

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

November 24, 2004

In Reply Refer To:
Northern Natural Gas Company
Docket No. RP04-405-001

Northern Natural Gas Company
1111 South 103rd Street
Omaha, NE 68124-1000

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

Reference: Implementation of Non-Telemetered Operational Zone Program

Dear Ms. Miller:

1. On July 20, 2004, Northern Natural Gas Company (Northern) filed revised tariff sheets to implement a new service enhancement, on a one-year trial basis, that would allow local distribution companies (LDC) with non-telemetered delivery points to avoid exposure to Northern's daily delivery variance charges (DDVC)¹ by bundling their non-telemetered delivery points into one Operational Zone. LDCs would then nominate to the Operational Zone using a load-forecast formula they mutually agree upon with Northern. On August 19, 2004, the Commission issued an order² in Docket No. RP04-405-000 accepting Northern's proposal, subject to Northern: (1) incorporating into its tariff a generic load forecast formula that would be available to all shippers; (2) clarifying whether it would allow a shipper with a single non-telemetered delivery point to use its service enhancement and treat its delivery point as an Operational Zone; (3) incorporating into its tariff that shippers may terminate participation in the program with a 30-day written notice to Northern; and, (4) filing a one-year operations report on its new service enhancement.

¹ Northern's DDVC is a scheduling penalty, as set forth in section 48 of its GT&C. Shippers using Northern's non-telemetered Operational Zone service would not be subject to DDVCs.

² 108 FERC ¶ 61,197 (2004).

2. On September 3, 2004, Northern filed revised tariff sheets³ to comply with the Commission's August 19, 2004, order. Northern incorporates into section 28 of its General Terms and Conditions (GT&C) a generic load forecast formula to be used for nominations at non-telemetered Operational Zones. Northern will base the formula on the forecasted temperature available at 8:00 a.m. the day before gas flows, and utilize the National Ocean and Atmosphere Administration's weather forecasting service. Northern will base the forecasted volume on historical daily volume flows at the non-telemetered points at the forecasted temperature, taking into account the season, month, and day of the week. Northern's proposed formula incorporates Area Coefficients that Northern applies as adjustments to a baseline volume. Northern explains its proposed formula and provides a sample load forecast formula calculation in Exhibit 1 of its filing.⁴ Additionally, Northern clarifies in section 28 of its GT&C that a shipper taking part in its program may terminate participation with 30 days written notice to Northern. Finally, Northern explains in its transmittal that "LDCs and municipally owned/cooperative distribution companies with a single non-telemetered delivery point are eligible for participation in the trial period."

3. Northern's filing in the instant proceeding was noticed on September 10, 2004, allowing for protests to be filed as provided by section 154.210 of the Commission's regulations. The Northern Municipal Distributors Group and The Midwest Region Gas Task Force Association (NMDG/MRGTF) filed a conditional protest, which we discuss below.

4. Northern's revised tariff sheets and additional information generally comply with the Commission's August 19, 2004, Order. Accordingly, we accept Northern's revised tariff sheets effective August 19, 2004, as proposed, subject to the conditions discussed below. This acceptance benefits shippers by increasing operational flexibility.

5. Northern clarifies in its transmittal that LDCs and municipally owned/cooperative distribution companies with a single non-telemetered delivery point would be eligible to participate in the trial program. In its protest, NMDG/MRGTF agrees with Northern's clarification, but asks that the Commission direct Northern to incorporate this clarification into its tariff. NMDG/MRGTF suggests that Northern add the following language to section 28 of its GT&C: "Shippers with a single non-telemetered delivery

³ Substitute Ninth Revised Sheet No. 259 and Original Sheet No. 259A to its FERC Gas Tariff, Fifth Revised Volume No. 1.

⁴ Northern also proposes in section 28 of its GT&C that Northern and shipper may agree to use a different load forecast formula, subject to Northern filing such formula with the Commission.

point are also eligible for participation during the trial period.” We agree and direct Northern to file revised tariff sheets, within 21 days of the date this order issues, incorporating this clarification.

6. Also, Northern incorporates into section 28 of its GT&C a generic load forecast formula for calculating nominations at non-telemetered Operational Zones. In its protest, NMDG/MRGTF offers that “while NMDG/MRGTF understands how the formula is actually applied, Northern did not explain how it developed the formula or the area coefficients used in that formula.” It asks the Commission to direct Northern to provide the explanations. We agree with NMDG/MRGTF and direct Northern to file, within 21 days of the date this order issues, explanations as to how Northern developed its generic load forecast formula, and how it derived its Area Coefficients.

By direction of the Commission.

Magalie R. Salas,
Secretary.

Cc: All Parties

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