FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

April 6, 2007

In Reply Refer To:
Northern Natural Gas Company
Docket No. RP07-343-000

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

Attention: Mary Kay Miller, Vice President
Regulatory and Government Affairs

Reference: Request for Waiver and Revised Rate Schedule FDD Tariff Provisions

Ladies and Gentlemen:

1. On March 9, 2007, Northern Natural Gas Company (Northern) filed revised tariff sheets[1] to revise the authorized overrun charges and account balance transfer provisions under its Rate Schedule Firm Deferred Delivery (FDD) storage service. In addition, Northern requests waiver of its current tariff governing the crediting of authorized overrun charges already billed to certain shippers to allow Northern to refund the charges. Northern requests the Commission permit the revised tariff sheets to become effective April 9, 2007. For the reasons discussed below, the Commission denies Northern's waiver request and accepts the revised tariff sheets, effective April 9, 2007, as proposed.

2. Paragraph 2.B of Rate Schedule FDD in Northern's tariff provides shippers with several options for firm storage service. A FDD shipper has an annual right to select one of three types of withdrawal options: Gas-In-Place, 4-Step Withdrawal or 3-Step Withdrawal. Paragraph 2.B also provides for authorized overrun charges when the FDD shipper's account balance is greater than or less than the parameters specified in its service agreement at certain times of the year. Furthermore, Paragraph 2.F of Rate Schedule FDD provides that a shipper may transfer account balances among accounts in the event the shipper has multiple FDD service agreements.

[1] Tenth Revised Sheet No. 135, Sixth Revised Sheet No. 136 and Sixth Revised Sheet No. 138 to its FERC Gas Tariff, Fifth Revised Volume No. 1.

3. Northern proposes two changes to its FDD tariff provisions. First, Northern revises Paragraph 2.B to provide that, in the event a shipper has multiple FDD service agreements, Northern will net the account balances for all of a shipper's service agreements before determining the appropriate authorized overrun charges, provided that the shipper has elected the same withdrawal option (either Gas-In-Place, 4-Step Withdrawal or 3-Step Withdrawal) for each of the service agreements. Northern states that this netting will reduce authorized overrun charges for the shipper with offsetting balances in other FDD accounts. Northern will perform the netting of contracts when it applies its service fees which coincide with the three periodic service parameter requirements, *i.e.*, August 31, January 31 and March 1.

4. Second, Northern clarifies Paragraph 2.F of Rate Schedule FDD to provide that, if a shipper has multiple FDD service agreements, the shipper may transfer account balances between accounts only if the shipper previously elected the same withdrawal option for each service agreement involved. Northern states that allowing otherwise provides shippers a mechanism to circumvent the limitations on changing withdrawal options during a withdrawal season. Northern argues that shifting between service types, within a withdrawal season, could cause shippers' aggregate peak day withdrawal requirements to exceed Northern's capability, increasing the risk on Northern and its other FDD shippers.

5. Northern states that it billed three shippers authorized overrun charges for their January 31, 2007, balances under its currently effective tariff. Northern contends that if the proposed tariff revision had been in effect, it would not otherwise have charged these shippers for overruns. Northern states that Northern States Power Company – Minnesota (NSP-MN), Northern States Power Company – Wisconsin (NSP-WI) and Aquila, Inc. (Aquila) were billed $67,234.69, $2,461.25 and $2,133.32, respectively. If the Commission approves its proposed tariff revision, Northern requests the Commission grant waiver of its tariff and allow it to credit or return overrun charges to the affected FDD shippers for their January 31, 2007, and March 1, 2007, balances.

6. The Commission noticed Northern's filing on March 15, 2007. Interventions and protests were due March 21, 2007, as provided in section 154.210 of the Commission's regulations (18 C.F.R. § 154.210 (2007)). Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. On March 21, 2007, Northern Municipal Distributors Group and the Midwest Region Gas Task Force Association (NMDG/MRGTF) filed a motion to intervene and protest. In addition, on March 21, 2007, NSP-MN and NSP-WI (jointly, the NSP Companies), filed a motion to intervene in support of Northern's filing.

7. In its protest, NMDG/MRGTF argues that there are two issues raised by Northern's instant filing. NMDG/MRGTF states that there is a question about the impact the proposal will have on system operations or the operations of other shippers. NMDG/MRGTF submits that Northern observes that if its filing is approved, authorized overrun charges for those shippers able to net their balances would be lower. However, NMDG/MRGTF argues that Northern does not demonstrate that the current charges are excessive, nor does it explain why this departure from longstanding tariff provisions is required. NMDG/MRGTF believes the Commission should require Northern to address whether there are any operational concerns or deleterious effects on other shippers resulting from its proposal.

8. Furthermore, NMDG/MRGTF asserts that Northern failed to explain why a waiver of the *current* tariff provisions is in order (particularly in light of the fact that the shippers that Northern seeks to benefit could not have known about the instant filing during January 2007), nor has it explained why its proposed tariff – if approved – should apply on a retroactive basis.

9. NMDG/MRGTF continues that generally, the Commission grants waivers of tariff provisions where circumstances demonstrate that the transgression was beyond the control of the shipper. NMDG/MRGTF submits that Northern apparently is asking for waiver of current tariff provisions solely because it is now proposing new tariff provisions that are different than the current tariff provisions.

10. Therefore, NMDG/MRGTF requests that the Commission either reject Northern's filing, or, in the alternative, order Northern to address the potential operational issues associated with its proposal and reject Northern's request to retroactively apply the proposed tariff, assuming the tariff change is approved.

11. NSP Companies support Northern's proposed tariff changes and request for waiver. NSP Companies state that Northern's proposed revision to Paragraph 2.B of the FDD Rate Schedule, which allows shippers with multiple FDD service agreements to reduce authorized overrun charges through the netting of account balances for all of the shipper's service agreements, is consistent with the Commission's policy against the imposition of penalties except where needed to deter shippers from engaging in behavior that could undermine the pipeline's ability to meet its service obligations. NSP Companies state that Northern's proposed revision to Paragraph 2.F of the FDD Rate Schedule is appropriate to allow the shipper to transfer account balances between accounts only if the shipper has selected the same withdrawal option for each of the service agreements involved.

12. The Commission finds that Northern's proposed tariff provisions increase flexibility of FDD shippers on a not unduly discriminatory basis and therefore accepts the revised tariff sheets, to become effective April 9, 2007, as proposed. Pursuant to section

4 of the Natural Gas Act (NGA), one need not show that the existing provision is no longer just and reasonable, as one would be required if mounting a challenge to the existing provisions under section 5 of the NGA. It is sufficient for Northern to show that the new provisions are just and reasonable. NMDG/MRGTF's concerns regarding the potential harm the new provisions may cause shippers who cannot net account balances are too speculative and inchoate. Allowing a shipper to transfer account balances between accounts only if the shipper has elected the same withdrawal option for each of the service agreements involved is a reasonable approach, consistent with the Commission's penalty policies.

13. With regard to Northern's waiver request, however, the Commission is not persuaded that good cause exists to grant waiver of the current tariff. Since the existing provisions are reasonable as well and Northern applied them in a not unduly discriminatory manner, absent a showing that some unusual situation beyond the shipper's control caused the incurrence of the penalties, there is no basis for waiving them. Accordingly, the Commission denies Northern's request for waiver.

By direction of the Commission.

Philis J Posey,
Acting Secretary.

Cc: All Parties

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