108 FERC ¶ 61,124
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Northern Natural Gas Company | Docket Nos. RP00-404-008, -009, -010, -011, -012, -013 and RP03-398-006

THIRD ORDER ON COMPLIANCE WITH ORDER NO. 637 AND ORDER ON REHEARING AND CLARIFICATION

(Issued August 4, 2004)

1. On December 1, 2003, Northern Natural Gas Company (Northern) filed pro forma tariff sheets in compliance with the Commission's order, issued on October 31, 2003 (October 31 Order) in this proceeding in Docket Nos. RP00-404-009 and RP03-398-006.[1] In further compliance with the October 31 Order, Northern filed a Study of Daily Deliverance Variance Charges for the 24-Month Period Ending September 30, 2003, (DDVC Study) on December 23, 2003, in Docket No. RP00-404-010. On April 1, 2004, Northern filed to modify its Field Area segmentation proposal in Docket No. RP00-404-012, as proposed in its December 1, 2003 compliance filing. Finally on April 8, 2004, Northern filed in Docket No. RP00-404-013 to implement Market Area segmentation.

2. All but the last of the four filings (Docket No. RP00-404-013) have elicited protests and comments from intervenors. In addition, Northern filed an Answer to the protests to the December 1, 2003 compliance filing, while the April 1, 2004 filing also had an intervention in support of the proposal and filings by Northern and a second party answering the protests to that proposal. In addition, in Docket No. RP00-404-008, parties have filed for rehearing, reconsideration and clarification of the October 31 Order.

3. The proposed tariff sheets filed by Northern are accepted or rejected as moot as indicated in the appendices to this order. For the reasons given below, the requests for rehearing, reconsideration and/or clarification are denied. This order benefits the public by permitting Northern to implement policies described in Order No. 637 designed to enhance competition in the natural gas industry.

[1] 105 FERC ¶ 61,174 (2003).

Public Notice, Interventions and Protests

4. Public notice of Northern's December 1, 2003, compliance filing was issued on December 3, 2003. Public notice of Northern's December 23, 2003, compliance filing study was issued on January 2, 2004. Public notice of Northern's April 1, 2004, revision to its December 1, 2003, compliance filing was issued on April 7, 2004. Public notice of Northern's April 8, 2004 filing was issued April 13, 2004. Protests were due as provided in Section 154.210 of the Commission's regulations, 18 C.F.R ' 154.210 (2003).

Discussion

Field Area Segmentation

5. In its November 21, 2002 initial order on Northern's compliance with Order No. 637 (November 21 Order),[2] the Commission approved Northern's proposal to implement virtual segmentation in its Market Area,[3] due to the reticulated nature of the Market Area. However, the Commission found that physical segmentation should be possible in Northern's Field Area, since gas supplies flow in a generally south to north direction. Therefore, the Commission directed Northern to devise a Field Area segmentation plan that would optimize providing shippers with maximum segmentation rights with appropriate mechanisms to ensure operational stability.

6. Northern then proposed a complicated Field Area segmentation plan, which the October 31 Order held was unduly restrictive. Under Northern's proposal, shippers could file a request to segment their Field Area capacity, excluding receipt and delivery points located in the so-called "Bushton Universe," defined as all receipts of gas that can physically flow through the Bushton processing plant and all delivery points upstream of that plant. All Field Area segmentation requests would be subject to a twenty-day prior review requirement. The proposal also included a number of general criteria that segmentation requests would have to meet, as well as various procedures that would have to be followed to implement any approved segmentation request. The October 31 Order required a number of changes in this proposal. The Commission found, among other things, that Northern (1) had not adequately defined the Bushton Universe exemption, (2) must limit the twenty-day review period only to the specific parts of the Field Area Northern could identify as reticulated, (3) must limit restrictions on outside-the-path

[2] 101 FERC ¶ 61,203 (2002).

[3] Northern divides its system into a Field Area, including the natural gas supply region south of Clifton, Kansas, and a Market Area north of that point. The Field Area is composed of 17 Mileage Indication Districts (MIDs), each of which is a specific segment of Northern's system.

segmentation to the parts of the Field Area which have bi-directional physical gas flows or are otherwise reticulated, (4) must clarify that each segmented transaction can use up to the maximum daily quantity (MDQ) of the underlying contract, absent overlaps, and (5) must permit reverse flow segmented transactions using secondary points, instead of requiring realignment of the primary points in the contract.

7. In compliance with the Commission's October 31 Order, Northern filed revised tariff sheets on December 1, 2003, to modify its Field Area segmentation proposal. However, Northern also stated in that filing that it was continuing to discuss its Field Area segmentation proposal with interested customers. Subsequently, on April 1, 2004, Northern filed a substantially revised Field Area segmentation plan. Since the April 1 proposal represents Northern's preferred method of complying with our requirements concerning its implementation of segmentation in the Field Area, we will focus on that proposal.

8. In its April 1, 2004 proposal, Northern proposes to implement Field Area segmentation in two phases. Northern proposes to implement the first phase September 1, 2004, with the second phase tentatively set to be implemented October 1, 2005.

9. In Phase 1, Northern commits to grant segmentation requests if certain criteria are met. In general, those criteria require segmenting shippers to split their existing service agreements into two new contracts created specially to facilitate segmented transactions. Northern creates a segmentation boundary approximately in the middle of its Field Area, with one segmented transaction generally to take place south (upstream) of that point and the other to take place north (or downstream) of that point. Northern contends that based upon discussions with its Field Area shippers, its proposed plan will accommodate most, if not all, of the theoretically possible segmented transactions.

10. The specific criteria that must be met for Field Area segmentation to take place are as follows. First, Northern establishes a "segmentation point" at the boundary between Mileage Indication District (MID) 7 and MID 8.

11. Second, the shipper's existing service agreement must have a primary receipt point south of the MID 7/8 segmentation point and a primary delivery point north of the MID7/8 segmentation point, or *vice versa*.[4] This means that, in order to segment its

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[4] Alternatively, Northern's proposal permits shippers with contracts that reverse the primary receipt and delivery points, *i.e.*, receipts to the north and deliveries to the south. A single pipeline segment connects the points in MIDs 1-7 in the south with MIDs 8-16B in the north.

capacity, a shipper's existing service agreement must have a primary contract path that spans the segmentation point.

12. Third, a segmenting shipper will retain its existing service agreement, but Northern will assign the maximum daily quantity (MDQ) under that agreement to two associated segmentation contracts. Northern will assign the segmented contract for south of the segmentation point the same primary receipt point as in the underlying service agreement and a primary delivery point at the segmentation point. Similarly, Northern will assign the segmented contract for north of the segmentation point a primary receipt point at the segmentation point and the same primary delivery point as in the underlying service agreement. The MDQ of each segmented contract cannot exceed the MDQ of the shipper's base contract.

