

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

March 25, 2004

In Reply Refer To:
Northern Natural Gas Company
Docket No. RP04-94-001

Northern Natural Gas Company
P.O. Box 3330
Omaha, NE 68103-0330

Attention: Mary Kay Miller, Vice President
Regulatory and Customer Service

Reference: Additional Information Filing

Dear Ms. Miller:

1. On January 20, 2004, Northern Natural Gas Company (Northern) filed additional information to comply with the Commission's Order Accepting and Suspending Tariff Sheets Subject to Refund and Conditions, issued on December 30, 2003, in Docket No. RP04-94-000.¹ The December 23, 2003, Order conditionally approved Northern's SBA (System Balancing Agreement) cost recovery surcharge for the year 2004 subject to Northern filing additional information. Northern's filing includes: (1) copies of notices Northern used to solicit bids for SBA services for 2003; (2) copies of SBA service bids that Northern received but did not accept; (3) documents Northern relied upon in accepting or rejecting SBA bids; (4) clarification of certain schedules in Northern's underlying SBA filing; and, (5) SBA operational data for the years 2001 through 2003.

2. Northern's additional information filing complies with the Commission's December 30, 2003, Order and is accepted subject to the condition discussed below. This acceptance benefits the public by ensuring that Northern establishes its 2004 SBA cost recovery surcharge in accordance with section 51 of its General Terms and Conditions.

3. The Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (NMDG/MRGTF) filed comments on one element of Northern's

¹ 105 FERC ¶ 61,395 (2003).

information. Northern's filing includes copies of two SBA bid packages – an original bid package dated July 21, 2003, and a revised bid package dated August 21, 2003, which includes modified quantity and/or term parameters. Each bid package solicits bids for: (1) pack and draft service; and (2) peaking service. Specifically, Northern's original bid package for peaking service was for 1.35 Bcf of gas over the period November 2003 through April 2004. The revised bid package was for 1.35 Bcf of gas over the period December 2003 through March 2004. Northern's original bid package for pack and draft service was for 3.78 Bcf of gas for nine specified months over the 12-month SBA period. The revised bid package for peak and draft service was for 2.94 Bcf of gas for seven specified months. Northern revised its bid package because the price bids it received under its original package were significantly higher than in previous years and it wanted to lower SBA costs.

4. NMDG/MRGTF questions whether the SBA recovery mechanism truly minimizes costs to shippers. For instance, they note the fact that, for SBA peak and draft service solicitations, Northern reduced its required gas quantity by 0.84 Bcf, and the number of service months from nine to seven. NMDG/MRGTF questions, if the revised bid packages were sufficient to ensure safe system operation, why did Northern issue the original bids with what appears to include higher-than-necessary SBA requirements. NMDG/MRGTF believes Northern may be overstating its SBA costs – a concern since non-exempt shippers pay for SBA service. NMDG/MRGTF requests that the Commission institute further proceedings to investigate Northern's SBA bidding and contracting practices.

5. We share NMDG/MRGRF's concerns regarding Northern's modified SBA bid packages discussed above. Accordingly, we direct Northern to file, within 15 days of the date this order issues, an explanation addressing NMDG/MRGTF's concerns, in particular what circumstances prompted it to reduce the quantity and term parameters of its bid packages.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

Cc: All Parties

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