Details of the Filing

2. Northern states in its transmittal letter that the proposed reduction to scheduled firm withdrawals and injections allows FDD shippers greater use of their firm storage injection and withdrawal capabilities to manage daily variances and avoid daily delivery variance charges. Northern further states that in the event that the total of all requested firm withdrawal or injection reductions by FDD shippers is greater than the aggregate counter-cyclical injection or withdrawal FDQ, Northern will allocate the firm reduction requests on a pro-rata basis. Northern states that, for purposes of this allocation, only

[1] Eighth Revised Sheet No. 138, Sixth Revised Sheet No. 139, and Seventh Revised Sheet No. 141 to its FERC Gas Tariff, Fifth Revised Volume No. 1.

[2] Fifth Revised Sheet No. 135B to its FERC Gas Tariff, Fifth Revised Volume No. 1. Northern states that even though Sheet No. 135B is referenced for the aggregate Daily Maximum Injection and Withdrawal FDQ, this new flexibility will be applicable to all FDD shippers.

scheduled quantities within the shipper's FDQ will be considered, i.e., overrun quantities will not be used to calculate an authorized reduction.

3. Additionally, Northern proposes to remove the requirement in its FDD rate schedule that an FDD shipper transporting its FDD volumes on a Firm Throughput Service (FTS) agreement maintain a storage point as a primary receipt point on its FTS Agreement (FDD Storage Point Requirement). Northern states that this FDD Storage Point Requirement is no longer necessary, and that removing the requirement will provide flexibility for FDD shippers.

4. Northern also proposes to remove redundant language from Seventh Revised Sheet No. 141. In the Transportation Service Associated with Storage Service section, the language states that deliveries and redeliveries of FDD quantities shall be subject to the rates, terms and conditions of the corresponding upstream or downstream throughput service agreement, including transportation entitlements and capacity allocations. Northern states that transportation entitlement and capacity allocations are already addressed under the Interruption of Service section of the FDD rate schedule on Seventh Revised Sheet No. 138. Therefore, Northern proposes to remove the redundant language from Sheet No. 141.

Public Notice, Intervention and Comments

5. Notice of Northern's filing was issued on December 11, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations, 18 C.F.R. § 154.210. Pursuant to Rule 214, 18 C.F.R. § 385.214 (2007), 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. Madison Gas and Electric Company (MGE) filed a protest.

6. MGE protests that Northern has provided no support for eliminating the FDD Storage Point Requirement other than its statement that this requirement "is no longer necessary, and removing the requirement will provide further flexibility for FDD shippers." MGE argues that Northern fails to mention the potential degradation of service that may result for firm transportation shippers who are not also FDD shippers.

7. MGE also argues that eliminating the FDD Storage Point Requirement would, in fact, degrade firm transportation service to non-FDD shippers. Specifically, MGE argues that Northern has failed to provide any explanation as to why it is no longer true that eliminating the FDD Storage Point Requirement would allow FDD shippers to "double-reserve receipt point capacity in the Market Area," to the detriment of non-FDD

shippers.[3] MGE contends that the FDD Storage Point Requirement is required to protect against FDD shippers having preferential access to receipt point capacity at the expense of non-FDD shippers. Moreover, MGE is concerned that the FTS service will be degraded if FDD shippers are permitted to use receipt points that are currently reserved for FTS shippers. Therefore, MGE contends that such a change would necessarily make it more likely that the rights of FTS customers at those receipt points will be subject to allocation.

Discussion

8. We conditionally accept Northern's revised tariff sheets to become effective on the earlier of June 7, 2008, or further order of the Commission. However, we share concerns raised by MGE that Northern has not shown its proposal to remove the FDD Storage Point Requirement from Sheet No. 141 to be just and reasonable. Therefore, we direct Northern to more fully support its proposal by addressing the concerns raised by MGE. Specifically, Northern should explain why having the FDD Storage Point Requirement in its tariff is no longer necessary. Northern should also explain how removing this requirement would not adversely affect FTS shippers who do not hold FDD capacity, as MGE asserts. Further, Northern should explain how its proposal would not lead to certain shippers having the ability to "double-reserve" capacity. Finally, Northern should reconcile its proposal in the instant filing with its proposal in Docket No. RP05-375-000, addressing concerns raised by MGE in this regard. Northern should file its response within 15 days of the date this order issues.

9. Based upon a review of the filing, the Commission finds that the proposed tariff sheets listed in footnote No. 1 have not been shown to be just and reasonable, and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission shall accept such tariff sheets for filing and suspend their effectiveness for the period set forth below, subject to the conditions set forth in this order.

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[3] MGE states that Northern's position in a previous proceeding before the Commission, in which Northern argued that eliminating the FDD Storage Point Requirement will degrade service to non-FDD shippers, contradicts its position here. *See* Northern Natural Gas Company, Transmittal Letter, in Docket No. RP05-375-000, at 4 (Transmittal Letter).

> If there were no minimum MDQ requirement, FDD shippers would likely not assign primary receipt point MDQ to storage since Northern's most frequently used storage point is a paper point in the Market Area near Ogden, Iowa, which is unlikely to be allocated. Thus, [local distribution companies] would have been able to essentially double-reserve receipt point capacity in the Market Area, to the detriment of non-FDD shippers. *Id.*

10. The Commission's policy regarding rate suspensions is that rate filings generally should be suspended for the maximum period permitted by statute where preliminary study leads the Commission to believe that the filing may be unjust, unreasonable, or that it may be inconsistent with other statutory standards. *See Great Lakes Gas Transmission Co.*, 12 FERC ¶ 61,293 (1980) (five-month suspension). It is recognized, however, that shorter suspensions may be warranted in circumstances where suspensions 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 do not exist here. Therefore, the Commission shall exercise its discretion to suspend the rates to take effect on the earlier of June 7, 2008, or further order of the Commission, subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

<u>The Commission orders</u>:

(A) The revised tariff sheets listed in footnote No. 1 of this order are accepted effective on the earlier of June 7, 2008, or further order of the Commission, subject to the condition set forth in this order.

(B) Northern is directed, within 15 days of the date this order issues, to file revised tariff sheets consistent with the discussion in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.