13. Fourth, the segmented contract for south of the MID 7/8 segmentation point would have all points in MIDs 1-7 available for nomination as secondary firm receipt and delivery points, and the segmented contract for north of the MID 7/8 segmentation point would have all points in MIDs 8-16B available for nomination as secondary firm delivery points. In addition, the southern segmented contract could also use any points north of that segmentation point on an interruptible basis, and the northern segmented contract could similarly use any points south of that point on an interruptible basis.

14. Fifth, Northern's proposal permits a backhaul and forward haul to the same delivery point if capacity is available at that point. The forward haul and backhaul delivered to the same point can exceed the MDQ of the existing service agreement.

15. Finally, all the original contract provisions concerning rates will apply to the segmented contracts. Northern will bill the reservation charge to the contract agreed to by Northern and the shipper. The commodity rates and fuel use and unaccounted for gas will be billed on the contracts that have been nominated during the month.

16. In proposed Phase 2, segmentation would remain restricted to contracts with primary receipt points to the south of the MID 7/8 boundary (southern Field Area) and primary delivery points to the north of the MID 7/8 boundary (northern Field Area), or vice versa. However, shippers who request segmentation would not be required to separate the contract into two separate contracts, but rather would amend their contract to have two associated segments within that contract. Northern will establish primary paths and points for each of the two segments, along with alternate 1 and alternate 2 points/paths for each of these segments.

17. A shipper who requested segmentation of an initial contract would have Northern review the proposal to determine whether the system has the capacity to allow the new segmented transactions. If approved, the contract would be amended to create the two segments. Each segment would have an alternate 1 receipt and delivery point

combination which would be identified as primary and other point combinations would be alternate 2 (secondary firm outside of the path) or interruptible. As in phase 1, one segmented transaction would be located in the southern Field Area and the other would be located in the northern Field Area.

18. If both primary points under a segmented contract were scheduled, or the two points were both within the primary path, nominations and scheduling would be considered alternate 1, or primary. Any points in the relevant Field Area (north or south) would be secondary firm outside of the path, or alternate 2. Nominations outside of the path would have a lower scheduling priority than nominations inside of the path. Nominations that would be pathed in a direction that would reverse the flow of the initial contract would also be considered to be alternate 2. Transactions which cross the MID7/8 segmentation point would be interruptible for the portion of their path in the second Field Area.

Comments

19. The April 1, 2004, field segmentation plan filed by Northern generated several protests and calls for summary rejection and some answering comments. Duke Energy Trading & Marketing, L.L.C. (DETM), Indicated Shippers,[5] and Virginia Power Energy Marketing, Inc. (VPEM) protested the filing and requested that the Commission summarily reject the filing, while ONEOK Field Service, Inc., ONEOK Bushton Processing, LLC and ONEOK Midstream Gas Supply, LLC (ONEOK) requested that the Commission convene a technical conference. The Large Local Distribution Company Coalition (LLDCC)[6] filed comments in support of the proposal and both LLDCC and Northern filed answers to the protests.

20. Various parties requested that the filing be rejected on the grounds that the December 1, 2003, compliance filing is pending Commission action and that the filing is

not consistent with Order No. 637 [7] or the Commission's October 31Order. VPEM states that while the plan is presented as a result of Northern's meetings with its customers, the

[5] Indicated Shippers is a group of producers/marketers who ship on Northern's system. It includes Amoco Energy Trading Corporation, Anadarko Petroleum Corporation, Exxon Mobil Corporation, Marathon Oil Company, Oxy USA Inc., and Texaco Inc.

[6] LLDCC is an *ad hoc* group of large local distribution companies served by Northern.

[7] Regulation of Short-Term Natural Gas Transportation Services and Regulation of

plan does not reflect an agreement of the customers, but rather the plan is simply what Northern presented to them.

21. Indicated Shippers states that it objects to the plan because it is unduly discriminatory since some field area shippers would not be able to segment because their contracts would not be eligible for even the limited segmentation proposed by Northern. Indicated Shippers believes this would place such shippers at a competitive disadvantage.

22. Indicated Shippers also protests that the proposal does not comply with the Commission's previous orders. In these orders, Indicated Shippers states the Commission rejected Northern's attempts to limit segmentation rights in the Field Area.

23. Finally, Indicated Shippers argues that Northern has failed to provide any operational justification for delaying the implementation of a full segmentation plan in the Field Area.

24. VPEM also protests that the filing is inconsistent with Order No. 637 and the Commission's earlier orders in this proceeding. In addition, VPEM is concerned that the proposal may violate the Commission's portable discount policy. VPEM states that due to the limited value of Northern's Field Area capacity, discounts are common in the Field Area. VPEM is concerned that Northern intends to disregard this policy in the event of Field Area segmentation, and require segmenting shippers to pay the maximum reservation rate and the maximum commodity rate, regardless of any discounts that a shipper may have. VPEM requests that the Commission clarify that the portable discount policy will apply to segmented transactions on Northern and also that Northern state its billing practices in its tariff so that they can be reviewed by the Commission and Northern's customers to determine if they are just and reasonable.

25. DETM, like other parties, protests that the filing is an inappropriate response to the Commission's October 31 Order. DETM claims that the proposal represents a backtracking from Northern's segmentation proposal in its December 1, 2003 compliance filing and that this proposal is an attempt to preempt its pending compliance filing. In

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Interstate Natural Gas Transportation Services, FERC Stats. & Regs. Regulations Preambles (July 1996-December 2000) **&** 31,091 (2000) (Feb. 9, 2000) (Order No. 637); *order on reh'g*, Order No. 637-A, FERC Stats. & Regs, Regulations Preambles (July 1996-December 2000) **&** 31,099 (2000) (May 19, 2000) (Order No. 637-A); *order denying reh'g*, Order No. 637-B, 92 FERC **&** 61,062 (2000) (Order No. 637-B); *aff'd in part and remanded in part*, Interstate Natural Gas Association of America v. FERC, 285 F.3d 18 (D.C. Cir. Apr. 5, 2002), Order on Remand, 101 FERC **&** 61,127 (2002).

response to concerns raised by Northern about the costs of implementing Field Area segmentation, DETM states that the Commission has rejected objections made on the basis of implementation costs and Northern should not be permitted to avoid complying with the Commission's regulations by citing the cost issue here.

26. DETM states that, even on the merits, the proposal fails. DETM points out that the proposal both denies shippers the right to self segment by nomination and requires them to create and administer new contracts, without an operational basis for this requirement.

