

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 No. RP04-103-000

ORDER TO SHOW CAUSE

(Issued December 17, 2003)

1. Transwestern Pipeline Company (Transwestern) filed a report<sup>1</sup> notifying the Commission of the deletion of thirty-one receipt points<sup>2</sup> from the Supply Pooling Points list on its website, as required by its tariff in Rate Schedule SP-1 (Supply Pooling Service). According to Transwestern, Northern Natural Gas Company's (Northern Natural) stated inability to continue providing gas displacement to Transwestern's shippers due to changes in the operation of Northern Natural's South-End of its system prompted the removal of these receipt points. Several producers protested, claiming the cancellation of Northern Natural's gas by displacement denies them access to western markets served by Transwestern, for reasons unexplained and not justified by Northern Natural. Because Northern Natural has not made any attempt to provide information that could lead to an understanding and possible resolution of this situation, as described below, the Commission is acting under its authority pursuant to Section 5 of the Natural Gas Act (NGA) to institute this show cause proceeding for the purpose of determining why Northern Natural can no longer provide the gas displacement and whether its actions are unduly discriminatory. This action benefits customers because it seeks to resolve an operational issue between Northern Natural and Transwestern, while ensuring that affected producers and shippers are not unduly discriminated against.

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<sup>1</sup> See Transwestern's report filed on July 10, 2003 in Docket No. RP03-546-000.

<sup>2</sup> The thirty-one receipt points to be eliminated are located in either Oklahoma or Texas as listed in Attachment A to Transwestern's July 10, 2003 filing in Docket No. RP03-546-000.

## I. Background

2. On October 10, 2002, the Commission issued an order<sup>3</sup> in Transwestern's Order No. 637<sup>4</sup> compliance proceeding which, among other things, approved Rate Schedule SP-1 which provides that Transwestern must post on its website the list of physical receipt points associated with each supply pooling point. That order also required Transwestern to file with the Commission any additions or deletions to the list of available points of service.

3. On July 10, 2003, Transwestern filed a report with the Commission reflecting the removal of thirty-one receipt points from Transwestern's Supply Pooling Points list on its website. Transwestern explains that the subject receipt points are located on the far eastern end of Transwestern's Panhandle Lateral. Transwestern states that this segment has been isolated from the rest of its system by a block valve since 1997. Transwestern states that the isolation was necessary because of differences in the operating pressure of the pipeline on either side of the block valve. Transwestern explains that gas receipts into the isolated portion of its system that were in excess of deliveries nominated to physical delivery points on this portion of the system were delivered by Transwestern by displacement with Northern Natural.

4. Transwestern states that Northern Natural has advised Transwestern that, due to changes in the operation of the South-End of Northern Natural's system, Northern Natural is unable to continue the displacement service. Transwestern explains that, consequently, it must limit the volume of gas received into the isolated portion of its system to the quantity nominated for delivery off the isolated segment, and, therefore, eliminate certain receipt points from aggregation to the Panhandle Supply Pool. Transwestern states that these receipt points will remain active on its system, but solely for deliveries east of the block valve. Transwestern states that it has posted a notice on its website<sup>5</sup> explaining how these points can be used in the future.

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<sup>3</sup> Transwestern Pipeline Company, 101 FERC ¶ 61,026 (2002).

<sup>4</sup> Regulation of Short-Term Natural Gas Transportation Services and Regulation of Interstate Natural Gas Transportation Services, FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,091 (February 9, 2000); order on rehearing, Order No. 637-A, FERC Statutes and Regulations, Regulations Preambles July 1996-December 2000 ¶ 31,099 (May 19, 2000); order on rehearing, Order No. 637-B, 92 FERC ¶ 61,062 (July 26, 2000); aff'd in part and remanded in part, Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. April 5, 2002).

<sup>5</sup> [http://www.hottap.enron.com/index.jsp?companyName=TW&pg=notices\\_CR](http://www.hottap.enron.com/index.jsp?companyName=TW&pg=notices_CR)

## **II. Protests in Transwestern's Docket No. RP03-546-000.**

5. Mewbourne Oil Company (Mewbourne), Duke Energy Field Services (Duke) and Strat Land Exploration Company (Strat Land) protested Transwestern's filing removing the thirty-one pooling receipt points. The protestors requested a technical conference. Transwestern filed answers to the protests.

