

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
William L. Massey, and Nora Mead Brownell.

Northern Natural Gas Company

Docket No. GT02-38-006

ORDER ON CLARIFICATION

(Issued July 29, 2003)

1. On July 2, 2003, the Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (NMDG/MRGTF) sought clarification or, in the alternative, rehearing of the Commission's order issued on June 4, 2003.¹ In the June 4 Order, the Commission accepted Northern Natural Gas Company's (Northern) revised creditworthiness provisions to its tariff, subject to modification. Additionally, the Order granted in part and denied in part requests for rehearing.

2. In this order, we grant NMDG/MRGTF's request for clarification. Our determination benefits customers by clarifying the applicability of creditworthiness standards for Small Customers on Northern's system.

I. Background

3. On August 23, 2002, Northern filed proposed tariff sheets to implement more stringent creditworthiness provisions in Sections 46 and 47 of the General Terms and Conditions (GT&C) of its tariff. Numerous parties protested Northern's filing.

4. On September 20, 2002, the Commission issued an order finding that the protesting parties raised a number of important issues requiring further consideration.² In order to provide parties with a forum to discuss their concerns and gather more information, the Commission directed staff to convene a technical conference. Northern's

¹Northern Natural Gas Co., 103 FERC ¶ 61,276 (2003) (June 4 Order).

²Northern Natural Gas Co., 100 FERC ¶ 61,278 (2002) (September 20 Order).

tariff sheets were accepted and suspended, to become effective, subject to conditions, the earlier of February 23, 2003, or the date the Commission specified in an order issued after the technical conference.

5. On November 12, 2002, the technical conference was held. Northern clarified certain issues and agreed to modify its proposed tariff sheets to reflect concerns that were raised at the conference. On November 22, 2002 Northern filed pro forma tariff sheets reflecting the modifications that were discussed at the technical conference. Numerous parties filed comments and protests in response to Northern's filing.

6. On January 29, 2003, the Commission issued its order accepting Northern's proposed creditworthiness provisions, subject to modification, and denying the requests for rehearing of the September 20 Order.³ The Commission found that the proposed tariff sheets, as modified, would allow Northern to implement reasonable tariff provisions ensuring that its shippers will have the financial ability to pay for the pipeline services that they use.

7. On June 4, 2003, the Commission issued an order accepting Northern's revised creditworthiness provisions, subject to modification, and accepting in part and denying in part the requests for rehearing of the January 29 Order. Among its findings, the Commission held that Northern's proposal to use separate creditworthiness standards for its Small Customers was not unduly preferential or discriminatory since, in the event of a default, Small Customers pose a lesser credit risk than those shippers that are not Small Customers.⁴

II. Request for Clarification

8. NMDG/MRGTF takes issue with the Commission's reference to Small Customers as those that "are required to have a daily firm entitlement of 5,500 Mcf or less."⁵ NMDG/MRGTF points out that this tariff provision is part of Rate Schedule GS-T and does not apply to all Small Customers. NMDG/MRGTF also notes that the "Small Customer" designation is the outcome of a Stipulation and Agreement of Settlement

³Northern Natural Gas Co., 102 FERC ¶ 61,076 (2003) (January 29 Order).

⁴June 4 Order at P 29.

⁵Id. Quoting Northern Natural Gas Company Tariff, Fifth Revised Volume No. 1, First Revised Sheet No. 126.

following a Northern rate case and that such shippers are listed on Fifth Revised Volume No. 1, Second Revised Sheet No. 510.

III. Discussion

9. The Commission grants NMDG/MRGTF's request for clarification. Our reference to Sheet No. 126 does not accurately describe all Small Customers on Northern's system. The application of Northern's creditworthiness standards for Small Customers is not limited to those that receive service under Rate Schedule GS-T, but includes all Small Customers listed on Sheet No. 510.

The Commission orders:

NMDG/MRGTF's request for clarification is hereby granted and its request for rehearing is hereby dismissed as moot.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.