27. DETM objects to the proposal's limitation on a shipper's transactions to its MDQ within each segmentation zone, as it prohibits shippers from making multiple segmented nominations along each shipper's capacity path throughout the Field Area. DETM states this restriction resembles the "Lowest Unutilized Quantity" concept, a concept that the Commission has rejected in other pipelines' Order No. 637 proceedings when it involved their mainline pipeline.

28. In response to the issues raised by the various parties, Northern argues that its April 1, 2004, filing was proper. Northern states its compliance filing of December 1, 2003, specifically stated it was pursuing an implementation plan for Field Area segmentation with its customers. Northern states that its maximum rate shippers, who largely pay its Field Area reservation charges, prefer a phased-in approach to segmentation there. Northern states its approach is reasonable as Phase I can be operational in a relatively short order, while Phase II needs to await experience with Phase I, as well as modifications to Northern's contract, nomination, scheduling and billing systems.

29. Northern disagrees with those parties who protested that the proposal to split the Field Area into two parts is unduly discriminatory. Northern states that its proposal coincides with the way that shippers contract for capacity on the system today. Northern states that the MID 7/8 dividing point for segmentation also coincides with its MidContinent and Permian mainline fuel sections, which were also designed to match system requirements.

30. Northern argues that its phased-in Implementation Plan for Field Area segmentation is reasonable because it fulfills two critical customer objectives. First, it states that the proposed plan enables shippers to segment their Field Area capacity by September 1, 2004. Contrary to the allegations of DETM, Northern states it is not prolonging implementation of Field Area segmentation, but is attempting to move forward. Northern says its proposal will allow its customers to obtain the benefits of segmentation in time for the 2004-2005 winter heating season. Northern claims if it were required to implement Phase I and Phase II together, due to the major system changes

required under Phase II, customers would not be able to segment any Field Area capacity until October 1, 2005. In addition, Northern believes its phased-in approach will enable shippers to gain experience with segmentation prior to the next phase.

31. Northern also argues that its Implementation Plan allows Field Area segmentation in a cost-effective manner.[8] Northern believes it has structured the Implementation Plan such that there will be stopping points along the way to refine the details that comprise each phase prior to development. For instance, Northern says that after experience with Phase I and prior to the implementation of Phase II, it will meet with its customers to assess the operation of the previous phase and determine whether further modifications are necessary. Northern believes that experience under segmentation will be helpful to all the parties, and that this experience should dictate the details of the second phase. After the implementation of Phase II, Northern would ask the parties to convene again and determine if they would like to pursue a Phase III.[9] Northern is optimistic that its phased-in approach ensures that expenditures are spent where needed and economically justified.

32. Further, Northern believes it was able to eliminate restrictions included in its December 1, 2003 filing that it would not otherwise have been able to do. For example, Northern states it eliminated the tariff provision that permitted it to suspend a segmentation request under certain circumstances for operational reasons. Such circumstances included changes in Field Area capacity demand that would impair the ability to continue the segmented transaction during a period of abnormal conditions requiring a System Overrun Limitation, a System Underrun Limitation or a Critical Day notice, as specified in Section 48 of the General Terms & Conditions of Northern's tariff. Under Northern's April 1, 2004, proposal, it did not propose to suspend segmentation requests under these circumstances. The elimination of this restriction will enhance the value of segmentation in the Field Area for segmenting customers by providing certainty that their segmentation transactions will not be disturbed and is, therefore, beneficial to Northern's customers.

33. Northern claims it is not true, as VPEM contends, that "there are no tariff sheets or provisions describing how Northern intends to bill under its proposals" and that "[t]here is no discussion of how Northern proposes to implement or define 'paths' for shippers." Northern states it addressed both of these issues at its customer meeting and in its April 1, 2004 filing. Specifically, Northern says it addressed how it will bill segmented

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[8] Northern estimates the costs for the phased-in approach to be $3 million.

[9] A third phase, which Northern states it discussed at its February 19th customer meeting, is estimated to cost an additional $2.5 million. This phase is not currently being pursued.

transactions in its tariff on Sheet No. 305A, section (B) (2) (f) and how it will determine path priorities for nominations within the path and outside the path in section (B) (2) (d) on the same tariff sheet. Thus, Northern believes it has supported its April 1, 2004 filing.

34. Several parties (DETM, Indicated Shippers and VPEM) challenge Northern's Implementation Plan claiming that it does not provide segmentation as envisioned by the Commission under Order No. 637. Northern states that it does not believe that Order No. 637 mandates segmentation without any regard for cost effectiveness. Northern contends that these shippers have discounted contracts for Field Area capacity and will not pay for the systems-related costs of implementing Field Area segmentation. Northern states that maximum rate shippers, such as the LLDCC, do not see any benefits from the large expenditures associated with immediate total implementation of Field Area segmentation. Northern states that one of the four protesters, DETM, is not even a holder of firm capacity on Northern, and while certain of the Indicated Shippers, ONEOK, and VPEM are firm shippers in Northern's Field Area, they all pay discounted rates, not the maximum tariff rate and therefore would not pay for any of the implementation costs.

35. Northern says a primary reason why it proposes to go forward with a two phase approach was based on the interests of the maximum rate customers that are responsible for paying the bulk of Northern's Field Area reservation charges. Northern believes it is appropriate that these customers help determine how Northern implements Field Area segmentation. Northern notes that none of the parties arguing against Northern's phased-in proposal have agreed to pay for any of the additional costs. Northern therefore believes that its proposed phased-in Implementation Plan is the most cost-effective approach and is reasonable as it forges a balanced approach for implementing Field Area segmentation.

36. Finally, VPEM alleges that Northern's billing proposals violate the Commission's portable discount policy and contradict other provisions of Northern's tariff. Northern believes that there is nothing inconsistent about the billing procedures distributed at its February 19th customer meeting and those contained in Attachment A to Northern's April 1, 2004 filing. The documentation of Phases I and II, as set forth in Appendix A of the April 1, 2004 filing, is the same as that provided to the customers at that meeting. In addition, Northern claims the language on Page 2 of Appendix A to the April 1, 2004 filing, stating that use of alternate points on segmented transactions triggers the maximum reservation and commodity rates regardless of any discounts the shipper may have, simply reflects the fact that a shipper's contract will control whether an alternate point is eligible for the same discount such shipper has under contract. Northern says it does not mean that if it is contemporaneously discounting to other shippers at the alternate segmented point and the shipper requests a discount at such alternate point under section 54 C, Discount Retention Policy, of Northern's Tariff, that it will not comply with such provisions and provide the segmenting shipper with the applicable

discount, unless it can rebut the presumption that shippers qualify for discounts at alternate points if discounts are being granted by the pipeline at those points. Northern states it will comply with the Commission's portable discount policy as set forth in section 54 of its tariff.