6. None of the protesters are customers of Transwestern. Rather, Mewbourne is an independent producer, Duke operates sixteen of the thirty-one subject receipt points, and Strat Land operates an interconnection with Transwestern and delivers gas through another interconnection operated by Duke. Mewbourne contends that removal of the thirty-one receipt points would deprive Anadarko Basin producers, such as itself, as well as shippers, from continued access to markets west of the block valve that Transwestern's pipeline serves. Duke estimates that Transwestern's proposal will cost Duke and its upstream producers approximately \$2.5 million per year in new charges.<sup>6</sup> Strat Land states that firm shippers seeking to purchase supplies from these isolated facilities would be required to use their capacity on Transwestern to transport the gas to Northern Natural, and then contract separately with Northern Natural to return the gas to Transwestern for further transportation. Strat Land contends that by eliminating these points, which would otherwise be pooled at no charge to other points on the Transwestern system, Transwestern can now impose transportation fees for moving its gas to Northern Natural.

## **III. Meeting and Status Reports**

7. On August 22, 2003, a meeting was held among Transwestern, Strat Land, Duke and Mewbourne for the purpose of attempting to resolve the protested issues in Docket No. RP03-546-000. Transwestern and the parties filed status reports regarding this meeting. Transwestern states that at the meeting it provided additional information regarding the circumstances necessitating its filing. Transwestern states that while the meeting was constructive, it failed to resolve the issues raised by the protesters. Transwestern argues that no constructive purpose would be served by convening a technical conference in this proceeding because it has no further information to provide to the parties, and there is no reason to believe that the disputed issues would be resolved. Therefore, Transwestern requests that the Commission deny the requests for a technical conference. Further, Transwestern argues that it cannot represent Northern Natural's position with respect to reactivating the operational displacement.

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<sup>6</sup> Duke estimates that the proposal would result in approximately \$1.5 million in additional charges for transportation and fuel, and \$1 million in basin differentials from the forced sales to lower value markets on Northern's system.

8. Strat Land and Duke filed a joint status report of the above meeting. Mewbourne filed a separate status report. These parties all agree that despite best efforts of all parties present, real progress was precluded by the absence of Northern Natural from the meeting. Based upon the additional information provided at the meeting, the parties speculated that the operational changes in Northern Natural's system forcing the elimination of pooling points at issue was the result of maintenance work at certain Northern Natural compressor stations creating a temporary force majeure condition. The parties contend that since the maintenance has since been completed, there is no apparent operational reason now why Northern Natural and Transwestern cannot resume previous operations under their Operational Balancing Agreement. Mewbourne states that some questions remain as a result of the meeting, such as what Transwestern intends to do to remedy the situation. Accordingly, the protesters request that the Commission convene a technical conference and require Northern Natural to attend.

#### **IV. Discussion**

9. The producers who protested in Transwestern's proceeding in Docket No. RP03-546-000 contend that their gas will be denied access to western markets via Transwestern's system as a result of Northern Natural's purported inability to continue providing gas by displacement to Transwestern's shippers. The parties to the Transwestern proceeding have attempted to resolve the issues but have been unsuccessful primarily because the circumstances surrounding Northern Natural's inability to continue certain activities are unknown. Northern Natural is not a party to that Transwestern proceeding. Nor has Northern Natural provided the Commission or the parties to that proceeding with an explanation or justification for its discontinuance of the gas displacement. The Commission is concerned that Northern Natural's actions may be in violation of our policies regarding the provision of displacement transactions when it is operationally feasible to do so, and as a result its actions may be unduly discriminatory with respect to the affected producers and the shippers on Transwestern's system.

10. Therefore, pursuant to its authority under Section 5 of the NGA, the Commission is instituting this show cause proceeding with respect to Northern Natural, in Docket No. RP04-103-000, for the purpose of determining why Northern Natural can no longer provide the displacement service and whether its actions are unduly discriminatory. Accordingly, the Commission is requiring Northern Natural to respond to questions posed herein to help facilitate the Commission's understanding of the displacement issue and allow the Commission to make an informed decision on how to proceed further.

11. Therefore, the Commission is requiring Northern Natural to provide the following information: (1) a map and schematic of Northern Natural's facilities and a detailed description of how it used its facilities to provide the transactions in question here; (2) a

copy of any and all correspondence, contracts or agreements between Northern Natural and other entities that underlie the transactions in question here; (3) a detailed description of the physical and operational changes that have occurred on Northern Natural's system that have caused it to cease facilitating the transactions in question here; (4) whether Northern Natural historically charged a fee for the transactions in question here; and (5) whether Northern Natural ever offered to facilitate the transactions in question here for a fee.

The Commission orders:

(A) Within 15 days of the issuance of this order, Northern Natural is directed to file a response to the questions posed in the body of this order.

(B) Notice of this proceeding will be published in the Federal Register. Persons having an interest in this proceeding will be allowed to intervene, in accordance with the Commission's regulations.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.