

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suedeem G. Kelly.

Northern Natural Gas Company

Docket Nos. RP03-398-011  
RP04-155-004  
RP04-280-000  
RP04-94-000

ORDER APPROVING UNCONTESTED PARTIAL SETTLEMENT

(Issued February 14, 2005)

1. On May 1, 2003, Northern Natural Gas Company (Northern) filed tariff sheets in Docket No. RP03-398-000 proposing a rate increase under section 4 of the Natural Gas Act (NGA). On May 30, 2003, the Commission accepted and suspended certain tariff sheets to be effective November 1, 2003, subject to refund and established hearing and technical conference procedures.<sup>1</sup> On January 30, 2004, Northern filed a second general section 4 rate case in Docket No. RP04-155-000. On February 27, 2004, the Commission conditionally accepted and suspended tariff sheets subject to refund, established hearing procedures and consolidated the Docket Nos. RP03-398 and RP04-155 proceedings.<sup>2</sup> On August 24, 2004, the Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (NMDG/MRGTF) filed a motion for the appointment of a settlement judge, and the motion was granted by the Chief Administrative Law Judge on September 3, 2004.

2. On November 24, 2004, Northern filed a partial settlement agreement in the above referenced dockets. On December 1, 2004, Northern filed a supplement correcting certain attachments and tariff sheets to the settlement that were incorrect and adding certain tariff sheets that were inadvertently omitted. The settlement resolves certain issues in Northern's rate case proceedings in Docket Nos. RP03-398-000 and RP04-144-

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<sup>1</sup> *Northern Natural Gas Co.*, 103 FERC ¶ 61,266 (2003).

<sup>2</sup> *Northern Natural Gas Co.*, 106 FERC ¶ 61,195 (2004).

000 with respect to Northern's System Levelized Account (SLA) and related imbalance issues. In addition, the settlement resolves all issues in the SLA proceeding in Docket No. RP04-280-000 and all issues in the System Balancing Agreement (SBA) proceeding in Docket No. RP04-94-000.

3. Among other things, the settlement provides for the elimination of the existing mechanism through which Northern recovers its SLA costs. Northern agrees to freeze the existing total SLA balance. The settlement contains detailed provisions concerning the recovery of the remaining balance in base tariff rates over a four-year period. The settlement provides for the termination of the existing surcharge mechanisms in Northern's tariff through which it recovers its SBA costs. Northern will recover these costs in its market area base tariff rates. The settlement also provides for modifications to the imbalance resolution provisions and provides that, except for the changes provided in the settlement, Northern will not implement any changes to its imbalance resolution provisions prior to November 1, 2007.

4. Comments in support of the settlement were filed by Commission Trial Staff; the Large Local Distribution Company Coalition; MidAmerican; Indicated Shippers; Alliant Energy Corporate Services, Inc. on behalf of Interstate Power and Light Company, South Beloit Water, Gas and Electric Co., and Wisconsin Power and Light Co.; Madison Gas and Electric Co.; collectively by the American Iron and Steel Institute, Alcoa Inc., Archer Daniels Midland Company, United States Gypsum Company and USG Interiors; AG Processing Inc.; and NMDG/MRGTF.

5. In its comments, NMDG/MRGTF conditioned its support on certain clarifications. Specifically, NMDG/MRGTF requests clarification regarding 1) whether Northern agrees to withdraw its proposal in Docket No. RP03-398, to limit the Small Customer DDVC tolerance level to one-half of the shipper's MDQ or 650 Btu/day; and 2) whether the language in Article I, section C, Paragraph 4c, which states that "[t]he preceding sentence does not affect in any way the Cities' rights to continue to pursue their claims for relief in these proceedings relative to their section 5 issues concerning the Small Customer Group" only applies to the Cities' section 5 issues of whether they should be designated as Small Customers under Northern's tariff.

6. On December 16, 2004, Northern filed reply comments. In response to the clarifications requested by NRDG/MRGTF, Northern states that: 1) it agrees to withdraw its proposal in Docket No. RP03-398 to limit the Small Customer DDVC tolerance level to one-half of the shipper's MDQ or 650 BTU/day; and 2) concurs with NMDG/MRGTF's understanding of Article I, section C, Paragraph 4c, that the reservation rights for the Cities of Everly, Hartley, and Orange City, Iowa applies only to the Cities' section 5 issue of whether they should be designated as Small Customers under Northern's tariff.

7. On December 29, 2004, the Settlement Judge certified the settlement to the Commission as uncontested.

8. In light of the clarification in Northern's reply comments, we agree that the settlement is uncontested. The subject settlement is fair and reasonable and in the public interest and is hereby approved. The Commission's approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

9. This order terminates Docket Nos. RP03-398-011, RP04-155-004, RP04-94-000 and RP04-280-000.

By the Commission.

( S E A L )

Linda Mitry,  
Deputy Secretary.