37. ONEOK requests that the Commission convene a technical conference because it claims that there has been insufficient detail provided to the parties in this proceeding, and the parties could explore the ramifications of Northern's proposal at such a conference. Northern disagrees. It says that contrary to ONEOK's assertions, there has not been a lack of sufficient detail regarding segmentation in Northern's Field Area. Northern says it has met with its customers twice regarding the implementation of Field Area segmentation and has provided very detailed information regarding the matters impacted by segmentation, including contracting and defining paths, nominations, scheduling within and outside the path, priorities, billing, etc. Therefore, it believes a technical conference would not be useful now.

38. The LLDCC also filed an answer to the protests of several parties (DETM, Indicated Shippers and VPEM). Its answer responded to these parties' arguments that Northern's proposal to phase-in segmentation is too constrained for the Commission to permit. As discussed above in Northern's response to the protests, the LLDCC also points out that these protestors may be immune from paying any of the costs of segmentation. The LLDCC also argues that Order No. 637 does not require segmentation at any cost, contrary to the arguments of the protestors. Finally, the LLDCC states that it believes that the projected costs of Northern's two phase proposal to its members outweigh its benefits to them. Thus, the LLDCC members believe that even by supporting Northern's latest proposal, they are in fact subsidizing the segmentation activities of other shippers.

39. Consequently, the LLDCC asks that if the Commission determines that Northern should provide additional segmentation opportunities to shippers that require substantial expenditures beyond those contemplated by Northern, the Commission should make a preliminary determination that these expenditures will be recovered only from the shippers that benefit from them.

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Commission Ruling

40. We will accept Northern's proposal to implement Field Area segmentation as it proposes for Phase 1. In the October 31 Order, the Commission addressed a myriad of conditions which Northern sought to impose on all Field Area segmentation. Some

proposed conditions were rejected, while other conditions were accepted, all or in part. Under the Phase 1 proposal, Northern has removed those conditions restricting segmentation, greatly simplifying the segmentation process. Northern's Phase 1 proposal does not include a restriction on segmenting capacity which involves receipt and delivery points located in the Bushton Universe. The Phase 1 proposal no longer seeks to require up to a 20-day review period to evaluate each segmentation request using different points than Northern has previously approved. Rather, shippers have the right to obtain two segmented contracts, as set forth in Northern's proposal. They may then nominate segmented transactions under those contracts using not only the primary points listed in those contracts, but also using any other points in the Field Area on either a secondary firm or interruptible basis, depending upon whether the other points are on the same side of the MID 7/8 segmentation point as the primary path of the segmented contract in question. Northern's revised proposal also no longer provides for a prohibition on the use of paper pooling points for segmentation.

41. While we recognize that Northern's Phase 1 proposal is streamlined in that it allows for some segmentation to take place in a simple and timely manner, the proposal is not without controversy as it still includes limits on the shippers' Field Area segmentation rights as to the number of segmentation requests that a shipper can request. At best, a Field Area contract can be separated into two associated contracts, and not all Field Area contracts are eligible for even this limited right to segmentation.[10] Northern's proposal for priority of segmented transactions is restrictive, in that points located on the opposite side of the MID 7/8 segmentation point as the primary path of the segmentation contract may only be used on an interruptible basis, rather than a secondary firm basis, even though the shipper's firm base contract requires it to pay for capacity on both sides of the segmentation point. Shippers are also not permitted to segment solely by nomination, but must first create new contracts and only after creating such contracts can they segment through nomination.

42. Despite these limits, the Commission finds that the two phase approach to implement Field Area segmentation on Northern's system as proposed by Northern is just and reasonable. The Commission has previously recognized that, while Northern's Field Area is not fully reticulated, certain segments of Northern's Field Area do exhibit bi-directional flows and Northern must satisfy its gas processing obligations. Therefore, the Commission has held that Northern may include in its Field Area segmentation proposal appropriate mechanisms to insure operational stability. The Commission is not satisfied that Phase 1 of Northern's segmentation plan represents all the segmentation that is

[10] A review of Northern's index of customers indicates that a large majority of Field Area contracts and contractual quantities are eligible for the segmentation proposed by Northern.

operationally feasible in Northern's Field Area. In fact, Northern itself recognizes that over time it should be able to permit shippers greater segmentation rights than proposed in Phase 1. However, approval of Northern's Phase 1 proposal will permit shippers to obtain greater segmentation rights in the Field Area than they now have.

43. The experience obtained from implementing Phase 1 as of September 1, 2004 will provide the knowledge necessary for the parties and the Commission to determine whether additional Field Area capacity segmentation is warranted on Northern's system. Northern states that, after experience with Phase 1 and before its proposed October 1, 2005 implementation of Phase 2, it will meet with its customers to assess the operation of Phase 1 and to determine whether further modifications are necessary. In addition, the October 31 Order required Northern to file a report with the Commission within 60 days after one year's experience proposing any modifications and justifying continuation of any restrictions on segmentation, as well as including certain specified information concerning the operation of its segmentation plan.[11] In light of Northern's proposal to commence Phase 2 on October 1, 2005, the Commission will require that this report be filed no later than July 1, 2005. While Northern will not have had a full year's experience with its Phase 1 segmentation plan by that date, the plan will have been in effect for more than a full winter heating season. This will give the parties and the Commission time to further consider the appropriate segmentation provisions to be in effect starting October 1, 2005. The Commission in this order is not making any rulings concerning the sufficiency of Northern's Phase 2 proposal as set forth in its April 1, 2004 filing. A ruling on Phase 2 will be made after Northern has made its required Phase 1 report and parties have had an opportunity to consider what, if any, modifications should be made to Northern's proposal.

44. Given this ruling, we will deny ONEOK's request for the Commission to convene a technical conference as unnecessary. We also find that Northern's Answer makes it clear that capacity segmentation will be subject to Northern's existing tariff provision implanting the Commission's *CIG/Granite State* discount policy and so VPEM's concern has been adequately addressed. With respect to the LLDCC's request that any additional capacity segmentation required by the Commission be paid for by the shippers who would benefit, we find that it is premature to make such a determination now. As a general matter, the Commission believes that all shippers benefit from the greater competition made possible by segmentation. However, parties may raise this issue at such time as the Commission considers additional segmentation on Northern's system.

Market Area Segmentation

[11] 105 FERC ¶ 61,174 at P 17.

45. On April 8, 2004, Northern notified the Commission that it would be ready to implement Market Area segmentation effective June 1, 2004. The October 31 Order approved Northern's Market Area segmentation with an effective date to be determined, since Northern was working to make the system changes necessary to implement Market Area segmentation.

