FEDERAL ENERGY
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NEWS MEDIA CONTACT
Mary O'Driscoll - 202.502.8680

FERC Launches Investigations into Pipeline Rates

The Federal Energy Regulatory Commission (FERC) today launched investigations into the rates charged by three interstate natural gas pipelines – Northern Natural Gas Company, Great Lakes Gas Transmission LP, and Natural Gas Pipeline Company of America LLC – to determine whether the companies are over-recovering costs, causing rates to be unjust and unreasonable.

FERC ordered that a presiding ALJ convene within 30 days a prehearing conference to clarify the positions of the participants and consider any procedural issues and discovery dates necessary for the hearing.

Today's action resulted from staff's review of pipeline Form 2 cost of service and revenue information, including more detailed information required by Order No. 710, issued in March 2008. That order updated certain forms and reporting requirements for interstate natural gas pipelines to improve transparency of financial reporting and to better reflect current market and cost information relevant to pipelines and their customers.

"Protecting consumers against unjust and unreasonable rates is a fundamental responsibility of the Commission under the Natural Gas Act," said FERC Chairman Jon Wellinghoff. "Launching these investigations is important to the Commission fulfilling that responsibility."

Northern Natural Gas' 15,141-mile system extends from the Permian Basin in Texas to the upper Midwest. Based on Northern's 2008 reports, FERC staff calculated total adjusted 2008 revenue to be $726 million, which appears to yield an estimated earned return on equity of 24.36 percent, higher than that allowed by the Commission.

Great Lakes' 2,100-mile system transports natural gas through Minnesota, Wisconsin and Michigan. Based on Great Lakes' 2008 reports, FERC staff calculated total adjusted 2008 revenue to be $290 million, which appears to yield an estimated earned return of 20.83 percent, higher than that allowed by the Commission.

Natural Gas Pipeline's 9,700-mile system consists primarily of two interconnected transmission pipelines, the Amarillo and Gulf Coast lines, which terminate in Chicago. From Natural's 2008 reports, FERC staff calculated total adjusted 2008 revenue to be $656 million, which appears to yield an estimated earned return of 24.5 percent, higher than that allowed by the Commission.

Natural also appears to be over-recovering fuel and lost and unaccounted for gas from its customers. FERC staff calculated an over-recovery of 30.9 million dekatherms of gas. Natural's reports also show that for the fourth quarter of 2008 and the first quarter of 2009, it received $59.6 million and $48.7 million, respectively, in revenues from the sale of excess gas.

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