46. Northern states that during the process of developing the system changes to implement Market Area segmentation, it has determined that certain additional administrative tariff clarifications and changes are required to properly implement Market Area segmentation. As a result, Northern has filed proposed tariff sheets which, in the case of Tariff Sheet No. 305, provide clarifying language, and in the case of Eleventh Revised Sheet No. 2, add new forms of service agreements to the Table of Contents. The remaining tariff sheets reflect new forms of throughput service agreements that are being created to provide for separate segmentation service agreements. Those agreements are linked to the base service agreements that the shipper has segmented and provide that the primary receipt and delivery points on the segmented agreements must be the same points as on the base contract and that discounting provisions in the base contract apply to the segmented contracts as well, unless otherwise agreed to by the parties in writing. No party filed comments or protested this filing.

47. The Commission accepts the Market Area tariff sheets to be effective September 1, 2004, the same date Field Area segmentation will take effect, since the proposed tariff sheets are in accordance with the Commission's regulations.

Imbalance Services and Penalties

48. In the October 31 Order, the Commission accepted Northern's revised Preferred Daily Delivery (PDD) service. In so doing, the Commission noted that it had not prejudged either the structure or level of the PPD rate, which the Commission stated could be challenged in Northern's section 4 rate proceedings.[12] Northern's December 1, 2003 compliance filing reflects the rates resulting from Northern's pending rate proceeding in Docket No. RP03-398. Other tariff sheets are being revised to add the PDD Rollover Charge to the PDD Service Agreement Appendix and to add other PDD provisions related to rates and inventory balances, consistent with other service agreements. No parties filed comments on this aspect of Northern's compliance filing.

49. The Commission accepts these tariff sheets, again with the admonition that the rate levels are subject to the outcome of Northern's section 4 rate proceeding. The other changes proposed by Northern are merely conforming in nature and, absent any objection, are approved.

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[12] *Id.* at P 117.

Point Variances on Northern's System

50. Regarding scheduling variances at delivery points, Northern's firm shippers are required to take daily volumes at their delivery points as close to daily scheduled volumes as possible. If the shipper does not conform to this requirement, it is subject to a charge for additional volumes taken or for its deficiency in takes. This charge is called the Deferred Delivery Variance Charge (DDVC). In the October 31 Order, we rejected Northern's proposal to set the Positive, Negative, and Punitive DDVC during normal operations at the maximum winter Market Area interruptible transportation rate under Northern's Rate Schedule TI in both winter and summer. Since Northern's maximum Rate Schedule TI rate is lower in the summer than the winter, the Commission held that the DDVC charge during normal operations in the summer should be the maximum Rate Schedule TI rate applicable in the summer. Northern has proposed revised tariff language specifying that the DDVC during normal operating conditions will be the maximum TI rate for the season the charge pertains to and it has removed the requirement that requires that offers for capacity release must contain the maximum firm commodity charge. Northern has adequately addressed the requirement of the October 31 Order and its proposal is accepted.

Penalty Crediting

51. Northern has proposed to credit its DDVC penalty revenues to those shippers who are potentially subject to incurring DDVC penalties. It proposes to allocate the credits to a shipper based on its proportionate share of the total volumes which may be subject to the DDVC penalties. However, for purposes of this allocation, it adjusts each shipper's volumes downward based on the shipper's proportionate share of the total DDVC penalties paid to Northern. This has the effect of giving shippers who incur DDVC penalties with respect to a larger than average portion of their throughput a proportionally smaller share of the penalty revenue credits.

52. The Northern Municipal Distributor Group and the Midwest Region Gas Task Force Association (jointly, NMDG/MRGTF)[13] asserted that this methodology would lead to unfair results for small customers, since they would presumably be paying a higher proportionate share of DDVC penalties and receiving less credits than larger customers. NMDG/MRGTF contends that larger customers generally have multiple delivery points within each zone. Since DDVC penalties are imposed on a shipper's net variance from

[13] NMDG/MRGTF consists of numerous small municipal-distributor and local distributor customers of Northern, located in Iowa, Michigan, Minnesota and Wisconsin.

scheduled amounts at all its delivery points in a zone, NMDG/MRGTF contends that larger customers are able to mitigate their DDVCs by offsetting deliveries above scheduled amounts at one delivery point with deliveries below scheduled amounts at other delivery points. NMDG/MRGTF contends that small customers with only limited delivery points are unable to mitigate the incurrence of the DDVCs in this manner. To demonstrate this, they asked that Northern be required to provide a study to show how much DDVC charges and credits each shipper would incur under Northern's proposal.

53. Therefore, in the October 31 Order, the Commission required Northern to provide a study covering a recent 24 month period showing which shippers would have paid DDVC charges, how much each shipper would have paid and the amount of DDVC charge refund each shipper would have realized if Northern's proposed refund mechanism were in place during the period covered by the study.[14] On December 23, 2003, Northern filed such a study in Docket No. RP00-404-010, which shows that, based on the period October 2001 through September 2002, Northern's customers would have been paid and been credited with a total of $1,077,570.90 of DDVC penalty revenue had Northern's DDVC been in place during that time.

Comments

54. The NMDG/MRGTF protested the December 23 filing, while the LLDCC provided comments which requested additional information about the study. The NMDG/MRGTF asks the Commission to modify the penalty crediting mechanism as it believes that the study shows that small customers pay a disproportionately large amount of DDVC penalties and receive a disproportionately small amount of DDVC dollar credits. The NMDG/MRGTF states that it also appears "Northern's formula rewards those customers with large amounts of scheduled volumes, even if those customers are also responsible for a large portion of the DDVCs paid." Therefore, the NMDG/MRGTF asks for an adjustment to the mechanism to eliminate what it believes to be the bias against small customers contained in the mechanism. It also asks the Commission to consider permitting the parties to explore if there are better ways to fairly distribute the penalty revenues.

55. The LLDCC says its review of the study raises additional questions to be answered. It states the study is not clear if the penalty revenues to be credited back to shippers are based on the shippers' scheduled volumes that are potentially subject to penalties or based on all the shippers' scheduled volumes, including those that are exempt from incurring DDVC penalties. The LLDCC submits that for some shippers the difference can be significant. The LLDCC states that the Commission should require Northern to clarify that shippers will only be eligible for credits on scheduled volumes

[14] *Id*. at P 170.

that are potentially subject to DDVC penalties and also require Northern to define, in its tariff, the volumes eligible for purposes of the DDVC crediting mechanism.

56. The LLDCC asks that if the study does reflect total scheduled volumes, rather than scheduled volumes at risk to incur a penalty, then a revised study should be submitted which reflects all scheduled volumes, exempt from penalty (DDVC and curtailment) scheduled volumes, and net scheduled volumes. The LLDCC also asks that Northern provide an explanation as to the reason for including those scheduled volumes which are exempt from these penalties. The LLDCC also states that it is unclear what role Field Area Scheduled Volumes play in the crediting mechanism. It asks that Northern include in its tariff the specific criteria it uses for including and excluding shippers from the mechanism. Further, with respect to the study, the LLDCC notes that at least one market area local distribution company shipper appears to be omitted from the study. The LLDCC asks why this shipper and perhaps other market area shippers which Northern should identify, were excluded. The LLDCC also raises the issue of the level of rounding used in the study and it asks Northern to explain how it will round when it implements the crediting mechanism. Finally, the LLDCC asks the Commission to consider whether the Market and Field Areas are distinctive enough to warrant each area having its own allocation of the credit revenues to its respective group of shippers.

<u>Commission Ruling</u>

57. The study provided by Northern in Docket No. RP00-404-010 generally confirms that, if Northern's crediting proposal had been in effect during the past period covered by the study, small shippers would have received a proportionately smaller share of the penalty credits than their share of overall throughput potentially subject to DDVC penalties than the larger shippers, and therefore would receive proportionally less of the total DDVC credits than the larger shippers. However, this is because, as a class, those shippers incurred DDVC penalties with respect to a greater proportion of their throughput than did other shippers. The Commission has found that Northern's DDVC charges provide an effective management tool whose purpose is to protect system integrity by encouraging shippers to keep their takes close to scheduled amounts. This is illustrated by the fact that, since the DDVC was implemented almost ten years ago, Northern has not had to call any Critical Day operating condition.[15] Shippers who schedule deliveries at several points only incur DDVCs based on a netting of their overtakes and undertakes at all the scheduled delivery points, to the extent their overall takes at all the delivery points vary from the overall amount they scheduled at those points. This netting of overtakes and undertakes at individual points is allowed because a shipper generally does not cause operational problems for the pipeline when its overall takes from the system

[15] 101 FERC ¶ 61,203 at P 168.

equal its overall scheduled takes, even though it may have taken more than it scheduled at one point while taking less than it scheduled at another point. However, if a shipper schedules deliveries at only one point and then actually takes a substantially different amount at that point, it can cause operational problems.

58. Thus, to the extent a large shipper uses multiple zone delivery points and its overtakes at one point are offset by undertakes at another, the DDVC for the larger shipper should be less than the DDVC for a smaller shipper who actually took a significantly different amount than it scheduled at a single point. That is, if a shipper has not caused a problem, the shipper should not pay DDVCs, whereas if it has it should pay a DDVC. Moreover, small shippers receive special treatment with respect to incurrence of these charges. In our October 31 Order, we stated: "…Northern …provides special treatment for Small Customers with respect to DDVC charges. Northern waives these charges within a tolerance of the greater of 650 MMBtu or 5%. If small customers keep imbalances within the tolerance level, they will not be subject to DDVC charges."[16]

59. Thus, to the extent the small shippers are responsible for problems on Northern's system, they should incur DDVCs for those problems. That they then might receive proportionately less penalty credit revenues after Northern's crediting proposal goes into effect than the larger shippers who have not caused problems on the Northern system, is consistent with Commission policy, which requires that any penalty revenues received by the pipeline be credited back to the pipeline's customers, preferably on a basis that recognizes that those shippers who incurred the penalties would receive less of the credit than those shippers who did not incur such penalties.[17] Northern's proposed crediting does just that, and it is therefore reasonable.[18]

[16] *Id*. at P 171.

[17] *See, e.g.*, Order No. 637, III FERC Stats. & Regs., at 31,314-19; Texas Eastern Transmission, L.P., 98 FERC ¶ 61,215 (2002); Algonquin Gas Transmission Co., 98 FERC ¶ 61,121 (2002).

[18] NMGD/MRGTF's contentions about the operation of the DDVC crediting mechanism to the disadvantage of small customers is generally the same as those customers contentions about being exempt from penalties generally. We answered such contentions in our earlier orders and address those contentions, infra, in this order in discussing requests for reconsideration, clarification and rehearing. No purpose would be

60. As noted above, the LLDCC requested that the Commission require that Northern clarify its proposed crediting mechanism to reflect that shippers will only be eligible for credits on scheduled volumes that are potentially subject to DDVC penalties, and contends that Northern should be required to define, in its tariff, the volumes eligible for crediting under the DDVC crediting mechanism. We agree with the LLDCC, and therefore require that Northern so clarify its proposal and specify in its tariff the volumes eligible for crediting. Factual issues such as those other issues raised by the LLDCC about the specifics of the study (e.g., exclusion of certain shippers, and the level of rounding) may be addressed if concerns are expressed about Northern's refund reports after its proposal is implemented. Other issues raised by the LLDCC concerning its uncertainties about the operation of Northern's DDVC mechanism should also be clarified by Northern when it files its refund report.

Requests for Reconsideration, Clarification and Rehearing

61. Prior to Northern's April 1 filing, DETM and VPEM filed requests for reconsideration and/or clarification of the Commission's October 31 Order. Both of these filings were made beyond the time for filing requests for rehearing. DETM claims that the Commission erred in the October 31 Order (1) by accepting Northern's "over-broad proposal to deny segmentation requests between pooling points," and (2) by allowing Northern to demand that any shipper with multiple receipt or delivery points on its contract must first amend its contract into multiple contracts, each specifying a single primary receipt and delivery point pair. DETM asks that the Commission clarify its October 31 Order to reflect that Northern will not be permitted to treat nominations made using segmented capacity differently from nominations made using non-segmented capacity, and to clarify that Northern cannot misuse its right to suspend or restrict segmentation rights to either end-run its generally applicable scheduling and curtailment priorities or to suspend or terminate the use of segmented firm capacity once that capacity has properly been created under Northern's contract amendment process.

62. VPEM states that, until Northern had filed its preliminary segmentation proposal to comply with the Commission's October 31 Order it had not recognized certain fallacies inherent in Northern's segmentation proposals, and that it had not sought rehearing because of this confusion. VPEM seeks reconsideration of the Commission's earlier decision to allow Northern a 20-day review period for segmentation requests in any portion of the field area; to allow any restrictions on outside-the-path segmentation and to allow Northern to implement a "one-foot-in-bounds" rule; and to permit Northern to require shippers with multiple primary receipt and/or delivery points to amend their contracts prior to segmentation.

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served in repeating here what we have said earlier or in the subsequent section of this order.

63. Unlike DETM and VPEM, NMDG/MRGTF filed a timely request for rehearing of the October 31 Order. NMDG/MRGTF seeks rehearing of a single issue: whether shippers that lack real-time metering should be exempt from certain penalties.

Commission Ruling

64. Both of the requests for reconsideration are in the nature of requests for rehearing of the Commission's October 31 Order concerning the issue of Field Area segmentation. Neither was filed within the thirty-day time frame set out in section 19(a) of the Natural Gas Act [19] and Rule 713 of the Commission's Rules of Practice and Procedure.[20] DETM provided no rationale for failing to seek rehearing of the Commission's October 31 Order, even though it seeks reconsideration of what it claimed were errors by the Commission. While VPEM indicated that it had not filed a request for rehearing, it claimed that it had not been clear what Northern perceived to be the effect of the October 31 Order until Northern filed a Field Area segmentation plan on December 1, 2003, an early attempt to comply with that order. However, the Commission notes that the issues upon which VPEM seeks reconsideration were thoroughly set forth in VPEM's and others' pleadings that were before the Commission when it issued the October 31 Order. After the filing of these requests for reconsideration, on April 1, 2004, Northern filed a new field segmentation plan. Both DETM and VPEM have filed protests and/or comments on the new field segmentation proposal. It is this new plan which the Commission is considering in this order. Since both parties have had an opportunity to make their positions clear with respect to Northern's Field Area segmentation proposal, no purpose would be served by responding to the requests for reconsideration which were aimed at the October 31 Order. Therefore, the requests for reconsideration of the Commission's October 31 Order are denied.

65. In the October 31 Order, the Commission considered the numerous arguments of NMDG/MRGTF seeking an exemption from imbalance penalties for those shippers who lack real-time metering equipment. NMDG/MRGTF continue to argue that those customers should be exempted from the tiered imbalance penalties, so that their imbalances would be cashed out at 100 percent of the applicable index prices regardless of how much excess gas they either take from, or leave on, the system. These concerns were addressed in the context of NMDG/MRGTF's request for rehearing of the Commission's November 21 Order on Northern's compliance with Order No. 637. The NMDG/MRGTF request for rehearing of the rehearing contained in the October 31 Order primarily reiterates arguments that were considered by the Commission in its November

[19] 15 U.S.C. 717r (a) (1994).

[20] 18 C.F.R. § 385.713 (2003).

21, 2002 and October 31, 2003 Orders. We are not convinced by the reiteration of these arguments to modify our determinations set forth in these orders with respect to the exemption of shippers who lack real-time metering from Northern's penalty structure. Rehearing is denied on this matter.

66. As we held in the October 31 Order, NMDG/MRGTF has not met its NGA section 5 burden to demonstrate why Northern's existing tariff should be changed to exempt small customers without real time electronic flow metering from tiered imbalance penalties. In its instant rehearing request, NMDG/MRGTF contends that the Commission erred in imposing a section 5 burden on it, arguing that Northern should have the burden on demonstrating that its existing tariff complies with the requirements of the new regulations adopted by Order No. 637. However, as the Commission explained in Order No. 637-A, Order No. 637 "did not make a section 5 determination that any particular pipeline's penalty provision is, in fact, unjust and unreasonable. Any section 5 determination will be made in the individual pipeline compliance filings, and such determinations will be made on specific findings that the existing penalty provisions are unjust and unreasonable, and the replacement provisions are just and reasonable."[21] Northern's existing tariff imposes tiered imbalance penalties on all shippers for imbalances in excess of the greater of 1000 MMBtu or 3 percent. Therefore, changing that provision to exempt shippers without real time metering from any imbalance penalties would require Commission action under NGA section 5.

67. NMDG/MRGTF has sought to justify its section 5 proposal by pointing out that Order No. 637 states:

> To the extent that pipelines generally justify the imposition of penalties for non-critical days, the pipeline should not impose such penalties on shippers where the existing metering equipment does not provide the shipper with sufficiently accurate information about its imbalance status that the shipper can take actions to avoid the penalty. During non-critical periods, to the extent a pipeline can justify having a penalty at all, the pipeline will only be allowed to impose penalties in the time frames comparable to the information it collects and disseminates to shippers, and for which reasonable notice and opportunity to cure overruns and imbalances is given. For example, if shippers are given information about their overrun and imbalance status on a daily basis, daily tolerances and penalties may be adopted. However, if shippers are given this information only on a monthly basis, only monthly penalties may be imposed. This approach will provide the pipeline with the incentive to install upgraded metering equipment if controlling imbalances at

[21] Order No. 637-A at 31,608.

the point in question is important to the system.[22]

68. NMDG/MRGTF contends that the only metering equipment at many of the small customers' delivery points is Rotary Chart Meters, which only provide a reading as to the pipeline's deliveries to the customer after the end of the month. Thus, NMDG/MRGTF contends, such customers are not given sufficient information to permit them to cure any imbalances before the end of the month.

69. However, as the October 31 Order explained,[23] the Commission has not, in any Order No. 637 compliance proceeding, required the pipeline to limit tiered imbalance penalties only to customers with real time metering. Although shippers without real time metering at their delivery points may not have the benefit of exact readings as to their takes at the delivery point on a daily basis during the month, the pipeline does notify them of the volumes that were actually scheduled for each shipper at the end of each gas day. Northern has adopted General Standard 1.3.3 of the North American Energy Standards Board as a part of section 28 of the General Terms & Conditions of Northern's tariff. The relevant part of section 28 states: "At the end of each gas day, Northern should provide the final scheduled quantities for the just completed gas day. With respect to the implementation of this process…, Northern should send an end of gas day Scheduled Quantity document."[24]

70. The October 31 Order stated that this information should be sufficient to allow shippers without real time electronic metering to determine their imbalance status throughout the month. As part of their own business operations, small customers should have a sufficient idea of how much gas they are using to serve their customers to determine whether their takes have substantially differed from the scheduled amounts. The shipper in arrears either in receipts or deliveries would then have the balance of that month to get in balance. Therefore, small shippers who receive this end of day Scheduled Quantity document should have sufficient time to make up for any overages or underages in order to stay within Northern's tolerance levels. This is particularly so for small customers, in light of the fact the tolerance before penalties are incurred is the greater of 1,000 MMBtu or 3 percent.

71. While NMDG/MRGTF again explains the deficiencies of Rotary Chart Meters, it does not address the holding in the October 31 Order that the scheduling and

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[22] Order No. 637 at 31,317.

[23] 105 FERC ¶ 61,174 at P 120.

[24] *See* section 28 of Northern's General Terms & Conditions, Fifth Revised Volume No. 1, Sixth Revised Sheet No. 260.

confirmation process gives the small shippers sufficient information to manage their imbalances during the course of a month so as to minimize the incurrence of penalties. NMDG/MRGTF's rehearing request contains no discussion of why the information Northern gives each shipper at the end of the gas day is insufficient for this purpose. Moreover, NMDG/MRGTF does not point to any other information in its rehearing request to buttress its assertion that small customers have such extraordinary difficulty staying in balance that they should be exempted altogether from imbalance penalties. For example, NMDG/MRGTF has not shown that small customers, in fact, incur substantially more imbalance penalties than larger shippers. The Commission concludes that NMDG/MRGTF has not shown that Northern violates the policy set forth in the Order No. 637 preamble that "the pipeline will only be allowed to impose penalties in the time frames comparable to the information it collects and disseminates to shippers, and for which reasonable notice and opportunity to cure overruns and imbalances is given." Northern does disseminate at least some information on a daily basis to all shippers, even if it does not provide real time metering to all shippers. That Order No. 637 allowed monthly imbalance penalties even in the absence of real time metering is shown by the fact the language relied on by NMDG/MRGTF includes the sentence: "However, if shippers are given this information only on a monthly basis, only monthly penalties may be imposed."[25] This language clearly contemplates the possibility that a pipeline can impose monthly imbalance penalties, even if metering information is provided only monthly.

72. Even apart from NMDG/MRGTF's failure to show that Northern fails to provide adequate information to shippers without real time metering, NMDG/MRGTF has also failed to show that its proposed remedy of exempting shippers without real time metering entirely from imbalance penalties is just and reasonable. A shipper's imbalances may not only potentially cause operational problems, they can also hurt other customers by causing an increase in Northern's System Balancing Account (SBA), thereby leading to an increase in the SBA surcharge paid by all customers. It was for that reason that the Commission approved Northern's proposal in Docket No. RP03-398-000, a Northern section 4 proceeding, to modify the index price used in cashing out imbalances to make it more difficult for shippers to game the cash-out mechanism by incurring imbalances for the purpose of arbitrage.[26] Exempting shippers without real time metering from any imbalance penalties could exacerbate these problems. Thus, a lesser remedy, such as an

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[25] Order No. 637 at 31,317.

[26] *See* Northern Natural Gas Co., Docket Nos. RP03-398-004, et al., Order on Rehearing, Clarification and Compliance, 107 FERC ¶ 61,252 at P 16-17 (2004), denying rehearing of the Commission's October 31, 2003 Order accepting Northern's proposal, 105 FERC ¶ 61,172 at P 80 (2003).

increased tolerance level for shippers without real time metering, would have to be considered before requiring a complete elimination of imbalance penalties for this class of shipper. However, NMDG/MRGTF has not proposed such increased tolerance levels or provided any evidence upon which the Commission could assess the merits of particular increased tolerance levels.

73. Finally, NMDG/MRGTF contends that the October 31 Order improperly failed to address the impact of the contemporaneous order approving Northern's proposal to change the index price used to cash out imbalances.[27] However, all that the Commission approved was Northern's proposal to cash out monthly imbalances based on the highest or lowest weekly price during the month, rather than the average price for entire month.[28] Northern continues to penalize only a shipper's net monthly imbalances, and not its daily imbalances. Thus, shippers continue to have the same opportunity as before to offset an overtake in one day of the month with an undertake in another day of the month, so as to minimize the incurrence of a net monthly imbalance. As a result, there is nothing about the change in the calculation of the index price that requires Northern to provide a greater amount of information to shippers about their daily imbalances.

74. Moreover, Northern's customers can avail themselves of the numerous means of avoiding imbalances which would lead to penalties for violation of the take and/or delivery requirements in Northern' tariff. For example, customers have the ability to net and trade imbalances, and can utilize one or more of the several existing and new mitigation measures which Northern has provided to manage their imbalances. These new measures available to small customers include the Preferred Deferred Delivery service and the Auto-balancing option, as discussed in our October 31 and November 21 Orders.[29]

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[27] NMDG/MRGTF request for rehearing, dated November 28, 2003, at pp. 11-12.

[28] See 105 FERC ¶ 61,172 (2003) at P 80.

[29] In its rehearing request at p. 13, NMDG/MRGTF contends that the Commission erred in concluding that the Northern Customer Operational Team should be the forum in which to consider the issues raised by NMDG/MRGTF concerning imposition of penalties or exemption from penalties. NMDG/MRGTF notes that the Operational Team was disbanded some time back, as disclosed in a March 31, 2003 letter from Northern filed in Docket Nos. RP01-76, et al. However, as NMDG/MRGTF admits, the letter from Northern states that the Team would determine the need for any additional meetings on an ad hoc basis. There has been no indication that MDG/MRTGF has even sought such a meeting, and until it does and its request for a meeting has been rejected, we see no reason to pursue the matter further. See 105 FERC ¶ 61,174 at P 121.

75. For the foregoing reasons, rehearing is denied on this matter.

The Commission orders:

(A) The tariff sheets listed in the appendices to this order are accepted or rejected as moot, as indicated in the appendices.

(B.) The requests for reconsideration, clarification and rehearing are denied.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

Appendix A

Northern Natural Gas Company

FERC Gas Tariff, Fifth Revised Volume No. 1

Tariff Sheets Accepted Effective November 1, 2003

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2 Substitute 64 Revised Sheet No. 53
Fifth Revised Sheet No. 146
Tenth Revised Sheet No. 201
Substitute Second Revised Sheet No. 260A
Fourth Revised Sheet No. 263C
Fourth Revised Sheet No. 263D
Fourth Revised Sheet No. 266
Second Revised Sheet No. 270
Substitute First Revised Sheet No. 306

Appendix B

Northern Natural Gas Company

FERC Gas Tariff, Fifth Revised Volume No. 1

Tariff Sheets Accepted Effective January 1, 2004

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Seventh Revised Sheet No. 1
Ninth Revised Sheet No. 2
Sixth Revised Sheet No. 55
Fifth Revised Sheet No. 115
Fifth Revised Sheet No. 142
Original Sheet No. 142A
Original Sheet No. 142D
Original Sheet No. 142E
Fourth Revised Sheet No. 154
Eighth Revised Sheet No. 220
Eighth Revised Sheet No. 286
Eleventh Revised Sheet No. 287
Substitute Second Revised Sheet No. 444
Substitute First Revised Sheet No. 445

Appendix C

Northern Natural Gas Company

FERC Gas Tariff, Fifth Revised Volume No. 1

Tariff Sheets Accepted Effective September 1, 2004

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Eleventh Revised Sheet No. 2
Fourth Revised Sheet No. 305
First Revised Sheet No. 305A
First Revised Sheet No. 305B
First Revised Sheet No. 403A
First Revised Sheet No. 406
First Revised Sheet No. 407
First Revised Sheet No. 408
First Revised Sheet No. 409
Second Revised Sheet No. 410

Appendix D

Northern Natural Gas Company

FERC Gas Tariff, Fifth Revised Volume No. 1

Tariff Sheets Rejected

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Substitute Original Sheet No. 305A
Substitute Original Sheet No. 305B
Second Revised Sheet No. 305A